



LYNEAR

LYNEAR WEALTH INCOME FUND
ANNUAL REPORT 2024

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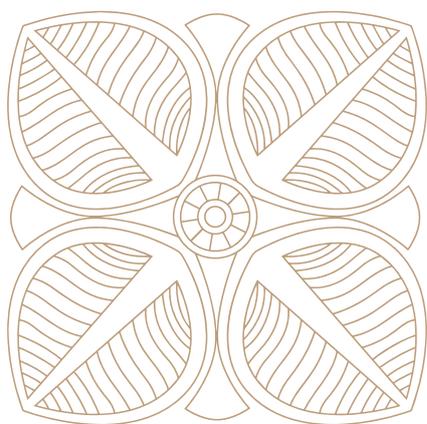
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LYNEAR

LYNEAR WEALTH INCOME FUND
ANNUAL REPORT

2024

The Company

Our singular passion is to grow your wealth

LYNEAR is a boutique asset manager serving a broad spectrum of institutional clients and high net worth individuals, offering tailored investment solutions to meet client objectives. Our exceptional team possesses extensive experience across multiple markets and market conditions allowing us to serve you as a trusted financial advisor, risk conscious portfolio builder and experienced investment manager.

We function like a true 'old fashioned' partnership, with emphasis on integrity, confidentiality and client service. These core principles form the foundation of our business as we work to manage your investments and deliver the best outcome on your portfolio.

Our History

Founded by four partners with pioneering expertise in analysis of Sri Lankan and international markets, LYNEAR was established in 2013 to provide a select clientele with bespoke wealth management services. Each founder brings to the partnership unique strengths and perspectives and are bound by shared values of compliance and integrity, diligence and independence, and utmost discretion.

Our Process

Our rigorous investment process has been crafted by our expert team of professionals with expansive experience globally and locally and founded firmly upon our values of integrity, drive, rigour, innovation and respect.

Our research team and portfolio managers study economic and industry trends, as well as screen stocks for value, growth and quality, before in-depth research into selected securities.

The Investment Committee meets regularly to review securities and make tactical calls on asset allocations.

The portfolio managers combine the list of approved securities to build suitable portfolios and invest or divest from securities at appropriate risk/return thresholds.

Our Governance

Integrity is one of our core values. As such, we implement a meticulous governance structure to ensure that our clients' interests are always foremost, benchmarking against international best practices, while complying with financial market codes of ethics and regulations of Sri Lanka.

LYNEAR Wealth Management (Pvt) Ltd claims compliance with the CFA Institute Asset Manager Code of Professional Conduct. This claim has not been verified by the CFA Institute.

Board of Directors

Dr Indrajit Coomaraswamy Chairman



Dr Indrajit Coomaraswamy
Chairman

Indrajit Coomaraswamy has a Bachelor of Arts (Honours) in Economics and Master of Arts in Economics from the University of Cambridge and a Doctor of Philosophy in Economics from the University of Sussex.

Dr Coomaraswamy is the former Governor of the Central Bank of Sri Lanka. He was a member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka from 2013 to 2015 and an Advisor to the Ministry of Development Strategies and International Trade from 2015 to 2016. Prior to this, Dr Coomaraswamy held several senior level positions at the Commonwealth Secretariat in London. He joined the Commonwealth Secretariat in 1990 as Chief Officer - Economics in the International Finance and Markets section and progressed to become the Director of the Economics Affairs Division and Deputy Director, Secretary General's office before leaving in 2008. Thereafter, he returned as Interim Director of the Commonwealth Secretariat's Social Transformation Program Division in 2010.

He was a Non-Executive Independent Director of John Keells Holdings PLC and currently serves as a Non-Executive Independent Director of Tokyo Cement PLC and Dialog Axiata PLC.

Sanjay Kulatunga CEO & Co-Founder

Sanjay Kulatunga has a Master of Business Administration from the University of Chicago Booth School of Business. He is also a CFA Charterholder.

Kulatunga, a former Regional Analyst at Jardine Fleming Hong Kong, was a Founder Director of Amba Research Lanka, a knowledge process outsourcing company that provided investment research and analytics support services to the global capital markets industry. He has held the positions of CEO, Executive Director and Founder in assorted industries, including manufacturing, leisure and finance.

He has sat on the boards of several listed and unlisted organisations involved in logistics, retail, property development and hospitality as Non-Executive Director. He is currently an Independent Director of Expolanka PLC, a global diversified conglomerate rooted in Sri Lanka. Kulatunga has served as President of the CFA Society of Sri Lanka, a Commissioner of the Securities and Exchange Commission of Sri Lanka, the Board of Investment (BOI) of Sri Lanka and on the Financial Sector Stability Consultative Committee of the Central Bank of Sri Lanka. Kulatunga serves as a Trustee of the Geoffrey Bawa and Lunuganga Trust. He also serves as the Honorary Consul General for Sweden in Sri Lanka.

Dr Naveen Gunawardane Managing Director & Co-Founder

Naveen Gunawardane has a Bachelor of Science in Physics, a Master of Science in Physics and a Doctor of Philosophy in Particle Physics from Imperial College London.

Gunawardane is the former Head of Investment Banking at CAL, a leading full-service investment bank in Sri Lanka, where he was instrumental in launching Sri Lanka's first Quantitative Equity Fund. He was previously a Director and Head of Quantitative Services at Amba Research Lanka, an independent financial services knowledge process outsourcing firm, where he was responsible for developing quantitative investment and trading strategies for Amba's clients. Gunawardane began his career in finance at Goldman Sachs London, as a member of its risk management team. He has also lectured at the Mathematics Department of the University of Colombo.



Sanjay Kulatunga
CEO & Co-Founder



Dr Naveen Gunawardane
Managing Director & Co-Founder

Dr Kemal De Soysa
Director & Co-Founder



Dr Kemal De Soysa
Director & Co-Founder

Kemal de Soysa has a Master of Arts in Natural Sciences, and a Doctor of Philosophy in History of Science from the University of Cambridge.

De Soysa is the former Director and Country Head of Amba Research Lanka, the largest independent capital markets specialist outsourcing firm that serviced a majority of the top 15 buy-side and sell-side firms. He managed the Sri Lanka-based operation and was a member of the Group Executive Committee.

During his decade-long career at Amba, he served in various capacities in the equity research domain, including as Head of Equity Research Delivery at Amba Research India and Vice President at Amba Research Costa Rica. De Soysa is the Executive Director of International Distillers Limited, a family-owned company with interests in the beverage industry.

Zaffar Jeevunjee
Director & Co-Founder



Zaffar Jeevunjee
Director & Co-Founder

Zaffar Jeevunjee is a CFA Charterholder. He has a Bachelor of Science in Physics and a Minor in Economics from the Massachusetts Institute of Technology (MIT).

Jeevunjee sits on the Boards of unlisted companies in a diverse array of industries, ranging from livestock and plantations, to construction and power, to packaging. He is a former Senior Vice President of Amba Research Lanka, a leading provider of offshore research and analytics services to the global financial and corporate sectors, and oversaw all buy-side research out of the organisation. Jeevunjee began his career at Credit Suisse First Boston as a Structured Products Analyst.

Shamindra Perera
Non-Executive Director



Shamindra Perera
Non-Executive Director

Shamindra Perera has a Master of Arts in Engineering from the University of Cambridge and a Master of Business Administration from the University of Chicago Booth School of Business. He is one of the first two CFA Charterholders from Sri Lanka.

Perera is the Founder of Excubed, a UK based fintech startup that is currently developing a technology-driven business solution to level the playing field in pension fund investment in the UK. He was previously Managing Director of Russell Investments (UK), responsible for overseeing its institutional business comprising assets worth USD30 billion.

During his two-decade long career at Russell he has worked in research, portfolio management, asset allocation, investment strategy design and business leadership out of its Sydney, Singapore and London offices. Perera's experience spans advice and fund management for pension funds, sovereign wealth funds, family offices and intermediaries including private banks in UK, Europe, Middle East, Africa, Asia and Australia. Perera began his career as an invest analyst at Capital Development and Investment Company (CDIC), Sri Lanka's first venture capital fund; was Senior Manager Capital Markets of Seylan Merchant Bank, conceptualising and launching Sri Lanka's first stock market margin trading operation; and Vice President - Strategic Investments of Asia Capital, where he was involved in its journey from stockbroker to investment bank.

Investment Committee



Chanaka Wickramasuriya, CFA
*Unit Trust Investment Committee
Chairman*

Chanaka has a long track record in Private Equity as a Joint Managing Partner of Ironwood Capital Partners from September 2014 to April 2019 and a Partner with Aureos Capital and LR Global Lanka. From 2009 to 2011 he was a Partner at Aureos Capital, where he oversaw the development and functioning of the overall Global Portfolio Management process. During this time, he was also seconded to the Aureos' China office and oversaw portfolio management and investment in 4 transactions. From 2000 to 2006 he was a Partner based at Aureos' Colombo office where he worked on investment transactions, exits, and sat as a Board Representative for 10 transactions in Sri Lanka. From 2006 to 2009 he functioned as Country Head of Fitch Ratings in Colombo. Chanaka was also the Managing Partner of LR Global Lanka Private Equity Fund.

Chanaka Wickramasuriya graduated Summa Cum Laude with a BSc in Electrical Engineering from The Rutgers College of Engineering and is also a Chartered Financial Analysts (CFA).



Dr Naveen Gunawardane
*Chief Investment Officer & Co-
Founder*

Naveen is the former Head of Investment Banking at CAL, a leading full-service investment bank in Sri Lanka. He was previously a Director and Head of Quantitative Services at Amba Research Lanka, an independent financial services knowledge process outsourcing firm, where he was responsible for developing quantitative investment and trading strategies for Amba's clients. Naveen began his career in finance at Goldman Sachs London, as a member of its risk management team. He has also lectured at the Mathematics Department of the University of Colombo.

Naveen Gunawardane has a Bachelor of Science in Physics, a Master of Science in Physics and a Doctor of Philosophy in Particle Physics from Imperial College London.



Jinali Weeraman

Jinali has been with LYNEAR Wealth Management for over 2 years working as a Research Analyst covering apparel, telecommunication, technology, and manufacturing companies. She has a sound understanding in financial statement analysis, modelling, and valuations. At LYNEAR, she has also been trained in value investment philosophy and portfolio construction.

Jinali graduated from the University of London with a BSc. in Accounting and Finance (First Class Honors) and has a certificate in Advanced Diploma in Financial Markets from the Colombo Stock Exchange.



Ravindra Witharane

Ravindra has been working in the Treasury Front Office at the National Savings Bank, Colombo for a period of 4 years, dealing in Fixed Income products including Government Securities and Repurchase Agreements. He also worked at Standard Chartered Bank, Colombo for over 7 years, which consisted of 4 years of exposure to Treasury Back Office function, 2 years of regulatory reporting to CBSL and 1 year of Excel based MIS work.

Ravindra graduated from Northwood University, Midland Michigan with a Bachelor of Business Administration and is a CIMA passed finalist. He also has a certificate in Treasury Operations from the CBSL - Centre of Banking Studies.

Fund Manager's Review

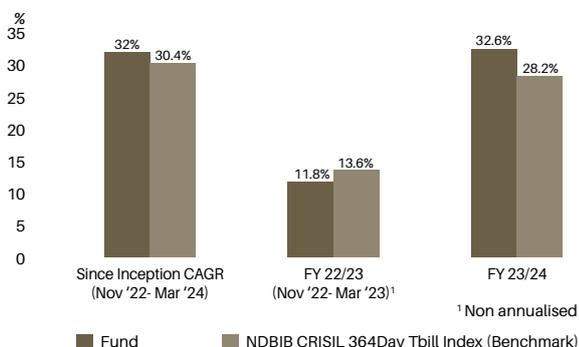
Dear Investor,

We are pleased to present the Audited Annual Financial Report of the LYNEAR Wealth Income Fund for the twelve-month period ended 31st March 2024. 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. 169 Mn, and AUM (Assets Under Management) of Rs. 1,202 Mn for the financial year ended 31st March 2024.

Performance

The Fund return for the 12-month period was 32.4% versus 28.1% for the benchmark, the NDBIB CRISIL 364 Day T-Bill index. The outperformance vs the benchmark was largely driven by capital gains on longer tenure bonds as well as the fund locking into longer term high yield investments which are not impacted by rate volatility, in the early part of the financial year.

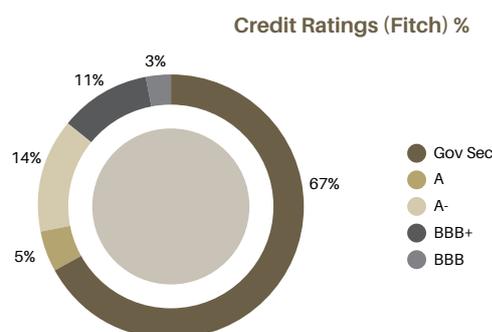
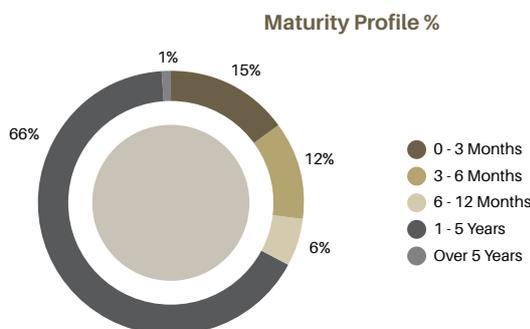
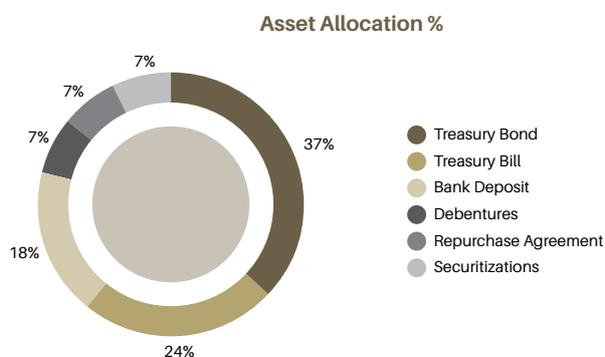


Asset Allocation

A dynamic approach was adopted towards security selection based on LYNEAR's economic and interest rate outlook as well as the return expectation for different securities. Given the uncertainty surrounding the Domestic Debt Optimisation (DDO), particularly in relation to the treatment for different investors, the fund sharply cut down exposure to treasury bonds leading up to the DDO announcement, in order to manage the risk. Exposures were increased subsequent to the announcement in June 2023. The final DDO was limited to super-annuation funds and Central Bank holdings. With the removal of the DDO risk premia, and a 700bps reduction in policy rates from June 2023 to March 2024, there has been a sharp adjustment in market rates which in turn benefited the fund returns due to capital gains.

By end-March, we expected a further reduction in market rates given low inflation, improving market liquidity, muted credit growth and expectation of the IMF third tranche mid-year. As such, we held some of our longer-term positions, while also locking into short to medium term investments where rates were attractive. This has benefited returns in the early months of FY2025.

Below three charts show portfolio allocations as of 31st March 2024.



Source: LYNEAR Wealth Income Fund Factsheets

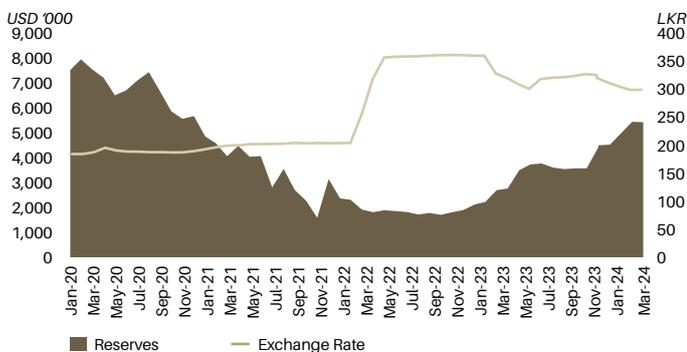
Fund Outlook

With the expected finalization of the external debt restructuring process and the resulting potential rating upgrade, we expect the risk premia on interest rates would reduce by a further by 25bps-100bps across the yield curve (particularly at the long end). We expect interest rates to remain at low levels in the near term before gradually moving up as credit growth and demand improve. With the gradually improving credit environment we have also been cautiously widening our security exposure across the credit spectrum. At the same time we remain mindful of the risks to the economic outlook from elections and ongoing reforms. Taking this into account, we may keep a somewhat higher allocation to shorter-term (lower risk) investments such as Treasury Bills in order to manage risks of a shock, whilst focusing on maintaining yields at competitive levels by diversifying the exposure into other fixed income securities.

Investment Environment

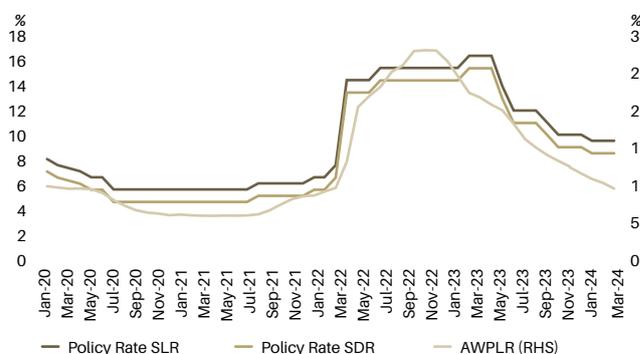
In the year ending March 2024, Sri Lanka experienced a faster than expected recovery supported by challenging economic reforms. The key economic variables began to normalize, and the macroeconomic outlook began to improve.

During the year, headline inflation significantly dropped from the previous year's peak levels of 70% to low single digits due to numerous policy actions, base effects and low aggregate demand in the economy. The BoP improved with increased tourism receipts and foreign currency remittances, resulting in strong net foreign currency inflows. Foreign currency reserves reached USD 5 billion by April 2024, resulting in the rupee appreciating by approximately 8%, aided by the macroeconomic advancements CBSL relaxed the import restrictions on most of the items.



Source: Central Bank of Sri Lanka

Sri Lanka also achieved commendable progress in the IMF's Extended Fund Facility and the Domestic Debt Optimization. The Central Bank of Sri Lanka reduced key interest rates by 700 basis points each to support economic rebound resulting in lower prime lending rates.

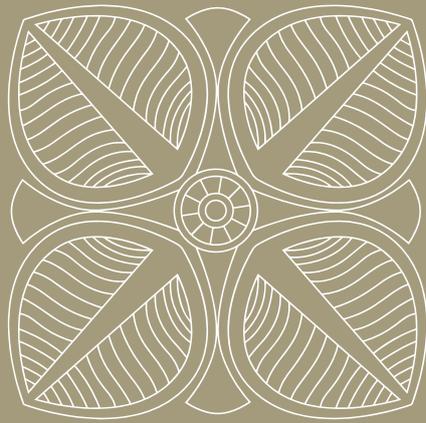


Source: Central Bank of Sri Lanka

The State-Owned-Enterprise reforms have progressed steadily, though outcomes on divestitures or partnerships are pending, possibly due to transaction complexities and upcoming elections. The authorities are urged to expedite the SOE reform process. Energy sector reforms continued, and the country is now likely to see liberalization of the electricity sector. Government is also in the process of institutionalizing economic best practices by seeking to pass the Public Finance Management bill and the Economic Transformation bill, following the enactment of the new Central Bank of Sri Lanka act.

Towards the end of the fiscal year, the gradual normalization of key economic variables began to drive recovery in economic growth. There were early signs of recovery in badly hit sectors such as import trade and construction. Though there is material room for further recovery, consumer spending is gradually increasing.

In our view 2023/24 has set a tentative foundation for a long-term economic recovery. However, we are cognizant of the risks to the recovery in the form of potential deviations from prudent economic policies that have been implemented since Sri Lanka defaulted on its external sovereign debt. Therefore, we will strive to remain dynamic in our investment decision making, while being cautiously optimistic of the economic outlook of Sri Lanka.



LYNEER

**Financial
Reports**

Independent Auditor's Report



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TO THE UNIT HOLDERS OF LYNEAR WEALTH INCOME FUND

Report on the audit of the financial statements

Opinion

We have audited the financial statements (herein after referred to as financial statements) of LYNEAR Wealth Income Fund ("the Fund"), which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in unit holders' funds and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 March 2024, 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 Code of Ethics for Professional Accountants issued by CA Sri Lanka ("Code of Ethics"), 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 manager is responsible for the other information. The other information generally comprises the report of the manager but does not include in the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information included in the Fund managers' commentary and we will 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, on other information that we obtain prior to the date of this audit report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have not been provided with other information and we have nothing to report in this regard.

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

The fund manager is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Fund Manager 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 fund manager 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.

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

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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.

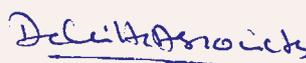
As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 fund manager.
- Conclude on the appropriateness of fund manager'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 Collective Investment Scheme code (CIS code) of the Securities and Exchange Commission of Sri Lanka and the trust deed.



Deloitte ASSOCIATES
Chartered Accountants
Colombo



16 July 2024

Statement of Profit or Loss and Other Comprehensive Income

	Note	2023/2024 Rs.	2022/2023 Five month period Rs.
Investment income			
Interest income	6	92,397,578	6,116,738
Gain on sale of financial assets recognised through profit or loss -measured at fair value		30,148,261	4,061,388
Gain on fair valuation of financial assets recognised through profit or loss -measured at fair value	9.4	56,009,133	3,212,247
Total investment income		178,554,972	13,390,373
Expenses			
Management fee		(7,118,021)	(463,066)
Audit fee		(455,781)	(251,667)
Trustee fee		(1,174,336)	(81,926)
Tax consultancy fee		(110,328)	(95,811)
Printing charges		(200,000)	-
Bank charges		(106,994)	(41,820)
		(9,165,460)	(934,290)
Net profit before taxation		169,389,512	12,456,083
Income tax expenses	7	-	-
Profit for the period		169,389,512	12,456,083
Increase in net assets attributable to unit holders		169,389,512	12,456,083

Figures in bracket indicate deductions.

The attached notes from 1 to 19 form an integral part of these financial statements.

Statement of Financial Position

	Note	31.03.2024 Rs.	31.03.2023 Rs.
Assets			
Cash at bank	8	304,292	1,077,652
Financial assets recognised through profit or loss - measured at fair value	9	888,241,457	132,183,807
Financial assets at amortised cost	10	316,112,033	59,834,807
Total assets		1,204,657,782	193,096,266
Unitholders' funds and liabilities			
Liabilities			
Accrued expenses and other liabilities	11	2,628,643	538,138
Total liabilities		2,628,643	538,138
Unit holders' funds			
Net assets attributable to unit holders		1,202,029,139	192,558,128
		1,202,029,139	192,558,128
Total unitholders' funds and liabilities		1,204,657,782	193,096,266
Net assets per unit (Rs.)	12	148.2416	111.8310

The attached notes from 1 to 19 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 15 July 2024.

Director of LYNEAR Wealth
Management Company

Director of LYNEAR Wealth
Management Company

Deutsche Bank
Trustee

Statement of Changes In Unitholders Funds

From 1 November 2022 to 31 March 2024	Unitholders' capital	Increase in net assets attribute to unitholders	Net assets attributable to unitholders
	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
Balance as at 31 March 2023	180,102,045	12,456,083	192,558,128
Increase due to unit creation during the period	1,006,445,000	-	1,006,445,000
Decrease due to unit redemption during the period	(166,363,501)	-	(166,363,501)
Increase in net assets attributable to unit holders	-	169,389,512	169,389,512
Balance as at 31 March 2024	1,020,183,544	181,845,595	1,202,029,139

Figures in bracket indicate deductions.

The attached notes from 1 to 19 form an integral part of these financial statements.

Statement of Cash Flows

	2023/2024	2022/2023
	Rs.	Five month period Rs.
Cash Flows from Operating Activities		
Interest received	36,324,442	1,748,379
Management fees and Trustee fees paid	(7,162,791)	(358,955)
Other expenses paid	(613,573)	(41,623)
Investments in Treasury Bonds	(546,345,166)	(66,335,178)
Sale Proceeds from Treasury Bonds	241,285,185	3,850,838
Investments in Treasury Bills	(558,573,728)	(119,488,020)
Sale proceeds from redeemed Treasury Bills	357,477,385	60,000,000
Investments in REPOs	(5,818,308,385)	(754,416,529)
Sale Proceeds from REPOs	5,756,585,638	738,512,269
Investments in debentures	(75,000,000)	-
Investments in fixed deposits	(147,500,000)	(42,500,000)
Investment in securitizations	(79,725,275)	-
Net Cash used in Operating Activities	(841,556,268)	(179,028,819)
Cash Flows from Financing Activities		
Cash received on creation of units	1,006,445,000	180,540,936
Cash paid on redemption of units	(165,662,092)	(434,465)
Net Cash Generated from Financing Activities	840,782,908	180,106,471
Net increase in cash and cash equivalents	(773,360)	1,077,652
Cash and cash equivalents at the beginning of the period	1,077,652	-
Cash and Cash Equivalents at the end of the period	304,292	1,077,652

Figures in bracket indicate deductions.

The attached notes from 1 to 19 form an integral part of these financial statements.

Notes to The Financial Statements

1. Reporting entity

Lynear Wealth Income Fund is an Open-Ended Fixed Income Fund approved by the Securities and Exchange Commission of Sri Lanka on 05th October 2022 and operations commenced from 1st November 2022.

The registered office/ place of business of the unit trust is located at No. 3/1, Lake Crescent, Colombo 02. Lynear Wealth Management (Pvt.) Limited is the Managing Company of Lynear Wealth Income Fund. Deutsche Bank AG, has been appointed as the Trustee and Custodian and their registered office/ place of business is located at Level 21, One Galle Face Tower, 1A, Centre Road, Galle Face, Colombo 2, Sri Lanka.

1.1 Principal activities

The unit trust engages in investment in a diversified pool of fixed income securities on behalf of its unit holders.

The objective of Lynear Wealth Income Fund is to maximize risk adjusted returns on a medium term on a long term basis while providing semi-annual income by investing in fixed income securities through investments in placed according to the parameters stated in the Collective Investment Scheme code (CIS code).

There were no significant changes in the nature of the principal activities of the unit trust during the year under review.

1.2 Approval of financial statements

The financial statements of the fund for the period ended 31 March 2024 were authorized for issue by the Fund Management Company on 15 July 2024.

2. Basis of preparation

2.1 Statement of compliance

The financial statements of the Unit trust which comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in unit holders' funds, statement of cash flows and notes thereto have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka and adopted as directed by the Securities and Exchange Commission 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.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements,

except for the financial assets at fair value through profit or loss.

2.3 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the unit trust's functional currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with the Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised during the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most material effect on the amounts recognised in the financial statements are described in the relevant Notes as follows.

- Recognition and measurement of financial instruments (Note 4.1.1 to 4.1.5)
- Identification, measurement and assessment of impairment (Note 4.1.6)

2.5 Going concern

The management has made an assessment of the unit trust's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, fund manager is not aware of any material uncertainties that may cast significant doubt upon the unit trust's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.6. New amendments to the Sri Lanka accounting standards issued but not effective as at Reporting date

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued following new amendments to the Sri Lanka Accounting Standards which will become applicable for financial periods beginning after on or after 01 January 2024. Accordingly, the fund has not applied the following new amendments to the standard in preparing these financial statements.

- Definition of accounting estimates (Amendments to LKAS 8) Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies shall distinguish changes in accounting policies from changes in accounting estimates. The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Further, it emphasises that a change in accounting estimate that results from new information or new developments are not the correction of an error and the effects of a change in an input or a measurement technique used to develop an accounting estimate change in accounting estimates if they do not result from the correction of prior period errors.

3. Materiality and aggregation

Each material class of similar item is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

4. Material accounting policies

4.1 Financial instruments

4.1.1 Initial recognition

Financial assets and liabilities are initially recognized on the trade date, i.e. the date that the Fund becomes a party to the contractual provisions of the instrument. This includes purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

4.1.2 Initial measurement of financial instrument

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. At initial recognition, the Fund measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss.

4.1.3 Measurement categories of financial assets and liabilities

The Fund classifies all its financial assets in the following measurement categories:

- those to be measured at amortised cost
- those to be measured at fair value through profit or loss

Financial liabilities of the Fund are measured at amortised cost, and includes all financial liabilities, other than those measured at fair value through profit or loss. These financial liabilities of the Fund include accrued expenses and other payables.

4.1.4 Subsequent measurement

Amortised cost: A debt instrument is measured at amortised cost if it is held within a business model objective of which is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise to cash flows that are sole payments of principal and interest on the principal amount outstanding.

Debt instruments at amortised cost in the statement of financial position comprise of investments in Resale agreements against Government Securities, Fixed deposits and Securitized papers with maturities less than 397 days. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in realised gain/(loss) on debt instruments held at amortised cost.

Fair value through profit or loss: A financial asset is measured at fair value through profit or loss if:

- its contractual terms do not give rise to cash flows on specified dates that are sole payments of principal and interest on the principal amount outstanding or
- it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or
- at initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminate or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within unrealised gains/(losses) in the period in which it arises. Financial assets at fair value through profit or loss at statement of financial position comprise of investment in Government Securities, Debentures and Securitized papers.

Notes to The Financial Statements

4.1.5 Financial liabilities

(a) Initial recognition and measurement

The Fund determines the classification of its financial liabilities at initial recognition.

The Fund's financial liabilities comprise of accrued expenses and other payables in the statement of financial Position.

(b) Subsequent measurement

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

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss and other comprehensive income statement when the liabilities are derecognised as well as through the EIR amortisation process.

4.1.6 Identification, measurement and assessment of impairment

The Fund assesses on a forward-looking basis, the expected credit losses (ECLs) associated with its debt instruments not held at fair value through profit or loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures from which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Fund uses the ratings from Fitch Rating Lanka Limited to determine the significant deterioration in credit risk and to estimate the ECLs.

Impairment loss on assets carried at amortised cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment loss is recognised in profit or loss if any. When a

subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

4.1.7 Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) remain on the statement of financial position, the counterparty liability is included under borrowings. Securities purchased under agreements to resell (reverse repos) are recorded as loans and advances. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

4.1.8 De-recognition

A financial asset is de-recognised when,

- 1) The rights to receive cash flows from the asset have expired.
- 2) The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either,
 - The Fund has transferred substantially all the risks and rewards of the asset or
 - The Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

4.1.9 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.

4.2 Provision

A provision is recognised if, as a result of a past event, the unit trust has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

4.3 Commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations the existence of which will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of Financial Position but are disclosed unless they are remote.

4.4 Interest

Interest income and expenses on financial instruments which are measured at amortised cost are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the unit trust estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Interest income and expenses presented in the statement of profit or loss include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis and contractual interest received or receivable on treasury bonds, debentures and securitization papers which have been measured at fair value through profit or loss.

Fair value changes on all other financial assets and liabilities carried at fair value through profit or loss, are presented in net trading income in the statement of comprehensive income.

4.5 Gain / (loss) on securities

i. Unrealised gains / (losses) on financial assets at fair value through profit or loss

Unrealised gains / (losses) on financial assets at fair value through profit or loss includes all gains and losses that arise from changes in fair value of the financial assets at fair value through profit or loss as at the reporting date.

ii Realised gains / (losses) on financial assets at fair value through profit or loss

Realised gains / (losses) on financial assets at fair value through profit or loss includes realised trading gains and losses on sale of government securities.

4.6 Income tax expenses

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of Inland Revenue Act.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. The fund is not liable to pay income tax as at the reporting date in accordance with the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto. 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 and subsequent amendments thereto.

4.7 Expenses

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

Management fee - A Fixed Fee of 1.0% p.a. (on Net Asset Value of the Fund)

Trustee and custody fee - 0.15% p.a. (on Net Asset Value of the Fund) with a minimum charge of Rs. 80,000 per month.

4.8 Unit holders' funds

Unit holders' 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.

4.9 Statement of cash flows

The statement of cash flows has been prepared using the "Direct Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 7 - "Statement of Cash Flows". Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

4.10 Presentation

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. Where appropriate, the material accounting policies are disclosed in the succeeding notes.

4.11 Events occurring after the reporting period

Events occurring after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date the financial statements are authorised for issue.

All material and important events that occurred after the reporting date have been considered and appropriate disclosures are made in the financial statements.

5. Comparative information

The comparative information is re-classified wherever necessary to conform with the current year's classification in order to provide a better presentation. However, the fund is established in current financial year. Hence, no comparative information to be presented.

Notes to The Financial Statements

6. Investment income

	2023/2024 Rs.	2022/2023 Five month period Rs.
Interest income on		
Treasury bonds	48,717,129	1,799,268
Fixed deposits	29,500,368	1,403,397
Repurchase agreements	6,855,275	2,819,483
Debentures	4,731,389	-
Securitised papers	2,494,837	-
Interest income from saving accounts	98,580	94,590
	92,397,578	6,116,738

7. Income tax expenses

Fund is not liable to pay income tax as at the reporting date. The fund's income generated through investment business is treated as "pass through vehicles" under the provisions of Inland Revenue Act No. 24 of 2017 and subsequent amendment thereto.

8. Cash at bank

	31.03.2024 Rs.	31.03.2023 Rs.
Deutsche Bank - Savings A/C	303,959	50,929
DFCC Money Market Savings A/C	333	1,026,723
	304,292	1,077,652

The above balance represents as at 31 March 2024 and 31 March 2023 is with credit rating of (A-) and above.

8.1 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.

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

	31.03.2024 Rs.	31.03.2023 Rs.
Government securities - Treasury bills	286,922,859	65,692,120
Government securities - Treasury bonds	442,468,467	66,491,687
Debentures (Note 9.1)	86,405,790	-
Securitised papers (Note 9.2)	72,444,341	-
	888,241,457	132,183,807

9.1 Debentures

Name of the issuer	31-Mar-24			31-Mar-23		
	Number of debentures	Market Value (Rs.)	Percentage exposure to each issuer against the net asset value of the fund	Number of debentures	Market Value (Rs.)	Percentage exposure to each issuer against the net asset value of the fund
DFCC Bank PLC	400,000	42,904,908	4%	-	-	-
NDB PLC	250,000	27,201,479	2%	-	-	-
Seylan Bank PLC	100,000	16,299,404	1%	-	-	-
		86,405,790			-	

9.2 Securitised papers

Name of the issuer	31.03.2024		31.03.2023	
	Value - Net as at 31 March 2024 Rs.	Percentage exposure to each issuer against the net asset value of the fund	Value - Net as at 31 March 2023 Rs.	Percentage exposure to each issuer against the net asset value of the fund
CDB Finance PLC	22,490,509	2%	-	-
LB Finance PLC	49,953,832	4%	-	-
	72,444,341		-	

9.3 Gain on sale of financial assets recognised through profit or loss -measured at fair value

	2023/2024 Rs.	2022/2023 Five month period Rs.
Proceeds on maturity of T-Bills	357,477,385	60,000,000
Cost of T-Bills matured	(350,319,007)	(56,711,525)
Net realized gain on Treasury Bills	10,669,321	3,288,475
Proceeds on maturity of T-Bills	241,285,185	3,850,838
Cost of T-Bills matured	(221,806,245)	(3,077,925)
Net realized gain on Treasury Bills	19,478,940	772,913

9.4 Gain on fair valuation of financial assets recognised through profit or loss -measured at fair value

	2023/2024 Rs.	2022/2023 Five month period Rs.
Net unrealized gain on treasury bills	9,465,075	2,915,625
Net unrealized gain on treasury bonds	38,946,592	296,622
Net unrealized gain on debentures	6,674,401	-
Net unrealized gain on securitization	923,065	-
	56,009,133	3,212,247

Notes to The Financial Statements

10. Financial assets at amortised cost

	31.03.2024 Rs.	31.03.2023 Rs.
Fixed deposits (Note 10.1)	220,903,765	43,903,397
Repurchase agreements (Note 10.2)	84,509,432	15,931,410
Securitised papers (Note 10.3)	10,698,836	-
	316,112,033	59,834,807

10. Financial assets at amortised cost (Condt.)

10.1 Fixed deposits

Name of the issuer	31.03.2024		31.03.2023	
	Value - Net as at 31 March 2024 Rs.	Percentage exposure to each issuer against the net asset value of the fund	Value - Net as at 31 March 2023 Rs.	Percentage exposure to each issuer against the net asset value of the fund
DFCC Bank PLC	10,187,979	1%	8,044,623	4%
People's Bank PLC	19,683,630	2%	15,468,363	8%
Sampath Bank PLC	46,368,123	4%	10,110,616	5%
Seylan Bank PLC	12,661,301	1%	10,279,795	5%
NDB PLC	20,457,696	2%	-	-
People's Leasing and Finance PLC	34,170,465	3%	-	-
Senkadagala Finance PLC	77,374,569	6%	-	-
	220,903,765		43,903,397	

10.2 This represent investment in resale agreements entirely backed by Government securities. No impairment provisions derived through these investments.

10.3 Securitised papers

Name of the issuer	31.03.2024		31.03.2023	
	Value - Net as at 31 March 2024 Rs.	Percentage exposure to each issuer against the net asset value of the fund	Value - Net as at 31 March 2023 Rs.	Percentage exposure to each issuer against the net asset value of the fund
CDB Finance PLC	10,698,836	1%	-	-
	10,698,836		-	

The above securitization includes trust certificates and the receipts from specified vehicle loan agreements of the issuers are collateralized for the mentioned securitizations.

11. Accrued expenses and other liabilities

	31.03.2024 Rs.	31.03.2023 Rs.
Management fee payable	1,144,003	158,071
Audit fee payable	398,733	251,666
Trustee fee payable	171,600	27,966
Tax consultancy fee payable	206,139	95,811
Exit fee payable	705,835	4,426
WHT payable	63	18
Accrued bank charges	270	180
Accrued printing charges	2,000	-
	2,628,643	538,138

12. Net assets per unit

	31.03.2024 Rs.	31.03.2023 Rs.
Net assets (Rs.)	1,202,029,139	192,558,128
Total number of units	8,108,581	1,721,867
Net assets per unit (Rs.)	148.2416	111.8310

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

	No. of units.	Rs.
Balance as at 1 April 2023	1,721,867	192,558,128
Increase due to unit creation during the period	7,602,248	1,006,445,000
Decrease due to unit redemption during the period	(1,215,533)	(166,363,501)
Increase in net assets attributable to unit holders	-	169,389,512
Balance as at 31 March 2024	8,108,581	1,202,029,139
Balance as at 1 November 2022	-	-
Increase due to unit creation during the period	1,725,867	180,540,936
Decrease due to unit redemption during the period	(4,000)	(438,891)
Increase in net assets attributable to unit holders	-	12,456,083
Balance as at 31 March 2023	1,721,867	192,558,128

Published NAV of the unit trust is Rs 1,202,029,139. Hence there is no difference between the published NAV and FS NAV.

Notes to The Financial Statements

13. Analysis of financial instrument by measurement basis

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

As at 31 March 2024	Measured at fair value Rs.	Amortized cost Rs.	Carried at cost Rs.	Total Rs.
Assets				
Financial assets				
Cash at bank	-	304,292	-	304,292
Financial assets recognised through profit or loss - measured at fair value	888,241,457	-	-	888,241,457
Financial assets at amortised cost	-	316,112,033	-	316,112,033
Total	888,241,457	316,416,325	-	1,204,657,782
Liabilities				
Accruals and other payables	-	-	2,628,643	2,628,643
Total	-	-	2,628,643	2,628,643
As at 31 March 2023				
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

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.

As at 31 March 2024	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total fair value Rs.
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value				
- Government securities	-	729,391,326	-	729,391,326
- Debentures	-	86,405,790	-	86,405,790
- Securitised papers	-	72,444,341	-	72,444,341
Total financial assets measured at fair value	-	888,241,457	-	888,241,457
As at 31 March 2023				
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
- Debentures	-	-	-	-
- Securitised papers	-	-	-	-
Total financial assets measured at fair value	-	132,183,807	-	132,183,807

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.

Notes to The Financial Statements

15. Financial risk management

Overview

The fund has exposure to the following risks via financial instruments.

- Market risk
- Liquidity risk
- Credit risk
- Operational risk

This note presents information about the fund's exposure to each of the above risks and the objectives, policies and processes for measuring and managing risk.

15.1 Risk management framework

The Board of Directors of fund management company has the overall responsibility for the establishment and oversight of the fund's risk management framework. The managing company reviews wide-ranging risk categories that includes market, liquidity, credit and operational risk and, manage these risks prudently. This process consists of identifying and analysing the risk confronted by the unit trust, and set appropriate risk limits and controls to monitor risk and adherence to limits.

15.1(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk includes the following elements.

- Overall authority for managing market risk is vested with fund management company.
- The operational authority for managing market risk is vested with the investment/portfolio managers.

Market yield sensitivity as follows:

	2023/2024	
	(-) 0.5% Decrease (Effect in Rs.)	(+) 0.5% Increase (Effect in Rs.)
Government securities - treasury bills	598,381	(595,049)
Government securities - treasury bonds	6,442,570	(6,313,505)
Debentures	1,325,881	(1,296,223)
Securitised papers	465,456	(460,393)
	2022/2023	
	(-) 0.5% Decrease (Effect in Rs.)	(+) 0.5% Increase (Effect in Rs.)
Government securities - treasury bills	77,647	(77,342)
Government securities - treasury bonds	752,221	(739,419)
Debentures	-	-
Securitised papers	-	-

15.1(b) Liquidity risk

Liquidity risk is the risk that the fund will not have adequate financial resources to meet fund's obligations as when they fall due. This risk arises from mismatches in the timing of cash flows.

Management of liquidity risk includes the following elements:

Taking steps to ensure, as far as possible, that it will always have adequate financial resources to meet its Liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

Maturity analysis of the financial assets and financial liabilities

As at 31 March 2024	Carrying amount Rs.	Up to 3 months Rs.	3 Months to 1 year Rs.	1-3 years Rs.	3-5 years Rs.	Over 5 years Rs.
Assets						
Cash at bank	304,292	304,292	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value						
Government securities - treasury bills	286,922,859	91,637,082	195,285,777	-	-	-
Government securities - treasury bonds	442,468,467	10,897,820	15,400,795	57,197,867	346,427,234	12,544,750
Debentures	86,405,790	2,441,370	2,290,020	-	81,674,400	-
Securitised papers	72,444,341	-	1,796,001	70,648,340	-	-
Financial assets at amortised cost						
Fixed deposits	220,903,765	-	-	132,002,597	88,901,168	-
Repurchase agreements	84,509,432	84,509,432	-	-	-	-
Securitised papers	10,698,836	-	10,698,836	-	-	-
Total financial assets	1,204,657,782	189,789,996	225,471,429	259,848,804	517,002,802	12,544,750

For treasury bills and repurchase agreement expected cash flow would be same as above. The expected undiscounted cash flow for others are as follows,

	Up to 3 months Rs.	3 Months to 1 year Rs.	1-3 years Rs.	3-5 years Rs.	Over 5 years Rs.
Government securities - Treasury bonds	14,717,385	48,208,338	125,223,945	415,087,518	16,300,000
Fixed deposits	-	-	170,350,000	151,275,000	-
Debentures	2,800,000	9,850,000	25,300,000	100,300,000	-
Securitised papers	-	20,870,907	79,096,182	-	-

Notes to The Financial Statements

15. Financial risk management (Contd.)

15.1(b) Liquidity risk (contd.)

As at 31 March 2023	Carrying amount Rs.	Up to 3 months Rs.	3 Months to 1 year Rs.	1-3 years Rs.	3-5 years Rs.	Over 5 years Rs.
Assets						
Cash at bank	1,077,652	1,077,652	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value						
Government securities - treasury bills	65,692,120	43,633,921	22,058,199	-	-	-
Government securities - treasury bonds	66,491,687	1,914,370	1,023,442	12,500,154	51,053,721	-
Debentures	-	-	-	-	-	-
Securitised papers	-	-	-	-	-	-
Financial assets at amortised cost						
Fixed deposits	43,903,397	-	-	-	43,903,397	-
Repurchase agreements	15,931,410	15,931,410	-	-	-	-
Securitised papers	-	-	-	-	-	-
Total financial assets	193,096,267	62,557,353	23,081,642	12,500,154	94,957,118	-

Other than treasury bonds and fixed deposit expected cash flow would be same as above. The expected undiscounted cash flow for treasury bond and Fixed deposit are as follows,

	Up to 3 months Rs.	3 Months to 1 year Rs.	1-3 years Rs.	3-5 years Rs.	Over 5 years Rs.
Government securities - Treasury bonds	4,725,000	26,575,000	102,875,000	71,600,000	-
Fixed deposits	-	-	-	100,875,000	-

15.1(c) Credit risk

Credit risk is the risk of financial loss to the fund if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the fund's investment in corporate debt securities and investment in reverse repo agreements.

Management of credit risk includes the following components:

- The Fund manager monitor financial instruments' fair values, credit risk exposures and ensures compliance with regulatory requirements and investment limits tailored to the Fund's strategy and market conditions.

Credit quality by class of financial assets

As at 31 March 2024	12 Months expected credit losses	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash at bank	304,292	-	-	304,292
Financial assets - at amortised cost	316,112,033	-	-	316,112,033
Financial assets - at fair value	888,241,457	-	-	888,241,457
Total financial assets	1,204,657,782	-	-	1,204,657,782

As at 31 March 2023	12 Months expected credit losses	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash at bank	1,077,652	-	-	1,077,652
Financial assets - at amortised cost	59,834,807	-	-	59,834,807
Financial assets - at fair value	132,183,807	-	-	132,183,807
Total financial assets	193,096,266	-	-	193,096,266

There are no differences in the net exposure to the credit risk and the maximum exposure to the credit risk for the above financial assets.

As at 31 March 2024, the fair value of assets measured at amortized cost is Rs. 316,112,033 (Fixed deposits Rs. 220,903,765 Repurchase agreements Rs. 84,509,432 and Securitised papers Rs. 10,698,836)

As at 31 March 2023, the fair value of assets measured at amortized cost is Rs. 79,627,949 (Fixed deposits Rs. 63,696,539 and Repurchase agreements Rs. 15,931,410)

Notes to The Financial Statements

15. Financial risk management (Contd.)

15.1(d) Analysis of concentration risk

The following table shows the risk concentration by sector for the components of the statement of financial position.

As at 31 March 2024	Cash at bank	Financial assets - at fair value	Financial assets - at amortised cost	Total financial assets
	Rs.	Rs.	Rs.	Rs.
Sector wise breakdown				
Government	-	729,391,326	84,509,432	813,900,758
Corporate	304,292	158,850,131	231,602,601	390,757,024
Total	304,292	888,241,457	316,112,033	1,204,657,782

As at 31 March 2023	Cash at bank	Financial assets - at fair value	Financial assets - at amortised cost	Total financial assets
	Rs.	Rs.	Rs.	Rs.
Sector wise breakdown				
Government	-	132,183,807	15,931,410	148,115,217
Corporate	1,077,652	-	43,903,397	44,981,049
Total	1,077,652	132,183,807	59,834,807	193,096,266

Credit quality analysis of financial investments

As at 31 March 2024	Risk Status	Amortised cost	Fair value through profit or loss	Total
		Rs.	Rs.	Rs.
Government securities	Risk free	84,509,432	729,391,326	813,900,758
Debt instruments having credit ratings*				
AA+ to A+	Low risk	-	-	-
A to BBB	Medium risk	10,698,836	158,850,132	169,548,968
Below BBB	High risk	-	-	-
Fixed Deposits				
AA+ to A+	Low risk	66,051,753	-	66,051,753
A to BBB	Medium risk	77,477,442	-	77,477,442
Below BBB	High risk	-	-	-

*This includes only investment in debentures and securitised papers and does not include equity investments.

Credit quality analysis of financial investments (contd.)

As at 31 March 2023	Risk Status	Amortised cost Rs.	Fair value through profit or loss Rs.	Total Rs.
Government securities	Risk free	15,931,410	132,183,807	148,115,217
Fixed Deposits				
AA+ to A+	Low risk	25,578,979	-	25,578,979
A to BBB	Medium risk	18,324,418	-	18,324,418
Below BBB	High risk	-	-	-

15.1(e) Credit Quality by Counterparties wise

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

Issuer Name	Instrument Type	Fair Value (Rs.)	Exposure (as of 31.03.2024)	Rating	
Government of Sri Lanka	Government Securities	813,900,758	68%	AAA	Sovereign
DFCC Bank PLC	Debentures	42,904,908	4%	A-	Fitch
NDB PLC	Debentures	27,201,479	2%	A-	Fitch
Seylan Bank PLC	Debentures	16,299,404	1%	A-	Fitch
CDB Finance PLC	Securitised papers	33,189,345	3%	BBB	Fitch
LB Finance PLC	Securitised papers	49,953,832	4%	BBB+	Fitch
DFCC Bank PLC	Fixed deposits	10,187,979	1%	A-	Fitch
People's Bank PLC	Fixed deposits	19,683,630	2%	A	Fitch
Sampath Bank PLC	Fixed deposits	46,368,123	4%	A	Fitch
Seylan Bank PLC	Fixed deposits	12,661,301	1%	A-	Fitch
NDB PLC	Fixed deposits	20,457,696	2%	A-	Fitch
People's Leasing and Finance PLC	Fixed deposits	34,170,465	3%	A-	Fitch
Senkadagala Finance PLC	Fixed deposits	77,374,569	6%	BBB	Fitch

Issuer Name	Instrument Type	Fair Value (Rs.)	Exposure (as of 31.03.2024)	Rating	
Government of Sri Lanka	Government Securities	148,115,217	77%	AAA	Sovereign
DFCC Bank PLC	Fixed deposits	8,044,623	4%	A-	Fitch
People's Bank PLC	Fixed deposits	15,468,363	8%	A	Fitch
Sampath Bank PLC	Fixed deposits	10,110,616	5%	A	Fitch
Seylan Bank PLC	Fixed deposits	10,279,795	5%	A-	Fitch

Notes to The Financial Statements

15. Financial risk management (Contd.)

15.1 (f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the fund's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the business reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the senior management team of fund management company. This responsibility is supported by the development of overall fund's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of the transaction
- Compliance with regulatory and other legal requirements
- Development of business contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation

16. 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.

16.1 Transaction with managing company

Company Name and Nature of Relationship	Nature of Transaction	Transaction Value 2023/2024 Rs.	Transaction Value 2022/2023 Rs.	Outstanding Balance	
				31.03.2024 Rs.	31.03.2023 Rs.
LYNEAR Wealth Management (Pvt) Ltd (Managing Company)	Investment in unit trust	24,500,000	37,687,185	-	(37,687,185)
	Redemption of units	77,734,605	-	-	-
	No. of units as of 31 March 2024 is nil (31 March 2023: 343,879)				
	Management fee	7,118,021	463,066	(1,144,003)	(158,071)
	Exit fee	-	-	(705,835)	(4,426)

16.2 Transaction with related funds

LYNEAR Wealth Management (Pvt) Ltd manages another licensed unit trust namely LYNEAR Wealth Dynamic Opportunities Fund, which is treated as a related fund. However other than below transactions there were no any transaction between the funds during the period.

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

ISIN code	Settlement date	Face value Rs.	Coupon rate	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

16.3 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			2023/2024	As of 31.03.2024		As of 31.03.2023	
Name of KMP/CFM	Relationship	Nature of the transaction	Value of Unit Investments Rs.	No of Unit Holdings	Value of Unit Holdings 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	148,240	1,000	109,594
Mr S S Kulatunga	Director of the Managing Company	Individual Unit Investments	-	1,000	148,240	1,000	109,594
Dr K T M De Soysa	Director of the Managing Company	Individual Unit Investments	-	10,000	1,482,396	10,000	1,095,944
Mr Z S Jeevunjee & Mrs N Jeevunjee	Director of the Managing Company & His Mother	Joint Unit Investments	-	10,562	1,565,643	10,562	1,157,489
Mr Z S Jeevunjee & Mrs S M G Jeevunjee	Director of the Managing Company & His Spouse	Joint Unit Investments	34,000,000	301,916	44,005,556	48,808	5,349,069
Mrs Maria Tasneem Moosajee	Spouse of Mr S S Kulatunga (Director)	Individual Unit Investments	-	1,000	148,240	1,000	109,594

Notes to The Financial Statements

16. Related party disclosures (Contd.)

16.4 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 31 March 2024).

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	-
Navitas (Private) Limited	Related party through KMP	-	-	Director	-	-	-
Invictus (Private) Limited	Related party through KMP	-	-	Director	-	-	-
Muhudu Vally (Private) Limited	Related party through KMP	-	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	-	-	-	-	-

17. Transaction with Trustee

Company Name and Nature of Relationship	Nature of Transaction	Transaction Value 2023/2024 Rs.	Transaction Value 2022/2023 Rs.	Outstanding Balance	
				31.03.2024 Rs.	31.03.2023 Rs.
Deutsche Bank AG, Colombo Branch (Trustee and Custodian has not invested in the Fund)	Trustee fee	1,174,336	81,926	(171,600)	(27,966)

18. Capital commitments and contingent liabilities

There were no material capital commitments and contingent liabilities as at the reporting date which require disclosure in the financial statements.

19. Events occurred after the reporting period

There were no material events after the reporting period, which require adjustments to or disclosures in the financial statements.

Declaration by Trustees and Managing Company

This declaration is issued in line with SEC circular No. 02/2009 on Guidelines for Trustees and Managing Companies of Unit Trust Funds, by the Trustees and Management Company.

Deutsche Bank AG, the Trustee and LYNEAR Wealth Management (Pvt) Limited, the Managers of the LYNEAR Wealth Income Fund 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 period.
2. The transactions were and will be carried out at an arm's length basis 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.'s unit holders.



Director of LYNEAR Wealth
Management Company



Director of LYNEAR Wealth
Management Company



Trustee

Fund Information

Name of the Fund (Unit Trust)

LYNEAR Wealth Income Fund

Managing Company

LYNEAR Wealth Management (Pvt) Limited
3/1 Lake Crescent, Colombo 02, Sri Lanka
Telephone: 0117-345678
www.lynearwealth.com

Trustee & Custodian of the Fund

Deutsche Bank AG, Colombo Branch
Level 21, One Galle Face Tower, 1A,
Centre Road, Galle Face, Colombo 2, Sri Lanka.

Bankers

Deutsche Bank

Auditors

Deloitte Associates, Chartered Accountants
No. 11 Castle Lane,
Colombo 4

Lawyers

FJ & G de Saram
216 De Saram Place, Colombo 10



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