

# Strategy

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Annual Report  
2022 - 2023



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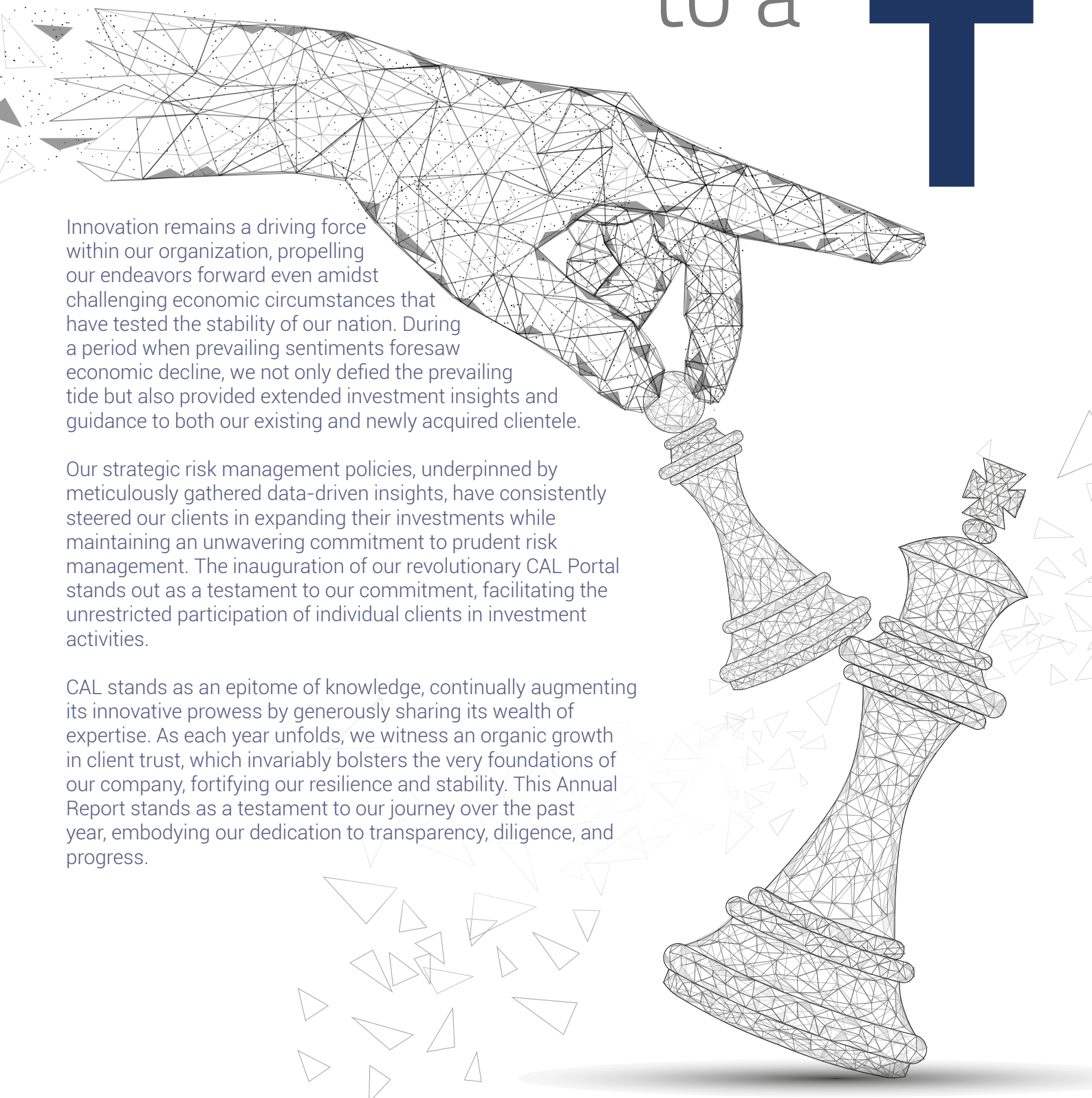
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# Strategy to a T



Innovation remains a driving force within our organization, propelling our endeavors forward even amidst challenging economic circumstances that have tested the stability of our nation. During a period when prevailing sentiments foresaw economic decline, we not only defied the prevailing tide but also provided extended investment insights and guidance to both our existing and newly acquired clientele.

Our strategic risk management policies, underpinned by meticulously gathered data-driven insights, have consistently steered our clients in expanding their investments while maintaining an unwavering commitment to prudent risk management. The inauguration of our revolutionary CAL Portal stands out as a testament to our commitment, facilitating the unrestricted participation of individual clients in investment activities.

CAL stands as an epitome of knowledge, continually augmenting its innovative prowess by generously sharing its wealth of expertise. As each year unfolds, we witness an organic growth in client trust, which invariably bolsters the very foundations of our company, fortifying our resilience and stability. This Annual Report stands as a testament to our journey over the past year, embodying our dedication to transparency, diligence, and progress.

## Introduction to the Report

Capital Alliance PLC (CALT) is proud to present the 2nd Annual Report which provides comprehensive and concise information on the performance of the company for the year ended 31st March 2023 and the Independent Auditors' Report on the Financial Statements conforming to all applicable statutory requirements.

The Financial Statements of the Company were duly certified by the Manager Finance and were approved for the submission to the Board of Directors by the Board Audit Committee. The financial statements were approved by the Board of Directors on 31st July 2023.

### Reporting Period and Boundary

The Report covers the operations of Capital Alliance PLC (CALT) identified as the "Company." The Report covers the 12 months period from 1st April 2022 to 31st March 2023, which is consistent with our usual annual reporting cycle. There are no significant changes from previous reporting periods in the scope and boundaries. Comparative financial information, if reclassified or restated, has been disclosed and explained in the relevant sections.

The Company does not have any other subsidiaries, associates, joint ventures, overseas operations, or other businesses. The Company's shareholding structure, and operations are disclosed on Pages 107 to 109 and 3 respectively. The key financial and non-financial aspects are discussed in the context of the Company unless stated otherwise.

### Reporting Frameworks

#### Financial Reporting

- The Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Companies Act No. 7 of 2007
- Financial Transactions Reporting Act, No. 6 of 2006 (FTRA)

#### Governance, Compliance & Risk Reporting

- Listing Rules of the Colombo Stock Exchange (CSE) and subsequent revisions to date
- Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including Directives and Circulars
- Code of Best Practices on Corporate Governance (2017) issued by CA Sri Lanka
- Code of Best Practices on Corporate Governance (2013) jointly issued by SEC and CA Sri Lanka
- Local Treasury Bills Ordinance (Primary Dealers) Regulations No.1 of 2002

#### Narrative Reporting

- Guidelines for Presentation of Annual Reports 2022 issued by CA Sri Lanka

### Compliance

Both financial and non-financial information contained in this report complies with applicable rules and guidelines stipulated by the Central Bank of Sri Lanka, the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange, The Inland Revenue Act, and all the Directions issued by The Inland Revenue Department and CA Sri Lanka.

### Independent Assurance

The Company has engaged Messrs. KPMG to obtain an independent assurance in respect of their audit opinion on the financials given on Pages 62 to 64 of this Annual Report.

### Feedback and Further Information and Suggestions

The Company welcomes your comments, suggestions, and inquiries on this Report.

### Contact Us

Ms. Shalini Goonesekera  
Manager Finance

Capital Alliance PLC  
Level 5, 'Millennium House',  
46/58, Nawam Mawatha,  
Colombo 02,  
Sri Lanka.

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# About Us

## ABOUT US

Capital Alliance PLC (CALT) was established in 2000 as a debt dealer and subsequently appointed as an authorised primary dealer by the Central Bank of Sri Lanka in 2003. CALT was listed on the Colombo Stock Exchange (CSE) on 15th December 2021.

With over two decades of experience, the Capital Alliance Holdings Group (CAL Group) has graduated to become a leading Investment Banking Group in Sri Lanka. Capital Alliance PLC is a subsidiary of the Capital Alliance Holdings Limited.

Capital Alliance PLC forms the Government securities trading function of the Group and, as per the Central Bank of Sri Lanka, is one of the five (05) non-Bank Primary Dealers in the country. Capital Alliance PLC's (CALT) main business is trading in government securities. CALT's business is regulated by the Central Bank of Sri Lanka and its activities are limited to those specified under Schedule III of the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009 as amended from time to time.

## OUR MISSION

**“ TO FOSTER THE DEVELOPMENT OF CAPITAL MARKETS AS AN EFFICIENT ALTERNATIVE TO FULFILL THE BANKING NEEDS OF OUR CUSTOMERS”**

## OUR VISION

**“ TO BE THE LEADING CAPITAL MARKETS SOLUTIONS PROVIDER IN FRONTIER MARKETS”**

## OUR VALUES

### INTEGRITY



We only sell to our clients what we would sell to our family.

### FAIRNESS



We hire for attitude and reward performance.

### DYNAMISM



We are always only two years from irrelevance.

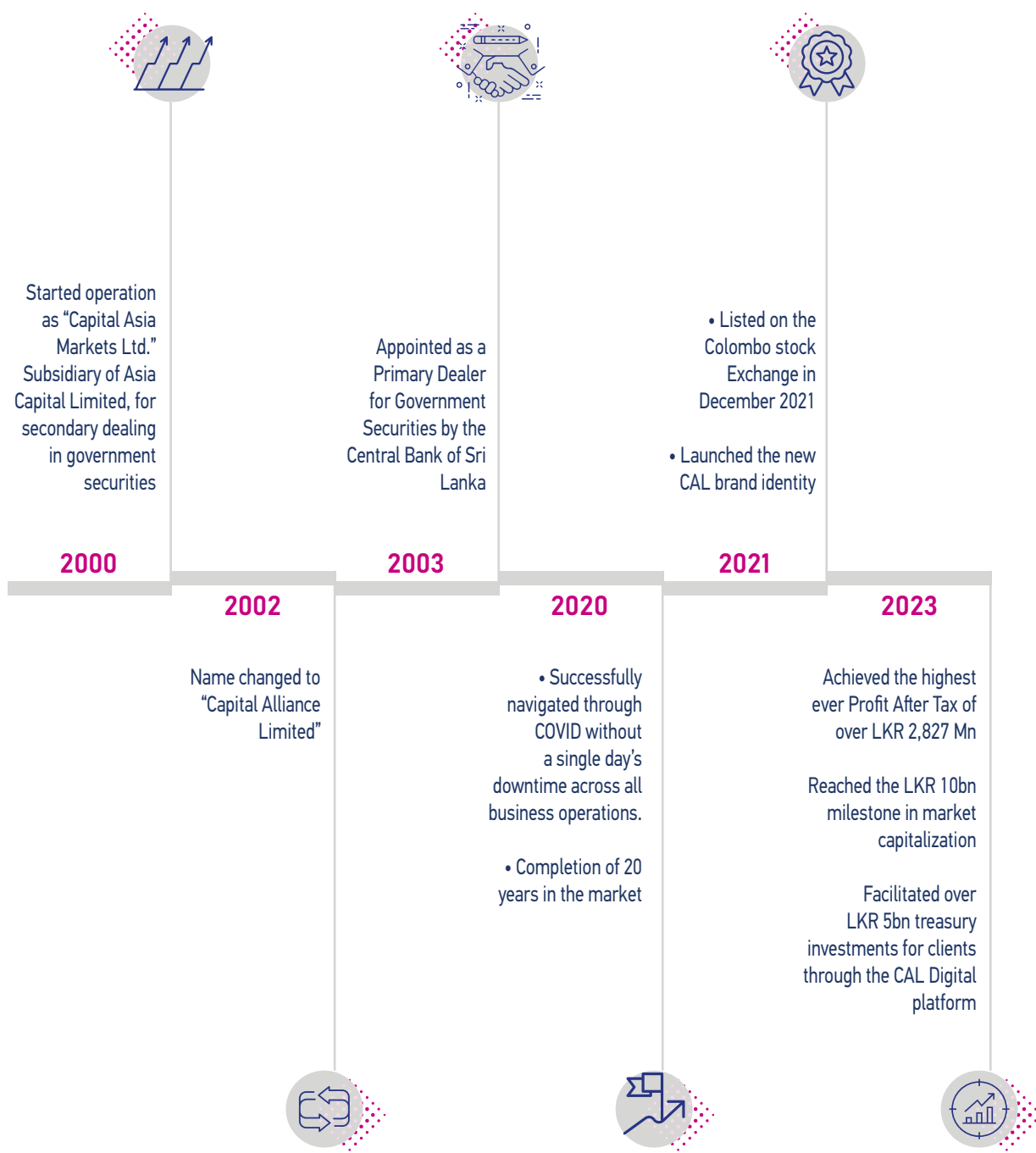
### TEAMWORK



We are a star team, not a team of stars.

# Our Journey

The Capital Alliance PLC (CALT) story has always been one of evolution. Founded in October 2000 as an Institutional Fixed-Income Dealer, CALT has today become one of the leading non-banking primary dealers in the country. In December 2021, Capital Alliance PLC was listed on the Colombo Stock Exchange.



## Financial Highlights

For the Year Ended 31st March	2023 Rs.	2022 Rs.	Variance %
Interest Income	4,720,189,909	508,341,479	829%
Interest Expenses	(3,127,944,659)	(284,028,315)	1001%
Net Interest Income	1,592,245,250	224,313,164	610%
Net Gain/(Loss) from Trading	609,575,468	(202,893,988)	400%
Net Gain / (Loss) from remeasurement of Financial Assets at FVTPL	2,660,964,068	(16,022,056)	16708%
Direct Expenses	(11,006,189)	(6,680,015)	65%
Other Income	14,850	7,438,593	-100%
Net Operating Income	4,851,793,447	6,155,698	78718%
Operating Expenses	(1,156,910,644)	(212,447,493)	445%
Profit Before Tax	3,694,882,803	(206,291,795)	1891%
Income Tax Expenses	(867,876,159)	34,916,243	2586%
Profit for the year	2,827,006,644	(171,375,552)	1750%
Other Comprehensive Income/ (Expense) for the year	(4,733,422)	4,161,806	-214%
Total Comprehensive Income for the year	2,822,273,222	(167,213,746)	1788%
<b>As At 31st March</b>			
<b>Assets</b>			
Financial Assets	37,999,999,889	8,133,445,925	367%
Other Assets	40,670,112	81,444,382	-50%
	38,040,670,001	8,214,890,307	363%
<b>Liabilities</b>			
Financial Liabilities	31,735,996,096	5,494,394,418	478%
Other Liabilities	814,645,447	52,740,652	1445%
	32,550,641,542	5,547,135,070	487%
<b>Equity</b>	<b>5,490,028,459</b>	<b>2,667,755,237</b>	<b>106%</b>
Basic Earnings per Share (Rs.)	8.58	(0.57)	
Market Price Per Share (Rs.)	32.60	9.50	
Net Asset Value Per Share (Rs.)	16.67	8.10	
Return on Equity (ROE) (%)	69.31%	-6.36%	
Return on Assets (After Tax) (ROA) (%)	15.98%	-2.09%	
Debt to Equity Ratio (Times)	5.47	2.05	
Interest Yield (%)	20.50%	5.18%	
Interest Borrowing Cost (%)	17.1%	4.1%	
Interest Spread (%)	3.38%	1.10%	
Capital Adequacy Ratio (%)	24.72%	310.65%	

## Chairman's Message



Despite the significant challenges faced in the past year, we remain optimistic about the opportunities that lie ahead. It is imperative that we consider the country's context in terms of medium to long-term prospects.



## The Sri Lankan Economy

The past year was exceptionally challenging for all Sri Lankans. I am pleased to report that CAL has navigated through the challenges of 2022/23 and emerged stronger. The last financial year began with several economic challenges, including a severe fuel shortage, a scarcity of essential goods, and disruptions to power supply. These challenges were caused by a precarious external financing position, which was exacerbated by a decline in tourism earnings and remittances.

In response, the Government, and the Central Bank of Sri Lanka (CBSL) took several measures to address these challenges, including raising interest rates, increasing taxes, and allowing the natural depreciation of the currency. These measures had a significant impact on the economy, but they helped to stabilize the financial system and reduce inflation.

The tourism industry and worker remittances began to recover in the last quarter of 2022, but they remained well below pre-pandemic levels. However, on the back of low credit growth and a continuous industrial downturn, the country has entered a recession. The country is also still working to restore confidence and support from multilateral funding agencies. The Government is implementing social safety nets and support for the vulnerable segments of the population. It is essential that these measures are implemented quickly and effectively.

## CAL Values

The year 2022/23 was a challenging one for businesses around the world with central banks globally raising interest rates to counter the effect of inflation and Sri Lanka has been no different. Needless to say, that a drastically rising interest rate environment can be a mammoth challenge to navigate as a primary dealer. However, staying true to our core values of dynamism, we were able to adapt quickly to the changing economic landscape. It is important to note that CAL has demonstrated adaptability and responsiveness, adjusting our portfolios as needed to navigate the dynamic circumstances and effectively meet the evolving needs of our stakeholders.

One of the biggest challenges we faced in 2022/23 was the drying up of liquidity in the market as government borrowing increased exponentially following the suspension of foreign debt payments and money printing. This led to a drastic increase in interest rates, which put a strain on financial markets. However, our strong risk and compliance culture combined with data driven decision making has allowed us to manage the risk of our portfolio during these turbulent times.

The most significant opportunity for the primary dealer industry in 2022/23 was the surge in client interest towards government securities. CAL was quick to grasp this opportunity by engaging with Corporate and Institutional clients. However, individual clients were the most challenging segment to target due to the large number of clients. Staying true to our cornerstone of innovation we were able to launch our CAL PORTAL, which enabled individual clients to seamlessly onboard and transact without any manual intervention. This increased our individual client footprint immensely over the last year. Furthermore, CAL not only allowed clients to invest in treasury bills and bonds, but also educated them on the nature and attractiveness of these investment products through a series of webinars, social media campaigns and videos.

## What the Future Holds

Looking ahead to 2022/23, our unwavering commitment to innovation remains at the heart of CALT's success. "We are always only two years away from irrelevance" is a statement that continues to be deeply embedded in our CAL culture, emphasizing our dedication to driving the capital markets of Sri Lanka forward. Throughout the years, we have made remarkable strides in innovation, particularly in enhancing our IT infrastructure to access state-of-the-art systems for managing trading, settlement, and auction processes. We hope to continue to innovate in the IT space and push the boundaries of the Sri Lankan Capital Markets.

The CAL portal has played a pivotal role in engaging larger client volumes and streamlining the onboarding process. As we enter 2023, our focus on innovation will extend beyond the realm of IT to encompass other crucial areas such as product development and research and development (R&D). We aspire for CALT to play a pivotal role in contributing to the development of the Sri Lankan capital markets, fostering prosperity within the financial sector and the entire nation.

Despite the significant challenges faced in the past year, we remain optimistic about the opportunities that lie ahead. It is imperative that we consider the country's context in terms of medium to long-term prospects. Although the current circumstances may seem daunting, I am confident that with the necessary policy actions and steps taken towards recovery, Sri Lanka will have the opportunity to rebuild and achieve a level even greater than before. Thank you to our employees, customers, and shareholders for your continued support. We look forward to building a brighter future for Sri Lanka together.



Mr. D. A. De Zoysa  
*Chairman*

## Chief Executive Officer's Review

As we conclude a challenging year, I would like to express my sincere gratitude to all of our stakeholders for their support and confidence.



The economic crisis in Sri Lanka has been a major challenge for our company and our country. We now realize that the pandemic prepared us for the onset of the economic crisis due to the adaptation of remote work and digital transformation. I am proud of how our team has been able to adapt and overcome these challenges. During the height of the fuel crisis, our employees showed much resilience by cycling or walking to work. They faced the challenges of last year with determination. As Sri Lankan citizens, we have experienced economic, social, and political upheaval for most of 2022, and I will briefly highlight some of the challenges we continue to overcome as a resilient nation.

The multitude of policy errors made by past Sri Lankan governments and policymakers culminated and reached a peak in 2022. From a full-scale Balance of Payments crisis to defaulting on Sovereign debt and FX shortages leading to scarcity of essential goods, the average Sri Lankan has experienced a lot of economic pressure during 2022. Fuel queues for days and power cuts exceeding 10 hours all led up to the widespread protests we saw during the last year. As a result, the President, Prime Minister, and Cabinet of Ministers resigned.

It has not, however, been all doom and gloom. We have recovered a considerable amount from the height of the crisis, thanks to some prudent decision-making and quick action taken from July to date. The government entered into a staff-level agreement with the International Monetary Fund (IMF). This was followed by intense negotiations between the government and the IMF to finalize the Extended Fund Facility (EFF) program. The IMF has deemed Sri Lanka's debt levels as 'unsustainable.' As a result, a debt restructuring program is also envisaged. The details of this program are still being finalized, and its impact on the local financial services sector is uncertain. Consequently, interest rates have remained at an elevated level.

IMF released the first tranche of its \$3 billion loan to Sri Lanka in March 2023. This was a significant step forward for the country, which has been in the midst of a severe economic crisis for several months. The funds

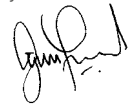
will be used to help Sri Lanka pay for essential imports, such as food and fuel, and to stabilize the country's currency. During this period, interest rates for government securities reached an all-time high. The IMF loan is conditional on Sri Lanka implementing a number of economic reforms, including reducing its budget deficit and increasing its tax revenue. The government has pledged to implement these reforms, and the IMF has expressed confidence that Sri Lanka will be able to emerge from its current crisis.

The new financial year began with a new central bank governor taking big steps to curb inflation. This drove market interest rates to unforeseen levels, presenting a significant challenge to CAL. We were able to overcome this challenge through our prudent risk management policies and data-driven research capabilities. These allowed us to accurately forecast macro-economic variables and position ourselves accordingly.

During the year, we were able to manage our Fixed Income portfolio and, particularly, generate a large volume of clients' sales. In the past, retail investors have avoided government securities, but this is changing as they have become more attractive due to the returns now offered for treasury bills and treasury bonds. CAL is well-positioned to take advantage of this trend due to our digital capabilities and innovations, which make it easy for investors to onboard themselves and to buy and sell government securities. The company also offers educational resources to help investors learn more about these instruments.

As we conclude a challenging year, I would like to express my sincere gratitude to all of our stakeholders for their support and confidence. I am particularly grateful to the Chairman and the members of the Board for their guidance and advice, the team for their dedication and hard work, the officials of the Central Bank of Sri Lanka and other regulatory bodies for their support, and our shareholders, valued clients, bankers, and other stakeholders for their trust.

I am confident that with your continued support, we will continue to grow and succeed in the years to come.



Mr. W. A. T. Fernando  
CEO/ Executive Director

## Board of Directors



**Dinesh De Zoysa**  
Chairman - Non-Executive  
Non-Independent Director



**Ajith Fernando**  
CEO - Executive Director



**Aloka Nandasena**  
Non-Executive  
Independent Director



Aruni Siriwardene  
Non-Executive  
Independent Director



Raju Arasaratnam  
Non-Executive  
Non-Independent Director



Sanjeewa Anthony  
Non-Executive  
Non-Independent Director

## Board of Directors

The Board of Directors of Capital Alliance PLC (CALT) comprises of six (06) Directors of whom two (02) are Non-Executive Independent Directors, three (03) are Non-Executive Non-Independent Directors and one (01) is an Executive Director.

The Board of Directors is as follows;

Name	Designation
Mr. D. A. De Zoysa	Chairman - Non-Executive Non-Independent Director
Mr. W. A. T. Fernando	CEO - Executive Director
Mr. R. J. Arasaratnam	Non-Executive Non-Independent Director
Mr. C. S. R. S. Anthony	Non-Executive Non-Independent Director
Ms. A. I. C. Nandasena	Non-Executive Independent Director
Ms. K. A. D. Siriwardene	Non-Executive Independent Director

### Mr. D. A. De Zoysa

#### Chairman - Non-Executive Non-Independent Director

Mr. De Zoysa has been Director since 2003 and currently serves as the Chairman of Capital Alliance Holdings Limited and Capital Alliance PLC.

He is the Managing Director of AEC Ltd and has extensive industry experience in a career spanning over 30 years. Mr. De Zoysa serves as a Board Member of several of companies across risk and insurance broking, hotel management and travel services, real estate development and HR consulting services.

Mr. De Zoysa is a Trustee and Board Member of Musaeus College, Colombo.

He holds a Bachelor of Business (Finance and IT) from the University of Technology, Sydney and an MSc in Insurance and Sustainable Risk Management from Glasgow Caledonian University, London.

#### Membership of Board Subcommittees

Chairman - Remuneration Committee (CALH/ CALT)

Member - Risk Management Committee (Group)

#### Other Directorships Held

Associated Electrical Corporation Ltd, Capital Alliance Holdings Limited, A E C Properties (Pvt) Ltd, Commercial Agencies (Ceylon) (Pvt) Ltd, Ajita De Zoysa and (Company) (Pvt) Ltd, ADZ Insurance Brokers (Pvt) Ltd, Corporate Druids (Pvt) Ltd, UGA Escapes (Pvt) Ltd, Capital Alliance Partners Limited, Wizard Entertainment (Pvt) Ltd, The Fabulous Gateway (Pvt) Ltd, Aurora Amicitia (Pvt) Ltd, Granite Capital (Pvt) Ltd, SLT Campus (Pvt) Ltd, Tempest Two (Pvt) Ltd, Park Street Social (Pvt) Ltd, Pepper Life (Pvt) Ltd, TFG Management Services (Pvt) Ltd, TFG Transport Services (Pvt) Ltd, Red Dot Tours Lanka (Pvt) Ltd, Finco Holdings (Pvt) Ltd and Trust Door (Pvt) Ltd.

### Mr. W. A. T. Fernando

#### CEO - Executive Director

Mr. Ajith Fernando has served in the capacity of Executive Director since founding the Company in October 2000. He is also, at present, the Chief Executive Officer (CEO) of the Company and the Group. In this role, he oversees and guides the functions of the entire CAL Group, including CALT which is a constituent of the Group. He has over 30 years of experience in the Primary Dealing industry. Mr. Fernando also serves as the Chairman of Capital Alliance Investments Limited, Logicare (Pvt) Limited, CAL Securities Limited (Bangladesh) and as the Managing Director of Ceylon Tea Brokers PLC. He is a Fellow of the Chartered Institute of Management Accountants (UK) and holds an MA in Financial Economics from the University of Colombo.

#### Other Directorships Held

Ashti Holdings (Pvt) Ltd, Capital Alliance Holdings Limited, Capital Alliance Securities (Pvt) Ltd, Capital Alliance Partners Limited, Capital Alliance Investments Limited, CAL Investment Consultancy FZ-LLC, CAL Bangladesh Limited, CAL Securities Limited, Tempest PE Partners (Pvt) Ltd, CAL Investments Limited, Finnovation (Pvt) Ltd, Ceylon Tea Brokers PLC, Logicare (Pvt) Ltd, ADZ Insurance Brokers (Pvt) Ltd, Yoho Bed Lanka (Pvt) Ltd, The Metal Factor, SLT Campus (Pvt) Ltd, and, Fipbox (Pvt) Ltd.

### Mr. R. J. Arasaratnam

#### Non-Executive Non-Independent Director

Mr. Arasaratnam hails from the field of Accountancy prior to embarking on a career in the Travel Trade and counts over 40 years of experience in the field of Travel, Tour Operations, and other Travel Related Fields. Mr. Arasaratnam is an Executive Director of Jetwing Travels. He specialises in the Marketing Functions of the Group and holds eight directorates within the Group.

#### Other Directorships Held

Capital Alliance Holdings Limited, Jetwing Travels (Pvt) Ltd, Jetwing Air (Pvt) Ltd

**Mr. C. S. R. S. Anthony**  
Non-Executive Non-Independent Director

Mr. Sanjeewa Anthony is an Attorney-at-Law of the Supreme Court of Sri Lanka, Notary Public, Commissioner for Oaths, and a Registered Company Secretary. He is also a Fellow Member of the Chartered Institute of Management Accountants (FCMA, UK) Chartered Global Management Accountant (CGMA), an Associate Member of the Institute of the Chartered Accountants of Sri Lanka (ACA), a Fellow Member of The Institute of Certified Management Accountants of Sri Lanka (FCMA) and a Fellow Member of Certified Professional Managers (FCPM). He commenced his career at PricewaterhouseCoopers, prior to joining Jetwing Hotels Limited as Finance Manager in 1996 and is currently an Executive Director. He is also serving on several Directorates including two Publicly Quoted companies. He is a Life Member of the Bar Association of Sri Lanka ("BASL").

**Membership of Board Subcommittees**

Chairman - Audit Committee  
Member - Related Party Transactions Review Committee

**Other Directorships Held**

Jetwing Hotels Limited, The Lighthouse Hotel PLC, Negombo Landmark (Pvt) Ltd, The First Resort (Pvt) Ltd, Jetwing Eco Holidays (Pvt) Ltd, Jetwing Relief Fund (Guarantee) Ltd, Ranagala Hotels (Pvt) Ltd, Jetwing Kiwi Ltd, Jetwing Kiwi Management Ltd, Thalahena Villas (Pvt) Ltd, Jetwing Zinc Journeys Lanka (Pvt) Ltd, Jetwing Kaduruketha (Pvt) Ltd, Jet Enterprises (Pvt) Ltd, Capital Alliance Holdings Limited, Jetwing Academy (Pvt) Ltd

**Ms. A. I. C. Nandasena**  
Non-Executive Independent Director

Ms. Aloka Nandasena is a Partner of M/s D. L. & F. De Saram, Attorneys-at-Law, and Notaries Public, specialising in corporate and commercial law, banking and finance, and projects and infrastructure. Her diverse work experience, exceeding 10 years, includes three and a half years at the Colombo Stock Exchange (CSE). She has several academic qualifications which include LL. B (Hons), University of London, LL.M (University of Colombo), Attorney-at-law of Supreme Court of Democratic Socialist Republic of Sri Lanka and Notary Public of Colombo.

**Membership of Board Subcommittees**

Chairperson - Related Party Transactions Review Committee  
Member - Audit Committee  
Member - Remuneration Committee

**Ms. K. A. D. Siriwardene**  
Non-Executive Independent Director

Ms. Siriwardene counts for over two decades of experience in enterprise-driven strategy implementation, organisational process excellence and implementation of large-scale IT systems, overseen by corporate governance and practical risk management in delivering client satisfaction across a plethora of industries in corporate and non-profit sectors both in Sri Lanka and overseas. She holds a MSc in Business Computing from the University of Westminster, London, UK.

She is currently the Co-Founder and Director at Advik Consulting, where she handles all facets of management consulting in areas of Strategy Execution, Project Management Office implementation and Business Process excellence.

Previously, she served as a Board Director and Group CEO of Davora Group of Companies, Strategy Implementation Consultant at Stax (Pvt) Ltd, Vice President of Delivery and Governance at Brandix i3 (Pvt) Ltd, Associate Director at Navantis IT (Pvt) Ltd. She is a former part-time lecturer at the University of Westminster London, UK. She is a member of the Women's Chamber of Industry and Commerce, SLASSCOM-Wtech, and Sri Lanka Institute of Directors. As a Rotarian, she was formerly the President of the club and is the current Secretary to the Board.

**Membership of Board Subcommittees**

Member - Related Party Transactions Review Committee  
Member - Audit Committee  
Member - Remuneration Committee

**Other Directorships Held**

Advik Consulting (Pvt) Ltd

## Heads of Departments

**Sanura Silva**  
Senior Vice President -  
Head of Treasury

**Sharmali Perera**  
Chief Risk & Compliance Officer  
- Company and Group

**Tharindra Kulasinghe**  
Chief Information Officer -  
Company and Group

**Damien Rayen**  
Vice President - Head of Fixed  
Income Sales





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**Mr. Sanura Silva**  
Senior Vice President - Head of Treasury

Sanura is the Head of Treasury at Capital Alliance PLC. Sanura joined CAL in 2017 and currently heads the trading team for Capital Alliance PLC, which is responsible for managing the Fixed Income Portfolio of the company and services clients' investments in Government Securities. Since joining the team Sanura has been an integral part of driving the macroeconomic research initiative of the company which has informed investment decisions of the group. Sanura also drives CAL PLC's investment decision-making process.

He holds a Bachelor and Master of Science from the University of Melbourne, Australia. He is also a registered Investment Advisor licensed by The Securities and Exchange Commission of Sri Lanka and is currently a CFA Level 3 candidate.

**Damien Rayen**  
Vice President -  
Head of Fixed Income Sales

Damien is the Head of Fixed Income Sales at Capital Alliance PLC. Starting off his career in 2016 with CAL, he has been an integral part of CAL's growth story over the last 8 years. He has played a pivotal role in building a strong client base for CAL to invest and trade in government securities. With his expertise as a macro economic analyst and a fixed income trader, Damien has been a key member of the dealing team over the years. He played an instrumental role in introducing CAL Portal, the online trading platform for clients to invest in government securities.

Damien is an associate member of the Chartered Institute of Management Accountants (CIMA UK) & Registered Investment Advisor with Securities and Exchange Commission of Sri Lanka. He is currently reading for his Masters in Financial Economics and a Level 2 candidate of CFA.

**Ms. H. M. S. Perera**  
Chief Risk & Compliance Officer -  
Company and Group

Drawing on 22-plus years of experience in the financial services industry, Ms. Perera is a founding member of CALT and has been an integral member since its establishment in 2000.

Reporting directly to the Board Risk Management Committee while being responsible for the effectiveness and compliance aspects of statutory reporting requirements, she is led the implementation of a comprehensive risk framework encompassing company and group-wide risk avenues.

This is of key strategic importance in realising the company's future goals, where new levels of income and market share are measured in line with the risk-reward balance. She started her career at Hatton National Bank in January 1984 where she held the position of Banking Assistant until January 1990. She was Manager - Margin Trading at Seylan Merchant Bank from January 1994 to January 1998 and was Assistant Manager - Treasury at Vanik Incorporation until January 2000.

An Associate Member of the Chartered Institute of Management Accountants (UK), Ms. Perera also serves on the Boards of Capital Alliance Investments Limited, Capital Alliance Securities (Pvt) Limited, Finnovation (Pvt) Limited, Tempest PE Partners (Pvt) Limited, Ceylon Tea Brokers PLC and Logicare (Private) Limited.

**Mr. Tharindra Kulasinghe**  
Chief Information Officer -  
Company and Group

With CAL's reliance on IT to propel the company forward by capitalising on increased market opportunity both locally and globally, Mr. Kulasinghe steers the transformation of the company and entire the Group's IT environment, in the areas of technology infrastructure, fintech software, product development, digital transformation and cyber security. He guides the strategy, introduction, implementation, management, and support aspects of the full range of technology-led initiatives within the company and Group.

With a MEng. Degree in Mechanical Engineering and Business Management, a B.Eng. in Mechanical Engineering, as well as PRINCE2 Project Management Professional credentials to his name, Mr. Kulasinghe has cut his teeth at leading technology companies such as MilleniumIT (now LSEG - London Stock Exchange Group Technology), where he held the position of Project Manager from 2011 to 2014, and Brandix i3 (now Fortude) where he served as Project Manager from 2014 to 2016.

He harnesses a vast expanse of knowledge in incorporating cutting-edge technology across CAL's operations and business functions and his work allows the Company and the Group to consistently disrupt conventions in financial service markets while establishing uncharted paths.

## Heads of Departments

**Rochelle Mortier**

Chief Human Resources Officer -  
Company and Group



**Migara Hettiarachchi**

Senior Manager - Operations



**Shalini Goonesekera**

Manager Finance - Company and Group



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**Ms. Rochelle Mortier**  
Chief Human Resources Officer -  
Company and Group

Ms. Mortier possesses 19 years of experience in Human Resource Management and Organisational Development including prior roles across multinationals, insurance, apparel and KPOs. She has worked extensively on HR strategy, industrial relations, and HR operations in serving the Company's and Group's manifold requirements. She is a key member of the management team, directly involved in nurturing and developing the Company's and Group's human capital component. Her expertise in change management, HR transformation and labour issues adds great value to the organisation.

Ms. Mortier also serves as the Chief Human Resources Officer for Ceylon Tea Brokers PLC and Logicare (Pvt) Ltd. She possesses an MBA from the Postgraduate Institute of Management, University of Jayewardenepura; a Masters in Labour Law and Relations from the University of Colombo; and a BA in Economics and Social Sciences from the Open University of Sri Lanka. Further, she is a Member of the Association of Human Resource Professionals of Sri Lanka.

**Mr. Migara Hettiarachchi**  
Senior Manager - Operations

Mr. Hettiarachchi has over 14 years of diverse experience with CAL and currently heads the Operations Department of multiple CAL Group Companies dealing in Primary Dealing, Stock Brokering and Asset Management.

He is responsible for back-office functions relating to Government and Corporate Debt Securities, Money Market operations, SWIFT settlements, Unit Trust, and Equity Market Settlements.

He is a Member of Chartered Management Institute - UK (CMI).

**Ms. Shalini Goonesekera**  
Manager Finance - Company and Group

Ms. Goonesekera heads for the Finance Function of the Company and Group. Ms. Goonesekera possess over 15 years of experience in Financial Reporting and Analysis, IFRSs, Financial Planning and Budgeting, Corporate Finance and Treasury Operations, Audit and Assurance and Risk and Compliance.

Shalini commenced her career at PwC Sri Lanka in 2008 and has experience over 5 years in Audit and Assurance in various industries. In 2013, she joined CAL Group as an Accountant and was subsequently promoted for the position of Manager Finance.

Shalini is a Fellow member of the Institute of the Chartered Accountants of Sri Lanka (FCA), an Associate member of the Institute of Chartered Management Accountants (CIMA, UK), and in the Chartered Global Management Accountant (CGMA). She also holds an MBA from the University of Southern Queensland, Australia, and a BSc. Business Administration Degree from the University of Sri Jayewardenepura.



1. Pramod Fernando - Assistant Manager - Operations
2. Kolitha Haveenda - Executive - Operations
3. Dumindu Silva - Consultant - Institutional Sales
4. Migara Hettiarachchi - Senior Manager - Operations
5. Sanura Silva - Senior Vice President - Head of Treasury



- 6. W.A.Susantha - *Consultant - Institutional Sales*
- 7. Naveen Henakankanamage - *Analyst - Treasury*
- 8. Andrew Swaris - *Manager - Operations*
- 9. Damien Rayen - *Vice President - Head of Fixed Income Sales*
- 10. Kushan Batawala - *Assistant Manager - Treasury*
- 11. Ajith Fernando - *Chief Executive Office/ Director*

# Management Discussion and Analysis

## GLOBAL ECONOMIC ENVIRONMENT

The global economic environment in 2022 was marked by a mix of challenges and opportunities as countries continued to grapple with the aftermath of the COVID-19 pandemic. While some regions experienced a strong recovery, others faced lingering uncertainties and setbacks. Overall, the baseline forecast for growth is expected to fall from 3.4% in 2022 to 2.8% in 2023 (IMF World Economic Outlook, April 2023: A Rocky Recovery)

**Global Recovery:** Overall, the global economy witnessed a gradual recovery in 2022, as many countries eased pandemic-related restrictions and implemented extensive vaccination campaigns. This led to a rebound in economic activity, with increased consumer spending, business investments, and international trade. However, the pace and extent of the recovery varied across countries and sectors.

**Inflationary Pressures:** Inflation emerged as a significant concern in 2022. Rising commodity prices, supply chain disruptions, and pent-up consumer demand resulted in increased price pressures across various sectors. Central banks faced the delicate task of balancing their monetary policies to support economic growth while containing inflationary risks. Some countries opted for gradual tightening measures to rein in inflation, while others maintained accommodative stances.

**Shifts in Policy Priorities:** Governments worldwide focused on long-term resilience and sustainability by prioritizing investments in infrastructure, clean energy, and technology. Initiatives aimed at boosting domestic manufacturing capabilities, strengthening digital infrastructure, and enhancing research and development gained prominence. These efforts aimed to reduce dependence on external supply chains and foster innovation-led growth.

## SRI LANKAN SOCIO/ECONOMIC ENVIRONMENT

The political crisis that engulfed the country in 2022, is considered by many to be the worst the country has ever seen. To understand

the crisis, we must look at its origins, which came about due to a combination of factors.

1. Sweeping tax cuts at the end of 2019 leading to a large fiscal deficit. 2. Financing of this Fiscal deficit by the CBSL. 3. Lack of an IMF program and foreign reserves reducing drastically. The resulting economic and foreign exchange crisis, led the country down a path which led to shortages on essential commodities such as fuel. 2022 was marked by fuel queues which lasted days and power cuts that extended past 10 hours.

After 2 years of building up, the climax of the economic crisis was the ensuing socio-political crisis that swept across the nation in a manner never seen before. The social struggle saw citizens take to the streets in droves. Unlike any other protest, we saw a complete cross-section of society participate in these protests, meaning citizens of every social standing from many different sectors took to the streets to protest the leadership, that led to shortages affecting every citizen, rich or poor alike.

Since hitting rock bottom in mid-2022, from an economic, social, and political standpoint Sri Lanka has progressed a long way due to many factors.

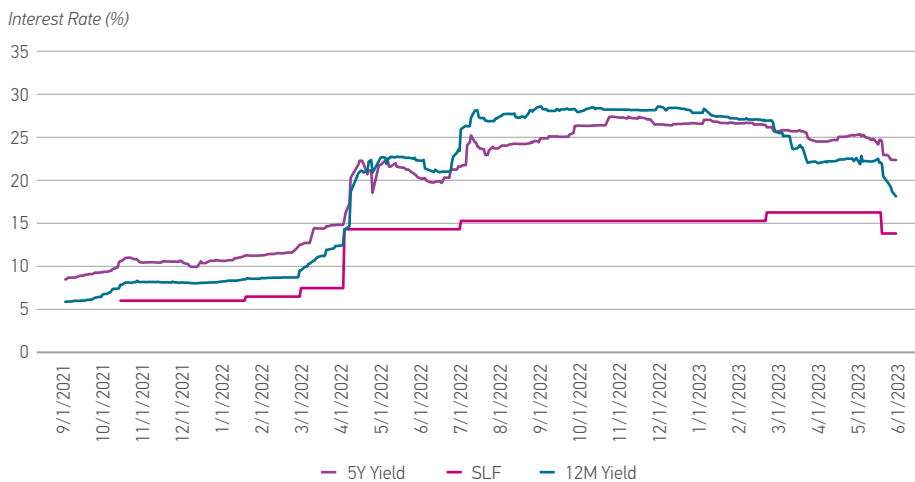
1. The prudent decisions taken by policymakers, a macroeconomic standpoint, led the CBSL to raise policy rates to 15.5% in order to combat surging inflation. Owing to monetary raised policy rates to 15.5% in order to combat the surging inflation. Owing to monetary policy combined with the hiatus on debt payments, the Balance of Payments flows steadily turned positive. So much so that over the course of 1H 2023, CBSL was able to purchase outright \$1.6 Bn to bolster foreign reserves. Whilst the BOP surplus eased some pressure on commodity shortages, some key policy decisions such as the imposition of the fuel quota and the electricity re-pricing significantly eased demand pressure. This eased much of the public frustration by shortening fuel queues significantly and eliminated the requirement for power cuts. However, the most significant milestone that the authorities achieved was entering into the IMF Extended Fund Facility Program, which restored

confidence in Sri Lanka among the international community.

2. The greater understanding/willingness of the average Sri Lankan to take pain in the form of price increases and taxes. The general public seem to be displaying a profound understanding, albeit in layman's terms about why we as citizens must bear with the current fiscal pain. And an enhanced willingness to bear with the government while these painful changes are implemented has allow us to progress down the path to sustainability.

The other key point of the economic crisis was the management of the National Debt Stock. To analyze debt management, we must look back at the first Sovereign Default in the history of Sri Lanka (in April 2022). After losing commercial debt market access since the onset of the COVID19 pandemic, Sri Lanka continued to make payments on International Sovereign Bonds (ISB's) and running down our foreign reserves until we defaulted in April 2022.

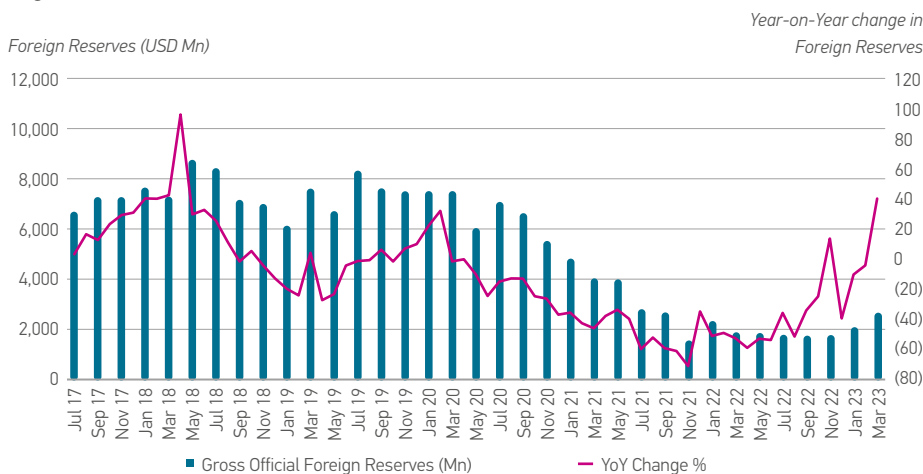
Since then, even local currency Government Security interest rates spiked from 8.7% in March 2022, with high's reaching beyond 30% at auctions held during the rest of the year (Figure 1). The trend in secondary market rates was first in response to increasing policy rates and later in the year, due to the uncertainty around the sustainability of the country's debt stock. After entering the IMF program, the Sri Lankan government has been working on Debt re-profiling, which includes foreign creditors as well as a Debt Optimization Program for Domestic Debt. During late 2022, the uncertainty with respect to how domestic debt will be treated in this restructuring led to the elevated interest rates seen in the secondary market. Secondary market Treasury Bonds still trade at premiums ranging from 6% to 13% (Figure 1). Furthermore, the elevated inflation rate we saw during 2022 is steadily easing, with the Colombo Consumer Price Index Reporting a 25.2% year-on-year increase in May 2023. The CBSL has been quick to act, cutting interest rates 2.5% on its 1st June 2023 policy meeting. The market expectation is for inflation and interest rates to ease further into the year.



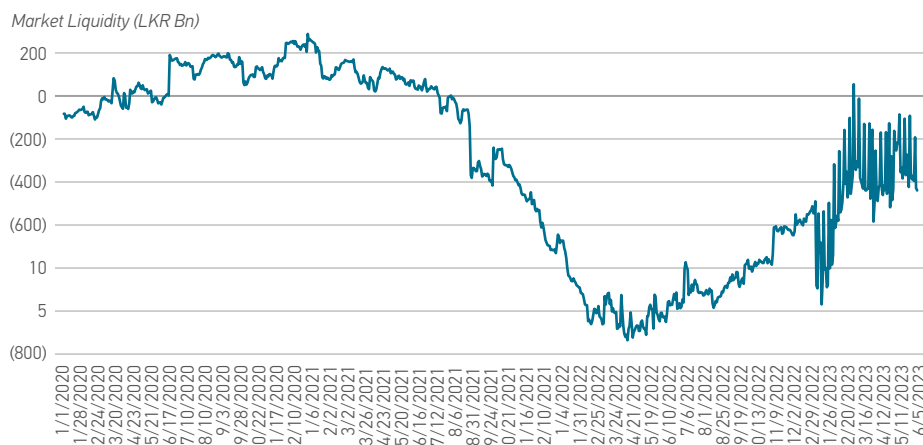
Source: CBSL Government Security & Standing Facility Rates 2021-2023 Figure 1

### INDUSTRY ENVIRONMENT

As mentioned previously, due to the lack of access to the International Commercial Debt market, combined with drops in tourism and remittances, post-covid dollar inflows into the country were heavily restricted. Despite this, continuing to pay our Commercial Foreign Debt led to a serious deterioration of Sri Lanka's Foreign Reserve position, dropping from \$6.5Bn in September 2020 to \$1.7Bn in September 2022 (Figure 2). These FX sales out of the country's reserves were not all sterilized, resulting in a steadily increasing interbank liquidity shortfall (Figure 3).



Source: CBSL Sri Lanka Foreign Reserves Figure 2



Source: CBSL Outstanding Market Liquidity Figure 3

Due to some prudent policy decisions taken and the resulting BOP surplus the CBSL was able to outright purchase \$1,672.93 during 2023 up to now. This injection of Rupees into the market, improved the liquidity shortfall from a low of close to Rs. -800 Bn to as much as Rs. -78Bn (Figure 3).

With debt restructuring well underway, a lot of speculation was being priced into the secondary bond market due to the uncertainty regarding Treasury Bonds being restructured. Even at Primary Treasury Bond auctions demand was waning. The CBSL taking prudent action decided to halt Treasury Bond auctions after the 8th March T-Bond auction until more clarity on the restructuring is received and the demand for bonds returns.

### COMPANY PERFORMANCE

In terms of client demographics, FY23 was a unique year for the whole primary dealer industry and especially for CAL PLC. Due to the interest rate anomaly prevailing during the year, Government Security interest rates were higher than bank deposit rates. This brought in a large transaction volume from corporate and individual clients in the Government Securities market.

Corporate client outright transaction volumes grew from Rs. 64 Bn in the previous financial year, to Rs. 420 Bn in FY23. To further take advantage of the increased demand, CALT was able to offer Government Securities on our online portal to reach the mass market of individual investors.

### RISK MANAGEMENT

The current operating environment in the Sri Lankan economy is exposed to elevated risks on many fronts both locally and globally. Therefore, we believe that Risk Management has an even more important role to play in the Primary Dealer operating environment than usual. It is our prudent Risk management and policies that have allowed us to minimize the financial impact to the company when market risk posed such a significant threat. For this reason, we have exerted more emphasis on the analysis done to assess the risks posed to the company in the new operating environment. We are reviewing our limits and policies on all fronts to continue adapting and advancing our risk management.

## Management Discussion and Analysis

### FUTURE OUTLOOK

The Sri Lankan Domestic Debt Optimization plan has taken center stage as we assess the economic prospects going forward. Notably, the government’s proposed initiative has gained significant traction, aiming to efficiently manage domestic debt and foster economic stability. An imminent milestone is the forthcoming completion of the restructuring program, which has propelled the country far from the days of fuel shortages, power outages, and public unrest. With substantial progress made in concluding the restructuring process, we are well on our way to a more stable economic future. Nonetheless, the road ahead remains arduous, demanding difficult choices and minimal margin for mistakes as we continue to navigate the intricate challenges stemming from the crisis we have been grappling with.

### CAPITAL ALLIANCE PLC DEMOCRATIZES RETAIL ACCESS TO GOVERNMENT SECURITIES DIGITALLY

Capital Alliance PLC (CALT), has successfully pioneered a groundbreaking initiative in the Sri Lankan financial market. In its quest to supplement its role as a primary dealer and democratize access to treasury investing, CALT has launched its digital investing platform, CAL Online. This innovative platform allows any investor in Sri Lanka, meeting the eligibility criteria of being over 18 years old and possessing a valid bank account, to conveniently invest in Treasury Bills and Bonds online. CALT has taken a significant stride by introducing the first-ever retail access to government securities through a digital channel in Sri Lanka.

### REVOLUTIONIZING TREASURY INVESTING:

CAL Online has revolutionized the landscape of treasury investing by eliminating the need for physical visits to banks or primary dealers. Investors now have the power to seamlessly invest in government treasuries from the comfort of their own laptops or mobile devices, thanks to CALT’s pioneering use of video KYC and digital signature technology. By providing a completely paperless onboarding process, CALT has enabled clients to

effortlessly access the CAL Online platform at their convenience. Since its launch in September 2022, this cutting-edge platform has gained remarkable traction, with clients investing over 6.5 billion Sri Lankan rupees in government treasuries digitally.

### UNPRECEDENTED CONVENIENCE AND EMPOWERMENT:

With CAL Online, over 4,000 transactions have been conducted, empowering investors from all corners of Sri Lanka to participate in treasury investments. The platform not only offers a user-friendly interface but also provides a comprehensive dashboard for clients to monitor their investments. Clients can conveniently track their investment returns, maturity details, and coupon information, enabling effective financial planning. Additionally, CAL Online incorporates advanced features that allow clients to reinvest maturities into other securities or even CAL’s unit trust funds, expanding investment opportunities and enhancing portfolio diversification.

### IN-HOUSE TECHNOLOGICAL EXPERTISE:

The development of CAL Online stands as a testament to the exceptional capabilities of CALT’s in-house technology team. Comprised of highly skilled and talented developers, the team leveraged the latest software development technologies to create the platform within a remarkably short timeframe. Their efforts have not only met the sudden market demand for government treasuries but also positioned CALT as a leader in digital innovation within the Sri Lankan financial sector.

### CONCLUSION:

Capital Alliance PLC’s CAL Online platform has marked a significant milestone in the democratization of retail access to government securities in Sri Lanka. By enabling investors to digitally invest in Treasury Bills and Bonds, CALT has transformed the investing landscape, providing unprecedented convenience, empowerment, and financial planning capabilities to clients across the country. The successful implementation of CAL

Online exemplifies CALT’s commitment to technological innovation and customer-centric solutions, cementing its position as a pioneering force in the Sri Lankan financial market.





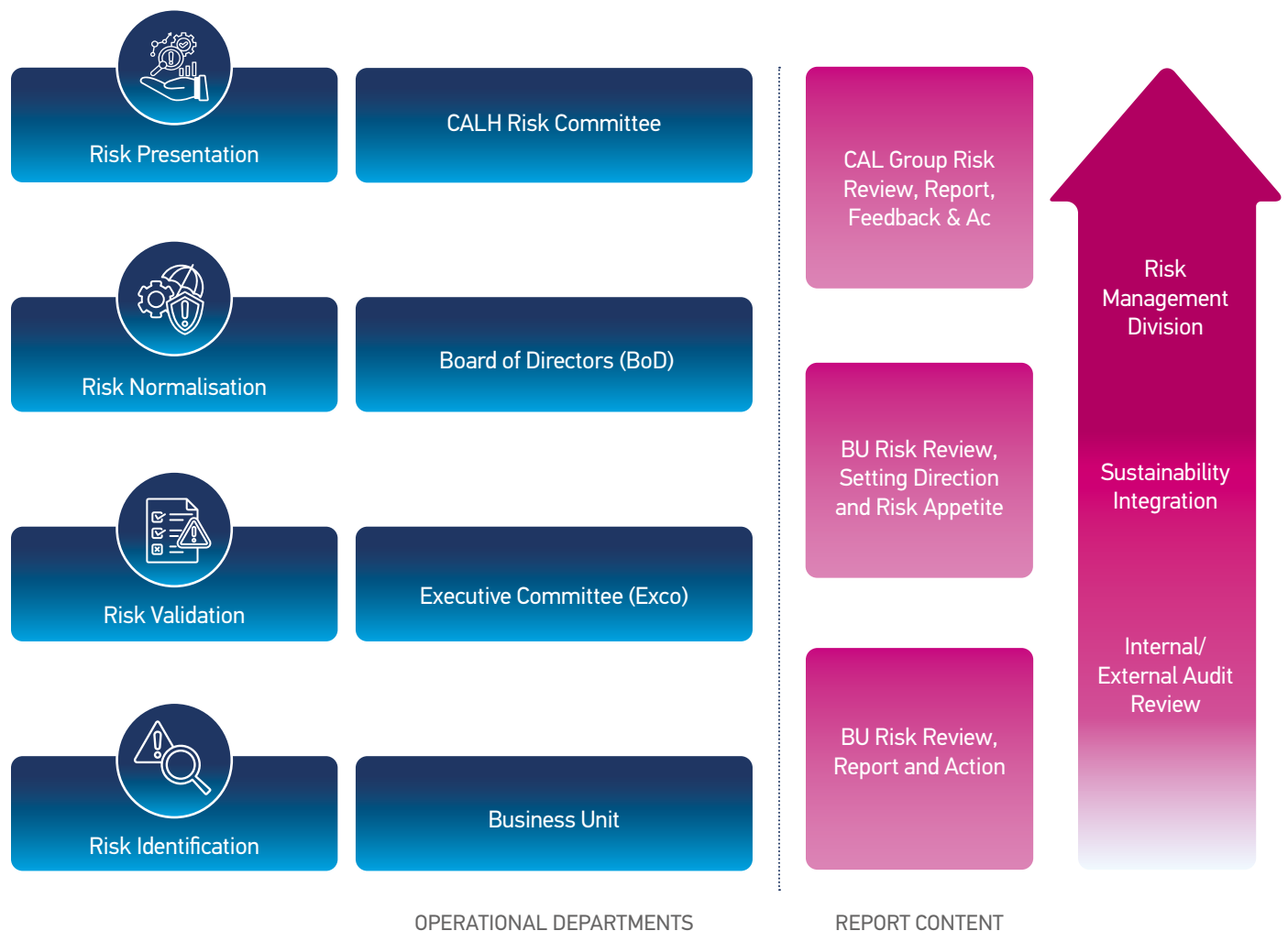
# Risk Management

## ENTERPRISE RISK MANAGEMENT (ERM)

The Company has developed a comprehensive risk strategy, aligned with its risk management objectives, which stems from the Enterprise Risk Management (ERM) policy. The key areas of focus in this strategy are Financial/Earnings Volatility, Regulatory Compliance, Governance, Reputation and Brand, Business Continuity, Health and Safety, and Employee Satisfaction.

Our ERM framework follows a structured four-step process. It begins with Risk Identification, where risks are identified at the Business Unit level through an annual Risk Control Self-Assessment (RCSA) conducted by each business unit and department. These identified risks are then collected by the Risk and Compliance unit and presented to the Group Executive Committee for validation in the Risk Validation phase.

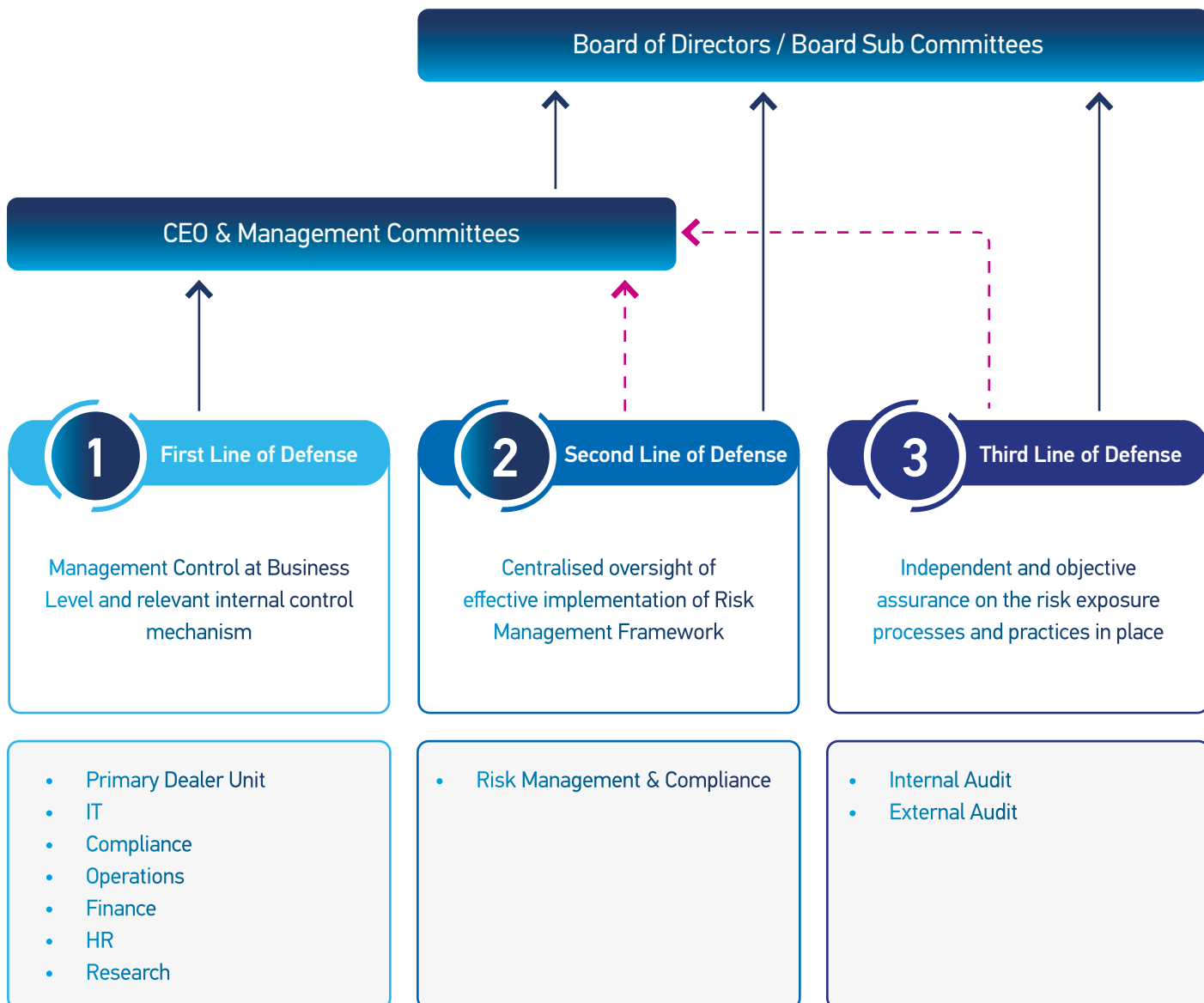
Once risks are validated, they proceed to the Risk Normalisation procedure, where risk ownership and management responsibilities are allocated for each individual risk. This step internalizes the risks within the organization and ensures proper management. The final step is Risk Presentation, which involves the ongoing monitoring and reporting of risks for governance and overall control purposes. This framework enables us to proactively manage and mitigate risks across various areas critical to the Company's operations and objectives.



## Risk Management

### THREE-LINES-OF-DEFENSE MECHANISM

The ERM Framework operates through a robust three-lines-of-defense mechanism to ensure effective risk management and control.



#### First Line of Defense:

Our employees, together with their unit heads, form the initial line of defense. They are responsible for day-to-day risk management, adhering to Board-approved policies, instructions, and guidelines.

#### Second Line of Defense:

The second line of defense comprises the Group Risk Committee and the Risk and Compliance Unit. They provide oversight, monitoring, and support to ensure risk mitigation strategies are implemented effectively.

### Third Line of Defense:

The third line of defense involves the Internal Audit function, reporting to the Board Audit Committee. Acting independently, they conduct assurance activities to assess and enhance the Company's risk management, control, and governance processes.

This three-lines-of-defense mechanism ensures a robust risk management framework that encompasses active involvement at various levels within the organization and independent assessment to maintain a strong risk management culture.

## RISK GOVERNANCE

### Role of the Board

The CALT board has appointed a risk committee to manage CALT risk and compliance matters with effect from November 2022, and the overall responsibility for Risk Management rests with the Board of Directors of the Company.

Prior to November 2023 the CALT board had requested the Group risk committee to take on the role of managing CALT risk and Compliance matters.

### Risk and Compliance Unit

The Risk and Compliance Unit (RCU) plays a crucial role in implementing the overall Enterprise Risk Management (ERM) framework. Their primary responsibility is to identify, measure, and control key risks across the Company in alignment with the risk management policies set by the Board. As the custodian of the Risk Registers, the RCU continuously monitors and reports on any changes in Company risks and the overall risk profile of the Group. Quarterly Risk Register meetings are conducted to address any anomalies and discuss them with the Executive Committee.

Capital Alliance PLC recognizes the importance of risk management based on its business model and strategic objectives established by the Board of Directors. Given the dynamic nature of the current environment, with evolving regulations, shifting customer behaviors, emerging competitors, and advancing technologies,

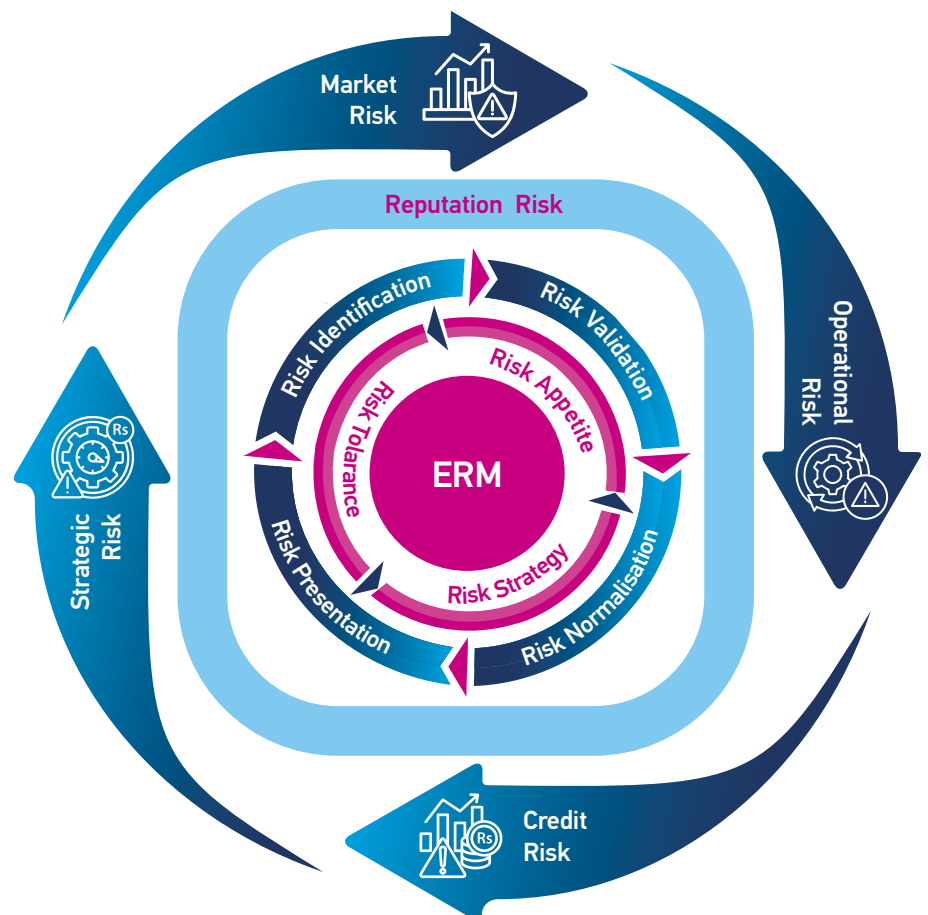
our approach to risk management emphasizes individual responsibility and collective oversight. Comprehensive reporting mechanisms ensure that all significant risks within the Company's risk universe are effectively monitored and managed.

### Risk Appetite:

The Company's risk appetite refers to the level of risk it is willing to assume in pursuit of its strategic objectives, taking into account its key value drivers. It serves as a decision-making framework, guiding how risks are managed strategically and operationally. Internally, the Central Enterprise Risk Management Division uses the stated Risk Appetite to establish the tolerance level for risk across the entire Company.

### Risk Strategy:

The Company's Risk Strategy focuses on implementing formal mechanisms to effectively identify risks, capitalize on potential opportunities they present, and mitigate any adverse effects associated with those risks. This strategy is put into action by integrating risk management into day-to-day business operations and incorporating it into the strategic decision-making process.



## Risk Management

### TYPES OF RISKS FACED BY THE COMPANY

#### Market Risk

Market risk refers to the potential losses arising from changes in the value of financial instruments due to fluctuations in market variables such as interest rates, exchange rates, equity prices, and commodity prices. Within market risk, the main risk faced by the Company is interest rate risk.

#### Interest Rate Risk

Interest rate risk involves the possibility of unforeseen changes in interest rates that could impact the Company's prospects. To monitor interest rate risk, the company has established risk limits based on its risk appetite.

#### Cut loss policies

The Company maintains maximum loss limits for its portfolio through cut loss policies. Each trading position taken by the company is assigned a cut loss limit, ensuring that the maximum loss is capped.

#### Value at Risk (VaR) limit

VaR is a mathematical model used to forecast the potential loss the portfolio may experience with a 95% probability within a predetermined limit set by the Board of Directors. This limit is monitored daily by the Dealing team and management.

#### Target Duration and Convexity

The duration of the portfolio depends on the maturity profile of bills and bonds held. It is determined based on the prevailing interest rate outlook. Managing interest rate risk involves factoring in the average duration of holding a portfolio to spread the risk associated with different tenor bonds.

#### Scenario analysis limits

Through data systems and market experience, CALT performs scenario analysis to gauge market conditions. This analysis helps in making informed decisions about the interest rate outlook.

Continuous and ongoing monitoring combined with in-depth research and statistical modelling, forms the basis of the interest rate risk management strategy.

Risk Dashboards reflecting risk limits set on trading limits are updated daily and presented quarterly to the Board Risk Committee.

Post-decision reviews and guidance from the Board Risk Committee also play a crucial role in managing interest rate risk over time.

#### Liquidity Risk

Liquidity Risk is the risk of non-compliance with payment obligations on time or doing so with excessive cost.

A Board-approved trading policy serves as the foundation for managing the company's liquidity risk. The policy dictates specific limits including Value at Risk, PV01, Modified Duration, single entity exposure, Cut-loss, Maximum holding period etc.

All indicators are monitored daily by the RCU and reported to the Board Risk Committee every quarter. Furthermore, a contingency plan is in place to safeguard against the possibility of a liquidity shortfall.

#### Credit Risk

Given that the company deals in Government Securities within a highly regulated environment, the credit risk associated with the primary dealing operation is minimal. CALT has established guidelines for controlling and monitoring counterparty risk.

#### Counterparty Risk

The risk of a counterparty failing to honour their side of a transaction presents risks if the counter party fails to honour the transaction, where CALT could be short of security or cash, on the settlement date. Senior management sets Counterparty Limits, based on the Board recommended guidelines when setting these counterparty limits.

#### Concentration Risk

CALT mitigates the risk of losses resulting from over-exposure to a single type of security by diversifying its portfolio. The predetermined percentage of the maximum portfolio limit can be invested in securities with the same maturity bucket, subject to adherence to other limits. Temporary increases and decreases in limits require CEO approval, which is then reviewed by the Board.

### OPERATIONAL RISK

#### Human Resource Risk

Human resource risk arises from the potential loss to the company due to employees' inability to collaborate effectively and perform their assigned job roles. CALT manages human resources risk through a robust Human Capital Development model that fosters a dynamic work environment, providing employees with challenging experiences and opportunities for a rewarding career within the company.

#### Business Continuity Risk

Business continuity risk involves the potential loss to the company due to the failure of internal systems, including IT infrastructure. CALT manages this risk through a well-documented Business Continuity Plan (BCP) that undergoes quarterly audits. Business impact analysis and risk assessments are conducted regularly, addressing critical issues identified and reporting them to relevant heads of departments for necessary action.

#### System & Information Risk

System and information risk refers to the possible loss of data and information due to external cyber-attacks or internal leaks. CALT invests in advanced information security firewalls, data leakage prevention software, and implements two-factor authentication protocols for critical applications and accounts. Continuous monitoring of antivirus guards, periodic user-level matrix checks, and annual vulnerability assessments conducted by an independent third party help mitigate this risk.

#### Regulatory And Compliance Risk

Regulatory and compliance risk arises from the potential failure to comply with regulatory requirements. The Company, governed by the laws and regulations of the Central Bank of Sri Lanka (CBSL), Securities and Exchange Commission (SEC), and Colombo Stock Exchange (CSE), constantly reviews and addresses these risks. The Risk and Compliance unit ensures ongoing monitoring of changes in relevant regulatory Directions and Circulars.

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Internal process manuals are regularly updated and benchmarked against industry best practices. Quarterly compliance reports are submitted to the Board, and any instances of noncompliance are reported to the respective regulators along with proposed remedial actions for review.

### **Reputational Risk**

Reputational risk involves the potential damage to the Company's corporate image in the public domain, including customers, investors, and other stakeholder groups. These risks are crucial to business continuity, and several measures have been implemented to mitigate them effectively.

### **Strategic Risk**

Strategic risk refers to the risk that the actual results significantly differ from the expected outcomes outlined in the company's strategy and business plan due to changes in the business environment and associated risks with strategic decisions.

The Board of Directors holds quarterly meetings that focus on strategy, performance, and embedded risk management aspects. The Management Committee and Board meetings assess and monitor the effective implementation of the strategy, communicate changes in the business environment, and discuss remedial measures as needed.

### **Risk Tolerance**

CALT has implemented a wide range of risk management and mitigation policies. This underscores the Company's commitment to disciplined trading decisions within the risk management policies established by the Board of Directors, with the aim of minimizing losses.

## Key Financial Performance Review

### Financial Review

The Company's financial year, which concluded on March 31, 2023, marked a significant achievement as it generated a post-tax profit of LKR 2,827 million. This outcome stands in stark contrast to the post-tax loss of LKR 171 million recorded in the previous year.

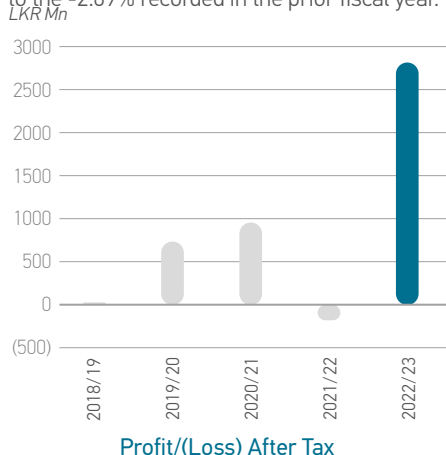
As of March 31, 2023, the Company experienced an increase in its Total Assets, reaching LKR 38,041 million. This expansion was undertaken to effectively navigate the Company's interest rate exposure, given the adverse shifts in the interest rate environment for government securities.

### INCOME STATEMENT ANALYSIS

#### Company Profitability

During the financial year, Capital Alliance PLC achieved a Profit of LKR 2,827 million, marking a substantial rebound from the LKR 171 million loss reported in the preceding financial year. Particularly noteworthy is the remarkable surge in the company's Net Operating Income, which grew by LKR 4,846 million in the assessed period. This impressive increase of 78,718% was primarily driven by elevated Net Gains from financial assets at FVTPL.

As a result, the Company's Return on Equity (ROE) improved significantly to 69.31% in FY 2022/23, a notable rise from the -6.36% in 2021/22. Further, the Company's return on assets (ROA) also saw an increase, reaching 15.98% during the reviewed year, compared to the -2.09% recorded in the prior fiscal year.

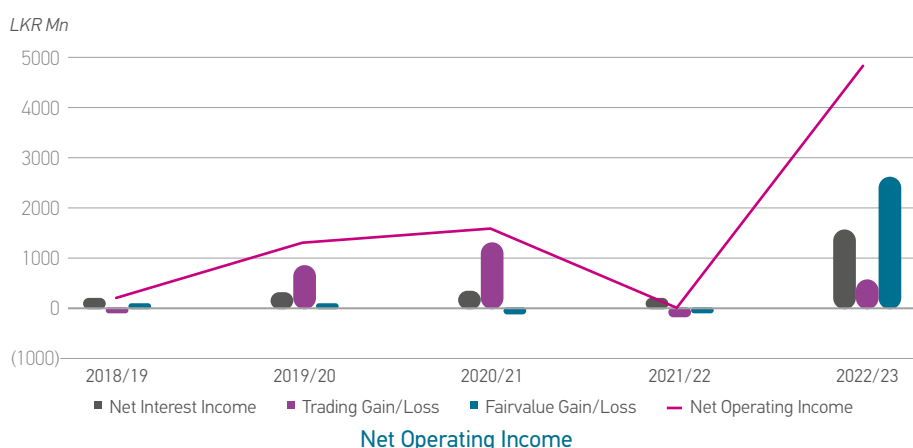


### Net Operating Income

The key constituents of Net Operating Income encompass Net Interest Income, Gains/(Losses) from trading, and Net Fair Value Gains/(Losses) from Financial Assets at FVTPL.

During the ongoing financial year, Net Interest Income demonstrated growth, rising to LKR 1,592 million from the LKR 224 million reported in 2021/2022.

Concurrently, Net gains from Trading reached LKR 610 million in FY 2022/23. Notably, the major portion of the Net Capital Gains on Trading, amounting to LKR 616 million, derived from Capital Gain on treasury bills and bonds. However, there was a reduction in Capital Loss on Quoted Shares, which amounted to LKR 6.54 million, as compared to the gain of LKR 52 million in 2021/22.



### Net Interest Income

In the financial year 2022/23, the Company recorded a Total Interest Income of LKR 4,720 million, marking a substantial surge of 829% compared to the LKR 508 million reported in the preceding period. Additionally, Interest expenses for the reviewed year amounted to LKR 3,128 million, a noteworthy escalation from the LKR 284 million in FY 2021/22.

As a result, the Company achieved a net interest income (NII) of LKR 1,592 million. Notably, the interest spread also experienced growth, increasing to LKR 1,592 million in 2022/23 from LKR 224 million in 2021/22.

### Net Gains/(Losses) on Trading

The company's Net capital Gains on trading recorded LKR 610 Mn in 2022/23 and of this, LKR 573 Mn was attributed to Net Capital Gains on Treasury Bonds. However, net capital gain on trading is reduced by the capital loss on quoted shares of LKR 6.54 Mn in FY 2022/23 as a result of timely diversifying to the quoted equity investments within the allowable regulatory limits.

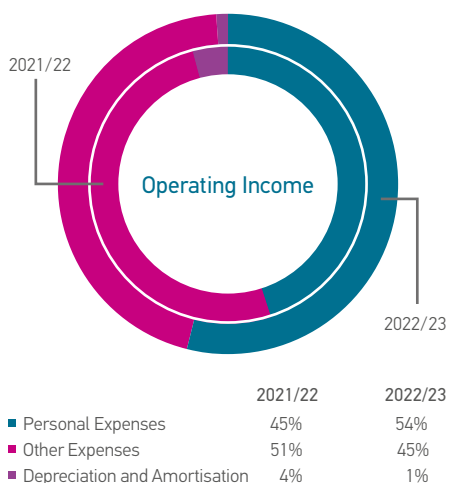
Net capital gains/(Losses) on trading consist mainly of Net capital gains/ (Losses) on Treasury Bills, Treasury Bonds and Quoted Shares which have been classified under financial assets measured at FVTPL.

### Net Fair Value Gains/(losses) from Financial Assets at FVTPL

In FY 2022/23, the Company documented Remeasurement gains totaling LKR 2,656 million on government securities. Additionally, the Company achieved a Net Fair Value gain of LKR 2,661 million from Financial Assets at FVTPL during this fiscal year, marking a substantial shift from the LKR 16 million loss recorded in the prior fiscal year. Net Fair Value Gains/(Losses) primarily encompass Remeasurement gains/(Losses) on Government Securities and Quoted Shares, both categorized under financial assets measured at FVTPL.

## Operating Expenses

The Company witnessed a significant rise in Operating Expenses, notably increasing by LKR 944 million in 2022/23. This escalation in Operating Expenses was primarily driven by a LKR 414 million increase in Personnel Expenses. The Company has aligned performance-based compensations with the attained level of profitability, aiming to enhance flexibility in managing the cost-to-income ratio. Additionally, there was a rise in other expenses amounting to LKR 532 million, mainly attributed to changes in VAT on financial services and adjustments in social security contribution levy throughout the year.



## Profit Before Tax (PBT) & Profit After Tax (PAT)

In the fiscal year 2022/23, the Company disclosed a pre-tax profit of LKR 3,695 million, indicating a notable increase of LKR 3,901 million when compared to the previous year. Additionally, the post-tax profit for the year ending on March 31, 2023, reached LKR 2,827 million, representing a significant advancement from the post-tax loss of LKR 171 million experienced in the preceding fiscal year. The Company's tax expense, which encompasses the deferred tax charge, for the year ending on March 31, 2023, totaled LKR 868 million.

## Financial Position Analysis

### Assets

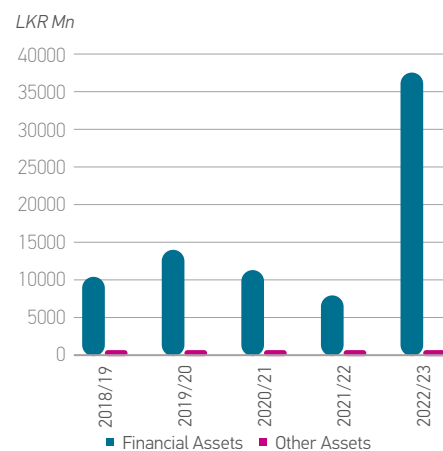
With the economic conditions affecting positively to the Company's Primary Dealer unit, the Total Company Assets surged by LKR 30 Billion in FY 2022/23, marking a remarkable rise of 363% compared to the preceding year. This notable increase was predominantly driven by a substantial rise of LKR 29 Billion in the valuation of the portfolio of Financial Assets (Government Securities) Measured at FVTPL.

### Liabilities

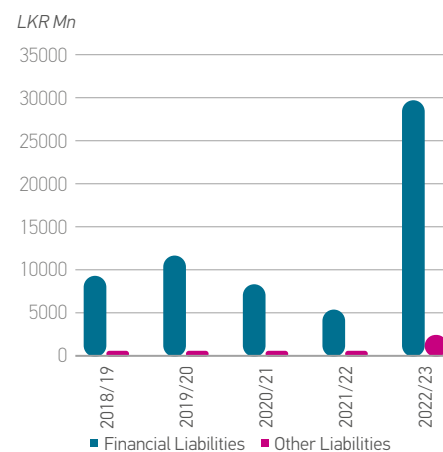
The Company observed a significant rise in its total liabilities, escalating by LKR 27 billion in the present fiscal year, signifying a substantial increase of 487% from the prior year. This growth was primarily attributed to a LKR 25 billion surge in Securities Sold Under Repurchase Agreements, driven by a corresponding expansion in the investment within Government Securities.

### Equity

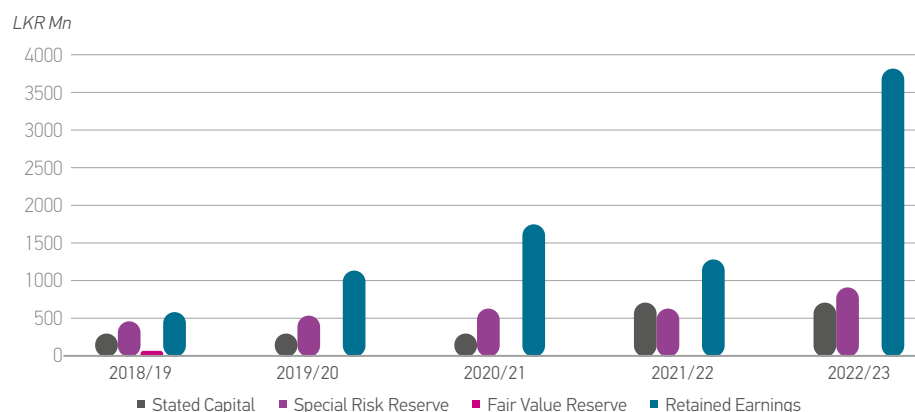
Total Equity allocated to Shareholders surged to LKR 2,822 million, driven by a net growth of LKR 2,540 million in retained earnings. The primary elements fostering the Company's heightened equity included the accumulated net profit and the simultaneous expansion of the special risk reserve throughout the year.



Total Assets



Total Liabilities



Equity

## Annual Report of the Board of Directors

The Directors of Capital Alliance PLC have the pleasure in presenting their Annual Report together with the Audited Financial Statements for the year ended 31st March 2023 which were approved by the Directors on 31st July 2023.

### REVIEW OF OPERATIONS

During the year under review, the Company reported a Net Operating Income of LKR 4,852 Mn compared to LKR 6.15 Mn reported in the previous year.

The Company wrapped up the financial year that ended on March 31, 2023, on a positive note, achieving a post-tax profit of LKR 2,827 million. This remarkable growth is in sharp contrast to the post-tax loss of LKR 171 million recorded in the preceding year, primarily influenced by the downward movement in the interest rates over the course of the year.

### PRINCIPAL ACTIVITIES

The main activity of the Company is operating as a Primary Dealer in Government Securities.

### LEGAL STATUS

Capital Alliance PLC was incorporated on 10th August 2000 under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007 and it was listed on Colombo Stock Exchange (CSE) on 15th December 2021 and there onwards company is trading its shares in the market.

### FINANCIAL RESULTS

The Company's post-tax profit was LKR 2,827 Mn compared with net loss after tax of LKR 171 Mn in the year 2021/22.

A summary of the financial results for the year is set out below.

	2023 LKR Mn	2022 LKR Mn
Net Operating Income	4,852	6
Profit/(Loss) Before Tax	3,695	(206)
Profit/(Loss) After Tax	2,827	(171)
Total Comprehensive Income/(Expense)	2,822	(167)

The Financial Statements of the Company are set out on Pages 65 to 107 of the Annual Report.

### BOARD OF DIRECTORS

#### Directorate

The following were the Directors of the Company as at 31st March 2023.

Mr. D. A. De Zoysa - Chairman  
(Non-Executive Non-Independent Director)

Mr. W. A. T. Fernando  
(Chief Executive Officer)

Mr. R. J. Arasaratnam  
(Non-Executive Non-Independent Director)

Mr. C. S. R. S. Anthony  
(Non-Executive Non-Independent Director)

Ms. A. I. C. Nandasena  
(Non-Executive Independent Director)

Ms. K. A. D. Siriwardene  
(Non-Executive Independent Director)

The profiles of the Directors are given on Pages 10 to 13 of the Annual Report.

### INTEREST IN SHARES

Directors/Chief Executive Officer and their shareholdings were as follows.

Name	Designation	Shareholding	
		31 - Mar - 2023	31 - Mar - 2022
Mr. W. A. T. Fernando	Director/CEO	21,698,676	21,698,676
Mr. S. Palihawadana	Managing Director (Resigned w.e.f. 31st March 2022)	-	500,000
Mr. R. J. Arasaratnam	Director	3,312	3,312
Mr. D. A. De Zoysa	Director	Nil	Nil
Mr. C. S. R. S. Anthony	Director	2,600	2,600
Ms. A. I. C. Nandasena	Director	Nil	Nil
Ms. K. A. D. Siriwardene	Director	Nil	Nil

### OTHER DIRECTORSHIP/ SIGNIFICANT POSITIONS OF DIRECTORS

Information of the other Directorships/significant positions of the present Directors of the Company are given on Pages 10 to 13.

### RELATED PARTY TRANSACTIONS

Related party transactions have been declared at the meetings of the Directors and are detailed in Note 28 to the financial statements. The Directors declare that the Company is in compliance with the Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) pertaining to related party transactions during year 2022/23.

### DIRECTORS' INTERESTS

As required by the Companies Act, No. 7 of 2007, an Interests Register was maintained by the Company during the period under review. All Directors have made declarations as provided for in Section 192 (2) of the Companies Act aforesaid. The Interest Register is available for inspection as required under the Companies Act.



The Company carries out transactions in the ordinary course of business with entities in which a Director of the Company is a Director. The transactions with entities where a Director of the Company either has control or exercises significant influence have been classified as related party transactions and disclosed in Note 28 to the Financial Statements.

## REMUNERATION AND FEES

Details of Directors' remuneration and fees are set out in Note 10 to the financial statements. All fees and remuneration have been duly approved by the Board of Directors of the Company.

## RISK AND INTERNAL CONTROL

The Board of Directors has satisfied itself that there exists an effective and comprehensive system of internal controls to monitor, control and manage the risks to which the Company is exposed, to carry on its business in an orderly manner, to safeguard its assets and to secure as far as possible the reliability and accuracy of records.

## CORPORATE GOVERNANCE

The Directors acknowledge their responsibility for the Company's corporate governance and the system of internal control. The Directors are responsible to the shareholders for providing strategic direction to the Company and safeguarding the assets of the Company. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the financial statements. The compliance with recommended corporate governance practices is disclosed on Pages 33 to 49 of the Annual Report.

The performance of the Company is monitored by way of regular review meetings. These meetings provide an opportunity to ensure that progress is in line with agreed targets. Regular Board meetings are held to further strengthen the review process and ensure compliance with all statutory and regulatory obligations.

## DIVIDEND

There was no dividend paid for the year 2022/23.

## SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on Pages 69 to 107. There were no changes in the accounting policies adopted by the Company during the year under review.

## GOING CONCERN

The Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared on a going concern basis.

## CAPITAL EXPENDITURE

Details of equipment and their movements during the year are given in Note 20 to the financial statements.

## RESERVES

The movements in reserves during the financial year 2022/23 have been presented in the Statement of Changes in Equity on Page 67 of the Annual Report.

## INCOME TAX EXPENSES

Income tax expenses have been computed in accordance with the provision of the Inland Revenue Act, No. 24 of 2017 and subsequent Amendment Act No. 10 of 2021 as disclosed in Note 11 to the financial statements.

## STATED CAPITAL

The stated capital of the Company as at 31st March 2023 was LKR 723,348,421 consisting of 329,417,884 ordinary shares.

## SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDERS

Major shareholders of the company as at 31st March 2023 are disclosed in Page 108.

Information relating to the market value of a share and information on share trading is stated under Shareholder and Investor information on Page 108 of the Annual Report.

## STATUTORY PAYMENTS AND COMPLIANCE WITH LAWS AND REGULATIONS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to the employees have been made on time, and that the Company has not engaged in any activities contravening laws and regulations.

## EQUAL OPPORTUNITIES

The Company is committed to providing equal opportunities to all employees irrespective of their gender, marital status, age, religion, race, or disability. It is the Company's policy to give full and fair consideration to persons, with respect to applications for employment, continued employment, training, career development and promotion, having regard for each individual's particular aptitudes and abilities.

## EVENTS OCCURRING AFTER THE REPORTING DATE

There were no material events after the financial reporting period which require an adjustment to or a disclosure in the financial statements and refer the Note 30 to the financial statements.

## APPOINTMENT OF AUDITORS

A resolution for the re-appointment of the Messrs KPMG, Chartered Accountants, as auditors of the company for the year 2023/24 will be proposed at the Annual General Meeting. As far as the Directors are aware, the Auditors do not have any relationship (other than that of an auditor), with the Company providing audit and non-audit services.

## Annual Report of the Board of Directors

### AUDITOR'S RIGHT TO INFORMATION

Each person who is a Director of the Company at the date of approval of this report confirms that; as far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware.

Each Director has taken all the steps that he or she ought to have taken as the Director to make him or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

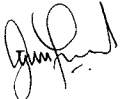
### ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 20 September 2023. The notice convening the Meeting and the agenda are given on Page 115 of the Annual Report.

This Annual Report is signed for and on behalf of the Board.



S. S. P. Corporate Services (Private) Limited  
Secretaries



Mr. W. A. T. Fernando  
Chief Executive officer



Mr. D. A. De Zoysa  
Chairman

# Corporate Governance

## STATEMENT BY THE CHAIRMAN

At Capital Alliance PLC, we place utmost importance on our commitment to compliance, and our governance process is designed to uphold this commitment. Under the leadership of our Chief Risk and Compliance Officer (CRCO), our Compliance team ensures that our operations are conducted in accordance with all relevant laws, while aligning with the values and ethical standards set by the Board.


The CRCO, reporting directly to the Board, exercises necessary control to ensure compliance across the company. Working closely with the CRCO, our risk team monitors business activities and decisions, ensuring they conform to the policies approved by the Board. Our compliance culture is instrumental in supporting these efforts.

To emphasize our zero-tolerance policy for non-compliance, the Board sets a strong example from the top, with Directors demonstrating good standards of behavior throughout the company. At an operational level, our risk team conducts a risk-based assessment program, further reinforcing the compliance culture. Additionally, our Audit Committee oversees the implementation of an Internal Audit Framework, providing independent assurance on our compliance status, internal systems, and ethics programs, ensuring they meet the required standards.

On behalf of the Board of Directors of Capital Alliance PLC, I confirm the robustness of our Governance Framework in ensuring full compliance with the laws, rules, and regulations stipulated by our respective regulators, including the Central Bank of Sri Lanka (CBSL), Securities and Exchange Commission of Sri Lanka (SEC), and Colombo Stock Exchange (CSE). We have also diligently adhered to all other applicable laws and regulations governing our day-to-day operations.

Furthermore, I proudly declare that all members of the Capital Alliance PLC Board and our employees have discharged their duties in accordance with the policies, procedures, and standards outlined in our Internal Code of Ethics and Conduct.

We remain steadfast in our commitment to maintaining the highest standards of governance and compliance as we continue to drive Capital Alliance PLC's success and build trust with our stakeholders.



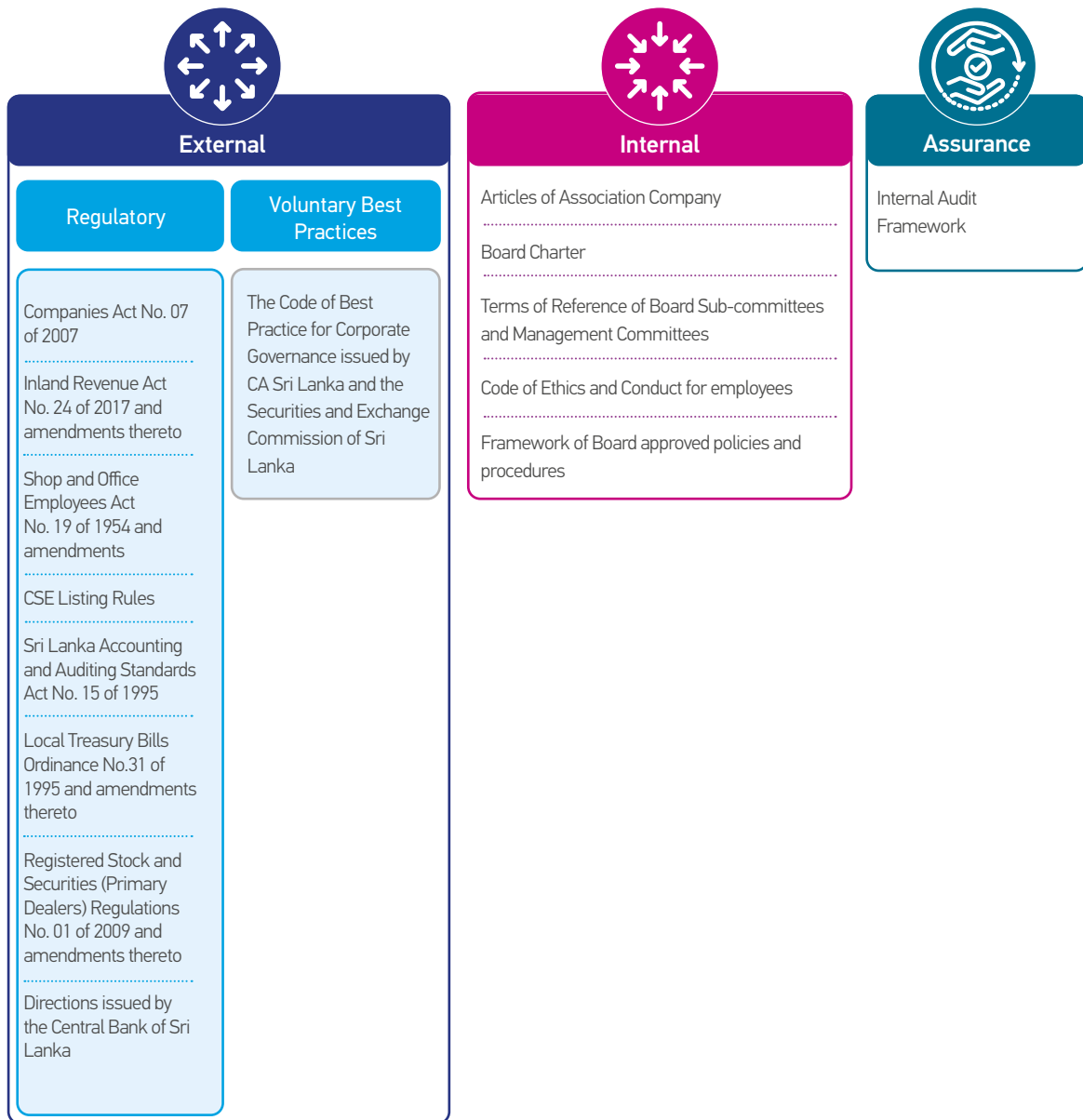
Mr. D. A. De Zoysa  
Chairman

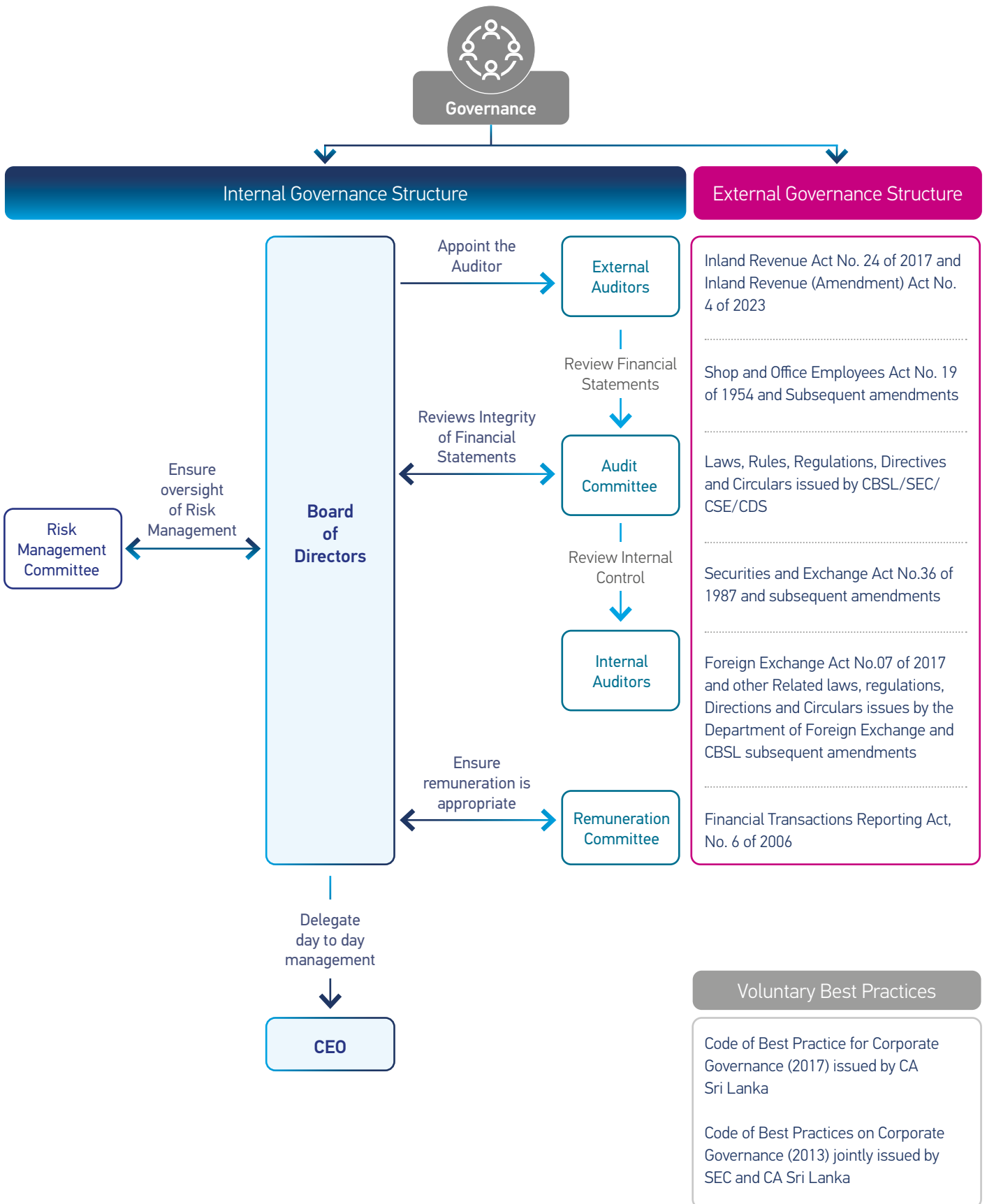
## THE CAPITAL ALLIANCE PLC'S APPROACH TO CORPORATE GOVERNANCE

The Good Governance is an ongoing commitment shared by the Board of Directors of Capital Alliance PLC. Based on the belief that good corporate governance provides the foundation for long-term business success, the Company Board has consistently been at the forefront of good corporate governance. The Company's overall approach to good governance is premised on full compliance with all regulatory frameworks applicable to the Company. Beyond this, the Company strives to emulate governance best practices observed by listed entities in Sri Lanka, which has led to the voluntary adoption of the Code of Best Practice for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC).

Apart from these external benchmarks, the Company's own internal frameworks creates a solid ecosystem to ensure the good Governance Principles are applied across the Business in order to support the Company's desire to achieve compliance leadership.

## Corporate Governance





## Corporate Governance

### THE BOARD

#### The Board Composition and Independence

To ensure that no individual Director or small group of Directors dominates the Board discussion and decision making, the company maintains a well-balanced Board comprising Two Independent Non-Executive Directors and Three Non-Executive Non-Independent Directors, along with the Capital Alliance PLC's Chief Executive Officer (CEO) who is the only Executive Director serving on the Board. The Independence of the Directors is assessed in accordance with the Corporate Governance Best practices and CSE Listing rules requirements and the Independent Non-Executive Directors have declared their independence in writing.

There is a clear and distinct division of responsibilities between the Chairman and the CEO, which ensures there is a balance of power and authority. The Chairman is responsible for ensuring the Board effectiveness and conduct whilst the CEO has overall responsibilities over the operating unit, organizational effectiveness and implementation of the Board policies and decisions.

All the Directors on the Board are all professionals/academics/business leaders who hold senior positions in their respective fields and bring with them vast experience across a range of industries and functional areas. In addition, the Company is committed to maintaining a strong gender balance at Board-level, with 1/3rd of the current Board represented by the female Directors.

Name	Date of Appointment	No. of Years	Designation
Mr. D. A. De Zoysa	10.01.2003	20 yrs.	Chairman - Non-Executive Non-Independent Director
Mr. W. A. T. Fernando	30.07.2000	23 yrs.	CEO - Executive Director
Mr. R. J. Arsaratnam	08.01.2003	20 yrs.	Non-Executive Non-Independent Director
Mr. C. S. R. S. Anthony	09.07.2014	8 yrs.	Non-Executive Non-Independent Director
Ms. A. I. C. Nandasena	23.08.2021	2 yrs.	Non-Executive Independent Director
Ms. K. A. D. Siriwardene	23.08.2021	2 yrs.	Non-Executive Independent Director

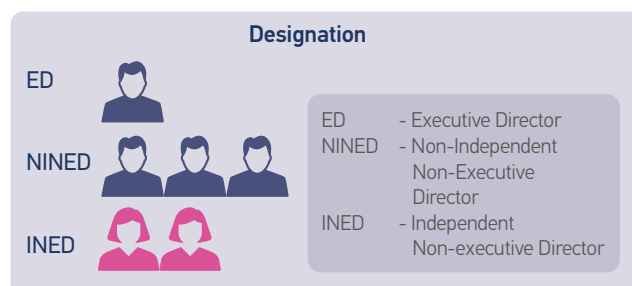
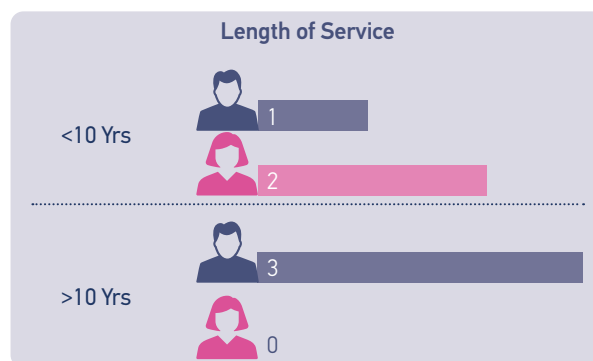
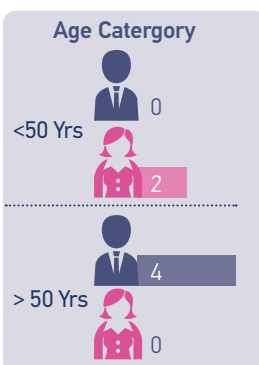
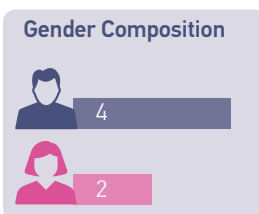
Detailed profiles of each member of the Board are provided in a separate section of this Annual Report (Pages 10 - 13).

#### Board of Directors by Age Category

Age Category	Male	Female	Total
Under 30 years	0	0	0
30 - 50 years	0	2	2
Over 50 years	4	0	4
Total	4	2	6

#### Board of Directors by Gender Composition

Gender	No. of Directors
Male	4
Female	2



## BOARD RESPONSIBILITIES

The Company Board operates as per the duties and responsibilities defined by the Board Charter. Accordingly, the Board, as the Apex governing body within the organization is tasked with setting the Company's purpose and core values and is responsible for formulating the strategy in line with the Company's broader strategic intent. Furthermore, the Board reviews strategic and operational issues, approves annual financial statements and annual budgets and assesses performance of the Company. The Board carries responsibility for ensuring that the senior management team possesses the relevant skills and expertise required for the management of the company.

The Directors also ensure adherence to laws and regulations pertaining to the functioning of the organization. In this regard, the Board is assisted by the Chief Risk Officer who also functions as the Compliance Officer to ensure compliance with all regulatory and statutory requirements and proper reporting of all compliance matters to the Board.

The Board meets frequently in order to ensure the effective discharge of its duties. It is mandatory that all Directors attend every scheduled Board Meeting. The Board Chair is responsible for setting the agenda for each meeting. Directors are given the specific documentation necessary, well in advance of scheduled meetings to allow adequate time for review and familiarization and to facilitate decision making at the meetings.

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance																					
Directors A.1 The Board			<p>The company should be headed by an effective Board, which should direct, lead and control the Company.</p> <p>The Board consists of Two Independent Non-Executive Directors and Three Non-Executive Non-Independent Directors (Including Chairman), along with the Capital Alliance PLC's Chief Executive Officer (CEO), who is the only Executive Director who are professionals in the fields of Finance, Investment Banking and Management.</p>																					
Frequency of Board Meetings	A 1.1	Complied	<p>Board meetings are held on a quarterly basis at a minimum and meet more frequently whenever it is necessary.</p> <p>Quarterly Board meetings are scheduled to determine the Company's strategic direction, review the operational and financial performance, and to provide oversight.</p> <p>The attendance of Directors at the Board meetings held during the year is depicted below.</p> <table border="1"> <thead> <tr> <th>Name of the Director</th> <th>Eligibility</th> <th>Attendance</th> </tr> </thead> <tbody> <tr> <td>Mr. W. A. T. Fernando</td> <td>4</td> <td>4</td> </tr> <tr> <td>Mr. C. S. R. S. Anthony</td> <td>4</td> <td>4</td> </tr> <tr> <td>Mr. R. J. Arasaratnam</td> <td>4</td> <td>4</td> </tr> <tr> <td>Mr. D. A. De Zoysa</td> <td>4</td> <td>4</td> </tr> <tr> <td>Ms. A.I.C. Nandasena</td> <td>4</td> <td>4</td> </tr> <tr> <td>Ms. K. A. D. Siriwardene</td> <td>4</td> <td>4</td> </tr> </tbody> </table> <p>A board pack containing all relevant information is submitted to the Board of Directors</p> <p>Financial and operational results on pre-agreed Key Performance Indicators</p> <ul style="list-style-type: none"> <li>Included in Quarterly board pack</li> </ul> <p>Financial performance compared to previous periods, budgets, and targets</p> <ul style="list-style-type: none"> <li>Included in Quarterly board pack</li> </ul> <p>Impact of risk factors on financial and operating results and actions to mitigate such risks</p> <ul style="list-style-type: none"> <li>Included in Quarterly board pack</li> </ul> <p>Forecast for the next period</p> <ul style="list-style-type: none"> <li>A Budget is set at beginning of the year and a Rolling Forecast with scenario analysis has been provided on request.</li> </ul>	Name of the Director	Eligibility	Attendance	Mr. W. A. T. Fernando	4	4	Mr. C. S. R. S. Anthony	4	4	Mr. R. J. Arasaratnam	4	4	Mr. D. A. De Zoysa	4	4	Ms. A.I.C. Nandasena	4	4	Ms. K. A. D. Siriwardene	4	4
Name of the Director	Eligibility	Attendance																						
Mr. W. A. T. Fernando	4	4																						
Mr. C. S. R. S. Anthony	4	4																						
Mr. R. J. Arasaratnam	4	4																						
Mr. D. A. De Zoysa	4	4																						
Ms. A.I.C. Nandasena	4	4																						
Ms. K. A. D. Siriwardene	4	4																						

## Corporate Governance

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
			<p>Compliance with laws and regulations and any non-compliances</p> <ul style="list-style-type: none"> <li>Included in the quarterly CRCO confirmation checklist</li> </ul> <p>Internal control breaches or frauds during the period and related actions taken</p> <ul style="list-style-type: none"> <li>Independent Internal Audits are carried out periodically and exceptions are reported to the Board</li> </ul> <p>Financial and operational decisions taken by the CEO within his delegated authority</p> <ul style="list-style-type: none"> <li>Discussed on ad-hoc basis and through the board pack and Board Meetings</li> </ul> <p>Share trading of the Company and related party transactions by Key Management Personnel</p> <ul style="list-style-type: none"> <li>The Company Secretary informs the Board of any related party share transactions performed by the Directors.</li> </ul>
Responsibilities of the Board	A.1.2	Complied	<p>The Board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enable risk to be assessed and managed.</p> <p>The Board adopted the following responsibilities,</p> <p><b>Ensuring the formulation and implementation of a sound business strategy</b></p> <ul style="list-style-type: none"> <li>The Board provides stewardship, vision and strategic direction to the Company and fosters a culture of responsibility and accountability across the Company. A stakeholder centric approach is adopted in strategy formulation. A review of the business, marketing, financial and other strategies, and their implementation takes place during the Board meetings.</li> </ul> <p><b>Appointing the chair and the senior independent director, if relevant.</b></p> <ul style="list-style-type: none"> <li>N/A, since the Chairman and the CEO of the Company are not the same person.</li> </ul> <p><b>Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience, and knowledge to implement the strategy</b></p> <ul style="list-style-type: none"> <li>The Directors are from diverse backgrounds and bring a wide range of experience and competencies that facilitates the effective discharging of the Board responsibilities.</li> <li>The Board ensures that the Chairman, CEO, and the Management team possess the skills to implement the overall strategy.</li> <li>A brief resume of each Director including skills and experience is available in the "Board of Directors" on Pages 10 to 13 of the Annual Report.</li> </ul> <p><b>Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy</b></p> <ul style="list-style-type: none"> <li>Succession planning is given recognition through meetings of the Board where succession is discussed along with significant new hires</li> </ul> <p><b>Approving budgets and major capital expenditure</b></p> <ul style="list-style-type: none"> <li>The budget for the year was approved at the beginning of the financial year</li> <li>Capital expenditure is included in the budget. Further, the Board reviews all the significant capital expenditure made on annually.</li> </ul>



Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
			<p>Determining the matters expressly reserved to the board and those delegated to the management including limits of authority and financial delegation</p> <ul style="list-style-type: none"> <li>The Board determines on the matters expressly reserved to the Board such as formulating the strategy, significant transactions and deciding on the risk appetite of the Company</li> </ul> <p>Ensuring effective systems to secure the integrity of information, internal controls, business continuity and risk management</p> <ul style="list-style-type: none"> <li>The Board identifies significant risks on an ongoing basis and ensures the implementation of appropriate procedures to evaluate and manage the identified risks through internal and external audits and the Risk and Audit Committees.</li> </ul> <p>Ensuring compliance with laws, regulations, and ethical standards</p> <ul style="list-style-type: none"> <li>The Board ensures compliance with the laws, regulations, and standards on each area of business operations. The Internal Auditors and the CRCO monitor and report to the Audit Committee on their findings.</li> </ul> <p>Ensuring all stakeholder interests are considered in corporate decisions</p> <ul style="list-style-type: none"> <li>The Board considers all stakeholders when making corporate decisions</li> </ul> <p>Recognising sustainable business development in Corporate Strategy, decisions and activities and considering the need for adopting integrated reporting</p> <ul style="list-style-type: none"> <li>The Board recognises the importance of including principles of sustainability in corporate strategy, decisions, and activities</li> <li>The Company does not adopt integrated reporting.</li> </ul> <p>Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations</p> <ul style="list-style-type: none"> <li>The Company keeps up to date with all current developments in relation to accounting standards and has reviewed the accounting policies regularly</li> <li>The Independent Auditor's Report appears from Pages 62 to 64 in the Annual Report and affirms that the Company's Financial Statements are in line with Sri Lanka Accounting Standards (SLFRSs &amp; LKASs).</li> </ul> <p>Establish a process of monitoring and evaluation of progress on strategy implementation budgets, plans and related risks</p> <ul style="list-style-type: none"> <li>Each Board meeting, the progress of strategy implementation, achievement of budgets, plans and related risks are reviewed</li> </ul> <p>Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the Company</p> <ul style="list-style-type: none"> <li>The Company provides its accounts quarterly and annually to the Board for their review</li> </ul> <p>Fulfilling such other Board functions are vital, given the scale, nature and complexity of the business concerned</p> <ul style="list-style-type: none"> <li>During the year, the Board was committed in fulfilling their obligations towards all stakeholders in line with laws, regulations, and governance practices of the Company.</li> </ul>

## Corporate Governance

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
Compliance with Laws & independent Professional advice	A 1.3	Complied	<p>The Board Directors individually and collectively act in accordance with the laws applicable to the business enterprise.</p> <p>In discharging their duties, the Directors seek independent professional advice from external parties, where necessary.</p>
Company Secretary	A 1.4	Complied	<p>The Company secretary provides the Board with support and advice relating to Corporate Governance matters, board procedures and applicable rules and regulations during the financial year.</p> <p>Members of the Board have unrestricted access to the advice and services of the Company Secretary.</p> <p>The appointment and removal of the Company Secretary rests with the Board.</p>
Independent judgment	A 1.5	Complied	<p>All the Directors exercise independent judgment in all decisions pertaining to strategy, performance, resource allocation and standards of business conduct.</p>
Dedication of adequate time & effort by the Board	A 1.6	Complied	<p>The members of the Board dedicated adequate time and effort to fulfil their duties &amp; responsibilities as directors of the Company and ensure that they are satisfactorily discharged.</p> <p>In addition to the board meetings, Directors attended to Sub-Committee meetings and contributed to the decision making</p> <p>The Board Sub-Committees includes;</p> <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Related Party Transactions Review Committee</li> <li>• Remuneration Committee</li> <li>• Risk Committee</li> </ul>
Calling for resolutions for the best interest to the Company	A 1.7	Complied	<p>Any Director may call for a resolution to be presented to the Board where he feels it is in the interest of the Company. As per the Articles of Association, the resolutions can be passed with majority voting.</p>
Training for new and existing Directors	A 1.8	Complied	<p>The Directors are encouraged to participate in continuous professional and self-development activities as necessary.</p> <p>The Board recognises the requirement for continuous training and development required to effectively perform their duties as the Directors.</p> <p>The Board regularly reviews the training and development needs of the Directors.</p>
2. Chairman and Chief Executive Officer	<p>There are two key tasks at the top of every public Company-conducting of the business of the Board and facilitating executive responsibility for the management of the Company's business. There should be a clear division of responsibilities at the Head of the Company, which will ensure a balance of power and authority, such that no individual has unfettered powers of decision.</p>		
Separation of Posts of Chairman and Chief Executive Officer (CEO)	A 2.1	Complied	<p>The positions of Chairman and Company CEO were separated to ensure a balance of power and authority and to prevent any one individual from possessing unfettered decision-making authority.</p>

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
A.3- Chairman's Role	The Chairman is responsible for preserving order and facilitating the effective discharge of Board functions		
	A 3.1	Complied	<p>The Chairman in running of the Board, facilitates the effective discharge of the Board proceedings and ensures;</p> <ul style="list-style-type: none"> <li>• The effective participation of both Executive and Non-Executive Directors</li> <li>• The Agenda for the Board meetings is developed in consultation with the Company CEO, Directors, CRCO, FM and the Company Secretary</li> <li>• The effective contributions by all Directors at proceedings</li> <li>• The views of Directors on issues under consideration are ascertained</li> <li>• The Board controls on the affairs of the Company and its obligations to all the stakeholders</li> <li>• The balance of power between Executive and Non-Executive Directors are maintained.</li> </ul>
A.4- Financial Acumen	The Board should ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.		
A.4 Financial Acumen	A .4	Complied	<p>The Board includes the Directors who possess the necessary knowledge and competence to offer the Board guidance on financial matters.</p> <p>A brief resume for each Director is on Pages 10 to 13.</p> <p>In addition, the Audit Committee can discuss with the external and internal auditors on matters of finance.</p>
A.5 Board Balance	The Board should have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking.		
Board Balance	A 5.1	Complied	<p>The Board consists of Two Independent Non-Executive Directors and Three Non-Executive Non-Independent Directors (Including Chairman), along with the Capital Alliance PLC's Chief Executive Officer (CEO) who is the only Executive Director.</p> <p>The profiles of the Executive and Non-Executive Directors are given on Pages 10 to 13 of this Annual Report.</p>
Independent Directors	A 5.2	Complied	Two out of the Five Non-Executive Directors are considered independent for the concluded financial year.
	A 5.3	Complied	<p>The Board considers Non-Executive Directors independence on an annual basis.</p> <p>Each is independent from Management and free from any business or other relationship that could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.</p>
	A 5.4	Complied	The Independent Directors have submitted written declarations of their independence.
	A 5.5	Complied	The Board annually determines the independence of each Non-Executive Director based on the declarations submitted by them and by other information available to the Board.
	A 5.6	Complied	No Alternative Directors were appointed during the year under review.
	A 5.7/ 5.8	N/A	N/A
Meeting of Non-Executive Directors	A 5.9	Non-Complied	The Chairman meets with the NEDs with the presence of the Executive Directors on a need basis. There were no formal specific meetings held with NEDs during the year.
Recording of concerns in Board minutes	A 5.10	Complied	All concerns raised by the Directors about the matters of the Company which cannot be unanimously resolved have been duly recorded in the Board minutes with sufficient detail.

## Corporate Governance

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
A.6 Supply of Information	The Board should be provided with timely information in a form and quality appropriate to enable it to discharge its duties.		
The Management has the obligation to provide appropriate & timely information	A 6.1	Complied	The Board is provided with timely information in a form and of a quality appropriate to enable it to discharge its duties effectively.  The Directors make further inquiries where necessary, should information provided by management not be enough.
	A 6.2	Complied	The Agenda for the Board meeting and connected discussion papers were ordinarily circulated to the Directors seven (7) days in advance to facilitate the effective conduct of the meeting.
A.7 Appointments to The Board	A formal and transparent procedure should be followed for the appointment of new Directors to the Board		
Appointments to the Board	A 7.1	Non-complied	The Board has not established a Nominations Committee to make recommendations on Board appointments.  Hence appointments to the Board are made collectively and with the consent of all the Directors.
	A 7.2	Non complied	The Board as a whole annually assesses the Board composition despite the non-existence of a nomination committee.
Appointments to the Board	A 7.3	Complied	Upon the appointment of a new Director to the Board the company should for with disclose to the Shareholders, along with a brief resume of the Director which includes; <ul style="list-style-type: none"> <li>• The nature of his expertise in relevant functional area</li> <li>• The other Directorships or memberships in Board sub committees</li> <li>• Whether the Director is considered an Independent Director</li> </ul>
A.8 Re-election	All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years		
Re-election	A 8.1	Complied	Reappointment of the Non-Executive Directors has been done according to the provision of the Companies Act.
	A 8.2	Complied	All the Directors Including the Chairman of the Board should be subject to election by Shareholders at the first opportunity after their appointment, and re-election thereafter at intervals of no more than 3 years.
Resignation	A 8.3	Complied	Written communications are provided to the Board by Directors who resign prior to completion of his appointed term.
A.9 Appraisal of Board Performance	The Boards should periodically appraise their own performance to ensure that Board responsibilities are satisfactorily discharged.		
Need to have a formal and rigorous process for reviewing the performance of the Board and its Committees	A 9.1	Non-Complied	No formal process for reviewing the performance of the Board and its Committees. An informal process is adhered to whereby if the Board and its Committees are not performing, it can be taken up with the Chairman of the Board.
Need for the Board to appraise itself annually on its performance.	A 9.2	Non-Complied	No formal process for reviewing the performance of the Board and its Committees annually.
Need for review the participation, contribution, and engagement of each Director at the time of re-election	A 9.3	Non-Complied	No process is in place to review the participation, combination, and engagement of each Director of the time of re-election.
Need for the Board to state in the Annual Report how such performance evaluation is conducted	A 9.4	Non-Complied	As no formal review of the performance has been undertaken, no statement is included in the Annual Report.

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
A.10 Disclosure of information in respect of Directors	Details in respect of each Director should be disclosed in the Annual Report for the benefit of the shareholders.		
Disclosure of information in respect of Directors	A 10.1	Complied	<p><b>Name, qualifications, and brief profile</b></p> <ul style="list-style-type: none"> <li>Refer to Pages 10 to 13</li> </ul> <p><b>The nature of his/her expertise in relevant functional areas</b></p> <ul style="list-style-type: none"> <li>Refer to pages 10 to 13</li> </ul> <p><b>Immediate family and/or material business relationships with other Directors of the Company</b></p> <ul style="list-style-type: none"> <li>The Directors have immediate family and/or material business relationships with other Directors of the Company.</li> <li>Transactions with Immediate family and/or material business relationships with other Directors of the Company have been disclosed under Related Party Transactions.</li> </ul> <p><b>Whether Executive, Non-Executive and/or independent Director</b></p> <ul style="list-style-type: none"> <li>Refer to Pages 10 to 13</li> </ul> <p><b>Names of listed companies in Sri Lanka in which the Director concerned serves as a Director.</b></p> <ul style="list-style-type: none"> <li>Refer to Pages 10 to 13</li> </ul> <p><b>Names of other companies in which the Director concerned serves as a Director, provided that where he/she holds directorships in companies within a Group of which the Company is a part, their names need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies</b></p> <ul style="list-style-type: none"> <li>Refer to Pages 10 to 13</li> </ul> <p><b>Number/percentage of Board meetings of the Company attended during the year</b></p> <ul style="list-style-type: none"> <li>Refer to Page 37</li> </ul> <p><b>The total number of Board seats held by each Director indicating listed and unlisted Companies and whether in an executive or non-executive capacity</b></p> <ul style="list-style-type: none"> <li>Partially Complied</li> </ul> <p><b>Names of Board Committees in which the Director serves as Chairman or a member;</b></p> <ul style="list-style-type: none"> <li>Refer to the "Committee Reports" on Pages 54 to 58</li> </ul>
A.11 Appraisal of the Chief Executive Officer	The Board of Directors should at least annually assess the performance of the Chief Executive Officer		
Target/Goals for the CEO	A 11.1	Complied	At the commencement of each financial year, the Board in consultation with the Chief Executive Officer sets financial and non-financial goals based on the short, medium, and long-term objectives of the Company.
Evaluation of the performance of the CEO	A 11.2	Complied	The performance of the CEO should be evaluated by the Board at the end of each financial year.

## Corporate Governance

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
Directors' Remuneration B.1 Remuneration Procedure	The Company should have a formal and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.		
Remuneration Committee	B 1.1	Complied	The Board has implemented a formal and transparent procedure for developing policies on remuneration by setting up a Remuneration Committee.  Its purpose is to assist the Board of Directors in matters relating to compensation of the Company's Directors, Executive Officers and such other employees as determined by the Committee.
Composition	B 1.2	Non-Complied	The Remuneration Committee consists three Non-Executive Directors. The chairman of the Committee is a Non independent Director. The following Directors served in the Remuneration Committee during the financial year under review.  Mr. D. A. De Zoysa ( <i>Chairman</i> ) ( <i>Non-Executive Non-Independence Director</i> )  Ms. A. I. C. Nandasena ( <i>Non-Executive Independence Director</i> )  Ms. K. A. D. Siriwardene ( <i>Non-Executive Independence Director</i> )
	B 1.3	Complied	The members of the Committee are indicated in the Page 58 in Annual Report.
Remuneration of Non-Executive Directors	B 1.4	Complied	In terms of the Articles of Association of the Company, the Directors determine the fees payable to the Non-Executive Directors.
Consultation of the Chairman and access to professional advice	B 1.5	Complied	The Remuneration Committee consults the Chairman about its proposal relating to the remuneration of other Executive Directors and has access to professional advice in discharging their responsibilities.
B.2 Level and makeup of Remuneration	The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to the corporate and individual performance.		
Level and make up of remuneration	B 2.1	Complied	The remuneration committee ensures that the remuneration of executives at each level is competitive and is line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is on par with market rates.
Design of remuneration for long term success	B 2.2	Complied	Executive Directors' and Key Management's remuneration is designed to promote the long-term success of the Company.
Design the remuneration of the Executive Directors to promote long term success of the Company	B 2.3	Complied	As mentioned in B.2.1, the remuneration of the Executive Directors is designed to attract and retain high calibre executives which leads to long term success of the Company and are benchmarked against industry remuneration.
Comparison of remuneration within the Group	B 2.4	Complied	When determining annual salary increments, the remuneration committee is sensitive to remuneration and employment conditions elsewhere in the Company.
Performance based Remuneration	B 2.5	Complied	The Remuneration Committee reviews the performance of the Executive Directors and senior management and the performance bonus is based upon the achievement of goals and targets by the individual.
Executive share options	B 2.6	Complied	No Executive share options offered under discounted prices.
Designing the remuneration	B 2.7	Complied	Performance-related remuneration is designed by the Remuneration Committee
Early Termination of the Directors	B 2.8	Complied	No specific Compensation scheme has been implemented
	B 2.9	Complied	If the situation arises, the Remuneration Committee will tailor their approach in the event of early termination to be relevant to the circumstances.
Remuneration for Non-Executive Directors	B 2.10	Complied	Remuneration of Non-Executive Directors reflects their time commitment and responsibilities of their role and market practices. It does not include share options.

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
B. 3 Disclosure of Remuneration	The Company should disclose the Remuneration Policy and the details of Remuneration of the Board as a whole		
Disclosure of Remuneration	B 3.1	Complied	The total remuneration paid to the Directors are disclosed in Note 10 to the financial statements.
C. Relations with Shareholders	The Board should use the Annual General Meeting to communicate with shareholders and encourage their active participation.		
C.1 Constructive use of the Annual General Meeting and Conduct of General Meetings			
Adequate Notice of the AGM	C 1.1	Complied	Notice of Meeting is sent to shareholders 15 working days prior to the date of the AGM, as requested by statute and a copy of the Annual Report including Financial Statements and the Form of the Proxy are shared online on the CSE and Official Website of the company in order to provide the opportunity to all the shareholders to attend the AGM.
Separate resolution for all separate issues at the AGM	C 1.2	Complied	A separate resolution is proposed for each issue at the AGM.  Further, adoption of the Annual Report of the Board of Directors on the affairs of the Company and Audited Financial Statements together with the Report of the Auditors thereon are considered as a separate resolution.
Recording and counting proxy appointments	C 1.3	Complied	The Company ensures that all valid proxy appointments received for General Meetings are properly recorded and counted. The Company Secretary administers the AGM.
Availability of Board sub-committee chairpersons	C 1.4	Complied	The chairpersons of the sub committees are present at the AGM to answer any questions raised by the shareholders if so, requested by the Chairman.
Procedure for voting	C.1.5	Complied	The procedure governing voting at the General Meeting is circulated with the Notice of Meeting.
C.2 Communication with shareholders	The Board should implement effective communication with shareholders		
Effective Communication with shareholders	C. 2.1	Complied	The Company encourages effective communication with the shareholders and answers queries and concerns of shareholders through the Company Secretaries and in corporate website.
	C. 2.2	Complied	The Company's policy pertaining to the communication with shareholders and shareholders involve the sharing of all financial and non-financial information as per the applicable statutory and regulatory requirements and best practices adopted by the Company. The methodology of communication with shareholders is multi-faceted to ensure the accuracy of information disseminated and the timeliness of dissemination.
	C. 2.3	Complied	The implementation of the policy and the methodology is done through the adoption of the above-mentioned channels of communication.
Contact person in relation to shareholder communications	C. 2.4	Complied	The contact person for shareholder communication is the Company Secretary and the designated person is appointed to answer queries from the shareholder relating to circulation of the Annual Report.
Process to make all Directors aware of major issues and Concerns of shareholders and responding to them	C.2.5	Complied	The Company Secretaries maintain a record of all correspondence received and will deliver such correspondence to the Board or individual Director as applicable.  The Board or individual Director, as applicable, will respond appropriately to all validly received shareholder correspondence and will direct the Company Secretaries to send the response to the particular shareholder.
Person to contact in relation to shareholders' matters	C. 2.6	Complied	The Contact Person in relation to all matters pertaining to the Shareholders is the Company Secretary.
Responding to shareholder matters	C. 2.7	Complied	The Company Secretary is assigned to respond to shareholders by the Board and update the Board on such matters.

## Corporate Governance

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
C.3 Major and Material Transactions	The Directors should disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company, if entered into.		
Major transaction	C. 3.1	Complied	The Directors ensure that prior to engaging in or committing to a 'Major related party transaction' with a related party, involving the acquisition, sale or disposition of greater than one third of the value of the Company's assets or that of a subsidiary which has a material bearing on the Company and/or consolidated net assets of the Company, or a transaction which has or is likely to have the effect of the Company acquiring obligations and liabilities, of greater than one third of the value of the Company's assets, or entering into transactions or a series of related transactions which have the purpose or effect of substantially altering the nature of the business carried on by the Company the Directors will disclose to shareholders the purpose and all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an extraordinary general meeting.
	C. 3.2	Complied	Major transactions where shareholder's approval is necessary will be approved through shareholder resolution
D. Accountability and Audit	The Board should present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities, and prospects.		
D 1.1 Accountability and Audit			
Boards responsibility for statutory and regulatory reporting	D 1.1	Complied	The Board has presented the Annual Report which includes the Financial Statements of the Company that are true and fair, balanced, and understandable and prepared in accordance with LKASs and SLFRSs to regulators as well as presented interim and other public price sensitive information in a balanced and understandable way as required by statutory requirements.
Boards responsibility for statutory and regulatory reporting	D 1.2	Complied	The Board is aware of its responsibility to present regulatory and statutory reporting in a balanced and understandable manner and a statement to this effect is given in the Statement of Directors' Responsibility on Page 59 confirming this position.  In preparing annual and quarterly Financial Statements, the Company complies with the requirements of the; <ul style="list-style-type: none"> <li>• Companies Act No. 07 of 2007,</li> <li>• Sri Lanka Accounting Standards (SLFRSs &amp; LKASs)</li> <li>• Listing Rules</li> </ul>
	D 1.3	Complied	The Manager Finance and Chief Executive Officer review year-end Financial Statements before submitting to the Audit Committee and the Board and ensure that, the financial records of the entity have been properly maintained and that the Financial Statements comply with the appropriate accounting standards and give a true and fair view.
Directors Report	D.1.4	Complied	The Declarations required to be made by the Board are given in the Annual Report of the Board of Directors (refer Pages 30 to 32)
Statement of Directors and Auditors responsibility for the financial statement.	D.1.5	Complied	The Statement of Directors' responsibility in preparation of the Financial Statements is given on page 59 while the Independent Auditor's report on Pages 62 to 64 states the Auditor's responsibility for the Financial Statements.
Management Discussion Analysis	D. 1.6	Complied	Management discussion and analysis and Key Financial Performance Review is given on pages 20 to 22 and 28 to 29 of this report. The Risk Management report is given on pages 23 to 27.
Summoning an Extra Ordinary General Meeting (EGM) to notify Serious loss of capital	D. 1.7	Complied	The Directors ensure that if in the event the net assets of the Company fall below 50% of the value of the Company's shareholders funds an Extraordinary General Meeting will be convened to notify the shareholders of the position and the remedial action being taken.



Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
Related party transactions	D. 1.8	Complied	The transactions entered into by the Company with the related parties is disclosed on Note 28 of the Financial Statements and Report on Related Party Transaction Review committee is given on page 56.
D.2 Risk Management and Internal Control	The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets. Broadly, risk management and internal control is a process, effected by a Company's Board of Directors and management, designed to provide reasonable assurance regarding the achievement of Company's objectives		
Monitor the company's risk management and internal control systems	D. 2.1	Complied	<p>The Company has its own internal audit processes implemented to ensure that effective controls are in place.</p> <p>These processes extend across all Company operations. The internal audit function is outsourced, and reports to the Board Audit Committee and CEO.</p> <p>The risk management section is covered on pages 23 to 27.</p>
Review the need for internal audit function	D. 2.2	Complied	The Audit Committee monitors, reviews, and evaluates the effectiveness of the risk management and internal control system including the internal controls over financial reporting. The Audit Committee report is given on Pages 54 to 55.
Internal Audit function	D. 2.3	Complied	An Internal Audit is executed bi-annually under supervision of the Audit Committee.
Review of the process and effectiveness of risk management and internal controls	D. 2.4	Complied	The Audit Committee monitors, reviews, and evaluates the effectiveness of internal control system including the internal controls over financial reporting. In the reporting period ended 31st March 2023, the Board of Directors was satisfied with the effectiveness of the system of internal controls of the Company.
D.3 Audit Committee	The Board should establish formal and transparent arrangements for selecting and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors.		
Composition of the Audit Committee	D. 3.1	Partially Complied	<p>The Audit Committee consists of Three Non-Executive Directors.</p> <p>Directors who served on the Audit Committee during the year were;</p> <p>Mr. C. S. R. S. Anthony - Chairman (Non-Executive Non-Independent Director)</p> <p>Ms. A. I. C. Nandasena (Non-Executive Independent Director)</p> <p>Ms. K. A. D. Siriwardene (Non-Executive Independent Director)</p>
Terms of Reference of the Audit Committee	D. 3.2	Complied	The Audit Committee has a written Terms of Reference dealing with its authority and duties.
Duties of the Audit Committee	D. 3.2	Complied	<p>The Audit Committee is responsible for reviewing the financial reporting system and Financial Statements, including compliance with relevant accounting standards, laws and company policies, and monitoring the scope &amp; results of the internal and external audit, its effectiveness and the independence, performance and objectivity of the external auditors.</p> <p>In the event the auditors are contracted for non-audit services, the Committee reviews the nature and extent of such services with the aim of balancing objectivity, independence, and value for money.</p> <p>The adequacy and effectiveness of the internal control system is reviewed by the Audit Committee with the Company Internal Auditor.</p> <p>During the Audit Committee meetings, Internal Auditors are invited to present their internal audit findings.</p>

## Corporate Governance

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
			<p>Management is expected to implement an effective system of internal control that addresses the following:</p> <ul style="list-style-type: none"> <li>• Safeguarding of assets</li> <li>• Maintaining proper accounting records</li> <li>• Providing reliable financial information</li> <li>• Identifying and managing business risks</li> <li>• Compliance with legislation and regulation</li> <li>• Early detection of instances of non-compliance</li> <li>• Identification and adoption of best practices</li> </ul>
Disclosures of the Audit Committee	D. 3.3	Complied	The names of the members of the Audit Committee, Committee meetings held, and the attendance of members are available in the Audit Committee Report on pages 54 to 55.
D.4 Related Party Transactions Review Committee	The Board should establish a procedure to ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties more favourable treatment than that accorded to third parties in the normal course of business		
Disclosure of Related Party Transactions Review Committee	D. 4.1	Complied	<p>Separate Related Party Transactions Review Committee has been formed.</p> <p>Related party and related party transactions are defined as per LKAS 24 in the Financial Statements.</p>
	D 4.2	Complied	Related Party Transaction Review Committee consists Two Independent Non-Executive Directors and one Non-Independent Non-Executive Directors.
	D 4.3	Complied	Separate Related Party Transactions Review committee has been established.
D.5 Code of Business Conduct and Ethics	The Companies must adopt a Code of Business Conduct & Ethics for Directors, Key Management Personnel and all other employees' including but not limited to: dealing with shares of the company; compliance with listing rules; bribery and corruption; confidentiality; encouraging that any illegal, fraudulent, and unethical behaviour be promptly reported to Those Charged with Governance. The company must disclose waivers of the Code for Directors, if any.		
Code of Business Conduct and ethics	D. 5.1	Complied	<p>The Company has adopted a Code of Business conduct and ethics and the Directors and Key Management Personnel are committed to the Code and the principles contained therein.</p> <p>There were no reported cases of non-compliance to, Code of Business Ethics by any Director, Key management personnel or any other employee.</p>
	D.5.2	Complied	The company has a process in placed to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.
	D.5.3	Complied	<p>The policy in place and any share transaction done by a Board Director needs to be immediately disclosed to the Company Secretary and company secretary will inform such transactions to the Colombo Stock Exchange.</p> <p>Any share transaction done by Key Management Personnel other than Board Directors should inform such transactions to CRCO of the Company.</p>
Affirmation by the Chairman for no violation	D. 5.4	Complied	The Chairman's affirmation in the Company's Annual Report that he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics.
D.6 Corporate Governance Disclosures	The Company should disclose the extent of adoption of best practices in Corporate Governance.		
Corporate Governance Disclosures	D. 5.6	Complied	The Corporate Governance Report sets out the manner and extent to which the Company has complied with the principles and provisions of the code

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
E. Institutional & Other Investors E.1 Shareholders voting	Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice		
Shareholder Voting	E.1	Complied	The Company is committed to maintaining good communications with investors. Company circulates, the AGM resolutions for shareholders' approval.  Further, the Directors consider that it is important to understand the views of shareholders and, in particular, any issues which concern them.
Evaluation of Governance Disclosures	E.2	Complied	When evaluating the governance arrangements particularly, in relation to the Board structure and composition, institutional investors are encouraged to give due weight to all relevant factors drawn to their attention.
F. Other Investors Investing and Divesting decisions	F.1	Complied	Individual shareholders, investing or divesting directly in shares of the Company are encouraged to carry out adequate analysis and seek the independent advice in such decisions.
Shareholder Voting	F.3	Complied	All shareholders are encouraged to participate at meetings of the company and a form of proxy accompanies each notice providing shareholders who are unable to attend such meeting the opportunity to cast their vote.
Sustainability Reporting Internet of things and Cyber Security	G 1.1 to G 1.5	Complied	The Company has implemented adequate access controls, firewalls, virus protections and cyber security insurance cover to manage the cyber security risk.
Environment Society and Governance (ESG)	H 1.1 to H 1.5	Partial Complied	The Company has implemented the sustainability reporting in the Annual Report.

## Listing Rules Compliance

Report on compliance with the rules on the content of the Annual Report according to Section 7.6 of the Listing Rules of the Colombo Stock Exchange (Listing rules)

Colombo Stock Exchange (CSE) Listing Rules aim to boost the confidence of investors by requiring Companies to publish accurate information on a timely basis to help investors to evaluate companies and make wise decisions on investing. These rules also depict governance rules, which should be adhered to by all listed companies.

Level of compliance by Capital Alliance PLC with such rules is highlighted in the following table.

Rule No.	Disclosure Requirement	Page Reference
7.6 (i)	Name of persons who held the positions of Directors during the financial year	Refer the Pages 10 to 13
7.6 (ii)	Principal activities of the Entity and its Subsidiaries during the year and any changes therein	Refer the Pages 2 and 3
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentages of such shares held	Refer the Page 107
7.6 (iv)	The public holding percentage	Refer the Page 109
7.6 (v)	A statement of each Director's and Chief Executive Officer's shareholding and the percentage of such shares held	Refer the Page 109
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Refer the Pages 23 to 27
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	N/A
7.6 (viii)	Extent, locations, valuations, and the number of buildings of the Entity's land holdings and investment properties	N/A
7.6 (ix)	Number of shares representing the Entity's stated capital	Refer the Page 92 and Note 26 to the Financial Statements
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings	Refer the Page 109
7.6 (xi)	Ratios and market price information: Equity Debt Any changes in credit rating	Refer the Pages 5
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	N/A
7.6 (xiii)	Details of funds raised through Public Issues, Rights and Private Placements during the year	N/A
7.6 (xiv)	Information in respect of Employee Share Option Schemes and Employee Share Purchase Schemes	N/A
7.6 (xv)	Disclosure pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5 c and 7.10.6 c of Section 7 of the Rules	Refer the Pages 51
7.6 (xvi)	Disclosure on Related Party Transaction exceeding 10% of the equity or 5% of the total assets whichever is lower, of the Entity as per the latest Audited Financial Statements	Refer the Page 52

### Compliance Requirements on Corporate Governance Rule 7.10 of the Listing Rules

The Continuing Listing Rule Section 7.10 of the Colombo Stock Exchange (CSE) mandates the Companies listed on the Colombo Stock Exchange to publish a table in the Annual Report, confirming that as at the date of the Annual Report, they comply with the Corporate Governance rules. The rule addresses the following areas:

- A. Non-Executive Directors
- B. Independent Directors
- C. Disclosures relating to Directors
- D. Remuneration Committee
- E. Audit Committee

Rule No	CSE Listing Rule	Compliance Status	Details of Compliance
<b>7.10.1 Non - Executive Directors</b>			
7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Compliant	Refer the Page No 10 to 13
<b>7.10.2 Independent Directors</b>			
7.10.2 (a)	Two or one third of Non-Executive Directors, whichever is higher, should be independent	Compliant	Refer the Page No 10 to 13
7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format	Compliant	The Independent Directors have submitted written declarations of their independence.
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report	Compliant	Refer the Page No 10 to 13
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	Compliant	Refer the Page No 10 to 13
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise	Compliant	Refer the Page No 10 to 13
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	Compliant	Refer the Page No 10 to 13
<b>7.10.4 Criteria for Defining Independence</b>			
7.10.4 (a-h)	Requirements for meeting the criteria to be an Independent Director	Compliant	Independence of the Directors has been determined
<b>7.10.5 Remuneration Committee</b>			
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher	Compliant	Refer the Page No 58
7.10.5 (b)	Functions of the Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors	Compliant	Refer the Page No 58
7.10.5 (c)	The Annual Report shall set out:		
	(i) The names of the Directors that comprise the Remuneration Committee	Compliant	Refer the Page No 58
	(ii) A statement of Remuneration Policy	Compliant	Refer the Page No 58
	(iii) Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Refer the Note 10 to the Financial Statements.
<b>7.10.6 Audit Committee</b>			
7.10.6 (a)	(i) The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher	Compliant	Refer the Page No 54
	(ii) The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Compliant	Refer the Page No 54 to 55
	(iii) The Chairman or one member of the Committee should be a member of a recognized professional accounting body	Compliant	Refer the Page No 13
7.10.6 (b)	The functions of the Audit Committee;		
	Overseeing of the preparation, presentation, and adequacy of disclosures in the financial statements in accordance with SLFRS/ LKAS	Compliant	Refer the Page No 54 to 55
	Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations	Compliant	Refer the Page No 54 to 55
	Ensuring the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS	Compliant	Refer the Page No 54 to 55
	Assessment of the independence and performance of the Entity's External Auditors	Compliant	Refer the Page No 54 to 55
	Make recommendations to the Board pertaining to External Auditors	Compliant	Refer the Page No 54 to 55
7.10.6 (c)	The Annual Report shall set out;		
	(i) The names of the Directors who comprise the Audit Committee	Compliant	Refer the Page No 54 to 55
	(ii) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Refer the Page No 54 to 55
	(iii) A report by the Audit Committee setting out the manner of compliance of the functions set out in Section 7.10 of the Listing Rules	Compliant	Refer the Page No 54 to 55

## Listing Rules Compliance

Report on compliance with the rules on the content of the Annual Report in section 9.3.2 of the Listing Rules of the Colombo Stock Exchange (Related Party Transactions)”

With the compulsory adoption of the Code of Best Practices on Related Party Transactions (RPT) ('the Code') issued by the Securities and Exchange Commission of Sri Lanka (SEC), the Related Party Transactions Review Committee (RPTRC) was established with the approval of the Board of Directors of Capital Alliance PLC to ensure strict compliance with the rules and regulations governing related party transactions for Listed Entities.

Rule No	CSE Listing Rule	Compliance Status	Details of Compliance
<b>9.2 Related Party Transactions Review Committee (RPTRC)</b>			
9.2.1	Review of Related Party Transaction [RPT]	Compliant	Refer the Note 28
9.2.2	The Committee should comprise a combination of Non- Executive Directors and Independent Non- Executive Directors, One Independent Non-Executive Director shall be appointed as Chairman	Compliant	Refer the Page No 56
9.3.2	Disclosures in the Annual Report		
	In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity according to the latest Audited Financial Statements	Compliant	Refer the Note 28
	In the case of Recurrent Related Party Transactions, if the aggregate value of the Recurrent Related Party Transactions exceeds 10% of the Net revenue/income as per the latest Audited Financial Statements	Compliant	Refer the Note 28
	Annual Report shall contain a report compiled by the Related Party Transactions Review Committee including followings: <ul style="list-style-type: none"> <li>Names of the Directors who are in the committee</li> <li>Statement with regard to the Related party transactions reviewed during the financial year</li> <li>Number of times the committee has met during the financial year</li> <li>Policies and procedures adopted by the RPTRC</li> </ul>	Compliant	Refer the Page No 56

# Companies Act Checklist

Level of Compliance under Section 168 of the Companies Act No. 07 of 2007

Information Required to be Disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Annual Report Page Reference for Compliance and Necessary Disclosure
The nature of the business of the Company together with any change thereof during the accounting period	Section 168 (1) (a)	Refer the Page 2 and 3
Signed Financial Statements of the Company for the accounting period completed in accordance with Section 151.	Section 168 (1) (b)	The Financial Statements of the Company for the year ended 31st March 2023 have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards and comply with the requirements of the Companies Act No. 07 of 2007 and which were duly certified by the Manager Finance (the person responsible for the preparation of the Financial Statements) and were approved by two members of the Board as appearing on Pages 65 to 68 form an integral part of this Report.
Auditors' Report on the Financial Statements of the Company	Section 168 (1) (c)	Refer Page 62 to 64 for the "Independent Auditors' Report."
Accounting policies of the Company and any change therein	Section 168 (1) (d)	Notes to the Financial Statements: Significant Accounting Policies adopted in the preparation of the Financial Statements of the Company are given on Pages 69 to 107.  There were no changes to the Accounting Policies used by the Company.
Particulars of entries made in the Interests Register of the Company during the accounting period.	Section 168 (1) (e)	The Company maintains interest Registers. All the Directors have made declarations as required by Sections 192 (1) and (2) of the Companies Act aforesaid and all related entries were made in the Interest Registers during the year under review.  The Interest Registers are available for inspection by shareholders or their authorised representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.
Remuneration and other benefits paid to Directors of the Company during the accounting period	Section 168 (1) (f)	Refer Note 28 to the Financial Statements on Page 94. Also refer the Remuneration Committee Report on Page 58.
Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Refer Note 10 to the Financial Statements on Page 81.
Information on Directorate of the Company during and at the end of the accounting period	Section 168 (1) (h)	Refer the Pages 10 to 13.
Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Company.	Section 168 (1) (i)	Note 10 to the Financial Statements on Page 81.
Auditors' relationship or any interest with the Company.	Section 168 (1) (j)	Refer the Pages 62 to 64 for Audit Report
Acknowledgement of the contents of this Report/ Signatures on behalf of the Board.	Section 168 (1) (k)	Refer the Pages 30 to 32.

# Audit Committee Report

## COMPOSITION

The Audit Committee takes an independent stance when it comes to providing advice and assistance regarding internal functions of the Company. The Audit Committee regularly reviews the performance of the Company through discussions with the Directors and Senior Management, and reviews the Internal Audits carried out by the Internal Auditors. The Audit Committee also monitors all audit activities and ensures compliance with Financial Standards and Statutory regulations.

The Audit Committee consists of Three Non-Executive Directors, out of which one is non-Independent Director of the Company. The Committee is chaired by Mr. C. S. R. S. Anthony.

The members of the Board appointed Audit Committee are as follows.

Mr. C. S. R. S. Anthony - Chairman  
(Non-Executive Non-Independent Director)

Ms. A. I. C. Nandasena  
(Non-Executive Independent Director)

Ms. K. A. D. Siriwardene  
(Non-Executive Independent Director)

## MEETINGS

There were six (6) Audit Committee meetings held during the year under review. The quorum for meetings shall be any two members of the Audit Committee. The Manager Finance shall be the Secretary to the Audit Committee. The Audit Committee will meet as it deems appropriate, but at a minimum of quarterly basis. The external auditor shall have access to the Chairman of the Audit Committee at any time and may hold discussions directly with the Audit Committee Chairman, if required.

By invitation of the Chairman of the Audit Committee, the external and internal auditor, the Group Risk and Compliance Officer, The Group Chief Information Officer, The Chief Executive Officer - CALT, the Manager Finance, other Directors and representatives from the finance function and other areas of the business may attend meetings of the Audit Committee.

The proceedings of the Audit Committee meetings are reported to the Board of Directors on a regular basis. The Company's Audit Committee was established as a Board Sub Committee and the attendance for the said meetings are given below for Financial Year 2022/23.

Name of the Director	Eligibility to Attend	Attendance
Mr. C. S. R. S. Anthony (Chairman)	6	6
Ms. A. I. C. Nandasena	6	6
Ms. K. A. D. Siriwardene	6	6

## ROLE AND RESPONSIBILITIES

The main objective of the Board Audit Committee is to assist the Board of Directors in exercising its fiduciary responsibilities towards its stakeholders.

The Committee carried out the following activities:

## FINANCIAL REPORTING SYSTEM

The Committee monitors compliance to the regulatory requirements on financial reporting given in the Sri Lanka Accounting Standards (SLFRS & LKAS) promulgated by the CA Sri Lanka and Companies Act No. 7 of 2007 and Listing Rules of the Colombo Stock Exchange.

The Audit Committee along with the Management reviewed the Quarterly Financial Statements and Annual Financial Statements for the year ended 31st March 2023 by focusing on the quality and accuracy of the Financial Statements including compliance with the relevant regulatory requirements.

The Committee also reviews the effectiveness of the financial reporting systems in place to ensure the reliability of the information provided to the Shareholders and other Stakeholders.

## INTERNAL AUDIT

The Internal Audit function of the company has been outsourced to Messrs. Ernst & Young (EY). The Observations highlighted in the internal audit reports were examined by the Committee and follow-up action taken by the Management on the audit recommendations were also reviewed. The Audit Committee reviewed the effectiveness of the internal audit function and the scope and procedures for internal audit during the ensuing year. The Internal Audit Report issued by the Internal Auditors was evaluated with the Management and implementation on key recommendations given by the Internal Auditors was also reviewed during the year.

## EXTERNAL AUDIT

The Audit Committee shall oversee the relationship with the external auditor including:

- Approve the audit engagement fees and terms of engagement.
- Review annually the activities, findings, conclusions, and recommendations of the external auditor (including the Management Letter)
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process considering relevant professional and regulatory requirements including reviewing and monitoring the external auditor's quality control procedures and steps taken by the external auditor to respond to changes in regulatory and other requirements.
- Be responsible for ensuring the resolution of any disagreements between management and the external auditor regarding financial reporting.



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## **INDEPENDENCE OF THE AUDITORS**

During the period under review, the Company's Auditors were Messrs. KPMG, Chartered Accountants. The fees paid to auditors are disclosed in Note 10 to the financial statements.

Based on the declaration from Messrs. KPMG, and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company, other than as disclosed in the above paragraph.

Having reviewed the effectiveness of the External Audit, the Audit Committee also recommended to the Board of Directors that Messrs. KPMG be reappointed as the Auditors for the financial year ending 31st March 2024, subject to the approval of the shareholders at the Annual General Meeting.

## **INDEPENDENT AUDITOR'S REPORT**

The independent Auditor's report on the financial statements is given on Pages 62 to 64 of the Annual Report.

## **WHISTLEBLOWING POLICY**

The Company's Whistleblowing Policy was put in place and all members of staff were educated and encouraged to resort to whistleblowing if they had reasonable grounds to believe that there were wrong doings or other improprieties. All appropriate procedures are in place to conduct independent investigations into incidents reported through this process or if identified through other means. Concerns raised are investigated and the identity of the person raising the concern is kept confidential. Even anonymous complaints are investigated. This process is monitored by the Board Audit Committee.

## **BOARD AUDIT COMMITTEE EVALUATION**

An independent evaluation of the effectiveness of the Committee was carried out by the members of the Board during the year. Considering the overall conduct of the Committee and its contribution on the overall performance of the Company, the Committee has been rated as highly effective.



Mr. C. S. R. S. Anthony  
*Chairman - Audit Committee*

31st July 2023

# Related Party Transactions Review Committee Report

## Related Party Transactions Review Committee

The Board established the Related Party Transactions Review Committee in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules").

### Composition

Related Party Transactions Review Committee comprises of Three Directors as given below;

Ms. A. I. C. Nandasena (*Chairperson*)  
(*Non-Executive Independent Director*)

Ms. K. A. D. Siriwardene  
(*Non-Executive Independent Director*)

Mr. C. S. R. S. Anthony  
(*Non-Executive Non-Independent Director*)

The above composition is in compliance with the provisions of the Code regarding the composition of the Board Related Party Transactions Review Committee.

### OBJECTIVES

This Committee's primary objectives are to:

- Assist the Board in reviewing all Related Party Transactions carried out by the Company
- Review the Related Party Transactions of the Company to ensure that these transactions are in accordance with the Code of Best Practices on Related Party Transactions issued by the SEC and Section 9 of the Listing Rules issued by the CSE on Related Party Transactions and the Code of Best Practice on Corporate Governance issued by the CA Sri Lanka.
- Update the Board of Directors at quarterly Board Meetings

## MEETINGS

The Company's Related Party Transactions Review Committee was established as a Board Sub Committee and were held on quarterly basis. The attendance of the committee members for the said meetings held for the Financial Year 2022/2023 were given below.

Name of the Director	Eligibility to Attend	Attendance
Ms. A. I. C. Nandasena (Chairperson)	4	4
Ms. K. A. D. Siriwardene	4	4
Mr. C. S. R. S. Anthony	4	4

Minutes of meetings were circulated to the Board of Directors for their information and review.

### Procedures Followed by The Committee

The senior management is requested to update the Committee on all related party transactions during its quarterly meetings.

The senior management is also requested to inform the committee regarding the proposed non recurrent transactions prior to the completion of such transactions.

In terms of recurrent related party transactions, the Committee reviews and assesses ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the related party transaction remains appropriate.

### Activities During the Year

During the year under review, the Committee reviewed all the Related Party Transactions and the nature of such transactions at its meetings and communicated the observations and recommendations of the Committee to the Board of Directors.

Details of the related party transactions entered into by the Company during the year is disclosed in the Note 28 to the financial statements.

### Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to the Related Party Transactions appears on the Report of the Board of Directors of this Annual Report.



Ms. A. I. C. Nandasena  
*Chairperson - Related Party Transactions Review Committee*

31st July 2023

# Risk Committee Report

## REPORT OF THE RISK COMMITTEE

The Board established the Risk Committee to oversee risk-related matters impacting the Company, risk governance, compliance, and internal control systems.

## COMPOSITION OF THE COMMITTEE

The Board appointed Risk Committee consists at least two members, all of whom are Non-Executive Directors. The Chair of the Committee shall be appointed by the Board.

Committee members are:

Mr. C. S. R. S. Anthony  
*(Chairman, Non-Executive Non-Independent Director)*

Mr. D. A De Zoysa  
*(Non-Executive Non-Independent Director)*

## RESPONSIBILITY OF RISK COMMITTEE

The Risk Committee is responsible to oversee and advise the Board on risk-related matters, reviews and provides risk management reports to the Board. Further, the Committee reviews and advises the Board on the effective management of risks relating to the Group's Operational and IT Resilience, including risks relating to the execution of the technology aspects of the approved IT strategy, and cyber security.

"In carrying out its oversight role, the Committee will consider any material findings from the regulators relating to risk governance, conduct of business, risk assessment, or management processes. It reviews the Group's controls relating to compliance risks and satisfies itself that they are adequate and that the Group is maintaining an appropriate relationship with its regulators. Additionally, the Committee reviews internal control systems to satisfy itself that these are effective.

Furthermore, the Committee reviews compliance with all Directives, Circulars, and Guidelines as stipulated by the Department of Public Debt, Department of Payments and Settlements, and Financial Intelligence Unit of the Central Bank of Sri Lanka. It also monitors the effectiveness and independence of the Chief Risk and Compliance Officer ("CRCO") and reviews the composition and effectiveness of the risk management function.

## MEETINGS

The Committee was established as a Board Sub Committee. The Risk Committee was held on Quarterly basis and the attendance of the committee members are given below.

Name of the Director	Eligibility to Attend	Attendance
Mr. C. S. R. S. Anthony (Chairman)	1	1
Mr. D. A De Zoysa	1	1

Prior to November 2022, the role of Risk Management was handled at a Group level by the Board Risk Committee of Capital Alliance Holdings Limited and the meetings were held quarterly and the attendance of the Committee members are given below:

Name of the Director	Eligibility to Attend	Attendance
Mr. C. S. R. S. Anthony (Chairman)	1	1
Mr. D. A De Zoysa	4	4
Mr. T J William (Chairman until 31st of May 2022)	4	4
Ms. R S Jayasuriya (Resigned from the Capital Alliance Holdings Limited risk committee with effect from 17th of August 2022)	4	3



Mr. C. S. R. S. Anthony  
*Chairman - Risk Committee*

31st July 2023

# Remuneration Committee Report

## REPORT OF THE REMUNERATION COMMITTEE

The Board established the Remuneration Committee in terms of the Code of Best Practice on Remuneration issued by the Securities & Exchange Commission of Sri Lanka and Listing Rules of the Colombo Stock Exchange (the “Rules”).

### Composition of the Committee

The Board appointed Remuneration Committee consists of majority of Independent Non-Executive Directors and is chaired by a Non-Independent Non- Executive Director. The members of the Committee have a range of experience and knowledge of the business and industry.

Committee members are:

Mr. D. A. De Zoysa (Chairman)  
*(Non-Executive Non-Independent Director)*

Ms. A. I. C. Nandasena  
*(Non-Executive Independent Director)*

Ms. K. A. D. Siriwardene  
*(Non-Executive Independent Director)*

### Responsibility of Remuneration Committee

The Remuneration Committee is responsible to make remuneration policy recommendations to the Board of Capital Alliance PLC and as such works closely with the members of the Board. In terms of the Articles of Association of the Company, the remuneration of the Directors must be a sum the Board determines as being fair and reasonable to the Company.

The Committee ensures transparency and fairness in remuneration policy, as no Director is able to decide their remuneration and they review policy frameworks set out by the Company’s Human Resources. They also ensure that compensation payments to any Executive Directors or members of Senior Management are followed through in accordance with the legal context of the country. The Remuneration Committee’s primary objective is to attract and retain a highly qualified and experienced workforce and reward their performance.

## Remuneration Policy

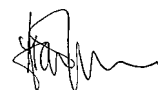
The Company’s remuneration policy aims to recruit, retain, and motivate high calibre personnel at Board and Executive levels who possess appropriate professional, managerial and operational expertise required to achieve the Company’s short-term and long-term objectives. The remuneration policy attempts to guarantee that the total remuneration package is sufficiently competitive to attract the best spirit for the Company.

Salaries and the other benefits are also reviewed annually considering the individual performances, Company’s performance, and the levels of remuneration in the industry.

## Meetings

The Committee was established as a Board Sub Committee. The Remuneration Committee was held on 30th March 2023 and the attendance of the committee members are given below.

Name of the Director	Eligibility to Attend	Attendance
Mr. D. A. De Zoysa (Chairman)	1	1
Ms. A. I. C. Nandasena	1	1
Ms. K. A. D. Siriwardene	1	1



Mr. D. A. De Zoysa  
*Chairman - Remuneration Committee*

31st July 2023

# Statements of Directors' Responsibility

Statements of Directors' Responsibility  
Set out below are the responsibilities of the Directors in relation to the Financial Statements of the Company.

The Directors of the Company are responsible for ensuring that the Company keep proper books of accounts of all the transactions and prepare and present the financial statements to the shareholders in accordance with the relevant provisions of the Companies Act, No.7 of 2007 and other statutes which are applicable in the preparation of financial statements.

The financial statements comprise;

- The Statements of Financial Position which presents a true and fair view of the state of affairs of the Company as at the end of the financial year
- the Statement of Profit or Loss and Other Comprehensive Income, which present a true and fair view of the financial performance of the Company for the financial year
- the Statement of Changes in Equity,
- the Statement of Cash Flows
- Notes to the Financial Statements.

The Directors are required to prepare these financial statements on a going concern basis unless it is not appropriate.

The Directors confirm that the financial statements of the Company give a true and fair view of;

- The state of affairs of the Company as at 31st March 2023 and
- The financial performance of the Company for the financial year ended 31st March 2023

The financial statements of the Company for the year ended 31st March 2023 incorporated in this report have been prepared in accordance with the Companies Act, No. 7 of 2007 and Sri Lanka Accounting Standards (LKAS/ SLFRS).

The financial statements of the Company have been certified by the Manager Finance of the Company, who is responsible for the preparation of financial statements and signed by two Directors in accordance with the Section 150 and 152 of the Companies Act of No. 7 of 2007.

The Directors are also responsible for ensuring that proper accounting records which correctly record and explain the Company's transactions and determine the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of financial statements and further enabling the financial statements to be readily and properly audited, in accordance with the Section 148 (1) of the Act. The Directors have therefore caused the Company to maintain proper books of accounts and regularly review financial reports at their meetings. The Board also reviews and approves all interim financial statements prior to their release.

The Board of Directors accepts the responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that the financial statements have been prepared using appropriate Accounting Policies in a consistent basis and appropriate estimates and judgments made to reflect the true substance and form of transactions.

The Directors have taken reasonable measures to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have laid down effective and comprehensive internal control system.

The Auditors of the Company, Messrs. KPMG who were reappointed in accordance with a resolution passed at the last Annual General Meeting were provided with all necessary information required by them in order to carry out their audit and to express an opinion which is contained on Pages 62 to 64 of this Annual Report.

The Directors further confirm that after considering the financial position, operating conditions, and regulatory and other factors, they have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future and that the Going Concern basis is the most appropriate in the preparation of these financial statements.

## Compliance Report

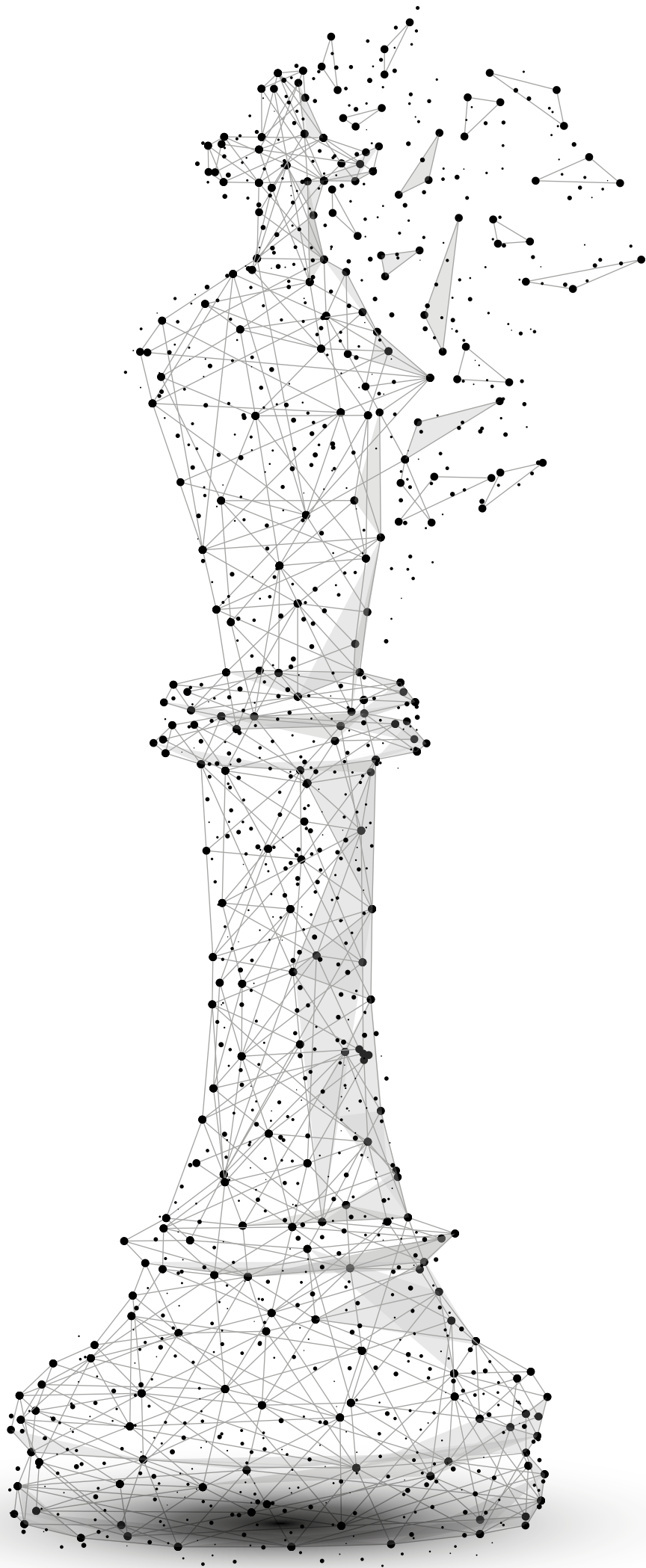
The Directors confirm that to the best of their knowledge, all statutory payments due in respect of the Company as at the financial reporting date have been paid or where relevant provided for.

By Order of the Board of  
Capital Alliance PLC



S S P Corporate Services (Private) Limited  
*Company Secretaries*

31 July 2023



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### Financial Calendar

Annual Report and Financial Statements signed	31 July 2023
Annual General Meeting	20 September 2023

## Independent Auditor's Report



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CAPITAL ALLIANCE PLC

#### Report on the Audit of Financial Statements

##### Opinion

We have audited the financial statements of Capital Alliance PLC ("the Company"), which comprise the Statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out in pages 65 to 107 of this Annual report.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2023, and of its financial performance and 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 Company in accordance with the Code of Ethics 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.

##### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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C.P. Jayatilake FCA	T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA
Ms. S. Joseph FCA	Ms. S.M.B. Jayasekera FCA	W.K.D.C. Abeyrathna FCA
S.T.D.L. Perera FCA	G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA
Ms. B.K.D.T.N. Rodrigo FCA	R.H. Rajan FCA	M.N.M. Shameel FCA
Ms. C.T.K.N. Perera ACA	A.M.R.P. Alahakoon ACA	Ms. P.M.K. Sumanasekera FCA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FTII		



## Key audit matters

Carrying amount of financial assets, recognition of gains/losses on trading and interest income on financial assets	
Refer to the significant accounting policy in “Note 3.2.1 and 14,15 and 17”to the financial statements	
Risk Description	Our responses
<p>As at 31 March 2023, the Company’s financial assets portfolio consists with treasury bills and treasury bonds measured at fair value and amortized cost.</p> <p>Further in Note 05 and 07 the Company has recognised interest income and net gain from trading of financial assets of Rs.4,720 Mn and Rs.610 Mn respectively.</p> <p>As the Company’s business operations are sensitive to market conditions, the carrying amounts of these financial assets are considered to be an area of risk for the current financial year considering the uncertainties and volatilities in the macro-economic environment existed during the year that are still prevailing. Due to rapid changes in the macro-economic environment, the composition of the investment portfolio of the Company and the observability of the market data were affected making the investment decisions and measurement more challenging and significant.</p> <p>In addition, the Company considers income and gain from financial assets as an important element in the preparation of budgets and measuring management performance. These factors could create an incentive for gains/ losses on trading and interest income to be recognised in contrary to the recognition criteria.</p> <p>Accordingly, due to their materiality in the context of the financial statements as a whole and the prevailing uncertain and volatile macro-economic environment, the carrying amount of financial assets including related gain/losses on trading and interest income are considered to be an area which had a great effect on our overall audit strategy and allocation of resources in planning and completing our audit</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of and assessing the design, implementation and operating effectiveness of the management’s key internal controls over identification, measurement and management of measurement risk as well as evaluating the methodologies and input parameters used by the Company in determining carrying amounts including fair values, gains/losses on trading and interest income recognition and measurement.</li> <li>• Testing the operating effectiveness of key IT application controls over gains/losses on trading and interest income, in addition to evaluating the integrity of the general IT control environment.</li> <li>• Comparing observable inputs against independent sources and externally available market data and re-performing independent valuations.</li> <li>• Making inquiries of the management on the market conditions and reviewing the board minutes.</li> <li>• Testing mathematical accuracy and verifying the appropriateness and completeness of the data used.</li> <li>• Obtaining and agreeing with the third-party confirmations for a sample of outstanding financial instruments.</li> <li>• On a sample basis, testing of details over gains/losses on trading and interest income by inspecting a supporting documents, re-computation of gains and losses on trading and interest income and testing of cut off transactions in order to ensure such income is recognised and measured in accordance with the applicable financial reporting requirements and the Company accounting policies.</li> <li>• Assessing the adequacy of the disclosures in the financial statements in accordance with the relevant accounting standards.</li> </ul>

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor’s report thereon. The annual report is expected to be made available to us after the date of this auditor’s report.

Our opinion on the financial statements does not cover the other information 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 identified above when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

## Independent Auditor's Report

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management 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 Company'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 Company 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements in accordance with the Code of Ethics regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3707.



CHARTERED ACCOUNTANTS

Colombo, Sri Lanka  
31 July 2023

## Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st March	Note	2023 Rs.	2022 Rs.
Interest Income	5	4,720,189,909	508,341,479
Interest Expenses	6	(3,127,944,659)	(284,028,315)
Net Interest Income		1,592,245,250	224,313,164
Net Gain/(Loss) from Trading	7.1	609,575,468	(202,893,988)
Net Gain/ (Loss) from remeasurement of Financial Assets at FVTPL	7.2	2,660,964,068	(16,022,056)
Direct Expenses	8	(11,006,189)	(6,680,015)
Other Income	9	14,850	7,438,593
Net Operating Income		4,851,793,447	6,155,698
<b>Operating Expenses</b>			
Personnel Expenses		(523,007,810)	(109,427,411)
Depreciation and Amortisation		(6,753,856)	(7,770,871)
Other Expenses		(627,148,978)	(95,249,211)
Profit/(Loss) Before Tax	10	3,694,882,803	(206,291,795)
Income Tax (Expense) /Benefit	11	(867,876,159)	34,916,243
Profit/(Loss) for the year		2,827,006,644	(171,375,552)
<b>Other Comprehensive Income/(Expense)</b>			
Items that will not be reclassified to profit or loss			
Actuarial (Loss)/ Gain on Retirement Benefit Obligation	25	(6,762,032)	4,839,309
Deferred Tax on Actuarial Gain/ (Loss) on Retirement Benefit Obligation	11.6.1	2,028,610	(677,503)
Other Comprehensive (Expense) / Income for the year		(4,733,422)	4,161,806
Total Comprehensive Income/ (Expense) for the year		2,822,273,222	(167,213,746)
Basic Earnings/(Loss) per share - (Rs.)	12	8.58	(0.57)

Accounting policies and notes from pages 69 to 107 are an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

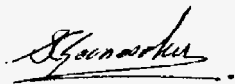
## Statement of Financial Position

As At 31st March	Note	2023 Rs.	2022 Rs.
<b>ASSETS</b>			
Cash and Cash Equivalents	13	28,962,086	14,265,035
Financial Assets measured at Amortised Cost	14	372,829,607	40,167,893
Financial Assets measured at FVTPL	15	37,574,397,952	8,075,894,287
Amount due from Related Companies	22.1	21,788,960	886,146
Trade and Other Receivables	16	13,701,998	23,966,904
Financial Assets measured at FVOCI	17	-	-
Deferred Tax Asset	11.6	16,861,765	43,977,351
Intangible Assets	18	1,414,824	932,103
Right-of-use Asset	19	7,130,643	11,205,302
Equipment	20	3,582,166	3,595,286
<b>Total Assets</b>		<b>38,040,670,001</b>	<b>8,214,890,307</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Financial Liabilities at Amortised Cost	21	30,055,282,689	5,465,983,373
Amounts due to Related Companies	22.2	107,959,732	7,046,054
Loan from Related Party	22.3	1,023,143,835	-
Other Payables	23	541,635,648	9,592,308
Lease Liability	24	7,974,191	11,772,683
Retirement Benefit Obligation	25	54,808,736	38,506,345
Income Tax Payable	11.5	759,836,711	14,234,307
<b>Total Liabilities</b>		<b>32,550,641,542</b>	<b>5,547,135,070</b>
<b>EQUITY</b>			
Stated Capital	26	723,348,421	723,348,421
Special Risk Reserve	27	927,499,681	644,799,017
Retained Earnings		3,839,180,357	1,299,607,799
<b>Total Equity</b>		<b>5,490,028,459</b>	<b>2,667,755,237</b>
<b>Total Liabilities and Equity</b>		<b>38,040,670,001</b>	<b>8,214,890,307</b>

Accounting policies and notes from pages 69 to 107 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

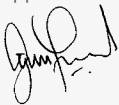
It is certified that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



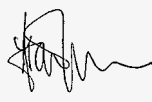
Manager Finance

The Board of Directors is responsible for the preparation and Presentation of these Financial Statements.

Approved and signed for on behalf of the Board of Directors of Capital Alliance PLC.



Director



Director

Colombo  
31st July 2023

## Statement of Changes in Equity

For the Year Ended 31st March	Stated Capital Rs.	Special Risk Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01st April 2021	311,576,061	644,799,017	1,767,072,220	2,723,447,298
Loss for the year	-	-	(171,375,552)	(171,375,552)
Other Comprehensive Income for the year	-	-	4,161,806	4,161,806
<b>Total Comprehensive Expense</b>	-	-	<b>(167,213,746)</b>	<b>(167,213,746)</b>
<b>Transactions with owners of the company</b>				
Dividend Paid	-	-	(300,250,675)	(300,250,675)
Ordinary Shares Issued	411,772,360	-	-	411,772,360
<b>Balance as at 31st March 2022</b>	<b>723,348,421</b>	<b>644,799,017</b>	<b>1,299,607,799</b>	<b>2,667,755,237</b>
Balance as at 01st April 2022	723,348,421	644,799,017	1,299,607,799	2,667,755,237
Profit for the year	-	-	2,827,006,644	2,827,006,644
Other Comprehensive Expense for the year	-	-	(4,733,422)	(4,733,422)
<b>Total Comprehensive Income</b>	-	-	<b>2,822,273,222</b>	<b>2,822,273,222</b>
Transferred To the Special Risk Reserve	-	282,700,664	(282,700,664)	-
<b>Balance as at 31st March 2023</b>	<b>723,348,421</b>	<b>927,499,681</b>	<b>3,839,180,357</b>	<b>5,490,028,459</b>

Accounting policies and notes from pages 69 to 107 are an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

## Statement of Cash Flows

For the Year Ended 31st March,	Note	2023 Rs.	2022 Rs.
<b>Cash flows from Operating Activities</b>			
Interest receipts		2,879,384,103	533,840,304
Interest payments		(3,419,421,808)	(273,934,941)
Payments of Direct Cost		(11,006,189)	(6,680,015)
Other receipts		14,850	7,438,593
Cash payments to employees and suppliers		(1,140,103,966)	(198,041,141)
Operating (Loss)/ profit before changes in operating assets and liabilities		(1,691,133,008)	62,622,800
(Increase)/Decrease in Financial Assets measured at Amortised Cost		(331,594,198)	873,295
(Increase)/Decrease in Financial Assets measured at FVTPL		(24,388,225,840)	3,143,867,346
(Increase)/Decrease in Other Receivables		10,264,907	(13,869,145)
Increase/ (decrease) in Loan from Related Party		1,023,143,835	-
(Increase)/Decrease in Amount due from Related Companies		(20,902,814)	2,550,877
Increase/(Decrease) in Financial Liabilities at Amortised Cost		24,880,776,466	(3,005,223,827)
Increase/(Decrease) in Amount due to Related Companies		102,196,177	(79,811,093)
Increase/(Decrease) in Other Payable		532,043,340	(68,998,404)
Cash generated from operating activities		116,568,865	42,011,849
Gratuity Paid	25.1	(925,000)	(2,025,000)
Income Taxes Paid	11.5	(93,129,559)	(146,411,406)
Net cash generated (used in)/ from operating activities		22,514,306	(106,424,557)
<b>Cash flows from Investing Activities</b>			
Purchase of equipment	20	(2,067,678)	(2,671,710)
Purchase of Intangible assets	18	(1,081,120)	(395,910)
Net investments in Fixed Deposits		-	6,077,933
Net cash generated (used in)/ from Investing Activities		(3,148,798)	3,010,313
<b>Cash flows from Financing Activities</b>			
Issue of Ordinary Shares	26.1	-	411,772,360
Dividend paid	-	-	(300,250,675)
Lease payments	24.2	(4,668,457)	(4,314,788)
Net cash generated from/ (used in) financing activities		(4,668,457)	107,206,897
Net increase in cash and cash equivalents		14,697,051	3,792,653
Cash and cash equivalents at the beginning of the year	13	14,265,035	10,472,382
Cash and cash equivalents at the end of the year	13	28,962,086	14,265,035

Accounting policies and notes from pages 69 to 107 are an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

# Notes to the Financial Statements

For the Year Ended 31st March 2023

## 1. REPORTING ENTITY

### 1.1 Corporate Information

Capital Alliance PLC, formerly Capital Alliance Limited ("the Company"), is a limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company and the principal place of business at Level 5, "Millennium House", 46/58, Navam Mawatha, Colombo 2.

### 1.2 Principal Activities and Nature of Operations

The Company is primarily involved in the business of dealing in Government Securities and corporate debt securities. There were no significant changes in the nature of the principle activities of the company during the financial year.

### 1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's Parent undertaking and controlling party is Capital Alliance Holdings Limited, which is incorporated in Sri Lanka.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements of the Company comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows together with the Accounting Policies and Notes to the Financial Statements. The financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No.7 of 2007 and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange. These Financial Statements, except for information on cash flows have been prepared on the accrual basis of accounting.

### 2.2 Date of Authorization for Issue

The financial statements were authorized for issue by the Board of Directors in accordance with the resolution passed by the Board of Directors on 31st July 2023.

### 2.3 Presentation of Financial Statements

The assets and liabilities of the Statement of Financial Position are grouped by nature and listed in order to reflect their relative liquidity and maturity pattern.

### 2.4 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company in accordance with the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

#### Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and as per the provisions of the Companies Act No. 07 of 2007 and related disclosure requirements of Listing Rules. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors" and "Statement of Director's Responsibility".

### 2.5 Basis of Measurement

The Financial Statements of the Company have been prepared on the historical cost basis except for the following material items in the statement of financial position:

Category	Basis of measurement	Note
Financial assets at Fair Value through Profit or Loss (FVTPL).	Measured At Fair Value	15
Financial assets at Fair Value through Other Comprehensive (FVOCI) Income.	Measured At Fair Value	17
Defined Benefit obligations.	Actuarially valued and recognized at present value of the defined benefit obligation	25

### 2.6 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the functional currency of the Company.

### 2.7 Use of Estimates and Judgments

The preparation of Financial Statements in conformity with LKAS/SLFRS requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that financial year or in the period of the revision and future periods if the revision affects both current and future financial years.

Information about critical judgments, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are included in the following notes to these Financial Statements.

## Notes to the Financial Statements

For the Year Ended 31st March 2023

Critical accounting estimate/judgment	Disclosure reference
Going concern	2.13
Classification of financial assets and liabilities	3.2.1 & 3.2.2
Fair value of financial instruments	3.2.1, 3.2.2 & 3.2
Useful lives of intangible assets	3.4.2.4
Useful lives of property, plant and equipment	3.4.1.4
Retirement benefit obligation	3.8 & 25
Deferred tax on unutilised tax losses	3.19 & 11.6
Impairment losses on financial assets	3.3
Impairment of non-financial assets	3.3.2
Provisions for liabilities, commitments and contingencies	3.7, 3.23.4 & 29.1

### 2.8 Measurement of Fair Values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values.

When available, the measures the fair value of an instrument using quoted prices in an active market for that instrument. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair values are categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

### 2.9 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability.

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

### 2.10 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative'.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

### 2.11 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretations Committee) and as specifically disclosed in the Significant Accounting Policies of the Company.

### 2.12 Rounding

The amounts in the Financial Statements have been rounded off to the nearest rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of Financial Statements'.

### 2.13 Going Concern

The Company has prepared the financial statements for the year ended 31 March 2023 on the basis that it will continue to operate as a going concern.

In determining the basis of preparing the financial statements for the year ended 31 March 2023, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Company and the appropriateness of the use of the going concern basis.

Having presented the outlook of the Company to the Board, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.



### 3. SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the accounting policies set out below to all periods presented in these financial statements.

#### 3.1 Foreign Currency

##### Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currency (Sri Lankan Rupee-LKR) at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items are the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in Statement of Profit or Loss.

#### 3.2 Financial Instruments

##### 3.2.1 Financial Asset

###### Recognition and initial measurement

The Company initially recognizes all financial assets and liabilities on the settlement date.

However, for financial assets/ liabilities held at fair value through profit and loss any changes in fair value from the trade date to settlement date is accounted in profit or loss while for financial assets at fair value through other comprehensive income, any change in fair value from the trade date to settlement date is accounted in Other Comprehensive Income.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; fair value through other comprehensive income (FVOCI) - equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

##### Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

## Notes to the Financial Statements

For the Year Ended 31st March 2023

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

### Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

### Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

### Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

## 3.2.2 Financial Liability

### Initial Recognition and Measurement

On initial recognition, the company classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- Financial liabilities at amortised cost; and
- Financial liabilities at fair value through profit or loss

### Classification and Subsequent Measurement of Financial Liabilities

The subsequent measurement of financial liabilities depends on their classification.

#### Financial Liabilities at Amortised Cost

Financial Liabilities issued by the Company that are not designated at fair value through profit or loss are recognised initially at fair value plus any directly attributable transaction costs, by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

The EIR amortisation is included in 'Interest expense' in the Statement of Profit or Loss and Other Comprehensive Income. Gains and losses too are recognised in the Statement of Profit or Loss and Other Comprehensive Income. when the liabilities are derecognised as well as through the EIR amortisation process.

### Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include derivative liabilities held for risk management purposes.

#### 3.2.3 Derecognition

##### (a) Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

##### (b) Financial liabilities

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

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

#### 3.2.4 Reclassification of Financial Assets and Liabilities

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company's changes its objective of the business model for managing such financial

assets. Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

### 3.3 Impairment

#### 3.3.1 Non-derivative Financial Assets

##### Financial instruments and contract assets

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

#### Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

#### Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

#### Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

## Notes to the Financial Statements

For the Year Ended 31st March 2023

This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. This assessment is carried out at the individual asset level.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

### 3.3.2 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

## 3.4 Equipment and Intangible Assets

### 3.4.1 Equipment

**3.4.1.1 Owned Assets - Basis of Recognition**  
Items of Equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing cost. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of Equipment have different useful lives, they are accounted for as separate items (major components) of Equipment.

### 3.4.1.2 Subsequent Expenditure

The cost of replacing a part of an item of Equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of Equipment are recognized in profit or loss as incurred.

### 3.4.1.3 Derecognition

The carrying amount of an item of Equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an item of Equipment is included in Statement of Profit or Loss when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of Equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

### 3.4.1.4 Depreciation

Items of Equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of Equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognized in Statement of Profit or Loss, unless the amount is included in the carrying amount of another asset.

The estimated useful lives and depreciation rates are as follows:

Asset Category	Useful Life	Depreciation Rate (%)
Furniture and Fittings	5 years	20%
Office Equipment	4 years	25%
Computer Equipment	3 years	33.33%
Communication Devices	1 year	100%

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

### 3.4.2 Intangible Assets

An intangible asset is recognized if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 38 on Intangible Assets.

Intangible assets with finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

#### 3.4.2.1 Computer Software

All computer software cost incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and its probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses.

#### 3.4.2.2 Other Intangible Assets

Other intangible assets that are acquired by the company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

#### 3.4.2.3 Subsequent Expenditure

Subsequent Expenditure incurred on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

#### 3.4.2.4 Amortization

Amortization is calculated over the cost of the asset or other amount substituted for cost less its residual value.

Amortization is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives and amortization rate are as follows:

Asset Category	Useful Life	Depreciation Rate (%)
Computer Software	4 years	25%

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

### 3.5 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control

the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

#### 3.5.1 As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily

determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

## Notes to the Financial Statements

For the Year Ended 31st March 2023

The Company presents right-of-use assets that do not meet the definition of investment property in 'right-of-use assets and lease liabilities' in the statement of financial position.

### Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 3.6 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

### 3.7 Provisions

A provision is recognized if, as a result of a past event, the Company 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.

### 3.8 Employee Benefits

#### Short term employee benefits

The costs of all short-term employee benefits (that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service) are recognised during the period in which the employee renders the related service. The accruals for employee entitlements to benefits such as salaries, bonuses and annual leave represent the amounts which the Company has a present obligation to pay as a result of the employee's services and the obligation can be measured reliably. The accruals have been calculated at undiscounted amounts based on current salary levels at the reporting date.

#### Defined Benefit Plan - Retirement Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized in the Statement

of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date.

The defined benefit obligation is calculated annually by a qualified actuary using the Projected Unit Credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that apply to the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Provision has been made for retiring gratuities from the first year of service for all employees in conformity with LKAS 19 - Employee Benefits. However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity to an employee arises only on completion of 5 years of continued service with the Company.

Actuarial gains and losses are recognised in full in the period in which they occur in the other comprehensive income.

The obligation is not externally funded.

#### Defined Contribution Plan - Employees' Provident Fund & Employee's Trust Fund

All employees who are eligible for Employees' Provident Fund Contribution and Employees' Trust Fund Contribution are covered by relevant contribution funds in line with respective Statutes and Regulations.

Contributions to Provident Fund and Trust Fund covering the employees are recognized as an expense in the Statement of Profit or Loss.

#### Termination Benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are

recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

### 3.9 Stated Capital

As per the Companies Act No. 07 of 2007, section 58 (1), stated capital in relation to a Company means the total of all amounts received by the Company or due and payable to the Company in respect of the issue of shares and in respect of call in arrears.

### Statement of Profit or Loss and Other Comprehensive Income

### 3.10 Interest Income and Expense

Interest income and expense 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 financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss and Other Comprehensive Income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on debt securities measured at FVOCI is calculated on an effective interest basis

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Company's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and financial liabilities carried at fair value through profit or loss, are presented in net income as gain on fair valuation of other financial instruments at fair value through profit or loss in the statement of profit or loss and Other Comprehensive Income.

### **3.11 Gain/(Loss) on Sale of Financial Investments Measured at Fair Value through Profit or Loss**

Gain/(loss) on Sale of Financial Investments measured at fair value through profit or loss comprises realised trading gains on disposal of government securities and quoted shares presented as sale of financial investments at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

### **3.12 Gain/ (Loss) on Disposal of Financial Investments - Fair Value through Other Comprehensive Income**

Gain/ (Loss) on Disposal of Financial Investments measured at fair value through other comprehensive income comprises realised capital gain/ (loss) on disposal of investment in equity securities classified as financial assets measured at fair value through other comprehensive income, is presented in other income.

### **3.13 Gain/ (Loss) on Fair Valuation of Financial Investments - Fair Value through Profit or Loss**

Gain/(loss) on Fair Valuation of Financial Investments is the unrealised gain/ (loss) on fair valuation (marked to market valuation) of government securities and quoted instruments. The fair valuation gain/ (loss) is presented in profit or loss.

### **3.14 Brokering Commission**

Brokering commission is recognized on an accrual basis.

### **3.15 Other Income**

Other income is recognized on an accrual basis. Profits or losses of a revenue nature on the disposal of Equipment have been accounted for in the profit or loss.

### **3.16 Dividend Income**

Dividend income is recognised in profit or loss on an accrual basis when the Company's right to receive the dividend is established. This is usually on the ex-dividend date for equity securities. Dividends are presented in other income.

### **3.17 Expenses Recognition**

Expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year. For the presentation of the Statement of Profit or Loss the Directors are of the opinion that the nature of the expenses method present fairly the element of the Company's performance, and hence such presentation method is adopted.

### **3.18 Borrowing Cost**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

### **3.19 Taxation**

Income tax expense comprises both current and deferred tax. Income tax expense is recognized in income statement except to the extent that it relates to items recognized directly in equity, in which case is recognized in the statement of comprehensive income or statement of changes in equity, in which case it is recognized directly in the respective statements.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

#### **Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the tax on dividend income. Current tax assets and liabilities are offset only if certain criteria are met.

#### **Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle

## Notes to the Financial Statements

For the Year Ended 31st March 2023

current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are not discounted.

The net increase in the carrying amount of deferred tax liability net of deferred tax asset is recognised as deferred tax expense and conversely any net decrease is recognised as reversal to deferred tax expense, in the Statement of Profit or Loss.

### Uncertainty Over Income Tax Treatments

The Company accounted for the uncertainty over tax treatments under IFRIC 23. An 'uncertain tax treatment' is a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under tax law.

If it is not probable that the taxation authority will accept an uncertain tax treatment, effect of uncertainty shall be reflected in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. The effect of uncertainty for each uncertain tax treatment shall be reflected by using either of the most likely amount or the expected value methods, depending on which method the Company expects to better predict the resolution of the uncertainty.

### 3.20 Borrowings

Repo borrowings are the Company's sources of debt funding. When the Company sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a borrowing, and the underlying asset continues to be

recognised in the Company's financial statements. The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

### 3.21 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the 'direct method'. Interest paid and Interest Income received are classified as operating cash flows, interest on fixed deposits received are classified as investing cash flows for the purpose of presentation of the Statement of Cash Flows. Cash and cash equivalents comprise of cash in hand, cash at bank and bank overdrafts.

### 3.22 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating decisions of the other, irrespective of whether a price is being charged.

### 3.23 General

#### 3.23.1 Events after the Reporting Period

Events after the reporting date are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. In this regard, all material and important events that occurred after the reporting period are considered and appropriate disclosures are made where necessary Note 30.

All material adjusting events after the reporting period have been considered and where appropriate adjustments to or disclosures have been made in the respective notes to the financial statements.

#### 3.23.2 Earnings per Share

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

#### 3.23.3 Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Company.

#### 3.23.4 Capital Commitment and Contingent Liabilities

Capital commitments and contingencies which exist as at the date of Statement of Financial Position are disclosed in the respective notes to the Financial Statements.

## 4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

A number of new standards and amendments to standards are effective for annual periods beginning after 01st April 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards are not expected to have a significant impact on the Company's financial statements.

### Definition of Accounting Estimates (Amendments to LKAS 8)

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. The amendment applies to annual reporting periods beginning on or after 1 January 2023.



#### **Classification of Liabilities as Current or Non-Current (Amendments to LKAS 1)**

The amendments, as issued on 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 01st January 2023. However, the IASB has subsequently proposed further amendments to LKAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 01st January 2024. Due to these ongoing developments, the Company is unable to determine the impact of these amendments on the financial statements in the period of initial application. The Company is closely monitoring the developments.

#### **Deferred Tax related to Assets and Liabilities arising from a single Transaction (Amendments to LKAS 12)**

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g., leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1st January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

#### **Disclosure of Accounting Policies (Amendment to LKAS 1) IFRS Practice Statement 2**

Amendments to LKAS 1 - Presentation of Financial Statements; intends to help companies provide useful accounting policy disclosures. Key amendments to LKAS 1 includes requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Company's financial statements.

## Notes to the Financial Statements

For the Year Ended 31st March,

### 5. INTEREST INCOME

	2023 Rs.	2022 Rs.
<b>Financial Assets measured at FVTPL</b>		
Interest on Treasury Bills	2,211,718,647	332,973,458
Interest on Treasury Bonds	2,465,940,607	127,921,660
	<b>4,677,659,254</b>	<b>460,895,118</b>
<b>Financial Assets measured at Amortised cost</b>		
Interest on Securities Purchased Under Resale Agreements	42,450,057	47,118,405
Interest on Fixed Deposit	-	234,551
Interest Income on Staff Loans	80,598	93,405
	<b>42,530,655</b>	<b>47,446,361</b>
	<b>4,720,189,909</b>	<b>508,341,479</b>

### 6. INTEREST EXPENSES

	2023 Rs.	2022 Rs.
Interest on Securities Sold under Repurchase Agreements	3,077,924,111	284,028,315
Interest on Related Party Loan	50,020,548	-
	<b>3,127,944,659</b>	<b>284,028,315</b>

### 7. GAIN AND (LOSSES) ARISE FROM FINANCIAL ASSETS

	2023 Rs.	2022 Rs.
<b>7.1 Net Gain /(Loss) from Trading</b>		
Gain on Treasury Bills	43,106,729	12,506,265
Gain/(Loss) on Treasury Bonds	573,012,491	(267,704,408)
Capital (Loss)/ Gain on Quoted Shares	(6,543,752)	52,304,155
	<b>609,575,468</b>	<b>(202,893,988)</b>
<b>7.2 Net Gain/(Loss) from Remeasurement of Financial Assets at FVTPL</b>		
Remeasurement Gain/ (Loss) on Government Securities	2,655,724,613	(19,700,312)
Remeasurement Gain on Quoted Shares	5,239,455	3,678,256
	<b>2,660,964,068</b>	<b>(16,022,056)</b>

### 8. DIRECT EXPENSES

	2023 Rs.	2022 Rs.
Brokerage Commission	11,006,189	6,680,015
	<b>11,006,189</b>	<b>6,680,015</b>

## 9. OTHER INCOME

	2023 Rs.	2022 Rs.
Brokerage Income	-	10,955
Dividend Income	-	7,217,985
Other Income	14,850	209,653
	<b>14,850</b>	<b>7,438,593</b>

## 10. PROFIT/(LOSS) BEFORE TAX

Is stated after charging all expenses including the following;

	2023 Rs.	2022 Rs.
Directors' Fees	3,350,000	1,300,000
Audit fee		
- Statutory Audit	1,025,000	810,000
- Other Services	784,879	552,568
Depreciation of Equipment	2,080,798	2,064,046
Amortization of Right-of-use assets	4,074,659	3,701,393
Amortization of Intangible Assets	598,399	2,005,432
Staff cost included;		
- Salaries and other staff benefits	476,761,672	87,803,524
- Defined Benefit Plan - Gratuity (Note 25)	9,182,859	4,587,099
- Defined Contribution Plans - EPF	8,541,149	9,107,216
- ETF	2,135,288	2,276,804
Other Employee Related Cost	1,386,279	5,652,768
Donations	25,000,563	45,957

## 11. INCOME TAX EXPENSE / (BENEFIT)

### 11.1 Income Tax Recognised in Profit or Loss

	2023 Rs.	2022 Rs.
Current Tax Expense for the year (Note 11.2)	838,731,963	-
Current Tax Expense Under Provision (Note 11.5)	-	337,085
Deferred Tax Charge / (reversal) due to tax rate change (Note 11.6.1)	(45,311,991)	3,917,302
Deferred Tax Charge/ (Reversal) for the year (Note 11.6.1)	74,456,187	(39,170,630)
	<b>867,876,159</b>	<b>(34,916,243)</b>

## Notes to the Financial Statements

For the Year Ended 31st March,

	2023 Rs.	2022 Rs.
<b>11.2 Reconciliation Between Accounting Profit and Taxable Profit</b>		
Profit/(Loss) before Tax	3,694,882,803	(206,291,795)
Other Sources of Income & exempt income	(5,320,053)	(63,528,352)
Disallowable expenses	483,605,766	13,570,818
Allowable expenses	(8,093,521)	(8,563,540)
Assessable income from Business	4,165,074,995	(264,812,869)
Other Sources of Income	80,598	6,261,925
Tax losses utilized during the year	(258,674,224)	-
Total Taxable Income	3,906,481,369	(258,550,944)
Income Tax at 14%	291,560,892	-
Income Tax at 30%	547,171,071	-
Current Tax Expense	838,731,963	-

### 11.3 Accumulated Tax Losses

Balance at the beginning of the year	(258,550,944)	-
Losses Incurred during the year	-	(258,550,944)
Less: Tax Losses added (utilized) during the year	258,550,944	-
Tax Losses Carried forward	-	(258,550,944)

### 11.4 Applicable Income Tax Rates

As per the Inland Revenue Act No. 24 of 2017 and subsequent amendments, the Company was liable to pay income tax at the rate of 14% for the first six months and thereafter at 30% for the Year of Assessment 2022/2023.

	2023 Rs.	2022 Rs.
<b>11.5 Income Tax Payable</b>		
Balance at the beginning of the year	14,234,307	160,308,628
Income Tax Provision for the year	838,731,963	-
Income Tax under provision	-	337,085
Income Tax payments	(93,129,559)	(146,411,406)
Balance at the end of the year	759,836,711	14,234,307
<b>11.6 Deferred Tax Asset</b>		
Balance at the Beginning of the year	43,977,351	9,401,526
Amount (recognized)/reversed during the year - (Note - 11.6.1)	(27,115,586)	34,575,825
Balance at the end of the year	16,861,765	43,977,351

#### 11.6.1 Deferred Tax (charged) / reversed during the year

Effect of change in tax rates recognized in Profit / (Loss)	45,311,991	(3,917,302)
Amount (recognized)/reversed during the year in Profit / (Loss)	(74,456,187)	39,170,630
Amount (recognized)/reversed in Other Comprehensive Income	2,028,610	(677,503)
	(27,115,586)	34,575,825

As per section 36 (k) of Inland Revenue (Amendment) Act No 10 of 2021, the company's gains and profits are taxable at 14% for three Years of Assessment commencing from April 1 2022, thereafter taxed at 24%. Accordingly, based on the requirements of LKAS 12 in relation to Deferred taxation, deferred tax assets and liabilities are calculated at tax rates at 30% (2021/22 - 24%) that are expected to apply to the period when the asset is realized or liability settled.

Effect of changing tax rates resulted in a gain of Rs. 45,311,991 ( 2022: Rs. 3,917,302) related to remeasurement of deferred tax asset of the company.

#### Analysis of recognised deferred tax assets/liabilities in the Statement of Financial Position

	2023		2022	
	Temporary Difference Rs .	Tax effect on Temporary Difference Rs .	Temporary Difference Rs .	Tax effect on Temporary Difference Rs .
On Equipment	858,379	257,514	235,249	32,935
On Intangible assets	(304,779)	(91,434)	(228,780)	(32,029)
On Right-of-use assets	(7,130,643)	(2,139,193)	(11,205,302)	(1,568,742)
On Lease Creditor on ROU Assets	7,974,191	2,392,257	11,772,683	1,648,175
On Retirement benefit obligations	54,808,736	16,442,621	38,506,345	7,699,880
On Carried forward tax losses	-	-	258,550,944	36,197,132
	<b>56,205,884</b>	<b>16,861,765</b>	<b>297,631,139</b>	<b>43,977,351</b>

## 12. BASIC EARNINGS/(LOSS) PER SHARE

Earnings/ (Loss) Per Share is calculated by dividing the Profit/ (Loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2023	2022
Profit/(Loss) attributable to ordinary shareholders - (Rs.)	2,827,006,644	(171,375,552)
Weighted average number of ordinary shares in issue	329,417,884	300,311,783
Basic Earnings/(Loss) per share - (Rs.)	8.58	(0.57)

There were no potentially dilutive ordinary shares outstanding at anytime during the year, hence diluted earnings per share is equal to the Basic Earnings Per Share.

### 12.1 Weighted Average Number of Ordinary Shares in Issue

	2023	2022
Opening Number of Ordinary shares	329,417,884	288,240,648
Weighted average number of ordinary shares in issue during the year *	-	12,071,135
Closing Weighted average number of ordinary shares	329,417,884	300,311,783

\* On 15th December 2021, the Company raised additional share capital of Rs.411,772,360 by issuing 41,177,236 number of Ordinary shares through an IPO.

## Notes to the Financial Statements

For the Year Ended 31st March,

### 13. CASH AND CASH EQUIVALENTS

	2023 Rs.	2022 Rs.
Cash at Bank	28,942,086	14,245,035
Cash in Hand	20,000	20,000
Cash and Cash Equivalent in the Statement of Financial Position	<b>28,962,086</b>	14,265,035
Cash and Cash Equivalent for the Purpose of Statement of Cash Flows	<b>28,962,086</b>	14,265,035

### 14. FINANCIAL ASSETS MEASURED AT AMORTISED COST

		2023 Rs.	2022 Rs.
Securities Purchased under Resale agreements	14.1	372,829,607	40,167,893
		<b>372,829,607</b>	40,167,893

#### 14.1 Fair Value of the Securities Pledged for the Securities Purchased Under Resale Agreements

	Market Value (Rs.)		Face Value (Rs.)	
	2023	2022	2023	2022
Treasury Bonds	425,398,252	45,591,315	517,000,000	49,000,000
	<b>425,398,252</b>	45,591,315	<b>517,000,000</b>	49,000,000

The Company follows the guidelines stipulated in the Direction on Repurchase and Reverse Repurchase Transactions of Dealer Direct Participants in Scripless Treasury Bonds and Scripless Treasury Bills, issued by the Central Bank of Sri Lanka, in receiving securities for reverse repurchase agreements (Direction No. 01 of 2019, dated 20 December 2019). Only the eligible securities are used for such receipts and the Section 4.3, 4.4 and 4.5 are complied with when considering the haircut requirements.

The Board of Directors of the Company has established an Effective Risk management Framework by implementing necessary policies and procedures to ensure compliance with the said guidelines. An Effective Internal Control System is used to verify the accuracy of security receipts.

The Company is entitled to repledge the securities received as collateral for the Resale Agreements (Reverse Repo) and the entity has an obligation to return such securities at deal maturity. In relation to any repurchase transaction, at anytime between the purchase date and repurchase date the dealer can Substitute other Eligible Securities for any purchased securities. However, the purchased securities shall not be traded at any time between the Purchase Date and the Repurchase Date. Accordingly, no any securities has been repledge as at 31st March 2023 (As at 31st March 2022- Nil).

### 15. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS

		2023 Rs.	2022 Rs.
Government Treasury Bills	15.1	9,286,564,375	8,065,944,839
Government Treasury Bonds	15.1	28,287,833,577	546,079
Investment in Quoted Shares	15.2	-	9,403,369
		<b>37,574,397,952</b>	8,075,894,287

### 15.1 Securities Pledged as Collateral

The Government securities classified as Financial Assets measured at FVTPL, following amounts have been pledged as collateral for Repurchase Agreements entered into by the Company.

	Market Value (Rs.)		Face Value (Rs.)	
	2023	2022	2023	2022
Government Treasury Bills	5,399,273,924	5,835,814,603	5,633,501,539	5,912,834,858
Government Treasury Bonds	27,772,069,738	-	32,528,394,669	-
	33,171,343,662	5,835,814,603	38,161,896,208	5,912,834,858

### 15.2 Investment in Quoted Shares

	2023			2022		
	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.
Watawala Plantations PLC	-	-	-	45,035	6,781,100	4,201,766
CIC Holdings PLC	-	-	-	136,525	7,861,722	5,201,603
	-	-	-	181,560	14,642,822	9,403,369

### 15.3 Investment in Quoted Shares Movement

	2023	2022
Balance at the beginning of the year	9,403,369	201,103,090
Investments during the year	-	543,615,240
Disposals During the Year	(2,859,617)	(791,297,372)
Capital Gain on Quoted Shares	(6,543,752)	52,304,155
Remeasurement Gain/ (Loss)	-	3,678,256
Balance at the end of the year	-	9,403,369

### 16. TRADE AND OTHER RECEIVABLES

	2023	2022
	Rs.	Rs.
Deposits and Advances	4,868,003	2,033,968
Prepayments	1,354,630	3,905,231
Staff Loan	2,021,284	2,232,564
Inventory	973,372	295,269
Other Tax Receivables	4,484,709	15,499,872
	13,701,998	23,966,904

## Notes to the Financial Statements

For the Year Ended 31st March,

### 17. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 Rs.	2022 Rs.
Investment in Non quoted Shares	-	-
	-	-

	2023			2022
	No. of Ordinary shares	Cost of investment 'Rs.	Market Value 'Rs.	Market Value 'Rs.
Lanka Financial Services Bureau Limited	100,000	1,000,000	-	-

Investment in Non quoted shares includes the cost of shares in Lanka Financial Services Bureau Limited. The investment amount is fully impaired since the management is of the view that the amount is irrecoverable.

### 18. INTANGIBLE ASSETS

	2023 Rs.	2022 Rs.
<b>Cost</b>		
Balance at the beginning of the year	31,740,577	31,344,667
Additions during the year	1,081,120	395,910
Balance at the end of the year	32,821,697	31,740,577
<b>Accumulated Amortization</b>		
Balance at the beginning of the year	30,808,474	28,803,042
Amortization during the year	598,399	2,005,432
Balance at the end of the year	31,406,873	30,808,474
<b>Carrying Value</b>	1,414,824	932,103

#### 18.1 Fully Amortized Assets

The initial cost of fully-Amortized Intangible Assets as at 31st March which are still in use as follows

	2023 Rs.	2022 Rs.
Computer Software	30,404,383	29,902,535
	30,404,383	29,902,535



## 19. RIGHT- OF- USE ASSET

	2023 Rs.	2022 Rs.
<b>Cost</b>		
Balance at the beginning of the year	22,587,062	21,094,012
Remeasurement During the Year	-	1,493,050
Balance at the end of the year	22,587,062	22,587,062
<b>Amortisation</b>		
Balance at the beginning of the year	11,381,760	7,680,367
Amortized for the year	4,074,659	3,701,393
Balance at the end of the year	15,456,419	11,381,760
Carrying amount	7,130,643	11,205,302

### 19.1 Right of Used Asset Category

	Premise	Lease Term	No Sq.Feet
Buildings	The Second (02nd) Floor designated as Level Five (05), of "Millennium House" situated at No. 46/58, Nawam Mawatha, Colombo 02	2021-2024	1,538

## 20. EQUIPMENT

	Computer Equipment Rs.	Office Equipment Rs.	Furniture & Fittings Rs.	Communication Devices Rs.	Total Rs.
<b>Cost</b>					
Balance as at 1st April 2021	11,448,749	3,868,408	4,216,381	411,287	19,944,825
Additions during the year	2,117,300	413,640	130,270	10,500	2,671,710
Disposals during the year	(323,000)	-	-	(4,900)	(327,900)
Balance as at 31st March 2022	13,243,049	4,282,048	4,346,651	416,887	22,288,635
Balance as at 01st April 2022	13,243,049	4,282,048	4,346,651	416,887	22,288,635
Additions during the year	1,126,000	193,500	748,178	-	2,067,678
Disposals during the year	(504,510)	-	-	-	(504,510)
Write off during the year	-	-	(74,021)	-	(74,021)
<b>Balance as at 31st March 2023</b>	<b>13,864,539</b>	<b>4,475,548</b>	<b>5,020,808</b>	<b>416,887</b>	<b>23,777,782</b>
<b>Accumulated Depreciation</b>					
Balance as at 01st April 2021	9,924,753	2,749,136	3,957,255	321,287	16,952,431
Charge for the year	1,267,485	497,987	204,374	94,200	2,064,046
Disposals during the year	(319,861)	-	-	(3,267)	(323,128)
Balance as at 31st March 2022	10,872,377	3,247,123	4,161,629	412,220	18,693,349
Balance as at 01st April 2022	10,872,377	3,247,123	4,161,629	412,220	18,693,349
Charge for the year	1,466,894	437,631	171,606	4,667	2,080,798
Disposals during the year	(504,510)	-	-	-	(504,510)
Write off during the year	-	-	(74,021)	-	(74,021)
Balance as at 31st March 2023	11,834,761	3,684,754	4,259,214	416,887	20,195,616
Carrying value as at 31st March 2022	2,370,672	1,034,925	185,022	4,667	3,595,286
<b>Carrying value as at 31st March 2023</b>	<b>2,029,778</b>	<b>790,794</b>	<b>761,594</b>	<b>-</b>	<b>3,582,166</b>

## Notes to the Financial Statements

For the Year Ended 31st March,

### 20. EQUIPMENT (Contd.)

Based on the assessment of potential impairment carried out by the Company as at 31 March 2023, no provision was required to be made in the Financial Statements.

Property, Plant and Equipment included fully depreciated assets having a gross amount of Rs. 17,278,560 as at 31 March 2023 (2021/22 Rs. 15,365,519).

There were no capitalised borrowing cost related to the acquisition of Property, Plant and Equipment during the year (2022 - Nil).

There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2023.

There were no items of Property, Plant and Equipment pledged as security as at 31 March 2023.

There were no temporary idle items of Property, Plant and Equipment as at 31 March 2023.

#### 20.1 Fully Depreciated Assets

The initial cost of fully-depreciated property, plant and equipment as at 31st March which are still in use as follows

	2023 Rs.	2022 Rs.
Computer Equipment	9,739,301	8,712,148
Office Equipment	2,627,798	2,542,053
Furniture & Fittings	4,500,174	3,700,031
Communication Devices	411,287	411,287
	<b>17,278,560</b>	<b>15,365,519</b>

### 21. FINANCIAL LIABILITIES AT AMORTISED COST

	2023 Rs.	2022 Rs.
Securities Sold Under Repurchase Agreements	30,055,282,689	5,465,983,373

#### 21.1 Securities Pledged as Collateral

	Market Value (Rs.)		Face Value (Rs.)	
	2023	2022	2023	2022
Government Treasury Bills	5,399,273,924	5,835,814,603	5,633,501,539	5,912,834,858
Government Treasury Bonds	27,772,069,738	-	32,528,394,669	-
	<b>33,171,343,662</b>	<b>5,835,814,603</b>	<b>38,161,896,208</b>	<b>5,912,834,858</b>

The Company follows the guidelines stipulated in the Direction on Repurchase and Reverse Repurchase Transactions of Dealer Direct Participants in Scripless Treasury Bonds and Scripless Treasury Bills, issued by the Central Bank of Sri Lanka, in allocating securities for repurchase agreements (Direction No. 01 of 2019 dated 20 December 2019). Only the eligible securities are used for such receipts and the Section 4.3, 4.4 and 4.5 are complied with when considering the haircut requirements.

The Board of Directors of the Company has established an Effective Risk management Framework by implementing necessary policies and procedures to ensure compliance with the said guidelines. An Effective Internal Control System is used to verify the accuracy of security allocation.

## 22. AMOUNTS DUE FROM/TO AND LOAN FROM RELATED COMPANIES

	2023 Rs.	2022 Rs.
<b>22.1 Amounts Due from Related Companies</b>		
Tempest PE Partners (Pvt) Ltd	51,752	6,813
Capital Alliance Investments Ltd	20,810,298	879,333
CAL Securities Ltd, Bangladesh	926,910	-
	<b>21,788,960</b>	<b>886,146</b>
<b>22.2 Amounts Due to Related Companies</b>		
Capital Alliance Partners Ltd	28,999,335	880,965
Capital Alliance Securities (Pvt) Ltd	47,076,403	569,867
Capital Alliance Holdings Ltd	15,158,979	5,595,222
CAL Investments Ltd, Bangladesh	131,900	-
Finnovation (Pvt) Ltd	16,593,115	-
	<b>107,959,732</b>	<b>7,046,054</b>
<b>22.3 Loan from Related Party</b>		
Capital Alliance Holdings Ltd	1,023,143,835	-

The Company has obtained a short-term revolving loan facilities amounting to Rs. 1,000,000,000, to meet its working capital requirements on 23rd January 2023. The Facility is valid for a period of three (3) months and Interest on the Loan shall be 27.25% per annum. The interest is payable at maturity.

## 23. OTHER PAYABLES

	2023 Rs.	2022 Rs.
Provisions and Accrued Expenses	378,718,096	6,297,329
Payable on VAT on Financial Services	130,655,173	-
Payable on Social Security Contribution Levy	8,182,343	-
Other Payables	24,080,036	3,294,979
	<b>541,635,648</b>	<b>9,592,308</b>

## 24. LEASE LIABILITY

	2023 Rs.	2022 Rs.
Gross Lease Obligation	8,636,651	13,305,107
Less: Finance cost applicable for future periods	(662,460)	(1,532,424)
Net Lease Obligation	<b>7,974,191</b>	<b>11,772,683</b>

## Notes to the Financial Statements

For the Year Ended 31st March,

	2023 Rs.	2022 Rs.
<b>24.1 Maturity Analysis</b>		
Payable within one year		
Gross Lease Obligation	4,785,170	4,668,459
Less: Finance cost applicable for future periods	(527,256)	(869,964)
Net Lease Obligation	4,257,914	3,798,495
Payable within one to three years		
Gross Lease Obligation	3,851,481	8,636,648
Less: Finance cost applicable for future periods	(135,204)	(662,460)
Net Lease Obligation	3,716,277	7,974,188
<b>24.2 Lease Liability Movement</b>		
Balance at the beginning of the year	11,772,683	13,550,810
Remeasurement Adjustment	-	1,493,050
Lease Interest	869,965	1,043,611
Lease Payments	(4,668,457)	(4,314,788)
Balance at the end of the year	7,974,191	11,772,683
<b>24.3 Amounts Recognised in Income Statement</b>		
Interest on Lease Liabilities	869,965	1,043,611
Amortization - Right-of-use Assets	4,074,659	3,701,393
Total amounts Recognised in Income Statement	4,944,624	4,745,004
<b>24.4 Amounts Recognised in Statement of Cash Flows</b>		
Repayment of Gross Lease Liability	4,668,457	4,314,788
	4,668,457	4,314,788

## 25. RETIREMENT BENEFIT OBLIGATION

### 25.1 Movement in the Present Value of the Defined Benefit Obligation:

	2023 Rs.	2022 Rs.
Balance at the beginning of the year	38,506,345	40,783,555
Statement of Profit or Loss:		
Current Service Cost	3,406,907	3,047,722
Past Service Cost	-	(1,315,472)
Interest Cost	5,775,952	2,854,849
Other comprehensive income		
Actuarial (Gain)/Loss for the year	6,762,032	(4,839,309)
Transferred from a Related Party	1,282,500	-
Benefits paid during the year	(925,000)	(2,025,000)
Balance at the end of the year	54,808,736	38,506,345

## 25.2 Expense Recognized in Profit or Loss:

	2023 Rs.	2022 Rs.
Current Service Cost	3,406,907	3,047,722
Past Service Cost	-	(1,315,472)
Interest Cost	5,775,952	2,854,849
	9,182,859	4,587,099
<b>Expense recognized on Other Comprehensive Income</b>		
Actuarial (Gain)/ Loss for the year	6,762,032	(4,839,309)
	6,762,032	(4,839,309)
<b>Provision for the year</b>	<b>15,944,891</b>	<b>(252,210)</b>

During 2021/2022, the retirement benefit obligations were adjusted to reflect new legal requirements in the country regarding the retirement age. As a result of the plan amendment, the Company's defined benefit obligation decreased by Rs. 1,315,472/-. A corresponding past service credit was recognized in profit or loss during 2021/2022.

The provision for retirement benefit obligations as at 31st March 2023 is based on the actuarial valuation carried out by a professionally qualified actuary, Mr. M. Poopalanathan, an Actuary of the Actuarial and Management Consultant (Pvt) Ltd, using the "Projected Unit Credit" (PUC) method, the method recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits". The actuarial valuation involves making assumptions about discount rates and future salary increases. Due to the complexity of the valuation and the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The Company has considered the impact on the defined benefit obligations due to changes in economic factors as a result of the prevailing macroeconomic conditions, with support of the independent actuarial expert.

The salary increment rate of 20% is considered appropriate to be in line with the Company's targeted future salary increments when taking into account the current market conditions and inflation rate.

Due to the discount rate and salary increment rate assumptions used, nature of non-financial assumptions and experience of the assumptions of the company, there is no significant impact to employment benefit liability as a result of prevailing macro-economic conditions.

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19.

## 25.3 The Principal Actuarial Assumptions used were as Follows:

	2023 Rs.	2022 Rs.
Expected Annual Average Salary Increment	20%	13%
Discount Rate / Interest Rate	20%	15%
Staff Turnover Factor	20%	7%
Average life expectancy of an individual	60 Years	60 Years
Weighted average retirement age	4.2 Years	9.4 Years

The Company will continue as a going concern.

## Notes to the Financial Statements

For the Year Ended 31st March,

### 25.4 Breakup of actuarial (Gain)/ Loss on Defined benefit obligation are as follow:

	2023
Demographic adjustment	939,820
Financial Assumptions	5,246,633
Experience adjustment	575,579
	<b>6,762,032</b>

### 25.5 Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2023		2022	
	Increase	Decrease	Increase	Decrease
Movement by 1%				
Discount Rate	(1,213,413)	1,288,806	(1,587,379)	1,759,168
Salary Increment rate	1,505,633	(1,442,508)	1,952,426	(1,791,329)

### 25.6 Maturity Analysis

The following payments are expected on employee benefit liabilities in future years from the fund as follows,

	2023	2022
Within next 12 months	4,831,829	1,478,950
Between 1 to 5 years	43,563,840	27,874,956
Between 5 to 10 years	4,809,631	5,011,241
More than 10 years	1,603,436	4,141,198
	<b>54,808,736</b>	<b>38,506,345</b>

## 26. STATED CAPITAL

	2023 Rs.	2022 Rs.
Issued and Fully paid		
329,417,884 Ordinary Shares (Note 26.1)	723,348,421	723,348,421
	<b>723,348,421</b>	<b>723,348,421</b>

The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Company.

There was no dividend paid for the year 2022/2023 (2022 - Rs 300,250,675).

### 26.1 Movement of Stated Capital

	2023 Rs.	2022 Rs.
Balance at beginning of the year	723,348,421	311,576,061
Ordinary shares issued during the year	-	411,772,360
Balance at end of the year	<b>723,348,421</b>	<b>723,348,421</b>

## 26.2 Movement of No. of shares

	2023 Rs.	2022 Rs.
At the beginning of the year	329,417,884	24,020,054
Increase of shares due to sub-division	-	264,220,594
Share issue during the year through initial public offering	-	41,177,236
As at the end of the year	329,417,884	329,417,884

**26.3** On 5th August 2021, Number of Shares of the Company was subdivided by splitting every one (01) existing voting ordinary share into twelve (12) voting ordinary shares resulting 288,240,648 ordinary shares after sub division and on 15th December 2021, the company raised additional share capital of Rs.411,772,360 by issuing 41,177,236 number of Ordinary shares through an IPO.

All known expenditure items have been provided for and there is no management fees or similar expenditure provided for in the Financial Statements. Further, funds raised through the IPO during the period was utilised to enhance the Core Capital of the Company as per the objectives of the issue.

## 27. SPECIAL RISK RESERVE

	2023 Rs.	2022 Rs.
Balance at the beginning of the year	644,799,017	644,799,017
Transferred during the year	282,700,664	-
Balance at the end of the year	927,499,681	644,799,017

A sum equivalent to 10% of profit after tax of Capital Alliance PLC has been transferred to Special Risk Reserve in accordance with the Directions issued by the Central Bank of Sri Lanka.

## 28. RELATED PARTY TRANSACTIONS

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. Accordingly, the Board of Directors (including Executive and Non executive Directors) have been classified as "Key Management Personnel" of the company.

### 28.1 Parent And Ultimate Controlling Party

The Company's parent undertaking is Capital Alliance Holdings Limited.

### 28.2 Key management personnel

Key management personnel include persons who were directors of Capital Alliance PLC at any time during the financial year

#### 1) Directors

Mr. W. A. T. Fernando

Mr. R. J. Arasaratnam

Mr. D. A. De Zoysa

Mr. C. S. R. S. Anthony

Ms. A. I. C. Nandasena

Ms. K. A. D. Siriwardene

#### 2) Other key management personnel (KMPs)

Other KMPs include persons with responsibility for planning, directing and controlling the activities of the Company, directly or indirectly during the financial year.

## Notes to the Financial Statements

For the Year Ended 31st March,

### 28.3 Transactions With Key Management Personnel

#### Loans to Directors

No loans have been given to the directors of the Company.

#### Key Management Personnel Compensation

Key management personnel comprise the Directors of the Company and the salary paid for the year is Rs. 37,355,636/- (2022- Rs 33,581,415/-).

Item	2023	2022
Salaries/Bonus & Commission	34,871,636	31,511,415
Defined Contribution Benefits	2,484,000	2,070,000
<b>Total Benefits Paid</b>	<b>37,355,636</b>	<b>33,581,415</b>

#### Other Transactions with Key Management Personnel

There were no material transactions with key management personnel of the Company.

### 28.4 Transactions With Related Companies

#### 1) Directorships in Other Companies

Names of the Directors of the Related Companies which had Transactions with the Company

Name of the Director/ Company	Capital Alliance Holdings Ltd	Capital Alliance Securities (Pvt) Ltd	Capital Alliance Partners Ltd	Capital Alliance Investments Ltd *	Finnovation (Pvt) Limited	Tempest PE Partners (Pvt) Ltd	CAL Securities Ltd, Bangladesh
Mr W. A. T. Fernando	Director	Director	Director	Director	Director	Director	Director
Mr D. A. De Zoysa	Director/ Chairman	-	Director**	-	-	-	-
Mr C. S. R. S. Anthony	Director	-	-	-	-	-	-
Mr R. J. Arasaratnam	Director	-	-	-	-	-	-
Ms N. T. M. S. Cooray	Director	-	-	-	-	-	-
Mr T. J. William	Director	-	Director	-	-	-	-
Ms K. A. Wilson	Director	-	-	-	-	-	-
Ms R. S. Jayasuriya	Director	-	-	-	-	-	-
Ms. H. M. S. Perera	-	Director	-	Director	Director	Director	-
Mr H. G. Aturupane	-	Director	-	-	Director	-	-
Mr A. D. Pushparajah	-	Director	-	-	-	-	Director
Mr. W D P De Mel	-	-	-	Director ***	-	-	-
Mr. K S C P K Gunasinghe	-	-	-	Director	-	-	-
Mr. K. P. Mannakkara	-	-	-	Director	-	-	-
Mr C. P. R. Perera	-	-	-	-	-	Director	-
Mr. A R Shamsi	-	-	-	-	-	-	Director
Mr. S Ahmed	-	-	-	-	-	-	Director
Mr. R Saha	-	-	-	-	-	-	Director
Mr. M Ahmed	-	-	-	-	-	-	Director

\* Managing Company of the Unit Trust Funds

\*\* Resigned on 28th November 2022

\*\*\* Resigned on 5th May 2022

#### 2) Transactions with Related Parties

The Company carries out transactions with parties who are defined as related parties in 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 based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.



Related party transactions were made on terms equivalent to those that prevail in arm's length transactions

Company	Relationship	Nature Of Transaction	2023	2022
Capital Alliance Holdings Ltd	Parent Company	Interest charge on Repo	-	(288,767)
		Reimbursement of Expenses	(12,612,910)	(13,195,467)
		Intercompany Payable	(15,158,979)	(5,595,222)
		Dividend Paid	-	(272,498,413)
		Interest Expense on loan	(50,020,548)	-
		Loan interest paid	(26,876,713)	-
		Loan obtained	1,000,000,000	-
Capital Alliance Investments Ltd	Sub-Subsidiary of Parent Company	Repo	(8,695,028)	(7,149,991)
		Interest charge on Repo	(1,545,037)	(379,627)
		Reimbursement of Expenses	5,493,216	29,681,498
		Intercompany Receivable	20,810,298	879,333
Capital Alliance Partners Ltd	Subsidiary of Parent Company	Reimbursement of Expenses	5,173,284	(2,830,897)
		Intercompany Payable	(28,999,335)	(880,965)
		Professional Fees - IPO	-	(6,176,585)
Capital Alliance Securities (Pvt) Ltd	Sub-Subsidiary of Parent Company	Repo	(212,698,118)	(194,561,772)
		Interest charge on Repo	(51,917,665)	(8,521,408)
		Reimbursement of Expenses	14,507,280	14,575,682
		Intercompany Receivable	47,076,403	(569,867)
		Brokerage Expenses - Equity	(52,421)	(7,831,030)
		Brokerage Expenses - IPO	-	(826,287)
Finnovation (Pvt) Ltd	Subsidiary of Parent Company	Software development and maintenance Expenses	(17,756,917)	(14,055,825)
		Intercompany Payable	(16,593,115)	-
Tempest PE Partners (Pvt) Ltd	Joint Venture of Parent Company	Intercompany Receivable	51,752	6,813
		Reimbursement of Expenses	395,814	280,361
CAL Securities Ltd, Bangladesh	Subsidiary of Parent Company	Intercompany Receivable	926,910	-
		Reimbursement of Expenses	1,058,810	-
CAL Investments Limited, Bangladesh	Subsidiary of Parent Company	Intercompany payable	(131,900)	-
		Reimbursement of expenses	131,900	-
CAL Fixed Income Opportunities Fund (Formally Known as Capital Alliance Corporate Debt & Gilt Trading Fund)	Unit Trust Fund managed by Affiliated Company	Interest charge on Repo	(86,723,893)	(59,589)
		Repo	(500,239,726)	(300,059,589)
Capital Alliance Investment Grade Fund	Unit Trust Fund managed by Affiliated Company	Repo	(501,205,479)	-
		Interest charge on Repo	(74,297,037)	(29,641,210)
Capital Alliance Gilt Fund	Unit Trust Fund managed by Affiliated Company	Interest charge on Repo	(17,126)	-
		Repo	(271,465)	-
Capital Alliance Gilt Money Market Fund	Unit Trust Fund managed by Affiliated Company	Interest charge on Repo	(691,337)	-
		Repo	(271,465)	-
Capital Alliance Gilt Trading Fund	Unit Trust Fund managed by Affiliated Company	Interest charge on Repo	(17,126)	-
		Repo	(271,465)	-
Capital Alliance Medium Risk Debt Fund	Unit Trust Fund managed by Affiliated Company	Interest charge on Repo	(17,126)	-
		Repo	(271,465)	-
Capital Alliance Income Fund	Unit Trust Fund managed by Affiliated Company	Interest charge on Repo	(65,895,663)	(15,803,507)
Capital Alliance High Yield Fund	Unit Trust Fund managed by Affiliated Company	Interest charge on Repo	(1,270,829)	-
Capital Alliance Balanced Fund	Unit Trust Fund managed by Affiliated Company	Interest charge on Repo	(17,127)	(96,507)
		Repo	(271,465)	-

## Notes to the Financial Statements

For the Year Ended 31st March,

### 29. COMMITMENTS AND CONTINGENCIES

**29.1** There were no other material litigations or claims that could have a material impact on financial position of the Company or which would lead to a disclosure in the financial statements for the year ended 31st March 2023, except the following,

The Company has appealed against assessment on NBT on Financial Services amounting to Rs.1.7Mn, for the year of assessment 2013/14.

The related Appeal against the said assessment is pending for determination of the Tax Appeal Commission and based on the agreement entered with Department of Inland Revenue for the settlement of VAT on FS for the year of assessment 2013/14, the Company is in the intention to settle the NBT on FS also on the same basis and in such a basis the additional liability on the revised assessment would be Rs. 573,334.

There were no material capital commitments as at the reporting date which require disclosures in the financial statements.

#### 29.2 Off Balance Sheet Exposures

	2023	2022
<b>Assets</b>		
Forward Purchase Contracts-Government Securities	1,210,558,927	3,517,296,000
<b>Liabilities</b>		
Forward Sales Contracts-Government Securities	1,307,176,695	3,517,296,000

### 30. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the date of the Statement of Financial Position that require adjustments to or disclosure in the Financial Statements.

### 31. FINANCIAL RISK MANAGEMENT

#### Overview

The Company has exposure to the following risks arising from financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Equity risk
- Currency risk

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

#### Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has delegated this function to the Director/Chief Executive Officer who develops and monitors the Company's risk management policies and report regularly to the Board of Directors on its activities. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### 31.1 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that would impact Company's income or the value of investment in financial instruments. The objective of managing market risk is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

Market risk principally arises on the Company's investments in government securities, interest-bearing financial assets and financial liabilities, and financial assets and financial liabilities denominated in foreign currencies.

#### 31.1.1 At the reporting date the exposure to Market risk of the Company's financial instruments was;

	Carrying Amount As at 31st March 2023 Rs.	Market risk Measurement		Carrying Amount As at 31st March 2022 Rs.	Market risk Measurement		
		Trading Portfolios Rs.	Non -Trading Portfolios Rs.		Trading Portfolios Rs.	Non -Trading Portfolios Rs.	
<b>Financial assets</b>							
Cash and Cash Equivalents	28,962,086	-	28,962,086	14,265,035	-	14,265,035	
Financial Assets measured at Amortised Cost	372,829,607	-	372,829,607	40,167,893	-	40,167,893	
Financial Assets measured at FVTPL	37,574,397,952	37,574,397,952	-	8,075,894,287	8,075,894,287	-	
	<b>37,976,189,645</b>	<b>37,574,397,952</b>	<b>401,791,693</b>	<b>8,130,327,215</b>	<b>8,075,894,287</b>	<b>54,432,928</b>	
<b>Financial liabilities</b>							
Financial Liabilities at Amortised Cost	30,055,282,689	-	30,055,282,689	5,465,983,373	-	5,465,983,373	
Lease Liability	7,974,191	-	7,974,191	11,772,683	-	11,772,683	
	<b>30,063,256,880</b>	<b>-</b>	<b>30,063,256,880</b>	<b>5,477,756,056</b>	<b>-</b>	<b>5,477,756,056</b>	

#### 31.1.2 Interest rate risk

Interest rate risk mainly arises as a result of the Company having interest sensitive assets and liabilities which are directly impacted by changes in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The management monitors the sensitivities on regular basis and ensures that such risks are managed on a timely manner.

The interest rates have increased significantly after the reporting date, this may lead to substantial positive impact on the future profits of the Company.

## Notes to the Financial Statements

For the Year Ended 31st March,

### 31.1.2.1 Exposure to interest rate risk

The interest rate profile of the Company's interest bearing financial instruments as reported to the management of the Company is as follows,

As at 31st March,	2023			2022		
	Variable interest rate	Fixed interest rate	Total	Variable interest rate	Fixed interest rate	Total
<b>Financial Assets</b>						
Financial Assets measured at Amortised Cost	-	372,829,607	372,829,607	-	40,167,893	40,167,893
<b>Financial Assets measured at FVTPL</b>						
Government Treasury Bills and Bonds	-	37,574,397,952	37,574,397,952	-	8,066,490,918	8,066,490,918
<b>Total</b>	<b>-</b>	<b>37,947,227,559</b>	<b>37,947,227,559</b>	<b>-</b>	<b>8,106,658,811</b>	<b>8,106,658,811</b>
<b>Financial liabilities</b>						
Financial Liabilities at Amortised Cost	-	30,055,282,689	30,055,282,689	-	5,465,983,373	5,465,983,373
<b>Total</b>		<b>30,055,282,689</b>	<b>30,055,282,689</b>	<b>5,465,983,373</b>	<b>5,465,983,373</b>	

### 31.1.2.3 Sensitivity analysis

The following table shows the estimated impact on profitability and equity by fluctuation of interest rates assuming that all other variables remain constant on the following financial assets. Floating rate instruments expose the Group to cash flow fluctuations.

As at 31st March,	2023		2022	
	Variable-rate Impact on PBT	Variable-rate Impact on equity	Variable-rate Impact on PBT	Variable-rate Impact on equity
<b>Increase in 100 basis points</b>				
<b>Financial Assets</b>				
<b>Government Securities</b>				
Treasury Bills	(24,494,761)	(17,146,332)	(63,629,320)	(55,993,802)
Treasury Bonds	(750,365,652)	(525,255,956)	(85,274)	(75,041)
Securities Purchased Under Repurchase Agreements	-	-	(265,048)	(233,242)
	<b>(774,860,413)</b>	<b>(542,402,289)</b>	<b>(63,979,642)</b>	<b>(56,302,085)</b>
<b>Financial Liabilities</b>				
Securities Sold Under Repurchase Agreements	-	-	14,263,592	12,551,961
	<b>-</b>	<b>-</b>	<b>14,263,592</b>	<b>12,551,961</b>
<b>Decrease in 100 basis points</b>				
<b>Financial Assets</b>				
<b>Government Securities</b>				
Treasury Bills	24,494,761	17,146,333	63,629,320	55,993,802
Treasury Bonds	750,365,652	525,255,956	85,274	75,041
Securities Purchased Under Repurchase Agreements	-	-	265,048	233,242
	<b>774,860,413</b>	<b>542,402,289</b>	<b>63,979,642</b>	<b>56,302,085</b>
<b>Financial Liabilities</b>				
Securities Sold Under Repurchase Agreements	-	-	(14,263,592)	(12,551,961)
	<b>-</b>	<b>-</b>	<b>(14,263,592)</b>	<b>(12,551,961)</b>

Company has established following measures to manage the interest rate risk

- **Cut loss policies** - maintains a limit in terms of maximum loss a portfolio can undergo. Every trading position taken by the company will have a cut loss limit earmarked which ensures the maximum loss the company will incur, when a trading position is capped.
- **Value at Risk (VaR) limit** - The VaR is a mathematical model which forecasts the loss the portfolio can undergo with 95% probability within a stipulated limit set by the Board of Directors. Therefore, in a worst-case scenario with 95% confidence level there is a pre-determined maximum value of money that can be lost. This is monitored daily by the Dealing team and Management.
- **Target Duration and Convexity** - The duration of the portfolio depends on the maturity of the bills and bonds held in the portfolio. The duration of the portfolio is based on the prevailing interest rate outlook. The longer tenor bonds carry a higher interest rate risk, therefore, the average duration of holding a portfolio needs to be factored in to spread interest rate risk.
- **Scenario analysis limits** - with the use of the data systems, Company is able to successfully gauge the market conditions based-on past data and experience in market conditions. With this, they can make an informed decision in terms of interest rate outlook.

Continuous and ongoing monitoring combined with in-depth research and statistical modeling, forms the basis of the Group's interest rate risk management strategy.

Risk Dashboards reflecting risk limits set on trading are updated daily and presented quarterly to the Board Risk Committee.

Post-decision reviews and guidance from the Board Risk Committee also play a crucial role in managing interest rate risk over time.

## 31.2 Credit Risk

Credit risk is the risk that counter-party will not meet its contractual obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for company's investments in reverse repurchase agreements) and from its financing activities including any deposits with banks and financial institutions and other financial instruments.

### 31.2.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date based on the concentration of the risk by sector was;

	Cash and Cash Equivalents Rs.	Financial Assets measured at FVTPL Rs.	Financial Assets measured at FVOCI Rs.	Financial Assets measured at Amortised Cost Rs.	Other Receivables Rs.
<b>As at 31st March 2023</b>					
Government	-	37,574,397,952	-	-	-
Corporate	28,942,086	-	-	372,829,607	-
Other	-	-	-	21,788,960	6,889,287
<b>Total</b>	<b>28,942,086</b>	<b>37,574,397,952</b>	<b>-</b>	<b>394,618,567</b>	<b>6,889,287</b>
<b>As at 31st March 2022</b>					
Government	-	8,066,490,918	-	-	-
Corporate	14,245,035	-	-	40,167,893	-
Other	-	-	-	886,146	2,232,564
<b>Total</b>	<b>14,245,035</b>	<b>8,066,490,918</b>	<b>-</b>	<b>41,054,039</b>	<b>2,232,564</b>

All the balances as at 31st March 2023 and 31st March 2022 are in the neither past due nor impaired category. Further, based on historic default rate, the company believe that no impairment allowance is necessary in respect of the financial assets other than Financial assets measured at FVOCI for which a provision has been made as at 31st March 2023.

## Notes to the Financial Statements

For the Year Ended 31st March,

### 31.2.3 Management of Credit Risk

Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.

Establishing the authorisation structure for the approval and renewal of facilities

Limiting concentrations of exposure to counterparties, industries, and by issuer, credit rating band and market liquidity.

Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Continually reviewing and assessing credit risk.

### 31.2.4 Impairment

The aging of other receivables at the reporting date was;

	2023 (Rs.) Gross	2022 (Rs.) Gross
Not past due	6,889,287	2,232,564
Past due 0 - 31 days	-	-
Past due 31 - 90 days	-	-
More than 90 days	-	-
	<b>6,889,287</b>	<b>2,232,564</b>

Based on the past due date, the Company believe that no provisions are required as at 31st March 2023.

### 31.2.5 Credit risk on financial investments

The Company is also exposed to credit risk through its financial investments. The credit worthiness of the financial instruments are assessed using the credit ratings assigned to each security and fixed deposit. This rating provides the Company the indication of the financial stability of the investment.

Credit risk exposure of Cash at Bank is depicted in the below table using the carrying values as at the Statement of Financial Position Date.

Bank	Rating	Rating Agency	2023	2022
Commercial Banks in Sri Lanka	A+	Fitch	100,550	223,800
	A	Fitch	28,310,104	12,650,161
	AA-	Fitch	-	808,946
Central Bank of Sri Lanka			531,432	562,128
			<b>28,942,086</b>	<b>14,245,035</b>

The above has been derived as per the Company's risk management policy of using the carrying values in the Statement of Financial Position. There were no off - balance sheet exposures as at the date. This does not include the exposure that would arise in the future as a result of changes in values.

### 31.2.6 Collateral held for reverse repurchase investments

Reverse repurchase investments which fall under government securities is backed by treasury bills and bonds which are provided as collateral.

The management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Details of collateral held for reverse repurchase agreements and the haircut policy are disclosed in note no.14.1.

### Risk response to credit risk on financial investments

The Company's investment policy prohibits non-rated investments, unless specifically authorised.

Regularly review credit worthiness of counterparties and take necessary actions if required.

Appropriate actions are implemented when the investments are expected to be high credit risk.

Clearly defined single party exposure limits based on the credit ratings and regulatory requirements and monitoring them closely at different levels.

## 31.3 Liquidity Risk

The Liquidity risk is the risk that the company may not be able to meet its present and future cash obligations without incurring unacceptable losses or impacting operations. The Company's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

### 31.3.1 Exposure to Liquidity Risk

The following are the remaining contractual maturities of financial assets and financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

As at 31st March 2023	Total Carrying amount	Total	Contractual Cash flows		
			12 months or less	1 - 2 years	2 - 5 Years
<b>Assets</b>					
Cash and Cash Equivalents	28,962,086	28,962,086	28,962,086	-	-
Financial Assets measured at Amortised Cost	372,829,607	373,790,725	373,790,725	-	-
Financial Assets measured at FVTPL	37,574,397,952	43,090,351,171	9,972,138,265	3,713,624,629	29,404,588,277
Amount due from Related Companies	21,788,960	21,788,960	21,788,960	-	-
Other Receivables	2,021,284	2,021,284	2,021,284	-	-
	<b>37,999,999,889</b>	<b>43,516,914,226</b>	<b>10,398,701,320</b>	<b>3,713,624,629</b>	<b>29,404,588,277</b>
<b>Liabilities</b>					
Financial Liabilities at Amortised Cost	30,055,282,689	30,261,878,106	30,261,878,106	-	-
Other Payables	402,798,132	402,798,132	402,798,132	-	-
Lease liability	7,974,191	8,636,651	4,785,170	3,851,481	-
Loan from Related Party	1,023,143,836	1,023,143,836	1,023,143,836	-	-
Amounts Due to Related Companies	107,959,732	107,959,732	107,959,732	-	-
	<b>31,597,158,580</b>	<b>31,804,416,457</b>	<b>31,800,564,976</b>	<b>3,851,481</b>	<b>-</b>

## Notes to the Financial Statements

For the Year Ended 31st March,

### 31.3.1 Exposure to Liquidity Risk (contd.)

As at 31st March 2022	Total Carrying amount	Total	Contractual Cash flows		
			12 months or less	1 - 2 years	2 - 5 Years
Cash and Cash Equivalents	14,265,035	14,265,035	14,265,035	-	-
Financial Assets measured at Amortised Cost	40,167,893	40,207,481	40,207,481	-	-
Financial Assets measured at FVTPL	8,075,894,287	8,178,166,632	8,177,469,254	210,088	487,290
Amount due from Related Companies	886,146	886,146	886,146	-	-
Other Receivables	2,232,564	2,232,564	2,232,564	-	-
	<b>8,133,445,925</b>	<b>8,235,757,858</b>	<b>8,235,060,480</b>	<b>210,088</b>	<b>487,290</b>
Financial Liabilities at Amortised Cost	5,465,983,373	5,482,165,739	5,482,165,739	-	-
Other Payables	9,592,308	9,592,308	9,592,308	-	-
Lease liability	11,772,683	13,305,107	4,668,459	8,636,648	-
Amounts Due to Related Companies	7,046,054	7,046,054	7,046,054	-	-
	<b>5,494,394,418</b>	<b>5,512,109,208</b>	<b>5,503,472,560</b>	<b>8,636,648</b>	<b>-</b>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

### 31.3.2 Management of Liquidity Risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company has access to approved short-term financing facilities from commercial banks, if required.

The Company monitors the level of expected cash inflows on Investments and other receivables together with expected cash outflows on Repurchase agreements and other payables and it is estimated that the maturity of financial assets as at the reporting date would occur in sufficient quantity and timing, given the historical trends, and currently available information which would enable the Company to meet its contractual obligations.

Company has taken following measures to manage the liquidity risk of the company  
Maintaining a diversified funding base and appropriate contingency facilities.

Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.

Monitoring liquidity ratios and carrying out stress-testing of the Company's liquidity position.

Regular reviews cash flow projections.

Availability of stand by overdraft facility to be used in the event of an emergency.

### 31.4 Equity Risk

The Company's exposure to equity risk arises from its investments in equity securities. Equity risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market prices.

#### Listed equity investments

As at 31st March	2023	2022
Investment in Quoted Shares	-	9,403,369



### Sensitivity analysis of equity risk

The following table shows the estimated impact on profitability an equity by fluctuation of stock market prices at the reporting date, assuming that all other variables remain constant.

As at 31st March	Impact on PBT	
	2023	2022
10% decline in stock prices	-	(940,337)
10% Increase in stock prices	-	940,337

### Management of Equity Risk

The Company manages the equity risk through diversification and placing limits on individual and total equity portfolio investments. The Company's equity risk management policies are;

Investment decisions are based on in depth macroeconomic and industry analysis as well as research reports on company performance.

Reports on the equity portfolio are submitted to the Company's senior management on a regular basis.

Adherence to the investment policy which includes stringent guidelines on risk exposures.

### 31.5 Currency Risk

The foreign currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuating due to changes in foreign exchange rates. The Company is exposed to foreign currency risk on foreign currency related payments arising from operational expenses. The currencies giving rise to this risk are primarily US Dollars.

### 31.6 Operational Risk

Operational risks due to internal and external frauds, employee practices and workplace safety, products and processes, technology and infrastructure, and business practices, damage to physical assets, business interruption, and system failures in execution, delivery, and process management 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 goal of the operational risk management framework is to identify, assess, control and mitigate operational risk within the firm. A standard operational risk framework is applied across the firm in order to ensure consistency and completeness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within department. This responsibility is supported by the development of overall Company'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.
- Risk mitigation, including insurance where this is effective.

Further, Company has identified key risk indicators and maintain a Risk register to monitor the operational risk of the Company. The company also do Risk and control self-assessment and assesses the risk through scenario analysis

Compliance with Company's internal controls and procedures is supported by a programme of periodic reviews undertaken by Internal Audit. The results of internal audit reviews are discussed with the management of the Company with summaries submitted to the Audit Committee.

## Notes to the Financial Statements

For the Year Ended 31st March,

### 32. FAIR VALUE OF ASSETS AND LIABILITIES

#### 32.1 Accounting Classification and Fair Value of Financial Instruments

Financial instruments measured subsequently on the ongoing basis either at fair value or amortized cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized.

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the company's estimate of assumptions that a market participant would make when valuing the instruments. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1 : category of financial assets that are measured in whole or in part by reference to published quotes in an active market

Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 : techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is reasonable approximation of fair value.

As at 31st March 2023	Fair Value			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
<b>Financial Assets measured at FVTPL</b>				
Financial Assets measured at FVTPL	37,574,397,952	-		37,574,397,952
<b>Assets carried at amortized cost</b>				
Cash and Cash Equivalents	-	-	372,829,607	372,829,607
Amount due from Related Companies	-	-	21,788,960	21,788,960
Other Receivables	-	-	11,373,996	11,373,996
<b>Total Financial assets</b>	<b>37,574,397,952</b>	<b>-</b>	<b>434,954,649</b>	<b>38,009,352,601</b>
<b>Financial Liabilities</b>				
<b>Financial Liabilities at Amortised Cost</b>				
Financial Liabilities at Amortised Cost	-	-	30,055,282,689	30,055,282,689
Loan from related party	-	-	1,023,143,836	1,023,143,836
Amounts due to Related Companies	-	-	107,959,732	107,959,732
Other Payables	-	-	402,798,132	402,798,132
Lease Liability	-	-	7,974,191	7,974,191
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>31,597,158,580</b>	<b>31,597,158,580</b>

As at 31st March 2022	Fair Value			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
<b>Financial Assets measured at FVTPL</b>				
Financial Assets measured at FVTPL	8,075,894,287	-	-	8,075,894,287
<b>Assets carried at amortized cost</b>				
Cash and Cash Equivalents	-	-	40,167,893	40,167,893
Amount due from Related Companies	-	-	886,146	886,146
Other Receivables	-	-	2,232,564	2,232,564
<b>Total Financial assets</b>	<b>8,075,894,287</b>	<b>-</b>	<b>17,383,745</b>	<b>8,093,278,032</b>
<b>Financial Liabilities</b>				
<b>Financial Liabilities at Amortised Cost</b>				
Financial Liabilities at Amortised Cost	-	-	5,465,983,373	5,465,983,373
Amounts due to Related Companies	-	-	7,046,054	7,046,054
Other Payables	-	-	9,592,308	9,592,308
Lease Liability	-	-	11,772,683	11,772,683
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>5,494,394,418</b>	<b>5,494,394,418</b>

### 33. FINANCIAL INSTRUMENTS

The Financial Instruments recognize in the Statement of Financial Position are as follows:

As at 31st March	Note	2023 Rs.	2022 Rs.
<b>Financial Assets</b>			
Other receivables	16	2,021,284	2,232,564
Financial Assets measured at Amortised Cost	14	372,829,607	40,167,893
Amounts Due from Related Companies	22.1	21,788,960	886,146
Cash and cash equivalents	13	28,962,086	14,265,035
		<b>425,601,937</b>	<b>57,551,638</b>
<b>Fair value Through Profit or Loss</b>			
Financial Assets measured at FVTPL	15	37,574,397,952	8,075,894,287
		<b>37,574,397,952</b>	<b>8,075,894,287</b>
<b>Total</b>		<b>37,999,999,889</b>	<b>8,133,445,925</b>
<b>Financial liabilities</b>			
<b>Other financial liabilities</b>			
Financial Liabilities at Amortised Cost	21	30,055,282,689	5,465,983,373
Other Payables	23	541,635,648	9,592,308
Lease liability	24	7,974,191	11,772,683
Amounts Due to Related Companies	22.2	107,959,732	7,046,054
Loan from related party	22.3	1,023,143,836	-
		<b>31,735,996,096</b>	<b>5,494,394,418</b>
<b>Total</b>		<b>31,735,996,096</b>	<b>5,494,394,418</b>

## Notes to the Financial Statements

For the Year Ended 31st March,

### 34. CAPITAL MANAGEMENT

The Company's policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves and Retained earnings. The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

The gearing ratio at the reporting date is as follows.

As at 31st March	2023	2022
Interest bearing borrowing		
Interest bearing borrowing	31,078,426,525	5,465,983,373
Net Debt	31,078,426,525	5,465,983,373
Equity	5,490,028,459	2,667,755,237
Gearing ratio	5.66	2.05

#### Dividend Policy

Subject to the provisions of the Companies Act No. 7 of 2007, the Articles of Associations of the Company and the provisions set out in the CBSL Direction No. 01 of 2021 applicable to Primary Dealer Companies, the Board of Directors may recommend and declare a maximum pay-out of 50% from and out of the Profit for the Year of the Company, to the Shareholders, by way of dividends. The exact dividend rate will be determined based on several factors, including but not limited to Company's earnings, future capital requirements and overall financial condition.

#### Minimum Core Capital

Capital Alliance PLC is an authorised Primary Dealer, supervised and regulated by the CBSL, and is subject to minimum Core Capital and Risk Weighted Capital Adequacy Ratio requirements stipulated by the regulator.

The Company has raised LKR 411,772,360 from the new issue of shares through IPO to improve the Core Capital of the Company.

#### CBSL Core Capital Compliance Timeline

Core Capital Requirement	Effective Date to Comply
LKR 1.0 bn	current requirement
LKR 2.0 bn	by 01 January 2022
LKR 2.5 bn	by 01 January 2023

\* As per the CBSL Direction No. 01 of 2021 applicable to Primary Dealer Companies

#### CBSL Core Capital Requirements

The Capital Adequacy Requirements as per the CBSL Direction No. 01 of 2021 applicable to Primary Dealer Companies (Core Capital)	The Timeline to Achieve such Requirements	The Level of Compliance As at 31st March 2023	The Level of Compliance As at 31st March 2022
LKR 2,500,000,000	1-Jan-23	4,845,939,578	2,622,845,783

#### CBSL Capital Adequacy Requirement

The Capital Adequacy Requirements as per the CBSL Direction No. 02 of 2015 applicable to Primary Dealer Companies (Risk Weighted Capital Adequacy Ratio)	The Timeline to Achieve such Requirements	The Level of Compliance As at 31st March 2023	The Level of Compliance As at 31st March 2022
10.00%	N/A	24.72%	310.65%

## 35. INVESTOR INFORMATION

### 35.1 Market Price per Share

Information on shares of the Company for the year ended	31-Mar-23	31-Mar-22
Market Price Per Share (Rs.)	32.60	9.50
Highest Price per share during the Year Ended	37.00	19.20
Lowest Price per share during the Year Ended	8.00	9.00

### 35.2 List of Twenty Major Shareholders as at 31st March 2023

Name of Shareholder/Company	Shareholding	Percentage
1 Capital Alliance Holdings Ltd	261,598,476	79.41%
2 Mr. W.A.T. Fernando	21,698,676	6.59%
3 Mrs. H.M.S. Perera	4,724,340	1.43%
4 J.B. Cocoshell (Pvt) Ltd	1,267,968	0.38%
5 Mr. G.B.D. Tilakaratne	1,133,676	0.34%
6 Hatton National Bank Plc/Astrue Alpha Fund	1,058,628	0.32%
7 Ashthi Holdings (Pvt) Ltd	1,000,012	0.30%
8 Hatton National Bank Plc A/C No.4 (HNB Retirement Pension Fund)	950,765	0.29%
9 Hatton National Bank Plc/JN Lanka Holdings Company (Pvt) Ltd	811,929	0.25%
10 Citizen Development Business Finance PLC/ T Ruchira	730,260	0.22%
11 Mr. A. De Zoysa	692,836	0.21%
12 Mr. E.J.B.U. Fernando	675,000	0.20%
13 Mrs. N H A D H Maduhari	607,500	0.18%
14 Mr. K.L.D.N.N.M. Liyanage	600,000	0.18%
15 Mr. R A H N Rathnayaka	576,600	0.18%
16 PMF Finance Plc/R.A. Niranjana	500,000	0.15%
17 Mr. A.D. Rayen	500,000	0.15%
18 Mr. L.H.S.L. Silva	500,000	0.15%
19 Seylan Bank Plc/Agampodi Chamara Senanka	499,483	0.15%
20 Mrs. G.F. Miskin	492,864	0.15%

### 35.3 Shareholding of the Directors/ Managing Director

Name	Designation	Shareholding
Mr. W A T Fernando	Director/CEO	21,698,676
Mr. R J Arasaratnam	Director	3,312
Mr. D A De Zoysa	Director	Nil
Mr. C S R S Anthony	Director	2,600
Ms. A I C Nandasena	Director	Nil
Ms. K A D Siriwardene	Director	Nil

### 35.4 Compliance Relating to the Public Floating

Disclosure in accordance with the Section 7.14.1 (b) of CSE Listing Rules

	Shareholding
Float adjusted market capitalisation as at 31st March 2023 (Rs)	1,300,495,688
Public holding percentage	12.11%
Number of public shareholders	2,238

Complied with the Minimum Public Holding requirement under Option 2 of CSE Listing Section 7.14.1 (b)

## Investor Information

### MARKET PRICE PER SHARE

Information on shares of the Company for the Year ended	31-Mar-23	31-Mar-22
Market Price Per Share (Rs.)	32.60	9.50
Highest Price per share (Rs.)	37.00	24.50
Lowest Price per share (Rs.)	8.00	9.00

### LIST OF TWENTY MAJOR SHAREHOLDERS

Name of Shareholder/Company	As at 31-Mar-23		As at 31-Mar-22	
	No. of Shares	Holding (%)	No. of Shares	Holding (%)
1 Capital Alliance Holdings Ltd	261,598,476	79.41 %	261,598,476	79.41%
2 Mr. W.A.T. Fernando	21,698,676	6.59 %	21,698,676	6.59%
3 Mrs. H.M.S. Perera	4,724,340	1.43 %	4,724,340	1.43%
4 J.B. Cocoshell (Pvt) Ltd	1,267,968	0.38 %		
5 Mr. G.B.D. Tilakarathne	1,133,676	0.34 %		
6 Hatton National Bank PLC/Astrue Alpha Fund	1,058,628	0.32 %		
7 Ashthi Holdings (Pvt) Ltd	1,000,012	0.30 %	1,000,012	0.30%
8 Hatton National Bank PLC A/C No.4 (HNB Retirement Pension Fund)	950,765	0.29 %		
9 Hatton National Bank Plc/ JN Lanka Holdings Company (Pvt) Ltd	811,929	0.25 %		
10 Citizen Development Business Finance PLC/ T Ruchira	730,260	0.22 %		
11 Mr. A. De Zoysa	692,836	0.21 %	692,836	0.21%
12 Mr. E.J.B.U. Fernando	675,000	0.20 %		
13 Mrs. N H A D H Maduhari	607,500	0.18 %		
14 Mr. K.L.D.N.N.M. Liyanage	600,000	0.18 %	1,515,776	0.46%
15 Mr. R A H N Rathnayaka	576,600	0.18 %		
16 PMF Finance Plc/R.A. Niranjana	500,000	0.15 %		
17 Mr. A.D. Rayen	500,000	0.15 %	500,000	0.15%
18 Mr. L.H.S.L. Silva	500,000	0.15 %	500,000	0.15%
19 Seylan Bank Plc/Agampodi Chamara Senanka	499,483	0.15 %		
20 Mrs. G.F. Miskin	492,864	0.15 %		
Total	300,619,013	91.23%	292,230,116	88.70%

## DISTRIBUTION OF SHARE HOLDINGS

No. of shares Held	31-Mar-2023			31-Mar-2022		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
1-1000	904	303,707	0.09 %	1,068	485,152	0.15%
1,001-10,000	990	3,204,612	0.98 %	1,859	5,831,607	1.77%
10,001-100,000	266	10,252,581	3.12 %	318	10,414,388	3.16%
10,0001-1,000,000	84	23,175,208	7.04 %	64	18,918,762	5.74%
Over 1,000,000	7	292,481,776	88.79 %	7	293,767,975	89.18%
<b>Total</b>	<b>2,251</b>	<b>329,417,884</b>	<b>100.00%</b>	<b>3,316</b>	<b>329,417,884</b>	<b>100.00%</b>

## ANALYSIS OF SHAREHOLDINGS

Categories of Shareholders	31-Mar-2023			31-Mar-2022		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
Individual	2,075	50,125,372	15.22%	3,156	56,161,049	17.05%
Institutional	176	279,292,512	84.78%	160	273,256,835	82.95%
<b>Total</b>	<b>2,251</b>	<b>329,417,884</b>	<b>100.00%</b>	<b>3,316</b>	<b>329,417,884</b>	<b>100.00%</b>

Categories of Shareholders	31-Mar-2023			31-Mar-2022		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
Resident	2,246	329,374,879	99.99%	3,309	329,132,434	99.91%
Non-Resident	5	43,005	0.01%	7	285,450	0.09%
<b>Total</b>	<b>2,251</b>	<b>329,417,884</b>	<b>100.00%</b>	<b>3,316</b>	<b>329,417,884</b>	<b>100.00%</b>

## SHAREHOLDING OF THE DIRECTORS/ MANAGING DIRECTOR

Name	Designation	Shareholding	
		31-Mar-2023	31-Mar-2022
Mr. W A T Fernando	Director/CEO	21,698,676	21,698,676
Mr. R J Arasaratnam	Director	3,312	3,312
Mr. D A De Zoysa	Director	Nil	Nil
Mr. C S R S Anthony	Director	2,600	2,600
Ms. A I C Nandasena	Director	Nil	Nil
Ms. K A D Siriwardene	Director	Nil	Nil

## COMPLIANCE RELATING TO THE PUBLIC FLOATING

Disclosure in accordance with the Section 7.14.1 (b) of CSE Listing Rules

	31-Mar-23	31-Mar-22
Float adjusted market capitalisation (Rs.)	1,300,495,688	372,187,855
Public holding percentage	12.11 %	11.89 %
Number of public shareholders	2,238	3,299

The Company had complied with the Minimum Public Holding requirement under Option 2 of CSE Listing Rule 7.14.1 (b) of the Listing Rules of the Colombo Stock Exchange.

## Five Year Summary

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH,	2023	2022	2021	2020	2019
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Income	4,720,189,909	508,341,479	1,075,181,078	1,439,556,700	1,092,701,549
Interest Expenses	(3,127,944,659)	(284,028,315)	(707,137,564)	(1,100,034,407)	(870,974,562)
Net Interest Income	1,592,245,250	224,313,164	368,043,514	339,522,293	221,726,987
Net Gain/(Loss) from Trading	609,575,468	(202,893,988)	1,345,009,255	898,346,842	(68,425,333)
Net Gain / (Loss) from remeasurement of Financial Assets at FVTPL	2,660,964,068	(16,022,056)	(132,025,344)	77,525,742	50,859,577
Direct Expenses	(11,006,189)	(6,680,015)	(16,433,846)	(13,258,460)	(13,559,914)
Other Income	14,850	7,438,593	5,345,044	10,414,633	11,246,807
Net Operating Income	4,851,793,447	6,155,698	1,569,938,623	1,312,551,050	201,848,124
Operating Expenses					
Personnel Expenses	(523,007,810)	(109,427,411)	(202,937,870)	(179,050,458)	(107,903,762)
Depreciation and Amortisation	(6,753,856)	(7,770,871)	(9,404,921)	(9,956,452)	(8,303,897)
Other Expenses	(627,148,978)	(95,249,211)	(87,369,677)	(115,737,129)	(48,144,745)
Profit / (Loss) Before Tax	3,694,882,803	(206,291,795)	1,270,226,155	1,007,807,011	37,495,720
Income Tax (Expenses)/Benefits	(867,876,159)	34,916,243	(303,745,017)	(270,415,130)	-
Profit / (Loss) for the year	2,827,006,644	(171,375,552)	966,481,138	737,391,881	37,495,720
Other Comprehensive Income/ (Expense) for the year	(4,733,422)	4,161,806	(3,526,610)	(36,746,388)	(17,400,902)
Total Comprehensive Income/(Expense) for the year	2,822,273,222	(167,213,746)	962,954,528	700,645,493	20,094,818



## STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH,	2023 Rs.	2022 Rs.	2021 Rs.	2020 Rs.	2019 Rs.
<b>ASSETS</b>					
Cash and Cash Equivalents	28,962,086	14,265,035	10,472,382	5,180,973	25,855,498
Financial Assets measured at Amortised Cost	372,829,607	40,167,893	47,184,373	776,555,344	1,524,524,820
Financial Assets measured at FVTPL	37,574,397,952	8,075,894,287	11,464,111,249	13,522,791,058	9,050,897,908
Amount due from Related Companies	21,788,960	886,146	3,437,023	6,589,447	2,642,458
Other Receivables	13,701,998	23,966,904	10,097,759	39,321,220	50,759,188
Financial Assets measured at FVOCI	-	-	1,000,000	1,000,000	461,856,150
Deferred Tax Asset	16,861,765	43,977,351	9,401,526	7,117,607	-
Income Tax Receivable	-	-	-	4,169,906	-
Intangible Assets	1,414,824	932,103	2,541,625	5,394,852	8,307,413
Right-of-use Asset	7,130,643	11,205,302	13,413,645	2,908,339	-
Equipment	3,582,166	3,595,286	2,992,394	3,510,529	4,106,520
<b>Total Assets</b>	<b>38,040,670,002</b>	<b>8,214,890,307</b>	<b>11,564,651,976</b>	<b>14,370,369,369</b>	<b>11,133,119,861</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Bank Overdrafts	-	-	-	-	1,202,627
Financial Liabilities at Amortised Cost	30,055,282,689	5,465,983,373	8,461,113,826	11,905,242,064	9,652,264,907
Amounts due to Related Companies	107,959,732	7,046,054	86,857,147	21,331,179	13,840,610
Loan from Related Party	1,023,143,836	-	-	-	-
Other Payables	541,635,648	9,592,308	78,590,712	65,420,851	20,672,682
Lease Liability	7,974,191	11,772,683	13,550,810	3,073,714	-
Retirement Benefit Obligation	54,808,736	38,506,345	40,783,555	30,480,213	25,669,240
Income Tax Payable	759,836,711	14,234,307	160,308,628	334,520,021	-
<b>Total Liabilities</b>	<b>32,550,641,542</b>	<b>5,547,135,070</b>	<b>8,841,204,678</b>	<b>12,360,068,042</b>	<b>9,713,650,066</b>
<b>EQUITY</b>					
Stated Capital	723,348,421	723,348,421	311,576,061	311,576,061	311,576,061
Special Risk Reserve	927,499,681	644,799,017	644,799,017	548,150,903	474,411,715
Fair Value Reserve	-	-	-	-	36,092,750
Retained Earnings	3,839,180,357	1,299,607,799	1,767,072,220	1,150,574,363	597,389,269
<b>Total Equity</b>	<b>5,490,028,459</b>	<b>2,667,755,237</b>	<b>2,723,447,298</b>	<b>2,010,301,327</b>	<b>1,419,469,795</b>
<b>Total Liabilities and Equity</b>	<b>38,040,670,002</b>	<b>8,214,890,307</b>	<b>11,564,651,976</b>	<b>14,370,369,369</b>	<b>11,133,119,861</b>

## Glossary of Financial Terminology

### Accounting Policies

The specific principles, bases, conventions, rules, and practices adopted by an entity in preparing and presenting financial statements.

### Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

### Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

### Amortised Cost

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or uncollectability.

### Asset

A resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

### Asset Backed Securitisations

Short or long-term financial securities which are backed by financial assets and also referred to as Securitisations.

### Capital adequacy ratio (CAR)

A measure of a Primary Dealer's capital and is a prudential requirement reflecting the dealer's level of stability. Two categories of capital are measured by the CAR namely Tier 1 and Tier 2.

- Tier 1 capital in view of local Primary Dealers consists of shareholders' equity, retained earnings or other surpluses and preference shares types as selectively set out by the Central Bank of Sri Lanka.
- Tier 2 capital includes revaluation reserves, subordinated term debt, perpetual subordinated debt and cumulative preference shares as selectively set out by the Central Bank of Sri Lanka.

### Capital Employed

The sum of shareholders' equity and debt Capital denoting the total amount of capital used in the acquisition of profits.

### Capital Reserves

The profits of a company which (for various reasons) are not regarded as distributable to shareholders as dividends. These include gains on the revaluation of capital assets.

### Cash Equivalents

Short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Commercial Paper

A short term unsecured promissory note issued in the open market by quoted public companies representing an obligation of the issuing entity.

### Contingent Liabilities

Conditions or situations at the reporting date, the financial effects of which are to be determined by future events which may or may not occur.

### Corporate Governance

Process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practice".

### Cost Method

Cost method is a method of accounting for an investment whereby the investment is recognised at cost. The investor recognizes income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

### Credit Rating

An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.

### Credit risk

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

### Debt Market

This also refers to as the bond market. A financial market where participants can issue new fixed income securities, known as the primary market, or buy and sell fixed income securities, known as the secondary market.

### Deferred Tax

Sum set aside in the financial statements that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

### De-recognition

Removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

### Derivatives

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

### Dividend Cover

Profit after tax divided by gross dividends. This measures the number of times the dividend is covered by distributable profits.

### Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

### Dividend Payout

It is the percentage of earnings paid to shareholders in dividends.

### **Dividend yield**

Dividend earned per share as a percentage of its market value.

### **Earnings Per Share**

Profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue.

### **Effective Interest Method**

A method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

### **Events Occurring After the Reporting Period:**

Significant events that occur between the reporting date and the date on which financial statements are authorised for issue.

### **Equity Instrument**

Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities

### **Expected Credit Losses**

Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument.

- 12 Month expected Credit Losses: The portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.
- Lifetime Expected Credit Losses: The expected credit losses that result from all possible default events over the expected life of a financial instrument.

### **Fair Value**

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **Financial Assets Recognized through profit or loss -measured at fair value**

These financial assets are held within a business model with the objective to sell financial assets.

### **Financial Assets at Amortised cost**

These financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. These assets are tested for impairment.

### **Financial Assets - fair value through other comprehensive income**

These financial assets are held within a business model with the objective to both hold financial assets in order to collect contractual cash flows and sell financial assets.

### **Financial Asset or Financial Liability at Fair Value through Profit or Loss**

Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as 'at fair value through profit or losses'.

### **Financial Instrument**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### **Fixed Income Securities**

Securities whose current income is fixed or based on some underlying index. These are also known as debt securities since they represent a fixed obligation of the company unlike equity, which pays dividends only when the company makes profits.

### **Gross Dividends**

The portion of profit inclusive of tax withheld distributed to shareholders.

### **Guarantee**

A promise made for a fee by a third party (Guarantor), who is not a party to the contract between two others, that the guarantor will be liable if one of the parties fails to fulfil the contractual obligations.

### **Impairment**

This occurs when recoverable amount of an asset is less than its carrying amount.

### **Impairment Allowances**

Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentifiable and individual (specific) or collective respectively.

### **Intangible Asset**

An identifiable non-monetary asset without physical substance held for use in the production/supply of goods/ services or for rental to others or for administrative purposes.

### **Interest Rate Risk**

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

### **Interest Cover**

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

### **Initial Public Offering (IPO)**

The first sale of a company's shares to the public, leading to the listing of its shares on the stock market.

Issue The issuance of new shares for sale to public by a company that has already held its Initial Public Offering (IPO).

### **Key Management Personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

### **Lease**

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

### **Liabilities**

Debt or obligations of a business.

### **Liquidity risk**

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

## Glossary of Financial Terminology

### Listed

A company or its financial securities which are admitted for trading on a stock exchange.

### Market Value per Share

The price at which an ordinary share is transacted in the stock market.

### Market Capitalization

The market value of a company at a given date obtained by multiplying the share price by the number of issued shares.

### Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of financial statements.

### Net Assets Per Share

Net assets (total assets fewer total liabilities) divided by the number of shares issued.

### Policy Rates

The rates that are used by a central bank to implement or signal its monetary policy stance. The Central Bank of Sri Lanka uses the Standing Deposit Facility Rate and Standing Lending Facility Rate as policy rates.

### Primary Dealer

A dealer in government securities licensed by the Central Bank of Sri Lanka.

### Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

### Related Party Transactions

A transfer of resources, services, or obligations between related parties, regardless of whether a price is charged or not.

### Repurchase Agreement

An agreement (Repo for short) is the simultaneous sale and repurchase of a security on different settlement dates.

### Reverse Repurchase Agreement

An agreement (Reverse Repo for short) is the simultaneous purchase and resale of a security on different settlement dates.

### Statutory Reserve Requirement (SRR)

A sum equivalent to 10% of profit after tax of a primary dealer has been transferred to Special Risk Reserve in accordance with the Directions issued by the Central Bank of Sri Lanka.

### Transaction Costs

Incremental costs which are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

### Unlisted

A financial instrument that is not traded on a stock exchange. This also refers to a company that has not been admitted to the stock exchange or acquired 'listed' status.

### Yield Curve

The graphical depiction of the relationship between the yield on Treasury securities and the corresponding period.

# Notice of Meeting

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2nd Annual General Meeting (AGM) of Capital Alliance PLC (the Company) will be held as a Virtual meeting on 20 September 2023 at 1.30 p.m. emanating from Level 05, Millennium House No. 46/58 Nawam Mawatha, Colombo 02 for the purpose of conducting the routine business of the Company to be undertaken at an AGM, as set out in the detailed Notice of Meeting available on the Corporate website of the Company Notice of Meeting- Annual General Meeting 2023 - <https://cal.lk/wp-content/uploads/2023/08/Notice-of-Meeting-Annual-General-Meeting-2023.pdf> and the website of the Colombo Stock Exchange (CSE) : <https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=CALT.N0000>

The business to be brought before the Meeting will be to:

1. Read the Notice convening the Meeting
  2. Receive and consider the Report of the Board of Directors and the Statements of Accounts for the year ended 31 March 2023 together with the Report of the Auditors thereon.
  3. To approve the recommended dividend of Rs. 3.04 per share as the First & Final dividend for the financial year ended 31st March 2023.
  4. To re-elect as a Director , Mr. Conganige Sextus Roland Sanjeewa Anthony, who will be retiring by rotation in terms of Articles 79 & 80 of the Articles of Association of the Company.
  5. Re-appoint M/s KPMG - Sri Lanka, Chartered Accountants, as the Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.
  6. To authorize the Directors to determine contributions to charities and other donations for the year 2023/2024.
- The Annual Report of the Company is available on the;
    - 1) Corporate Website of the Company - Annual Report for Year Ended 31st March 2023 - <https://cal.lk/wp-content/uploads/2023/08/CALT-Annual-report.pdf> and the website of the CSE <https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=CALT.N0000>
    - 2) Members may also access the Annual Report and Financial Statements on their mobile phones by scanning the following QR code



- A Member unable to attend the AGM is entitled to appoint a Proxy to attend and vote in his / her place by completing and sending the form of Proxy, a copy of which can be downloaded from Proxy Form - Annual General Meeting 2023 - <https://cal.lk/wp-content/uploads/2023/08/Proxy-Form-Annual-General-Meeting-2023.pdf>
- In order be valid, the Completed Form of Proxy must be lodged at the Registered Office of the Company not less than 48 hours before the meeting.
- Instructions as to attending the virtual AGM could be found at Instructions - Annual General Meeting 2023: <https://cal.lk/wp-content/uploads/2023/08/Instructions-as-to-attending-the-virtual-AGM.pdf>
- For any inquiries or clarifications, please contact Ms. Naomi Thomson on any working day on +94 11 2317777 or Email to [caltagm@cal.lk](mailto:caltagm@cal.lk)

By Order of the Board of Directors  
Capital Alliance PLC



S. S. P. Corporate Services (Private) Limited

Colombo, Sri Lanka  
28th August 2023



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A series of horizontal dotted lines for writing.





# Form of Proxy

## CAPITAL ALLIANCE PLC –PQ 00252285 Annual General Meeting -2023

I/We, ..... (NIC No.....)  
of ..... being a member/members of Capital Alliance PLC hereby appoint  
Mr./Mrs./Ms.....(NICNo.....)  
of..... failing him / her,

- Mr. Dinesh Ajith De Zoysa of Colombo or failing him
- Mr. Widanalage Ajith Terence Fernando of Colombo or failing him
- Mr. Rajadurai James Arasaratnam of Colombo or failing him
- Mr. Conganige Sextus Roland Sanjeewa Anthony of Colombo or failing him
- Ms. Aloka Irudiyani Chathurangani Nandasena of Colombo failing her
- Ms. Koruwage Aruni Dharshika Siriwardene of Colombo

as my /our Proxy to represent me/us and vote and speak for me/us on my/our behalf at the 02nd Annual General Meeting of the Company to be held as a virtual meeting emanating from Level 5, 'Millennium House', No. 46/58, Nawam Mawatha, Colombo 2 on 20th September and at any adjournment thereof and to vote at every poll which may be taken in consequence thereof.

Please indicate your preference by placing a "X" against the Resolution Number.

		FOR	AGAINST
1.	To receive and consider the Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2023 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2.	To approve the recommended dividend of Rs. 3.04 per share as the First & Final dividend for the financial year ended 31st March 2023.	<input type="checkbox"/>	<input type="checkbox"/>
3.	To re-elect as a Director, Mr. Conganige Sextus Roland Sanjeewa Anthony, who will be retiring by rotation in terms of Articles 79 & 80 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4.	To re-appoint M/s KPMG, Sri Lanka, Chartered Accountants, as the Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5.	To authorize the Directors to determine contributions to charities and other donations for the year 2023/24	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand/s this ..... day of ..... 2023

.....  
NIC Number / Reg. No

.....  
(Signatures)

**Please provide the following details:**

Name of the Shareholder : .....

Email Address of the Shareholder : .....

CDS A/C No/ NIC No/Company Reg No : .....

Folio No/ No of Shares held : .....

Name of the Proxy holder : .....

Email Address of the Proxy holder : .....

Proxy holder's ID No (if not a Director) : .....

CAPITAL ALLIANCE PLC - PQ 00252285

**INSTRUCTIONS FOR COMPLETION OF THE FORM OF PROXY**

1. Please complete the Form of Proxy by filling in legibly your full name, NIC number, email address and postal address and by signing in the space provided.
2. To be valid, this duly perfected Form of Proxy should reach the Registered Office of the Company, Level 5, Millenium House, No. 46/58, Nawam Mawatha, Colombo 2 (by way of scanning and emailing to caltagm@cal.lk or by post) not less than 48 hours before the time appointed for holding the meeting.
3. Please indicate clearly how your Proxy is to vote on the Resolutions. If no indication is given, the Proxy in his/her discretion may vote as he/she thinks fit.
4. If the shareholder is a Company or body corporate, a form of Corporate Representation executed under its Common Seal in accordance with its Articles of Association or Constitution should be submitted.
5. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
6. In case of Margin Trading Accounts (Slash Accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/ Banker with whom the account is maintained.

# Corporate Information

## Name of the Company

Capital Alliance PLC (Formally Capital Alliance Limited)

## Legal Form

Date of Incorporation : 10th August 2000

Date of Listing in CSE : 15th December 2021

## Company Registration No.

PQ 00252285

## Board of Directors

Mr. D A De Zoysa

Chairman - Non-Executive Non-Independent Director

Mr. W A T Fernando

Chief Executive Officer, Executive Director

Mr. R J Arasaratnam

Non-Executive Non-Independent Director

Mr. C S R S Anthony

Non-Executive Non-Independent Director

Ms. A I C Nandasena

Non-Executive Independent Director

Ms. K A D Siriwardene

Non-Executive Independent Director

## Registered Office

Capital Alliance PLC

Level 5, "Millennium House"

46/58, Navam Mawatha,

Colombo 2, Sri Lanka.

Tel : +94 11 231 7777

Fax : +94 11 231 7788

E-Mail : info@cal.lk

URL : www.cal.lk

## Auditors

Messer. KPMG, Chartered Accountants

32A, Sir Mohamed Macan Marker Mawatha

Colombo 03

Tel : +94 11 542 6426

## Company Secretaries

SSP Corporate Services (Pvt) Limited

101, Inner Flower Road

Colombo 03.

Tel : +94 11 257 3894

Email : sspsec@sltnet.lk

## Bankers

Seylan Bank PLC

Sampath Bank PLC

Nations Trust Bank PLC

Commercial Bank of Ceylon PLC

Peoples Bank

DFCC Bank PLC

## Lawyers

F J and G De Saram

Attorney-At-Law

216, De Saram Place

Colombo 10

Tel : +94 11 471 8200

Fax : +94 11 266 9769

Email : fjpgdesaram@fjpgdesaram.com



CAPITAL ALLIANCE PLC  
[www.cal.lk](http://www.cal.lk)