

CEYBANK HIGH YIELD FUND

ANNUAL REPORT 2023

Managed By



“The SEC in granting approval does not extend to either endorsing or ratifying the accuracy of the specific details set out therein, and that the management company remains at all times responsible for the specific details set out in the Annual Report.”

CONTENTS

Corporate Information	1
Report of the Manager	2
Report of the Auditors	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Unit holders Funds	6
Statement of Cash Flow	7
Notes to the Financial Statements	8
Declaration by Trustee and Managing Company	9
Management Team	10

**CEYBANK HIGH YIELD FUND
ANNUAL REPORT-2023
CORPORATE INFORMATION**

FUND MANAGERS & REGISTRAR

Ceybank Asset Management Ltd
Reg. No PV 3326
No 85, York Street, Colombo -1
Tel : 011- 760 2000-2, Fax : 011- 2327203
E.mail : info@ceybank.com
Web: www.ceybank.com

TRUSTEE

National Savings Bank
Savings House, 255, Galle Road
Colombo 03

**DIRECTORS OF THE
MANAGEMENT COMPANY**

Mr. A.C.M. Fernando
Chairman

Mr. I. Ferdinands
CEO/Executive Director

Mr. G.A. Jayashantha
(Nominee - Bank of Ceylon)

Mr. R. M. N. Jeewantha
(Nominee - Bank of Ceylon)

Ms.V. Govindan
(Nominee - Unit Trust of India)

Ms. S.Kulasinghe
(Nominee - Sri Lanka Insurance)

Mr. A.D. Perera
(Nominee - Sri Lanka Insurance)

AUDITORS

Kreston Sri Lanka
Chartered Accountants

TAX CONSULTANTS

Ernst & Young
Chartered Accountants

BANKERS & CUSTODIAN

Bank of Ceylon

LAWYERS

F. J. & G. De Saram
Attorneys –at-Law

Nithya Partners
Attorneys –at-Law

CEYBANK HIGH YIELD FUND - Annual Report 2023

REPORT OF THE MANAGER

We have great pleasure in presenting the Manager's Report and Audited Accounts of the Ceybank High Yield Fund for the period 1st January 2023 to 31st December 2023.

The Net Asset Value per unit of your Fund appreciated by 24.71% during the period.

Economy

Amidst the regaining fundamentals in the economy, the Sri Lankan Economy witnessed a negative GDP growth of 2.3%YoY during the year 2023 against the crisis driven contraction of 7.3%YoY in year 2022 (base year=2015). Sector wise, both Industry and Services sectors slumped by 9.2%YoY and 0.2%YoY respectively while the Agriculture sector accounted a growth of 2.6%YoY during 2023.

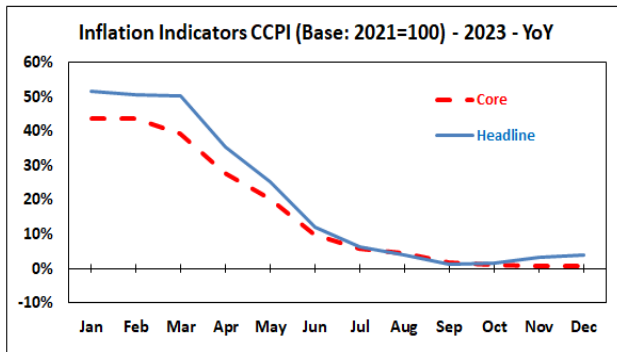


Figure:1 - (Source: Department of Census & Statistics)

Year on Year Inflation (*Figure:1*) measured by the CCPI which was at 51.7%YoY in January 2023 showed a decelerated trend by ending at 4%YoY in December 2023 (Base: 2021). The execution of some measures including price controls, favourable supply side developments, gradual lifting of the import ban on some items, appreciating of local currency, the sluggish recovery in domestic demand over low disposable income amidst tight monetary and fiscal policy adopted by the government, the slowdown in private sector credit growth and the base effect chiefly resulted in this slowdown in inflation.

Market interest rates (*Figure:2*) declined during the year. The benchmark 12-month Treasury bill rate which was at 29.16% p.a. at the beginning of the year dropped gradually in line with the slowdown in inflation and the appreciation of LKR. Treasury Bill yields plunged by 1,623 basis points, to close at 12.93% p.a. at the end of the year. This allowed the downward adjustment in market lending rates with an aim to retrieve the economic activities in the country. Long term Treasury bond yields also moved in tandem with the Treasury Bills during this period. Premiums on corporate paper yields, remained around 2-3% above Treasury yields.

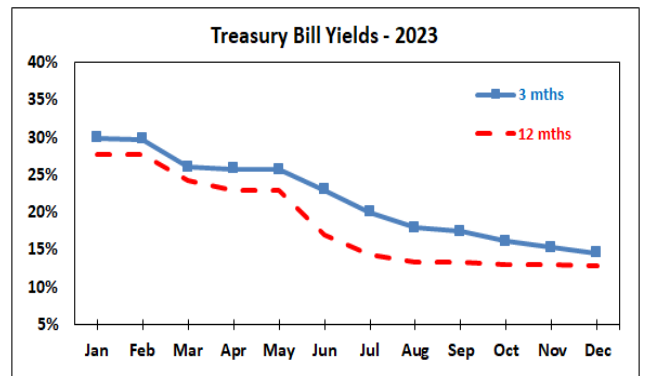


Figure: 2 - (Source: CBSL)

Overnight repo market rates recorded a downward trend and traded within a range of 16.50% and 9% p.a. The exchange rate which was at 363.11 (Rs/US\$) at the beginning of 2023, appreciated by 10.8% to 323.92 (Rs/US\$), as at end December 2023.

The Central Bank key policy rates were changed five times during the year. Both Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) were reduced by a total of 550 bps in year 2023. The SDFR and SLFR at the end of the year were 9% and 10% respectively, while the SRR was 2%.

Fund Performance

The Net Asset Value per unit of your Fund appreciated by 24.71% during the period under review. The Fund generated Rs 298.69 million as net operating profit during the period. The Fund was mainly invested in a mix of Treasury bills and Repurchase Agreements with maturities less than 12 months.

Future Outlook

Despite the contraction of GDP by 2.3% recorded in 2023, a turnaround in Sri Lankan economy would be expected in 2024 in the midst of retrieving macro-economic indicators with the implementation of structural reforms in the country as per the agreement on IMF-EFF. The upside in domestic production, gradual expansion in Agriculture, Industry and Services sectors, recovery in tourism sector, increase in workers' remittances, completion of external debt restructuring process by June 2024 and faster implementation of several vital reforms like converting loss making SOEs to positive contributors would probably contribute to deliver the growth in 2024. However, the uncertainties in external debt restructuring, fluctuations in global crude oil prices, the impact of surge in taxes, the ongoing geopolitical tensions in Eastern Europe and Middle East by affecting tourism, tea exports & remittances and the policy uncertainties in the economy owing to Elections are the crucial risk factors to be concerned over the improvement in economic activities in the year 2024.

The policy makers are trying to enhance the economic activities through monetary and fiscal stimulus measures with a view to foster sustainable economic growth over the medium term in the country. This includes the reduction in elevated market lending rates to stimulate the credit to productive sectors in the economy. Despite the existing short-term pressure in inflation due to hike in VAT & duties, the inflation would hover around at a single digit level backed by the stringent policies adopted by the authorities.

As a result of gradual lifting of import restrictions in line with the increase in demand with the gradual economic recovery and the building up of foreign reserve position against the future external debt payment, we would expect the currency to display a moderate depreciation against USD toward the end December 2024 despite the improvement in remittances & tourism earnings and the expectation of the receipts of IMF third tranche and other FDIs followed by the successful completion of foreign debt restructuring process by June 2024.

Considering these factors, the Fund is currently invested in short term Treasury bills, Repurchase Agreements and Corporate papers. The objective of the Fund is to provide liquidity and maximize returns for the investor. The Managers will continue to monitor the changing environment to address any change required in the asset allocation in order to meet the Fund objective.

Management

We take this opportunity to thank our valued unit holders for the confidence placed in us, which has been a great source of encouragement. We believe we will be able to provide a consistent return to the unit holders. We also place on record our appreciation for the unstinted support and cooperation extended by the Securities and Exchange Commission of Sri Lanka, the Trustee, National Savings Bank and Custodian Bank of Ceylon.

Our sincere appreciation is also due to the stakeholders and the Board of Directors for their support. Our achievements would not have been possible without the skills and commitment of the Management Team. We take great pleasure in thanking them for their contribution and dedication throughout the year and look forward to their support in the coming year too.

SGD
Kanchana Karannagoda
Fund Manager
March 2024

FINANCIAL STATEMENTS OF

CEYBANK HIGH YIELD FUND

FOR THE YEAR ENDED

31ST DECEMBER 2023



Kreston MNS & Co
Chartered Accountants
Level 1 & 2, Advantage Building
74A, Dharmapala Mawatha
Colombo 07

Tel: + 94 (0) 11 2323571-3
+ 94 (0) 11 2301396-7
Fax: + 94 (0) 11 2433388
Email: audit@kreston.lk
Web: www.kreston.lk

INDEPENDENT AUDITOR'S REPORT

TO THE UNIT HOLDERS OF CEYBANK HIGH YIELD FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of **CEYBANK HIGH YIELD FUND** (the Fund) which comprise the Statement of Financial Position as at 31st December 2023, and the Statement of Comprehensive Income, Statement of Movement in unit holders' Fund and Statement of Cash Flows for the year then ended 31st December 2023, and notes to the Financial Statements, including a summary of significant accounting policies exhibited on pages 3 to 20.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Fund as at 31st December 2023, and of its financial performance and its cash flows for the year then ended 31st December 2023 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 Chartered Accountants of Sri Lanka 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.

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

Management and the Trustee of the fund 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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.



Member of Kreston Global UK

Correspondent firm within Grant Thornton International Ltd. (Grant Thornton International)

Grant Thornton International and the member and correspondent firms are not a worldwide partnership.

Partners

S Rajanathan FCA, FCMA (UK) | N K Atukorala FCA, ACMA | Ms. H D S C A Tillekeratne FCA, ACMA | K I Skandadasan B.Sc. (Madras), FCA, ACMA | R L R Balasingham FCA, ACMA | N K G V Bandara B.Sc.(Acc) Sp, FCA, ACMA | Ms.S. Sawumiya BBA (Acc) Sp. ACA | P. Dharshan ACA | M.F.M. Mujahid BBA (Col), MBA (PIM-SJP), ACA, CISA

Branches

Anuradhapura, Badulla, Batticaloa, Hatton, Jaffna, Kandy, Negombo, Nuwara Eliya, Trincomalee

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 Sri Lanka Auditing Standards 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 Sri Lanka Auditing Standards, 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 disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

The Financial Statements are prepared and presented in accordance with and comply with the requirements of the Unit Trust Deed and Unit Trust Code of Securities and Exchange Commission of Sri Lanka.

Kreston MNS & Co
CHARTERED ACCOUNTANTS
COLOMBO
5TH APRIL 2024
 ST/bn
 ST-Ceybank High Yield Fund (2023)-C8



STATEMENT OF FINANCIAL POSITION

		31.12.2023 Rs.	31.12.2022 Rs.
	Note		
ASSETS			
Cash and Cash Equivalents	3	48,285,173	11,708,078
Financial Assets at Amortised Cost	4	2,393,830,348	418,953,293
Income tax receivable	8	-	-
TOTAL ASSETS		2,442,115,521	430,661,371
UNIT HOLDERS' FUNDS & LIABILITIES			
LIABILITIES			
Accrued Expenses	6	7,757,839	648,140
Total Liabilities (Excluding net assets attributable to Unit Holders)		7,757,839	648,140
UNIT HOLDERS' FUNDS			
Net Assets Attributable to Unit Holders		2,434,357,682	430,013,231
Total Unit Holders' Funds & Liabilities		2,442,115,521	430,661,371

The Accounting Policies and the Notes on pages 7 to 20 form an integral part of these Financial Statements.

The Fund Management Company and the Trustee are responsible for the preparation and presentation 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 31st March 2024.


 Director
 Ceybank Asset Management Ltd
 Fund Management Company


 National Savings Bank
 Trustee


 Director
 Ceybank Asset Management Ltd
 Fund Management Company



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED

	Note	31.12.2023 Rs.	31.12.2022 Rs.
Investment income			
Investment Income	7	313,154,801	172,620,473
Total investment income		<u>313,154,801</u>	<u>172,620,473</u>
Expenses			
Management Fees		(10,616,971)	(11,890,160)
Trustee Fees		(1,957,349)	(2,044,094)
Custodian Fees		(355,375)	(436,515)
Audit Fees		(130,000)	(106,387)
VAT Expenses		(311,258)	(54,017)
Bank Charges		(583,070)	(167,328)
Other Expenses		(217,783)	(96,400)
SSCL		(286,985)	(17,871)
Finance Expense		(4,451)	(2,316,646)
		<u>(14,463,242)</u>	<u>(17,129,418)</u>
Profit before tax		298,691,559	155,491,055
Income tax expense	8	-	-
Profit for the Year		<u>298,691,559</u>	<u>155,491,055</u>
Other Comprehensive Income		-	-
Increase in net assets attributable to unitholders		<u><u>298,691,559</u></u>	<u><u>155,491,055</u></u>

The accounting policies and notes on pages from 7 to 20 form an integral part of these financial statements.



STATEMENT OF MOVEMENTS IN UNITHOLDERS' FUNDS

FOR THE YEAR ENDED

	2023 Rs.	2022 Rs.
Unitholders' Funds at the beginning of the year	430,013,231	3,209,411,095
Profit for the year	298,691,559	155,491,055
Creation of Units	3,275,753,234	629,229,914
Redemption of Units	(1,570,100,342)	(3,564,118,833)
Net increase due to creation and redemption of units	<u>1,705,652,892</u>	<u>(2,934,888,919)</u>
Unitholders' Funds as at 31 December	<u><u>2,434,357,682</u></u>	<u><u>430,013,231</u></u>

The accounting policies and notes on pages from 7 to 20 form an integral part of these financial statements.



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED

		2023 Rs.	2022 Rs.
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		175,828,346	231,735,777
Other Expenses paid		(217,784)	(33,400)
Management Fees and Trustee Fees paid		(11,157,312)	(16,014,242)
Custodian fee Paid		(278,323)	(491,398)
Tax Paid		(598,243)	(71,888)
Net Realized gain on financial Assets		561,512	161,302
Bank Charges		(583,070)	(167,328)
Audit Fee Paid		(44,374)	(106,921)
Finance expenses paid		(4,451)	(2,316,646)
Net decrease / (increase) investment in repurchase agreement	4	(246,500,000)	2,977,420,620
Net Investments in treasury bills		(1,591,612,111)	(244,144,975)
Net cash used in Operating Activities		<u>(1,674,605,810)</u>	<u>2,945,970,901</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Amounts received on Unit Creations		3,275,753,234	629,229,914
Amounts paid on Unit Redemptions		(1,564,570,329)	(3,566,362,462)
Net cash generated from Financing Activities		<u>1,711,182,905</u>	<u>(2,937,132,548)</u>
Net (decrease) / increase in Cash and Cash Equivalents during the year		36,577,095	8,838,353
Cash and Cash Equivalents at the beginning of the year	3	11,708,078	2,869,725
Cash and Cash Equivalents at the end of the year	3	<u>48,285,173</u>	<u>11,708,078</u>

The accounting policies and notes on pages from 7 to 20 form an integral part of these financial statements.



NOTES TO FINANCIAL STATEMENTS**NOTE 1 - GENERAL INFORMATION****NOTE 1.1 - GENERAL**

Ceybank High Yield Fund ("the fund") is a unit trust fund, which was launched in November 2017 by Ceybank Asset Management Ltd, with the objective of maximizing the income by investing the funds in a portfolio of corporate debt & money market instruments with maturities less than one year. The registered office of the management company is located at 85, York Street, Colombo 01.

NOTE 1.2 - DATE OF AUTHORIZATION FOR ISSUE

The financial statements of the fund for the year ended 31 December 2023 were authorized for issue by the fund management company and the trustee on 31 March 2024.

NOTE 2 - PREPARATION OF FINANCIAL STATEMENTS**NOTE 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 the current and non-current. The financial statements have been prepared on the historical cost basis unless otherwise indicated. The financial statements are presented in Sri Lankan rupees (Rs.).

NOTE 2.1.1 - STATEMENT OF COMPLIANCE

The financial statements which comprise the statement of financial position as at 31 December 2023, statement of profit or loss and other comprehensive income, statement of movements in unit holders' funds 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.

NOTE 2.2 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

In the selection and application of the company's accounting policies, which are described below, the fund management company is required to make judgements 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 were revised if the revision affects only that period or in the period of the revision and future periods as well, if the revision affects both the current and future periods.



NOTES TO FINANCIAL STATEMENTS (CONTD.)**NOTE 2.2 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTD.)**

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

Fair value of the financial instruments are determined by observable market prices or rates where available.

NOTE 2.3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2.3.1 - FINANCIAL ASSETS**(i) Recognition and initial measurement**

Debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the fund becomes a party to the contractual provisions of the instrument.

A financial asset is initially measured at fair value plus or minus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A 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.

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 payments of principal and interest on the principal amount outstanding.
- The fund's financial assets classified under amortised cost include treasury securities.

(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.
------------------------------------	--



NOTES TO FINANCIAL STATEMENTS (CONTD.)**NOTE 2.3.2 - FINANCIAL LIABILITIES – CLASSIFICATION, SUBSEQUENT MEASUREMENT AND GAINS AND LOSSES**

Financial liabilities are classified as measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities measured at amortised cost include accrued expenses and other payables.

NOTE 2.3.3 - DERECOGNITION**Financial Assets**

The fund derecognises 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 and it does not 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 derecognised.

Financial Liabilities

The fund derecognises a financial liability when its contractual obligations is discharged or cancelled, or expires. The fund also derecognises 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.

NOTE 2.3.4 - 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 realise the assets and settle the liabilities simultaneously.

NOTE 2.3.5 - IMPAIRMENT

The fund recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised 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 are measured as 12-month ECL.

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 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.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 2.3.5 - IMPAIRMENT (CONTD.)

Credit-impaired financial assets

At each reporting date, the fund assesses whether financial assets carried at amortised 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 company on terms that it 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.

NOTE 2.3.6 - 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.

NOTE 2.3.7 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise of cash at bank.

The cash flow statement has been prepared using the direct method.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 2.3.8 - INCOME TAX

The fund is not liable to pay income tax as at the reporting date in accordance with Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021. The fund's income generated through investment business are treated as "pass through vehicles" under the provisions of Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021.

NOTE 2.3.9 - EXPENSES

The management, trustee and custodian fees of the fund as per the trust deed is as follows,

Management fee	-	0.75% p.a. of net asset value of the fund
Trustee fee	-	0.15% p.a. up to Rs.1.5 Billion of net asset value of the fund 0.125% p.a. between Rs.1.5 Billion & Rs.3.5 Billion of net asset value of the fund 0.1% p.a. above Rs.3.5 Billion of net asset value of the fund
Custodian fee	-	0.025% p.a. of net asset value of the fund Subject to a minimum of Rs.15,000 per month



NOTE 2.3.10 - UNITHOLDERS' FUNDS

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 unit holders as at the reporting date.

1. Financial risk management

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.

Financial instruments of the fund comprise investments in treasury bills under repurchase agreements for the purpose of generating a return on the investment made by unit holders, in addition to cash at bank and other financial instruments such as receivables and payables, which arise directly from its operations.

The fund manager is responsible for identifying and controlling the risk that arise from these financial instruments. The fund manager agrees on policies for managing each of the risks identified below.

The risks are measured using a method that reflects the expected impact on the statement of profit or loss and other comprehensive income and statement of financial position of the fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

The fund manager also monitors information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the fund, as well as the level of risk that the fund is willing to accept, with additional emphasis on selected industries. This information is prepared and reported to relevant parties within the fund manager on a regular basis as deemed appropriate, including the fund manager, other key management, investment committee, and ultimately the trustee of the fund.

Concentration of risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 2.3.10 - UNITHOLDERS' FUNDS (CONTD.)

1. Financial risk management (Contd.)

a) Credit risk

Credit risk is the risk that the counterparty to the financial instruments will fail to discharge an obligation and cause the fund to incur a financial loss of interest and/or principal.

The fund's exposure to credit risk from its financial assets arises from default of the counterparty, with the current exposure equal to the carrying amount of financial assets as at the reporting date. It is the fund's policy to enter into contracts with reputable counterparties.

The fund is also subject to credit risk on its bank balances. The credit risk exposure on these instruments is not deemed to be significant.

The funds' maximum exposure to credit risk can be analysed as follows;

2023 Counterparty	Credit rating	Rating agency
Bank of Ceylon	C	Fitch Rating
Commercial Bank of Ceylon	A	Fitch Rating
DFCC Bank	A -	Fitch Rating
Acuity Securities Ltd	N/A	N/A
Wealth Trust Securities Ltd	N/A	N/A

b) Market risk

Market risk represents the risk that the value of the fund's investments portfolios will fluctuate as a result of changes in market prices. However, the fund's exposure to price risk and currency risk are deemed negligible as all its investments are short term fixed income securities denominated in Sri Lankan Rupees. While market risk cannot be eliminated the fund manager will attempt to reduce this risk by diversifying the fund's investment portfolio in line with investment objectives of the fund.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 2.3.10 - UNITHOLDERS' FUNDS (CONTD.)

1. Financial risk management (Contd.)

c) 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 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. Since the fund had not held financial instruments with variable interest rates as at 31 December 2023 and 31 December 2022, it was not exposed to interest rate risk. Hence a sensitivity analysis has not been presented. The table below summarises the fund's exposure to interest rate risks.

31 December 2023	Floating interest rate Rs.	Fixed interest rate Rs.	Non- interest bearing Rs.	Total Rs.
Financial assets				
Cash and cash equivalents	-	-	48,285,173	48,285,173
Financial assets - Amortised cost	-	2,393,830,348	-	2,393,830,348
Total exposure	-	2,393,830,348	48,285,173	2,442,115,521

31 December 2022	Floating interest rate Rs.	Fixed interest rate Rs.	Non- interest bearing Rs.	Total Rs.
Financial assets				
Cash and cash equivalents	-	-	11,708,078	11,708,078
Financial assets -Amortised cost	-	418,953,293	-	418,953,293
Total exposure	-	418,953,293	11,708,078	430,661,371



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 2.3.10 - UNITHOLDERS' FUNDS (CONTD.)

1. Financial risk management (Contd.)

d) Liquidity risk

Liquidity risk is the risk that the fund will encounter difficulty in raising funds to meet its obligation to pay unitholders. Exposure to liquidity risk arises because of the possibility that the fund could be required to pay its liabilities or redeem its units earlier than expected. Units are redeemable at the unitholder's options based on the fund's net asset value per unit at the time of redemption.

The fund manages its obligation when required to do so and its overall liquidity risk by:

- Investing primarily in financial instruments, which under normal market conditions are readily convertible to cash.
- Investing within established limits to ensure there is no concentration of risk.
- Maintaining sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests. The unit trust code requires a minimum of 3% of the deposited property to be maintained in cash or near cash. (near cash means investments such as bank/call deposits, repurchase agreements with maturities of less than 3 months, commercial paper endorsed or guaranteed by a Licensed Commercial Bank or Licensed Specialized Bank with maturities of less than 3 months and government securities including government bonds with maturities of less than one year which can be readily convertible into cash.)

Other financial liabilities have no contractual maturities. Due to the short-term nature of these financial instruments, carrying value approximates fair value.

The table below summarises the fund's non derivative financial liabilities with contractual maturities into relevant maturity groupings based on the remaining period at the end of the reporting period.

31 December 2023	Less than 30 days	31 - 180 days	181 – 365 days	Total
Financial liabilities	7,757,839	-	-	7,757,839
31 December 2022				
Financial liabilities	238,819	358,461	-	597,280



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 2.3.10 - UNITHOLDERS' FUNDS (CONTD.)

1. Financial risk management (Contd.)

e) Capital risk management

Unitholders' funds have been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities.

Disclosures relevant to unitholders' funds are as follows;

The movement in the unitholders' funds as at 31 December 2023.

I. In terms of value

	2023 Rs.
Unitholders' funds as at 01 January	430,013,231
Creations during the year	3,275,753,234
Redemptions during the year	(1,570,100,342)
Increase in net assets attributable to unitholders during the year	298,691,559
Unitholders' funds as at 31 December	<u>2,434,357,682</u>

II. In terms of number of units

Opening number of units as at 01 January	25,473,836
Closing number of units as at 31 December	115,640,052

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.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3 - CASH & CASH EQUIVALENTS

	31.12.2023 Rs.	31.12.2022 Rs.
Operation A/C	48,270,221	11,693,607
Redemption A/C	14,952	14,471
	<u>48,285,173</u>	<u>11,708,078</u>

NOTE 4 - FINANCIAL ASSETS - AMORTISED COST

Repurchase Agreements (Note 4.1)	285,826,362	38,548,575
Treasury Bills (Note 4.2)	2,108,003,986	380,404,718
	<u>2,393,830,348</u>	<u>418,953,293</u>

	31.12.2023 Rs.	Holdings as a % of net asset value	31.12.2022 Rs.	Holdings as a % of net asset value
NOTE 4.1 - REPURCHASE AGREEMENTS				
Bank Of Ceylon	60,032,143	2%	3,502,548	1%
Acuity Securities Ltd	225,794,219	9%	35,046,027	8%
	<u>285,826,362</u>	<u>11%</u>	<u>38,548,575</u>	<u>9%</u>

NOTE 4.2 - TREASURY BILLS

Wealth Trust Securities Ltd	1,916,327,190	79%	380,404,718	88%
Commercial Bank of Ceylon	118,317,172	5%	-	-
DFCC Bank	48,939,330	2%	-	-
Acuity Securities Ltd	24,420,294	1%	-	-
	<u>2,108,003,986</u>	<u>87%</u>	<u>380,404,718</u>	<u>88%</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities not carried at fair value

Assets for which fair value approximates carrying value:

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

Accordingly, the following is a list of financial instruments whose carrying amount is a reasonable approximation of fair value.

Assets**Liabilities**

Financial Assets - at amortized cost
Cash and Cash Equivalents

Accrued Expenses

31.12.2023
Rs.

31.12.2022
Rs.

NOTE 6 - ACCRUED EXPENSES

Management Fees	1,447,707	221,126
Trustee Fees	241,286	50,860
Custodian Fees	94,745	17,693
Audit and Tax Consultancy Fees	215,000	129,374
Other Payables to UTMCL	229,087	229,087
	<u>2,227,825</u>	<u>648,140</u>

Amount payable on unit redemption

5,530,014

-

7,757,839648,140

31.12.2023
Rs.

31.12.2022
Rs.

NOTE 7 - INVESTMENT INCOME

NOTE 7.1 - INTEREST ON

Repurchase Agreements	28,534,420	11,879,909
Fixed Deposits	-	34,595,375
Commercial Papers	-	68,519,454
Treasury Securities	284,058,869	57,464,433

NOTE 7.2 - NET REALIZED GAINS ON

Treasury Bills

561,512

161,302

313,154,801172,620,473

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 8 - INCOME TAX EXPENSES

As per the Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021, the fund is deemed as conducting eligible investment business and is treated as a tax pass through vehicle. Hence, no provision for the income tax was made in the financial statements.

	31.12.2023 Rs.	31.12.2022 Rs.
NOTE 8.1 - INCOME TAX RECEIVABLE		
Withholding tax receivable	1,164	1,164
Provision for WHT receivable	(1,164)	(1,164)
	<u>-</u>	<u>-</u>

NOTE 9 - CAPITAL COMMITMENTS

There were no significant capital and financial commitments as at the reporting date.

NOTE 10 - EVENTS OCCURRING AFTER REPORTING DATE

There have been no significant events occurring after the reporting date that required adjustments to or disclosures in the financial statements.

NOTE 11 - CONTINGENCIES

There were no significant contingencies existing as at the reporting date that required adjustments to or disclosures in the financial statements.

NOTE 12 - RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE

	2023 Rs.	2022 Rs.
Net asset value as per financial statements	2,434,357,682	430,013,231
Adjustments		
Audit fee provision	-	24,375
VAT adjustment	-	8,942
SSCL adjustment	-	7,019
Published net asset value	<u>2,434,357,682</u>	<u>430,053,567</u>



NOTE 13 - UNITS IN ISSUE AND UNIT PRICE

No. of units in issue and deemed to be in issue as at 31 December 2023 was 115,640,052 (2022 - 25,473,836) and net assets value per unit as at 31 December 2023 was Rs. 21.0512 (2022 - Rs 16.8822).

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**NOTE 14 - RELATED PARTY DISCLOSURE****NOTE 14.1 - MANAGEMENT COMPANY AND TRUSTEE**

The Management Company is Ceybank Asset Management LTD.

The Trustee to the fund is National Savings Bank (NSB).

NOTE 14.2 - KEY MANAGEMENT PERSONNEL

Key management personnel includes persons who were directors of Ceybank Asset Management LTD at any time during the financial year.

i) Directors

Mr. A.C.M. Fernando (Chairman)
Mr. I. C. C Ferdinands (CEO/Executive Director)
Mr. G. A. Jayashantha
Mr. R. M. N. Jeewantha
Mr. A. D. Perera
Ms. V. Govindan
Ms. S. Kulasinghe

ii) Other key management personnel

Other persons with responsibility for planning, directing and controlling the activities of the fund, directly or indirectly during the financial year are given below;

Mr. G. Wickramage (Chairman) (Deceased 27th May 2023)
Mr. A.C.M. Fernando (Chairman) (Appointed w.e.f. 21st August 2023)
Ravindra Hettiarachchi - General Manager
Kanchana Karannagoda - Fund Manager

NOTE 14.3 - KEY MANAGEMENT PERSONNEL COMPENSATION

There were no payments made to the directors of Ceybank Asset Management Ltd during the year by the fund.

Other Key management personnel are paid by Ceybank Asset Management Ltd. Payments made from the fund to Ceybank Asset Management Ltd do not include any amounts directly attributable to the compensation of key management personnel.

NOTE 14.4 - OTHER TRANSACTIONS WITHIN THE FUND

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



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 14 - RELATED PARTY DISCLOSURE (CONTD.)

NOTE 14.5 - RELATED PARTY UNIT HOLDING

The following are the units held by related parties.

	Relationship	No. of Units	Value of units held Rs.	Total interest held as a % of NAV	Amount of the investment during the year Rs.	Amount of the redemption during the year Rs.
As at 31 December 2023						
Unit holders						
Ceybank Asset Management Ltd	Management Company	5,664,535	119,148,396	4.89%	-	18,571,131
As at 31 December 2022						
Unit holders						
Ceybank Asset Management Ltd	Management Company	6,716,503	113,298,678	26.35%	-	7,438,356

NOTE 14.6 - TRANSACTIONS WITH AND AMOUNTS DUE TO/ FROM RELATED PARTIES

Transactions with related parties are disclosed below :

	Transactions during the year		Payables as at 31 December	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Management fees- Ceybank Asset Management Ltd	10,616,971	11,890,160	1,447,707	221,126
Trustee fees- NSB	1,957,349	2,044,094	241,286	50,860



CEYBANK HIGH YIELD FUND
ANNUAL REPORT-2023

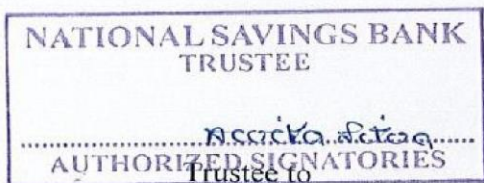
DECLARATION BY TRUSTEE AND THE MANAGING COMPANY

DECLARATION BY
TRUSTEES AND MANAGING COMPANY

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


National Savings Bank the Trustee and Ceybank Asset Management Ltd the Managers of Ceybank Unit Trust Funds hereby declare that;

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



Ceybank Unit Trust Funds


Risk & Compliance Officer
Ceybank Asset Management Ltd


General Manger
Ceybank Asset Management Ltd



CEYBANK ASSET MANAGEMENT LTD

MANAGEMENT TEAM

CEO / EXECUTIVE DIRECTOR

Ian Ferdinands
Chartered Marketer
Certified e Marketer
MBA (Finance)

General Manager

Ravindra Hettiarachchi
Chartered Finalist (ICASL)
B.Sc (Mgt) Sp. Hons
MBA

Fund Manager

Kanchana Karannagoda
B.Sc. B. Admin. Sp. (Finance) Hons
CIMA, CGMA

Risk & Compliance Officer

Eranga Manthrirathna
B.B.A Sp. (Finance)
CIMA, CGMA

Marketing Manager

Kumudu Kekirideniya
Dip.in Marketing (UK),
MICM (UK)

Accountant

Abirami Navaratnam
Chartered Accountancy (Strategic Level)
B.Sc. Applied Accounting.
MBA

IT Manager

Sameera Fernanndo

Registrar

Pamudi Kariyawasam



Managers of the Ceybank Unit Trust Funds

No 85, York Street, Colombo -1

Tel: 011- 760 2000-2, Fax: 011- 2327203 Email: info@ceybank.com Web: www.ceybank.com