

INTERIM FINANCIAL STATEMENTS

For The Six Month Period Ended
30th September 2023



LYNEAR

LYNEAR WEALTH INCOME FUND

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Fund Manager’s Review

Dear Investor,

We are pleased to present the Unaudited Interim Financial Report of the LYNEAR Wealth Income Fund for the six-month period ended 30th September 2023. The Fund was launched on 1st November 2022 with the investment objective of maximizing risk adjusted returns on a medium-term basis by investing in fixed income securities.

The Fund reported a Profit after Tax of Rs. 77.2 Mn for the six-month period, and an AUM (Assets Under Management) of 625Mn as at 30th September 2023.

A significant portion of the profit reported for the period under review was attributable to the fair valuation gains of Rs. 24 Mn on Government securities held in the portfolio.

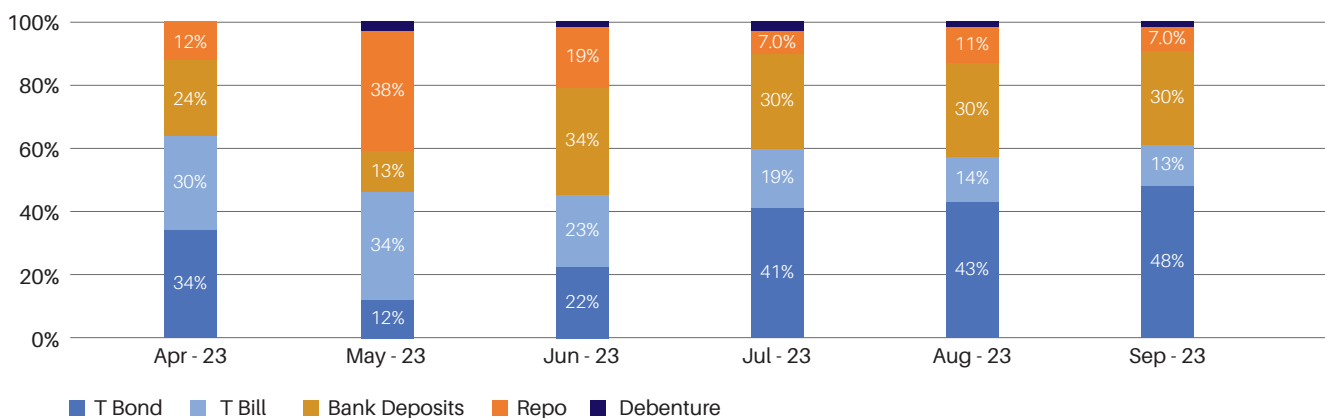
The Fund yield for the 6-month period is 19.2% un-annualised (42% annualised).

The main macro-economic events affecting the investments during the 6-month period were:

- ◆ The announcement of the Domestic Debt Optimization (DDO) at the end of June 2023, which brought an end to the market speculation and reduced the risk premia on interest rates.
- ◆ Three consecutive policy rate cuts in May, June, and July, which reduced the Standing Deposit Facility Rate from 15.5% to 11%.
- ◆ As a result of which the one-year Treasury Bill rate moved from 23% at the end of April, to 13.3% by end September 2023.

The asset allocation changes over the period are given in the figure below.

Asset Allocation



Source: LYNEAR Wealth Income Fund Factsheets

Fund Manager's Review

Considering the management company's own research, IMF- EFF developments and local market behavior, we adopted a dynamic approach towards the asset allocation of the Fund leading up to the DDO announcement in end-June. Following the announcement, taking into account the reduced risk, we increased the allocation to Treasury bonds to approx. 50%, while taking up the exposure to high interest bank deposits to 30%.

Outlook

As the overall credit environment and credit risk profiles recover with improving macro fundamentals, we would look to increase our exposure to Corporate Debt instruments such as Debentures, Commercial Papers, and Trust Certificates of companies in which the business activities are closely monitored by the Management company's Research team.

Over the period from 31st March 2023 to 30th September 2023, the AUM grew from LKR 193Mn to LKR 625 Mn. The Fund is projected to exceed LKR 1 Bn AUM by the next financial year's end.

With the expected finalization of the external debt restructuring process by March 2024, we expect the risk premia on interest rates would reduce further by 100-200bps. We forecast the market rates to come close to policy rates by March 2024. This will restore stability in the macro environment and lead to a boost in economic activities, creating more business opportunities.



LYNEAR WEALTH INCOME FUND

UNAUDITED INTERIM FINANCIAL STATEMENTS

For The Six Month Period Ended
30th September 2023

Statement of Profit or Loss and Other Comprehensive Income

For the six months period ended 30 september 2023

	Note	Unaudited 2023/2024 Six months period ended Rs.
Investment Income		
Interest income	6	43,376,277
Net realised gain on sale of financial assets - FVTPL	8.1	12,621,366
Net unrealised gain on fair valuation of financial assets - FVTPL	9	24,583,893
Total investment income		80,581,536
Expenses		
Management fee		(2,239,631)
Audit fee		(293,409)
Trustee fee		(395,460)
Tax consultancy fee		(110,328)
Printing charges		(200,000)
Bank charges		(53,104)
		(3,291,932)
Net profit before taxation		77,289,605
Income tax expenses		-
Profit for the period		77,289,605
Increase in net assets attributable to unit holders		77,289,605

Figures in bracket indicate deductions.

The attached notes from 1 to 16 form an integral part of these financial statements.

Statement of Financial Position

As at 30 September 2023

	Note	Unaudited 30.09.2023 Rs.	Audited 31.03.2023 Rs.
Assets			
Cash at bank	7	1,060,433	1,077,652
Financial assets at fair value through profit or loss	8	381,734,755	132,183,807
Financial assets at amortised cost	10	244,159,624	59,834,807
Other receivables		-	-
Total assets		626,954,812	193,096,266
Unitholders' funds and liabilities			
Liabilities			
Accrued expenses and other liabilities	11	1,602,273	538,138
Total liabilities		1,602,273	538,138
Unit holders' funds			
Net assets attributable to unit holders		625,352,538	192,558,128
		625,352,538	192,558,128
Total unitholders' funds and liabilities		626,954,812	193,096,266
Net assets per unit (Rs.)	12	133.3279	111.8310

The attached notes from 1 to 16 form an integral part of these financial statements.

The Management Company of LYNEAR Wealth Income Fund is responsible for the preparation and presentation of these financial statements in accordance with the Sri Lanka Accounting Standards.

Approved by the Fund Management Company and the Trustee on 17 January 2024.



Director of LYNEAR Wealth
Management company



Director of LYNEAR Wealth
Management company

DEUTSCHE BANK AG
Colombo Branch



Authorized Signatories
Trustee

Deutsche Bank
Trustee

Statement of Changes In Unitholders Funds

For the six months period ended 30 September 2023	Unit holders' capital	Increase in net assets attribute to unit holders	Net assets attributable to unit holders
	Rs.	Rs.	Rs.
Balance as at 1 November 2022	-	-	-
Increase due to unit creation during the period	180,540,936	-	180,540,936
Decrease due to unit redemption during the period	(438,891)	-	(438,891)
Increase in net assets attributable to unit holders	-	12,456,083	12,456,083
Income distribution to unit holders	-	-	-
Balance as at 31 March 2023	180,102,045	12,456,083	192,558,128
Balance as at 1 April 2023	180,102,045	12,456,083	192,558,128
Increase due to unit creation during the period	462,555,000	-	462,555,000
Decrease due to unit redemption during the period	(107,050,195)	-	(107,050,195)
Increase in net assets attributable to unit holders	-	77,289,605	77,289,605
Income distribution to unit holders	-	-	-
Balance as at 30 September 2023	535,606,850	89,745,688	625,352,538

Figures in bracket indicate deductions.

The attached notes from 1 to 16 form an integral part of these financial statements.

Statement of Cash Flows

For the six months period ended 30 September 2023

	Unaudited 2023/2024 Six month period Rs.
Cash Flows from Operating Activities	
Interest received	8,865,921
Management fees and Trustee fees paid	(2,238,543)
Other expenses paid	(255,560)
Investments in Treasury Bonds	(278,219,837)
Sale Proceeds from Treasury Bonds	83,422,075
Investments in Treasury Bills	(257,829,052)
Sale proceeds from redeemed Treasury Bills	253,477,385
Investments in REPOs	(3,789,891,712)
Sale Proceeds from REPOs	3,764,072,293
Investments in Debentures	(10,000,000)
Investments in Fixed Deposits	(127,500,000)
Net Cash used in Operating Activities	(356,097,030)
Cash Flows from Financing Activities	
Cash received on creation of units	462,555,000
Cash paid on redemption of units	(106,475,189)
Net Cash Generated from Financing Activities	356,079,811
Net increase in cash and cash equivalents	(17,219)
Cash and cash equivalents at the beginning of the period	1,077,652
Cash and Cash Equivalents at the end of the period	1,060,433

Figures in bracket indicate deductions.

The attached notes from 1 to 16 form an integral part of these financial statements.

Notes to The Financial Statements

- 1** The number of units represented by unitholders' fund as at 30th September 2023 is 4,690,334.
- 2** The above figures are provisional. The same accounting policies as in the Audited Financial Statements for the year ended 31st March 2023 have been followed in the preparation of the above provisional financial statements.
- 3** There have been no material capital commitment and contingent liabilities as at the reporting date which require disclosures in the financial statements (No commitment and contingent liabilities as at 31st March 2023).
- 4** There have been no material events after the reporting period which require adjustment/disclosures in the above provisional financial statements.
- 5** Financial instruments - Please refer notes 13 and 14 for analysis of financial instruments at fair value and by level of fair value hierarchy.

For the six months period ended 30 September 2023

**Unaudited
2023/2024
Six month period
Rs.**

6. Investment income**Interest income on**

Treasury bonds	22,008,760
Fixed deposits	12,341,082
Repurchase agreements	4,480,478
Interest income from savings account	53,405
Debenture	4,492,553
	43,376,277

Unaudited 30.09.2023 Rs.	Audited 31.03.2023 Rs.
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7. Cash at bank

Deutsche Bank - Savings A/C	50,153	50,929
DFCC MM A/C	1,010,280	1,026,723
	1,060,433	1,077,652

- 7.1 Bank balances are maintained only to settle day to day operations. Excess cash balances are reviewed on a daily basis and transferred to the saving account. Remaining cash at bank represents the money market account with DFCC.

Unaudited 30.09.2023 Rs.	Audited 31.03.2023 Rs.
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8. Financial assets - at fair value through profit or loss

Government securities - Treasury Bills	81,847,598	65,692,120
Government securities - Treasury Bonds	299,887,157	66,491,687
	381,734,755	132,183,807

Unaudited 30.09.2023 Rs.	Rs.
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8.1 Net realised gain on sale of financial assets at fair value through profit and loss

Proceeds on maturity of T-Bills	253,477,385
Cost of T-Bills sold	(247,583,843)
Net realized gain on Treasury Bills	5,893,542
Proceeds on maturity of T-Bonds	83,422,075
Cost of T-Bonds sold	(76,694,251)
Net realized gain on Treasury Bonds	6,727,824
Net realized gain on Treasury Bills and Treasury Bonds	12,621,366

Notes to The Financial Statements

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

Net unrealised gain on fair valuation of financial assets at fair value through profit and loss

	Unaudited 30.09.2023	Rs.
Net unrealized gain on Treasury Bill	5,910,269	
Net unrealized gain on Treasury Bonds	18,673,624	
	24,583,893	
	Unaudited 30.09.2023	Audited 31.03.2023

10. Financial assets - at amortised cost

Fixed deposits	183,744,479	43,903,397
Repurchase agreements	45,922,592	15,931,410
Debentures	14,492,553	-
	244,159,624	59,834,807
	Unaudited 30.09.2023	Audited 31.03.2023

11. Accrued expenses and other liabilities

Management fee payable	495,007	158,071
Audit fee payable	236,360	251,666
Trustee fee payable	87,578	27,966
Tax consultancy fee payable	206,139	95,811
Payable on Treasury Bond purchases	-	-
Exit fee accrual	575,006	4,426
Front end fee accrual	-	-
WHT payable	34	18
Accrued bank charges	150	180
Printing charges	2,000	-
	1,602,273	538,138
	Unaudited 30.09.2023	Audited 31.03.2023

12. Net assets per unit

Net assets (Rs.)	625,352,538	192,558,128
Total number of units	4,690,334	1,721,867
Net assets per unit (Rs.)	133.3279	111.8310

Movements in the number of units during the period is as follows:

	Unaudited No. of Units	Audited No. of Units
Balance as at 1 April 2023	1,721,867	-
Increase due to unit creation during the period	3,583,181	1,725,867
Decrease due to unit redemption during the period	(614,713)	(4,000)
Balance as at 30 September 2023	4,690,334	1,721,867

Published NAV of the unit trust is Rs 625,352,538. Hence there is no difference between the published NAV and FS NAV.

13. Analysis of financial instrument by measurement basis

The following tables compare the fair values of the financial instruments with their carrying values.

	Measured at fair value Rs.	Amortized cost Rs.	Carried at cost Rs.	Total Rs.
As at 31 March 2023 - Audited				
Assets				
Financial assets				
Cash at bank	-	1,077,652	-	1,077,652
Financial assets recognised through profit or loss - measured at fair value	132,183,807	-	-	132,183,807
Financial assets - at amortised cost	-	59,834,807	-	59,834,807
Total	132,183,807	60,912,459	-	193,096,266
Liabilities				
Accruals and other payables	-	-	538,138	538,138
Total	-	-	538,138	538,138

As at 30 September 2023 - Unaudited

Assets				
Financial assets				
Cash at bank	-	1,060,433	-	1,060,433
Financial assets recognised through profit or loss - measured at fair value	381,734,755	-	-	381,734,755
Financial assets - at amortised cost	-	244,159,624	-	244,159,624
Total	381,734,755	245,220,057	-	626,954,812
Liabilities				
Accruals and other payables	-	-	1,602,273	1,602,273
Total	-	-	1,602,273	1,602,273

Notes to The Financial Statements

14. Determining of fair value and hierarchy of fair value

The following tables show an analysis of financial instruments at fair value and by level of fair value hierarchy.

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total fair value Rs.
As at 31 March 2023 - Audited				
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value				
- Government securities	-	132,183,807	-	132,183,807
Total financial assets measured at fair value	-	132,183,807	-	132,183,807
As at 30 September 2023 - Unaudited				
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value				
- Government securities	-	381,734,755	-	381,734,755
Total financial assets measured at fair value	-	381,734,755	-	381,734,755

Level 1 - Financial instruments that are measured in whole or in partly by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 - Financial instruments that are measured at fair value on a regular basis. As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined using relevant information generated by the market transactions involving comparable securities.

Level 3 - Financial Instruments that are not supported by observable market prices information.

Due to the nature of the short term maturity, Carrying value of the financial asset at amortised cost is approximated to its fair value.

15. Related party disclosures

The Fund carries out transactions with parties who are defined as related parties as per Sri Lanka Accounting Standard (LKAS 24), "Related Party Disclosure", in the ordinary course of its business. The details of such transactions are reported below. The pricing applicable to such transactions is comparable with what is applied to transactions between the Fund and its unrelated customers. Related party transactions were made on terms equivalent to those that prevail at arm's length transactions.

15.1 Transaction with managing company

Company Name and Nature of Relationship	Nature of the transaction	Unaudited Transaction Value	Unaudited Outstanding Balance	Audited Outstanding Balance
		2023/2024 Six months period ended	30.09.2023	31.03.2023
Rs.				
LYNEAR Wealth Management Company	Investment in Unit Trust (No of units as of 30 September 2023 is 535,659.80)	24,000,000	(70,787,740)	(37,687,185)
	Management fee	2,239,631	(495,007)	(158,071)
(Managing Company)	Exit Fee	575,006	(575,006)	(4,426)

15.2 Transaction with related funds

LYNEAR Wealth Management Company manages another licensed unit trust namely LYNEAR Wealth Dynamic Opportunities Fund, which is also treated as related parties of the fund.

The Fund purchased treasury bonds from Lyneer Wealth Dynamic Opportunities Fund and the details of transaction are as follows:

ISIN	Deal date and the settlement date	Face Value	Coupon	Purchase Yield	Settlement Value
LKB00325A156	10-Jul-23	5,000,000	22.50%	15.75%	5,985,820
LKB00426E154	10-Jul-23	5,000,000	22.50%	15.50%	5,948,795

Notes to The Financial Statements

15. Related party disclosures

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

According to Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Accordingly, the Board of Directors of Managing company has been classified as key management personnel of the entity.

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

- The individual's domestic partner and children;
- Children of the individual's domestic partner; and
- Dependents of the Individual or the individual's domestic partner

Close family members are related parties to the Entity.

Transactions with KMP/CFM			Unaudited		
			2023/2024 Six month period	As of 30.09.2023	
Name of KMP/CFM	Relationship	Nature of the transaction	Value of Unit Investments Rs.	No of Unit Holdings	Value of Unit Holdings Rs.
Dr N J W Gunawardane	Director of the Managing Company	Individual Unit Investments	-	1,000	133,328
Mr S S Kulatunga	Director of the Managing Company	Individual Unit Investments	-	1,000	133,328
Dr K T M De Soysa	Director of the Managing Company	Individual Unit Investments	-	10,000	1,333,279
Mr Z S Jeevunjee & Mrs N Jeevunjee	Director of the Managing Company & His Mother	Joint Unit Investments	-	10,562	1,408,152
Mr Z S Jeevunjee & Mrs S M G Jeevunjee	Director of the Managing Company & His Spouse	Joint Unit Investments	28,000,000	258,969	33,837,220
Mrs Maria Tasneem Moosajee	Spouse of Mr S S Kulatunga(Director)	Individual Unit Investments	-	1,000	133,328

15.4 Directorships in other companies

The Directors of LYNEAR Wealth Management (Private) Limited (Managing Company of the Unit Trust) are also Directors of the following companies (as of 30 September 2023).

Name of the company	Relationship	Dr Indrajit Coomaraswamy	Mr Sanjay Kulatunga	Dr Naveen Gunawardane	Dr Kemal De Soysa	Mr Zaffar Jeevunjee	Mr Shamindra Perera
LYNEAR Partners Pvt Ltd	Related party through KMP	-	Director	Director	Director	Director	-
Expolanka Holdings PLC	Related party through KMP	-	Director	-	-	-	-
Tasz Holding Pvt Ltd	Related party through KMP	-	Director	-	-	-	-
Mayna Holding Pvt Ltd	Related party through KMP	-	Director	-	-	-	-
International Distillers Ltd	Related party through KMP	-	-	-	Director	-	-
East India Holdings Pvt Ltd	Related party through KMP	-	-	-	Director	-	-
Sun Tan Beach Resorts Pvt Ltd	Related party through KMP	-	-	-	Director	-	-
Jaywise Construction Pvt Ltd	Related party through KMP	-	-	-	-	Director	-
Jaywise Investments Pvt Ltd	Related party through KMP	-	-	-	-	Director	-
Adplast Pvt Ltd	Related party through KMP	-	-	-	-	Director	-
Mazaa Property Pvt Ltd	Related party through KMP	-	-	-	-	Director	-
Switz Lanka (Pvt) Ltd	Related party through KMP	-	-	-	-	CEO	-
Tokyo Cement PLC	Related party through KMP	Director	-	-	-	-	-
Dialog Axiata PLC	Related party through KMP	Director	-	-	-	-	-
Gamini Corea Foundation	Related party through KMP	Director	-	-	-	-	-
South Asia Policy Research Institute	Related party through KMP	Director	-	-	-	-	-

Notes to The Financial Statements

16. Transaction with Trustee

Company Name and Nature of Relationship	Nature of Transaction	Unaudited Transaction Value 2023/2024 Six months period Rs.	Unaudited Outstanding Balance 30.09.2023 Rs.	Audited Outstanding Balance 31.03.2023 Rs.
Deutsche Bank AG, Colombo Branch (Trustee and Custodian has not invested in the Fund)	Trustee fee	395,460	(87,578)	(27,966)

