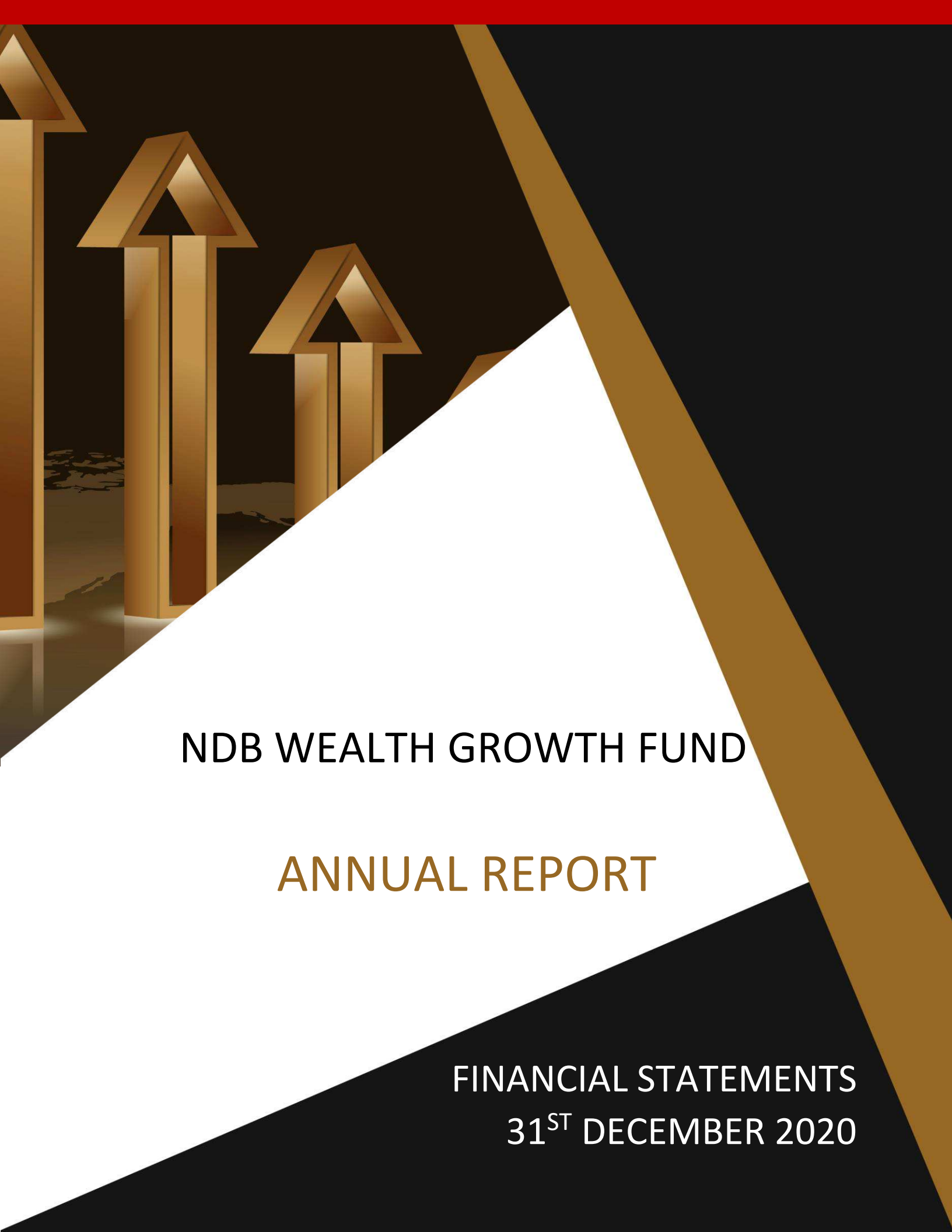




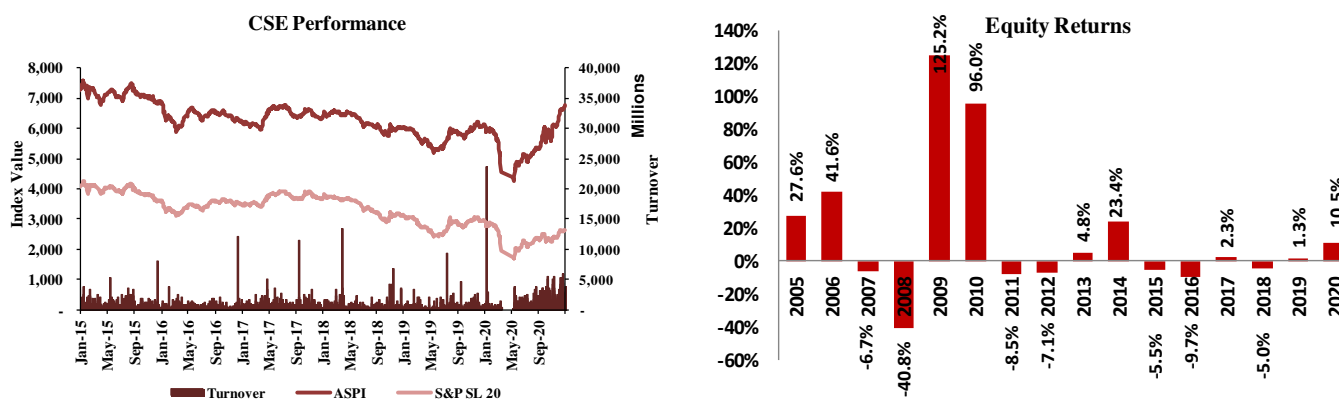
NDB WEALTH GROWTH FUND

ANNUAL REPORT

FINANCIAL STATEMENTS
31ST DECEMBER 2020

Fund Review 2020 – NDB Wealth Growth Fund

The Colombo Stock Exchange (CSE) had a mixed year with the All Share Price Index (ASPI) rising by 10.52% and the more liquid S&P SL 20 index declining by 10.18% in 2020, dragged down by heavy selling by foreign investors on the blue-chip counters. Broader market recovery was witnessed during the second half of 2020 (post the extended lockdown during the months of March to May), with renewed investor confidence, owing to steeply discounted share prices from the panic sell-offs witnessed in March, coupled with historically low interest rates. Market PE was 11.25x whilst market capitalization stood at LKR 2.96 trillion as of 31st December 2020 (Source: Colombo Stock Exchange).



Source: Colombo Stock Exchange

The Covid-19 pandemic sparked massive sell-offs from emerging markets, resulting in continuous flight to safety across the year, with Sri Lanka being no exception. Foreign investors were heavy sellers amounting to LKR 51.48 bn in net sales (Source: Colombo Stock Exchange). Corporate profitability was severely impacted during the first half of the year with economic activity coming to a virtual standstill during lockdown, affecting consumption, manufacturing and services. However, the economy showed signs of recovery during the second half of the year with GDP growing by 1.3% each during the 3rd and 4th quarters of 2020 respectively from a contraction of 16.4% during the 2nd quarter of 2020 (Source: Department of Census and Statistics of Sri Lanka).

During the year under review the NDB Wealth Growth Fund declined by 4.46% despite reducing its asset allocation to equity, due to its share composition mainly being in fundamental counters which witnessed heavy foreign selling with foreign investors taking a risk-off approach and choosing to exit emerging and frontier markets. The Fund still over-performed the S&P SL 20 index by 5.72%, while it under-performed the ASPI by 14.98%.

	NDB Wealth Growth Fund	*ASPI	*S&P SL 20
Performance - 2020	-4.46% (after fees)	10.52%	-10.18%

*Source: Colombo Stock Exchange

We expect the market to come under pressure in the short-term owing to continued foreign selling on market heavy weights and investors opting for a wait-and-see approach following the heavy gains realized during the 2nd half of 2020. Further, the weak macro-economic outlook, currency pressures and the high debt servicing burden are expected to further dampen market sentiment.

**NDB WEALTH GROWTH FUND
COLOMBO - 02**

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31ST DECEMBER 2020**



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Colombo 02
Sri Lanka

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF NDB WEALTH GROWTH FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NDB Wealth Growth Fund ("The Fund"), which comprise the statement of financial position as at 31st December 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in unitholders' fund and the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies as set out on pages 05 to 17.

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

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Fund Management Company is responsible for the other information. The other information generally comprises the information included in the Fund manager's report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The financial statements of NDB Wealth Growth Fund for the year ended 31st December 2019 were audited by another auditor who expressed an unmodified opinion on these statement on 15th June 2020.

Responsibilities of Fund Management Company and the Trustee for the Financial Statements

The Fund Management Company and the Trustee are 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.

The Fund Management Company is responsible for overseeing the Fund's financial reporting process.

BDO Partners, a Sri Lankan Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Partners : Sujeewa Rajapakse FCA, FCMA, MBA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. H. Sasanka Rathnaweera FCA, ACMA. R. Vasanthakumar Bsc (Acc), ACA. F. Sarah Z. Afker ACA, ACMA (UK), CGMA, MCSI (UK). M.N. Mohamed Nabeel ACA. D. Jerad N. Dias ACA. Madhura V. De Silva FCA, MSc.



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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Fund Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of the Rule 27(3) of the Unit Trust Code of September 2011 issued by the Securities and Exchange Commission of Sri Lanka under the Act No. 36 of 1987 and the trust deed.

CHARTERED ACCOUNTANTS

Colombo

26th March 2021

MN/cc

NDB WEALTH GROWTH FUND

Page 1

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2020

	Note	2020 LKR	2019 LKR
Investment income			
Interest income	4	2,141,527	2,351,653
Net dividend income		6,267,534	7,713,769
		<u>8,409,061</u>	<u>10,065,422</u>
 Realised (loss)/gain on financial assets at fair value through profit or loss	5	(41,887,593)	(1,438,324)
Unrealised loss on financial assets at fair value through profit or loss	11	32,763,553	(6,819,509)
		<u>(714,979)</u>	<u>1,807,589</u>
Total investment income / (loss)			
 Operating expenses	6	(7,224,063)	(11,582,931)
		<u>(7,939,042)</u>	<u>(9,775,342)</u>
Loss before tax			
 Income tax expense	7	-	-
		<u>(7,939,042)</u>	<u>(9,775,342)</u>
Loss for the period			
 Other comprehensive income		-	-
		<u>(7,939,042)</u>	<u>(9,775,342)</u>
Total comprehensive loss for the period			
		<u>(7,939,042)</u>	<u>(9,775,342)</u>
 Decrease in net assets attributable to unitholders			
		<u>(7,939,042)</u>	<u>(9,775,342)</u>

Figures in brackets indicate deductions.

The accounting policies and notes from pages 05 to 17 form an integral part of these financial statements.

Colombo

26th March 2021



NDB WEALTH GROWTH FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2020

Page 2

	Note	As at 31.12.2020 LKR	As at 31.12.2019 LKR
Assets			
Cash at bank	8	19,856	103,301
Financial assets at fair value through profit or loss	11	186,277,723	191,479,317
Financial assets measured at amortised cost	12	7,100,844	9,662,880
Other receivables	9	695,124	201,133
Total assets		<u>194,093,547</u>	<u>201,446,631</u>
Liabilities			
Accrued expenses	13	<u>855,819</u>	<u>2,702,193</u>
Total liabilities		<u>855,819</u>	<u>2,702,193</u>
Net assets attributable to unitholders		<u><u>193,237,728</u></u>	<u><u>198,744,438</u></u>
Unitholders' fund			
Unit capital		19,991,693	19,649,295
Retained earnings		<u>173,246,035</u>	<u>179,095,143</u>
Net assets attributable to unitholders	14	<u><u>193,237,728</u></u>	<u><u>198,744,438</u></u>

Figures in brackets indicate deductions.

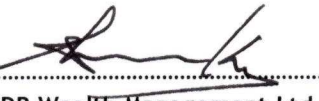
The accounting policies and notes from pages 05 to 17 form an integral part of these financial statements.

The Fund Management Company and the Trustee are responsible for the preparation of these financial statements in accordance with Sri Lanka Accounting Standards.

These financial statements were approved by the Fund Management Company and the Trustee on 26th March 2021.


NDB Wealth Management Ltd
Fund Management Company


Bank of Ceylon
Trustee


NDB Wealth Management Ltd
Fund Management Company



Colombo
26th March 2021
MN/cc

NDB WEALTH GROWTH FUND
STATEMENT OF CHANGES IN UNITHOLDERS' FUND
FOR THE YEAR ENDED 31ST DECEMBER 2020

Page 3

	Unit capital LKR	Retained earnings LKR	Total LKR
Balance as at 01 January 2019	20,390,659	193,074,180	213,464,839
Net decrease due to creation and redemption of units	(741,364)	(4,203,695)	(4,945,059)
Decrease in net assets attributable to unitholders	-	(9,775,342)	(9,775,342)
Balance as at 31 December 2019	<u>19,649,295</u>	<u>179,095,143</u>	<u>198,744,438</u>
Net decrease due to creation and redemption of units	342,398	2,089,934	2,432,332
Decrease in net assets attributable to unitholders	-	(7,939,042)	(7,939,042)
Balance as at 31 December 2020	<u>19,991,693</u>	<u>173,246,035</u>	<u>193,237,728</u>

Figures in brackets indicate deductions.

The accounting policies and notes from pages 05 to 17 form an integral part of these financial statements.

Colombo
26th March 2021



**NDB WEALTH GROWTH FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2020**

Page 4

	2020 LKR	2019 LKR
Cash flows from operating activities		
Interest received	2,301,610	2,405,364
Dividend received	6,267,534	7,713,769
Management fees paid	(3,812,478)	(4,163,214)
Other expenses paid	(3,455,547)	(1,290,032)
Proceeds from sale of equity investments	116,137,241	12,775,618
Net disposal of fixed deposits	-	25,000,000
Net investment in equity instruments	(120,734,049)	(32,719,086)
Net cash generated from operating activities	(3,295,689)	9,722,419
Cash flows from financing activities		
Cash received on creation of units	13,171,469	17,906,748
Cash paid on redemption of units	(12,541,549)	(22,501,217)
Net cash generated from financing activities	629,920	(4,594,469)
Net increase in cash and cash equivalents	(2,665,769)	5,127,950
Cash and cash equivalents at the beginning of the year	9,746,189	4,618,239
Cash and cash equivalents at the end of the period	7,080,421	9,746,189
Cash and cash equivalents at the end of the period comprise of:		
Cash at bank	19,856	103,301
Money market savings	7,060,565	9,642,888
	7,080,421	9,746,189

Figures in brackets indicate deductions.

The accounting policies and notes from pages 05 to 17 form an integral part of these financial statements.

Colombo
26th March 2021



1. GENERAL INFORMATION

1.1 General

NDB Wealth Growth Fund ("the Fund") is an open ended unit trust fund licensed by the Securities and Exchange Commission of Sri Lanka and established under trust deed signed on 07th January 1992. The Fund which invests mainly in government securities and listed securities in Colombo Stock Exchange, is domiciled in Sri Lanka.

The Fund is managed by NDB Wealth Management Limited while Bank of Ceylon acts as the Trustee of the Fund. The registered office of the Fund manager is located at No. 40, Nawam Mawatha, Colombo 02, Sri Lanka and the principal place of business is located at Level G, NDB Capital Building, No.135, Bauddhaloka Mawatha, Colombo 04, Sri Lanka.

The Trustee's principal place of business is located at Head office, Bank of Ceylon Mawatha, Colombo 01, Sri Lanka.

1.2 Date of authorization for issue

The financial statement of the Fund for the year ended 31 December 2020 were authorized for issue by the Fund Management Company and the Trustee on 26th March 2021.

2. PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Preparation

The financial statements are prepared and presented in accordance with and comply with the relevant Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka. The statement of financial position is presented on a liquidity basis and assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. The financial statements have been prepared on the historical cost basis, except as stated below. Historical cost is generally the fair value of the consideration given in exchange of assets. The financial statements are presented in Sri Lankan rupees (LKR).

2.2 Statement of compliance

The financial statements which comprise the statement of financial position as at 31st December 2020, statement of profit or loss and other comprehensive income, statement of changes in unitholders' fund and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been prepared and presented in accordance with Sri Lanka Accounting Standards.

2.3 Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with SLFRSs requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. In the selection and application of the Fund's accounting policies, which are described below, the Fund Management Company is required to make judgments and assumptions and use assumptions in measuring items reported in the financial statements. These estimates are based on management's knowledge of current facts and circumstances, and assumptions based on such knowledge and expectations of future events. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or the period of the revision and future periods as well, if the revision affects both current and future periods.

NDB WEALTH GROWTH FUND

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

2.3 Significant Accounting Judgments, Estimates and Assumptions (Contd..)

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

Management uses its judgment in determining the appropriate valuation technique for financial instruments that are not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Other financial instruments are valued using a discounted cash flow analysis based on the assumptions supported, where possible, by observable market prices or rates.

Determination of Fair Value and Fair Value Hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Techniques which use inputs other than quoted prices included within level 1, that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3: Techniques which use inputs that are not based on observable market data

2.4 Summary of significant accounting policies

Accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Classification and measurement of financial assets and financial liabilities

SLFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

2.4.1 Financial instruments

(i) Recognition and initial measurement

All financial assets are initially recognized on the date the Fund becomes a party to the contractual provisions of the instrument. This includes purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. A financial asset is initially measured at fair value plus or minus, for an item not at FVTPL and transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Fund changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding.

The Fund's financial assets classified under amortised cost include Treasury bill/ bond repurchase agreements and cash and cash equivalents.

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

(ii) Classification (Contd...)

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes derivative financial assets, if any.

(iii) Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. The changes in fair value of FVOCI debt instruments are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

(iv) Impairment

The Fund recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost. The Fund measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which is measured as 12-month ECLs.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Fund on terms that the Fund would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

As of the statement of financial position date the Fund has not observed any of the above, thus, no impairment provision has been recognized in the financial statements.



Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

2.4.2 Financial liabilities - Classification, subsequent measurement, gains, and losses

Financial liabilities are classified as measured at amortized cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss. Financial liabilities measured at amortized cost include accrued expenses and other payables.

2.4.3 Derecognition

Financial assets

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership nor does it retain control of the financial asset.

The Fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Fund also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

2.4.4 Offsetting of financial instruments

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

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

2.4.5 Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and are subject to an insignificant risk of changes in values.



SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

2.4.6 Payables and provisions

Payables are initially recognized at fair value, which is the fair value of the consideration to be paid in the future for goods and service received, whether or not billed to the Fund, and subsequently at amortised cost.

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

2.4.7 Recognition of income

Income is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific criteria must also be met before interest income is recognised.

(i) Interest income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

(ii) Dividend Income

Dividend income shall be recognised when the Fund's right to receive payment is established.

2.4.8 Unitholders' funds and net assets attributable to unitholders

The Unitholders' Fund has 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 calculated in accordance with the valuation guidelines issued by the Unit trust Association of Sri Lanka and directive issued by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue.

3. TAXATION

Unit Trusts that conduct eligible investment business are treated as pass through vehicles and tax will be payable by unit holders in accordance with the new Inland Revenue Act No. 24 of 2017.



	2020 LKR	2019 LKR
4 INTEREST INCOME		
Interest on fixed deposits	166,685	1,813,650
Interest on money market saving accounts	1,491,914	538,003
Interest on treasury bills Repo	2,106	-
Interest on commercial papers	480,822	-
	<u>2,141,527</u>	<u>2,351,653</u>
5 NET REALISED (LOSS)/GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Gross sales proceeds from disposal of equity shares	116,811,603	12,775,618
Weighted average cost of equity shares disposed	(158,699,196)	(14,213,942)
	<u>(41,887,593)</u>	<u>(1,438,324)</u>
6 OPERATING EXPENSES		
Management fee	3,804,164	4,136,548
Trustee fee	346,961	406,954
Custodian fee	91,305	107,093
Auditor's remuneration	172,260	210,195
Write off - Notional tax recoverable	-	3,787,623
Impairment allowance of notional tax recoverable	-	68,339
Impairment allowance of WHT	-	2,304,867
Tax consultancy fee	86,808	83,139
Bank charges	79,250	81,251
Transaction costs on equity share transactions	2,643,315	396,923
	<u>7,224,063</u>	<u>11,582,931</u>
7 INCOME TAX EXPENSE		
Tax expense for the year	<u>-</u>	<u>-</u>

Following the enactment of the new Inland Revenue Act No. 24 of 2017 effective from 1 April 2018, the Fund is deemed as conducting an eligible investment business and is treated as a tax pass through vehicle. Hence, no provision for income tax was made in the financial statements for the period ended 31 December 2020.

	As at 31.12.2020 LKR	As at 31.12.2019 LKR
8 CASH AT BANK		
Bank of Ceylon operations account	19,856	103,301
	<u>19,856</u>	<u>103,301</u>
9 OTHER RECEIVABLES		
Interest receivable from matured investments	-	180,370
Receivable on sale of shares	674,362	-
Receivable on creations	20,762	20,763
	<u>695,124</u>	<u>201,133</u>



10 TAXES RECOVERABLE

	As at 31.12.2020 LKR	As at 31.12.2019 LKR
Withholding tax receivable	2,304,867	6,235,376
Notional tax credit recoverable	68,339	68,339
Income tax payable	-	(142,886)
	<u>2,373,206</u>	<u>6,160,829</u>
Less:		
Impairment allowance for Withholding tax	(2,304,867)	(2,304,867)
Impairment allowance for notional tax	(68,339)	(68,339)
Write off - Notional tax recoverable	-	(3,787,623)
	<u>-</u>	<u>-</u>

As of 31 December 2018, the net Income Tax Recoverable comprises of notional tax credit recoverable amounting to Rs. 3,855,962 and WHT of Rs. 2,304,867. The Fund Manager intends to claim the WHT recoverable by means of a refund. The Notional Tax credit recoverable will be carried forward as per section 138(2) of the Inland Revenue Act No 10 of 2006 to be set off against future income tax liability if any within three consecutive years of assessment commencing from the year of assessment 2018/2019.

However, subsequent to the enactment to the new Inland Revenue Act No 24 of 2017, effective 01 April 2018, an Eligible Unit Trust would not be liable for Income Tax on any Income which is a pass through to its unit holders. Therefore, the Fund Manager is unable to assess with a reasonable certainty that there will be a future income tax liability to offset this income tax receivable balance. Hence an impairment is recognised against the WHT receivable balance amounting to Rs. 2,304,867 and notional tax recoverable amount of Rs. 68,339.

The remaining notional tax recoverable amount related to the period prior to year 2018 amounting to Rs. 3,787,623 has been written off.



11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net change in total unrealised gain / (loss) on equity securities at fair value through profit or loss.

Company	As at 31.12.2020			As at 31.12.2019		
	No. of shares	Cost of the investment LKR	Market value LKR	No. of shares	Cost of the investment LKR	Market value LKR
Banks						
Commercial Bank Of Ceylon PLC	242,399	19,591,238	19,610,079	193,840	24,730,129	18,414,800
Commercial Bank Of Ceylon PLC (Non-Voting)	-	-	-	20,381	1,964,400	1,691,623
DFCC Bank PLC	44,963	7,815,128	2,936,084	79,330	13,830,623	7,290,427
Hatton National Bank PLC	257,509	40,647,647	32,574,889	116,200	27,347,663	20,009,640
Hatton National Bank PLC (Non-voting)	-	-	-	42,894	7,716,382	5,812,137
National Development Bank PLC	-	-	-	105	11,818	10,500
Sampath Bank PLC	64,500	8,726,250	8,746,200	81,435	17,782,141	13,225,044
Seylan Bank PLC	292,920	21,609,101	13,474,320	520,576	38,664,754	27,330,240
Seylan Bank PLC (Non-Voting)	121,374	5,389,860	4,126,716	273,209	12,251,772	9,234,464
		<u>103,779,224</u>	<u>81,468,288</u>		<u>144,299,681</u>	<u>103,018,875</u>
Capital Goods						
John Keells Holdings PLC	-	-	-	37,000	5,791,000	6,201,200
Access Eng Ltd	1,127,000	24,230,500	27,724,200	-	-	-
		<u>24,230,500</u>	<u>27,724,200</u>		<u>5,791,000</u>	<u>6,201,200</u>
Consumer Durables and Apparel						
Hayleys Fabric PLC	-	-	-	600,000	10,199,977	10,740,000
		<u>-</u>	<u>-</u>		<u>10,199,977</u>	<u>10,740,000</u>
Diversified Financials						
Central Finance Company PLC	169,184	15,040,414	14,042,272	179,786	16,009,923	18,697,744
People's Leasing Company PLC	-	-	-	272,094	4,317,993	4,870,483
Singer Finance (Lanka) PLC	-	-	-	516,841	7,804,878	6,718,933
		<u>15,040,414</u>	<u>14,042,272</u>		<u>28,132,793</u>	<u>30,287,160</u>
Food, Beverage and Tobacco						
Ceylon Cold Stores PLC	5,236	3,321,600	3,689,286	5,236	3,321,600	4,162,620
Distilleries Company Of Sri Lanka PLC	836,555	13,016,603	17,149,378	-	-	-
		<u>16,338,203</u>	<u>20,838,663</u>		<u>3,321,600</u>	<u>4,162,620</u>
Insurance						
Peoples Insurance PLC	775,000	11,625,000	21,855,000	775,000	11,625,000	16,817,500
		<u>11,625,000</u>	<u>21,855,000</u>		<u>11,625,000</u>	<u>16,817,500</u>
Materials						
Tokyo Cement Company (Lanka) PLC	156,500	5,160,356	11,925,300	156,500	5,160,356	7,512,000
Chevron Lubricants Lanka PLC	78,000	6,669,000	8,424,000	-	-	-
		<u>11,829,356</u>	<u>20,349,300</u>		<u>5,160,356</u>	<u>7,512,000</u>
Telecommunications						
Dialog Axiata PLC		-	-	1,029,779	12,277,436	12,666,282
		<u>-</u>	<u>-</u>		<u>12,277,436</u>	<u>12,666,282</u>
Utilities						
Laufgs Power Limited (Non-Voting)	-	-	-	18,420	-	73,680
		<u>-</u>	<u>-</u>		<u>-</u>	<u>73,680</u>
Total value of quoted equity securities		<u>182,842,696</u>	<u>186,277,723</u>		<u>220,807,843</u>	<u>191,479,317</u>
Total unrealised loss			<u>3,435,026</u>			<u>(29,328,527)</u>
Charged to profit or loss			<u>32,763,553</u>			



	As at 31.12.2020		As at 31.12.2019
	As a % of net asset value	Amortised cost LKR	Amortised cost LKR
12 Financial assets measured at amortised cost			
Investment in money market saving accounts (Note 12.1)	3.67%	7,100,844	9,662,880
		<u>7,100,844</u>	<u>9,662,880</u>

12.1 Investment in money market saving accounts

Company	As at 31.12.2020		As at 31.12.2019	
	Amortised cost LKR	As a % of net asset value	Amortised cost LKR	As a % of net asset value
Union Bank of Colombo PLC	1,166,119	0.60%	45,201	0.02%
Hatton National Bank PLC	5,934,725	3.07%	9,617,679	4.84%
	<u>7,100,844</u>	<u>3.67%</u>	<u>9,662,880</u>	<u>4.86%</u>

	As at 31.12.2020 LKR		As at 31.12.2019 LKR	
13 ACCRUED EXPENSES				
Front-end fee		182,444		1,984,855
Management fee		368,598		376,913
Trustee fee		33,618		34,377
Auditor's remuneration		172,260		210,195
Custodian fee		8,846		9,046
Tax consultancy fee		90,053		86,808
		<u>855,819</u>		<u>2,702,193</u>



14 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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

	31.12.2020 Units	31.12.2019 Units	31.12.2020 LKR	31.12.2019 LKR
Opening capital balance	19,643,299	20,384,499	198,744,438	213,464,839
Units issued during the year	1,740,507	1,751,809	14,973,881	17,556,158
Units redeemed during the year	(1,398,172)	(2,493,009)	(12,541,549)	(22,501,217)
Increase in net assets attributable to unitholders	-	-	(7,939,042)	(9,775,342)
Closing balance	19,985,634	19,643,299	193,237,728	198,744,438

The creation price was at LKR 10.00 (2019 - LKR 10.47) per unit and the redemption price was at LKR 9.59 (2019 - LKR 10.10) per unit as at 31 December 2020.

15. DISTRIBUTIONS FOR THE YEAR

There were no distributions for the year ended 31st December 2020.

16. CONTINGENCIES

There were no significant contingencies existing at the end of the reporting date that require adjustments to or disclosures in the financial statements.

17. EVENTS AFTER THE REPORTING DATE

No significant events have taken place since the date of the statement of financial position that require adjustments to or disclosures in these financial statements.

18. CAPITAL COMMITMENTS

There were no capital commitments at the end of the reporting date.

19. RELATED PARTY TRANSACTIONS

The following have been identified as related parties to NDB Wealth Growth Fund in accordance with LKAS 24 for the reasons stated below.

The Fund Management Company, NDB Wealth Management Ltd is a subsidiary of NDB Capital Holdings PLC. The company's ultimate parent entity and controlling party is National Development Bank PLC, which is incorporated and domiciled in Sri Lanka.

Mr. D.S.P. Wickramanayake, Mr. Bernard Sinniah, Mr. Shankanada Abeywardene, Mr. Sanjaya Perera and Mr. Dimantha Seneviratne are directors of the NDB Wealth Management Ltd.



19. RELATED PARTY TRANSACTIONS (CONTD...)

Details of the fund management fees trustee fees and custodian fees paid/payable are as follows:

Name of the related party	Nature of interest	Particulars of financial dealings	Transaction value LKR	Outstanding value LKR
NDB Wealth Management Limited	Fund Management Co.	Management fee	3,804,164	368,598
Bank of Ceylon	Trustee	Trustee fees Custodian fees	346,961 91,305	33,618 8,846

The Fund maintains a current account with the Trustee, Bank of Ceylon through which all settlement transactions of the Fund were made.

As at 31st December 2020, NDB Wealth Management Limited did not hold units in the Fund.

Unitholdings by key management personnel (KMP)

Unit Holder	Relationship	No. of units		Value of units held	
		31.12.2020	31.12.2019	31.12.2020	31.12.2019
KMP's other than directors	Employee of NDB Wealth Management Ltd	154,689	126,192	1,483,463	1,265,710

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Financial Instruments

The Fund's principal financial assets comprise investments in fixed income securities and cash at bank. The main purpose of these financial instruments is to generate a return on the investment made by the unitholders. The Fund has other financial instruments also such as receivables and payables which arise directly from its operations.

(b) Financial risk management objectives, policies and processes

Risks arising from holding financial instruments are inherent in the fund's activities, and are managed through a process of ongoing identification, measurement and monitoring. The fund is exposed to credit risk, market risk, and liquidity risk.

(i) Credit risk

Credit risk is the risk that the counterparty of the financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

The Fund's exposure to credit risk from its financial assets arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as detailed below. It is the Fund's policy to enter into financial instruments with reputable counterparties.

Risk concentration of credit risk exposure

Concentration of credit risk is managed by counterparty and by market sector. The Fund is also subject to credit risk on its bank balance and receivables. The credit risk exposure on these instruments is not deemed to be significant.



20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTD...)

The Fund's maximum exposure to credit risk can be analysed as follows:

	As at 31.12.2020 LKR	As at 31.12.2019 LKR
Fixed income securities		
Conservative - Money market saving deposits	7,100,844	9,662,880
Balanced	-	-
	<u>7,100,844</u>	<u>9,662,880</u>

(ii) Market risk

Market risk represents the risk that the value of the Fund's investment portfolio will fluctuate as a result of changes in market prices.

This risk is managed by ensuring that all investment activities are undertaken in accordance with established mandate limits and investments strategies. As such, unitholders can manage this risk through their choices of which investment portfolios to participate in.

(iii) Price risk

Price risk is the risk that the fair value of the Fund's investments in trading securities may fluctuate as a result of changes in the price of the Fund's investments in trading securities. Price risk exposure arises from the fund's investment portfolio.

The table below shows the impact on the statement of profit or loss and other comprehensive income and statement of financial position due to a reasonably possible change in the price of the Fund's investment in trading securities, with all other variables held constant.

	31.12.2020		31.12.2019	
Changes in the price of the Fund's investments in trading securities existing as of reporting date	Increases / (Decreases) on profit before tax LKR	Increases/ (decreases) on amounts attributable to unitholders LKR	Increases/ (decreases) on profit before tax LKR	Increases/ (decreases) on amounts attributable to unitholders LKR
+10%	18,627,772	18,627,772	19,147,932	19,147,932
-10%	(18,627,772)	(18,627,772)	(19,147,932)	(19,147,932)

The above figures are calculated across the entire investment portfolio on an annual basis. There is a corresponding change in the fair value of trading securities within the statement of financial position.



20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTD...)

(iv) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates.

The Fund's exposure to interest rate risk primarily arises from changes in interest rates applicable to the financial assets measured at amortized cost and balance held at the bank.

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

Increase/ (decrease) in basis points	Effect on the profit before tax for the year 2020 (LKR)	Effect on the profit before tax for the year 2019 (LKR)
+ 25	17,651	24,107
- 25	(17,651)	(24,107)

(v) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet its obligation to pay unitholders.

Due to the nature of a unit trust, it is unlikely that a significant number of unitholders would exit at the same time. However to control liquidity risk, the Fund invests in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund invests within established limits to ensure that there is no concentration of risk.

The Fund's maximum exposure to liquidity risk can be analysed as follows;

	As at 31.12.2020 LKR	As at 31.12.2019 LKR
Short-term (less than 1 year)	7,100,844	9,662,880
Long-term (more than 1 year)	-	-
	<u>7,100,844</u>	<u>9,662,880</u>

