



MUTUAL FUNDS

ANNUAL REPORT 2020-2021

ASSETLINE

Assetline Capital (Pvt) Limited

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ANNUAL REPORT 2020-2021**

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1. Corporate Information

Assetline Mutual Funds: *Assetline Income 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

Mr. N. D. P. R. Kalyanaratne

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

The Vision

To become the preferred unit trust and investment manager providing optimal returns on different risk profiles for its clients.

The Mission

Increase client wealth through prudent decision making and capitalizing on market opportunities, inspired by a dedicated team that is committed to excellence.

Manage portfolios by identifying different risk profiles of clients in a well-controlled and monitored environment.

Build a professional and motivated team to cater to different client requirements.

The 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, leisure 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).

Assetline Mutual Funds caters to the varying risk- return appetite of the investors via Assetline Income Fund (AINF) and Assetline Income Plus Growth Fund (AIGF). AINF caters to investors with a short term investment time horizon and carefully focusses investments in Fixed Income Securities. AIGF aims at maximizing the portfolio return by selective investments in Listed equities and Fixed income Securities.

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 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 investment time horizon.

	Assetline Income Fund	Assetline Income Plus Growth Fund
Inception Date	11-07-2014	11-07-2014
Dividend Pattern	Irregular	Irregular
Front-end Fee	NIL	1%
Trustee Fee	0.225% p.a.	0.22% p.a.
Management Fee	0.5% p.a.	1% p.a.
Custodian Fee for the Total Fund	Rs. 25,000/- per month	Rs. 25,000/- per month
Exit Fee	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 eight other companies within the David Pieris Group.

Ms. Parakrama counts to over 29 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 presently, holds directorship positions in nine other group companies within the David Pieris Group including the David Pieris Motor Company (Pvt)Ltd and currently, the General Manager Treasury Operations of David Pieris Holdings (Pvt) Ltd and heads the Group Treasury Operations.

Mr. De Silva joined David Pieris Motor Company 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 a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka.

Mr. Sidath Kalyanaratne



Mr. Sidath Kalyanaratne was appointed as a Director of Assetline Capital (Private) Limited, on 16th June 2020. He also holds the position of Deputy General Manager, Group New Business Initiatives and Research at David Pieris Holdings (Private) Limited.

Mr. Kalyanaratne joined David Pieris Motor Company (Private) Limited in 2017 as a Deputy General Manager/Group Head of Research. Subsequently, Mr. Kalyanaratne was entrusted with the responsibilities of the Group new business initiatives. He was also responsible for setting up the group enterprise risk management framework, during which time he also functioned as the Group Head of Risk. Before joining the David Pieris Group, Mr. Kalyanaratne worked as the Vice President at NDB Securities. He has also worked as an Investment Manager focusing on emerging markets, for a boutique investment advisory company based out of Dubai.

Mr. Kalyanaratne is a Chartered Financial Analyst (CFA). He is also a passed finalist of Chartered Institute of Management Accountants, UK and holds a BSc (Hons) degree in Electrical Engineering from the University of Moratuwa.

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 with over 23 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.

Mr. Perera is an Associate Member of Institute of Bankers of Sri Lanka and holds ACI (Paris) Dealing Certificate. He has the Post Graduate Executive Diploma in Bank Management and Diploma in Treasury & Risk Management (IBSL) and is currently reading for the International Certificate in the Wealth & Investment Management. He is also the resource person for Professional Diploma in Treasury & Financial Markets conducted by The Corporate Campus.

Mr. Sasiranga Darshana, Manager Treasury Operations

Mr. Sasiranga Darshana joined the Company as the Manager Treasury Operations of Assetline Capital (Private) Limited, in September 03, 2018.

Mr. Sasiranga has proven track record in Financial Markets with over 14 years of experience in the areas of Fund Management, Treasury Management, Investment Management and Bank Operations. Prior to joining Assetline Capital, he worked in the, Treasury Dealing Room at Seylan Bank PLC and gained extensive experience in bank's cash flow management, liquidity management, FX operations, speculative trading, Commodity (gold) operations and Nostro Funding.

Mr. Sasiranga is an Associate Member of Institute of Bankers of Sri Lanka and holds a Master of Science in Applied Finance from University of Sri Jayewardenepura. He has a Post Graduate Executive Diploma in Bank Management, Diploma in Credit Management and Diploma in Treasury & Risk Management (IBSL) and is currently reading for International Certificate in the Wealth & Investment Management.

Ms. Sandani Molligoda, Assistant Manager Risk & Compliance

Ms. Sandani Molligoda joined Assetline Capital (Pvt)Ltd as Assistant Manager Risk and Compliance in July 2019.

Ms. Molligoda has over seven yearsexperience within the Assetline Group in the areas of Risk and Compliance. She was employed at Assetline Leasing Company Limited i prior to moving to Assetline Capital (Pvt) Ltd where she gained exposure in Regulatory Compliance, Internal Policy Compliance, Risk Management, Finance and Accounting and Margin Trading Operations.

Ms. Molligoda is an Associate Member of the Chartered Institute of Management Accountants (UK) and holds a Masters Degree in Business Administration from the University of West London (UK). She has also completed a Diploma in Commercial Law from the University of Colombo and is currently reading for the Professional Diploma in Treasury & Financial Markets at the The Corporate Campus and The Diploma in Compliance from IBSL.

6. Chief Executive Officer's Report

Dear Unit Holders,

It is with great pleasure that we forward our annual report for the year ended 31st March 2021.

It was a very challenging year for the Company as the country grappled with the fallout from the worst global crisis in almost a century. Negative GDP growth of -3.6% in 2020 made it the fifth consecutive subpar year, as the Country struggled to deal with ballooning debt repayments against the backdrop of the pandemic. The policy makers were forced into unprecedented directives to protect the currency and allow for repayments, despite a lack of tourism proceeds. The Government flooded the market with liquidity, further exacerbating the pressure on the rupee and reducing interest rates to historical lows.

As a result, the fund managers faced significant challenges in maximizing returns as bank Fixed Deposit rates (AWFDR) reduced by 35% YOY. The saving grace has been the equity market with the ASPI rising by 56 % from 01st of April 2020 to 31st of March 2021 allowing the AIGF to generate better than expected returns. The Assetline Income Fund and the Assetline Income Plus Growth Fund recorded a return of 7.18% and 21.02% for the financial year.

The year ahead will continue to be extremely challenging as the world and the country struggles to cope with the health and economic implications of the pandemic and the consequent 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 2020 to 31st March 2021. The fund managers investment strategy was developed in an environment where the Central Bank of Sri Lanka (CBSL) took several measures to ease interest rates in order to grant relief to the parties effected by the pandemic so as to encourage economic growth. The economic environment has never been more challenged than in FY 20-21.

The CBSL reduced key policy rates whilst introducing a debt moratorium and working capital loans at 4% for the sectors affected by the pandemic. The Standing Deposit Facility (SDF) and Standing Lending Facility (SLF) were reduced on four occasions by 175 bps whilst the Statutory Reserve Ratio (SRR) was reduced by 200 bps. As a result, the weekly AWPLR declining by 354 bps during the period under review, flooding the market with liquidity. Banks were encouraged to lend or deposit the excess in the CBSL window resulting in the market deposit rates to coming down to a historical low.

The Government laid emphasis on payments of foreign debt by curtailing imports and preserving foreign exchange whilst trying to stabilize the exchange rate. The fund managers had to face an environment with rapidly declining fixed income yields, negative performance of equity market with lockdown, shut down of CSE as well as negative GDP growth and the subpar performance of companies at the start of the financial year. However, subsequently excess liquidity, low-cost borrowings and political stability saw funds flow into the equity market, while positive investor sentiment was created. The Government also brought budget proposals which it hoped would develop the capital market further. Against this backdrop the ASPI and S & P SL 20 generated their highest-ever returns during the financial year but ending the financial year with some corrections. The equity market reported an increase of nearly 56% and 46% in the ASPI and S&P SL between 1st April 2020 and 31st March 2021.

Our Funds

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 a low to moderate risk appetite and a short-term investment horizon. The asset classes include corporate debt and bank fixed deposits for tenors less than one year.

AIGF is designed for investors with a high-risk appetite and a long-term investment horizon. The asset classes include corporate debt, bank fixed deposits and equity.

As at 31st March 2021, AINF & AIGF posted financial year yields of 7.18% & 21.02% and the numbers of unit holders were 981 & 117 respectively. The NAV of AINF was Rs. 5.8 billion whilst AIGF was Rs. 1.6 billion.

The investment strategy of investing in fixed income securities was to maintain a stable return for a maximum period and to avoid capital erosion. The funds were locked in mixed tenors up to two years in fixed income securities against the backdrop of reducing interest rates, whilst keeping adequate liquidity in money market accounts. The fund managers were very cautious when selecting counterparties due to dampened economic conditions and uncertainty, where they mainly interested in top tier banks.

The equity portfolio was gradually built up with the positive momentum in the equity market and after an in-depth analysis of stocks with a focus on shares that offset the low returns generated from fixed income through their dividend yields.

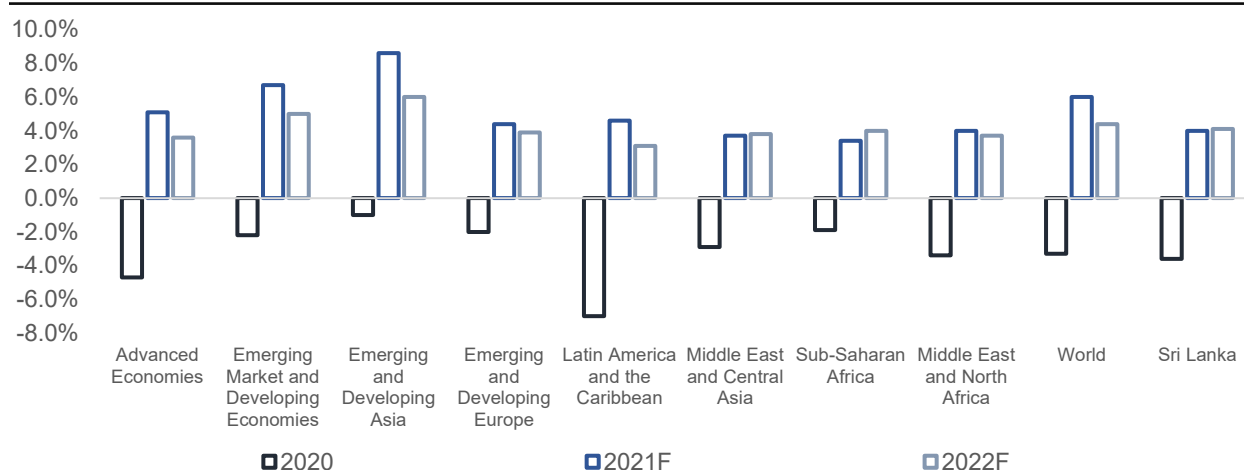
ECONOMIC EXPECTATIONS FOR 2021

Divergent recoveries amid high uncertainty

After an estimated contraction of 3.3% in 2020, the global economy is projected to grow at 6% in 2021, moderating to 4.4% in 2022. The contraction for 2020 is 1.1% less than that projected in the October 2020 World Economic Outlook (WEO) by International Monetary Fund (IMF), reflecting the higher-than-expected growth outturns in the second half of the year for most regions after lockdowns were eased and as economies adapted to new ways of working. The projections for 2021 and 2022 are 0.8% and 0.2% stronger than in the October 2020 WEO, reflecting additional fiscal support in a few large economies and the anticipated vaccine-powered recovery in the second half of the year. However, the strength of the projected recovery varies across countries, depending on the severity of the health crisis, the extent of domestic disruptions to activity, the exposure to cross-border spillovers, and importantly the effectiveness of policy support to limit persistent damage.

Source: [World Economic Outlook – April 2021](#)

Region Wise: Real GDP Growth



Source: IMF

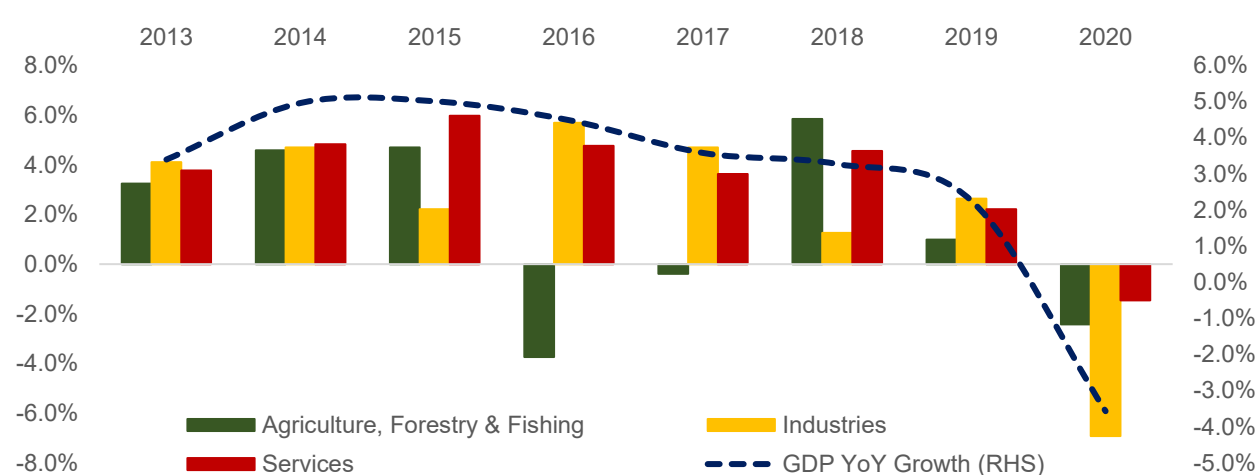
Stronger recovery than initially expected after lockdowns were eased in some large countries

As per WEO latest release forecasts, all emerging markets and developing economic regions were expected to rebound this year, including notably emerging and developing Asia after lockdowns were eased towards the end of 2020. However, the recent uptick in high COVID-19 caseloads in some large countries within the initial four months of 2021 (such as India, Indonesia and Malaysia) may put a lid on growth prospects of the region. Other major economies in the region are forecast to grow at modest rates,

including Bangladesh (5.0%), China (8.4%), Nepal (2.9%) Philippines (6.9%), Sri Lanka (4.0%), Thailand (2.6%) and Vietnam (6.5%) whilst Bhutan and Myanmar are forecast to experience contractions of -1.9%, and -8.9% respectively.

Source: *World Economic Outlook – April 2021*

GDP and Sectorial Growth from 2013 – 2020



Source: CBSL

Sri Lankan economy is expected to record a high growth momentum

The real GDP of Sri Lanka contracted by 3.6% YoY for the full year of 2020 in comparison to 2.3% of growth recorded in the 2019. The largest economic contraction since the beginning of GDP compilation in the second quarter of 2020, driven by disruptions during the mobility restrictions in the April to May period. As a result of these restrictions, a large proportion of the population, especially those in informal sectors and Micro, Small and Medium sized Enterprises (MSMEs), had to face severe difficulties. Certain other sectors had to implement novel changes to the working environment, where digital modes were commonly used to carry out their operations. However, despite the second wave of Covid-19 in the country, the Sri Lankan economy grew by 1.3% in the last quarter of 2020 from a year earlier. Supported by the growth conducive environment made possible by accommodative monetary and fiscal policies, the successful containment of the spread of COVID-19 locally, and the stronger than expected recovery of leading trading partners, the Sri Lankan economy is expected to record a high growth momentum in the medium term. However, the emerging Covid-19 cases seen in the island nation during the 1st month of the 2nd quarter calls for cautious optimism in the recovery momentum until a reasonable number of the population are vaccinated.

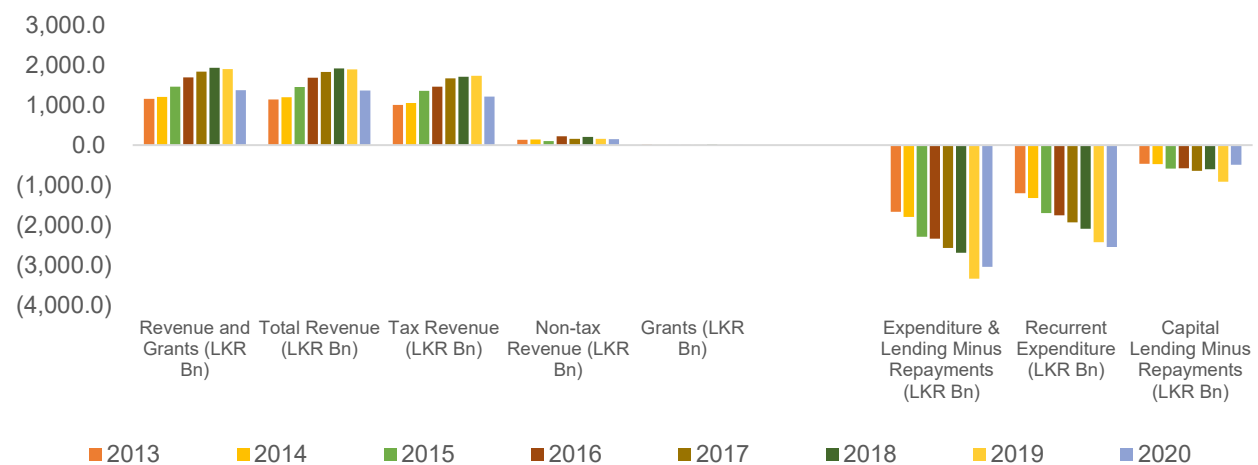
Source: *Monetary Policy Review – April 2021*

Domestic production-oriented economy may reduce the budget deficit over the medium term

The performance of the fiscal sector during 2020 was notably affected by the decline in Government revenues amidst the economic fallout. Hence, the budget deficit was financed entirely through low-cost domestic sources. This eased fiscal pressures to a great extent. The Government presented the Budget 2021 with a development orientation promoting the domestic production economy. Successful implementation of the Government's announced plans to reduce the budget deficit over the medium-term remains critical in ensuring macroeconomic stability and sustainability of public debt in the period ahead.

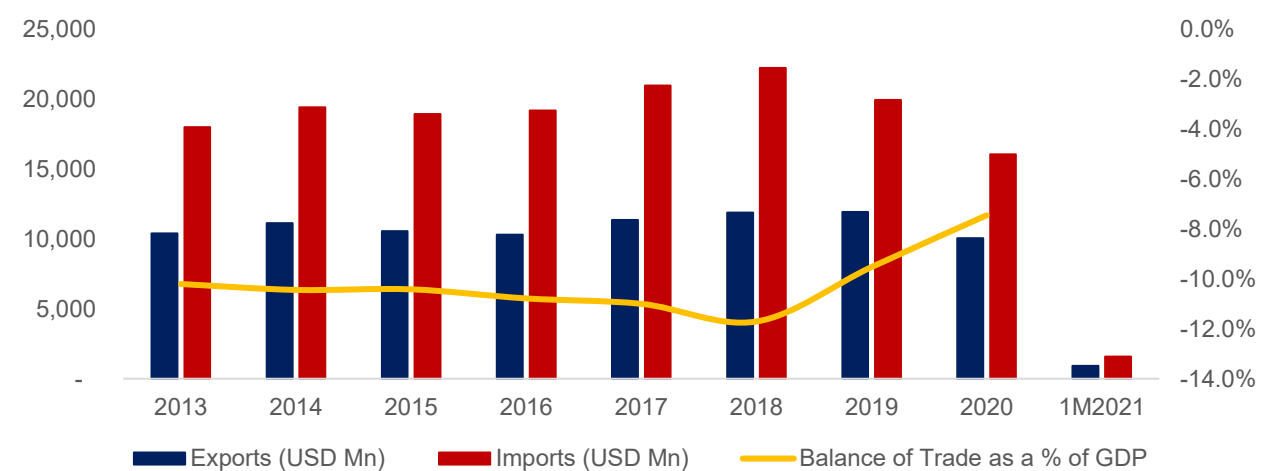
Source: Road Map 2021

Government Fiscal Operations from 2013 – 2020



Source: CBSL

Balance of Trade as a % GDP



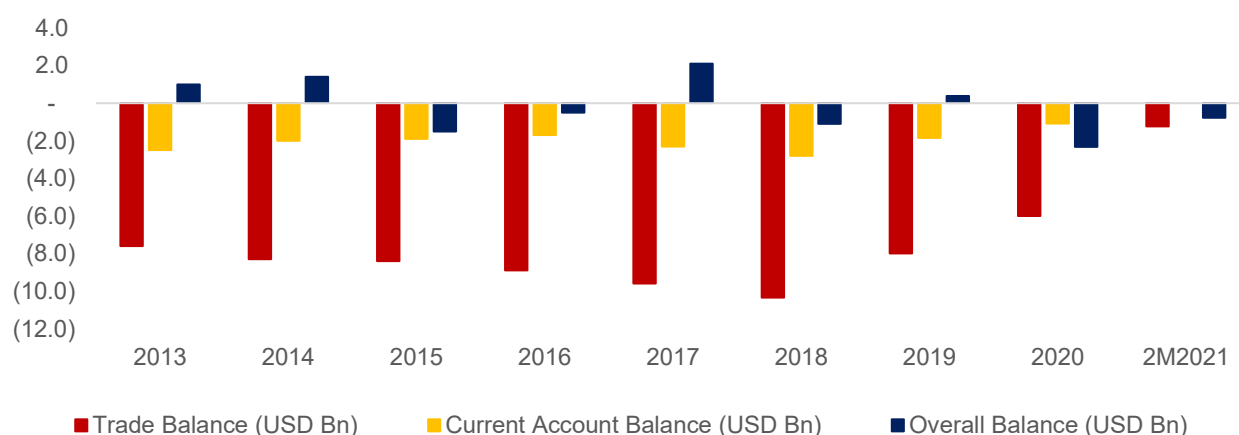
Source: CBSL

External sector has improved with the support of proactive policy measures

The external sector that was severely affected in the initial stages of the pandemic, had a notable rebound from mid-2020. Moreover, the pressure on the exchange rate and challenges in the external sector were alleviated due to proactive measures introduced to restrict non-essential merchandise imports and outward investment, lower global petroleum prices as well as larger than expected remittances from migrant workers. The trade deficit contracted with the reduction in merchandise imports in 2020, contributing to a strengthening in the external current account balance. The merchandise trade deficit continued to narrow during January 2021, driven by a larger contraction in expenditure on imports over earnings from exports. Workers' remittances continued to record a healthy growth thus far in 2021 and this momentum is expected to continue for the remainder of the year. The tourism sector is expected to recover gradually with the opening of the borders along with the successful rollout of vaccinations locally and globally.

Source: CBSL Road Map 2021 and Monetary Policy Review – April 2021

BOP Position



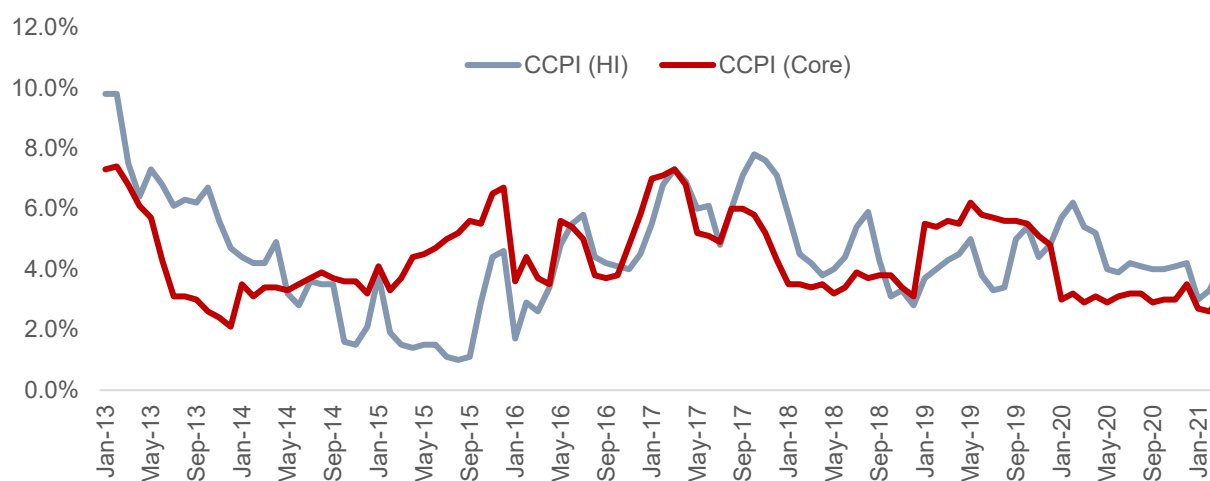
Source: CBSL

Investor appetite for safe heaven assets amidst rising global uncertainty

Foreign investment in rupee denominated government securities recorded a net outflow during the period from January to December 2020, partly due to increased investor appetite for safe haven assets amidst rising global uncertainty. Further, CBSL continued to purchase dollars except for March, April and December with a total 12-month net purchases tally of approx. USD 282.5 Mn up to December 2020 whilst recording a total 3-month net purchases tally of approx. USD 26.5 Mn up to first three months of 2021. Meanwhile the overall balance (Balance of Payment) recording a deficit of USD 0.8 Bn during this year up to end February 2021. Reflecting these dynamics, gross official reserves amounted to USD 4.8 Bn, equivalent to 3.0 months of imports as at end January 2021.

Source: External Sector Performance – December 2020

CCPI Inflation of Headline and Core, YoY Basis



Source: Department of Census and Statistics

The improvements in domestic supply conditions are expected to ease price pressures

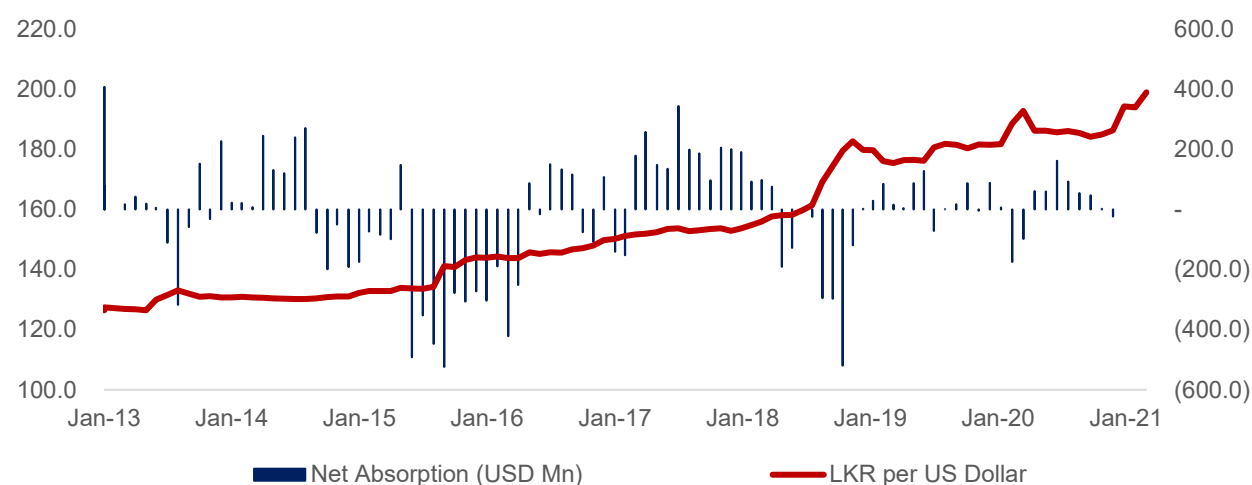
Headline inflation, based on the Colombo Consumer Price Index (CCPI), remained mostly within the targeted range of 4% - 6% during 2020. CCPI based core inflation remained low reflecting subdued aggregate demand pressures in the economy. Meanwhile, headline and core inflation, based on the National Consumer Price Index (NCPI), also remained at low levels particularly towards end 2020. The gradual easing of domestic food prices and low demand conditions in the economy are likely to support lower inflation in the near term. However, pressures on inflation could emerge over the medium term due to the expected improvements in aggregate demand conditions and the projected recovery in global commodity prices. Such pressures could be neutralized, to a large extent, by the expected improvements on the supply side over the medium term.

Source: *Monetary Policy Review – January 2021*

Measures taken by government help in defending the currency locally

The rupee depreciated sharply from 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. However, some of the more recent measures taken to ease pressure on imports helped in defend the currency locally, resulting in an appreciation of the rupee from mid-April 2020. The overall depreciation for the 2020 was 2.6% whilst the overall depreciation of the rupee thus far during this year up to 20th April 2021 is 3.0%.

Net Absorption Vs Exchange Rate



Source: CBSL

Low interest rate structure is expected to be maintained

The Central Bank relaxed its monetary policy stance to unprecedented levels in 2020 with a view to reviving the economy. In response, both market deposit and lending rates declined notably in 2020. Most market interest rates have declined to single digit levels, while some have reached their historic lows. Although deposit rates are not expected to decline further, the high level of excess liquidity in the domestic money market leaves sufficient space for market lending rates to adjust downward, thereby providing low-cost funds to the economy.

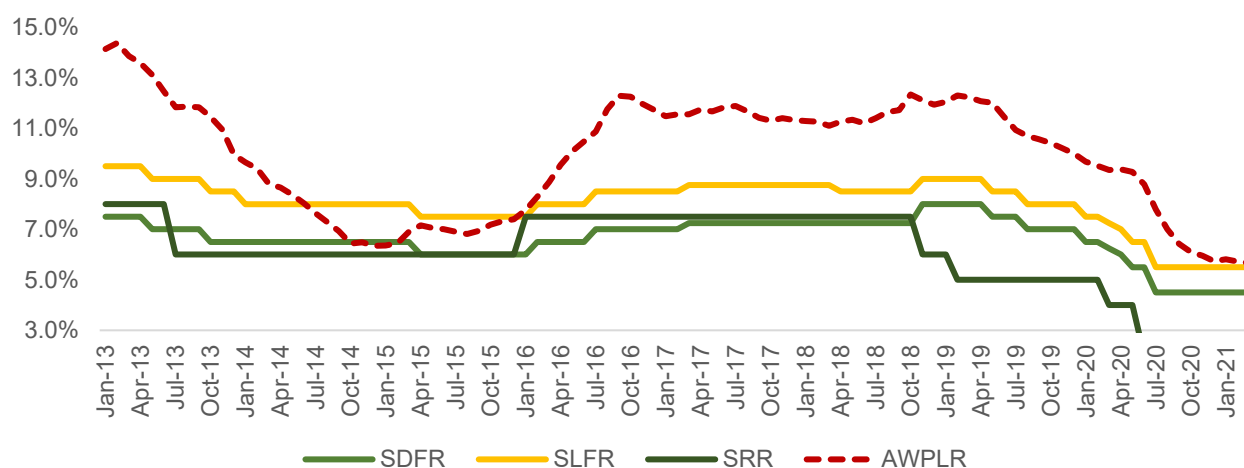
Source: *Monetary Policy Review – January 2021*

Policy rates are maintained at current levels

With the view that the current accommodative monetary policy stance is appropriate, the Monetary Board decided to maintain the Standing Deposit Facility Rate (SDFR), Standing Lending Facility Rate (SLFR) and Statutory Reserve Ratio (SRR) at their current levels of 4.50%, 5.50% and 2.00% respectively. The Central Bank has reduced the SDFR, SLFR, SRR and bank rate by a total of 250 bps, 250 bps, 300 bps and 650 bps respectively during 2020. The Board observed the stronger than expected growth performance towards the end of 2020 and underscored the need for maintaining the prevailing low interest rate structure to support a sustained economic recovery in the period ahead. The Central Bank will continue to monitor domestic and global macroeconomic and financial market developments and stand ready to take proactive measures to help the economy to sustain the growth trajectory, while maintaining inflation in the targeted 4% to 6% range under the flexible inflation targeting framework.

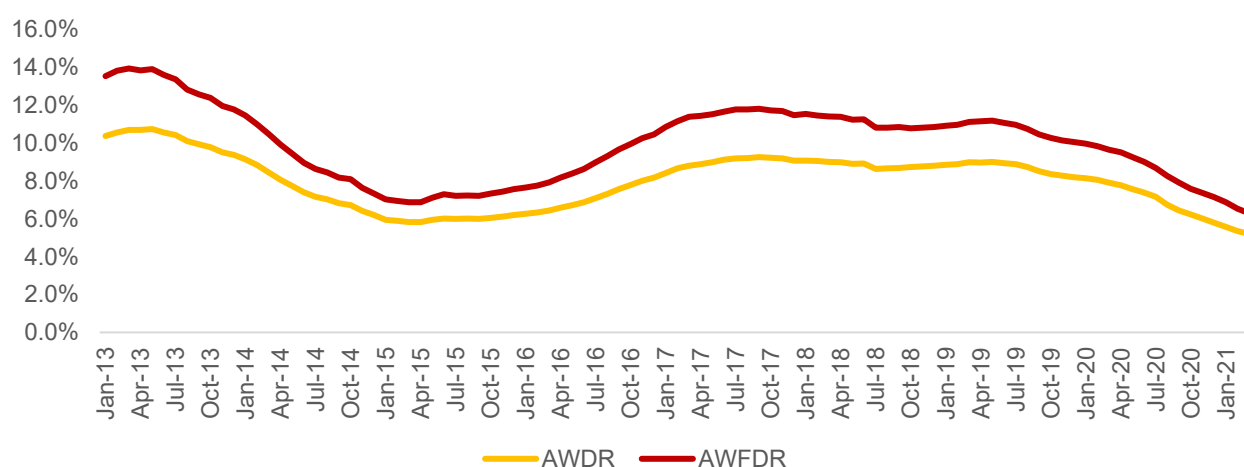
Source: *Monetary Policy Review – April 2021*

Policy Rates Movements Vs AWPLR



Source: CBSL

Movements in AWDR and AWFDR



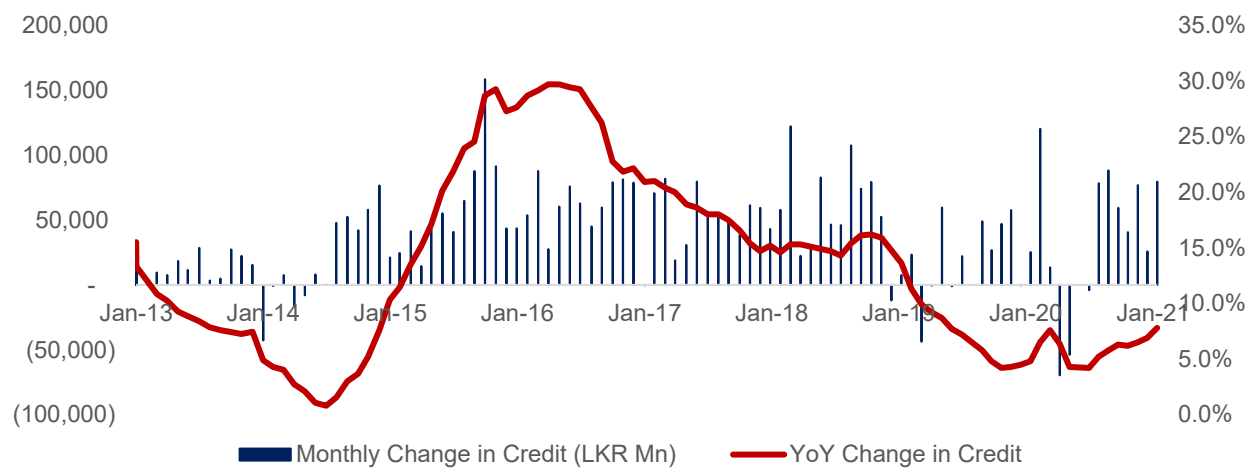
Source: CBSL

Credit to private sector expanded notably thus far in 2021, due to growth supportive policies

Despite the impact of the second wave of COVID-19, credit extended to the private sector continued to expand during the second half of 2020 supported by policy easing measures adopted by the Central Bank. This momentum is expected to continue, supported by low lending rates, surplus liquidity in the domestic money market and the expected rise in lending to MSME sector.

Source: *Monetary Policy Review – January 2021*

Total Credit to Private Sector



Source: CBSL

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

08. Fund Performance – Assetline Income Fund (AINF)

The NAV of the Assetline Income Fund (AINF) as at 31st March 2021 was Rs. 5.76 Bn . The fund generated a 7.18% financial-year yield, and the number of unit holders was 981.

The funds under management was Rs. 2.0 Bn as of 31st March 2020 and fluctuated within a range of Rs. 2.0 Bn and Rs. 5.9 Bn during the period ending 31st March 2021, a 195% YoY growth.

The financial-year yield of AINF continued to decline from the month of April, reaching 7.18% on 31st March 2021, compared to 10.20% as at 31st March 2020. It was a challenging year for the money market funds to maintain a adequate return due to the nature of the fund which invests within a one year investment horizon. The monetary policy measures taken by Central Bank of Sri Lanka to provide relief to the economy due to COVID 19 pandemic had a direct influence on the return of the fund.

We witnessed several policy rates cuts in the first half of the financial year while the policy makers had to take several measures to ease interest rates to accommodate low cost funding . This led to a decline in yields in fixed income instruments. Existing fixed income investments had to be rolled over with a declining yield throughout the financial year which resulted in continuous declines in yields during the year. Despite having these challenges through the review period,

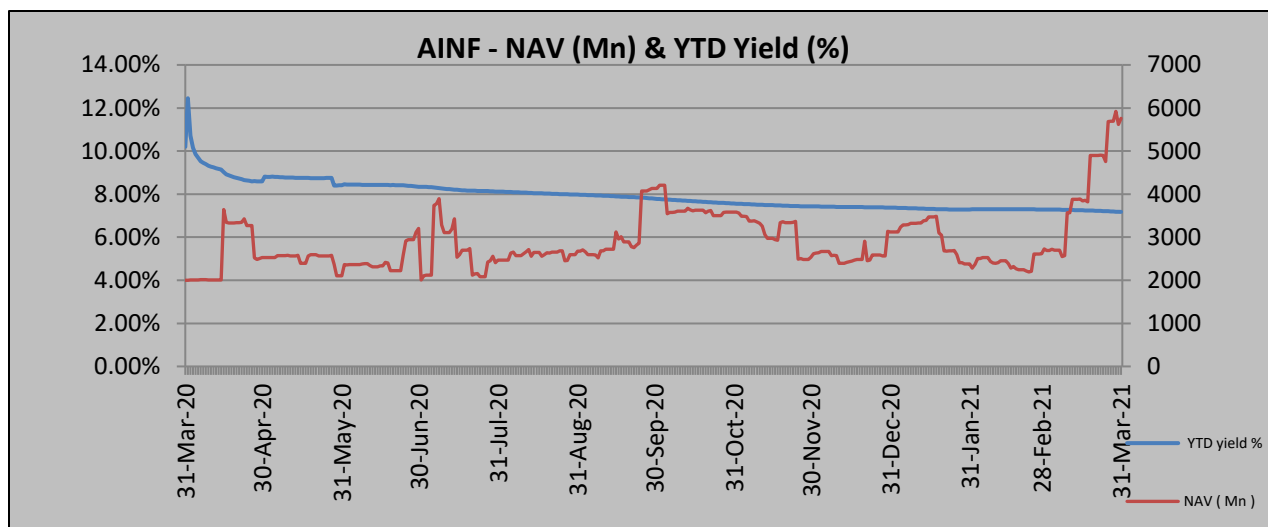
AINF was able to maintain a financial-year yield of 7.18% as of 31st March 2021. Based on the macro economic conditions, our view of future interest rates and to mitigate risk of uncertainty, funds were invested in banks with sound credit ratings in a mixed tenor of up to one year. Money market accounts offering a return closer or above the 1 year FIS rate were selected to hold the excess liquidity with the intention of gradually make prudent investments when interest rate started moving up .

The number of unit holders in AINF reduced by 3.73% to 981 from 1,019 during the 12-month period.

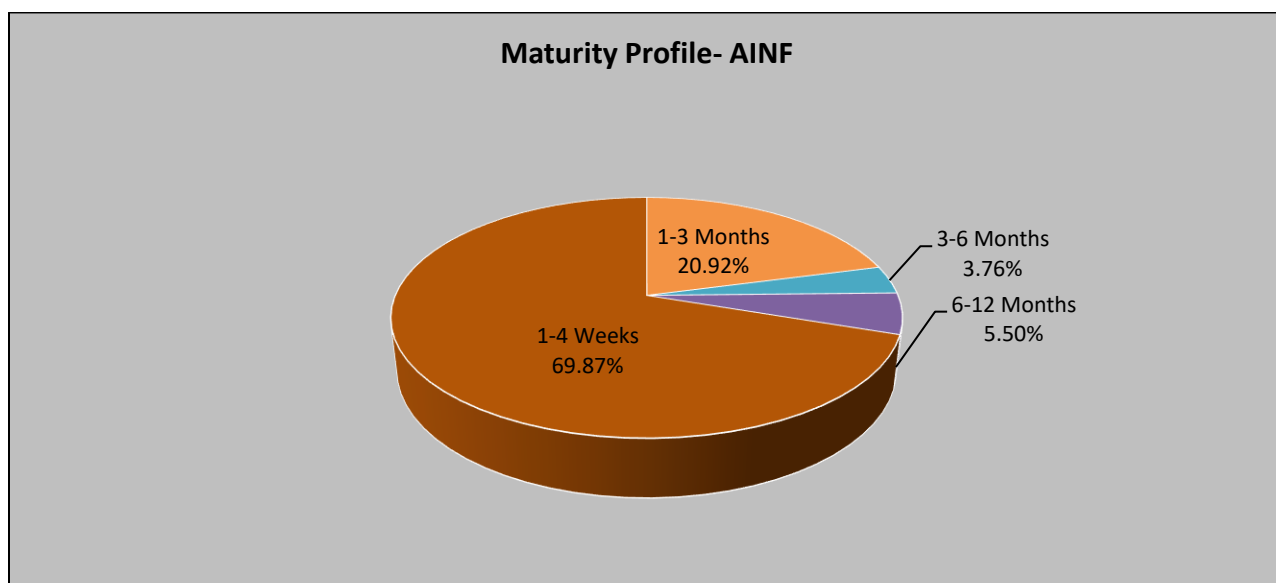
Fund managers paid more emphasis to liquidity for the unit holders and placing a higher portion in a 1-4-week maturity bucket whereas the balance portion was invested in mixed tenors up to 1 year.

The AINF has an investment mix of fixed deposits, money market savings accounts and commercial papers, with 67.60% of the funds invested in money market savings.

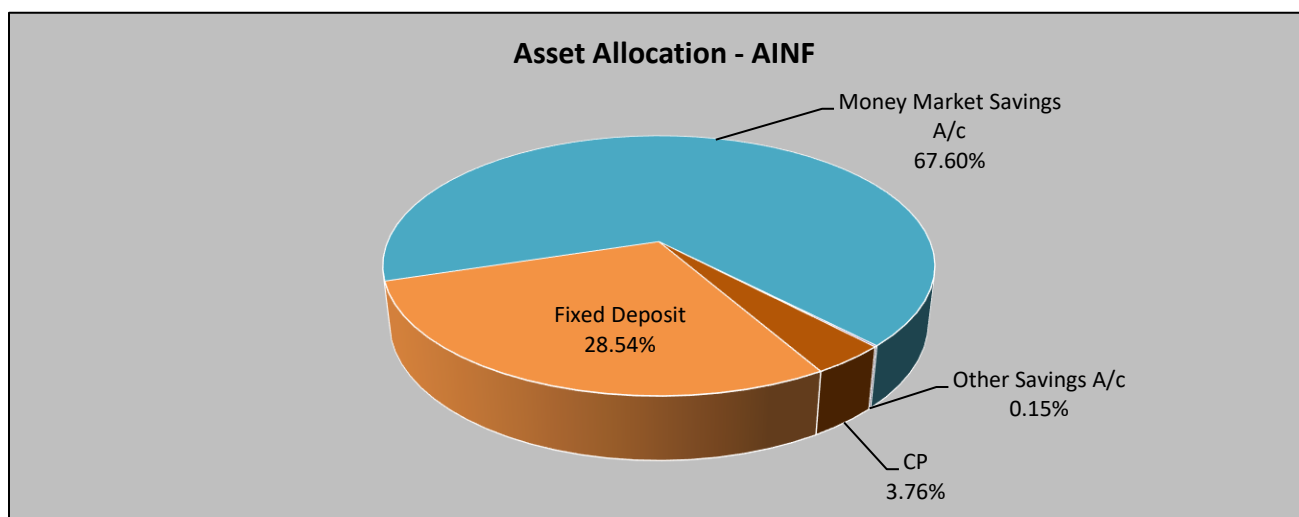
From the funds under management the majority was with banks qualifying “A+” (Fitch) credit rating (80.85%) and 7.92% of funds were invested in banks with “AAA” (ICRA) followed by “AA-” (Fitch) and “A” (Fitch), at 7.36% and 3.76% respectively.



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



(Figure 2: Maturity profile of AINF)



(Figure 3: Asset allocation of AINF as at 31st March 2021)

Rating	Fitch		ICRA		Total	
	Amount (LKR)	As % of NAV	Amount (LKR)	As % of NAV	Amount (LKR)	As % of NAV
AAA	-	0.00%	456,431,805.90	7.92%	456,431,805.90	7.92%
AA-	424,232,891.92	7.36%	-	0.00%	424,232,891.92	7.36%
A+	4,656,983,369.75	80.85%	-	0.00%	4,656,983,369.75	80.85%
A	67,753.21	0.00%	216,589,589.04	3.76%	216,657,342.25	3.76%
BBB+	8,709,506.85	0.15%	-	0.00%	8,709,506.85	0.15%
Total	5,089,993,522	88.32%	673,021,395	11.68%	5,763,014,917	100%

(Figure 4: Credit profile of AINF)

Assetline Income Fund

FOR THE YEAR ENDED 31st MARCH 2021

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, 2021, 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 true and fair view of, the financial position of the Company as at 31st March, 2021 and its financial performance and its cash flows for the year then ended in accordance with the 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 Management is responsible for 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: 27th May 2021

LW/KU/sn (20/04)

ASSETLINE INCOME FUND**STATEMENT OF COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31ST MARCH 2021

		2021	2020
		Rs.	Rs.
<u>Investment Income</u>			
amortised cost	(04)	218,594,987	260,792,723
Total investment income		<u>218,594,987</u>	<u>260,792,723</u>
<u>Expenses</u>			
Management fee	09 (g)	(14,506,733)	(12,428,232)
Trustee and custodian fee	09 (g)	(7,374,272)	(6,652,134)
Audit fee		(201,105)	(253,514)
Professional fee		(35,293)	(35,096)
Other operating expenses		(302,149)	(508,972)
Total operating expenses		<u>(22,419,552)</u>	<u>(19,877,948)</u>
Net operating profit		<u>196,175,435</u>	<u>240,914,775</u>
<u>Finance cost</u>		-	-
Profit after deductions and before tax		196,175,435	240,914,775
Income tax expense		-	-
Increase in net assets attributable to unitholders		<u><u>196,175,435</u></u>	<u><u>240,914,775</u></u>



The Notes to the Financial Statements in pages (05) to (21) form an integral part of these Financial Statements.

ASSETLINE INCOME FUND**STATEMENT OF FINANCIAL POSITION**
AS AT 31ST MARCH 2021

	<i>Notes</i>	2021 <i>Rs.</i>	2020 <i>Rs.</i>
<u>ASSETS</u>			
<u>Current assets</u>			
Cash and cash equivalents	(05)	8,524,213	8,151,501
Financial assets at amortised cost	(06)	5,754,490,693	1,993,875,031
Income tax receivables		42,338,456	42,338,456
Total assets		5,805,353,362	2,044,364,988
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accrued expenses and other payables		2,842,928	1,721,955
Liabilities (excluding net assets attributable to unitholders)		2,842,928	1,721,955
<u>UNITHOLDERS' FUNDS</u>			
Net assets attributable to unitholders	(07)	5,802,510,434	2,042,643,033
Total unitholders' fund and liabilities		5,805,353,362	2,044,364,988

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 27.05.2021
.....

The Notes to the Financial Statements in pages (05) to (21) form an integral part of these Financial Statements.

ASSETLINE INCOME FUND**STATEMENT OF CHANGES IN UNITHOLDERS' FUND**
FOR THE YEAR ENDED 31ST MARCH 2021

	<i>Notes</i>	2021 Rs.	2020 Rs.
Unitholders' fund at the beginning of the year		2,042,643,033	3,032,808,814
Increase in net assets attributable to unitholders		196,175,435	240,914,775
Received on unit creations		26,152,204,072	14,853,055,482
Paid on unit redemptions		(22,588,512,106)	(16,084,136,038)
Unitholders' fund at the end of the year	(07)	<u>5,802,510,434</u>	<u>2,042,643,033</u>

The Notes to the Financial Statements in pages (05) to (21) form an integral part of these Financial Statements.

ASSETLINE INCOME FUND**STATEMENT OF CASH FLOWS**
FOR THE YEAR ENDED 31ST MARCH 2021

	<i>Notes</i>	2021 Rs.	2020 Rs.
Cash flows from operating activities			
Proceeds from sale of Financial assets at amortised cost		100,316,860,824	44,934,111,424
Purchase of Financial assets at amortised cost		(104,085,697,609)	(43,964,217,673)
Other payables		-	500
Interest received		226,816,111	277,309,060
Management fees paid		(13,755,000)	(12,880,521)
Other expenses paid		(7,543,578)	(7,758,251)
Net cash in outflow from operating activities		(3,563,319,252)	1,226,564,540
Cash flows from financing activities			
Proceeds from subscription by unitholders	(07)	26,152,204,072	14,853,055,482
Payments for redemptions by unitholders	(07)	(22,588,512,106)	(16,084,136,038)
Net cash from financing activities		3,563,691,966	(1,231,080,556)
Net increase in cash and cash equivalents		372,712	(4,516,017)
Cash and cash equivalents at the beginning of the year			
		8,151,501	12,667,518
Net increase in cash and cash equivalents		372,712	(4,516,017)
Cash and cash equivalents at the end of the year	(05)	8,524,213	8,151,501

The Notes to the Financial Statements in pages (05) to (21) form an integral part of these Financial Statements.

ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2021****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 in compliance with the requirements of the Unit Trust Code of 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. Directive of the Securities and Exchange Commission of all assets invest only in short term liquid fixed income securities with a maturity period less than 366 calendar days shall continue to be valued on a cost plus accrued interest method.

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.

ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2021****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 wherever 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:

ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2021**

- 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 FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2021****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.

ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2021**

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, 2021****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 FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH, 2021**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.

ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2021****- 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.

31st March 2021	<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)	-	-	8,524,213	8,524,213
Financial assets measured at amortised cost (Note 6)	-	5,754,490,693	-	5,754,490,693
<u>Financial liabilities</u>				
Accrued expenses and other payables	-	-	(2,842,928)	(2,842,928)
Net exposed	-	5,754,490,693	5,681,285	5,760,171,978

31st March 2020	<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)	-	-	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

ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2021****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 amortized cost</i>	<i>Impact on operating profit / net assets attributable to unitholders' Interest rate risk</i>	
	<i>2021 Rs.</i>	<i>2020 Rs.</i>
+1%	57,544,907	19,938,750
-1%	(57,544,907)	(19,938,750)

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 debts by rating is set out in the table below.

ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2021****- Debt securities (Contd....)**

<i>Debt securities by rating category</i>	2021	2020
Risk Free Investments	-	-
AAA (ICRA)	7.93%	-
AA+ (Fitch)	-	30%
AA- (Fitch)	7.37%	17%
AA (Fitch)	-	
A+ (Fitch)	80.93%	43%
A (ICRA)	3.76%	-
A- (Fitch)	-	09%
BBB+ (Fitch)	0.01%	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 FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH 2021**(04) INTEREST INCOME FROM FINANCIAL ASSETS AT AMORTISED COST**

	2021	2020
	Rs.	Rs.
Interest Income from Fixed Deposits	143,889,086	224,270,325
Interest Income from Money Market Savings	54,798,120	36,522,398
Interest Income from Commercial Paper	19,907,781	-
Total Interest income from fixed income securities	218,594,987	260,792,723

(05) CASH AND CASH EQUIVALENTS

	2021	2020
	Rs.	Rs.
Cash at Bank	8,524,213	8,151,501
Total Cash at Bank	8,524,213	8,151,501

(06) FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2021	2020
	Rs.	Rs.
- Fixed Deposit [See Note (a) below]	1,643,950,873	1,680,184,210
- Money Market Savings [See Note (b) below]	3,893,950,231	313,690,821
- Commercial Paper [See Note (c) below]	216,589,589	-
Total Financial Assets at amortised cost	5,754,490,693	1,993,875,031

ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021**

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

<i>31st March 2021</i>	<i>Cost</i>	<i>Market Value</i>
	<i>Rs</i>	<i>Rs</i>
Bank Of Ceylon	216,093,620	216,311,193
DFCC Bank PLC	383,077,289	405,824,466
National Development Bank PLC.	334,714,849	357,743,686
National Savings Bank	430,393,041	456,431,804
People's Bank	200,000,000	207,639,724
	1,564,278,799	1,643,950,873

<i>31st March 2020</i>	<i>Cost</i>	<i>Market Value</i>
	<i>Rs</i>	<i>Rs</i>
Bank Of Ceylon	198,251,027	198,593,216
DFCC Bank PLC	321,238,357	343,938,213
National Development Bank PLC.	350,000,000	381,932,603
National Savings Bank	250,000,000	276,598,685
People's Bank	100,000,000	112,191,918
Sampath Bank PLC	200,000,000	203,555,822
Seylan Bank PLC	150,000,000	163,373,753
	1,569,489,384	1,680,184,210

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

<i>31st March 2021</i>	<i>Cost</i>	<i>Market Value</i>
	<i>Rs.</i>	<i>Rs.</i>
National Development Bank PLC.	2,027,926,134	2,030,889,810
Sampath Bank - Pelawatte Branch	141,757	141,909
Deutsche Bank AG	435,543	436,068
DFCC Bank PLC	1,856,141,997	1,862,482,444
	3,884,645,431	3,893,950,231

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

(c) Financial Assets measured at amortised cost : Commercial Paper

<i>31st March 2021</i>	<i>Cost</i>	<i>Market Value</i>
	<i>Rs</i>	<i>Rs</i>
Assetline Leasing Company Limited	200,000,000	216,589,589
	200,000,000	216,589,589

ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH 2021**(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	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	2,042,643,033
Opening balance	126,379,439	2,042,643,033
Subscriptions	1,590,190,636	26,152,204,072
Redemptions	(1,377,010,422)	(22,588,512,106)
Increase in net assets attributable to unitholders	-	196,175,435
At 31 March 2021	339,559,653	5,802,510,434

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 FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH 2021**(08) REMUNERATION OF AUDITORS**

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

	2021	2020
	Rs.	Rs.
Audit and other assurance services		
Audit of financial statements	195,000	190,000
Total remuneration for audit and other assurance services	195,000	190,000
Taxation services		
Tax compliance services	30,000	30,000
Total remuneration for taxation services	30,000	30,000

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)
- Mr. N.D.P.S.R. Kalyanaratne - Non-Executive Director (From 01.06.2020 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 FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH 2021**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 fund</i>
R.M.A.S. Parakrama	762,013	742,748	12,599,687	-
G.W.N. Perera	127	127	2,147	-

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 2021

<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	1,845,758	2,061,524	34,970,864	-
DPMC Assetline Holdings(Private) Limited	3,222,922	3,259,203	55,287,822	-

ASSETLINE INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021****31 March 2021**

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	4,704,675	14,381,516	243,962,293	-
Assetline Corporate Services (Private) Limited	1,823	201,960	3,425,961	-
Assetline Insurance Brokers (Private) Limited	1,582,186	9,798,419	166,216,457	-
Assetline Securities (Private) Limited	-	181,584	3,080,316	-
David Pieris Automobiles (Private) Limited	-	10,022,876	170,024,055	-
David Pieris Motor Company (Lanka) Limited	34,687,786	60,208,800	1,021,357,996	-
David Pieris Motor Company (Private) Limited	163,002	28,015,331	475,240,875	-
David Pieris Trust	-	304,434.39	5,164,303.20	-
DP Global Ventures (Private) Limited	76,536	-	-	-
DP Logistics (Private) Limited	5,181,369	7,575,772	128,512,368	-
Hill Cottage Nuwara Eliya (Private) Limited	2,971	156,452	2,653,988	-
David Pieris Racing & Leisure (Private) Limited	74,028	76,173,403	1,292,175,142	-
D P Infotech (private) Limited	1,080,860	976,015	16,556,722	-
Mr. D.P. PIERIS	60,619,220	97,439,477	1,652,924,318	-
Mrs. E.M. PIERIS	8,291,642	20,963,394	355,614,635	-
Dee Investments (Pvt.) Ltd.	1,184,893	4,379,380	74,290,052	-
Mr. J.D. Pieris	428,859	-	-	-
Mr. E.D. Pieris	8,398	322,905	5,477,637	-
<i>Close family member of KMP</i>				
-	-	-	-	-

g) Transactions held 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 2021	Charge for the year ended 31 March 2020	Balance outstanding 31 March 2021	Balance outstanding 31 March 2020
Management fees	14,506,733	12,428,232	1,736,156	984,423
Trustee and custodian fees	7,374,272	6,652,134	870,772	505,430
	21,881,005	19,080,366	2,606,928	1,489,853

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31ST MARCH 2021****(10) CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS**

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

(11) RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE SEC RETURN

	2021	2020
Net Asset Value as per Financial Statements	5,802,510,434	2,042,643,033
Less : Income Tax Receivable	(42,338,456)	(42,338,456)
Net Asset Value as per SEC Return	<u>5,760,171,978</u>	<u>2,000,304,577</u>

(12) EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material events occurring after the balance sheet date that require adjustments or disclosure in the Financial Statements.

(12.1) THE COMPANY'S RESPONSE TO THE COVID-19

In compliance with the government health guide lines – precautionary measures have been taken to minimize the Covid-19 impact and going forward with the “New Normal” Assetline Income Fund managed to conduct its operations without a significant impact.

(12.2) THE COMPANY'S EXPECTATION OF THE FUTURE IMPACT OF COVID-19 IN ITS FUTURE OPERATIONS AND THE FINANCIAL STATUS.

The COVID-19 pandemic has spread rapidly in year 2020, with a significant number of cases globally. We have taken a number of precautionary measures to monitor and mitigate the effect of COVID-19 such as safety and health measures for our people adhering to the government guidelines.

Whilst we continue to follow the various government policies and advice we will do our utmost to continue our operations in the best and safety way possible without jeopardizing the health of our people.

We have commenced the year 2021 in a positive manner and as of today all the planned operating activities are taking place with minimal changes.

10. Fund Performance – Assetline Income Plus Growth Fund (AIGF)

The NAV of the Assetline Income Plus Growth Fund (AIGF) as at 31st March 2021 was 1,560.04 Mn. The fund generated a 21.02% financial-year yield and the number of unit holders was 117.

AIGF's financial- year yield was 8.73% as of 31st March 2020 and experienced a fluctuation within the range of 5.36% to 42.53% during the financial year ended 31st March 2021.

During the financial year the Central Bank of Sri Lanka continued its accommodative monetary policy to provide relief to distressed sectors of the economy, impacted by the Covid-19 pandemic and to encourage economic growth. As a result the interest rates fell to historically low levels and the market also was awash with excess liquidity, Since the Fixed Income Securities (FIS) returns were low the Fund managers prudently changed, the asset allocation from FIS to equity. The equity portfolio was built up after an in-depth analysis of stocks giving priority to shares which would provide an income to offset the low returns generated from fixed income instruments with the decline in market interest rates through dividend income. Additionally, the potential long-term capital appreciation was considered when selecting the stocks. The objective was to maintain a asset allocation of 70.30 between equity and FIS. with the intention of qualifying for tax free status as

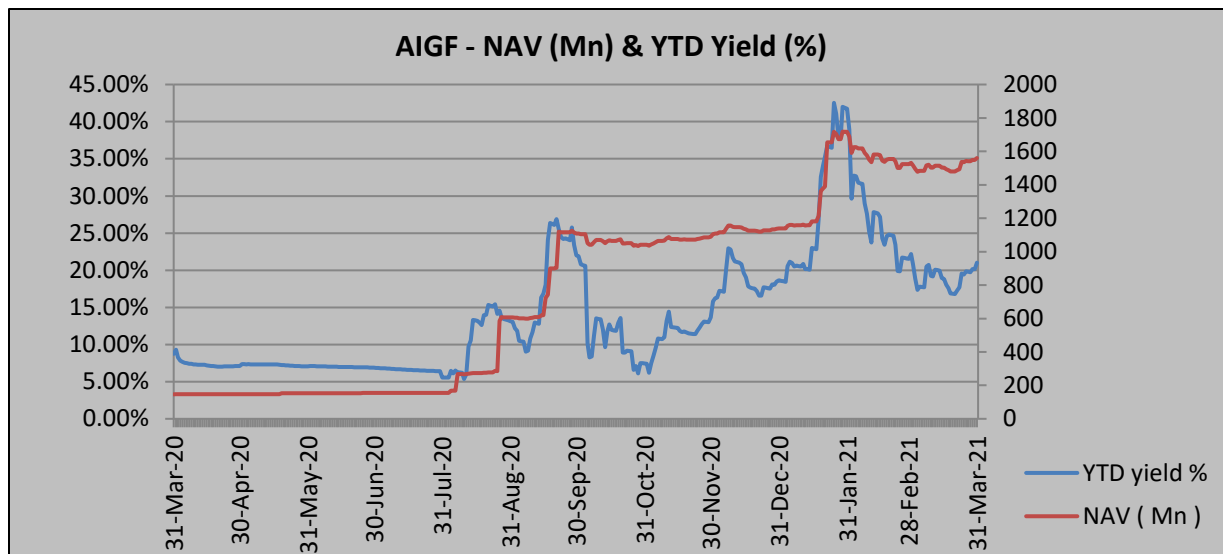
per the "Taxation of Unit Trusts" proposed by the Department of Fiscal Policy dated 21th February 2019.

Some of the stocks declared attractive dividends, identified through their historical dividend yields. The ASPI and S & P SL 20 generated their highest-ever returns during the financial year, but ending the financial with some corrections. The Fund managers delivered a commendable yield through-out the period Compared to the FIS returns.

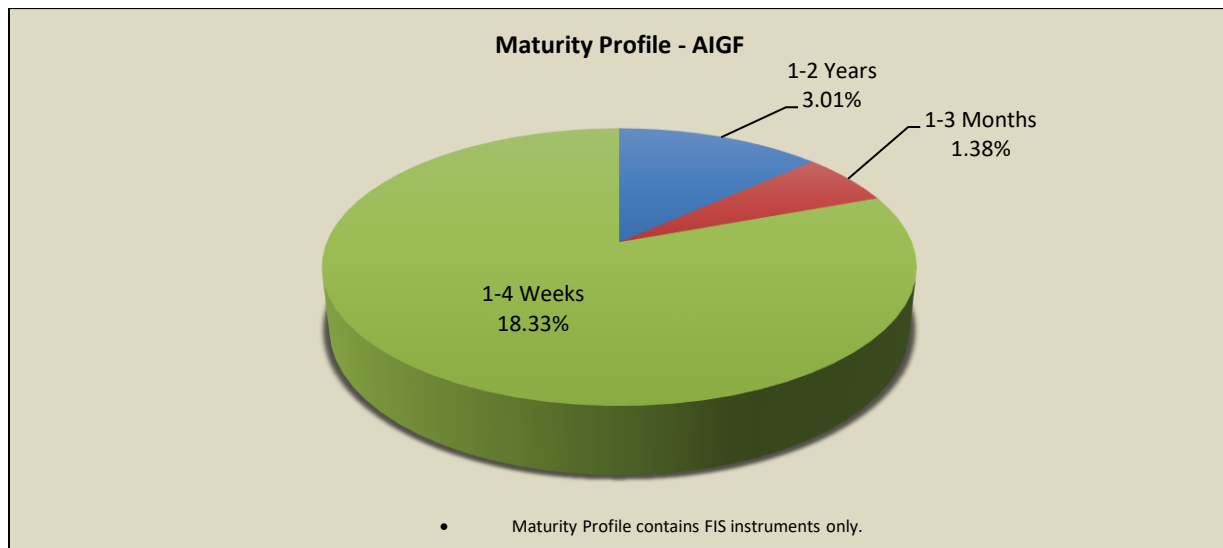
The FIS portfolio has an investment mix of fixed deposits, money market savings accounts and commercial papers whilst equity investments stood at 77.39% of the NAV at the end of the financial year.

The maturities of FIS in AIGF are diversified ranging from short term to long term with 18.33% of the investments in the "1-4" weeks category followed by 1.38% and 3.01% of the investments maturing in the "1-3" months and "1-2" years categories respectively.

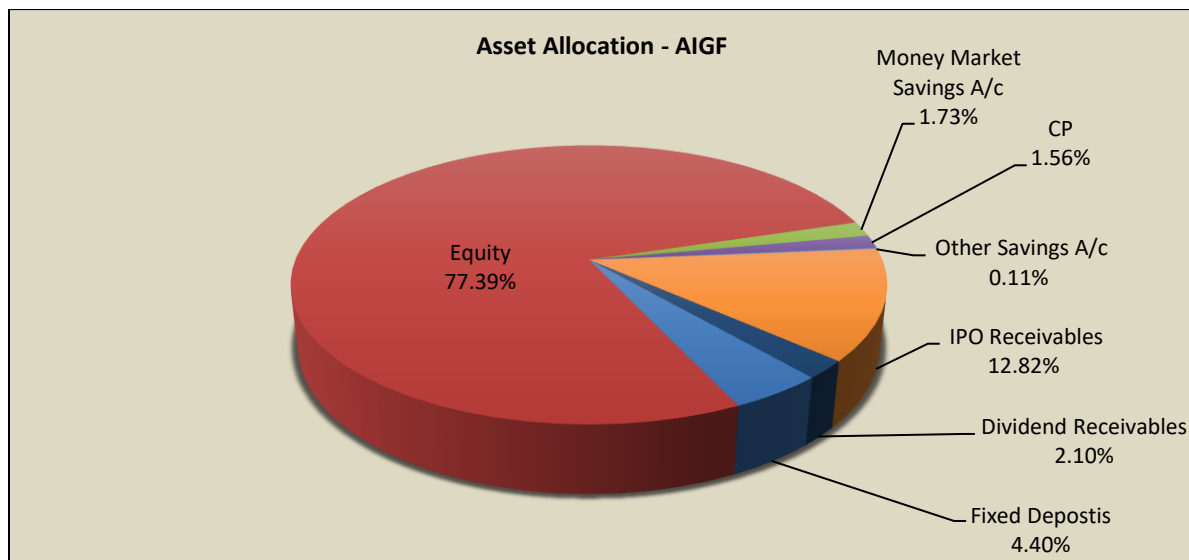
6.13% from the NAV is invested in FIS with counterparties having "A+" rating and above, while 1.68% is with counterparties having credit rating between "BBB" to "A".



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



(Figure 2 : FIS Maturity profile of AIGF as at 31st March 2021)



(Figure 3 : Asset allocation of AIGF as at 31st March 2021)

Rating	Fitch		ICRA		Total	
	Amount	As a % of NAV	Amount	As a % of NAV	Amount	As a % of NAV
AA-	31,444,562	2.02%	-	0.00%	31,444,562	2.02%
A+	64,239,016	4.12%	-	0.00%	64,239,016	4.12%
A	-	-	24,378,893	1.56%	24,378,893	1.56%
BBB	1,756,835	0.11%	-	0.00%	1,756,835	0.11%
Total	97,440,413	6.25%	24,378,893	1.56%	121,819,306	7.81%

(Figure 4 : Credit profile of AIGF – Fixed Income Securities as at 31st March 2021)

Assetline Income Plus Growth Fund

FOR THE YEAR ENDED 31st MARCH 2021

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, 2021, 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 2021, 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 Management is responsible for 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: 27th May 2021

LW/KU/sn (20/04)

ASSETLINE INCOME PLUS GROWTH FUND**STATEMENT OF COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31ST MARCH 2021

	<i>Notes</i>	2021 Rs.	2020 Rs.
<u>Income</u>			
Interest income from financial assets at amortised cost	(05)	15,113,781	12,874,916
Dividend income		54,907,000	-
Net gains/ (losses) on financial assets held at fair value through profit or loss	(06)	72,901,929	2,252,534
Total investment income		142,922,710	15,127,450
<u>Expenses</u>			
Management fee	13 (f)	(7,812,372)	(1,498,038)
Trustee & Custodian fee	13 (f)	(2,180,220)	(709,561)
Audit fee		(193,862)	(253,514)
Professional fee		(35,293)	(35,096)
Brokerage Charges		(15,787,483)	-
Other operating expenses		(27,389)	(25,709)
Total operating expenses		(26,036,619)	(2,521,918)
Operating profit		116,886,091	12,605,532
Finance cost		-	-
Profit after deductions and before tax		116,886,091	12,605,532
Income tax expense		-	-
Increase in net assets attributable to unit holders		116,886,091	12,605,532



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 FINANCIAL POSITION****AS AT 31ST MARCH 2021**

	<i>Notes</i>	<i>2021</i> <i>Rs.</i>	<i>2020</i> <i>Rs.</i>
<u>ASSETS</u>			
<u>Current assets</u>			
Cash and cash equivalents	(07)	1,784,206	97,124
Financial assets at amortised cost	(08)	120,035,098	146,855,380
Financial assets held at fair value through profit or loss	(09)	1,207,338,292	11,900
Other Receivables	(10)	232,730,514	-
Income tax receivables		1,622,001	1,622,001
Total assets		1,563,510,111	148,586,405
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accrued expenses and other payables		1,849,775	418,981
Liabilities (excluding net assets attributable to unitholders)		1,849,775	418,981
<u>UNITHOLDERS' FUNDS</u>			
Net assets attributable to unitholders	(11)	1,561,660,336	148,167,424
Total unitholders' fund and liabilities		1,563,510,111	148,586,405

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	Kishan Ganesh Vairavanathan 1.....	
	Dhanika De Silva 2.....	

DATE OF APPROVAL 27.05.2021

.....

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 CHANGES IN UNITHOLDERS' FUND**
FOR THE YEAR ENDED 31ST MARCH 2021

	<i>Notes</i>	2021 Rs.	2020 Rs.
Unitholders' fund at the beginning of the year		148,167,424	210,769,591
Increase in net assets attributable to unitholders		116,886,091	12,605,532
Received on unit creations		1,322,153,713	67,821
Paid on unit redemptions		(25,546,892)	(75,275,520)
Unitholders' fund at end of the year	(11)	1,561,660,336	148,167,424

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 2021

	<i>Notes</i>	2021 Rs.	2020 Rs.
<u>Cash flows from operating activities</u>			
Proceeds from sale of financial instruments held at fair value through profit or loss		185,858,991	30,970,000
Purchase of financial assets at fair value through profit or loss		(1,520,283,454)	(15,067)
Proceeds from sale of Financial assets at amortised cost		11,296,596,768	1,496,188,493
Purchase of Financial assets at amortised cost		(11,268,936,877)	(1,460,959,681)
Dividend received		22,176,485	-
Interest received		14,274,171	11,668,761
Management fees paid		(6,653,592)	(1,550,858)
Other expenses paid		(17,952,231)	(1,069,764)
Net cash outflow from operation activities		(1,294,919,739)	75,231,885
<u>Cash flows from financing activities</u>			
Proceeds from subscription by unitholders	(11)	1,322,153,713	67,821
Payments for redemptions by unitholders	(11)	(25,546,892)	(75,275,521)
Net cash inflow from financing activities		1,296,606,821	(75,207,700)
Net increase in cash and cash equivalents		1,687,082	24,186
Cash and cash equivalents at the beginning of the year		97,124	72,938
Net increase in cash and cash equivalents		1,687,082	24,186
Cash and cash equivalents at the end of the year	(7)	1,784,206	97,124

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, 2021****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 in compliance with the requirements of the Unit Trust Code of 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.

ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2021****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 the purpose 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:

ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH, 2021

- 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 equivalents, 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.

ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH, 2021*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, 2021***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

ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2021***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, 2021***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 FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2021****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 Committee of Assetline Capital (Pvt) Ltd. 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 FUND**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH, 2021***Price risk (Contd...)*

The Fund's policy also limits individual equity securities to no more than 15% of net assets attributable to unitholders.

Fund's all 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 2021</i>	<i>Fair Value 2020</i>
	<i>Rs.</i>	<i>Rs.</i>
Equity securities held for trading	1,207,338,292	11,900
Total	1,207,338,292	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, 2021**

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

<i>31st March 2021</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)	-	-	1,784,206	1,784,206
Financial Assets held at fair value through profit or loss (Note 9)	-	-	1,207,338,292	1,207,338,292
Financial assets measured at amortised cost - (Note 8)	-	120,035,098	-	120,035,098
<u>Financial liabilities</u>				
Accrued expenses and other payables	-	-	(1,849,775)	(1,849,775)
Net exposure	-	120,035,098	1,207,272,723	1,327,307,821

Cash flow and fair value interest rate risk

<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

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 FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH, 2021

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>	
	2021	2020
+10%	120,733,829	1,190
-10%	(120,733,829)	(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>	
	2021	2020
+1%	1,200,351	1,468,553
-1%	(1,200,351)	(1,468,553)

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.

- **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 FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH, 2021

<i>Debt securities by rating category</i>	2021	2020
Risk free investment	-	-
AAA (ICRA)	-	-
AA+ (Fitch)	-	19%
AA- (Fitch)	26%	11%
AA (Fitch)	-	-
A+ (Fitch)	54%	59%
A (ICRA)	20%	-
A- (Fitch)	-	11%
BBB+ (Fitch)	-	-
<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.

ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH, 2021*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, 2021**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 2021</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	1,207,338,292	-	-	1,207,338,292
Financial assets designated at fair value	-	-	-	-
through profit or loss:				
Debt Securities	-	-	-	-
Total	1,207,338,292	-	-	1,207,338,292

<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

ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH 2021**(05) INTEREST INCOME FROM FINANCIAL ASSETS AT AMORTISED COST****Interest income from financial assets at amortised cost**

	2021	2020
	Rs.	Rs.
Interest Income from Fixed Deposits	4,907,128	9,388,528
Interest Income from Money market savings	7,827,761	3,486,388
Interest Income from Commercial Paper	2,378,892	-
Total Interest income from fixed income securities	15,113,781	12,874,916

(06) NET GAIN OR LOSS ON FINANCIAL ASSETS MEASURED AT FAIR VALUE

	2021	2020
	Rs.	Rs.
Net gain/ (loss) on financial assets held for trading	72,901,929	(3,167)
Net gain/ (loss) on financial assets designated as at fair value through profit or loss	-	2,255,701
	72,901,929	2,252,534

Net realised gains / (loss) on financial assets at fair value through profit or loss [See Note (a) Below]	33,396,595	1,747,998
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	39,505,334	507,703
	72,901,929	2,255,701

(a) Net realised gains on financial assets at fair value through profit or loss:

Gain/(Loss) on disposal of equity securities	33,396,595	-
Interest income on debentures	-	1,747,998
	33,396,595	1,747,998

(07) CASH AND CASH EQUIVALENTS

	2021	2020
	Rs.	Rs.
Cash at Bank	1,784,206	97,124
Total Cash at Bank	1,784,206	97,124

ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS**
AS AT 31ST MARCH 2021**(08) FINANCIAL ASSETS MEASURED AT AMORTISED COST**

	2021	2020
	Rs.	Rs.
Fixed deposits [See Note (a) below]	68,624,574	60,377,959
Money Market Savings [See Note (b) below]	27,031,632	86,477,421
Commercial Paper [See Note (c) below]	24,378,892	-
Total Interest income from fixed income securities	120,035,098	146,855,380

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

31st March 2021	Cost	Market value
	Rs.	Rs.
DFCC Bank PLC	35,000,000	37,207,383
Sampath Bank PLC	30,000,000	31,417,191
	65,000,000	68,624,574

31st March 2020	Cost	Market value
DFCC Bank PLC.	15,000,000	16,522,333
People's Bank	10,000,000	11,014,888
Bank Of Ceylon	15,000,000	16,522,333
Seylan Bank PLC	15,000,000	16,318,405
	55,000,000	60,377,959

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

31st March 2021	Cost	Market value
National Development Bank PLC	6,010,691	6,036,165
DFCC Bank PLC	20,259,474	20,995,467
	26,270,165	27,031,632

31st March 2020	Cost	Market value
	Rs.	Rs.
National Development Bank PLC	85,930,056	86,477,421
	85,930,056	86,477,421

(c) Financial Assets measured at amortised cost : Commercial Paper

31st March 2021	Cost	Market value
Assetline Leasing Company Limited	22,000,000	24,378,892
	22,000,000	24,378,892

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

NOTES TO THE FINANCIAL STATEMENTSAS AT 31ST MARCH 2021**(09) FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2021	2020
	Rs.	Rs.
Financial assets held for trading		
Equity securities [See Note (a) below]	1,207,338,292	11,900
Total financial assets held for trading	1,207,338,292	11,900
Designated at fair value through profit or loss:		
-	-	-
Total designated at fair value through profit or loss	-	-
Total financial assets held at fair value through profit or loss	1,207,338,292	11,900

a) Investment in equity shares:

31st March 2021

Company	Number of Shares	Cost	Market Value	Percentage of Net Assets
<u>Banks</u>				
COMB-N-0000 Commercial Bank of Ceylon PLC	664,823	59,597,892	56,842,367	3.64%
COMB-X-0000 Commercial Bank of Ceylon PLC	1,949,842	135,515,684	153,257,581	9.82%
DFCC-N-0000 DFCC Bank PLC	2,364,384	169,239,148	140,917,286	9.03%
HNB -N-0000 Hatton National Bank PLC	981,855	126,391,419	123,713,730	7.93%
HNB -X-0000 Hatton National Bank PLC	826,666	81,829,623	80,351,935	5.15%
NDB -N-0000 National Development Bank PLC	1,100,412	95,830,338	88,913,290	5.70%
NTB -N-0000 Nations Trust Bank PLC	1,128,824	72,001,608	62,423,967	4.00%
SAMP-N-0000 Sampath Bank PLC	3,643,494	165,764,930	196,019,977	12.57%
		906,170,642	902,440,133	
<u>Capital Goods</u>				
HAYL-N-0000 Hayleys PLC	500,000	19,132,000	30,400,000	1.95%
HHL -N-0000 Hemas Holdings PLC	200,000	17,020,000	16,680,000	1.07%
JKH -N-0000 John Keells Holdings PLC	1,069,999	147,221,156	158,894,852	10.19%
RCL -N-0000 Royal Ceramics Lanka PLC	60,000	9,350,000	15,420,000	0.99%
		192,723,156	221,394,852	
<u>Consumer Durables & Apparels</u>				
TJL -N-0000 Textured Jersey Lanka PLC	615,759	19,293,423	24,630,360	1.58%
		19,293,423	24,630,360	
<u>Food Beverage & Tobacco</u>				
MELS-N-0000 Melstacorp Limited	300,000	9,142,344	13,200,000	0.85%
		9,142,344	13,200,000	
<u>Materials</u>				
TKYO-N-0000 Tokyo Cement Company (Lanka) PLC	99,990	6,562,363	6,669,333	0.43%
		6,562,363	6,669,333	
<u>Telecommunication Services</u>				
DIAL-N-0000 Dialog Axiata PLC	3,000,278	33,944,197	39,003,614	2.50%
		33,944,197	39,003,614	
Total value of Equity securities		1,167,836,125	1,207,338,292	

31st March 2020

Company	Number of shares	Cost	Market value	Percentage of net assets
		Rs.	Rs.	
<u>Banks</u>				
SAMP-N-0000 Sampath Bank PLC	100	15,067	11,900	0.01%
		15,067	11,900	

ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS****AS AT 31ST MARCH 2021****(10) DIVIDENDS RECEIVABLE**

	2021	2020
	Rs.	Rs.
Dividend Receivable	32,730,514	-
Advance for IPO of Windforce Limited	200,000,000	-
	232,730,514	-

(11) 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 (Rs)</i>
Opening balance	16,077,584	210,769,591
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
Opening balance	10,358,410	148,167,424
Subscriptions	82,280,228	1,322,153,713
Redemptions	(1,517,779)	(25,546,892)
Increase in net assets attributable to unitholders	-	116,886,091
As at 31st March 2021	91,120,859	1,561,660,336

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 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**(12) REMUNERATION OF AUDITORS**

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

	2021 Rs.	2020 Rs.
Audit and other assurance services:		
Audit of financial statements	195,000	190,000
Total remuneration for audit and other assurance services	195,000	190,000
Taxation services:		
Tax compliance services	30,000	30,000
Total remuneration for taxation services	30,000	30,000

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.

(13) 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)
- Mr. N.D.P.S.R. Kalyanaratne - Non-Executive Director (From 01.06.2020 onwards)

ii) Other key management personnel

There were no other key management personnel 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 2021**c) Key management personnel unit holdings**

The key management personnel of Asset line Capital (Private) Limited held units in the fund as follows.

31st March 2021

<i>Unit holder</i>	<i>No of units held opening</i>	<i>No of units held closing</i>	<i>Fair value of investment</i> Rs.	<i>Dividend paid or payable by the fund</i>
Ms. R.M.A.S. Parakrama	-	654,840	11,114,014	-

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 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.

f) 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 2021

<i>Unitholder</i>	<i>No of units held opening</i>	<i>No of units held closing</i>	<i>Fair value of investment</i> Rs.	<i>Dividend paid or payable by the fund</i>
Assetline Capital (Pvt) Ltd	8,642,333	9,886,864	167,800,850	-
DPMC Assetline Holdings(Private) Limited	1,500,893	1,474,526	25,025,795	-
David Pieris Motor Company (Lanka) Limited	-	75,752,747	1,285,683,198	-
Assetline Insurance Brokers (Private) Limited	-	3,150,294	53,467,100	-

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 2021</i> Rs.	<i>Charge for the year ended 31st March 2020</i> Rs.	<i>Balance Outstanding</i> 31st March 2021 Rs.	<i>Balance Outstanding</i> 31st March 2020 Rs.
Management fees	7,812,372	1,498,038	1,282,883	124,104
Trustee & custodian fee	2,180,220	709,561	331,813	56,487
	9,992,592	2,207,599	1,614,696	180,591

ASSETLINE INCOME PLUS GROWTH FUND**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST MARCH**(14) CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS**

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

(15) RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE SEC RETURN

	2021	2020
Net Asset Value as per Financial Statements	1,561,660,336	148,167,424
Less : Income Tax Receivable	(1,622,001)	(1,622,001)
Net Asset Value as per SEC Return	<u>1,560,038,335</u>	<u>146,545,423</u>

(16) EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material events occurring after the balance sheet date that requires adjustments or disclosure in the Financial Statements.

(16.1) THE COMPANY'S RESPONSE TO THE COVID-19 PANDEMIC

In compliance with the government health guide lines – precautionary measures have been taken to minimize the Covid-19 impact and going forward with the "New Normal" Assetline Income Plus Growth Fund managed to conduct its operations without a significant impact.

(16.2) THE COMPANY'S EXPECTATION OF THE FUTURE IMPACT OF COVID-19 IN ITS FUTURE OPERATIONS AND THE FINANCIAL STATUS

The COVID-19 pandemic has spread rapidly in year 2020, with a significant number of cases globally. We have taken a number of precautionary measures to monitor and mitigate the effect of COVID-19 such as safety and health measures for our people adhering to the government guidelines.

Whilst we continue to follow the various government policies and advice we will do our utmost to continue our operations in the best and safety way possible without jeopardizing the health of our people.

We have commenced the year 2021 in a positive manner and as of today all the planed operating activities are taking place with minimal changes.

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

(For the period from 01 April 2020 to 31 March 2021)

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	25,758,000.00	26,649,191.20
	Assetline Capital (Private) Limited	118,685,000.00	115,518,773.99
	Assetline Corporate Services (Private) Limited	40,400,000.00	37,178,551.28
	Assetline Insurance Brokers (Private) Limited	281,950,000.00	144,025,955.28
	Assetline Securities (Private) Limited	17,308,000.00	14,350,000.00
	D P Global Ventures (Private) Limited	7,000,000.00	8,229,747.76
	D P Infotech (Private) Limited	229,400,000.00	231,898,044.42
	D P Logistics (Private) Limited	680,000,000.00	642,380,000.00
	David Pieris Automobiles (Private) Limited	638,000,000.00	469,039,707.07
	David Pieris Holdings (Private) Limited	2,437,000,000.00	2,285,598,900.27
	David Pieris Motor Company (Lanka) Limited	10,896,000,000.00	10,452,910,000.21
	David Pieris Motor Company (Private) Limited	5,443,000,000.00	5,013,406,841.68
	David Pieris Racing and Leisure (Private) Limited	2,307,450,000.00	1,042,142,236.28
	David Pieris Trust	5,000,000.00	-
	Dee Investments (Private) Limited	54,487,000.00	1,197,000.00
	DPMC Assetline Holdings (Private) Limited	331,730,000.00	330,358,296.76
	Hill Cottage Nuwara Eliya (Private) Limited	5,830,000.00	3,242,186.34
	Mr. D.P. Pieris	2,195,483,000.00	1,544,510,500.00
	Mr. E.D. Pieris	8,815,000.00	3,573,000.00
	Mr. J.D. Pieris	53,458,000.00	60,869,654.91
	Mrs. E.M. Pieris	314,115,000.00	99,437,000.00
Assetline Income Plus Growth Fund	Officers of Management Company	10,000,000.00	-
	Assetline Capital (Private) Limited	18,050,000.00	-
	Assetline Insurance Brokers (Private) Limited	49,000,000.00	-
	David Pieris Motor Company (Lanka) Limited	1,220,000,000.00	-
	DPMC Assetline Holdings (Private) Limited	25,280,445.88	25,280,445.88

13. 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 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

DEUTSCHE BANK AG
Colombo Branch



.....
Authorised Signatory

Deutsche Bank AG
Authorized Signatories
Trustee

Date: 28th May 2021