

A WEALTH OF EXPERIENCE



CAPITAL ALLIANCE LIMITED

PROSPECTUS

INVITATION TO INVEST IN THE
INITIAL PUBLIC OFFERING OF
CAPITAL ALLIANCE LIMITED

THROUGH THE OFFER FOR SUBSCRIPTION OF 41,177,236 ORDINARY VOTING
SHARES AT LKR 10.00 PER SHARE FOR A TOTAL VALUE OF LKR 411,772,360
TO BE LISTED ON THE DIRI SAVI BOARD OF THE COLOMBO STOCK EXCHANGE
ISSUE OPENS ON 25TH NOVEMBER 2021

Manager and Financial Advisor to the Issue
CAPITAL ALLIANCE PARTNERS LIMITED
Level 5, "Millennium House",
46/58, Nawam Mawatha,
Colombo 02.

The Manager and Financial Advisor to the Issue is a
related party to Capital Alliance Limited

This Prospectus is dated 09th November 2021

RESPONSIBILITY FOR THE CONTENT OF THE PROSPECTUS

This Prospectus has been prepared from the information provided by Capital Alliance Limited hereinafter sometimes referred to as "CALT"/the "Company", and from sources available to the public. The Directors of the Company, collectively and individually, having made all reasonable enquiries confirm to the Managers and Financial Advisors to the Offer, that to the best of their knowledge and belief, that this Prospectus contains all information with respect to the Company, which is material in the context of the Offer for Subscription; that the information contained herein is true and correct in all material respects and is not misleading; that there are no other material facts, the omission of which would, make any statement contained herein misleading; that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions.

Capital Alliance Limited accepts responsibility for the information contained in this Prospectus. While Capital Alliance Limited has taken reasonable care to ensure full and fair disclosure of information, it does not assume any responsibility for any investment decisions made by investors based on information contained herein. In making an investment decision, prospective investors must rely on their own examination and assessments of the Company including the risks involved.

No person is authorized to give any information or make any representation not contained in this prospectus and if given or made any such information and representation must not be relied upon as having been authorized by the Company.

If there is any inconsistency between the content in the Prospectus and the CSE Listing Rules, the CSE Listing Rules will prevail.

The delivery of this Prospectus shall not under any circumstances constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus. If any such material change occurs, the same will be immediately notified by the Company via a market announcement to the Colombo Stock Exchange ("CSE").

If you are in any doubt regarding the contents of this Prospectus or if you require any advice in this regard, you should consult a Lawyer, Managers and Financial Advisors to the Offer or any other Professional Advisor.

The CSE has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for the accuracy of the statements made, opinions expressed or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of the Shares which is decided solely by the Company

All Applicants (both resident and non-resident) should indicate their respective National Identity Card (NIC) number or Company Registration Number or Passport Number as the case may be in the Application Form. Individual resident Applicants should indicate their passport number in the Application Form only if they do not have an NIC number.

As per the Directive of the SEC made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the CDS dated November 30, 2010, all Shares allotted shall be directly uploaded to the CDS. All Applicants should indicate their CDS account number in the Application Form.

Applicants who do not have a CDS account are advised to open a valid CDS account prior to making the Application, in order to facilitate the uploading of issued Shares to the CDS.

APPLICATIONS WHICH DO NOT CARRY A CDS ACCOUNT NUMBER, OR WHICH INDICATE AN INCORRECT/INACCURATE CDS ACCOUNT NUMBER SHALL BE REJECTED AND NO ISSUE WILL BE MADE.

THE ALLOTTED SHARES SHALL BE CREDITED TO THE APPLICANT'S CDS ACCOUNT AS INDICATED IN THE APPLICATION FORM.

PLEASE NOTE THAT SHARE CERTIFICATES SHALL NOT BE ISSUED.

You may open a CDS account through any Member/Trading Member of the CSE as set out in Annexure 5 or through any Custodian Bank as set out in Annexure 6 of this Prospectus. You can also open a CDS account through the 'CSE Mobile App'. The CSE mobile application can be downloaded from the Apple App Store (For Apple iOS Users) or the Google Play Store (For Google Android Users).

REGISTRATION OF THE PROSPECTUS

A copy of this Prospectus has been delivered to the Registrar General of Companies in Sri Lanka for registration. The following documents were also attached to the copy of the Prospectus delivered to the Registrar General of Companies.

1. The written consent of the Managers and Financial Advisors to the Issue

The Managers and Financial Advisors to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Managers and Financial Advisors to the Issue and for the inclusion of their statements/declarations in the form in which it is included in the Prospectus.

2. The written consent of the Registrars to the Issue

The Registrars to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Registrars to the Issue in the Prospectus.

3. The written consent of the Auditors and Reporting Accountants to the Company and the Issue

The Auditors and Reporting Accountants to the Company and the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Auditors and Reporting Accountants to the Company and the Issue and for the inclusion of their report/statements in the form and context in which it included in the Prospectus.

4. The written consent of the Lawyers to the Issue

The Lawyers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Lawyers to the Issue in the Prospectus.

5. The written consent of the Bankers to the Company and the Issue

The Bankers to the Company and the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Bankers to the Company and the Issue in the Prospectus.

6. The written consent of the Company Secretaries

The Company Secretaries have given and has not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Company Secretary in the Prospectus.

7. The written consent of the Independent Valuers to the Issue

The Independent Valuers have given and has not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Independent Valuers to the Issue in the Prospectus.

8. The Declarations by the Directors

A declaration made by each of the directors of the Company confirming that each of them have read the provisions of the Companies' Act relating to the Offer of the Prospectus and that those provisions have been complied with.

Representation

No person is authorized to give any information or make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorized by the Company.

Registration of the Prospectus in jurisdictions outside Sri Lanka

This Prospectus has not been registered with any authority outside of Sri Lanka. Non-resident investors may be affected by the laws of the jurisdictions of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making their investment.

Forward Looking Statements

Any statements included in this Prospectus that are not statements of historical fact constitute “Forward Looking Statements”. These can be identified by the use of forward-looking terms such as “expect”, “anticipate”, “intend”, “may”, “plan to”, “believe”, “could” and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as Forward-Looking Statements.

Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company’s ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future.

Given the risks and uncertainties that may cause the Company’s actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward Looking Statements in this Prospectus, investors are advised not to place sole reliance on such statements.

Investment Considerations

It is important that this Prospectus is read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, see Future Strategies, Assumptions associated with the future strategies and Risks associated with the future strategies in Sections 3.11, 3.11.1 and 3.11.2 respectively.

Presentation of Currency Information and other Numerical Data

The financial statements of the Company and currency values of economic data or industry data in a local context will be expressed in Sri Lanka Rupees. Reference in the Prospectus to “LKR”, “Rupees” and “Rs.” are reference to the local currency of Sri Lanka. Reference to “USD” is with reference to the United States Dollars, the official currency of the United States of America.

Certain numerical figures in the Prospectus have been subject to rounding off adjustments; accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Presentation of Macroeconomic and Industry Data

Economic and Industry data used throughout this Prospectus are derived from the Central Bank of Sri Lanka and various other industry data sources, which the Company believes to be reliable, but the accuracy and completeness of that information is not guaranteed. Similarly, industry surveys and other publications, while believed to be reliable, have not been independently verified and neither the Company nor the Managers and Financial Advisors to the Offer make any representation as to the accuracy of that information.

TABLE OF CONTENTS

SALIENT FEATURES OF THE OFFER AT A GLANCE.....	9
CORPORATE INFORMATION.....	10
GLOSSARY OF TERMS AND ABBREVIATIONS.....	12

1. DETAILS OF THE ISSUE 14

1.1 THE ISSUE	14
1.2 NATURE OF THE NEW SHARES ISSUED	14
1.3 OBJECTIVES OF THE ISSUE	14
1.4 SPECIFIC RISKS ASSOCIATED WITH THE OBJECTIVES OF THE ISSUE.....	15
1.5 APPROVAL FROM OTHER REGULATORS.....	16
1.6 LISTING	16
1.7 SHARE ISSUE PRICE	17
1.7.1 QUANTITATIVE FACTORS.....	18
1.7.2 QUALITATIVE FACTORS.....	18
1.8 SUBSCRIPTION LIST	19
1.9 BASIS OF ALLOTMENT	19
1.10 COST OF THE OFFER	20
1.11 BROKERAGE.....	20
1.12 MINIMUM SUBSCRIPTION AND UNDERWRITING.....	20
1.13 INSPECTION OF DOCUMENTS.....	20

2. PROCEDURE FOR APPLICATION 22

2.1 ELIGIBILITY TO INVEST.....	22
2.2 PROCEDURE FOR APPLICATION.....	22
2.3 SUBMISSION OF APPLICATIONS.....	24
2.4 MINIMUM NUMBER OF SHARES	25
2.5 MODE OF PAYMENT.....	25
2.5.1 CHEQUES OR BANK DRAFTS – RESIDENT SRI LANKAN INVESTORS.....	26
2.5.2 BANK GUARANTEES – RESIDENT SRI LANKA INVESTORS	26
2.5.3 RTGS TRANSFERS – RESIDENT SRI LANKAN INVESTORS.....	26
2.5.4 CEFT/SLIP TRANSFERS – RESIDENT SRI LANKAN INVESTORS.....	26
2.5.5 FOREIGN CURRENCY REMITTANCE	26
2.6 BANKING OF PAYMENTS.....	27
2.7 REJECTION OF APPLICATIONS.....	27
2.8 REFUNDS.....	27
2.9 DECLARATION TO THE CSE AND SECONDARY MARKET TRADING.....	28

3. THE COMPANY 29

3.1	OVERVIEW OF THE COMPANY	29
3.1.1	KEY STRENGTHS OF CALT	29
3.1.2	AWARDS	31
3.2	VISION STATEMENT	31
3.3	MISSION STATEMENT	31
3.4	VALUES	31
3.5	DEGREE OF DEPENDENCY ON KEY CUSTOMERS AND SUPPLIERS	31
3.6	STATED CAPITAL	32
3.6.1	LATEST SHAREHOLDER LIST	32
3.6.2	NEW SHARES ISSUED	33
3.6.3	RE-PURCHASES OR REDEMPTIONS	33
3.6.4	OUTSTANDING CONVERTIBLE DEBT SECURITIES	33
3.6.5	EMPLOYEE SHARE OPTION SCHEMES	33
3.7	FREE TRANSFERABILITY OF SHARES	33
3.8	DIVIDEND POLICY	34
3.9	DETAILS PERTAINING TO THE LOCKED-IN SHARES	35
3.10	TAKEOVER OFFERS	37
3.11	FUTURE STRATEGIES	37
3.11.1	ASSUMPTIONS ASSOCIATED WITH FUTURE STRATEGIES	37
3.11.2	RISKS ASSOCIATED WITH THE FUTURE STRATEGIES	38
3.12	LITIGATION AND DISPUTES	38
3.13	CONTINGENT LIABILITIES	38
3.14	TAXATION APPLICABLE TO THE COMPANY	38
3.15	ANALYSIS OF RECENT FINANCIAL INFORMATION	39
3.16	DETAILS OF BENEFITS PAID TO PROMOTERS	40
3.17	DETAILS OF COMMISSION PAID	40
3.18	INTERESTS IN TRANSACTIONS RELATING TO PROPERTY OF THE COMPANY	40
3.19	MATERIAL CONTRACTS	40

4. CORPORATE GOVERNANCE 41

4.1	DIRECTORS	41
4.1.1	BOARD OF DIRECTORS	41
4.1.2	PROFILES OF THE BOARD OF DIRECTORS	41
4.1.3	OTHER DIRECTORSHIPS HELD BY THE DIRECTORS	43
4.2	AUDIT COMMITTEE	44
4.3	REMUNERATION COMMITTEE	44
4.4	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE	45

4.5	DIRECTORS' SHAREHOLDINGS IN THE COMPANY	45
4.6	DIRECTORS' INVOLVEMENT IN LITIGATION AND OFFENCES	45
4.7	DIRECTORS' INTERESTS.....	45
4.7.1	DIRECTORS INTEREST IN ASSETS.....	45
4.7.2	DIRECTOR INTERESTS IN CONTRACTS.....	45

5 HUMAN RESOURCE 46

5.1	EMPLOYEES.....	46
5.2	CHIEF EXECUTIVE OFFICER/MANAGING DIRECTOR.....	46
5.3	SENIOR MANAGEMENT.....	46
5.4	MANAGEMENT AGREEMENTS.....	48

6. DECLARATIONS 49

6.1	DECLARATION BY THE DIRECTORS	49
6.2	DECLARATION BY THE COMPANY	50
6.3	DECLARATION BY THE MANAGERS AND FINANCIAL ADVISORS TO THE OFFER	51
6.4	DECLARATION BY THE INDEPENDENT VALUERS TO THE OFFER.....	52

ANNEXURES 53

ANNEXURE 1 - ACCOUNTANT'S REPORT AND FIVE-YEAR SUMMARY	53
ANNEXURE 2 - AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2021	61
ANNEXURE 3 - UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH SEPTEMBER 2021	101
ANNEXURE 4 - INDEPENDENT VALUATION REPORT	113
ANNEXURE 5 - COLLECTION POINTS	158
ANNEXURE 6 - CUSTODIAN BANKS	161

TABLE OF FIGURES

Table 1-1	The Issue.....	14
Table 1-2	CBSL Core Capital Compliance Timeline	14
Table 1-3	CBSL Core Capital Requirements	14
Table 1-4	CBSL Capital Adequacy Requirement	15
Table 1-5	Use of Proceeds	16
Table 1-6	Summary Valuation.....	17
Table 1-7	Historical and Adjusted Earnings per Share (EPS), Return on Equity (ROE) and Price to Earnings Ratio (P/E)	18
Table 1-8	Basis of Allotment	19
Table 3-1	Contribution by Key Customers.....	32
Table 3-2	Latest Shareholder List (post Share Sub-division).....	32
Table 3-3	Dividend Payments	34
Table 3-4	Pre and Post Shareholding	35
Table 3-5	Locked-in Shares (Pre-IPO)	36
Table 3-6	Locked-in Shares (Post-IPO)	37
Table 3-7	Comparison of Audited Financial Information for Years Ended 31 March 2021 and 2020	39
Table 3-8	Comparison of Unaudited Financial Information for the 3 Months Ended 30 June 2021 and 2020	40
Table 4-1	Board of Directors	41
Table 4-2	Director Profiles	41
Table 4-3	Other Directorships held by the Directors	43
Table 4-4	Directors' Shareholding in the Company	45
Table 5-1	CEO/Managing Director's Profile	46
Table 5-2	Senior Management Profiles	46

SALIENT FEATURES OF THE OFFER AT A GLANCE

Company	Capital Alliance Limited
Total Number of Shares to be Issued	Forty-One Million One Hundred and Seventy-Seven Thousand Two Hundred and Thirty-Six (41,177,236) Ordinary Voting Shares
Share Issue Price	LKR 10.00 per Share
Amount to be Raised	LKR 411,772,360
Minimum Subscription per Application	<p>Minimum subscription per Application is 100 Shares. Applications exceeding the minimum subscription should be in multiples of 100 Shares</p> <p>Minimum subscription of 100 Shares will be allotted to each successful Applicant</p>
Issue Opening Date	25th November 2021
Issue Closing Date	14th December 2021
Earliest Closing Date	25th November 2021
Basis of Allotment	As described in Section 1.9 of this Prospectus
CSE Listing	To be listed on the Diri Savi Board of the CSE, subject to compliance with the CSE Listing Rules and the SEC Directives (as applicable)

CORPORATE INFORMATION

Company	Capital Alliance Limited
Date of Incorporation	10 August 2000
Place of Incorporation	Colombo, Sri Lanka
Legal Form of the Company	<p>The Company is a Primary Dealer authorised by the Central Bank of Sri Lanka. Incorporated in Sri Lanka on 10th August 2000 as a public limited company under the provisions of the Companies Act No. 17 of 1982 and re-registered on 03 September 2008 as a Public Limited Company under the provisions of Companies Act No. 7 of 2007</p> <p>Authority of Incorporation: Registrar of Companies (ROC), Colombo</p>
Company Registration Number	PB 554
Registered Office and Current Place of Business	<p>Capital Alliance Limited</p> <p>Level 05, Millennium House,</p> <p>46/58, Nawam Mawatha,</p> <p>Colombo 02</p>
Board of Directors	<p>Mr. Dinesh Ajit De Zoysa – Chairman – Non-Executive Non-Independent Director</p> <p>Mr. Widanalage Ajith Terence Fernando – Executive Director</p> <p>Mr. Rajadurai James Arasaratnam – Non-Executive Non-Independent Director</p> <p>Mr. Conganige Sextus Roland Sanjeewa Anthony – Non-Executive Non-Independent Director</p> <p>Ms. Aloka Irudiyani Chathurangani Nandasena – Non-Executive Independent Director</p> <p>Ms. Koruwage Aruni Dharshika Siriwardene – Non-Executive Independent Director</p>
Credit Rating of Entity	[SL]A- (stable) by ICRA Lanka Limited ¹
Company Secretaries	<p>S S P Corporate Services (Private) Limited</p> <p>101, Inner Flower Road,</p> <p>Colombo 03.</p> <p>Tel: +94 11 257 3485</p> <p>Fax: +94 11 257 3609</p>
Auditors to the Company	<p>KPMG Chartered Accountants</p> <p>32A, Sir Mohamed Macan Markar Mawatha,</p> <p>Colombo 03.</p> <p>Tel: +94 11 542 6426</p> <p>Fax: +94 11 244 5872</p>
Bankers to the Company	<p>Seylan Bank PLC</p> <p>Seylan Towers,</p> <p>No. 90, Galle Road,</p> <p>Colombo 03.</p> <p>Tel: +94 11 245 6789</p> <p>Fax: +94 11 245 6456</p>

¹ <https://www.icralanka.com/rationale/icra-lanka-reaffirms-the-issuer-rating-of-sla-for-capital-alliance-limited-2/>

Managers and Financial Advisors to the Issue	<p>Capital Alliance Partners Limited</p> <p>Level 5, "Millennium House",</p> <p>46/58, Nawam Mawatha,</p> <p>Colombo 02.</p> <p>Tel: +94 11 231 7777</p> <p>Fax: +94 11 231 7788</p>
Legal Advisors and Lawyers to the Issue	<p>D. L. & F. De Saram</p> <p>Attorneys-at-Law</p> <p>No. 47, C.W.W. Kannangara Mawatha (Alexander Place),</p> <p>Colombo 07.</p> <p>Tel: +94 11 269 5782</p> <p>Fax: +94 11 269 5410</p>
Auditors and Reporting Accountants to the Issue	<p>KPMG Chartered Accountants</p> <p>32A, Sir Mohamed Macan Markar Mawatha,</p> <p>Colombo 03.</p> <p>Tel: +94 11 5426 426</p> <p>Fax: +94 11 244 5872</p>
Registrars to the Issue	<p>S S P Corporate Services (Private) Limited</p> <p>101, Inner Flower Road,</p> <p>Colombo 03.</p> <p>Tel: +94 11 257 3485</p> <p>Fax: +94 11 257 3609</p>
Independent Valuer to the Issue	<p>Ernst & Young Transaction Advisory Services (Private) Limited</p> <p>201, De Saram Place,</p> <p>Colombo 10.</p> <p>Tel: +94 11 246 3500</p> <p>Fax: +94 11 269 7369</p>
Bankers to the Issue	<p>Seylan Bank PLC</p> <p>Seylan Towers,</p> <p>No. 90, Galle Road,</p> <p>Colombo 03.</p> <p>Tel: +94 11 245 6789</p> <p>Fax: +94 11 245 6456</p>

GLOSSARY OF TERMS AND ABBREVIATIONS

%	Percentage
Applicant/s	Any investor who submits an Application Form under this Prospectus
Application Form, Application	The Application Form that constitutes part of this Prospectus through which the investors may apply for the Shares
Articles of Association	Articles of Association of Capital Alliance Limited
AWPLR	Average Weighted Prime Lending Rate
Bn	Billions
CBSL	Central Bank of Sri Lanka
CDS	Central Depository System (Private) Limited
CEFTS	Common Electronic Fund Transfer Switch
CEO	Chief Executive Officer
Companies Act	Companies Act No. 07 of 2007 (as amended)
Company, CALT	Capital Alliance Limited
Core Capital	The Tier 1 capital as defined in the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009 as amended from time to time and Registered Stock and Securities (Primary Dealer) Regulations No. 01 of 2009, as amended from time to time
CSE	Colombo Stock Exchange
Directors	The Directors for the time being of the Company, unless otherwise stated
EPS	Earnings Per Share
Foreign Investors	Citizens of Sri Lanka who are resident outside Sri Lanka and above 18 years of age; Corporate bodies incorporated or established outside Sri Lanka; Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas); Regional and country funds approved by the SEC Please refer Section 2.1 for further information
Float Adjusted Market Capitalisation	Public shareholding percentage of the Company multiplied by the Market Capitalisation of the Company. Market Capitalisation is based on the Share Issue Price
FY18	Financial Year Ended 31 March 2018
FY19	Financial Year Ended 31 March 2019
FY20	Financial Year Ended 31 March 2020
FY21	Financial Year Ended 31 March 2021
GDP	Gross Domestic Production
IIA	Inward Investment Account
IPO	Initial Public Offering
Issue, Offer for Subscription	An invitation to the public by the Company to subscribe to the Offered Shares to be issued via an Offer for Subscription as detailed in this Prospectus

LKR	Sri Lankan Rupees
Mn	Millions
NAV	Net Asset Value
NAVPS	Net Asset Value Per Share
New Shares, Offered Shares	Forty-One Million One Hundred and Seventy-Seven Thousand Two Hundred and Thirty-Six (41,177,236) new Ordinary Voting Shares to be issued by the Company to the public at the Share Offer Price
NIC	National Identity Card
No.	Number
Offer Closing, Issue Closing Date, Closure Date	The date of closure of the subscription list as set out in Section 1.8 of this Prospectus
Offer Opening Date, Issue Opening Date	The date of opening of the subscription list as set out in Section 1.8 of this Prospectus
Ordinary Shares, Shares, Ordinary Voting Shares and Paid-up Ordinary Shares	Ordinary Shares of the Company, with the right to one vote on a poll at a meeting of the Company on any resolution, the right to an equal Share in dividends paid by the Company and the right to an equal Share in the distribution of the surplus assets of the Company in liquidation
P/E	Price to Earnings Ratio
P/BV	Price to Book Value Ratio
POA	Power of Attorney
Primary Dealer	Any commercial bank, company, or other person appointed by the Monetary Board as a primary dealer for the purpose of dealing with the Central Bank as a counterparty in the primary and secondary markets for Treasury Bills
Prospectus	This prospectus dated 9th November 2021 issued by the Company
Risk Weighted Capital Adequacy Ratio	The Ratio which is computed as per the Direction of Risk Weighted Capital Adequacy Framework for Primary Dealers dated 22.06.2006, as amended from time to time
ROE	Return on Equity
RTGS	Real-time Gross Settlement
SEC	Securities and Exchange Commission of Sri Lanka
Share Offer Price, Share Issue Price	The price at which the New Shares will be offered to the public, as detailed in the Prospectus. Share Offer price of LKR 10.00 per Ordinary Voting Share
SLIPS	Sri Lanka Inter-bank Payment System
Stated Capital	The Stated Capital of Capital Alliance Limited
The Board, The Board of Directors	The Board of Directors of Capital Alliance Limited
USD	United States Dollars
VAT	Value Added Tax
YE	Year Ended
YoY	Year over Year

1. DETAILS OF THE ISSUE

1.1 THE ISSUE

The Issue contemplated herein shall constitute an invitation made to the general public to purchase Forty-One Million One Hundred and Seventy-Seven Thousand Two Hundred and Thirty-Six (41,177,236) Ordinary Voting Shares through an Offer for Subscription. The Issued Shares amount to approximately 12.50% of the Ordinary Voting Shares of the Company at an Issue Price of Rupees Ten (LKR 10.00) per Share payable in full on application on the terms and conditions set out in this Prospectus. The Issue will constitute an Offer for Subscription, as detailed below:

Table 1-1 The Issue

Number of New Shares Issued	Forty-One Million One Hundred and Seventy-Seven Thousand Two Hundred and Thirty-Six (41,177,236) Ordinary Voting Shares
Percentage of Shares on Offer	12.50%
Issue Price per Share	LKR 10.00
Issue Value	LKR 411,772,360

The minimum subscription shall be 100 Ordinary Voting Shares and applications in excess of the minimum subscription should be in multiples of 100 Shares.

1.2 NATURE OF THE NEW SHARES ISSUED

Forty-One Million One Hundred and Seventy-Seven Thousand Two Hundred and Thirty-Six (41,177,236) Ordinary Voting Shares offered shall, upon allotment, rank equal and pari passu in all respects with the other existing Ordinary Voting Shares of the Company to be listed and such Shares shall confer on the holder thereof the right to one vote on a poll at a meeting of the Company on any resolution, the right to an equal share in any dividend that may be paid by the Company after the allotment of the Offered Shares and the right to an equal share in the distribution of the surplus assets of the Company in a liquidation.

1.3 OBJECTIVES OF THE ISSUE

CALT 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 intends to raise LKR 411,772,360 from the new issue of shares to improve the Core Capital of the Company, which, as at 30th June 2021, stands at LKR 2.4 bn.

Table 1-2 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*

Table 1-3 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 by the Company, at Present*	The Level of Compliance by the Company, After the Capital Infusion
LKR 2,500,000,000	01 January 2023	LKR 2,423,361,783	LKR 2,835,134,143

**unaudited financial information as at 30th June 2021*

Table 1-4 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 by the Company, at Present*	The Level of Compliance by the Company, After the Capital Infusion
10.00%	N/A	110.30%	129.04%

**unaudited financial information as at 30th June 2021*

Although CALT is currently operating well within the stipulated minimum requirement, the Company's goal is to build its Core Capital to about LKR 5.0bn in the medium term, in order to meet any higher Core Capital thresholds that may be implemented by CBSL at some point in the future. From a risk perspective, a higher level of Core Capital will also provide a cushion against adverse interest rate movements.

Furthermore, the relatively low capital base was quoted by the rating agency ICRA as a reason that CALT has been unable to achieve a higher credit rating (CALT currently has a [SL]A- (stable) rating from ICRA). This may be revised when the new funds flow into the Company and the equity-base shows an upward trend.

The amounts raised will be used to increase CALT's investment in financial instruments (primarily government securities – any diversification through investments in alternative financial instruments are subject to a limit of 5% of the total portfolio as imposed by the CBSL Direction 08/24/008/0021/001, dated 10th July 2013), thus earning a return on the freshly infused funds. CALT has purchased government securities worth LKR 12,138 mn, on average, per month over the 6-month period January to June 2021. The funds will be utilised to purchase the aforementioned instruments as soon as lucrative investment opportunities are identified. The Company expects to utilise the funds prior to 31st December 2021. The Company is confident in the management's ability to spot and take advantage of interest rate movements, thus earning a return that is in-line with the historical performance of the Company.

CALT, as at the date of this Prospectus, has not recognised any related parties for the investment in financial instruments of such proceeds from the Issue and, as such, CALT will utilise the proceeds in the ordinary course of business. In the event such utilisation involves a related party, the Company will comply with Section 9 of the Listing Rules of the CSE, as applicable.

The objectives of the Issue do not amount to a major transaction as per the Companies Act.

1.4 SPECIFIC RISKS ASSOCIATED WITH THE OBJECTIVES OF THE ISSUE

High-risk business model makes earnings volatile which could result in CALT recording potential losses in some future years

Primary Dealing is a **high-risk business** and while CALT will take every possible measure to manage risk, and maximise profits (maintaining an ROE that is in-line with the historical performance), the **annual return to Shareholders may be highly volatile**. In certain years, when the interest rates continue to move in an upward trajectory, **there is high potential for the Company to record losses** in their financial statements.

Risk of not being able to utilise the IPO proceeds on a timely basis or in the objectives specified under Section 1.3

CALT does not foresee any risk of not being able to utilise the funds raised from the IPO on a timely basis or in the objectives specified under Section 1.3, due to the nature of the business and since the CBSL carries out weekly bill auctions in which CALT mandatorily participate. However, if the entirety of IPO proceeds is not utilised immediately, such funds will be invested in other short-term fixed income instruments such as overnight reverse repos at an expected minimum rate of return of c. 5.0% p.a. (prevailing rate of return), until such time it is used for investments.

In the event proceeds raised via the Offer for Subscription is utilised for any purpose, other than the purpose mentioned under Section 1.3 or any deviation from the stipulated time frame to achieve such objective or any deviation from amount allocated for such objective, the Company will make necessary disclosures to the Shareholders via the CSE and include relevant disclosures in the Interim Financial Statements and Annual Report as appropriate. Further, the Company will take necessary steps to obtain the approvals of the relevant parties including the shareholders as appropriate at that point in time and make necessary disclosures as appropriate.

Furthermore, CALT will disclose the progress of the utilisation of the proceeds in the format below, in its interim and annual financial statements until such time the full amount is utilised for the said purpose.

Table 1-5 Use of Proceeds

Objective No.	Objective as per Prospectus	Amount allocated as per Prospectus	Proposed Date of Utilisation as per Prospectus	Amount allocated upon the receipt of proceeds in LKR (A)	as a % of total proceeds	Amounts Utilised in the Objective (LKR Mn) (B)	% of utilised against allocation (B/A)	Clarification if not fully utilised including where the funds are invested (eg. whether lent to related party/s etc)
	-	-		-	-		-	-
	-	-		-	-		-	-

In the event the proceeds raised through Offer for Subscription have been fully utilised by the Company for any objective as disclosed in the Prospectus between two financial periods, the Company would disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first, subsequent to the utilisation in its entirety as per the above template.

1.5 APPROVAL FROM OTHER REGULATORS

CALT is an authorised Primary Dealer and, as such, is regulated by the CBSL. The Company has informed the CBSL of its intention to list on the CSE, and the same has been acknowledged by the regulator. No further specific approvals are required in lieu of the Issue nor the Objectives of the Issue from the CBSL.

The Company requires a Primary Dealing license to carry out its business. CBSL does not require CALT to renew their license periodically, however, the CBSL may suspend and/or revoke the license should the terms and conditions attached to the license are not continuously adhered to.

CALT is also a Trading Member of the CSE and possesses a Stockbroker license and a Stock Dealer licence in Debt Securities, both issued by the SEC. Thus, CALT is regulated by both the CSE and the SEC and in terms of the Stockbroker Rules of the CSE, CALT is required to obtain prior approval of the CSE for any change in shareholding of CALT (as a result of the listing). As at the date of the Prospectus, CALT has informed both the SEC and the CSE on the proposed change in shareholding and obtained approval from the CSE and an acknowledgement from the SEC on the same.

To continue carrying out Corporate Debt trading activities (Corporate Debt Trading forms a small part of CALT's business – LKR 3,473,191 and LKR 1,091,379 recorded under other income for brokerage earned from this line of business in FY21 and FY20, respectively), the Company is required to renew the aforementioned licences annually.

1.6 LISTING

The Ordinary Voting Shares offered via the Offer for Subscription, and, if fully subscribed, will amount to 12.50% of the Offered and Paid-up Ordinary Shares of the Company.

An application has been made and approved in principle by the CSE for permission to deal in and for a listing of Three Hundred and Twenty-Nine Million Four Hundred and Seventeen Thousand Eight Hundred and Eighty-Four (329,417,884) Ordinary Voting Shares of the Company which will take place on the Diri Savi Board of the CSE.

However, the CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules of the CSE.

CALT is already in compliance with Rule 2.1.2 (ii) (a), (b) and (d) of the CSE Listing Rules. It is expected that the Company will meet the minimum public holding requirement set out in the CSE Listing Rules 2.1.2 (ii) (c), which requires that, in the event the Float Adjusted Market Capitalisation of the listing entity is less than LKR 1.0bn, 10% of the total number of shares for which a listing is sought should be in the hands of a minimum number of 200 public shareholders at the completion of the Issue, pursuant to which the listing of the entire Ordinary shares of the Company will take place on the Diri Savi Board of the CSE.

However, in the event the Offering is undersubscribed, and thereby CALT being unable to meet the above requirements, upon closure of the Issue, the Ordinary Voting Shares of the Company will not be listed on the CSE and the Company will return all monies received from Applicants within Eight (08) Market Days from the Closing Date.

1.7 SHARE ISSUE PRICE

The Board of Directors of the Company has, after careful consideration, resolved that the Issue Price of Rupees Ten (LKR 10.00) per Share for the New Ordinary Voting Shares being offered, is fair and reasonable to the Company and to all existing Shareholders of the Company as per Section 52 of the Companies Act.

The Issue Price was determined by the Company in consultation with the Managers and Financials Advisors to the Issue, and the Independent Valuers to the Issue. The following table shows a summary of the Valuation Methods used to determine the Issue Price:

Table 1-6 Summary Valuation

Valuation Method	Notes	Value per Share (LKR)	Issue Price Discount/ (Premium) to Valuation
Justified Price to Book Method	Primary Methodology	12.29	18.64%
Justified Price to Earnings Method	Secondary Methodology	12.11	17.43%
Dividend Valuation Model	Secondary Methodology	12.11	17.43%
NAV	Check Method	8.45	(18.35%)

Source: Independent Valuation Report (Annexure 4)

The Independent Valuers to the Issue have used the Justified Price to Book Method as the primary valuation methodology as this is the most suitable method to value a Primary Dealer such as CALT. Based on the primary valuation methodology, the Issue Price is at a 18.64% discount. This IPO discount is offered to investors in order to provide a potential upside on their investment.

At the time of performing the valuation, there were no comparable peers to CALT listed on the Colombo Stock Exchange to perform a relative valuation, thus, the Independent Valuers to the Issue initially considered using industry peers within the geographical region. However, the Independent Valuers to Issue are of the opinion that using such peers would distort the valuation (hence, the intrinsic value of the Company) due to differences in operations, geography, government policies, auction sizes etc. of these regional peers. Therefore, the Independent Valuers to the Issue have elected to opt-out of using the Market Approach (relative valuation) when arriving at the valuation range for CALT.

Please refer the Independent Valuation Report (Annexure 4) for further details on the valuation.

The Investors are advised to read the following summary with the risk factors included in Section 3.11.2 Risks Associated with the Future Strategies and the details about Capital Alliance Limited and its Financial Statements included in this Prospectus.

1.7.1 QUANTITATIVE FACTORS

The following quantitative factors were used to determine the Issue Price.

A. CALT's Earnings per Share (EPS), Return on Equity (ROE) and Price to Earnings (P/E) Ratio

Table 1-7 Historical and Adjusted Earnings per Share (EPS), Return on Equity (ROE) and Price to Earnings Ratio (P/E)

Based on Reported Financials	Basic EPS (LKR)*	Diluted EPS (LKR)**	Adjusted Basic EPS (LKR)***	Return on Equity****	P/E Ratio (Times)*****
31st March 2019	1.56	1.56	0.13	2.6%	76.87
31st March 2020	30.70	30.70	2.56	36.7%	3.91
31st March 2021	40.24	40.24	3.35	35.5%	2.98
Average	24.17	24.17	2.01	24.9%	4.97
3 months ended 30 June 2021*****	0.52	0.52	0.04	N/A	N/A

Source: CALT Audited Financial Statements, CALT Unaudited Financial Statements

* *Basic EPS calculated as Net Profit Attributable to Shareholders divided by Weighted Average Number of Equity Shares Outstanding during the Period*

** *CALT does not have any dilutive instruments in the capital structure*

*** *Basic EPS adjusted to factor in the 12:1 share sub-division carried out on 04 August 2021 (Refer Section 3.6)*

**** *Return on Equity calculated as Net Profit after Tax divided by Net Assets at the End of the Year*

***** *P/E Ratio of CALT is calculated on the IPO Issue Price of LKR 10.00*

***** *as per Unaudited Financial Statements*

B. CALT's P/E in relation to the Offer Price of LKR 10.00 per Share

- Based on the Adjusted Basic EPS of LKR 3.35 for the Financial Year ended 31st March 2021, the P/E Ratio is 2.98 times.
- Based on the three-year average (FY19 – FY21) Adjusted EPS of LKR 2.01, the P/E ratio is 4.97 times.

C. CALT's Net Asset Value (NAV) per Share and Price-to-Book Value (P/BV) Ratio

- Based on the NAV per Share in the latest audited financial statements as at 31 March 2021 of LKR 113.38 (Adjusted NAV per Share post share sub-division is LKR 9.45), the P/BV ratio is 1.06 times.
- Based on the NAV per Share in the latest unaudited interim financial statements as at 30 June 2021 of LKR 101.40 (Adjusted NAV per Share post share sub-division is LKR 8.45), the P/BV ratio is 1.18 times.
- Post-IPO NAV per Share is LKR 8.64, adjusted to reflect the NAV as at 30 June 2021 (adjusted for post share sub-division) and Number of Shares in Issue assuming the full subscription of the Shares issued via the IPO.

A waiver was requested by the Company, and granted by the CSE, on sub-section 2.2 (c) and 2.4 of Appendix 3C under Section 3 of the CSE Listing Rules, which requires CALT to disclose information relating to the P/E ratio and other accounting ratios of comparable peer entities, on the Prospectus. The waiver was requested since, as at the date of this Prospectus, there were no comparable peers listed on the CSE. Furthermore, regional peers were not deemed to be comparable due to differences in operations, geography, government policies, auction sizes etc. of these peers.

1.7.2 QUALITATIVE FACTORS

The following qualitative factors were considered when determining the Issue Price.

One of the non-Bank Primary Dealers in the Country led by industry veterans

With an asset base of LKR 11.56bn (audited financial information as at 31 March 2021), CALT is one of the few non-Bank Primary Dealers in Sri Lanka. The core Primary Dealing team, with a combined experience of over 100 years, is headed by the CAL Group CEO, Managing Director and the CAL Group Chief Risk & Compliance Officer – all of whom count over 20 years of experience in the industry. Supported by an in-house Research Unit, the Primary Dealing team has been

able to use data-driven trading models to forecast interest rates, which have proved highly successful in yielding high ROEs, in the past.

Additionally, being part of the larger CAL Group presents knowledge-sharing and synergistic benefits through other financial services within the Group – including corporate advisory, asset management and stock broking.

In-house software systems minimising operational errors and inefficiencies

Trading and settlement software developed in-house (and constantly updated) has allowed CALT to minimise operational errors and inefficiencies which are inherent to older legacy systems. These in-house systems also facilitate daily accounting and compliance requirements, and has built-in risk management/mitigation tools.

Low credit-risk portfolio and prudent risk management policies

As at 30 June 2021, based on unaudited financial information, over 95% of CALT's portfolio comprised of government securities and, as such, currently has minimal exposure to credit risk. CALT may decide to increase their investments in listed corporate debt (debentures) and/or listed equities, in the future – however the exposure to these instruments will be limited by CBSL enforced limits and more stringent in-house compliance thresholds.

Furthermore, internal risk-management tools/policies, including Target Duration & Convexity, Value at Risk (VaR) limits and Leverage limits have resulted in CALT being able to effectively manage risk, in a high-risk business.

1.8 SUBSCRIPTION LIST

The subscription list for the Shares Offered will open at 9.00 a.m. on 25th November 2021 and shall remain open for fourteen (14) market days until closure at 4.30 p.m. on 14th December 2021. In the event of an over subscription of the Offered Shares prior to the Closing Date, the Company shall inform the CSE in writing immediately of such fact and the subscription list shall be closed on the same day at 4.30 p.m., with written notification to the CSE.

In the event that the Company decides to close the issue before full subscription, the Company shall inform the CSE in writing immediately of such fact and the subscription list shall be closed on the following market day at 4.30 p.m., with written notification to the CSE.

1.9 BASIS OF ALLOTMENT

The basis of allotting the shares will be as per the manner prescribed in the CSE Listing Rule 2.1.1 (g) (ii), since the size of the Offering is less than LKR 3.0bn. The basis of allotment will be as follows:

Table 1-8 Basis of Allotment

Investor Category	Percentage of Issue Allocated
Retail Individual Investors	40.00%
Unit Trusts Investors	10.00%
Non-Retail Investors	50.00%
Total	100.00%

In determining the basis of allotment within the Retail Individual Investor Category, individual investors who subscribe for a small number of shares shall be given priority.

'Retail Individual Investor' shall mean an individual investor who subscribes for a maximum of Ten Thousand (10,000) shares or a value of not more than Rupees One Hundred Thousand (LKR 100,000), whichever is higher.

'Unit Trust Investor' includes growth or balanced Unit Trusts operated by Managing Companies licensed by the Securities and Exchange Commission of Sri Lanka (SEC) to operate such Unit Trusts, where such Unit Trust comprises of not less than Five Hundred (500) unit-holders resident in Sri Lanka who together hold at least 50% of that fund.

Please note that the Company will examine whether the Applicants under Unit Trusts investor category comply with criteria defined by the SEC Directive dated 06th June 2011 (SEC/LEG/11/06/01) and CSE Listing Rule 2.1.1 (g) (ii) (b).

‘Non-Retail Investor’ category shall include investors who do not fall under the ‘Retail Individual Investor’ or ‘Unit Trusts Investor’ categories.

Immediately after the basis of allotment being decided by the Board of Directors of the Company an announcement will be made to the CSE. The Company will notify successful applicants on their allotment within Ten (10) market days from the date of closure of the Offering.

In the event of an under subscription in the Retail Individual Investor Category, the Unit Trust Investor Category shall be given first priority in the allotment of the unsubscribed Shares.

In the event of an under subscription in the Unit Trust Investor Category, the Retail Individual Investor Category shall be given first priority in allotment of the unsubscribed Shares.

In the event of an under subscription in any one or more of the categories, the quantum of Shares unsubscribed may be redistributed to other categories that may be oversubscribed in a fair manner at the discretion of the Board of Directors, applicable in the case of the Non-Retail Investor Category.

In the event of an oversubscription in any one or more of the categories, in spite of the aforementioned distribution, the New Shares will be allotted at the discretion of the Board of Directors of the Company in a fair manner.

Redistribution will not apply in the event of an oversubscription or under subscription in all the categories.

1.10 COST OF THE OFFER

The Directors of the Company estimate that the total cost of the Share Offer will be approximately LKR 14.7 mn translating to c. 4% of the funds raised.

The above cost estimation includes the initial listing fees, fees payable to the Managers and Financial Advisor to the Issue, Registrars to the Issue, Bankers to the Issue, Lawyers to the Issuer, Independent Valuers to the Issue, advertising and promotional agency, costs of postage, stamp duty and printing, and brokerage commission. These costs will be recovered from internally generated funds of the Company.

1.11 BROKERAGE

Brokerage at the rate of zero decimal five per centum (0.50%) will be paid by the Company in respect of the number of shares allotted on applications bearing the stamp of any member or trading member of the CSE or any bank operating in Sri Lanka or the Bankers to the Issue or Managers and Financial Advisors to the Issue.

1.12 MINIMUM SUBSCRIPTION AND UNDERWRITING

In the opinion of the Directors of the Company, there is no minimum subscription required to be raised through this Issue. No underwriting arrangement has been made by the Company for this Share Issue. In the event the Offer is undersubscribed, the subscribers shall be allotted/allocated in full and funds raised via the Offer for Subscription together with subsequent capital raisings will be used to improve the medium to long-term core capital position of the Company.

1.13 INSPECTION OF DOCUMENTS

Certified copies of the following documents will be available for inspection during normal business hours at the Registered Office of **Capital Alliance Limited, Level 5, Millennium House, 46/58, Nawam Mawatha, Colombo 02**, from the date hereof, until the subscription list is closed or up to 14 market days, whichever is later.

- a. Articles of Association
- b. Auditors report and audited financial statements for the financial year ended 31st March 2021
- c. Material contracts and Management agreements, if any

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- d. Reports, letters, valuations and statements by any expert, any part of which is extracted or referred to in this Prospectus
 - e. The audited accounts of the Company for five (5) financial years immediately preceding the publication of this Prospectus
 - f. Interim financials for the three months ended 30th June 2021

The Prospectus and the Articles of Association of the Company will also be hosted on the Company's website www.cal.lk and the CSE website www.cse.lk during the above-mentioned period.

The Independent Valuation Report prepared by the Independent Valuers to the Issue will be hosted on the Company's website www.cal.lk and the CSE website www.cse.lk, for a period of two (02) months commencing from the date of issuance of the final Prospectus.

2. PROCEDURE FOR APPLICATION

2.1 ELIGIBILITY TO INVEST

Applications are invited from the following categories of applicants, **having a valid CDS account in the Central Depository System (Private) Limited (CDS Account):**

- a. Citizens of Sri Lanka who are resident within Sri Lanka and are above 18 years of age.
- b. Citizens of Sri Lanka resident outside of Sri Lanka and who are above 18 years of age.
- c. Foreign Citizens who are above 18 years of age.
- d. Companies, Corporations or Institutions incorporated or established within Sri Lanka.
- e. Corporate bodies incorporated or established outside Sri Lanka.
- f. Approved Unit Trusts licensed by the SEC.
- g. Approved Provident Funds and approved contributory pension schemes registered / incorporated / established in Sri Lanka. Applications by these bodies must be in the name of the Trustee / Board of Management thereof, in order to facilitate the opening of the CDS Accounts.
- h. Regional and Country funds approved by the SEC.

IMPORTANT - Joint Applicants should not apply through a separate Application Form either individually or jointly.

Applications will NOT be accepted from individuals under the age of 18 years or if made in the names of Sole Proprietorships, Partnerships, Unincorporated Trusts or any Non-Corporate Bodies.

2.2 PROCEDURE FOR APPLICATION

The Prospectus and Application Form will be available free of charge from the collection points listed under Annexure 5 in this Prospectus. The Prospectus can also be downloaded from www.cse.lk, and www.cal.lk.

i via Physical Delivery

The Application Form should be legibly completed and be received by the Registrars to the Issue during the stipulated time period. Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

ii via CAL Web Portal

The Prospectus and Application Forms are available through the CAL web portal www.cal.lk. The CAL IPO web portal can also be accessed through the website www.cse.lk. Applicants who intend to submit their Application Forms using this web portal may download the Application Form and follow the instructions set out in the said web portal and forward their Applications as per the instructions given therein.

iii via CSE Mobile App

Applicants who register with the CSE Mobile App, may download the Application Form through the Mobile App, follow the instructions set out in the said Mobile App, and forward their Applications as per the instructions. Submission of digital Application Forms through such CSE Mobile App is limited to both citizens of Sri Lanka who are resident in or outside Sri Lanka and are above 18 years of age and, foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas) only.

The Mobile App, currently, does not facilitate Applications made through Powers of Attorney (POA), Margin Trading, Joint Applicants and the categories referred to in Section 2.1 (c), (d), (e), (f), (g) or (h) to apply. Therefore, such Applicants may send their Applications physically or via the CAL web portal, as disclosed above.

APPLICANTS SHOULD APPLY ONLY THROUGH ONE INVESTOR CATEGORY (INCLUDING JOINT APPLICANTS) AND WOULD BE PERMITTED TO SUBMIT ONLY ONE APPLICATION FORM. TWO OR MORE APPLICATIONS SUBMITTED BY THE SAME APPLICANT EITHER UNDER THE SAME CATEGORY OR DIFFERENT CATEGORY WILL BE CONSTRUED AS MULTIPLE APPLICATIONS AND WILL BE REJECTED.

Applicants must apply for the Offered Shares on the Application Form, which constitutes part of this Prospectus. The Application Form should be legibly completed and be received by the Registrars to the Issue.

Applicants should apply only through one investor category (including joint applicants) and would be permitted to submit only one application form. Two or more applications submitted by the same applicant, either under the same category or different category will be construed as multiple applications and will be rejected.

Joint Applicants should note that all parties in the Joint Application should either be residents of Sri Lanka or non-residents. An Applicant of a Joint Application will not be eligible to submit a separate Application either individually or jointly for the Shares applied.

Applications by Companies, Corporations and other Corporate Bodies, registered/incorporated/established in Sri Lanka should be made under their common seal or in any other manner as provided by their Articles of Association or such other constitutional documents of such Applicants or as per the statutes governing them. In the case of Approved Provident Funds, Trust Funds and Approved Contributory Pension Schemes the Applications should be in the name of the Trustees/Board of Management.

The Application Forms may be signed by any party on behalf of the Applicant(s) provided that such person holds the Power of Attorney (POA) of the Applicant(s). A copy of such POA certified by a Notary Public as "True Copy" should be attached with the Application Form. The original POA certificate should not be attached.

Applicants, who wish to apply through their Margin Trading Accounts, should submit the Application signed by the Margin Provider, requesting a direct upload of the Shares to the Applicant's Margin Trading Account in the CDS. The Margin Provider should indicate the relevant CDS Account number relating to the Margin Trading Account in the space provided in the Application Form. A "True copy" of the Margin Trading Agreement should be attached with the Application Form.

An Applicant who has made an Application under a Margin Trading Account should not apply on a separate Application Form. Such Applications will also be construed as multiple Applications and will be rejected.

A foreign citizen must state his/her passport number in the space provided.

It should be noted that in the event the Applicant's CDS Account number is correctly stated in the Application Form all correspondence with such Applicant would be sent to the address given to the CDS by such Applicant.

Further, in the event the name or the address of the Applicant mentioned in the Application Form differs from the name or address given to the CDS by such Applicant in respect of the CDS Account mentioned in the Application Form, the name and the address given to the CDS by such Applicant in respect of the CDS account mentioned in the Application Form will be considered as the name and Address of such Applicant. Therefore, the Applicants must ensure that their name and address mentioned in the Application Form tallies with the name and address given to the CDS in respect of the CDS Account mentioned in the Application Form.

The applicant should absolve CSE and CDS for errors/omissions of the information recorded in the CDS accounts if such errors/omissions were initiated by such applicants.

Applications submitted under the Unit Trust Investors Category should accompany a written confirmation by the Trustee confirming that such unit trust is in conformity with the criteria defined by the SEC Directive dated June 6, 2011 (Ref: SEC/LEG/11/06/01) and CSE Listing Rule 2.1.1 (g) (ii) (b).

As per the Directive of the Securities and Exchange Commission made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the Central Depository System (Private) Limited dated November 30, 2010, all Shares issued shall be directly uploaded to the CDS accounts. As such, all Applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account number are advised to open a valid CDS account prior to submitting the Application in order to facilitate the uploading of relevant Shares to their CDS account.

Please note that upon the allotment of Shares under this Offering, the allotted Shares would be credited to the applicant's CDS account within twelve (12) Market Days from the closure of the Offer. Upon the completion of crediting of Shares into the investors' CDS Accounts, the Company shall send a written confirmation to the Shareholders within two (02) Market Days of crediting the CDS Accounts.

Please note that Share certificates shall not be issued. Applications which do not carry the CDS account number, which is not opened at the time of the closure of the subscription list or which indicate an incorrect/inaccurate CDS account number shall be rejected, and no issue will be made. You can open a CDS account through any member/trading member of the CSE as set out in Annexure 5 or through any custodian bank as set out in Annexure 6 of this Prospectus.

Applicants have the option of having their Shares 'locked' in the CDS as described below.

Shares that are locked would not be available for trading purposes and would not be visible to the participant. If the Applicant has not specified that his/her Shares need to be deposited to his/her 'locked' balance in the CDS account, the said Shares would be deposited to Applicant's 'trading' balance in the CDS account.

For those Shareholders who do not want to trade the securities, the CDS would provide a mechanism where securities can be 'locked' in the CDS account. The CDS would maintain two balances for each CDS account, namely a 'trading' balance and a 'locked' balance. The trading balance would be visible to the CDS participant and all dealings and trading would be permitted on the said trading balance, as done presently.

As opposed to the trading balance, the locked balance will not be visible to the CDS participant and all dealings on such locked balance would be suspended thereby maintaining the confidentiality of the information and also safeguarding the account holder from an unauthorized sale by a broker.

At the option and request of an account holder, the CDS would transfer a named quantity of securities from the locked balance to the trading balance of a CDS account and/or from the trading balance to the locked balance.

Retail Individual and Non-Retail Investor Category

Applicants falling under the 'Retail' and 'Non-Retail' Investor Categories should apply for the Shares on the **WHITE coloured** Application Form printed for this purpose, which constitutes part of this Prospectus. Such Application Forms will be made available from the collection points listed in Annexure 5 and can also be downloaded from www.cse.lk and www.cal.lk. Exact size copies of the Application form printed on **WHITE coloured** paper as specified herein will also be permissible under the Retail Individual and Non-Retail Investor Categories.

Unit Trust Investor Category

Applicants applying under the Unit Trust Investor Category must apply for the Shares using the separate **YELLOW coloured** Application Form printed for this purpose, which constitutes part of this Prospectus. Such Application Forms will be made available through the Managers and Financial Advisors to the Offer, Capital Alliance Limited, Level 05, Millennium House, 46/58 Nawam Mawatha, Colombo 02.

The completed Application Forms should be submitted to the Managers and Financial Advisors to the Offer who will forward the same to the Registrars to the Offer in accordance with Section 2.3.

2.3 SUBMISSION OF APPLICATIONS

The Application Form should be filled in accordance with the instructions thereof, along with the applicable remittance (cheque or bank draft or bank guarantee or RTGS transfer only for physical applications. RTGS or CEFT or SLIPS only for both applications via the CSE Mobile App and CAL Web Portal) for the full amount payable. The application should be enclosed in a sealed envelope marked "**Capital Alliance Limited - IPO**" on the top left-hand corner and be addressed and dispatched by post or courier or delivered by hand to the **Registrars to the Offer** at the following address, prior to 4.30 p.m. local time on the Offer Closing Date.

SSP Corporate Services (Pvt) Ltd
No. 101, Inner Flower Road,
Colombo 03.

Applications may also be handed over to the Managers and Financial Advisors to the Offer, members and trading members of the CSE as set out in Annexure 5, for onward transmission to the Registrars to the Offer.

In the case of investors applying under the Unit Trust Category the Application Forms should be submitted to the Managers and Financial Advisors to the Offer who will forward the same to the Registrars to the Offer.

In the case of Applications dispatched by courier or post, such applications should reach the Registrars to the Offer no later than 4.30 p.m. on the market day immediately following the closure date. Any applications received after the above deadline shall be rejected even though the courier or post mark is dated prior to the closure date.

In the case of applications dispatched by hand, such applications should reach the Registrars to the Offer no later than 4.30 p.m. on the date of closure of the Offering. Any applications received after the above deadline shall be rejected.

The subscription list for the offered Shares will open at 9.00 a.m. on 25th November 2021 and shall remain open for fourteen (14) market days until closure at 4.30 p.m. on 14th December 2021.

In the event of an over subscription of the offered Shares prior to the date scheduled as the Closing Date of the period for subscription, the Company shall inform the CSE in writing immediately of such a fact and the subscription list will be closed at 4.30 p.m. on the same day on which it is fully subscribed with notification to the CSE.

2.4 MINIMUM NUMBER OF SHARES

The application should be made for a minimum of hundred (100) Shares or in multiples of hundred (100) Shares thereof.

Applications made for less than hundred (100) Shares or for a number which is not in multiples of hundred (100) Shares will be rejected. The cheque or bank draft or bank guarantee or RTGS, CEFT or SLIPS transfers should be issued/carried out to the exact value of the number of Shares applied for multiplied by the Share Offer price. Cheques, bank drafts or bank guarantees or RTGS, CEFT or SLIPS transfers not conforming to the above requirement will be rejected at the outset.

2.5 MODE OF PAYMENT

Payment should be made separately in respect of each Application by way of a cheque or bank draft or bank guarantee drawn upon a licensed commercial bank operating in Sri Lanka or RTGS transfer directed through any licensed commercial bank operating in Sri Lanka for physical applications and by way of CEFT or SLIPS or RTGS transfer directed through any licensed commercial bank operating in Sri Lanka for applications made via the CSE Mobile App and via the CAL Web Portal. Remittances on Applications will be deposited in a separate bank account in the name of “Capital Alliance Limited - IPO”.

Cash will not be accepted, anyone wishing to pay cash should obtain a bank draft from any Licensed Commercial Bank in Sri Lanka. Bank guarantees should be valid up to one (01) month from the date of opening of the Offer (i.e., 27th December 2021).

Payment for Applications for values below Rupees One Hundred Million (LKR 100,000,000/-) could be supported by only one cheque or bank draft or bank guarantee. Any Applications with two or more cheques, bank drafts or bank guarantees will be rejected at the outset in the event the value of such Application is below Sri Lankan Rupees One Hundred Million (100,000,000/-).

Payments for Applications for values above and inclusive of Sri Lankan Rupees One Hundred Million (LKR 100,000,000/-) will be permitted to submit multiple Bank guarantees issued by Licensed Commercial Banks in Sri Lanka, multiple bank drafts/cheques drawn upon any Licensed Commercial Bank operating in Sri Lanka, or a single RTGS transfer directed through any licensed commercial bank operating in Sri Lanka, each of which should be for values on the date of opening of the Offer.

Please follow the web link given below in order to get your Bank and Branch codes:
<https://www.lankaclear.com/downloads/bank-branch-directory/>

2.5.1 CHEQUES OR BANK DRAFTS – RESIDENT SRI LANKAN INVESTORS

Cheques or bank drafts should be drawn on any Licensed Commercial Bank in Sri Lanka and crossed “Account Payee Only” and made payable to **“Capital Alliance Limited - IPO”**. Cheques or bank drafts accompanying Application Forms made for less than hundred (100) Shares or for a number which is not in multiples of hundred (100) Shares (as mentioned in Section 2.4) will not be sent for clearing and shall be returned via ordinary post at the risk of the applicant, or in the case of joint applicants, to the first named applicant. In the event that cheques are not realized within three (03) market days from the day of presenting the same to the bank for clearing, the cheques will be returned, and no allocation of Shares will be made to the investors.

Cheques must be honoured on the first presentation to the bank for the application to be valid. Applications supported by cheques which are not honoured on the first presentation will be rejected.

2.5.2 BANK GUARANTEES – RESIDENT SRI LANKA INVESTORS

Applications made by resident Sri Lankan investors backed by bank guarantees presented in line with the requirements set out in Section 2.5 will be accepted. Bank guarantees will be presented to the respective banks only after the Shares have been allotted. Bank guarantees should be issued by any Licensed Commercial Bank in Sri Lanka and in favour of **“Capital Alliance Limited - IPO”** in a manner acceptable to the Company and payable on demand. Bank guarantees should be valid for a minimum of one (01) month from the date of opening of the Offer (i.e., 27th December 2021).

2.5.3 RTGS TRANSFERS – RESIDENT SRI LANKAN INVESTORS

In case of RTGS transfers (only for Application valued above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), such transfers should be made to the credit of **“Capital Alliance Limited - IPO”** with value on the Offer Opening Date (i.e., the funds to be made available to the above account) for applications submitted via;

- » CAL Web Portal bearing the account number 0860-00040312-003 at Seylan Bank PLC
- » CSE Mobile App bearing the account number 0860-00040312-004 at Seylan Bank PLC

2.5.4 CEFT/SLIP TRANSFERS – RESIDENT SRI LANKAN INVESTORS

In case of CEFT/SLIP transfers (only for Application made via the CSE Mobile App and the CAL Web Portal), such transfers should be made to the credit of **“Capital Alliance Limited - IPO”** value on or before the Closure date (i.e., the funds to be made available to the above account) for applications submitted via;

- » CAL Web Portal bearing the account number 0860-00040312-003 at Seylan Bank PLC
- » CSE Mobile Application bearing the account number 0860-00040312-004 at Seylan Bank PLC

2.5.5 FOREIGN CURRENCY REMITTANCE

This Section is applicable to citizens of Sri Lanka who are above 18 years of age and resident overseas, corporate bodies incorporated or established outside Sri Lanka, global, regional or country funds approved by the SEC and foreign citizens (irrespective of whether they are resident in Sri Lanka or overseas) who are above 18 years of age.

The above-mentioned applicants should make their payments using one of the following methods as the case may be.

A foreign investor must invest through an Inward Investment Account (IIA) maintained with any Licensed Commercial Bank in Sri Lanka. The procedure for arranging payments through a IIA is presented below:

A foreign investor may use the services of a Custodian bank as an intermediary when investing in the Sri Lankan securities market.

The intermediary may open an IIA, on the investor's behalf. In conjunction with the IIA, an account with the CDS must be opened.

In respect of global, regional or country funds investing for the first time in Sri Lanka, the intermediary will facilitate the approval process regulated by the SEC.

Payment for Shares should be made through a cheque, bank draft or unconditional bank guarantee or RTGS, CEFT or SLIPS transfers against the funds in the IIA and made payable to **“Capital Alliance Limited - IPO”**.

Cheques or Bank Drafts or Bank Guarantee or RTGS, CEFT or SLIPS transfers should be endorsed by the issuing custodian bank, to the effect that, arrangements have been made to facilitate such payment to be made against funds available in the Applicant's IIA account. The endorsement must be clearly indicated on the cheque or bank draft or the bank guarantee. Alternatively, a document detailing the endorsement could be submitted along with the payment and Application.

Applications supported by foreign currency remittances should be made in conformity with requisite declarations set out in the Application and be accompanied by the Applicant's IIA statement.

2.6 BANKING OF PAYMENTS

All cheques, bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Market Day after the Offer Closing Date.

2.7 REJECTION OF APPLICATIONS

- » Application Forms, which are incomplete in any way and/or are not in accordance with the terms and conditions specified in this Prospectus, will be rejected at the absolute discretion of the Company.
- » If the CDS account number is not indicated in the Application Form or is not opened at the time of the closure of the subscription list or the CDS number indicated in the application form is found to be inaccurate/incorrect, the application will be rejected and no allotments will be made.
- » Applications with two or more cheques, bank drafts or bank guarantees will be rejected in the event the value of such Application is below Sri Lankan Rupees One Hundred Million (100,000,000/-).
- » Applications made for less than One Hundred (100) Shares or for a number which is not in multiples of One Hundred (100) Shares will be rejected.
- » Two or more applications submitted by the same applicant either under the same category or different category will be construed as multiple applications and will be rejected.
- » Application Forms accompanied by cash will not be accepted.
- » Applications delivered by hand after 4.30 p.m. on the Offer Closing Date will be rejected.
- » Applications received by post after 4.30 p.m. hours on the succeeding working day immediately following the date of closure of the subscription list, will also be rejected even if they carry a post mark dated prior to the Closing Date of the subscription list.
- » Applications made by individuals below 18 years of age or those in the names of sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.
- » In the event cheques are dishonoured/returned on first presentation, the Application will be rejected.

The Board of Directors reserves the right to refuse any applications or to accept any applications in full or part.

2.8 REFUNDS

Where an Application Form is rejected, the cheque, bank draft or bank guarantee received in respect of the application will be returned via ordinary post at the risk of the applicant. In the case of joint applicants, application monies will be returned to the first named applicant.

Where the Application Form is accepted and the cheque or the bank draft or bank guarantee is not honoured at the first presentation, the application will also be rejected and the cheque, bank draft or bank guarantee will be returned via ordinary post at the risk of the applicant. In the case of joint applicants, application monies will be returned to the first named applicant.

Where an application is accepted only in part or rejected in full, the balance of the monies received on application will be refunded. Refunds on Shares that have not been allotted or for applications that have been fully rejected, will be refunded on or before the expiry of eight (08) market days from the date of closing of Offering (excluding the date of Offering) as required by the CSE Listing Rules.

Applicants would be entitled to receive Interest at the last quoted Average Weighted Prime Lending Rate (AWPLR) published by the Central Bank of Sri Lanka plus Five Percent (5%) on any refunds not made within this period.

The refund payments only up to a maximum limit of Rupees Five Million (Rs 5.0 Million) will be made to the bank account specified by the applicant through the Sri Lanka Inter-bank Payment System (SLIPS) (as per LANKACLEAR Operating instruction circular No 11/2010 dated 25th Oct 2010) on or before the expiry of eight (08) market days from the closure date (excluding the date of Offering) as required by the CSE Listing Rules and a payment advice shall be issued to the applicant provided that the applicant has submitted accurate and complete details of his bank account in the application form.

If the Applicant has provided accurate and complete details of his bank account in the Application, the Bankers to the Offer will make refund payments up to and inclusive of Sri Lanka Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the Applicant, through SLIPS and a payment advice will be sent.

In the event of refunds over Rupees Five Million (LKR 5,000,000/-), if the Applicant has provided accurate and complete details of his bank account in the Application, refunds will be made via RTGS.

In the event the Applicant has not provided accurate and correct details of his bank account in the Application or if the Applicant has not provided details of the bank account in the Application Form, the bank will make such refund payment to the Applicant by way of a cheque crossed "Account Payee only" and sent by post at the risk of the Applicant.

In the event the refund payment is effected via SLIPS based on the bank account details provided by the applicant in the application form, but is rejected by the applicant's bank due to inaccurate or incomplete information, such refund payments would be made via a crossed cheque in favour of the applicant and sent by ordinary post at the risk of the applicant. In such instances, the Company together with the Registrars to the Offer will send the refund cheques to such applicants at the earliest possible date and the applicant should not hold the Company or the Registrars to the Offer accountable for such delays.

If the applicant has not provided details of the bank account in the Application Form or has provided inaccurate or incomplete details of the bank account, the refund payment will be made by a crossed cheque in favour of the applicant and sent by ordinary post at the risk of the applicant. In the case of a joint application, a crossed cheque will be drawn in favour of the applicant whose name appears first in the Application Form.

2.9 DECLARATION TO THE CSE AND SECONDARY MARKET TRADING

The Company will submit to the CSE a Declaration on the market day immediately following the day on which Investors' CDS accounts are credited with securities. Trading of Shares of the Company on the Secondary market will commence on or before the third market day from the receipt of the Declaration of the Company by the CSE.

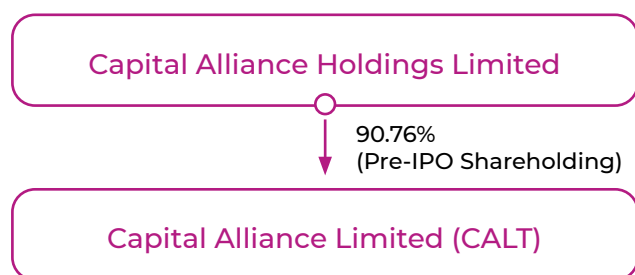
3. THE COMPANY

3.1 OVERVIEW OF THE COMPANY

Capital Alliance Limited (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. With over two decades of experience, the Capital Alliance Group (CAL Group) has graduated to become a leading Investment Banking group in Sri Lanka. The Group has diversified into asset management, stock brokering, corporate debt and equity advisory, private equity and research services to suit the needs of their wide-ranging clients. The group specialises in originating, trading and investing in debt and equity securities, thereby offering investments into a variety of asset classes, all under one roof. Family businesses form the core constituents of the Group's client base. By focusing on building and nurturing long-term relationships with their clients this has indisputably brought about great success for the Group.

Capital Alliance Limited forms the securities trading function of the Group and, as per the CBSL², is one of five (05) non-Bank Primary Dealers in the country. CALT's main business is trading government securities and the Company makes profits by accurately forecasting interest rate movements. CALT's business is regulated by the Central Bank of Sri Lanka and its operations 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.

Group Structure



3.1.1 KEY STRENGTHS OF CALT

A. Interest Rate Forecasting

Interest rate forecasting is a key aspect of the CALT business model and management's experience in interest rate forecasting helps to indicate the ideal time for market entry and exit.

CALT has its own in-house proprietary trading models which has been instrumental in forecasting interest rates in the past as depicted by its stellar ROE. Given that CALT operates in a highly dynamic field, the Company undertakes research to keep up with emerging market trends and to continuously improve their forecasting capacity. Further, the use of Big Data driven systems helps to analyse past patterns and extrapolate them to gauge current market trends.

B. Diverse and Dedicated Dealing Team & Focus Towards Human Resource Development

CAL comprises of a team of individuals from diverse backgrounds who add value in their own capacities. The team is headed by three veterans in the industry – CAL Group CEO (Mr. Ajith Fernando) who holds over 30 years of experience in Primary Dealing, Managing Director (Mr. Somadasa Palihawadana) who has over 43 years of experience in the industry and the CAL Group Chief Risk & Compliance Officer (Mrs. Sharmali Perera) who has been in the industry for over 20 years. The trio bring in a wealth of experience and expertise into CALT.

By maintaining a balance between young and dynamic members along with seasoned veterans, CALT is able to bring in technical expertise and current market knowledge to ensure that their operations run smoothly as they offer high quality services to clients.

The CAL Group places great emphasis on performance and work ethic across all group companies. Building on this culture, CALT aims to motivate their employees for work and personal success. There is an appraisal index that

2 <https://www.cbsl.gov.lk/en/authorized-financial-institutions/registered-authorized-primary-dealers>

ascertains the training requirements of CALT's resource pool, which in turn determines the success of their employees. Given the dynamic nature of the industry the Company's commitment to training and development is at the forefront of their agenda. This is because relevant training is instrumental for employees to achieve technical expertise and raise competency levels to be better equipped to handle the challenges in the industry. Training also includes sales training, anti-money laundering, bonds and securities, budget management and cash flow management and specialised training is required to enhance decision making and supervisory abilities in terms of communication, negotiation and conflict resolution skills. The Company also ensures that they invest in human capital in the specialised field of money markets which is a growing niche market.

C. Stringent Risk Management Policies

CALT has a plethora of risk management/mitigation policies in place. This emphasises on the fact that the Company ensures discipline when making trading decisions on their portfolio by trading within the risk management policies set by the board of directors to minimise losses.

Core policies include:

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, CALT is able to successfully gauge the market conditions based-on past data and experience in market conditions. With this, they can make informed decision in terms of interest rate outlook.

D. In-House Software Systems

CALT has systems software that integrates the back-office function to manage settlements efficiently, without any bottlenecks, errors or defaults. This includes the Fixed Income System that handles deal processing and settlement functions of the back-office operations and the Traders Front End System which was developed to ensure portfolio management with risk mitigation tools.

E. Part of an Established and Multifaceted Financial Services Group (CAL Group)

As a member of a multifaceted financial services group, CALT is able to draw on the synergistic benefits of all the services offered by the CAL Group. There is a higher chance of knowledge transfer and ability to draw on the skills and talents of the individuals from the other verticals the Group operates in. Therefore, clients are able to benefit from this level of all-encompassing service.

3.1.2 AWARDS

Best Fixed Income Trading House: the IFM Awards (2016 and 2018) – celebrates excellence in its purest form and ensures the highest standards of innovation and performance.



3.2 VISION STATEMENT

CALT's Vision Statement is the same as the CAL Group's which is:

"To become the Preferred Investment Banking Partner in Frontier Markets."

3.3 MISSION STATEMENT

To drive economic growth in Frontier Markets by using capital markets to create a financial eco-system that is a more transparent and efficient alternative to the traditional banking system.

3.4 VALUES

CALT follows the 4 fundamental values that are part of the CAL Group:

- » 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 away from irrelevance.
- » Teamwork - We are a star team, not a team of stars.

3.5 DEGREE OF DEPENDENCY ON KEY CUSTOMERS AND SUPPLIERS

Degree of dependency on Key Customers

Based on CALT's business model, a significant part of the Net Income is derived from the Interest Income (from Government Securities, Reverse Repos, etc.), and Trading Gains (realised gains on the sale of Government Securities, etc.).

Furthermore, CALT's gross income can be attributable to both the Primary and Secondary markets – with the CBSL constituting the entirety of the Primary market transactions. A break-down of the Secondary market sales based on the type of client is provided below:

Table 3-1 Contribution by Key Customers

Customer Category	Contribution % to Secondary Market Sales (FY21)
Banks	67.51%
Primary Dealers	12.84%
Fund Management Companies	10.71%
Corporates	3.45%
Individuals	3.24%
Non-Banking Financial Institutions	1.29%
Insurance Companies	0.96%
TOTAL	100%

Source: CALT Management Information

Degree of dependency on Key Suppliers

Considering the nature of the business carried-out by CALT, there is low dependency on suppliers for the Company's operations. However, it should be noted that CALT obtains funding from finance providers (Banks, other Primary Dealers etc.) through loan facilities and Repurchase Agreements (repos), and commission payments made to money market brokers for facilitating trading of financial instruments.

3.6 STATED CAPITAL

The Stated Capital of the Company comprised of 24,020,054 Ordinary Voting Shares representing a value of LKR 311,576,061 as at 30th June 2021. On 05 August 2021, the Board of Directors resolved to carry out a sub-division of shares in the ratio of 12:1 resulting in the total number of Ordinary Voting Shares in the Company increasing to 288,240,648. This sub-division of shares does not change the value of the Stated Capital of the Company nor the percentage ownership of the existing Shareholders. The post sub-division cost per share, calculated as Stated Capital divided by the Number of Shares, is approximately LKR 1.08 per share – this computation only considers the Stated Capital component of Equity and excludes Reserves such as Retained Earnings.

In the event of liquidation of the Company, the Ordinary Shareholders shall have the right to an equal Share in any surplus assets of the Company available for distribution after paying all the creditors of the Company and all other claims and Debts in accordance with the provisions contained in the Companies Act No 7 of 2007 on liquidation.

3.6.1 LATEST SHAREHOLDER LIST

Table 3-2 Latest Shareholder List (post Share Sub-division)

Name of Shareholder	No. of Shares as at 30 September 2021	% Ownership
M/S. Capital Alliance Holdings Limited	261,598,476	90.76%
Mr. Widanalage Ajith Terence Fernando	21,698,676	7.53%
Ms. Habaragamuralalage Mary Sharmali Perera	3,792,240	1.32%
Mr. Kekulandala Liyanage Don Nuwan Nirmala Maheshan Liyanage	1,015,776	0.35%
Mr. Sampathawaduge Dilan Kevin Fernando	135,432	0.05%
M/S. Ashthi Holdings (Private) Limited	12	0.00%
M/S. Jetwing Travels (Private) Limited	12	0.00%
Ms. Nawalage Therese Manouri Shiromal Cooray	12	0.00%
Mr. Rajadurai James Arasaratnam	12	0.00%
TOTAL	288,240,648	100%

3.6.2 NEW SHARES ISSUED

There were no share issues during the period of two (02) years immediately preceding the date of this Prospectus.

3.6.3 RE-PURCHASES OR REDEMPTIONS

The Company has not performed a Share re-purchase, redemption or stated capital reduction exercises in the two (02) years preceding the date of this Prospectus.

3.6.4 OUTSTANDING CONVERTIBLE DEBT SECURITIES

The Company has no outstanding Convertible Debt Securities as at the date of this Prospectus.

3.6.5 EMPLOYEE SHARE OPTION SCHEMES

On 16th February 2015, the Company established an Employee Share Option Scheme that entitled management to purchase shares in the Company, in return for their services rendered. The Company had two (02) Employee Share Option Schemes, with each scheme having two (02) options.

As specified under Note 28 of the Audited Financial Statements for the Year Ended 31st March 2021 (Annexure 2), both Option 1 and Option 2 pertaining to Scheme 1, and Option 1 of Scheme 2 have either been exercised or expired due to not being exercised by the relevant employees within the exercise period.

However, Option 2 of Scheme 2, which specified 555,555 shares to be granted at the discretion of the Board of Directors of the Company, has not been vested and the exercise price and number of employees has also not been determined by the Board of Directors as at that date. As such, on 20th August 2021, the Board of Directors resolved to revoke the aforementioned Option 2 of Scheme 2 of the Employee Share Option Scheme. This has been highlighted under Note 14 of the Unaudited Financial Statements for the Period Ended 30th June 2021 (Annexure 3).

As at the date of this Prospectus, CALT does not have any Employee Share Option Schemes in effect.

3.7 FREE TRANSFERABILITY OF SHARES

The Pre-IPO Shareholders shall not transfer existing Ordinary Voting Shares during the interim period between the date of Initial Listing Application and the date of listing of the Shares of the Company.

The Pre-IPO Shares held by Non-Public Shareholders will be locked-in for a period of 6 months from the date of listing of the Shares of the entity. However, the Pre-IPO Shares held by Public Shareholders will not be subject to any lock-ins. Please refer Section 3.9 for further details pertaining to the locked-in Shares.

The New Shares offered via the IPO shall not be transferable by the Shareholders during the period commencing from the date of transfer of the Offered Shares and up to the date of listing (excluding the date of listing) on the CSE.

No Ordinary Voting Shares or Other Class of Shares are subscribed or sold privately, in conjunction with the public Issue of Shares.

There are no statutory restrictions on the free transferability of shares of the Company, save and except the following restrictions set out under the Local Treasury Bills (Primary Dealers) Regulations No.1 of 2009 as amended and Registered Stock and Securities (Primary Dealers) Regulations No. 1 of 2009 as amended issued under the Local Treasury Bills Ordinance and Registered Stock and Securities Ordinance, respectively.

- a. The Company requires the prior written approval of the Monetary Board of CBSL to register a shareholding of a person where such shareholding results in a change of a 'controlling interest' of the Company. A 'controlling interest' means holding of 51% or more of the stated capital of the Company;
- b. The Company requires the prior written approval of the Monetary Board of CBSL to register a shareholding of more than 10% of the stated capital of the Company held by a holding company or a subsidiary of any other primary dealer.

As the majority shareholder of the Company is Capital Alliance Holdings Limited (a related entity), the management of the Company will ensure that Capital Alliance Holdings Limited will not dilute its stake below 51% unless, prior approval has been obtained from the Monetary Board of CBSL in compliance with (a), above.

The Company will also be responsible for ensuring compliance with (b) above. Accordingly, in the event a holding company or a subsidiary of any other primary dealer acquires over 10% of the stated capital in the Company on the CSE, the Company will take the necessary steps to be in compliant with (b) above, including obtaining approval from the Monetary Board of CBSL. Any such purchaser shall not be permitted to vote at general meetings until such time the approval from the Monetary Board of CBSL is obtained for such acquisition. In the event the Monetary Board of the CBSL does not approve such acquisition, the relevant purchaser/shareholder must divest the excess shares in the market, to comply with the Regulations identified in (b), above.

The concurrence of CBSL to the aforesaid has been duly obtained by the Company.

There are no restrictions in respect of non-residents holding shares of the Company, subject to the statutory restrictions specified above.

3.8 DIVIDEND POLICY

CALT has paid the following dividends for its Ordinary Shares, most recently and over the past three (03) completed Financial Years immediately preceding the date of this Prospectus:

Table 3-3 Dividend Payments

Dividend Paid Year	Out of Profit	Total Dividend Paid
2021/22*	2020/21	300,250,675
2020/21	2019/20	249,808,557
2019/20	2018/19	-
2018/19	2017/18	-

Source: Audited Financial Statements

*as per Unaudited Financial Statements as at 30 June 2021

During the interim period between 31 March 2021 and 30 June 2021, the Company has declared and paid a dividend of LKR 300,250,675 out of the 2020/21 profits. This will be the first and final dividend payment paid out of the profit for the financial year 2020/21.

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.

3.9 DETAILS PERTAINING TO THE LOCKED-IN SHARES

Shareholding Structure

Given below is the shareholding structure of the Company as at the date of the Prospectus (Pre-IPO) and subsequent to the Issue (Post-IPO) assuming full subscription.

Table 3-4 Pre and Post Shareholding

Name of Shareholder	Pre-IPO		Post-IPO	
	No. of Shares	%	No. of Shares	%
M/S. Capital Alliance Holdings Limited	261,598,476	90.76%	261,598,476	79.41%
Mr. Widanalage Ajith Terence Fernando	21,698,676	7.53%	21,698,676	6.59%
Ms. Habaragamuralalage Mary Sharmali Perera	3,792,240	1.32%	3,792,240	1.15%
Mr. Kekulandala Liyanage Don Nuwan Nirmala Maheshan Liyanage	1,015,776	0.35%	1,015,776	0.31%
Mr. Sampathawaduge Dilan Kevin Fernando	135,432	0.05%	135,432	0.04%
M/S. Ashthi Holdings (Private) Limited	12	0.00%	12	0.00%
M/S. Jetwing Travels (Private) Limited	12	0.00%	12	0.00%
Ms. Nawalage Therese Manouri Shiromal Cooray	12	0.00%	12	0.00%
Mr. Rajadurai James Arasaratnam	12	0.00%	12	0.00%
IPO Shareholders	-	-	41,177,236	12.50%
TOTAL	288,240,648	100.00%	329,417,884	100.00%

Locked-in Shares – Pre-IPO:

In compliance with the CSE Listing Rules, 2.1.1(d) the Shares mentioned below will be locked-in and will not be available for trading as given below from the date of listing of the Shares of the Company.

Table 3-5 Locked-in Shares (Pre-IPO)

Shareholders	Category of Shareholders	Locked-in Shares	The time period after which the Shares will be available for trading	No. of Shares	No. of Shares as a percentage (%) of total number of Shares in Issue
Non-Public Shareholders:					
M/S. Capital Alliance Holdings Limited	Non-Public	Locked-in	6 Months	261,598,476	90.76%
Mr. Widanalage Ajith Terence Fernando	Non-Public	Locked-in	6 Months	21,698,676	7.53%
Ms. Habaragamuralalage Mary Sharmali Perera	Non-Public	Locked-in	6 Months	3,792,240	1.32%
M/S. Ashthi Holdings (Private) Limited	Non-Public	Locked-in	6 Months	12	0.00%
M/S. Jetwing Travels (Private) Limited	Non-Public	Locked-in	6 Months	12	0.00%
Ms. Nawalage Therese Manouri Shiromal Cooray	Non-Public	Locked-in	6 Months	12	0.00%
Mr. Rajadurai James Arasaratnam	Non-Public	Locked-in	6 Months	12	0.00%
Public Shareholders:					
Mr. Kekulandala Liyanage Don Nuwan Nirmala Maheshan Liyanage	Public	Not Locked-in	N/A	1,015,776	0.35%
Mr. Sampathawaduge Dilan Kevin Fernando	Public	Not Locked-in	N/A	135,432	0.05%
Total					100%

* Public defined under CSE Listing Rules 2.1.1.

There were no Share transfers among the Shareholders categorized either as “Public” or “Non-Public” during the period of twelve (12) months immediately preceding the date of the Initial Listing Application, hence no further Shares will be subject to a lock-in, in terms of CSE Listing Rule 2.1.1 (d) (iii).

Further, no further Share allotments were carried out among the Shareholders categorized either as “Public” or “Non-Public” during the period of twelve (12) months immediately preceding the date of the Initial Listing Application.

Hence only 287,089,440 Shares will be subject to a lock-in in terms of CSE Listing Rule 2.1.1 (d) (i) as set out above.

Pre-IPO Public holding (number of Pre-IPO Shares held by the ‘Public’ as a percentage of the total Pre-IPO number of Shares), as per the ‘public’ definition provided in the CSE listing rules is 0.40%.

The Company hereby confirms that the information furnished herewith shall remain unchanged until the date of listing.

Locked-in Shares – Post IPO:

Table 3-6 Locked-in Shares (Post-IPO)

Category of Shareholders	Locked-in Shares	The time period after which the Shares will be available for trading	No. of Shares	No. of Shares as a percentage (%) of total number of Shares in Issue
Non-Public	Locked-in	6 Months	287,089,440	87.15%
Public	Not Locked-in	N/A	1,151,208	0.35%
IPO Shares (Public)	Not Locked-in	N/A	41,177,236	12.50%
Total			329,417,884	100%

**Non-Public Shareholders defined under CSE Listing Rules 2.1.1.*

Post-IPO Public holding (number of Post IPO Shares held by the 'Public' as a percentage of the total Post IPO number of Shares), on the assumption that the parties who subscribe to the IPO shall be Public Shareholders (as per the 'Public Holding' definition provided in the CSE Listing Rules) is 12.85%.

3.10 TAKEOVER OFFERS

There has been no take-over offers by third parties in respect of the Company's Shares during the past two (02) years. Further, the Company has not made any takeover offers in respect of Shares of a third party.

3.11 FUTURE STRATEGIES

A A. Expanding Product-base

In addition to the existing business model, CALT plans to expand its product base into derivatives and alternative investment products to best suit the investment requirements of their clients and the market. This will allow CALT to generate a new revenue line in addition to its existing fixed income trading income and interest income.

B Increasing Secondary Market Transaction Volume

The introduction of the Central Counterparty (CCP) System as planned by the CBSL will allow CALT to increase its secondary market volume significantly allowing the Company to trade with all market participants (the system will remove any restrictions that some parties may have with trading with certain counterparties) and this increases the potential to generate higher profits for the Company.

C Trading Strategy

CALT expects at higher interest rates there will be greater volatility as witnessed in the past. This results in higher chances of making capital gains.

3.11.1 ASSUMPTIONS ASSOCIATED WITH FUTURE STRATEGIES

A CBSL's existing Direction allowing Primary Dealers to invest in alternative investments to continue

CBSL will, under its Direction 08/24/008/0021/001, dated 10th July 2013, continue to allow Primary Dealers to invest in alternative investment products. CBSL as per its "Road Map 2021: Monetary and Financial Sector Policies for 2021 and Beyond" talks about further liberalising and developing products and liquidity of the financial markets which provides the Company a clear direction on this regard.

B The timeline for the implementation of the Central Counterparty System

The Company expects the CBSL (and relevant authorities) to implement the Central Counterparty system enabling a higher volume of transactions to be executed by Primary Dealers. The swift implementation of the system is highly probable, as evident from recent developments in Sri Lankan capital markets; such as the fast-tracked implementation of a Delivery vs Payment (DVP) system for stock market transactions.

C Greater volatility at higher interest rates

CALT's management believes that, at higher interest rates there will be greater volatility in the market which is expected to result in a higher possibility of recording capital gains.

3.11.2 RISKS ASSOCIATED WITH THE FUTURE STRATEGIES

A CBSL introducing new regulations that prohibits Primary Dealers in investing in alternative investment instruments

There is a possibility of the CBSL restricting the ability for Primary Dealers to make investments in alternative products due to market risk and/or of a potential risk posed to the overall financial system. However, with the expected development in markets and instruments, the Company believes this risk to be minimal.

B Delay in the implementation of the CCP system

CALT will not be able to see the expected increase in the trading volumes, in the short term, if there are any delays in the implementation of the Central Counterparty System within the stipulated timelines.

C A continuous increase in the interest rate cycle

If the interest rates continue to increase, without any interim volatilities in between the periods (as per management expectations), there is a possibility of the Company recording losses for the period under consideration.

D Suspension/revocation of Primary Dealing license

The Company requires a Primary Dealing license to carry out its business. The CBSL may suspend and/or revoke the license the terms and conditions attached to the license are not continuously adhered to. Based on CALT's experience operating in the industry and the stringent compliance practices in place, the Company believes this risk to be minimal.

3.12 LITIGATION AND DISPUTES

The Company has not been involved, nor is it currently involved in any legal, arbitration or mediation proceedings, which may have had significant effects on the Company's financial position and profitability.

Further, there have been no penalties imposed by regulatory and state authorities on the Company in the recent past, as at the date of this Prospectus.

3.13 CONTINGENT LIABILITIES

As of 31 March 2021, apart from the tax assessments disclosed under Section 3.14, there were no other contingent liabilities that would affect the current and future profits of the Company.

3.14 TAXATION APPLICABLE TO THE COMPANY

Corporate Income Taxation

The Company is liable to pay tax at the rate of 24% in accordance with the Inland Revenue Act, No. 24 of 2017 and the Inland Revenue (Amendment) Act, No. 10 of 2021.

Value Added Tax (VAT) on Financial Services

Based on the Tax Consultant's opinion, the Board of the Directors of the Company is of the view that CALT is not liable for VAT on Financial Services.

Tax Concessions or Tax Exemptions

The Company does not qualify for any tax concessions or tax exemptions as at the submission of the listing application.

However, the Government of Sri Lanka via the Inland Revenue Amendment Act No. 10 of 2021 effected the following tax concessions to a company which lists its shares on the CSE between 1st January 2021 and 31 December 2021:

- » Income tax payable by the Company in the year of assessment commencing from 1 April 2021 (year of assessment 2021/22) will be reduced by 50%
- » Concessionary tax rate of 14% for 3 years commencing from 1 April 2022 (year of assessment 2022/2023)

Tax Assessments

The Company has appealed against the assessment on VAT on Financial Services amounting to LKR 40mn, LKR 39mn, LKR 70mn, LKR 1mn, LKR 62mn and LKR 95mn respectively for the Years of Assessment 12/13, 13/14, 14/15, 15/16, 16/17 and 17/18. Excluding Year of Assessment 17/18, where the appeal was made to the Commissioner General of the Department of Inland Revenue, the remainder of the appeals were made to the Tax Appeals Commission.

The Company has also appealed to the Commissioner General of the Department of Inland Revenue against assessment on NBT on Financial Services amounting to LKR 1.7mn, LKR 11.9mn, LKR 0.1mn, LKR 9.3mn and LKR 12.7mn respectively for the Years of Assessment 13/14, 14/15, 15/16, 16/17 and 17/18. Excluding Years of Assessment 16/17 and 17/18, where the appeal was made to the Commissioner General of the Department of Inland Revenue, the remainder of the appeals were made to the Tax Appeals Commission.

The related Appeals against the said Assessments and Determinations have been duly submitted. Based on the Tax Consultant's opinion, the Board of Directors of CALT is of the view that no liability would arise on the above-mentioned tax matters as they are outside the scope of chargeability of taxes.

3.15 ANALYSIS OF RECENT FINANCIAL INFORMATION

The returns recorded in the Primary Dealing business are highly dependent on macroeconomic variables, such as movements in the interest rates. As such, the annual return to Shareholders can be highly volatile, as seen in Table 3-7..

Table 3-7 Comparison of Audited Financial Information for Years Ended 31 March 2021 and 2020

Financial Statement Item	FY21 (LKR)	FY20 (LKR)	YoY
Interest Income	1,075,181,078	1,439,556,700	-25.3%
Interest Expense	707,137,564	1,100,034,407	-35.7%
Net Interest Income	368,043,514	339,522,293	8.4%
Net Gain from Trading	1,345,009,255	898,346,842	49.7%
Profit After Tax	966,481,138	737,391,881	31.1%

Both Interest Income and Interest Expense witnessed a significant reduction in FY21 (compared to FY20) as a result of the low interest-rate environment, that prevailed during the year under consideration, leading to Net Interest Income only having a marginal increase. Despite this marginal increase, the Profit After Tax was up by over 31% which can be attributable to the significant increase in the Net Gain from Trading – as a result of capital gains recorded from the sale of Government Securities (interest rates have an inverse relationship with prices of Government Securities; therefore, the drop-in interest rates resulted in prices of Government Securities increasing). It should be noted that the most significant contributor to a Primary Dealer's profit is the capital gains component, rather than the Net Interest Income.

Furthermore, CALT's Profit After Tax in FY20 was a 1,867% increase compared to the Profit After Tax figure of LKR 37,495,720 in FY19 – due to the change in the macroeconomic environment; further illustrating the dependence on the macroeconomic environment and the volatile nature of the industry, and, as a result, of the Company.

Table 3-8 Comparison of Unaudited Financial Information for the 3 Months Ended 30 June 2021 and 2020

Financial Statement Item	for 3 months ended 30 June 2021 (LKR)	for 3 months ended 30 June 2020 (LKR)	YoY
Interest Income	126,098,218	297,613,744	-57.6%
Interest Expense	74,079,914	199,915,559	-62.9%
Net Interest Income	52,018,304	97,698,185	-46.8%
Net Gain from Trading	6,343,385	667,374,177	-99.0%
Profit After Tax	12,384,036	907,133,466	-98.6%

The Net Interest Income for the 3 months ended 30 June 2021 saw a 46.8% reduction compared to the last corresponding quarter. This was primarily due to the reduction in the Company's holding of Government Securities in their portfolio (LKR 8,123 mn as 30 June 2021 against LKR 19,154 mn as at 30 June 2020). The Company reduced its exposure in Government Securities due to the rise in interest rates and as a mechanism to manage the interest rate risk.

Due to the rise in interest rates, the current operational environment is less favourable compared to the previous corresponding quarter ended. As such, the capital gains recorded during the last ended quarter have been significantly lower than that for the last corresponding quarter. The Company does not anticipate to record significant capital gains during the current financial year, due to the aforementioned reasons.

3.16 DETAILS OF BENEFITS PAID TO PROMOTERS

No benefits have been paid or given within the two (02) years preceding the Issue and there is no benefit intended to be paid or given to any Promoter.

3.17 DETAILS OF COMMISSION PAID

CALT has not paid any commission in the two (02) years preceding the Issue, nor are any commissions payable for subscribing or agreeing to subscribe or procure or agreeing to procure subscription for any Shares of the Company apart from the brokerage payable on the IPO, as detailed in Section 1.11 of this Prospectus.

3.18 INTERESTS IN TRANSACTIONS RELATING TO PROPERTY OF THE COMPANY

There were no transactions relating to the property of the Company completed within the two (02) preceding years in which any vendor of the property to the Company or any person, is or was at the time of the transaction, a promoter or a director or proposed director of the Company having any interest, direct or indirect.

3.19 MATERIAL CONTRACTS

As at the date of the Prospectus there were no material contracts entered into or any agreements entered into with other parties by the Company within the preceding two (02) years, other than those contracts entered into as part of the ordinary course of business of the Company.

4 CORPORATE GOVERNANCE

4.1 DIRECTORS

4.1.1 BOARD OF DIRECTORS

The Board of Directors of CALT comprises 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. As at the date of Prospectus the composition of the Board of Directors is as follows:

Table 4-1 Board of Directors

Name	Designation
Mr. Dinesh Ajit De Zoysa	Chairman – Non-Executive Non-Independent Director
Mr. Widanalage Ajith Terence Fernando	Executive Director
Mr. Rajadurai James Arasaratnam	Non-Executive Non-Independent Director
Mr. Conganige Sextus Roland Sanjeewa Anthony	Non-Executive Non-Independent Director
Ms. Aloka Irudiyani Chathurangani Nandasena	Non-Executive Independent Director
Ms. Koruwage Aruni Dharshika Siriwardene	Non-Executive Independent Director

4.1.2 PROFILES OF THE BOARD OF DIRECTORS

Table 4-2 Director Profiles

Name and Designation	Business Experience
Mr. Dinesh Ajit De Zoysa <i>(Chairman – Non-Executive Non-Independent Director)</i>	<p>Mr. De Zoysa has been Director since 2003 and currently serves as the Chairman of Capital Alliance Holdings Limited and Capital Alliance Limited.</p> <p>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 non-executive board member of a number of companies across risk and insurance broking, hotel management and travel, real estate development, HR transformation and consulting as well as design and IT services.</p> <p>Mr. De Zoysa is a trustee and board member of Musaeus College, Colombo. He holds a Bachelor of Business (Finance and IT) from University of Technology, Sydney and a MSc in Insurance and Sustainable Risk Management from Glasgow Caledonian University, London.</p>
Mr. Widanalage Ajith Terence Fernando <i>(Executive Director)</i>	<p>Mr. Ajith Fernando has served in the capacity of Executive Director since founding the Company in October 2000. He is also, at present, the Group CEO of the CAL 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 (Private) Limited, CAL Securities Limited (Bangladesh) and as the Managing Director of Ceylon Tea Brokers PLC.</p> <p>He is a Fellow of the Chartered Institute of Management Accountants (UK) and holds an MA in Financial Economics from the University of Colombo.</p>

Name and Designation	Business Experience
Mr. Rajadurai James Arasaratnam <i>(Non-Executive Non-Independent Director)</i>	<p>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.</p> <p>Mr. Arasaratnam is the Executive Director of Jetwing Travels. He specialises in the Marketing Functions of the Group and holds eight directorates within the Group.</p>
Mr. Conganige Sextus Roland Sanjeewa Anthony <i>(Non-Executive Non-Independent Director)</i>	<p>Mr. Anthony is an Attorney-at-Law (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), a Fellow Member of The Institute of Certified Management Accountants of Sri Lanka (FCMA) and a Fellow Member of Chartered Professional Managers (FCPM).</p> <p>He commenced his career at PricewaterhouseCoopers, prior to joining Jetwing Hotels Limited as Finance Manager in 1996 and is currently the Executive Director. He is also serving on several Directorates including a Publicly Quoted company. Mr. Anthony is a Life Member of the Bar Association of Sri Lanka (BASL) and a member of the Finance Committee of the BASL as well.</p>
Ms. Aloka Irudiyani Chathurangani Nandasena <i>(Non-Executive Independent Director)</i>	<p>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.</p> <p>Her diverse work experience, exceeding 10 years, includes three and a half years at the Colombo Stock Exchange.</p> <p>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.</p>
Ms. Koruwage Aruni Dharshika Siriwardene <i>(Non-Executive Independent Director)</i>	<p>Ms. Siriwardene counts for over 24 years of experience in strategy initiatives, organisational processes, measurement systems and client satisfaction delivery across a plethora of industries including IT, food and beverage, manufacturing, healthcare, retail services, public sector, tea manufacturing and non-profit organisations both in Sri Lanka and overseas. She holds a MSc in Business Computing from the University of Westminster London, UK.</p> <p>She is currently the Co-Founder and Director at Advik Consulting where she handles strategy execution, Project Management Offices implementation frameworks while ensuring operational excellence.</p> <p>Previously, she served as a Board Director and Group CEO of Davora Group of Companies, Strategy Implementation Consultant at Stax (Pvt) Ltd, Vice President Delivery and Governance at Brandix i3 (Pvt) Ltd, Associate Director at Navantis IT (Pvt) Ltd and Technical Consultant at Millennium IT (Pvt) Ltd.</p> <p>Aruni 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.</p>

4.1.3 OTHER DIRECTORSHIPS HELD BY THE DIRECTORS

Table 4-3 Other Directorships held by the Directors

Name and Designation	Other Directorships
Mr. Dinesh Ajit De Zoysa	<ul style="list-style-type: none"> » A E C Properties (Pvt) Ltd » ADZ Insurance Brokers (Pvt) Ltd » Ajita De Zoysa and (Company) (Pvt) Ltd » Associated Electrical Corporation Ltd » Aurora Amicitia (Pvt) Ltd » Capital Alliance Holdings Limited » Capital Alliance Limited » Capital Alliance Partners Limited » Commercial Agencies (Ceylon) (Pvt) Ltd » Corporate Druids (Pvt) Ltd » Granite Capital (Pvt) Ltd » Red Dot Tours Lanka (Pvt) Ltd » The Fabulous Gataway (Pvt) Ltd » UGA Escapes (Pvt) Ltd » Wizard Entertainment (Pvt) Ltd
Mr. Widanalage Ajith Terence Fernando	<ul style="list-style-type: none"> » ADZ Insurance Brokers (Pvt) Ltd » Amazing Adventures Lanka » Ashthi Holdings (Pvt) Ltd » BetaOne Investments Limited (Bangladesh) » CAL Bangladesh Limited » CAL Investments Holdings Ltd (UAE) » CAL Securities Limited (Bangladesh) » Capital Alliance Holdings Limited » Capital Alliance Investments Limited » Capital Alliance Limited » Capital Alliance Partners Limited » Capital Alliance Securities (Pvt) Ltd » Ceylon Tea Brokers PLC » Finnovation (Pvt) Ltd » Fip Box (Pvt) Ltd » Heritage Partners (Pvt) Ltd » Logicare (Pvt) Ltd » Social Impact Capital (Pvt) Ltd » Social Enterprise (Pvt) Ltd » Soul Kitchen (Private) Limited » Tempest PE Partners (Pvt) Ltd » The Metal Factor Limited » Yoho Bed Lanka (Pvt) Ltd
Mr. Rajadurai James Arasaratnam	<ul style="list-style-type: none"> » Capital Alliance Holdings Limited » Capital Alliance Limited » Jetwing Air » Jetwing Travels

Name and Designation	Other Directorships
Mr. Conganige Sextus Roland Sanjeewa Anthony	<ul style="list-style-type: none"> » Capital Alliance Holdings Limited » Capital Alliance Limited » Jet Enterprises (Pvt) Ltd » Jetwing Academy (Pvt) Ltd » Jetwing Eco Holidays (Pvt) Ltd » Jetwing Hotels Limited » Jetwing Kaduruketha (Pvt) Ltd » Jetwing Kiwi Ltd » Jetwing Kiwi Management Ltd » Jetwing Relief Fund (Guarantee) (Pvt) Ltd » Jetwing Zinc Journeys Lanka (Pvt) Ltd » Negombo Landmark (Pvt) Ltd » Ranagala Hotels (Pvt) Ltd » Thalahena Villas (Pvt) Ltd » The First Resort (Pvt) Ltd » The Lighthouse Hotel PLC
Ms. Aloka Irudiyani Chathurangani Nandasena	None
Ms. Koruwage Aruni Dharshika Siriwardene	<ul style="list-style-type: none"> » Advik Consulting (Pvt) Ltd

4.2 AUDIT COMMITTEE

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.

Members of the CALT Audit Committee are as follows:

- » Mr. Conganige Sextus Roland Sanjeewa Anthony (Chairman)
- » Ms. Aloka Irudiyani Chathurangani Nandasena
- » Ms. Koruwage Aruni Dharshika Siriwardene

4.3 REMUNERATION COMMITTEE

The Remuneration Committee is responsible to make remuneration policy recommendations to the Board of CALT and as such works closely with the members of the Board. In terms of the Articles of Association of the Company, 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 and Finance. 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.

Members of the CALT Remuneration Committee are as follows:

- » Mr. Dinesh Ajit De Zoysa (Chairman)
- » Ms. Aloka Irudiyani Chathurangani Nandasena
- » Ms. Koruwage Aruni Dharshika Siriwardene

4.4 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The objective of the Related Party Transaction Review Committee is to ensure there is firm adherence to the guidelines surrounding related party transactions. The Committee oversees that industry best practices are followed and that the interests of all stakeholders are considered.

Members of the CALT Related Party Transaction Review Committee are as follows:

- » Ms. Aloka Irudiyani Chathurangani Nandasena (Chairwoman)
- » Ms. Koruwage Aruni Dharshika Siriwardene
- » Mr. Conganige Sextus Roland Sanjeeva Anthony

4.5 DIRECTORS' SHAREHOLDINGS IN THE COMPANY

The Pre-IPO Directors' shareholding in the Company is as follows:

Table 4-4 Directors' Shareholding in the Company

Name of the Director	Designation	Pre-IPO Shares Held*	% Shareholding
Mr. Widanalage Ajith Terence Fernando	Chief Executive Officer – CAL Group	21,698,676	7.53%
Mr. Rajadurai James Arasaratnam	Independent Non- Executive Director	12	0.00%

**Pre-IPO shareholding post share sub-division*

Directors of the Company have not made any sales and/or purchases of Shares of CALT during the year immediately preceding the date of this Prospectus.

The Articles of Association of the Company does not require any shareholding qualification for directors, unless otherwise determined at a General Meeting of the Company.

4.6 DIRECTORS' INVOLVEMENT IN LITIGATION AND OFFENCES

No Director or a person nominated to become a Director of the Company has been involved in:

- » Any petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he/she was an Executive Officer.
- » Any conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.
- » No such Director was the subject of any order, judgment or ruling of any court of competent jurisdiction temporarily enjoining him/her from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

4.7 DIRECTORS' INTERESTS

4.7.1 DIRECTORS INTEREST IN ASSETS

None of the Directors have any interest in any assets acquired, disposed of or leased by the Company during the past two (02) years preceding the date of this Prospectus and/or in any assets proposed to be acquired, disposed of or leased during the two (02) years succeeding the Issue.

4.7.2 DIRECTOR INTERESTS IN CONTRACTS

There are no contracts or arrangements in force as of the date of the submission of the Initial Listing Application to which the Directors are materially interested in relation to the business of the Company.

5 HUMAN RESOURCE

5.1 EMPLOYEES

As at 30th September 2021, there are 20 employees at CALT. There are no labour unions within the Company nor within the CAL Group.

5.2 CHIEF EXECUTIVE OFFICER/MANAGING DIRECTOR

Table 5-1 CEO/Managing Director's Profile

Name	Mr. SOMADASA PALIHAWADANA
Business Experience	<p>As the Managing Director of CALT, Mr. Palihawadana also takes on the functions of the CEO, of CALT, in his responsibilities.</p> <p>A well-respected industry veteran, Mr. Palihawadana was appointed to the position of Managing Director – Capital Alliance Limited in May, 2018.</p> <p>He possesses a body of experience extending over 43 years, with a focus on treasuries and dealing activities. Mr. Palihawadana currently holds the position of Deputy Chairman at Seylan Development PLC.</p> <p>Prior to joining CALT, he served as the Deputy General Manager at Seylan Bank PLC until December 2017 (having joined the bank in March 1999) and was Branch Manager at Bank of Ceylon until March 1999 (joined in September 1974).</p> <p>He holds a Bachelor of Science (B.Sc) degree from the University of Colombo.</p>

The Chief Executive Officer/Managing Director has not been involved in:

- » Any petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an Executive Officer.
- » Any conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

5.3 SENIOR MANAGEMENT

The Senior Management of the Company specified in this section of the Prospectus are common to the CAL Group and, as such, carries out their specified duties across multiple entities including CALT.

Table 5-2 Senior Management Profiles

Designation and Name	Business Experience
Chief Executive Officer – CAL Group Mr. Widanalage Ajith Terence Fernando	<p>Mr. Ajith Fernando has served in the capacity of Executive Director since founding the Company in October 2000. He is also, at present, the Group CEO of the CAL 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 (Private) Limited, CAL Securities Limited (Bangladesh) and as the Managing Director of Ceylon Tea Brokers PLC.</p> <p>He is a Fellow of the Chartered Institute of Management Accountants (UK) and holds an MA in Financial Economics from the University of Colombo.</p>

Designation and Name	Business Experience
Chief Risk & Compliance Officer – CAL Group Mrs. Habaragamuralalage Mary Sharmali Perera	<p>Drawing on 20-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.</p> <p>Reporting directly to the Board Risk Management Committee while being responsible for the effectiveness and compliance aspects of statutory reporting requirements, she's led the implementation of a comprehensive risk framework encompassing group-wide risk avenues.</p> <p>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.</p> <p>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.</p> <p>An Associate Member of the Chartered Institute of Management Accountants (UK), Ms. Perera also serves on the Boards of three of the Group's companies, as well as Ceylon Tea Brokers PLC, Finnovation (Private) Limited, and Logicare (Private) Limited.</p>
Chief Information Officer – CAL Group Mr. Tharindra Kulasinghe	<p>With CAL's reliance on IT to propel the company forward by capitalizing on increased market opportunity both locally and globally, Mr. Kulasinghe steers the transformation of the entire Group's IT environment, whether in the areas of technology infrastructure, software, product development and digital transformation. He guides the strategy, introduction, implementation, management, and support aspects of the full range of technology-led initiatives within the Group.</p> <p>With a MEng Degree in Mechanical Engineering and Business Management, a BEng 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 at MillenniumIT from 2011 to 2014, and Brandix i3 (now Fortude) where he served as Project Manager at Brandix i3 from April 2014 to December 2016.</p> <p>He harnesses a vast expanse of knowledge in incorporating cutting-edge technology across CAL's operations and business functions and his work allows the Group to consistently disrupt conventions in financial service markets while establishing uncharted paths.</p>
Financial Controller – CAL Group Mr. Pananwala Arachchige Yasantha Lalith Kumara	<p>Currently responsible for the finance function of the Capital Alliance Group and Unit Trust Funds, in his role as Financial Controller, he brings in the primary focus of business process developments that adds value to the Finance function of the CAL Group. In addition, conforming to best practices, regulatory guidelines and IFRS Standards.</p> <p>Prior to joining CAL, Mr. Yasantha has around 12 years of post-qualified experience in Banking, Insurance and Finance Sector Companies and KPMG – Sri Lanka. His core expertise includes financial management, financial reporting, auditing, ALM, corporate planning and taxation.</p> <p>Mr. Yasantha is an Associate Member of the Institute of the Chartered Accountants of Sri Lanka, the Institute of Chartered Management Accountants (UK), a CFA Charter Holder (USA), a Certified Financial Risk Manager from Global Association of Risk Professionals (USA) and holds a BSc. (Accounting) special degree with first class and MBA from the University of Sri Jayewardenepura.</p>

Designation and Name	Business Experience
Chief Human Resources Officer – CAL Group Ms. Rochelle Mortier	<p>Ms. Mortier possesses 18 years of experience in Human Resource Management and Organizational Development and involves prior roles across multi-nationals, insurance, apparel and KPOs. She has worked extensively on HR strategy, industrial relations and HR operations in serving the Group's manifold requirements. She is a key member of the management team, directly involved in nurturing and developing the Group's human capital component. Her expertise in change management, HR transformation and labour issues adds great value to the organization.</p> <p>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's a Member of the Association of Human Resource Professionals of Sri Lanka.</p>
Manager – Operations Mr. Migara Hettiarachchi	<p>Mr. Hettiarachchi has over 13 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.</p> <p>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.</p> <p>Currently, he is following a Diploma in Treasury and Risk Management conducted by the Institute of Bankers of Sri Lanka.</p>

5.4 MANAGEMENT AGREEMENTS

As at the date of this Prospectus there are no Management Agreements in place for the Company.

6. DECLARATIONS

6.1 DECLARATION BY THE DIRECTORS

We, the undersigned being the Directors of Capital Alliance Limited, hereby declare and confirm that we have read the provisions of the Companies Act No. 7 of 2007 relating to the issue of the Prospectus and that those provisions have been complied with.

This Prospectus has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that the provisions of the Listing Rules of the Colombo Stock Exchange and the Companies Act No. 7 of 2007 and any amendments made thereto from time to time, have been complied with and after making all reasonable inquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in the Prospectus, such representations have been made after due and careful inquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time and according to our best judgments.

We further declare that the profit forecasts have been included in this Prospectus after due and careful inquiry of the information available with the Company and assumptions that are considered to be reasonable at the present point in time and according to our best judgments.

Name of the Director	Designation	Signature
Mr. Dinesh Ajit De Zoysa	Chairman – Non-Executive Non-Independent Director	Sgd.
Mr. Widanalage Ajith Terence Fernando	Executive Director	Sgd.
Mr. Rajadurai James Arasaratnam	Non-Executive Non-Independent Director	Sgd.
Mr. Conganige Sextus Roland Sanjeewa Anthony	Non-Executive Non-Independent Director	Sgd.
Ms. Aloka Irudiyani Chathurangani Nandasena	Non-Executive Independent Director	Sgd.
Ms. Koruwage Aruni Dharshika Siriwardene	Non-Executive Independent Director	Sgd.

6.2 DECLARATION BY THE COMPANY

We, Capital Alliance Limited, having our Registered office at Level 5, "Millennium House", 46/58, Nawam Mawatha, Colombo 02, hereby declare that to the best of our knowledge and belief this Prospectus constitutes full and fair disclosure of all material facts about the Offer and the Company.

An application has been made to the Colombo Stock Exchange for permission to deal in and for a listing for all of the Ordinary Voting Shares Offered by the Company, and those Ordinary Voting Shares are the subject of this Offer. Such permission will be granted when the Ordinary Voting Shares are listed on the Colombo Stock Exchange. The Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of the Company or of the Shares Offered.

Sgd.
Director

Sgd.
Director

6.3 DECLARATION BY THE MANAGERS AND FINANCIAL ADVISORS TO THE OFFER

We, Capital Alliance Partners Limited of Level 5, "Millennium House", 46/58, Nawam Mawatha, Colombo 02 hereby declare that to the best of our knowledge and belief this Prospectus constitutes full and true disclosure of all material facts about the Offer and the Company and we have satisfied ourselves that the profit forecasts had been stated by the Directors after due and careful inquiry.

Sgd.
Director

Sgd.
Director

6.4 DECLARATION BY THE INDEPENDENT VALUERS TO THE OFFER

We, Ernst & Young Transaction Advisory Services (Private) Limited, of 201, De Saram Place, Colombo 10, hereby declare that we are neither a related party to Capital Alliance Limited, as defined in the Sri Lankan Accounting Standards, nor have a significant interest or financial connection with Capital Alliance Limited and/or the Group.

We declare that we are a member of a good standing professional association relevant to the valuation assignment undertaken and have the necessary skills and resources available at our disposal to arrive at a competent independent opinion in determining the IPO Price.

Furthermore, we also declare that we have made all the inquiries that we believe are desirable and appropriate in order to arrive at a competent independent opinion.

Sgd.
Director

Sgd.
Director

Annexure 1

Accountant's Report
and five-year summary



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

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

21st September 2021

The Board of Directors
Capital Alliance Limited,
Level 5, "Millennium House"
46/58, Nawam Mawatha,
Colombo 02,
Sri Lanka.

Dear Sirs,

ACCOUNTANTS' REPORT FOR THE INCLUSION IN THE PROSPECTUS OF CAPITAL ALLIANCE LIMITED ISSUED IN CONNECTION WITH THE INITIAL PUBLIC OFFER TO SUBSCRIBE UP TO A MAXIMUM NO OF 41,177,236 ORDINARY SHARES.

This report has been prepared for the inclusion in the Prospectus issued in connection with the initial public offer to subscribe up to a maximum no of 41,177,236 ordinary shares of Capital Alliance Limited (the "Company")

1. INCORPORATION

The Company was incorporated and domiciled in Sri Lanka and it was originally incorporated as a limited liability company on 10th August 2000 as "Capital Alliance Limited" under the Companies Act No.7 of 2007.

2. FINANCIAL STATEMENTS

We have examined the Financial Statements of Capital Alliance Limited for the financial years ended 31st March 2017 to 31st March 2021 and report as follows.

2.1 Five Years Summary of Audited Financial Statements

A Summary of Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and Statements of Cash Flows of Capital Alliance Limited for the years ended 31st March 2017 to 31st March 2021, based on the audited financial statements of the Company are set out in Annexure 1 of the prospectus.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative

("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyratne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K. Sumanasekara FCA, W.A.A. Weerasekara CFA, ACMA, MRICS



2.2 Audited Financial Statements for the year ended 31st March 2021

Statement of Financial Position as at 31st March 2021, the related Statement of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended and summary of significant and other explanatory notes are included in Annexure 2 of the Prospectus. We have audited these Financial Statements and our audit report thereon dated 31st May 2021 is also enclosed.

2.3 Audit Reports

We have audited the Financial Statements of Capital Alliance Limited for the years ended 31st March 2017 to 31st March 2021. Unmodified audit opinions have been expressed on the said Financial Statements.

2.4 Application of Accounting Standards and Accounting Policies

The Financial Statements of the Company for the years ended 31st March 2017 to 31st March 2021 comply with Sri Lanka Accounting Standards.

The accounting policies of the Company are disclosed in the audited financial statements of the Company for the years ended 31st March 2017 to 31st March 2021. There were no material changes in the accounting policies of the Company for the years ended 31st March 2017 to 31st March 2021 except for adoption of SLFRS 9, SLFRS 16 and IFRIC 23.

2.5 Dividends Paid

The Company has paid dividend during the years ended 31st March 2017 to 31st March 2021 as follows.

Year	Dividend Paid (LKR)	Dividend Per Share (LKR)
2016/2017	125,000,085/-	4.74/-
2017/2018	158,348,220/-	6.00/-
2018/2019	-	-
2019/2020	-	-
2020/2021	249,808,557/-	10.40/-

2.6 Events after Reporting date

There were no significant events occurred after the last audit report date.

2.7 Restriction on use

This report is made solely for the purpose of inclusion in the prospectus issued in connection with the Initial Public offering of 41,177,236 ordinary shares at the share offer price of Rs.10/- each by Capital Alliance Limited.

Yours faithfully,

CHARTERED ACCOUNTANTS



CAPITAL ALLIANCE LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH,

	2021	2020	2019	2018	2017
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Income	1,075,181,078	1,439,556,700	1,092,701,549	1,158,799,651	795,314,760
Interest Expenses	(707,137,564)	(1,100,034,407)	(870,974,562)	(897,884,949)	(598,516,166)
Net Interest Income	368,043,514	339,522,293	221,726,987	260,914,702	196,798,594
Net Gain from Trading	1,345,009,255	898,346,842	(68,425,333)	611,155,082	281,044,834
Direct Expenses	(16,433,846)	(13,258,460)	(13,559,914)	(13,633,719)	(12,672,067)
Other Income	5,345,044	10,414,633	11,246,807	7,566,534	9,432,222
Net Gain / (Loss) from remeasurement of Financial Assets at FVTPL	(132,025,344)	77,525,742	50,859,577	(22,532,970)	120,485,110
Net Operating Income	<u>1,569,938,623</u>	<u>1,312,551,050</u>	<u>201,848,124</u>	<u>843,469,629</u>	<u>595,088,692</u>
Operating Expenses					
Personnel Expenses	(202,937,869)	(179,050,458)	(107,903,762)	(199,685,043)	(107,898,160)
Depreciation and Amortisation	(9,404,922)	(9,956,452)	(8,303,897)	(6,388,234)	(4,524,644)
Other Expenses	(87,369,677)	(115,737,129)	(48,144,745)	(64,045,195)	(50,282,429)
Profit Before Tax	<u>1,270,226,155</u>	<u>1,007,807,011</u>	<u>37,495,720</u>	<u>573,351,157</u>	<u>432,383,460</u>
Income Tax Expenses	(303,745,017)	(270,415,130)	-	-	(125,047,256)
Profit for the year	<u>966,481,138</u>	<u>737,391,881</u>	<u>37,495,720</u>	<u>573,351,157</u>	<u>307,336,204</u>
Basic Earnings per Share	<u>40.24</u>	<u>30.70</u>	<u>1.56</u>	<u>24.66</u>	<u>11.87</u>





CAPITAL ALLIANCE LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH,

	2021	2020	2019	2018	2017
	Rs.	Rs.	Rs.	Rs.	Rs.
Profit for the year	966,481,138	737,391,881	37,495,720	573,351,157	307,336,204
Other Comprehensive Income/(Expense)					
Items that will not be reclassified to profit or loss					
Actuarial Loss on Retirement Benefit Obligation	(4,640,276)	(907,831)	3,061,448	(5,720,015)	1,953,987
Deferred Tax on Actuarial loss on Retirement Benefit Obligation	1,113,666	254,193	-	-	-
Items that are or may be reclassified subsequently to profit or loss					
Net change in fair value on available-for-sale financial assets reclassified to profit or loss	-	-	-	6,240,300	93,708,800
Financial Asset measured at FVOCI- Net change in fair value	-	-	(20,462,350)	50,656,000	11,143,100
Financial Asset measured at FVOCI- Reclassified to profit or loss	-	(36,092,750)	-	-	-
Other Comprehensive Expense for the year	(3,526,610)	(36,746,388)	(17,400,902)	51,176,285	106,805,887
Total Comprehensive Income for the year	962,954,528	700,645,493	20,094,818	624,527,441	414,142,091





CAPITAL ALLIANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH

	Stated Capital	Special Risk Reserve	Fair Value Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2016	266,257,519	382,593,408	(105,193,100)	423,357,073	967,014,900
Profit for the year	-	-	-	307,336,204	307,336,204
Other Comprehensive Income for the year	-	-	104,851,900	1,953,987	106,805,887
Dividend Paid	-	-	-	(125,000,085)	(125,000,085)
Transferred To the Special Risk Reserve	-	30,733,620	-	(30,733,620)	-
Shares issued during the year - ESOP	22,519,972	-	-	-	22,519,972
Balance as at 31st March 2017	288,777,491	413,327,028	(341,200)	576,913,558	1,278,676,877
Profit for the year	-	-	-	573,351,157	573,351,157
Other Comprehensive Income for the year	-	-	56,896,300	(5,720,015)	51,176,285
Dividend Paid	-	-	-	(158,348,220)	(158,348,220)
Transferred To the Special Risk Reserve	-	57,335,116	-	(57,335,116)	-
Exercised - Equity settled Share Based Payments	7,315,224	-	-	4,874,142	12,189,366
Share Buy Back	-	-	-	(373,153,833)	(373,153,833)
Balance as at 31st March 2018	296,092,715	470,662,143	56,555,100	560,581,673	1,383,891,631
Balance as at 01 st April 2018	296,092,715	470,662,143	56,555,100	560,581,673	1,383,891,631
Profit for the year	-	-	-	37,495,720	37,495,720
Other Comprehensive Expense for the year	-	-	(20,462,350)	3,061,448	(17,400,902)
Total Comprehensive Income	-	-	(20,462,350)	40,557,168	20,094,818
Shares issued during the year - ESOP	15,483,346	-	-	-	15,483,346
Transferred To the Special Risk Reserve	-	3,749,572	-	(3,749,572)	-
Balance as at 31 st March 2019	311,576,061	474,411,715	36,092,750	597,389,269	1,419,469,795
Impact on adoption of IFRIC 23	-	-	-	(109,813,961)	(109,813,961)
Adjusted Balance as at 01 st April 2019	311,576,061	474,411,715	36,092,750	487,575,308	1,309,655,834
Profit for the year	-	-	-	737,391,881	737,391,881
Other Comprehensive Expense for the year	-	-	(36,092,750)	(653,638)	(36,746,388)
Total Comprehensive Income/ (Expense)	-	-	(36,092,750)	736,738,243	700,645,493
Transfer to Special Risk Reserve	-	73,739,188	-	(73,739,188)	-
Balance as at 31 st March 2020	311,576,061	548,150,903	-	1,150,574,363	2,010,301,327
Balance as at 01 st April 2020	311,576,061	548,150,903	-	1,150,574,363	2,010,301,327
Profit for the year	-	-	-	966,481,138	966,481,138
Other Comprehensive Expense for the year	-	-	-	(3,526,610)	(3,526,610)
Total Comprehensive Income	-	-	-	962,954,528	962,954,528
Dividend Paid	-	-	-	(249,808,557)	(249,808,557)
Transferred To the Special Risk Reserve	-	96,648,114	-	(96,648,114)	-
Balance as at 31 st March 2021	311,576,061	644,799,017	-	1,767,072,220	2,723,447,298





CAPITAL ALLIANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH,

	2021	2020	2019	2018	2017
	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS					
Cash and Cash Equivalents	10,472,382	5,180,973	25,855,498	19,771,516	6,138,795
Financial Assets measured at Amortised Cost	47,184,373	776,555,344	1,524,524,820	723,788,781	2,142,177,912
Financial Assets measured at FVTPL	11,464,111,249	13,522,791,058	9,050,897,908	9,501,349,779	4,900,565,986
Amount due from Related Companies	3,437,023	6,589,447	2,642,458	598,947	19,432
Financial Assets measured at FVOCI	1,000,000	1,000,000	461,856,150	478,284,900	459,323,100
Other Receivables	10,097,759	39,321,220	50,759,188	36,691,266	23,958,307
Deferred Tax Asset	9,401,526	7,117,607	-	-	-
Income Tax Receivable	-	-	4,169,906	-	-
Intangible Assets	2,541,625	5,394,852	8,307,413	13,757,603	7,735,646
Right-of-use Asset	13,413,645	2,908,339	-	-	-
Equipment	2,992,394	3,510,529	4,106,520	5,342,826	2,646,942
Total Assets	11,564,651,976	14,370,369,369	11,133,119,861	10,779,585,618	7,542,566,120
LIABILITIES AND EQUITY					
Liabilities					
Bank Overdrafts	-	-	1,202,627	-	2,893,789
Financial Liabilities at Amortised Cost	8,461,113,826	11,905,242,064	9,652,264,907	9,340,091,537	6,231,644,342
Amounts due to Related Companies	86,857,147	21,331,179	13,840,610	-	1,181,030
Other Payables	78,590,712	65,420,851	20,672,682	24,274,550	8,885,434
Lease Liability	13,550,810	3,073,714	-	-	-
Retirement Benefit Obligation	40,783,555	30,480,213	25,669,240	31,327,900	19,284,648
Income Tax Payable	160,308,628	334,520,021	-	-	-
Total Liabilities	8,841,204,678	12,360,068,042	9,713,650,066	9,395,693,987	6,263,889,243
EQUITY					
Stated Capital	311,576,061	311,576,061	311,576,061	296,092,715	288,777,491
Special Risk Reserve	644,799,017	548,150,903	474,411,715	470,662,143	413,327,028
Fair Value Reserve	-	-	36,092,750	56,555,100	(341,200)
Retained Earnings	1,767,072,220	1,150,574,363	597,389,269	560,581,673	576,913,558
Total Equity	2,723,447,298	2,010,301,327	1,419,469,795	1,383,891,631	1,278,676,877
Total Liabilities and Equity	11,564,651,976	14,370,369,369	11,133,119,861	10,779,585,618	7,542,566,120





CAPITAL ALLIANCE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH,

	2021	2020	2019	2018	2017
	Rs.	Rs.	Rs.	Rs.	Rs.
Cash flows from Operating Activities					
Interest receipts	1,182,003,026	1,417,705,714	1,072,988,571	1,107,134,176	795,314,760
Interest payments	(740,636,208)	(1,100,256,144)	(870,974,562)	(855,784,376)	(598,516,166)
Payments of Direct Cost	(16,433,845)	(13,258,460)	(2,869,691)	-	-
Other receipts	5,345,044	11,054,801	11,246,807	7,566,534	2,319,103
Cash payments to employees and suppliers	(284,182,509)	(273,104,882)	(165,020,992)	(256,601,688)	(286,088,278)
Operating profit before changes in operating assets and liabilities	146,095,508	42,141,028	45,370,134	2,314,646	(86,970,581)
(Increase)/Decrease in Financial Assets measured at Amortised Cost	622,549,022	747,969,476	(800,736,039)	4,526,836,325	2,036,078,608
(Increase)/Decrease in Financial Assets measured at FVTPL	3,271,663,721	(3,539,421,067)	432,886,114	(4,012,161,679)	(1,987,567,482)
(Increase)/Decrease in Financial Assets measured at FVOCI	-	468,163,900	-	37,934,500	176,937,800
(Increase)/Decrease in Other Receivables	29,223,461	11,437,969	(14,067,922)	(12,732,959)	14,341,777
Increase/(Decrease) in Amount due from Related Companies	3,152,424	(3,946,989)	(2,043,511)	(1,760,545)	1,161,598
Increase/(Decrease) in Financial Liabilities at Amortised Cost	(3,410,629,594)	2,252,977,157	312,173,371	-	-
Increase/(Decrease) in Amount due to Related Companies	65,525,968	7,490,569	13,840,610	-	-
Increase/(Decrease) in Other Payable	13,169,860	44,748,171	3,601,869	15,389,116	(1,242,156)
Net cash from / (used in) operating activities	740,750,369	31,560,214	(8,975,375)	555,819,404	152,739,564
Income Taxes Paid	(479,126,663)	(48,465,965)	-	-	-
	261,623,707	(16,905,751)	(8,975,375)	555,819,404	152,739,564
Cash flows from Investing Activities					
Purchase of equipment	(1,825,977)	(1,798,887)	(1,250,254)	(4,520,527)	(1,420,762)
Purchase of Intangible assets	(405,000)	(815,560)	(501,848)	(10,585,548)	(2,268,996)
Disposal of equipment	-	48,300	125,486	-	-
Net cash from / (used in) investing activities	(2,230,977)	(2,566,147)	(1,626,616)	(15,106,075)	(3,689,758)
Cash flows from Financing Activities					
Proceed received from share issued under ESOP Scheme	-	-	15,483,346	7,315,234	22,519,972
Share Repurchase	-	-	-	(373,153,833)	-
Dividend paid	(249,808,557)	-	-	(158,348,220)	(125,000,085)
Lease payments	(4,292,764)	-	-	-	-
Net cash from / (used in) financing activities	(254,101,321)	-	15,483,346	(524,186,819)	(102,480,113)
Net increase / (decrease) in cash and cash equivalents	5,291,408	(19,471,898)	4,881,355	16,526,509	46,569,693
Cash and cash equivalents at the beginning of the year	5,180,973	24,652,871	19,771,516	3,245,006	(43,324,687)
Cash and cash equivalents at the end of the year	10,472,382	5,180,973	24,652,871	19,771,516	3,245,005



Annexure 2

Audited Financial Statements
For The Year Ended 31st March 2021



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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
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Internet : www.kpmg.com/lk

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CAPITAL ALLIANCE LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Capital Alliance Limited ("the Company"), which comprise the statement of financial position as at 31st March 2021, 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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.

Other Information

Management is responsible for the other information. These financial statements do not comprise other information.

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

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

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

In preparing the financial statements, 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 has no realistic alternative but to do so.

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

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M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakanier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara FCA	W.K.D.C. Abeyratne FCA	S.T.D.L. Perera FCA
G.A.U. Kanunaratne 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		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K. Sumanasekara FCA, W.A.A. Weerasekara CFA, ACMA, MRICS

**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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: <http://slaasc.com/auditing/auditorsresponsibility.php>. This description forms part of our auditor's report.

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.

A handwritten signature in black ink, appearing to be 'Kumudh' or similar, written in a cursive style.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

31st May 2021

CAPITAL ALLIANCE LIMITED**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31ST MARCH,**

		2021	2020
	Note	Rs.	Rs.
Interest Income	5	1,075,181,078	1,439,556,700
Interest Expenses	6	(707,137,564)	(1,100,034,407)
Net Interest Income		368,043,514	339,522,293
Net Gain from Trading	7.1	1,345,009,255	898,346,842
Direct Expenses	8	(16,433,846)	(13,258,460)
Other Income	9	5,345,044	10,414,633
Net Gain / (Loss) from remeasurement of Financial Assets at FVTPL	7.2	(132,025,344)	77,525,742
Net Operating Income		1,569,938,623	1,312,551,050
Operating Expenses			
Personnel Expenses		(202,937,869)	(179,050,458)
Depreciation and Amortisation		(9,404,922)	(9,956,452)
Other Expenses		(87,369,677)	(115,737,129)
Profit Before Tax	10	1,270,226,155	1,007,807,011
Income Tax Expenses	11	(303,745,017)	(270,415,130)
Profit for the year		966,481,138	737,391,881
Basic Earnings per Share	12	40.24	30.70

Accounting policies and notes form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

CAPITAL ALLIANCE LIMITED**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31ST MARCH,**

		2021	2020
	Note	Rs.	Rs.
Profit for the year		966,481,138	737,391,881
Other Comprehensive Income/(Expense)			
Items that will not be reclassified to profit or loss			
Actuarial Loss on Retirement Benefit Obligation	25	(4,640,276)	(907,831)
Deferred Tax on Actuarial loss on Retirement Benefit Obligation	11.5.1	1,113,666	254,193
Items that are or may be reclassified subsequently to profit or loss			
Financial Asset measured at FVOCI- Reclassified to profit or loss		-	(36,092,750)
Other Comprehensive Expense for the year		(3,526,610)	(36,746,388)
Total Comprehensive Income for the year		962,954,528	700,645,493

Accounting policies and notes form an integral part of these Financial Statements.
 Figures in brackets indicate deductions.

CAPITAL ALLIANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH,

		2021	2020
	Note	Rs.	Rs.
ASSETS			
Cash and Cash Equivalents	13.1	10,472,382	5,180,973
Financial Assets measured at Amortised Cost	14	47,184,373	776,555,344
Financial Assets measured at FVTPL	15	11,464,111,249	13,522,791,058
Amount due from Related Companies	22.1	3,437,023	6,589,447
Financial Assets measured at FVOCI	17	1,000,000	1,000,000
Other Receivables	16	10,097,759	39,321,220
Deferred Tax Asset	11.5	9,401,526	7,117,607
Intangible Assets	18	2,541,625	5,394,852
Right-of-use Asset	19	13,413,645	2,908,339
Equipment	20	2,992,394	3,510,529
Total Assets		11,564,651,976	14,370,369,369
LIABILITIES AND EQUITY			
Liabilities			
Financial Liabilities at Amortised Cost	21	8,461,113,826	11,905,242,064
Amounts due to Related Companies	22.2	86,857,147	21,331,179
Other Payables	23	78,590,712	65,420,851
Lease Liability	24	13,550,810	3,073,714
Retirement Benefit Obligation	25	40,783,555	30,480,213
Income Tax Payable	11.4	160,308,628	334,520,021
Total Liabilities		8,841,204,678	12,360,068,042
EQUITY			
Stated Capital	26	311,576,061	311,576,061
Special Risk Reserve	27	644,799,017	548,150,903
Retained Earnings		1,767,072,220	1,150,574,363
Total Equity		2,723,447,298	2,010,301,327
Total Liabilities and Equity		11,564,651,976	14,370,369,369

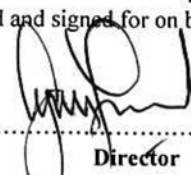
Accounting policies and notes form an integral part of these Financial Statements.
 Figures in brackets indicate deductions.

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

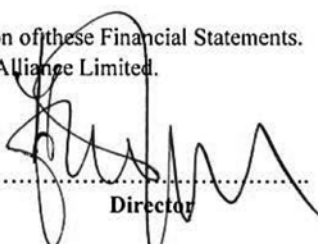


Financial Controller

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 Limited.



Director
 Colombo
 31st May 2021



Director

CAPITAL ALLIANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2021

	Stated Capital	Special Risk Reserve	Fair Value Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Adjusted Balance as at 01 st April 2019	311,576,061	474,411,715	36,092,750	487,575,308	1,309,655,834
Profit for the year	-	-	-	737,391,881	737,391,881
Other Comprehensive Expense for the year	-	-	(36,092,750)	(653,638)	(36,746,388)
Total Comprehensive Income/ (Expense)			(36,092,750)	736,738,243	700,645,493
Transfer to Special Risk Reserve	-	73,739,188	-	(73,739,188)	-
Balance as at 31 st March 2020	311,576,061	548,150,903	-	1,150,574,363	2,010,301,327
Balance as at 01 st April 2020	311,576,061	548,150,903	-	1,150,574,363	2,010,301,327
Profit for the year	-	-	-	966,481,138	966,481,138
Other Comprehensive Expense for the year	-	-	-	(3,526,610)	(3,526,610)
Total Comprehensive Income	-	-	-	962,954,528	962,954,528
Dividend Paid	-	-	-	(249,808,557)	(249,808,557)
Transferred To the Special Risk Reserve	-	96,648,114	-	(96,648,114)	-
Balance as at 31 st March 2021	311,576,061	644,799,017	-	1,767,072,220	2,723,447,298

Accounting policies and notes form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

CAPITAL ALLIANCE LIMITED**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31ST MARCH,**

	Note	2021 Rs.	2020 Rs.
Cash flows from Operating Activities			
Interest receipts		1,182,003,026	1,417,705,714
Interest payments		(740,636,208)	(1,100,256,144)
Payments of Direct Cost		(16,433,845)	(13,258,460)
Other receipts		5,345,044	11,054,801
Cash payments to employees and suppliers		(284,182,509)	(273,104,882)
Operating profit before changes in operating assets and liabilities		146,095,508	42,141,028
(Increase)/Decrease in Financial Assets measured at Amortised Cost		622,549,022	747,969,476
(Increase)/Decrease in Financial Assets measured at FVTPL		3,271,663,721	(3,539,421,067)
(Increase)/Decrease in Financial Assets measured at FVOCI		-	468,163,900
(Increase)/Decrease in Other Receivables		29,223,461	11,437,969
Increase/(Decrease) in Amount due from Related Companies		3,152,424	(3,946,989)
Increase/(Decrease) in Financial Liabilities at Amortised Cost		(3,410,629,594)	2,252,977,157
Increase/(Decrease) in Amount due to Related Companies		65,525,968	7,490,569
Increase/(Decrease) in Other Payable		13,169,860	44,748,171
Net cash from / (used in) operating activities		740,750,369	31,560,214
Income Taxes Paid		(479,126,663)	(48,465,965)
		261,623,707	(16,905,751)
Cash flows from Investing Activities			
Purchase of equipment	20	(1,825,977)	(1,798,887)
Purchase of Intangible assets	18	(405,000)	(815,560)
Disposal of equipment	20	-	48,300
Net cash from / (used in) investing activities		(2,230,977)	(2,566,147)
Cash flows from Financing Activities			
Dividend paid		(249,808,557)	-
Lease payments	24	(4,292,764)	-
Net cash from / (used in) financing activities		(254,101,321)	-
Net increase / (decrease) in cash and cash equivalents		5,291,408	(19,471,898)
Cash and cash equivalents at the beginning of the year	13	5,180,973	24,652,871
Cash and cash equivalents at the end of the year	13	10,472,382	5,180,973

Accounting policies and notes form an integral part of these Financial Statements.
 Figures in brackets indicate deductions.

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

1. REPORTING ENTITY

1.1. Corporate Information

Capital Alliance Limited is a limited liability Company incorporated and domiciled in Sri Lanka, having its registered office 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.

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.

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 May 2021.

2.3. 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.

2.4. 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:

- Financial assets at Fair Value through Profit or Loss (FVTPL) are measured at fair value;
- Financial assets at Fair Value through Other Comprehensive (FVOCI) Income are measured at fair value; and
- Liabilities for defined benefit obligations are measured at its present value

2.5. Functional and Presentation Currency

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

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

2.6. 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. Refer note 35 for the extended explanation on the impact of Covid- 19 in estimated uncertainty.

2.7. 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 company 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.

2.8. Comparative Information

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.

Fixed Deposit Interest relevant to Interest Income amounting to Rs. 533,523/- have been reclassified from Other Income to Interest Income.

Interest income on Staff loans relevant to Interest Income amounting to Rs. 110,612/- have been reclassified from Other Income to Interest Income.

2.9. 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'.

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

2.10.- Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Furthermore, the Management has assessed the existing and anticipated effects of Covid - 19 on the Company and is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

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. Assets and The Bases of Their Valuation

Assets classified as current assets on the Statement of Financial Position are cash and bank balances and those which are expected to be realized in cash during the normal operating cycle or within one year from the reporting date, whichever is shorter. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the reporting date.

3.1.1. Equipment

3.1.1.1. 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.

3.1.1.2. 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.

3.1.1.3. 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.

CAPITAL ALLIANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021****3.1.1.4. 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 (Years)	Depreciation Rate (%)
Furniture and Fittings	5 years	20%
Office Equipment	4 years	25%
Computer Equipment	3 years	33.3%
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.

3.1.2. 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.

3.1.2.1. 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.

3.1.2.2. 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.

3.1.2.3. 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.

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

3.1.2.4. 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 depreciation rates are as follows:

Asset Category	Useful Life (Years)	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.

3.1.3. 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.

3.1.3.1 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.

CAPITAL ALLIANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021****3.1.3.1 As a lessee (Cont.)**

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.

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 'lease liability' 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.

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

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.

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.

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

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
- 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.

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.

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

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.

CAPITAL ALLIANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021****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. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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.

CAPITAL ALLIANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021****Financial instruments and contract assets (Cont.)**

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).

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

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.

CAPITAL ALLIANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021****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. 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.

3.5. 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.

3.6. Retirement Benefit Costs**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 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.

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.

3.7. 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.

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

Statement of Profit or Loss and Other Comprehensive Income

3.8. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following recognition criteria must also be met before revenue is recognized.

3.8.1. Brokering Commission

Brokering commission is recognized on an accrual basis.

3.8.2. Interest Income

Interest income is recognized on an accrual basis, other than interest on early settlements.

3.8.3. 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.

3.9. Expenditure

All expenditure incurred in running the business and in maintaining the Equipment in a state of efficiency has been charged to Statement of Profit or Loss in arriving at the profit/(loss) for the year. Expenditure incurred for the purpose of acquiring and extending or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

3.9.1. Finance Costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and losses on disposal of financial assets at fair value through other comprehensive income, fair value losses on financial assets at fair value through profit or loss and impairment losses recognized on financial assets (other than trade receivables).

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.

3.9.2. Taxation

Income tax expense comprises current and deferred tax. Income tax is recognized in the profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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.

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

Deferred tax

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

The principal temporary differences arise from depreciation on Equipment, Retirement Benefit Obligation and provision for impairment of trade and other Receivables and carried forward tax losses.

Deferred tax assets relating to the carry forward of unused tax losses are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

3.10. 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.

3.11. 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.

3.12. General

3.12.1. Events after the Reporting Period

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.

3.12.2. 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.

CAPITAL ALLIANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021****3.12.3. 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 1st January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

- **COVID-19-Related Rent Concessions (Amendment to SLFRS 16).**

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession.

The practical expedient will only apply if

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease

The amendment applies to annual reporting periods beginning on or after 01st June 2020. The Company does not anticipate this amended to have a significant impact on the Company's financial statements.

- **Interest Rate Benchmark Reform – Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16)**

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

The amendments will require the Company to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities. The Company is in the process of assessing the impact of this standard on its accounting and reporting. This amendment is effective for annual periods beginning on or after 1st January 2021.

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

- **Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16).**

This amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendment applies to annual reporting periods beginning on or after 1st January 2022.

- **Onerous contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37)**

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1st January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The Company does not anticipate this amended to have a significant impact.

- **Annual Improvements to SLFRS Standards 2018–2020.**

As part of its process to make non-urgent but necessary amendments to accounting Standards, the IASB International Accounting Standards Board (the Board) has issued the Annual Improvements to IFRS Standards 2018–2020. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Key Aspects covered is as follow:

I. SLFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of SLFRS 1 for a subsidiary that becomes a first-time adopter of SLFRS Standards later than its parent

II. SLFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

CAPITAL ALLIANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021****• Classification of Liabilities as Current or Non-current (Amendments to LKAS 1).**

The amendments in Classification of Liabilities as Current or Noncurrent (Amendments to LKAS 1) affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those item

The Key amendments are as follows:

- the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The standard also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH,

	2021 Rs.	2020 Rs.
5 INTEREST INCOME		
Financial Assets measured at FVTPL		
Interest on Treasury Bills	94,364,258	68,649,412
Interest on Treasury Bonds	897,801,128	1,220,235,936
Interest on Debentures	-	467,718
	<u>992,165,386</u>	<u>1,289,353,066</u>
Financial Assets measured at FVOCI		
Interest on Treasury Bonds	-	6,419,000
Financial Assets measured at Amortised cost		
Interest on Securities Purchased Under Resale Agreements	82,509,388	143,140,499
Fixed Deposit Interest	390,494	533,523
Interest Income on Staff Loans	115,810	110,612
	<u>83,015,692</u>	<u>143,784,634</u>
	<u>1,075,181,078</u>	<u>1,439,556,700</u>
6 INTEREST EXPENSES		
Interest on Securities Sold under Repurchase Agreements	707,107,671	1,100,034,407
Interest on Bank and Other Loans	29,893	-
	<u>707,137,564</u>	<u>1,100,034,407</u>
7 GAINS AND LOSSES ARISE FROM FINANCIAL ASSETS		
7.1 NET GAIN/(LOSS) FROM TRADING		
Gain on Treasury Bills	41,683,944	22,021,722
Gain on Treasury Bonds	1,298,768,981	833,023,232
Loss on Listed Debentures	-	(98,612)
Gain on Sale of Financial Assets measured at FVOCI	-	43,400,500
Capital Gains on Quoted Instruments	4,556,330	-
	<u>1,345,009,255</u>	<u>898,346,842</u>
7.2 NET GAIN/(LOSS) FROM REMEASUREMENT OF FINANCIAL ASSETS AT FVTPL		
Remeasurement Gain/(Loss) on Government Securities	(123,107,633)	77,525,742
Remeasurement Gain/(Loss) on Shares	(8,917,711)	-
	<u>(132,025,344)</u>	<u>77,525,742</u>
8 DIRECT EXPENSES		
Brokerage Commission	16,433,846	13,258,460
	<u>16,433,846</u>	<u>13,258,460</u>
9 OTHER INCOME		
Brokerage Income	3,473,191	1,091,379
Other Income	390,162	9,319,287
Gain on Disposal of Fixed Assets	-	3,967
Dividend Income	1,481,691	-
	<u>5,345,044</u>	<u>10,414,633</u>
10 PROFIT BEFORE TAX		
<i>Is stated after charging all expenses including the following;</i>		
Audit fee		
- Statutory Audit	750,000	978,000
- Other Services	324,000	250,000
Depreciation of Equipment	2,344,112	2,350,546
Depreciation of Right-of-use assets	3,802,582	3,877,785
Amortization of Intangible Assets	3,258,227	3,728,121
Staff cost included;		
- Salaries and other staff benefits	179,982,422	156,140,840
- Defined Benefit Plan - Gratuity (Note 25)	5,663,066	5,594,392
- Defined Contribution Plans - EPF	8,975,887	9,501,409
- ETF	2,243,972	2,375,351
Other Employee Related Cost	6,072,523	5,438,467
Donations	6,250	-

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

11 INCOME TAX EXPENSE

11.1 Income tax recognised in Profit or Loss

	2021	2020
	Rs.	Rs.
Current Tax Expense for the year (Note 11.2)	304,915,270	277,278,545
Deferred Tax Charge due to reduction in tax rate (Note 11.5)	1,016,801	-
Deferred Tax Charge/ (Reversal) for the year (Note 11.5)	(2,187,054)	(6,863,415)
	<u>303,745,017</u>	<u>270,415,130</u>

11.2 Reconciliation between Accounting Profit and Taxable Profit

Accounting Profit before Tax	1,270,226,155	1,007,807,011
Less: Other Sources of Income & exempt income	(6,544,325)	(648,102)
Add: Aggregate Disallowed Items	24,453,920	27,761,407
Less: Aggregate Allowed Items	(18,161,762)	(8,606,879)
Taxable income from Business	1,269,973,988	1,026,313,437
Other Sources of Income	506,304	644,135
Total Statutory Income	<u>1,270,480,292</u>	<u>1,026,957,572</u>
Total Taxable Income	<u>1,270,480,292</u>	<u>1,026,957,572</u>
 Current Tax Expense	 <u>304,915,270</u>	 <u>277,278,545</u>
Tax Loss Reconciliation		
Tax Losses Brought forward	-	460,600,288
Less: Adjustment due to application of IFRIC 23	-	(460,600,288)
Tax Losses Carried forward	<u>-</u>	<u>-</u>

11.3 Applicable Income Tax Rates

The income tax provision for the Company is computed in accordance with the Bill to amend the Inland Revenue Act No. 24 of 2017, which was issued on 18 March 2021. The Bill has been passed in the Parliament and Certified by the Honorable Speaker on 13th May 2021 and it incorporates all the income tax proposals announced to date and implemented by way of guidelines issued by the Inland Revenue Department at the instruction of the Ministry of Finance. CA Sri Lanka through a guideline issued on "Application of Tax Rates in Measurement of Current Tax and Deferred Tax in LKAS 12" dated 23 April 2021 has acknowledged that an Inland Revenue (Amendment) Bill which is presented to the Parliament for the first reading is 'Substantively enacted' as per LKAS 12 – Income Tax and the proposed tax rules and rates given in the Inland Revenue (Amendment) Bill can be used to measure the current tax and deferred tax.

Accordingly, the new tax rate of 24% has been considered to be substantially enacted as at reporting date for the computation of current and deferred tax computation in these Financial Statements for the year ended 31 March 2021.

11.4 Income Tax Payable

	2021	2020
	Rs.	Rs.
Balance as at 01 st April	334,520,021	(4,106,520)
Income Tax Provision for the year	304,915,270	277,278,545
Impact on adoption of IFRIC 23	-	109,813,961
Income Tax payments	(448,103,785)	(48,465,965)
Withholding and Other Credits	(31,022,878)	-
Balance as at 31 st March	<u>160,308,628</u>	<u>334,520,021</u>

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

11. INCOME TAX EXPENSE (CONTD.)

	2021 Rs.	2020 Rs.
11.5 Deferred Taxation		
Balance at the Beginning of the year	7,117,607	-
Amount (recognized)/ reversed during the year - (Note - 11.5.1)	2,283,919	7,117,607
Balance at the end of the year	<u>9,401,526</u>	<u>7,117,607</u>

11.5.1 Amount recognized during the year

Effect of change in tax rates - recognized during the year recognised in pr	(1,016,801)	-
Amount (recognized)/reversed during the year - Profit and Loss	2,187,054	6,863,415
Amount (recognized)/reversed during the year - Other Comprehensive Inc	1,113,666	254,193
	<u>2,283,919</u>	<u>7,117,607</u>

Deferred Tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences associated with the company for which a deferred tax Liability/(Asset) has been recognized. Deferred Tax has been computed, taking into consideration the effective tax rate, which is 24%

	2021		2020	
	Temporary Difference Rs .	Tax effect on Temporary Difference Rs .	Temporary Difference Rs .	Tax effect on Temporary Difference Rs .
On Equipment	(43,058)	(10,334)	(320,952)	(89,867)
On Intangible assets	(1,704,633)	(409,112)	(4,904,610)	(1,373,291)
On Right-of-use assets	(13,413,645)	(3,219,275)	(2,908,339)	(814,335)
On Lease Creditor on ROU Assets	13,550,810	3,252,194	3,073,714	860,640
On Retirement benefit obligations	40,783,555	9,788,053	30,480,213	8,534,460
	<u>39,173,029</u>	<u>9,401,526</u>	<u>25,420,026</u>	<u>7,117,607</u>

12 BASIC EARNINGS PER SHARE

Earnings Per Share is calculated by dividing the Profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year and calculated as follows.

	2021	2020
Profit attributable to ordinary shareholders - (Rs.)	966,481,138	737,391,881
Weighted average number of ordinary shares	24,020,054	24,020,054
Earnings per share - (Rs.)	<u>40.24</u>	<u>30.70</u>

CAPITAL ALLIANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS**AS AT 31ST MARCH,

	2021 Rs.	2020 Rs.
13 CASH AND CASH EQUIVALENTS		
13.1 Favourable Balance		
Cash at Bank	10,424,382	5,148,973
Cash in Hand	48,000	32,000
<i>Cash and Cash Equivalent for the Purpose of Statement of Cash Flows</i>	<u>10,472,382</u>	<u>5,180,973</u>
14 FINANCIAL ASSETS MEASURED AT AMORTISED COST		
Fixed Deposits	6,077,933	5,687,439
Securities Purchased under Resale agreements	41,106,440	770,867,905
	<u>47,184,373</u>	<u>776,555,344</u>

14.1 Fair value of the securities pledged for the securities purchased under resale agreements

	Market Value (Rs.)		Face Value (Rs.)	
	2021	2020	2021	2020
Treasury Bonds	44,546,792	766,795,860	39,750,000	735,138,816
	<u>44,546,792</u>	<u>766,795,860</u>	<u>39,750,000</u>	<u>735,138,816</u>

The total amount of securities pledged for Securities Purchased under Resale Agreements has been repledged for the Securities Sold under Repurchase Agreements by the company 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

15 FINANCIAL ASSETS MEASURED AT FVTPL

Government Treasury Bills	15.1	6,314,468,250	3,997,914,707
Government Treasury Bonds	15.1	4,948,539,909	9,524,876,351
Investment in Quoted Shares	15.2	201,103,090	-
		<u>11,464,111,249</u>	<u>13,522,791,058</u>

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.)	
	2021	2020	2021	2020
Treasury Bills	3,617,255,008	4,006,593,692	3,418,628,000	4,278,569,600
Treasury Bonds	5,830,918,492	8,325,076,789	5,869,550,000	9,327,147,980
	<u>9,448,173,500</u>	<u>12,331,670,481</u>	<u>9,288,178,000</u>	<u>13,605,717,580</u>

The Company follows the guidelines stipulated in the Direction on 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.

15.2 Investment in Quoted Shares

	2021			2020		
	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.
Hatton National Bank PLC	170,200	24,200,398	21,445,200	-	-	-
Aitken Spence PLC	461,027	29,919,918	25,586,999	-	-	-
Teejay Lanka PLC	423,466	17,956,687	16,938,640	-	-	-
Commercial Bank of Ceylon PLC	132,937	10,772,929	11,366,114	-	-	-
Sampath Bank PLC	450,000	24,482,496	24,210,000	-	-	-
Richard Pieris & Company PLC	293,780	4,414,562	4,935,504	-	-	-
Watawala Plantations PLC	180,008	11,588,691	10,278,457	-	-	-
Lanka ORIX Leasing Company PLC	20,000	9,404,160	5,840,000	-	-	-
Piramal Glass Ceylon PLC	7,250,000	77,280,960	80,475,000	-	-	-
Vallibel One PLC	577	-	27,177	-	-	-
	<u>9,381,995</u>	<u>210,020,801</u>	<u>201,103,090</u>	<u>-</u>	<u>-</u>	<u>-</u>

15.3 Investment in Quoted Shares Movement

	2021	2020
Balance as at 01 st April	-	-
Cost of the Net Investments during the year	210,020,801	-
Remeasurement Loss	(8,917,711)	-
Balance as at 31 st March	<u>201,103,090</u>	<u>-</u>

CAPITAL ALLIANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS****AS AT 31ST MARCH,**

	2021	2020
	Rs.	Rs.
16 OTHER RECEIVABLES		
Deposits and Advances	3,506,502	2,437,413
Prepayments	1,825,863	1,178,282
ESC Recoverable	-	30,701,295
WHT Recoverable	-	321,583
Staff Loan	4,052,159	3,796,349
Inventory	713,235	846,071
Other miscellaneous receivables	-	40,227
	10,097,759	39,321,220

17 FINANCIAL ASSETS MEASURED AT FVOCI

Investment in Non quoted Shares	1,000,000	1,000,000
	1,000,000	1,000,000

	2021		2020	
	No. of Ordinary shares	Cost of investment 'Rs.	Market Value 'Rs.	Market Value 'Rs.
Lanka Financial Services Bureau Limited	100,000	1,000,000	1,000,000	1,000,000

The Directors of the Company are of the opinion that the cost and fair value of the investments are not significantly varying at the date of the Statement of Financial Position.

18 INTANGIBLE ASSETS

	Computer Software	Total
	Rs.	Rs.
Cost		
Balance as at 01 st April 2019	30,124,107	30,124,107
Additions during the year	815,560	815,560
Balance as at 31st March 2020	30,939,667	30,939,667
Additions during the year	405,000	405,000
Balance as at 31st March 2021	31,344,667	31,344,667
Accumulated Amortization		
Balance as at 01 st April 2019	21,816,694	21,816,694
Amortization during the year	3,728,121	3,728,121
Balance as at 31st March 2020	25,544,815	25,544,815
Amortization during the year	3,258,227	3,258,227
Balance as at 31st March 2021	28,803,042	28,803,042
Carrying Value		
Balance as at 31 st March 2020	5,394,852	5,394,852
Balance as at 31st March 2021	2,541,625	2,541,625

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2021

19 RIGHT- OF- USE ASSET

	Leasehold Property Rs.	Total Rs.
Cost		
Balance as at 01 st April 2019	-	-
Recognition of right-of-use asset on initial application of SLFRS 16	6,786,124	6,786,124
Balance as at 31 st March 2020	6,786,124	6,786,124
Balance as at 01st April 2020	6,786,124	6,786,124
Additions During the Year	14,307,888	14,307,888
Balance as at 31st March 2021	21,094,012	21,094,012
Amortisation		
Balance as at 01 st April 2019	-	-
Amortisation for the year	3,877,785	3,877,785
Balance as at 31 st March 2020	3,877,785	3,877,785
Balance as at 01st April 2020	3,877,785	3,877,785
Amortisation for the year	3,802,582	3,802,582
Balance as at 31st March 2021	7,680,367	7,680,367
Carrying amount		
Balance as at 31 st March 2020	2,908,339	2,908,339
Balance as at 31st March 2021	13,413,645	13,413,645

20 EQUIPMENT

	Computer Equipment Rs.	Office Equipment Rs.	Furniture & Fittings Rs.	Communicatio n Devices Rs.	Total Rs.
Cost					
Balance as at 01 st April 2019	9,035,369	2,827,797	4,652,599	291,287	16,807,052
Additions during the year	1,403,653	353,634	41,600	-	1,798,887
Disposals during the year	(9,273)	-	(477,818)	-	(487,091)
Balance as at 31 st March 2020	10,429,749	3,181,431	4,216,381	291,287	18,118,848
Additions during the year	1,019,000	686,977	-	120,000	1,825,977
Balance as at 31st March 2021	11,448,749	3,868,408	4,216,381	411,287	19,944,825
Accumulated Depreciation					
Balance as at 01 st April 2019	6,758,950	1,650,287	4,024,507	266,788	12,700,532
Charge for the year	1,582,843	561,804	181,400	24,499	2,350,546
Disposals during the year	(9,274)	-	(433,485)	-	(442,759)
Balance as at 31 st March 2020	8,332,519	2,212,091	3,772,422	291,287	14,608,319
Charge for the year	1,592,234	537,045	184,833	30,000	2,344,112
Balance as at 31st March 2021	9,924,753	2,749,136	3,957,255	321,287	16,952,431
Carrying value as at 31st March 2020	2,097,230	969,340	443,959	-	3,510,529
Carrying value as at 31st March 2021	1,523,996	1,119,272	259,126	90,000	2,992,394

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2021

	2021 Rs.	2020 Rs.
21 FINANCIAL LIABILITIES AT AMORTISED COST		
Securities Sold Under Repurchase Agreements	<u>8,461,113,826</u>	<u>11,905,242,064</u>
21.1 Securities Pledged as Collateral		
	Market Value (Rs.)	Face Value (Rs.)
	2021	2020
Treasury Bills	3,617,255,008	4,006,593,692
Treasury Bonds	5,875,465,283	9,091,872,649
	<u>9,492,720,291</u>	<u>13,098,466,341</u>
	2021	2020
	3,418,628,000	4,278,569,600
	5,909,300,000	8,592,009,164
	<u>9,327,928,000</u>	<u>12,870,578,764</u>
<p>The Company follows the guidelines stipulated in the Direction on 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.</p> <p>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.</p>		
22 AMOUNTS DUE TO / DUE FROM RELATED COMPANIES	2021 Rs.	2020 Rs.
22.1 Amounts Due from Related Companies		
Tempest PE Partners (Pvt) Ltd	24,379	2,013
Capital Alliance Investments Ltd	<u>3,412,644</u>	<u>6,587,434</u>
	<u>3,437,023</u>	<u>6,589,447</u>
22.2 Amounts Due to Related Companies		
Capital Alliance Partners Ltd	604,077	12,187,421
Capital Alliance Securities (Pvt) Ltd	54,738,242	4,011,753
Capital Alliance Holdings Ltd	11,850,078	4,585,208
Finnovation (Pvt) Ltd	<u>19,664,750</u>	<u>546,797</u>
	<u>86,857,147</u>	<u>21,331,179</u>
23 OTHER PAYABLES		
Provisions and Accrued Expenses	74,243,532	62,769,634
Other Payables	<u>4,347,180</u>	<u>2,651,217</u>
	<u>78,590,712</u>	<u>65,420,851</u>
24 LEASE LIABILITY	2021 Rs.	2020 Rs.
Gross Lease Obligation	15,519,200	3,231,750
Less: Finance cost applicable for future periods	<u>(1,968,390)</u>	<u>(158,036)</u>
Net Lease Obligation	<u>13,550,810</u>	<u>3,073,714</u>
24.1 LEASE LIABILITY MOVEMENT		
Opening Balance as at 01 st April	3,073,714	-
Recognition of Lease Liability on Initial Application of SLFRS 16	-	6,786,124
Additions during the year	14,307,888	-
Lease Interest	461,972	629,963
Lease Payments	<u>(4,292,764)</u>	<u>(4,342,373)</u>
Closing Balance as at 31 st March	<u>13,550,810</u>	<u>3,073,714</u>

CAPITAL ALLIANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS****AS AT 31ST MARCH,****25 RETIREMENT BENEFIT OBLIGATION**

	2021 Rs.	2020 Rs.
Balance at the beginning of the year	30,480,213	25,669,240
Provision made during the year	10,303,342	6,502,223
Payments made during the year	-	(1,691,250)
Balance at the end of the year	<u>40,783,555</u>	<u>30,480,213</u>

25.1 Movement in the present value of the Defined Benefit Obligation:

Defined benefit obligation as at 1 st April	30,480,213	25,669,240
Benefit Paid	-	(1,691,250)
Current Service Cost	3,607,151	3,210,906
Interest Cost	2,055,915	2,383,486
Actuarial Loss	4,640,276	907,831
Defined benefit obligation as at 31 st March	<u>40,783,555</u>	<u>30,480,213</u>

25.2 Expense recognized in Profit or Loss:

Current Service Cost	3,607,151	3,210,906
Interest Cost	2,055,915	2,383,486
	<u>5,663,066</u>	<u>5,594,392</u>

Expense recognized on Other Comprehensive Income

Actuarial Loss for the year	4,640,276	907,831
	<u>4,640,276</u>	<u>907,831</u>
Provision for the year	<u>10,303,342</u>	<u>6,502,223</u>

25.3 The principal actuarial assumptions used were as follows:

Expected Annual Average Salary Increment	10%	10%
Discount Rate / Interest Rate	7%	10%
Staff Turnover Factor	10%	10%
Average life expectancy of an individual	55 Years	55 Years

The Company will continue as a going concern.

The company applied formula method and used the above key assumptions in arriving at the Retirement Benefit Liability under Projected Unit Credit (PUC) method recommended by the LKAS 19 - 'Employee Benefits'.

25.4 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.

	2021		2020	
	Increase	Decrease	Increase	Decrease
<u>Movement by 1%</u>				
Discount Rate	(2,338,789)	2,514,995	(758,601)	821,774
Future salary scale	2,421,130	(2,297,376)	814,071	(765,286)

CAPITAL ALLIANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS**AS AT 31ST MARCH,

	2021 Rs.	2020 Rs.
26 STATED CAPITAL		
Issued and Fully paid		
24,020,054 Ordinary Shares (Note 26.1)	<u>311,576,061</u>	<u>311,576,061</u>
	<u>311,576,061</u>	<u>311,576,061</u>

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.

26.1 Movement of Stated Capital

Balance at beginning of the year	<u>311,576,061</u>	<u>311,576,061</u>
Balance at end of the year	<u>311,576,061</u>	<u>311,576,061</u>

27 SPECIAL RISK RESERVE

Balance at the beginning of the year	548,150,903	474,411,715
Transferred during the year	<u>96,648,114</u>	<u>73,739,188</u>
Balance at the end of the year	<u>644,799,017</u>	<u>548,150,903</u>

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

28 EMPLOYEE SHARE OPTION SCHEME

On 16th February 2015, the Company established an Employee Share Option Scheme that entitles Key Management Personnel to purchase shares of the Company, in return for their services rendered. The Fair value of the share option is valued to Rs.10,885,012/- as at 31st March 2015 and the terms related to the grants of the share option are as follows.

Grant date : 16th February 2015

Scheme - 1

No of options to be allocated : 1,666,667

	<u>Option - 1</u>	<u>Option - 2</u>
No of Shares :	583,334	1,083,333
Vesting period :	Immediately	First year ending 1 st April 2016.
Exercise Period :	5 Years from the date of Vesting	5 Years from the date of Vesting
Exercise Price :	Rs.27.87	Rs.27.87
No of Employees :	Two employees	Six employees

The first option of 583,334 shares has "vested immediately" and has been accounted immediately in the year of 2014/2015 and this option has exercised on 13th August 2015. The second option of 1,083,333 shares were vested on 1st April 2016. 808,036 options were exercised during the period from 01st September 2016 to 31st January 2017 and 262,477 options were exercised on 25th January 2018.

Scheme - 2

No of options to be allocated : 1,111,111

	<u>Option -1</u>	<u>Option - 2</u>
No of Shares :	555,555	555,555
Vesting period :	Three years ending 1 st April 2018.	At the discretion of the Board
Exercise Period :	5 Years from the date of Vesting	5 Years from the date of Vesting
Exercise Price :	Rs.27.87	At the discretion of the Board
No of Employees :	One Employee	At the discretion of the Board

The option of 555,555 shares will be vested subject to the vestee signing a shareholder agreement substantially.

The price per share has been determined based on the net assets basis after adjusting dividends.

The Directors have declared that the company has not directly or indirectly provided funds for the employee share option scheme.

Option -1 was exercised immediately after vesting on 2nd April 2018 has been accounted in the year 2018/2019.

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2021

29 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.

29.1 Parent And Ultimate Controlling Party

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

29.2 Key management personnel

Key management personnel include persons who were directors of Capital Alliance Limited 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

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.

29.3 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. 32,016,464/- (2020- Rs 19,000,000/-).

Other Transactions with Key Management Personnel

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

29.4 Transaction 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
Mr W. A. T. Fernando	Director	Director	Director	Director	Director	Director
Mr C. S. R. S. Anthony	Director	-	-	-	-	-
Mr R. J. Arasaratnam	Director	-	-	-	-	-
Ms N. T. M. S. Cooray	Director	-	-	-	-	-
Mr D. A. De Zoysa	Director/ Chairman	-	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	-	-	-	-
Mr. A S Wijesinha ***	-	-	-	Director	-	-
Mr. W D P De Mel ***	-	-	-	Director	-	-
Mr C Wickramasuriya****	-	-	-	Director	-	-
Mr. K. D. Bernard *****	-	-	-	Director	-	-
Mr. S.M. Paranavitana *****	-	-	-	Director	-	-
Mr. K S C P K Gunasinghe *****	-	-	-	Director	-	-
Mr. K. P. Mannakkara *****	-	-	-	Director	-	-
Mr. C. P. R. Perera	-	-	-	-	-	Director

* Managing Company of the Unit Trust Funds

** Appointed on 23 November 2020

*** Appointed on 28 July 2020

**** Appointed on 28 July 2020 and resigned on 18 August 2020

***** Resigned on 8 June 2020

***** Appointed on 2 October 2020

***** Appointed on 8 March 2021

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31st MARCH 2021

2) Transactions with Related Parties

Company	Relationship	Nature Of Transaction	2021	2020
Capital Alliance Holdings Ltd	Parent Company	Interest charge on Repo	(117,001)	-
		Interest on Reverse Repo	92,344	74,165
		Reimbursement of Expenses	(18,382,296)	(5,299,464)
		Intercompany Payable	(11,850,078)	(4,585,208)
		Dividend Paid	(226,718,679)	-
Capital Alliance Investments Ltd	Sub-Subsidiary of Parent Company	Repo	6,706,684	(6,925,988)
		Interest charge on Repo	(280,695)	(385,239)
		Reimbursement of Expenses	21,901,619	16,168,626
		Intercompany Receivable	3,412,644	6,587,434
Capital Alliance Partners Ltd	Subsidiary of Parent Company	Reimbursement of Expenses	(11,882,703)	(7,613,557)
		Intercompany Payable	(604,077)	(12,187,422)
Capital Alliance Securities (Pvt)	Subsidiary of Parent Company	Repo	(155,268,686)	(105,152,092)
		Interest charge on Repo	(4,425,621)	(4,155,012)
		Reimbursement of Expenses	5,640,626	4,674,520
		Intercompany Payable	(54,738,242)	(4,011,753)
		Brokerage Expenses	(3,147,800)	-
Finnovation (Pvt) Ltd	Subsidiary of Parent Company	Software development and maintenance	(30,605,843)	(48,631,000)
		Reimbursement of Expenses	(7,260,469)	3,928,262
		Intercompany Payable	(19,664,750)	(546,798)
FipBox (Pvt) Ltd	Subsidiary of Parent Company	Reimbursement of Expenses	-	383,726
Tempest PE Partners (Pvt) Ltd	Joint Venture of Parent Company	Intercompany Receivable	24,379	2,013
		Reimbursement of Expenses	292,738	42,004
Capital Alliance Corporate Debt & Gilt Trading Fund	Unit Trust Fund managed by Affiliated Company	Interest charge on Repo	(4,079,246)	(161,149)
Capital Alliance Investment Grade Fund	Unit Trust Fund managed by Affiliated Company	Repo	(335,591,981)	-
		Interest charge on Repo	(27,451,648)	(4,105,545)
Capital Alliance Corporate Treasury Fund	Unit Trust Fund managed by Affiliated Company	Repo	-	(528,555)
		Interest charge on Repo	(50,876)	(69,671)
Capital Alliance Gilt Fund	Unit Trust Fund managed by Affiliated Company	Interest charge on Repo	(15,083,528)	-
Capital Alliance High Yield Fund	Unit Trust Fund managed by Affiliated Company	Interest charge on Repo	-	(1,210,290)
Capital Alliance Medium Risk Debt Fund	Unit Trust Fund managed by Affiliated Company	Interest charge on Repo	-	(16,702)
Capital Alliance Income Fund	Unit Trust Fund managed by Affiliated Company	Repo	(280,730,848)	-
		Interest charge on Repo	(10,896,943)	(1,497,695)
Capital Alliance Quantitative Equity Fund	Unit Trust Fund managed by Affiliated Company	Interest charge on Repo	-	(42,892)
Ms. N T M S Cooray	Director	Interest charge on Repo	(25,514)	(4,452)

30 COMMITMENTS AND CONTINGENCIES

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 2021, except the following.

The company has appealed against the assessment issued for income tax by the Department of Inland Revenue amounting to Rs. 180Mn for the years of assessment 2017/18 by disputing the deduction of entire interest income earned by the company on primary market transaction as not forming a part of statutory income. Accordingly a provision is recognized on initial adoption of IFRIC 23 as a retrospectively adjustment in the statement of changes in equity as at 01st April 2019.

The Company has appealed against assessment on VAT on Financial Services amounting to Rs.40Mn, Rs.39Mn, Rs.70Mn, Rs.1Mn, Rs.62Mn and 95 Mn respectively for the Year of Assessment 12/13, 13/14, 14/15, 15/16, 16/17 and 17/18.

The Company has also appealed against assessment on NBT on Financial Services amounting to Rs.1.7Mn, Rs.11.9Mn, Rs.0.1Mn, Rs.9.3Mn and Rs.12.7Mn respectively for 13/14, 14/15, 15/16, 16/17 and 17/18 Year of Assessment.

The related Appeals against the said Assessments and Determinations have been duly submitted. Based on the Tax Consultant's opinion, the Board of Directors of Capital Alliance Limited is of the view that no liability would arise on the above mentioned tax matters as they are outside the scope of chargeability of taxes.

31 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 Statement.

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2021

32 FINANCIAL RISK MANAGEMENT

The Board of Directors possess over all responsibility for the establishment and oversight of the Company's Risk Management Framework.

The Company's principal financial liabilities comprise repurchase agreement, lease and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Reverse Repurchase Agreement, financial assets measured at FVTPL, other receivables and cash and cash equivalents that arrive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The company's management oversees the management of these risks. The management is supported by the Parent Company's Audit Committee that advises on financial risks and the appropriate Risk Governance Framework for the Company. The Audit Committee provides assurance to the Company's management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite and agrees to policies for managing each of these risks which are summarized below,

32.1 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 financial assets measured at FVTPL) and from its financing activities including any deposits with banks and financial institutions and other financial instruments. The Company maintains an adequate oversight over its fee receivable and deals with reputable financial institutions.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was;

	Cash and Cash Equivalents	Financial Assets measured at FVTPL	Financial Assets measured at FVOCI	Financial Assets measured at Amortised Cost	Other Receivables
	Rs.	Rs.	Rs.	Rs.	Rs.
As at 31st March 2021					
Government	-	11,464,111,249	-	-	-
Corporate	-	-	1,000,000	47,184,373	-
Other	10,472,382	-	-	3,437,023	10,097,759
Total	10,472,382	11,464,111,249	1,000,000	50,621,397	10,097,759
As at 31st March 2020					
Government	-	13,522,791,058	-	-	-
Corporate	-	-	1,000,000	776,555,344	-
Other	5,180,973	-	-	6,589,447	39,321,220
Total	5,180,973	13,522,791,058	1,000,000	783,144,791	39,321,220

All the balances as at 31st March 2021 and 31st March 2020 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.

32.2 Impairment

The aging of other receivables at the reporting date was;

	2021 (Rs.)	2020 (Rs.)
	Gross	Gross
Not past due	10,097,759	39,321,220
Past due 0 - 31 days	-	-
Past due 31 - 90 days	-	-
More than 90 days	-	-
	10,097,759	39,321,220

Based on the past due date, the Company believe that no provisions are required as at 31st March 2021.

CAPITAL ALLIANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST MARCH 2021

32.3 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 is to maintain optimum levels of liquidity at all times to meet its cash requirements. The company closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing including loans, repurchase agreement and overdraft from domestic banks at an optimized cost.

The following are the contractual maturities of financial assets and liabilities, including estimated interest payments and excluding the impact of netting agreements.

As at 31st March 2021

	Carrying amount	Contractual Cash flows	12 months or less	1 - 2 years	2 - 5 Years
Financial Assets measured at Amortised Cost	47,184,373	47,184,373	47,184,373	-	-
Other Financial Assets	11,475,583,630	11,475,583,630	11,475,583,630	-	-
Other Receivables	10,097,759	10,097,759	10,097,759	-	-
Amount due from Related Companies	3,437,023	3,437,023	3,437,023	-	-
	<u>11,536,302,786</u>	<u>11,536,302,786</u>	<u>11,536,302,786</u>	<u>-</u>	<u>-</u>
Financial Liabilities at Amortised Cost	8,461,113,826	8,461,113,826	8,461,113,826	-	-
Other Payables	78,590,712	78,590,712	78,590,712	-	-
Lease liability	13,550,810	15,915,200	4,244,053	4,244,053	7,427,093
Amounts Due to Related Companies	86,857,147	86,857,147	86,857,147	-	-
	<u>8,640,112,495</u>	<u>8,642,476,885</u>	<u>8,630,805,738</u>	<u>-</u>	<u>-</u>

As at 31st March 2020

	Carrying amount	Contractual Cash flows	12 months or less	1 - 2 years	2 - 5 Years
Financial Assets measured at Amortised Cost	776,555,344	776,555,344	776,555,344	-	-
Other Financial Assets	13,528,972,032	13,528,972,032	13,528,972,032	-	-
Other Receivables	39,321,220	39,321,220	39,321,220	-	-
Amount due from Related Companies	6,589,447	6,589,447	6,589,447	-	-
	<u>14,351,438,042</u>	<u>14,351,438,042</u>	<u>14,351,438,042</u>	<u>-</u>	<u>-</u>
Financial Liabilities at Amortised Cost	11,905,242,064	11,905,242,064	11,905,242,064	-	-
Other Payables	65,420,852	65,420,852	65,420,852	-	-
Lease liability	3,073,714	3,073,714	3,073,714	-	-
Amounts Due to Related Companies	21,331,179	21,331,179	21,331,179	-	-
	<u>11,995,067,810</u>	<u>11,995,067,810</u>	<u>11,995,067,810</u>	<u>-</u>	<u>-</u>

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

32.4 Market risk

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

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

	Carrying Amount	Market risk Measurement		Carrying Amount	Market risk Measurement	
	As at 31 st March 2021	Trading Portfolios	Non -Trading Portfolios	As at 31 st March 2020	Trading Portfolios	Non -Trading Portfolios
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets						
Cash and Cash Equivalents	10,472,382	-	10,472,382	5,180,973	-	5,180,973
Financial Assets measured at Amortised Cost	47,184,373	-	47,184,373	776,555,344	-	776,555,344
Financial Assets measured at FVTPL	11,464,111,249	11,464,111,249	-	13,522,791,058	13,522,791,058	-
Financial Assets measured at FVOCI	1,000,000	-	1,000,000	1,000,000	-	1,000,000
	<u>11,522,768,004</u>	<u>11,464,111,249</u>	<u>58,656,755</u>	<u>14,305,527,375</u>	<u>13,522,791,058</u>	<u>782,736,317</u>
Financial liabilities						
Financial Liabilities at Amortised Cost	8,461,113,826	-	8,461,113,826	11,905,242,064	-	11,905,242,064
Lease Liability	13,550,810	-	13,550,810	3,073,714	-	3,073,714
	<u>8,474,664,636</u>	<u>-</u>	<u>8,474,664,636</u>	<u>11,908,315,778</u>	<u>-</u>	<u>11,908,315,778</u>

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2021

33 FAIR VALUE OF ASSETS AND LIABILITIES

The table below analysis financial instruments carried at fair value, by valuation method.

The different levels have been defined 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).

31 st March 2021	Level 1	Level 2	Level 3	Total
Financial Assets measured at FVTPL	-	11,464,111,249	-	11,464,111,249
Financial Assets measured at FVOCI	-	1,000,000	-	1,000,000
	-	11,465,111,249	-	11,465,111,249
31 st March 2020	Level 1	Level 2	Level 3	Total
Financial Assets measured at FVTPL	-	13,522,791,058	-	13,522,791,058
Financial Assets measured at FVOCI	-	1,000,000	-	1,000,000
	-	13,523,791,058	-	13,523,791,058

34 FINANCIAL INSTRUMENTS

Financial Instruments - Statement of Financial Position

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

As at 31 st March		2021	2020
Financial Assets	Note	Rs.	Rs.
Amortised cost			
Other receivables	16	10,097,759	39,321,220
Financial Assets measured at Amortised Cost	14	47,184,373	776,555,344
Amounts Due from Related Companies	22.1	3,437,023	6,589,447
		60,719,156	822,466,011
Fair value Through Profit or Loss			
Financial Assets measured at FVTPL	15	11,464,111,249	13,522,791,058
		11,464,111,249	13,522,791,058
Fair value Through Other Comprehensive Income			
Financial Assets measured at FVOCI	17	1,000,000	1,000,000
		1,000,000	1,000,000
Cash and cash equivalents	13	10,472,382	5,180,973
Total		11,536,302,786	14,351,438,042
As at 31 st March		2021	2020
Financial liabilities		Rs.	Rs.
Other financial liabilities			
Financial Liabilities at Amortised Cost	21	8,461,113,826	11,905,242,064
Other Payables	23	78,590,712	65,420,851
Lease liability	24	13,550,810	3,073,714
Amounts Due to Related Companies	22.2	86,857,147	21,331,179
		8,640,112,495	11,995,067,808
Total		8,640,112,495	11,995,067,808

CAPITAL ALLIANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2021

35 IMPACT OF COVID-19 PANDEMIC TO THE FINANCIAL STATEMENTS

The Company has assessed the possible impact of COVID-19 in preparation of the financial statements, including but not limited to its assessment of liquidity and going concern assumption, recoverable values of its financial and non-financial assets and impact on revenues and costs. The Company has considered internal and external sources of information and has performed sensitivity analysis on the assumptions used and based on current estimates, expects to recover the carrying amount of the assets. The impact of Covid-19 may be different from that estimated as at the date of these financial results and the Company will continue to closely monitor any material changes to future economic conditions.

The Management is confident that the Company will have sufficient resources to continue for a future period. 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.

The Company has evaluated implications to financial statements due to the COVID-19 outbreak considering the key areas in the Financial Statements for the year ended 31 March 2021 as disclosed below.

- Financial instruments
- Impairment of assets
- Going concern – (Refer Note 2.10)

35.1 Financial instruments

35.1.1 Impairment of financial assets (ECL)

The Company considered the Probability of Default (PD), Loss Given Default (LGD) and Macro Economic Factors in order to estimate the Expected Credit Loss (ECL) as at 31 March 2021. There were no material changes to the existing impairment model compared to previous year though it was realigned to reflect the revised credit ratings of the instruments.

35.1.2 Liquidity risk

The Company has taken action to mitigate the impact on liquidity due to COVID-19 pandemic, including reducing capital expenditure and operating expenditure. Further the Company revisited its investment strategy and provide guideline to make investments in low-risk investments. In addition to that the Company regularly monitor cash inflows and outflows through cash flow matching approach. The Company holds cash to manage the Company's liquidity risk.

35.1.3 Interest rate risk

The global outbreak of the novel COVID-19 epidemic has resulted in consecutive reductions in policy rates and monetary easing policies by Central Bank of Sri Lanka.

The Company monitors its interest rate risk exposure through periodic reviews of asset and liability positions. Additionally, estimates of cash flows and the impact of interest rate fluctuations are modelled and reviewed every quarter.

35.2 Impairment of non-financial assets

This assessment has become more critical with the COVID-19 condition and measurement of recoverable amount involves certain level of estimates and judgment. The Board of Directors has assessed the potential impairment loss on non-financial assets due to COVID-19 pandemic. The assessment was carried out through multiple scenario basis, up to date available information and business continuity plan. Based on the assessment, the Company has not identified any indications of Impairment due to impact on COVID-19 pandemic as at the reporting date.

Annexure 3

Unaudited Financial Statements
for The Period Ended
30th September 2021

CAPITAL ALLIANCE LIMITED**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED**

	Note	30-Sep-21 Rs.	30-Sep-20 Rs.
Interest Income	2	221,472,289	675,079,007
Interest Expenses	3	(133,778,758)	(449,572,158)
Net Interest Income		87,693,532	225,506,848
Net Gain from Trading	4.1	(24,780,623)	1,259,510,821
Direct Expenses		(3,149,950)	(9,669,621)
Other Income		6,405,415	4,020,034
Net Gain / (Loss) from remeasurement of Financial Assets at FVTPL	4.2	16,357,870	(62,752,170)
Net Operating Income		82,526,244	1,416,615,913
Operating Expenses			
Personnel Expenses		(50,711,579)	(138,429,744)
Depreciation and Amortisation		(4,195,302)	(4,836,634)
Other Expenses		(40,226,024)	(24,856,512)
Profit Before Tax		(12,606,661)	1,248,493,024
Income Tax Expenses	5	3,777,481	(289,325,553)
Profit for the period		(8,829,180)	959,167,471
Basic Earnings per Share	6	(0.03)	3.33

CAPITAL ALLIANCE LIMITED**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED**

	Note	30-Sep-21 Rs.	30-Sep-20 Rs.
Profit for the period		<u>(8,829,180)</u>	<u>959,167,471</u>
Other Comprehensive Income/(Expense)			
Items that will not be reclassified to profit or loss			
Actuarial Loss on Retirement Benefit Obligation		-	-
Deferred Tax on Actuarial loss on Retirement Benefit Obligation		-	-
Other Comprehensive Income for the period		-	-
Total Comprehensive Income for the period		<u>(8,829,180)</u>	<u>959,167,471</u>

CAPITAL ALLIANCE LIMITED**CONDENSED STATEMENT OF FINANCIAL POSITION****AS AT**

	30-Sep-21	31-Mar-21
	Rs.	Rs.
		Audited
ASSETS		
Cash and Cash Equivalents	11,904,214	10,472,382
Financial Assets measured at Amortised Cost	3,043,702,750	47,184,373
Financial Assets measured at FVTPL	1,050,952,317	11,464,111,249
Amount due from Related Companies	10,242,949	3,437,023
Financial Assets measured at FVOCI	1,000,000	1,000,000
Other Receivables	20,807,721	10,097,759
Deferred Tax Asset	10,201,564	9,401,526
Intangible Assets	1,364,038	2,541,625
Right-of-use Asset	11,625,159	13,413,645
Equipment	4,081,635	2,992,394
Total Assets	4,165,882,347	11,564,651,976
LIABILITIES AND EQUITY		
Liabilities		
Financial Liabilities at Amortised Cost	1,591,316,297	8,461,113,826
Amounts due to Related Companies	3,802,754	86,857,147
Other Payables	7,320,269	78,590,712
Lease Liability	11,986,830	13,550,810
Retirement Benefit Obligation	43,331,147	40,783,555
Income Tax Payable	93,757,607	160,308,628
Total Liabilities	1,751,514,905	8,841,204,678
EQUITY		
Stated Capital	311,576,061	311,576,061
Special Risk Reserve	643,916,098	644,799,017
Retained Earnings	1,458,875,283	1,767,072,220
Total Equity	2,414,367,442	2,723,447,298
Total Liabilities and Equity	4,165,882,347	11,564,651,976
NAPS (Rs.)	8.38	9.45

CAPITAL ALLIANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED

	Stated Capital	Special Risk Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.
Balance as at 01 st April 2020	311,576,061	548,150,903	1,150,574,363	2,010,301,327
Profit for the period	-	-	959,167,471	959,167,471
Other Comprehensive Income for the period	-	-	-	-
Total Comprehensive Income	-	-	959,167,471	959,167,471
Dividend Paid	-	-	(249,808,562)	(249,808,562)
Transferred To the Special Risk Reserve	-	95,916,747	(95,916,747)	-
Balance as at 30 th September 2020	<u>311,576,061</u>	<u>644,067,650</u>	<u>1,764,016,525</u>	<u>2,719,660,236</u>
Balance as at 01st April 2021	311,576,061	644,799,017	1,767,072,220	2,723,447,298
Profit for the period	-	-	(8,829,180)	(8,829,180)
Other Comprehensive Income for the period	-	-	-	-
Total Comprehensive Income	-	-	(8,829,180)	(8,829,180)
Dividend Paid	-	-	(300,250,676)	(300,250,676)
Transferred To the Special Risk Reserve	-	(882,919)	882,919	-
Balance as at 30th September 2021	<u>311,576,061</u>	<u>643,916,098</u>	<u>1,458,875,283</u>	<u>2,414,367,442</u>

CAPITAL ALLIANCE LIMITED
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED

	30-Sep-21 Rs.	30-Sep-20 Rs.
Cash flows from Operating Activities		
Interest receipts	327,429,048	601,033,384
Interest payments	(149,400,227)	(471,980,418)
Payments of Direct Cost	(3,149,950)	(9,669,621)
Other receipts	6,405,415	4,020,034
Cash payments to employees and suppliers	(87,831,960)	(161,379,648)
Operating profit before changes in operating assets and liabilities	93,452,325	(37,976,268)
(Increase)/Decrease in Financial Assets measured at Amortised Cost	(2,991,910,571)	510,344,747
(Increase)/Decrease in Financial Assets measured at FVTPL	10,294,171,615	730,174,272
(Increase)/Decrease in Other Receivables	(41,732,838)	(6,372,055)
(Increase)/Decrease in Amount due from Related Companies	(6,805,926)	2,976,290
Increase/(Decrease) in Financial Liabilities at Amortised Cost	(6,854,176,060)	(821,542,074)
Increase/(Decrease) in Amount due to Related Companies	(83,054,393)	2,188,501
Increase/(Decrease) in Other Payable	(71,270,445)	48,711,114
Net cash from / (used in) operating activities	338,673,706	428,504,527
Income Taxes Paid	(32,550,700)	(274,027,341)
	306,123,006	154,477,187
Cash flows from Investing Activities		
Purchase of equipment	(2,112,971)	(1,144,799)
Purchase of Intangible assets	(205,500)	(216,000)
Net cash from / (used in) investing activities	(2,318,470)	(1,360,799)
Cash flows from Financing Activities		
Dividend paid	(300,250,676)	(249,808,562)
Lease payments	(2,122,027)	(2,167,219)
Net cash from / (used in) financing activities	(302,372,703)	(251,975,781)
Net increase in cash and cash equivalents	1,431,832	(98,859,393)
Cash and cash equivalents at the beginning of the period	10,472,382	5,180,973
Cash and cash equivalents at the end of the period	11,904,214	(93,678,420)

CAPITAL ALLIANCE LIMITED**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED****1 BASIS OF PREPARATION**

These condensed financial statements have been prepared in accordance with LKAS 34 “Interim Financial Reporting”. They do not include all the information required for a complete set of SLFRS/LKAS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements as at and for the year ended 31st March 2021

In preparing these condensed financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31st March 2021.

	30-Sep-21 Rs.	30-Sep-20 Rs.
2 INTEREST INCOME		
Financial Assets measured at FVTPL		
Interest on Treasury Bills	111,107,964	36,491,301
Interest on Treasury Bonds	78,288,881	578,482,003
	<u>189,396,846</u>	<u>614,973,304</u>
Financial Assets measured at Amortised cost		
Interest on Securities Purchased Under Resale Agreements	32,027,079	60,041,500
Interest on Staff Loans	48,365	64,203
	<u>32,075,444</u>	<u>60,105,703</u>
	<u>221,472,289</u>	<u>675,079,007</u>
3 INTEREST EXPENSES		
Interest on Securities Sold under Repurchase Agreements	133,778,758	449,572,158
	<u>133,778,758</u>	<u>449,572,158</u>
4 GAINS AND LOSSES ARISE FROM FINANCIAL ASSETS		
4.1 NET GAIN /(LOSS) FROM TRADING		
Net Gain on Treasury Bills	(284,065)	42,440,950
Net Gain/(Loss) on Treasury Bonds	(48,013,556)	1,217,069,871
Net Gains on Quoted Shares	23,516,998	
	<u>(24,780,623)</u>	<u>1,259,510,821</u>
4.2 NET GAIN/(LOSS) FROM REMEASUREMENT OF FINANCIAL ASSETS AT FVTPL		
Remeasurement Gain/(Loss) on Government Securities	1,365,153	(62,752,170)
Remeasurement Gain/(Loss) on Quoted Shares	14,992,717	-
	<u>16,357,870</u>	<u>(62,752,170)</u>

CAPITAL ALLIANCE LIMITED**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED**

5 INCOME TAX EXPENSE	30-Sep-21	30-Sep-20
Income tax recognised in Profit or Loss	Rs.	Rs.
Current Tax Expense for the period	(2,977,444)	289,325,553
Deferred Tax Charge/ (Reversal) for the period	(800,037)	-
	<u>(3,777,481)</u>	<u>289,325,553</u>

6 BASIC EARNINGS PER SHARE

Earnings Per Share is calculated by dividing the Profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period and calculated as follows.

	30-Sep-21	30-Sep-20
Profit attributable to ordinary shareholders - (Rs.)	(8,829,180)	959,167,471
Weighted average number of ordinary shares*	288,240,648	288,240,648
Earnings per share - (Rs.)	<u>(0.03)</u>	<u>3.33</u>
(* adjusted for subdivision of shares 1:12 on 5 th August 2021)		

- 7 The number of shares represented by stated capital as at 30th September 2021 is 288,240,648 shares (31st March 2021 - 24,020,054 shares).

CAPITAL ALLIANCE LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30TH SEPTEMBER 2021

8. Financial instruments- Fair Value Measurement

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements in accordance with SLFRS 13.

Level - 1

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

Level - 2

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

Level - 3

Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values versus the Carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follow:

	30-Sep-21	31-Mar-21
Financial assets measured at fair value		
Financial Assets measured at FVTPL	1,050,952,317	11,464,111,249
Financial Assets measured at FVOCI	1,000,000	1,000,000
	<u>1,051,952,317</u>	<u>11,465,111,249</u>
Financial assets not measured at fair value		
Cash and Cash Equivalents	11,904,214	10,472,382
Financial assets at amortised cost	3,043,702,750	47,184,373
Receivable from related companies	10,242,949	3,437,023
	<u>3,065,849,913</u>	<u>61,093,778</u>
Total financial assets	<u>4,117,802,230</u>	<u>11,526,205,027</u>
Financial liabilities not measured at fair value		
Financial Liabilities at Amortised Cost	1,591,316,297	8,461,113,826
Amounts due to Related Companies	3,802,754	86,857,147
Other Payables	7,320,269	78,590,712
Total financial liabilities	<u>1,602,439,319</u>	<u>8,626,561,685</u>

CAPITAL ALLIANCE LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30TH SEPTEMBER 2021

8. Financial instruments- Fair Value Measurement (Cont.)

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

As at 30 th September 2021	Total Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Financial assets recognised through profit or loss					
Investment in Government Securities	918,310,926	-	918,310,926	-	918,310,926
Investment in Quoted Shares	132,641,391	132,641,391	-	-	132,641,391
Financial assets - fair value through other comprehensive income	1,000,000	-	-	1,000,000	1,000,000
	<u>1,051,952,317</u>	<u>132,641,391</u>	<u>918,310,926</u>	<u>1,000,000</u>	<u>1,051,952,317</u>
Financial assets not measured at fair value					
Cash and Cash Equivalents	11,904,214	-	-	11,904,214	11,904,214
Financial assets at amortised cost	3,043,702,750	-	-	3,043,702,750	3,043,702,750
Receivable from related companies	10,242,949	-	-	10,242,949	10,242,949
	<u>3,065,849,913</u>	<u>-</u>	<u>-</u>	<u>3,065,849,913</u>	<u>3,065,849,913</u>
Total financial assets	<u>4,117,802,230</u>	<u>132,641,391</u>	<u>918,310,926</u>	<u>3,066,849,913</u>	<u>4,117,802,230</u>
Financial liabilities not measured at fair value					
Financial Liabilities at Amortised Cost	1,591,316,297	-	-	1,591,316,297	1,591,316,297
Amounts due to Related Companies	3,802,754	-	-	3,802,754	3,802,754
Other Payables	7,320,269	-	-	7,320,269	7,320,269
Total financial liabilities	<u>1,602,439,319</u>	<u>-</u>	<u>-</u>	<u>1,602,439,319</u>	<u>1,602,439,319</u>

As at 31 st March 2021	Total Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Financial assets recognised through profit or loss					
Investment in government securities	11,263,008,159	-	11,263,008,159	-	11,263,008,159
Investment in Quoted Shares	201,103,090	201,103,090	-	-	201,103,090
Financial assets - fair value through other comprehensive income	1,000,000	-	-	1,000,000	1,000,000
	<u>11,465,111,249</u>	<u>201,103,090</u>	<u>11,263,008,159</u>	<u>1,000,000</u>	<u>11,465,111,249</u>
Financial assets not measured at fair value					
Cash at banks and in hand	10,472,382	-	-	10,472,382	10,472,382
Financial assets at amortised cost	47,184,373	-	-	47,184,373	47,184,373
Receivable from related companies	3,437,023	-	-	3,437,023	3,437,023
	<u>61,093,778</u>	<u>-</u>	<u>-</u>	<u>61,093,778</u>	<u>61,093,778</u>
Total financial assets	<u>11,526,205,027</u>	<u>201,103,090</u>	<u>11,263,008,159</u>	<u>62,093,778</u>	<u>11,526,205,027</u>
Financial liabilities not measured at fair value					
Bank overdraft	-	-	-	-	-
Financial Liabilities at Amortised Cost	8,461,113,826	-	-	8,461,113,826	8,461,113,826
Amounts due to Related Companies	86,857,147	-	-	86,857,147	86,857,147
Other Payables	78,590,712	-	-	78,590,712	78,590,712
	<u>8,626,561,685</u>	<u>-</u>	<u>-</u>	<u>8,626,561,685</u>	<u>8,626,561,685</u>
Total financial liabilities	<u>8,626,561,685</u>	<u>-</u>	<u>-</u>	<u>8,626,561,685</u>	<u>8,626,561,685</u>

CAPITAL ALLIANCE LIMITED**NOTES TO THE CONDENSED FINANCIAL STATEMENTS****FOR THE QUARTER ENDED 30TH SEPTEMBER 2021****9. COMMITMENTS AND CONTINGENCIES**

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 period ended 30th Sep 2021, except the following,

The company has appealed against the assessment issued for income tax by the Department of Inland Revenue amounting to Rs. 180Mn for the years of assessment 2017/18 by disputing the deduction of entire interest income earned by the company on primary market transaction as not forming a part of statutory income. Accordingly a provision is recognized on initial adoption of IFRIC 23 as a retrospectively adjustment in the statement of changes in equity as at 01st April 2019. Based on discussions with IRD for a settlement on amicable basis, it was agreed to settle 2017/18 assessment for LKR 64.4 Mn, accordingly revised assessment was issued on 27/10/2021 and settled that amount. Further, company had already provided for income tax assessments as per IFRIC 23 in excess of amount settled.

The Company has appealed against assessment on VAT on Financial Services amounting to Rs.40Mn, Rs.39Mn, Rs.70Mn, Rs.0.5Mn, Rs.62Mn and Rs. 95 Mn respectively for the Year of Assessment 12/13, 13/14, 14/15, 15/16, 16/17 and 17/18.

The Company has also appealed against assessment on NBT on Financial Services amounting to Rs.1.7Mn, Rs.11.9Mn, Rs.0.1Mn, Rs.9.3Mn and Rs.12.7Mn respectively for 13/14, 14/15, 15/16, 16/17 and 17/18 Year of Assessment.

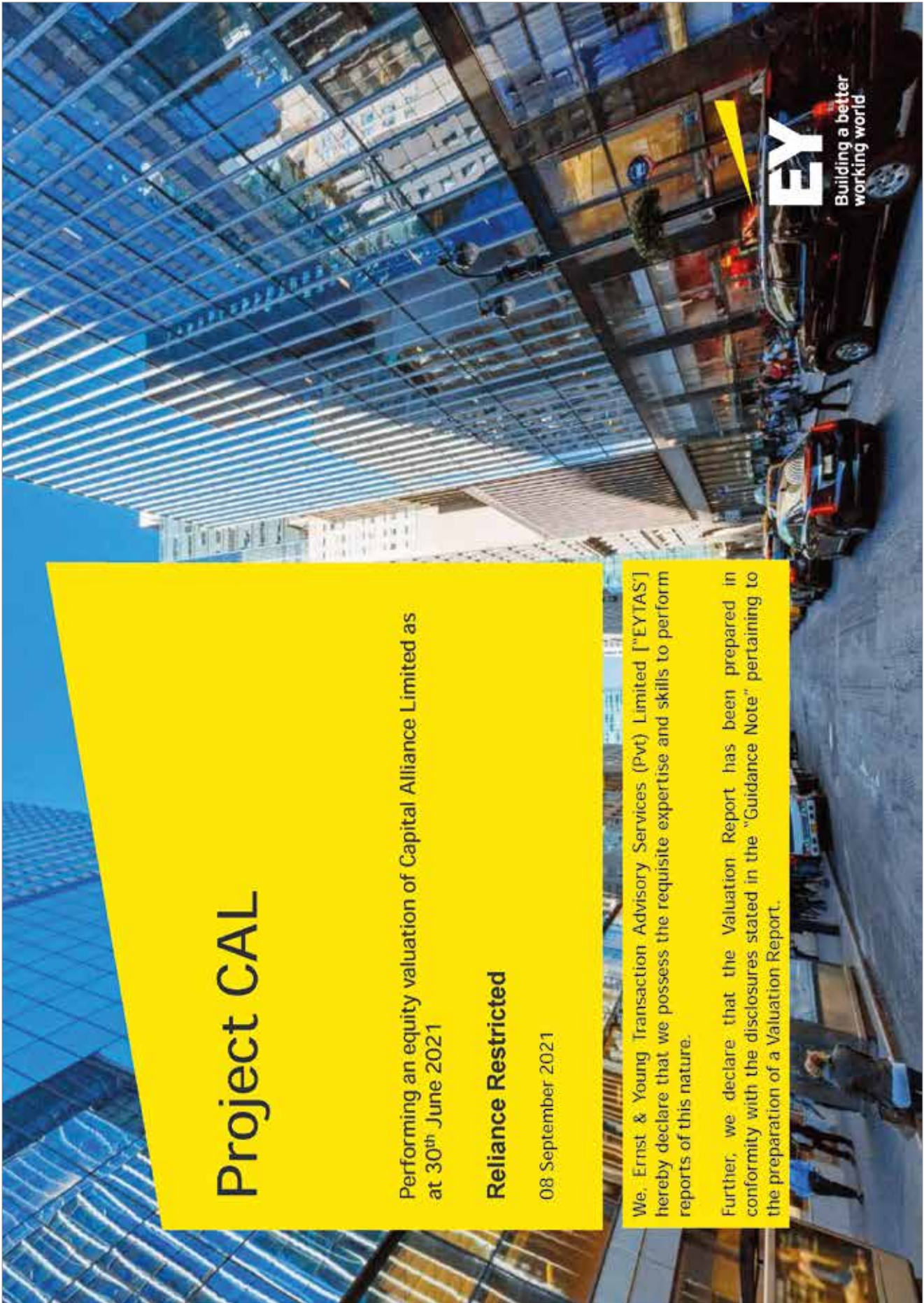
The related Appeals against the said Assessments and Determinations have been duly submitted. Based on the Tax Consultant's opinion, the Board of Directors of Capital Alliance Limited is of the view that no liability would arise on the above mentioned tax matters as they are outside the scope of chargeability of taxes.

10. EVENTS AFTER THE REPORTING PERIOD

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

Annexure 4

Independent valuation Report



Project CAL

Performing an equity valuation of Capital Alliance Limited as
at 30th June 2021

Reliance Restricted

08 September 2021

We, Ernst & Young Transaction Advisory Services (Pvt) Limited ["EYTAS"] hereby declare that we possess the requisite expertise and skills to perform reports of this nature.

Further, we declare that the Valuation Report has been prepared in conformity with the disclosures stated in the "Guidance Note" pertaining to the preparation of a Valuation Report.

EY
Building a better
working world



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Reliance Restricted

The Board of Directors

Capital Alliance Limited
Level 5, Millennium House
No. 46/58, Nawam Mawatha,
Colombo 02, Sri Lanka

Project CAL

Dear Sir/Madam,

Performing an equity valuation of Capital Alliance Limited

08 September 2021

In accordance with your instructions, we have performed the work set out in our Engagement Agreement dated July 28, 2021 in connection with the Equity Valuation of Capital Alliance Limited ["CALT"] prepared on the basis of the information made available to us by the management of CALT and take pleasure in forwarding to you our report in this regard.

Scope and nature of our work

The scope and nature of our work, including the basis and limitations, are detailed in our Engagement Agreement and have been summarized below.

Our scope of work and terms of reference pertaining to the assignment would be to perform an equity valuation of Capital Alliance Limited for management decision making purposes and to produce a report to be published along with the prospectus.

Purpose of our report and restrictions on its use

This report was prepared on the specific instructions of Capital Alliance Limited [CALT] solely for management decision making purposes and to produce a report to be published along with the prospectus. If unauthorized persons choose to rely upon any of the contents of this report, they may do so at their own risk.

All Information and Financial Projections that we have received, are the responsibility of the management of CALT. We have not sought to establish the reliability of information given to us except as specifically stated in the report. This exercise does not constitute an audit and hence, no opinion is provided on such financial information.

Where we have made adjustments to financial information provided to us, they have been based on analytical procedures carried out on information supplied to us, and should be regarded as illustrative. Such analysis is necessarily subjective.

Further, we wish to note the other limitations of our work undertaken as stated below:

- In carrying out this assignment, we have performed reasonable analysis and assessments that were possible and practical within the time available and as at the date of this report.



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- However, there will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected and those differences may have material financial consequences.
- Neither EYTAS nor any of its employees has a financial interest in the entity being appraised.
- We did not seek to verify the accuracy and the reasonability of the assumptions utilized by the management in forecasting the future performance of CALT over the forecast period.
- We, EYTAS, did not seek to verify the existence of any contingent liabilities relating to CALT
- This report is prepared on the specific instructions of the management of CALT for the use of the management solely for the purpose stated above and should not be used for any other purposes. Neither all nor part of the contents of this report shall be disseminated to the public, through advertising, public relation, news, sales or any other public media without prior approval of EYTAS.

Management representations

The contents of our report have been reviewed by the management of CALT and have been acknowledged.

Yours faithfully,

Partner - EYTAS

Table of contents

Background to the Assignment & ...	Executive Summary	Our Approach and Methodology	Economic Analysis
1	2	3	4
Page 5	Page 8	Page 10	Page 13
Industry Analysis	Regulations	Company Profile	Valuation Results
5	6	7	8
Page 19	Page 23	Page 25	Page 27
EYTAS Team	Abbreviations		
9	10		
Page 38	Page 40		



1 Background to the Assignment & Limitations

Terms of Reference and Scope of Work

Home	1 Background to the Assignment	7 Company Profile
2 Executive Summary	3 Our Approach and ...	8 Valuation Results
4 Economic Analysis	5 Industry Analysis	9 EYTAS Team
6 Regulations		10 Abbreviations

Background to the assignment

Ernst & Young was requested by Mr. Navin Karunadasa, Associate - Investment Banking, to perform an equity valuation of Capital Alliance Limited (CALT) for management decision making purposes and to produce a report to be published along with the prospectus. In that regard, CALT wishes to engage our services in terms of performing the above-mentioned assignment.

The equity valuation was carried out based on the information provided by CALT, considering the relevant future period of operations.

As mentioned above, we have made use of financial information and documents/ reports provided to us by the management in relation to the above assignment. Further, reasonable measures were taken to independently examine the accuracy/reasonability of the information provided, wherever practical.

For the purpose of this engagement, we have utilized fair value as the basis of value to carry out our work. The term "fair value" is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Limitations

In carrying out this assignment, we have performed reasonable analysis and assessments that were possible and practical within the time available as at the date of this report. We also obtained information that was considered relevant for this exercise from the officials of CALT, Annual Reports of CBSL, Capital IQ, and Colombo Stock Exchange.

The value parameters given in this report are valid as of the valuation date and a reasonable period of time there from. The use of these value parameters will not be appropriate after the passage of a substantial time period (3 months from the final prospectus date and/or where material changes have taken place in the company's operating environment. Moreover, the latest practicable date of the report would be September 3rd, 2021.

Terms of Reference and Scope of Work

Home	1 Background to the Assignment ...	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

We have not carried out an audit to verify the accuracy of the information obtained from the management of CALT nor have engaged or sought the views of third party industry specialists or experts to assist us in our work in verifying the assumptions related to the equity valuation. Instead, we have relied on representations from management of the Subjects regarding the reliability and completeness of the information provided to us. We have also relied on representations from the management of CALT that any estimates or forecasts furnished to us have been based on the best and latest available information in the possession of management of the Subjects and that such information is considered to be correct and/or reasonable and complete.

Subject to our obligation to conduct our work with reasonable skill and care, we have no liability for any loss or damage, of whatsoever nature, arising from information material to our work being withheld or concealed from us or misrepresented to us by the directors, employees, or agents of CALT or any other person from whom we make enquiries except to the extent that such loss or damage arises as a result of our bad faith or wilful default or where the withholding, concealment or misrepresentation should have been apparent to us without further enquiry from the information provided to us and required to be considered by us under the terms of our assignment.

Specific Assumptions and Limitations

All comparable non-bank local peers for CALT, are privately held and are unlisted in the Colombo Stock Exchange. Hence, we have relied on publicly available data (on public newspapers) and data provided by the management, for gathering and analyzing competitor financial data. Publicly available data for non-bank primary dealer peers of CALT were limited to only two years, i.e. 2019 and 2020. Thus, we have considered only the said two years when evaluating and comparing CALT's performance with its peers.



Valuation Conclusion

Home	1 Background to the Assignment	7 Company Profile
2 Executive Summary	3 Our Approach and ...	8 Valuation Results
3 Our Approach and ...	4 Economic Analysis	9 EYTAS Team
4 Economic Analysis	5 Industry Analysis	10 Abbreviations
5 Industry Analysis	6 Regulations	

Valuation Methodology	Notes	Value Per Share (LKR)*	
		Low	High
Justified Price to Book Multiple	Primary Methodology	12.29	12.97
Justified Price to Earnings Multiple	Secondary Methodology	12.11	12.95
Dividend Discount Model	Secondary Methodology	12.11	12.95
Cost Approach - June 30, 2021	NAV Method	8.45	

Source: EYTAS

Value Conclusion

Equity value per share of CALT as at June 30, 2021 was concluded using the Justified Price to Book Multiple. Therefore, based on the inputs from management of CALT and EYTAS analysis, value per share is deemed to be in the range of LKR 12.29 to LKR 12.97.

Other Considerations

- There will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may have material financial consequences.
- Management is responsible for the preparation and presentation of the prospective financial information, including the identification and the disclosure of the assumptions on which it is based.
- The risk free rate considered as of the report date (i.e. 8th September 2021) reflects the 5-year T-Bond yield as at 3rd September 2021, since the valuation should be viewed on par with the recent macro economic developments that took place between the valuation date and the report date.

*Value per share set out in the above table under the given methodologies are subject to the viability of the assumptions made under Section B - Valuation Results



3 Our Approach and Methodology
Methodologies Used

Home	1 Background to the Assign ...	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

Introduction

In order to perform the equity valuation of CALT, we have adopted four basic investment appraisal methodologies, viz; the Justified Price to Book Multiple Method, Justified Price to Earnings Multiple Method, Dividend Discount Model and Net Asset Value (NAV) Approach.

1) Justified Price to Book Multiple
Method

This method is based on company's fundamentals and the multiple is based on Gordon's growth Model. This model uses a sustainable growth rate and sustainable return on equity for the company. Based on the relationship between a company's fundamentals and the P/BV, conclusions about the value of the company can be drawn upon. Thus, higher the difference between the ROE and growth (when everything else is equal), the P/BV ratio will be higher.

$$\text{Justified Price to Book} = (\text{ROE} - \text{Growth}) / (\text{Cost of Equity} - \text{Growth})$$

More on Page 29

2) Justified Price to Earnings Multiple
Method

This is the P/E ratio that is justified by using the Gordons Growth Model. This version of the P/E ratio uses a variety of fundamentals such as cost of equity and growth rate. This methodology is based on the fundamentals which determines the future EPS. This can be estimated using an adjusted version of the Gordon Growth Model, which would assist investors to assess whether or not a stock represents good absolute value as well as good relative value.

$$\text{Justified Price to Earnings} = \text{Dividend Pay Out Ratio} * (1 + \text{Sustainable Dividend Growth}) / (\text{Cost of Equity} - \text{Sustainable Dividend Growth})$$

More on Page 33

3) Dividend Discount Model

The DDM is a quantitative method for predicting the price of a company's stock based on the premise that its current price reflects the total of all future dividend payments, after being discounted back to their present value. Thus, the attempt is to arrive at the fair value of a stock despite market conditions and it also takes into consideration the dividend payout factors and the market expected returns.

$$\text{Value per share} = \text{Dividend per Share} * (1 + \text{Dividend Growth Rate}) / (\text{Cost of equity} - \text{Dividend Growth Rate})$$

More on Page 35

3 Our Approach and Methodology

Methodologies Used

Home	1 Background to the Assign ...	7 Company Profile
	2 Executive Summary	8 Valuation Results
	3 Our Approach and ...	9 EYTAS Team
	4 Economic Analysis	10 Abbreviations
	5 Industry Analysis	
	6 Regulations	

4) Net Asset Value (NAV) Approach

NAV approach is based on the estimated market value of assets (adjusted for physical, functional and economic depreciation) and liabilities of the enterprise. This valuation is generally not restricted to the balance sheet, but extends to stated, unstated and contingent off balance sheet assets and liabilities as far as practical. This approach is generally not preferred in the valuation of an enterprise as a going concern as it is difficult to establish the contribution value of individual assets to the business and as the values that can generally be established in the market are the assets' disposal values. Exceptionally, NAV can also be used in situations such as, when the current returns of the entity does not adequately reflect the Fair Market Value of an enterprise's net assets or where the entity has an uncertain future that makes liquidation of the enterprise likely.

More on Page 37

The Justified Price to Book method allows us to use a sustainable growth rate i.e., ROE, and it takes into consideration the relationship between company fundamentals and price to book value of the company. This is evident in financial institutes where regulated capital is involved. Moreover, ROE and Price to Book Values are positively correlated. Given the limitations of other methods as stated above, and given the nature of CALT's business, Justified PBV can be viewed as a reasonable methodology.

Why Justified P/BV Multiple as the Primary method of valuation?

The Main reason for using the Justified P/B multiple as the primary valuation method is due to the inherent limitations of the other secondary methods and check methods.

- **Residual Income Method** - This method is mostly preferred in the finance and banking industry as most assets are held to maturity. Most of the value will reflect the target's current book value. However, primary dealers earn a significant portion of income from trading as opposed to interest income. For instance, CALT earned approximately 70% of its net income via trading and only 30% from carrying portfolio (accumulated from 2018 to 2021), which itself explains limitations in forecasting based on an earnings based valuation model.

- **Justified P/E and Dividend Discount Method** - These methods do not apply if the company opts to not pay dividends. Further, it does not take into account non-dividend factors such as brand loyalty, customer retention and the ownership of intangible assets, factors which increase the value of a company. Further, the Gordon Growth Model relies heavily on the assumption that a company's dividend growth rate is stable and known. The model also asserts that a company's stock price is hypersensitive to the dividend growth rate chosen and the growth rate cannot exceed the cost of equity, which may not always be true.

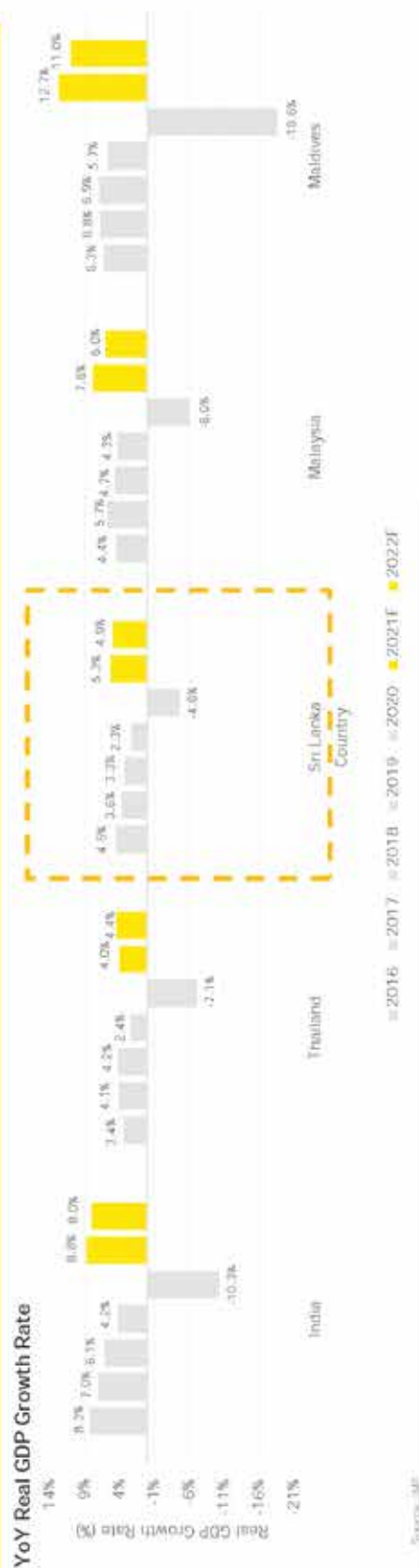
- **Market Approach** - There are no listed comparable peers in the local market to look at in conducting a relative valuation and thus, peers within the geographical region will have to be considered. However, when considering regional peers, dissimilarities in operations, geographical differences, different government policies, different auction sizes, etc., will result in giving in a distorted picture and conclusion on the intrinsic value of the company. Thus, EYTAS opted out of using the Market Approach (Relative Valuation) in valuing CALT.

- **NAV Approach** - This is a yardstick/benchmark valuation methodology and is not suitable to conclude on the future value potential of an entity.



4 Economic Analysis

Home	1 Background to the Assign ...	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		



- The GDP of Sri Lanka stood at USD 80.71Bn in 2020, a decrease of USD 3.27Bn compared to 2019, predominantly due to the impact of the Covid-19 pandemic. In November 2020, Fitch ratings downgraded Sri Lanka's Long Term Foreign Currency Issuer Default Rating (IDR) to "CCC" from "B-". In June 2021 Fitch further affirmed this rating, due to foreign-currency sovereign external debt repayment burden seen over the medium term, low foreign-exchange reserves and high and rising government debt, which has given sustainability risks for the country.

- Sri Lanka began its economic recovery from the 2019 Easter Attacks which had a major impact on travel and tourism, real estate and construction industries only to be further affected by the COVID-19 global pandemic. Main contributor for the 3.6% decline in GDP in 2020 was the 1.1% decline in Wholesale and Retail Trade, Transportation and Storage, and Accommodation and Food Service Activities.
- The current account deficit widened to USD 929Mn by Jan-April 2021 compared to the USD 290Mn deficit recorded in Jan-April 2020, due to the widening of the trade deficit amidst a steady increase in workers' remittances. As of April 2021, Sri Lanka recorded Gross official reserves of USD 4.5 billion, which provided an import cover of 3.1 months
(CBSL https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20210617_external_sector_performance_april_2021_e.pdf)



6.7%

Rupoo depreciation

The Sri Lankan Rupee has depreciated against the US Dollar by 6.7% as of July 2021.

Source: CBSL https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/realistics/realistic_20210710_e_0.pdf

3.9% - 6.20%



CCPI Headline inflation fluctuated between 3.90% and 6.20% during 2020. To date, the CCPI reading stands at 5.7% as of July 2021.

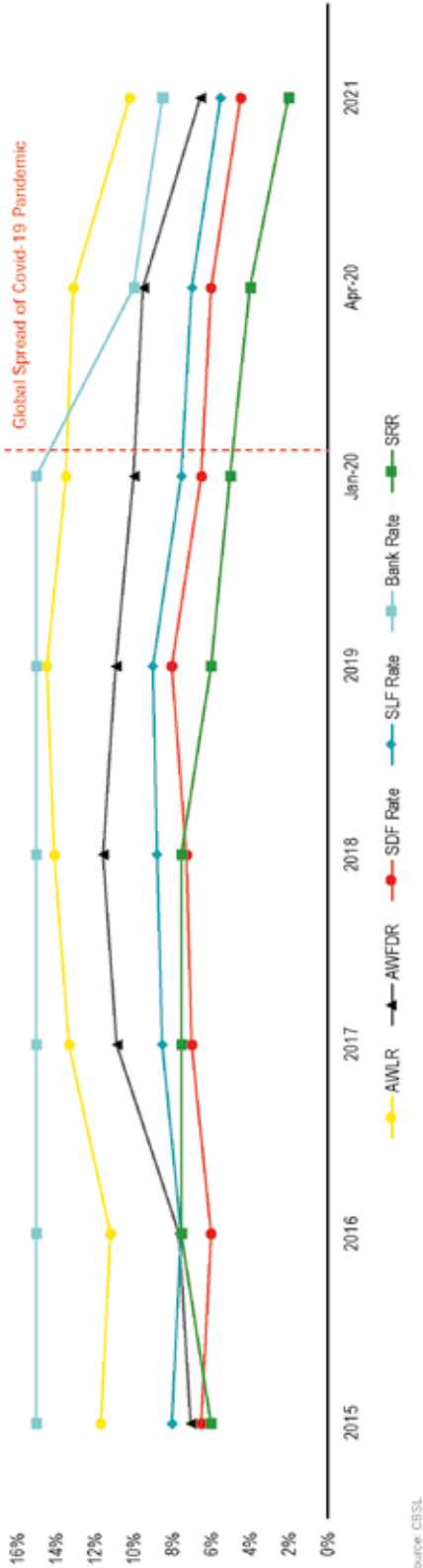
Headline Inflation

Source: CBSL <https://www.cbsl.gov.lk/en/indicators-of-economy/price/index.html>

4 Economic Analysis

Home	1 Background to the Assignment	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

Policy Rates, Commercial Bank Lending and Deposit Rates



Source: CBSL
[<https://www.cbsl.gov.lk/rates-and-indicators/policy-rates>]
[https://www.cbsl.gov.lk/Research/Modules/RO/SearchPages/CMB_LendingAndDeposit.aspx]

- Policy rates of Sri Lanka were reduced by the CBSL during the Covid-19 pandemic to support economic activity.
- In order to support the revival of the economy, Standing Deposit Facility Rate (SDFR) & Standing Lending Facility Rate (SLFR) were reduced by 250 basis points from August 2019 to July 2020 which stood at 4.5% & 5.5% respectively, till August 2021.
- Statutory Reserve Ratio (SRR) was also reduced by 300 basis points from 5.0% in August 2019 to 2.0% in July 2020, creating additional liquidity to lend to productive sectors of the economy.
- Further, all policy rates were revised and increased on 18th August 2021, looking into the imbalances in Sri Lanka's external sector and to halt the buildup of excessive inflationary pressures over the medium term.

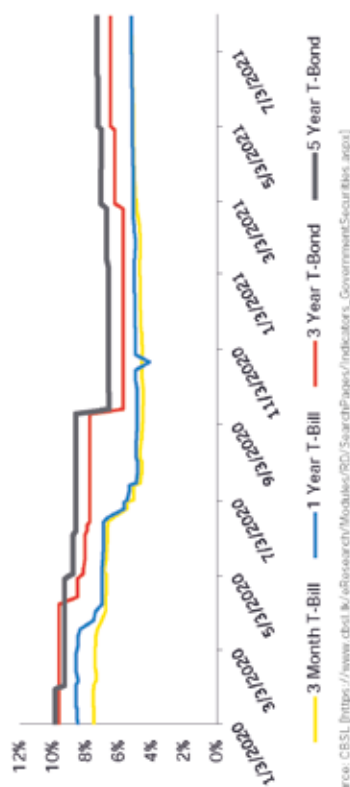
Policy Rates since August 18th 2021			Commercial Bank Lending and Deposit Rates		
Standard Deposit Facility Rate	5.00 %		Standard Deposit Facility Rate	4.00 %	Statutory Reserve Requirement*
Standard Lending Facility Rate	6.00 %		Standard Lending Facility Rate	9.50% ¹	AWLR
Bank Rate	9.00 %		Bank Rate	5.67% ²	AWDFR

¹ As of 30th June, 2021
² As of 30th July, 2021
*W.E.F 1st September, 2021

4 Economic Analysis

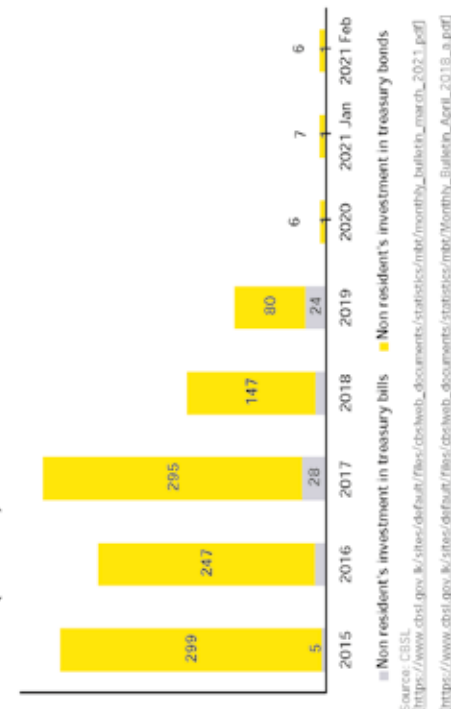
Home	1 Background to the Assign ...	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

Yield Rate on Government Securities (January 2020 – July 2021)



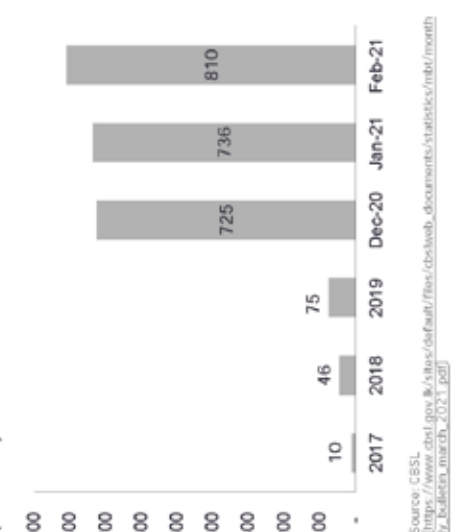
- Policy decisions implemented by CBSL has resulted in a downward shift in the domestic yield rates across all maturities.
- Treasury bill market was relatively active and liquid till October 2020, with increased investor sentiment on risk averse products due to uncertainties created by the Covid-19 pandemic.
- However, during the latter part of the year, a decline in demand for treasury bills was recorded as the auctions being not fully subscribed within the maximum yields.
- Furthermore, excess liquidity in the market, strategic issuance arrangements, announcing of maximum yield rate prior to auction as per the policy direction and primary market purchase by the CBSL has further caused the decline in yield rates.

Non Residents investments in Government Securities (LKR Bn)



- Investments in Government securities by non residents declined substantially from 2018, which was widely seen across many emerging market economies.
- However, foreign investor sentiment on government security market has further declined in 2020 with the developments in global markets and substantially lower yield rates maintained by the government to support the local economy.

Treasury Bills and Bonds Holding by CBSL (LKR Bn)

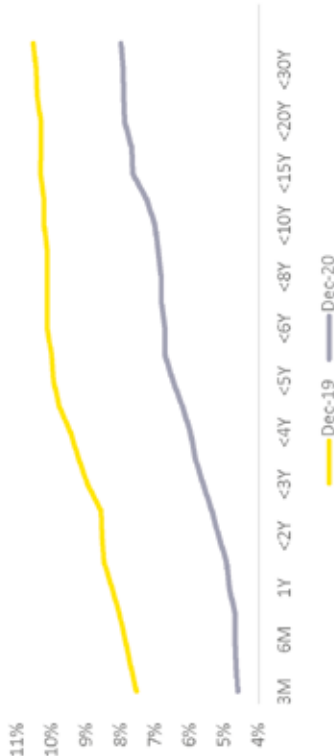


4 Economic Analysis

Interest rate behaviour and outlook

Long term interest rates

Yield curve of treasuries



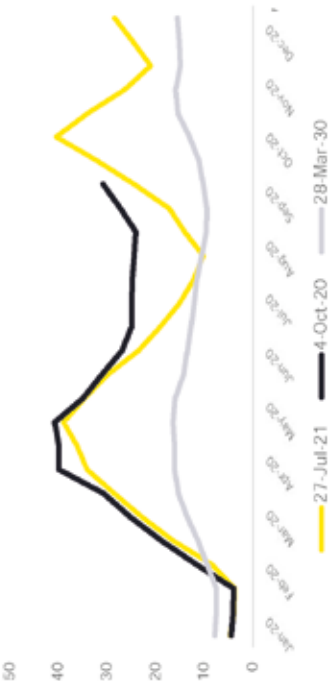
Source: CBSL, https://www.cbsl.lk/Research/Modules/RD/SearchPages/Indicators_GovernmentSecurities.aspx, ICRA Lanka <https://www.icralanka.com/research/sri-lanka-economy-2020-highlights/>

Notes: Yields are based on the weekly average that prevailed at the last week of the month, Shorter end - less than 2Y, mid/intermediate tenor - 2 to 10Y, longer tenor - above 10Y

- ▶ The yields on treasuries saw substantial decline of about 250-to-300 bps in 2020 compared to end 2019.
- ▶ Following Moody's downgrade, bond yields, particularly the mid-tenure securities increased by 10-to-30 bps immediately, while trading at wider bid-ask spreads.
- ▶ With the surge of the second wave of infections, the yields continued to rise for a couple of months. There was also a significant decline in transaction volumes in T-bonds in 4Q20.

Sri Lanka Sovereign Bonds

Sovereign bond yields, Sri Lanka, nearest vs. longest maturity



Source: CBSL, [from weekly economic indicator reports, https://www.cbsl.gov.lk/sites/default/files/cplweb_documents/statistics/real/WEI_20210826_8.pdf], ICRA Lanka <https://www.icralanka.com/research/sri-lanka-economy-2020-highlights/>

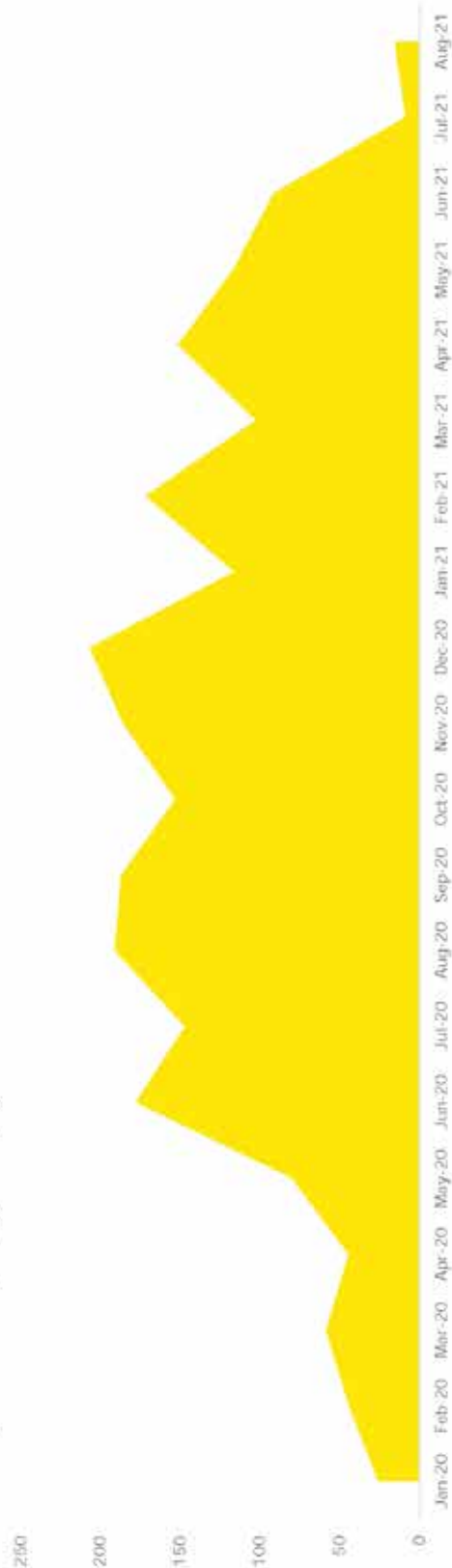
- ▶ An increase in the selling of SLISBs was triggered by COVID with a spike in SLISB yields in March 2020 due to external sector vulnerabilities.
- ▶ Yields recovered in 3Q20 but edged up 170-540 bps following Moody's downgrade and further worsened in 4Q20 with the second wave of COVID and started to moderate in November.
- ▶ However yields increased again in December over Sri Lanka's long-term sovereign credit ratings being downgraded by Fitch and S&P.

4 Economic Analysis

Interest rate behaviour and outlook

Home	1 Background to the Assignment	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

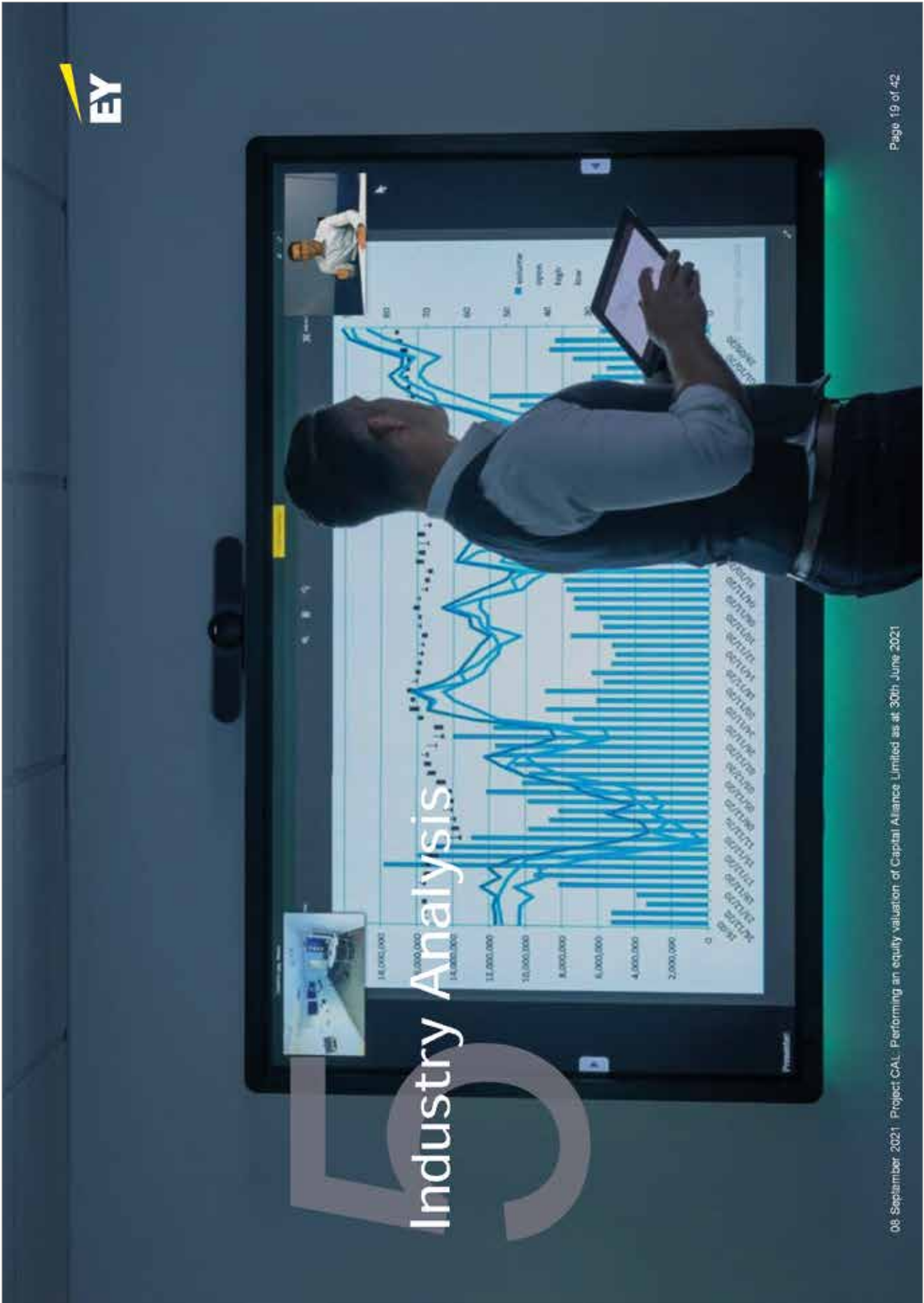
Total Overnight Market Liquidity (Rs. Bn) by Month - 2020/2021



Source: CBSL (from weekly economic indicator reports: https://www.cbsl.gov.lk/stat/default/files/cblnews_documents/statistics/wel_20210806_a.pdf)

- ▶ In January 2020, overnight market liquidity stood at Rs. 26 Bn which rose to Rs. 59 Bn in March 2020. Although a decline was witnessed in April, liquidity levels increased steeply in the next two months, reaching Rs. 178 Bn in June 2020. Liquidity levels fluctuated in the next few months and peaked at Rs. 207 Bn in December 2020. After a decline in January 2021, liquidity levels reached Rs. 172 Bn in February, which again witnessed a downfall in March to Rs. 103 Bn. In April 2021, liquidity levels reached Rs. 151 and thereafter, continued a declining trend from May to July 2021. Liquidity levels rose slightly from Rs. 9 Bn in July 2021 to Rs. 15 Bn in August 2021.
- ▶ As explained above, the market witnessed fluctuations in the overnight market liquidity during 2020 and 2021. Broadly, these fluctuations can be attributed to the measures related to foreign exchange management and trade deficit funding.

- ▶ As CBSL is committed to maintaining single digit interest rates in 2021, it is expected that the current policy rates will remain, and interest rates would stabilize.
- ▶ As per ICRA Lanka Predictions, AWPR is expected to fluctuate between 5.50% - 6% for 2021



5 Industry Analysis

Overview

Home	1 Background to the Assign ...	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

A Primary Dealer ("PD") in Sri Lanka is a company or a financial institution which has been approved by the Central Bank of Sri Lanka ("CBSL") to be market makers and also trade in the secondary market for Government Securities (Treasury Bills & Bonds). Clients of these companies can participate in the open market auction by submitting bids through the PD and subsequently trade securities with the PD in the secondary market.

CBSL has issued guidelines and regulations for primary dealers operating in the country and these cover transactions, conversion into scripless treasury bonds, minimum capital requirement, capital adequacy, special risk reserve, segregation of securities accounts, custodial holdings of securities, market valuation, repurchase agreements, forward rate agreements, interest rate swaps, financial statements, dividend declaration and diversification.

The current regulation requires LKR 1.0Bn as Tier 1 capital base and CBSL has proposed a new capital plan as of 9th July 2021, which requires non-bank PDs to maintain a capital base of LKR 2.0Bn by 2022, extending up to LKR 2.5Bn by 2023. As at 30 June 2021, CALT had a capital base of LKR 2.4 Bn (LKR 2.7 Bn as at 31st March 2021), meeting the new regulatory requirement of CBSL.

In Sri Lanka there is a formal system of PDs approved by the Central Bank of Sri Lanka (CBSL).

The main objectives of the system are:

- ▶ To strengthen the infrastructure in the government securities market in order to make it vibrant, liquid and broad-based;
- ▶ To develop underwriting and market making capabilities for government securities;
- ▶ To improve the secondary market trading system that would contribute to price discovery, enhance liquidity and turnover and encourage voluntary holding of government securities among a wider investor base;
- ▶ To make primary dealers an effective conduit for conducting open market operations

(source: ICRA Lanka)

- ▶ Given below are the authorized primary dealers operating in the country as at July 5, 2021.

Non-Bank Primary Dealers



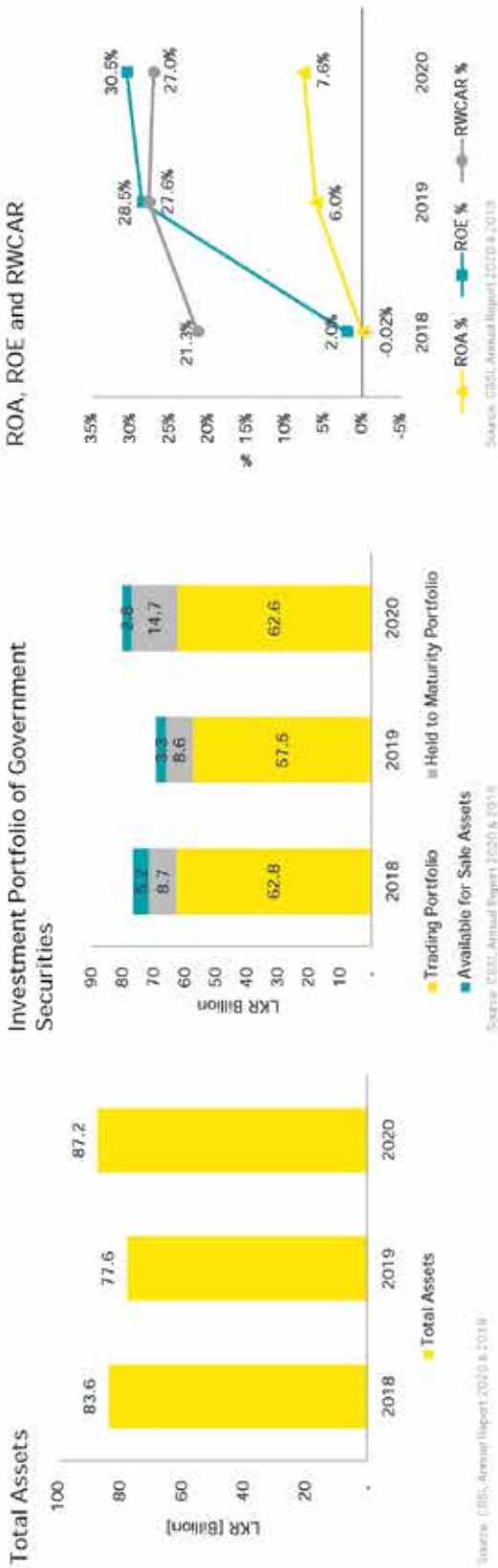
Bank Primary Dealers



5 Industry Analysis

Primary Dealer Business and Performance in 2020

Home 1 Background to the Assign ... 7 Company Profile
2 Executive Summary 8 Valuation Results
3 Our Approach and ... 9 EYTAS Team
4 Economic Analysis 10 Abbreviations
5 Industry Analysis
6 Regulations



- By the end of 2020, there were six Licensed Commercial Banks and seven Primary Dealer Companies appointed as Primary Dealers in the government securities market (inclusive of suspended PDs).
- Profit after tax of Primary Dealer Companies was LKR 4.9 Bn in 2020 compared to LKR 3.8 Bn in 2019. This improvement in profitability in 2020 consequent to the decline in yield rates, can be attributable to the considerable increase in capital gains recorded in 2020 compared to 2019, despite the mark-to-market loss recorded by PD companies in year 2020.
- Liquidity risk exposure of Primary Dealer companies increased owing to the increase in overnight negative mismatch in the maturity profile of assets and liabilities as at end 2020. By holding a large volume of government securities, which are free of credit risk, Primary Dealers have the ability to use Government securities as collateral for obtaining funds to fill in unseen liquidity gaps. Overall, the liquidity risk profile of most of the Primary Dealers remained low throughout the year.

5 Industry Analysis

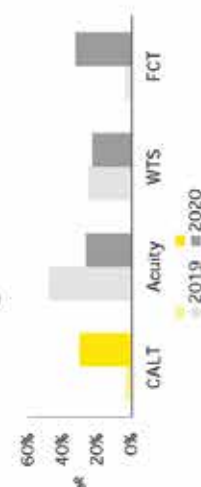
Industry Performance - 2020

Home	1 Background to the Assignment	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

Performance of CALT vs Key Competitors

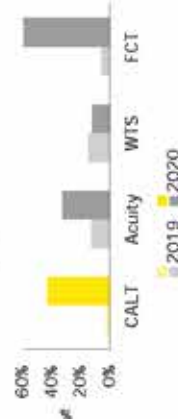
Given the available market data, EYTAS has considered non-bank Primary Dealers, namely, First Capital Treasuries Limited (FCT), Acuity Securities Limited (Acuity) and Wealth Trust Securities Limited (WTS) in order to analyze the average performance of the industry.

Net Income Margin



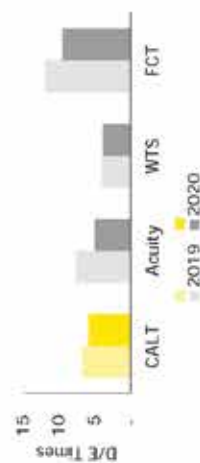
- ▶ CALT recorded a Net Income Margin of 30.4% in 2020, becoming the company with the second highest net income margin after FCT, which recorded a net income margin of 32.6%.

Return on Equity



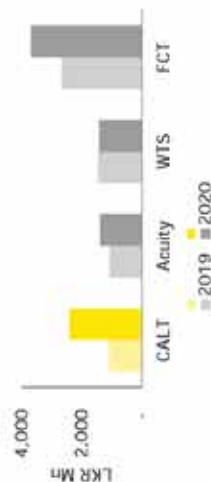
- ▶ CALT has maintained a relatively high ROE of 43% in 2020, outperforming Acuity (32.9%) and WTS (12%). However, FCT recorded the highest ROE of 59.5% during the year.

Debt to Equity Ratio



- ▶ CALT's debt to equity ratio stood at 5.92x in 2020 while its peers, FCT, Acuity and WTS recorded a debt/equity ratio of 9.48x, 4.99x and 3.81x respectively. Thus, CALT's debt/equity ratio is better off compared to FCT.

Revenue (LKR Mn)



- ▶ In terms of revenue, CALT has recorded the second highest revenue compared to its peers in 2020, after FCT. Revenue earned by CALT in 2020 amounts to LKR 2,426 Mn while the revenue earned by FCT is LKR 3,708 Mn.

- ▶ In terms of revenue growth, company has been able to grow its revenue at an average of 43% during the last three years, with a steep growth of 123% during FY2020. Revenue growth rate of CALT is considerably higher than the industry average during FY2020, becoming the company with the highest revenue growth compared to its peers.

Sources: CALT - Management Information, Acuity, WTS & FCT - Published Financial Statements obtained from newspapers, namely, The Island - 13th June 2021, Daily News - 13th June 2021, Daily News - 13th September 2020 and Daily FT - 22nd September 2020, respectively.

08 September 2021 Project CAL: Performing an equity valuation of Capital Alliance Limited as at 30th June 2021

Page 22 of 42



6 Regulations

Local Treasury Bills Ordinance and Registered Stock and Securities Ordinance Directions (No. 01 of 2021)

Home	1 Background to the Assign ...	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

Minimum Capital Requirement

All Primary Dealer companies are required to maintain the core capital at not less than LKR 1.0 billion until 31st December 2021 and thereon, such companies are required to maintain the capital at a level which is not less than the amounts given in the table below, as of the given dates:

Effective Date	Amount (LKR Billion)
01.01.2022	2.0
01.01.2023	2.5

CALT maintained a solid Tier 1 capital base of LKR 2.7 Bn by the end of FY 2021 versus LKR 2.91 Bn in FY 2020.

Special Risk Reserve

All Primary Dealer companies should maintain a Special Risk Reserve for safety, soundness and stability reasons of the company and the PD system and also to build up the company's capital base. Accordingly, every financial year, a sum of 10% of profit after tax should be transferred to the SRR.

LKR '000	2017A	2018A	2019A	2020A	2021A
Profit After Tax (PAT)	307,366	573,351	37,496	737,392	966,481
Transfer to the SRR	30,734	57,335	3,750	73,739	96,648
% of PAT	10%	10%	10%	10%	10%

Source: CBSL
https://www.dsl.gov.lk/sites/default/files/docsweb_documents/laws/cdp/nrcd/rlbo_rssd_direction_no_01_of_2021_a.pdf

Capital Adequacy Ratio

The minimum stipulated CAR for Primary Dealers is 10%

	2017A	2018A	2019A	2020A	2021A
CAR of CALT	23.42%	43.71%	17.81%	22.20%	54.11%

Source: Management Information

Capital Assessment and Planning Process

All PD companies should have a strong capital assessment process to determine the level of capital and buffers to be maintained and all these companies are required to develop a capital plan with time targets which are approved by the BOD, for at least three years. If the company fails short to maintain the core capital level at LKR 2.5 Billion as of the effective date, and if the deficit persists for more than 3 months, a time bound plan should be submitted for capital augmentation.

Distributions

All Primary Dealer companies should have a distribution policy approved by the BOD. The following circumstances would require written approval from Department of Supervision of Non-Bank Financial Institutions (DSNBFI):

- If accumulated distribution for the period which the distribution relates to, exceeds the profit after tax for the period or the PD company has made a cumulative loss for the period, or
- Making distributions require the use of earnings of the previous financial year, or
- Accumulated earnings of previous years remain negative even before or after the proposed distribution or
- The core capital is below LKR 2.5 billion before or after the proposed distribution

If the Primary Dealer company fails to comply with minimum capital requirement or with minimum risk weighted capital adequacy ratio at the end of the period, then the Primary Dealer company should not make any distribution, till they become compliant

Source: CBSL https://www.dsl.gov.lk/sites/default/files/docsweb_documents/laws/cdp/nrcd/rlbo_rssd_direction_no_01_of_2021_a.pdf



7 Company Profile

Capital Alliance Limited

Home	1 Background to the Assign ...	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		



Capital Alliance Limited is a financial services company in Sri Lanka, which first entered the market in the year 2000 as a registered debt dealer. In 2003, the company was appointed as a primary dealer by the Central Bank of Sri Lanka, making CAL one of the four non-bank licensed primary dealers in the country.

Corporate Finance



Corporate Finance arm of CAL focuses on providing services to fulfil capital-raising needs of clients including Initial Public Offerings and Debenture issues as well as M&A (Mergers & Acquisitions) transactions. With a clientele across several industries such as insurance, renewable energy, technology and agriculture, CAL's corporate finance vertical focuses mainly on family-businesses.

Equities



CAL acts as an investment advisor in dealing with foreign, institutional, high-net-worth and retail clientele. Ranked within the top 5 in Sri Lanka's equity markets, CAL's international affiliations provide access to a frontier institutional investor base. Auerbach Grayson, EFG Hermes, Edelweiss and Maybank Kim Eng Securities are some of international firms CAL is affiliated with.

Fixed Income



CAL Treasuries is one of the non-bank primary dealers in Sri Lanka, trading a wide array of investment instruments such as Treasury Bonds and Bills, Repos and Reverse-Repors, Securitizations and Commercial Papers, Debentures and Fixed Income Securities. CALT has secured a rating of [SL]A- from ICRA Sri Lanka.

Asset Management



CAL Investments is an Investment Manager and Unit Trust Manager in the country, licensed and registered by the Securities and Exchange Commission of Sri Lanka. Since the commencement of the investment management service line of CAL in 2011, the company has successfully surpassed LKR 75 Bn in assets under management. CAL Investments which provides services for both individual as well as corporate investors, comprises of a diverse client base of family-run corporations, financial institutions and high-net-worth individuals.

Research



Operating as an independent research unit, CAL Research focuses on providing research and analysis of Sri Lanka's equities and the economy. CAL Research also facilitates discussion series and events to guide investors in developing the most suited equity portfolio. Such events include, South Asia Investor Conference in collaboration with AKD Securities-Pakistan and LankaBangla Securities-Bangladesh, the "Fireside Chat" series, "Pivotal Point" event and the "Bottom Line" series.

Source: Management Information

08 September 2021 Project CAL: Performing an equity valuation of Capital Alliance Limited as at 30th June 2021

Page 26 of 42



8 Valuation Results

Summary of Valuation Results

Home	1 Background to the Assignment ...	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

Value Conclusion

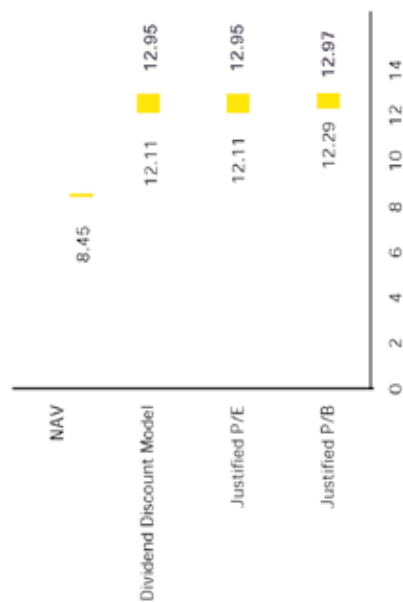
Equity value per share of CALT as at June 30, 2021 was concluded using the Justified Price to Book Multiple.

Therefore, based on the inputs from management of CALT and EYTAS analysis, value per share is deemed to be in the range of LKR 12.29 to LKR 12.97.

Valuation Methodology	Notes	Value Per Share (LKR)*	
		Low	High
Justified Price to Book Multiple	Primary Methodology	12.29	12.97
Justified Price to Earnings Multiple	Secondary Methodology	12.11	12.95
Dividend Discount Model	Secondary Methodology	12.11	12.95
Cost Approach (NAV) – June 30, 2021	Check Method	8.45	

Source: EYTAS

LKR per share



*Value per share set out in the above table under the given methodologies are subject to the viability of the assumptions made under Section 8 – Valuation Results

08 September 2021 Project CAL: Performing an equity valuation of Capital Alliance Limited as at 30th June 2021

Page 28 of 42

8 Valuation Results

Justified Price to Book Method - Outcome

Home	1 Background to the Assignment	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

Under the Justified Price to Book Multiple method, focus is on the long term Justifiable ROE which the company would sustain. Company value is derived based on the said long term justifiable ROE

Justified Price to Book = $(\text{ROE} - \text{Growth}) / (\text{Cost of Equity} - \text{Growth})$

Valuation Outcome

ROE %	21%
Growth (G) %	5%
Cost of Equity (Ke) %	16.0%
Justified Price to Book Multiple $(\text{ROE} - \text{G}) / (\text{Ke} - \text{G})$	1.45x
Book value as at 30 th June 2021 (LKR '000)	2,435,581
Equity Value (LKR '000)	3,542,663
Number of Shares	288,240,848
Per Share Value	12.29

Key Sensitive Variables

- Changes in the Return on Equity and Growth rate have a material impact upon the per share value of the company.
- For the scenario analysis purposes we have considered a deviation of up to +/- 0.25% for Cost of Equity and +/- 0.5% for Return on Equity

Valuation - Sensitivity Analysis (Per share value in LKR)

	Cost of Equity %				
	15.50%	15.75%	16.00%	16.25%	16.50%
20.00%	12.07	11.79	11.52	11.27	11.02
20.50%	12.47	12.18	11.91	11.64	11.39
21.00%	12.88	12.58	12.29	12.02	11.76
21.50%	13.28	12.97	12.67	12.39	12.12
22.00%	13.68	13.36	13.06	12.77	12.49

Source: EYTAS and Management Information

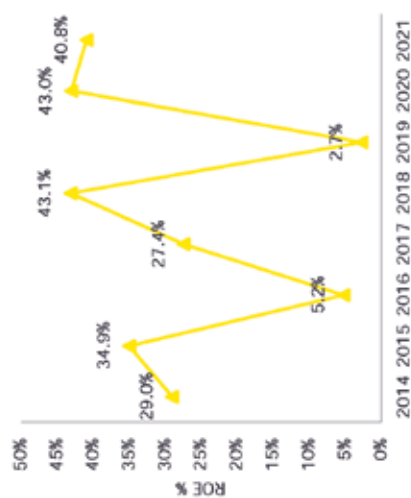
8 Valuation Results

Justified Price to Book Method - Key Assumptions

Home	1 Background to the Assignment	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

1. Return on Equity (ROE) - 21%

ROE* of CALT over the years



Source: Management Information

***Reported ROE from 2012 to 2021 was adjusted to reflect the higher tax in latter years due to capital gain taxes introduced w.e.f. 1st April 2018.**

Analyzing the volatility of ROE

- ▶ Volatility of CALT's earnings or ROE has been analyzed using the high-low range of ROE, average ROE as well as the volatility in its leverage structure.
- ▶ As the table on the right depicts, the volatility (high-low gap) in CALT's ROE is the second highest out of its peers, after First Capital Treasuries.

The ROE under this method represents the long term sustainable ROE for CALT. EYTAS arrived at a long term sustainable ROE of 21% for CALT, by giving a discount of 26% on the average ROE of CALT (adjusted to reflect the higher taxes w.e.f. 1st April 2018) over the past 8 years (average ROE from 2014 to 2021: 28.3%), in order to provide for the volatility involved (i.e., cyclical policy rates and higher government intervention). In the last two years, i.e. FY 2020 and FY 2021, due to government interventions in terms of interest rate cuts, the PD industry as a whole recorded a higher ROE (stemming from the inverse relationship between interest rate and bond prices). Thus, if the ROEs of 2020 and 2021 were not considered, the average ROE (adjusted to reflect the higher taxes w.e.f. 1st April 2018) from 2014 to 2019 would be 23.7%.

ROE**	2019	2020
CALT	3%	43%
First Capital Treasuries	6%	59%
Wealth Trust Securities	15%	12%
Acuity Securities	13%	33%
Peer Average (including CALT)	9%	37%
CALT discount/premium to peers	-6%	6%
2-year ROE Peer + CALT average	23%	

Source: CALT - Management Information, FCT, WTS & Acuity - Published Financial Statements obtained from newspapers, namely, Daily FT - 2nd September 2020, Daily News - 1st September 2020 & The Island - 1st June 2021 respectively.

**ROE Formula: Profit for the year adjusted for deferred taxes/Average Equity adjusted for deferred taxes

	Wealth Trust	Acuity	FCT	CALT
2019 ROE	15%	13%	6%	3%
2020 ROE	12%	33%	59%	43%
Average	13%	23%	33%	23%
High	15%	33%	59%	43%
Low	12%	13%	6%	3%

8 Valuation Results

Justified Price to Book Method - Key Assumptions

Home	1 Background to the Assignment ...	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

ROE - Banking Industry

Debt to Equity	2019	2020
CALT	6.8	5.9
First Capital Treasuries	12.0	9.5
Wealth Trust Securities	4.0	3.8
Acuity Securities	7.6	5.0
Peer Average (including CALT)	7.6	6.1
CALT discount/premium to peers	(0.8)	(0.1)
2-year D/E ratio average of CALT + peers	6.8	

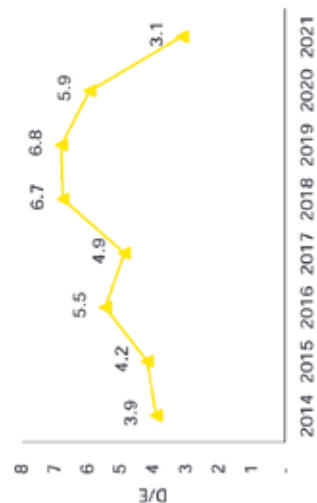
Source: CALT Management Information, FCT, WTS & Acuity - Published Financial Statements; obtained from newspapers, namely, Daily FT - 2 nd September 2020, Daily News - 1 st September 2020 & The Island - 1 st June 2021 respectively.
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<p>► Considering the volatility, long term sustainable ROE has assumed been assumed as 21% for CALT, after giving a discount of 26% on the average ROE of CALT over the last 8 years.</p> <p>► Further, as the table on the right presents, it can be observed that even the banks that are considered to be more stable were able to attain an average ROE of around 13.8% under higher tax regimes (effective tax rate applicable for the banking industry is around 45%).</p>
--

ROE - Banking Industry	2015	2016	2017	2018	2019	2020
DFCC	12.8%	11.0%	13.4%	7.6%	7.6%	5.6%
Seylan	1.3%	1.2%	2.3%	9.3%	9.3%	6.4%
NTB	18.3%	18.1%	23.3%	15.9%	12.2%	11.8%
NDB	15.6%	13.4%	16.3%	17.4%	13.7%	13.1%
Pan Asia	19.8%	19.8%	15.9%	14.1%	14.2%	14.3%
Commercial	16.9%	19.5%	17.9%	15.6%	13.5%	11.3%
HNB	16.6%	19.9%	17.8%	13.9%	11.5%	8.8%
Sampath	18.6%	22.9%	22.4%	16.4%	11.8%	10.5%
High	19.8%	22.9%	23.3%	17.4%	14.2%	14.3%
Average	15.0%	15.7%	16.1%	13.8%	11.7%	10.2%
Low	1.3%	1.2%	2.3%	2.7%	7.6%	5.6%

Source: Annual Reports

D/E ratio of CALT over the years



8 Valuation Results

Justified Price to Book Method - Key Assumptions

Home	1 Background to the Assign ...	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

2. Growth Rate – 5%

The growth rate is inferred at 5%, by looking into the sustainable growth rate of the Sri Lankan economy for the longer term. For instance, during the past 10 years (excluding 2020 due to Covid-19), the real GDP growth rate of Sri Lanka (post war, with two government regiments in power) was in the range of 2.3% to 8.2%. A higher growth was achieved pre-2015 which eventually slowed down with political instabilities and uncertainties. Taking a longer term stance, with the recovery from Covid-19, we believe that 5.0% is a sustainable growth rate for Sri Lanka to achieve.

3. Cost of Equity – 16.0%

The Build Up Approach

The buildup method is mostly used for businesses where comparisons to publicly traded company betas are not deemed to be applicable or it is felt that they should be supplemented further. The closest proxy industry beta available for a Primary Dealer business model (as per Damodaran), is 0.83 (levered beta) given for brokerage and investment banking business. However, given the fact that the non-bank Primary Dealer business models are much more riskier, volatile and highly geared (as discussed under earlier sections), in contrast to a brokerage and investment banking business, applying a low geared industry beta to a non-bank Primary Dealer, would not be viable.

The build up approach begins with the risk-free rate. The individual valuing the firm then makes the subjective determination of what percentage to add to the risk-free rate. The amount added depends upon the amount of risk associated with the business earnings.

Parameter	Input	Description	Source
Risk Free Rate (Rf)	8.9%	The risk free rate describes the expected nominal return on risk free investments. As a nominal value, the risk free rate accounts for expected real interest rates and inflation. The risk free rate utilized for the CAPM computation is the most recent treasury bond rates on government securities.	Yield on 5-year CBSL bonds (as at 3 rd September, 2021). This rate was used considering the bond yield hike, between the valuation date and the report date.
Market Risk Premium (MRP)	5.50%	The market risk premium corresponds to the difference between the return of the underlying capital market and the risk free rate. Formula: $MRP = E(R_M) - R_f$	Market Studies
Size Risk Premium (SRP)	0%	The size risk premium accounts for the increased risk associated with investing in smaller firms. Being one of the largest Non-Bank Primary Dealers in the industry, we believe that such a discount would not be necessary for CALT.	Market Studies
Industry and Company Specific Risk premium (ICRP)	1.6%	The premium is subjective and is based upon the characteristics of the subject firm and the industry. Such would be based on the nature of the business and the industry, leverage and risk, volatility in earnings etc. Looking at the inherent volatility of the ROE, industry, economy, and the gearing level of CALT, a ICRP of 1.6% is added.	Market studies
Cost of Equity (Ke)	16.0%	Formula: $Ke = rf + MRP + SRP + ICRP$	

8 Valuation Results

Justified Price to Earnings Method

Home	1 Background to the Assignment	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

Valuation Outcome

Average Earnings per share* (LKR)	1.72
Dividend Growth (%) (G)	10.5%
Dividend Pay-out Ratio (DPO)	35%
Cost of Equity (Ke)	16.0%
Justified P/E Multiple ((DPO*(1+G))/(Ke-G))	7.03x
Value per Share (LKR) (Avg EPS * Justified P/E Multiple)	12.11
Book value as at 30 th June 2021 (LKR '000)	2,435,581
Equity Value (LKR '000)	3,480,905
Number of Shares	288,240,648
Implied Price to Book Multiple	1.43

* Reinstated the numbers historically to reflect the 12:1 share split in 2021. Shares before the split: 24,020,054. Post split: 288,240,648

Key Sensitive Variables

- Changes in the Cost of Equity and Dividend Growth rate have a material impact upon the per share value of the company.
- For the scenario analysis purposes we have considered a deviation of up to +/- 0.25% for the Cost of Equity and +/- 0.10% for the Dividend Growth rate.

Valuation – Sensitivity Analysis (Per share value in LKR)

	Cost of Equity %				
	15.50%	15.75%	16.00%	16.25%	16.50%
Dividend Growth %	10.30%	12.79	12.20	11.66	11.17
	10.40%	13.05	12.44	11.88	11.38
	10.50%	13.32	12.69	12.11	11.58
	10.60%	13.61	12.95	12.35	11.80
	10.70%	13.90	13.21	12.59	12.02

Sources: EYTAS and Management Information

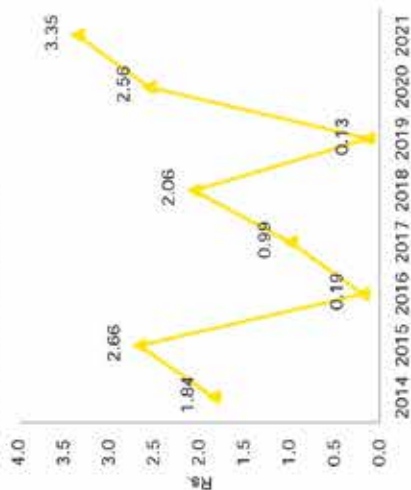
8 Valuation Results

Justified Price to Earnings Method

Home	1 Background to the Assignment	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

- ▶ Average Earnings Per share – LKR 1.72 - This has been arrived by averaging the historical reinstated EPS of CALT, from 2014 to 2021
- ▶ Dividend Payout ratio – 35% - This DPO reflects the historical average DPO of CAL, which was derived by dividing the average DPS of CALT over the last 8 years by the average EPS over the same period.
- ▶ Dividend Growth – 10.5% - The dividend growth rate of 10.5% was derived by using the target ROE of 21% and the management's future DPO expectation of 50% (i.e. $21 \times (1 - 50\%)$).
- ▶ Cost of Equity – 16.0% (Refer page 32)

EPS of CALT over the years*



Source: Management Information

* Reinstated the member's historically to reflect the T2, T share split in 2021. Shares before the split: 24,000,054. Post split: 258,400,649

8 Valuation Results

Dividend Discount Model

Home	1 Background to the Assignment	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and Assumptions	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

Value per share = $\frac{\text{Dividend per Share} \times (1 + \text{Dividend Growth Rate})}{\text{Cost of equity} - \text{Dividend Growth Rate}}$

Valuation Outcome

Average Implied Dividend per Share	0.60
Dividend Growth (G) %	10.50%
Cost of Equity (Ke)	16.0%
Value per Share $(\text{DPS} \times (1 + G)) / (K_e - G)$	12.11
Book value as at 30 June 2021 (LKR '000)	2,435,581
Equity Value (LKR '000)	3,490,905
Number of Shares	288,240,848
Implied Price to Book Multiple	1.43

Key Sensitive Variables

- Changes in the Cost of Equity and Dividend Growth rate have a material impact upon the per share value of the company.
- For the scenario analysis purposes we have considered a deviation of up to +/- 0.25% for the Cost of Equity and +/- 0.10% for the Dividend Growth rate.

Valuation – Sensitivity Analysis (Per share value in LKR)

	Cost of Equity %				
	15.50%	15.75%	16.00%	16.25%	16.50%
Dividend Growth %	10.30%	12.79	12.20	11.66	11.17
	10.40%	13.05	12.44	11.88	11.38
	10.50%	13.32	12.69	12.11	11.59
Dividend Growth %	10.60%	13.61	12.95	12.35	11.80
	10.70%	13.90	13.21	12.59	12.02

Source: EYTAS and Management Information

8 Valuation Results

Dividend Discount Model - Assumptions

Home	1 Background to the Assign ...	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

Dividend pay out pattern of CALT

	2014	2015	2016	2017	2018	2019	2020	2021
Reported DPS	7.93	18.90	9.00	4.83	6.81	-	-	10.40
Reinstated DPS*	0.66	1.57	0.75	0.40	0.57	-	-	0.87
Reinstated EPS*	1.84	2.66	0.19	0.99	2.06	0.13	2.56	3.35
DPO %	36%	59%	402%	41%	28%	0%	0%	26%

* Reinstated the numbers historically to reflect the 12:1 share split in 2021. Shares before the split: 24,020,054. Post split: 288,240,648

As explained in the previous section, the average DPO of CALT over the past 8 years is around 35% (Average 8-year DPS/Average 8-year EPS) and the management expects to maintain a pay out ratio of 50%, moving forward.

► Average Dividend Per share – LKR 0.60

This has been derived by averaging the historical reinstated DPS of CALT, from 2014 to 2021

► Dividend Growth – 10.5%

The dividend growth rate of 10.5% was derived by using the target ROE of 21% and the management's future DPO expectation of 50% (i.e. $21 \times (1-50\%)$).

► Cost of Equity – 16.0% (Refer Page 32)

8 Valuation Results

Cost Approach - Net Asset Value

Home	1 Background to the Assignment ...	7 Company Profile
2 Executive Summary	8 Valuation Results	
3 Our Approach and ...	9 EYTAS Team	
4 Economic Analysis	10 Abbreviations	
5 Industry Analysis		
6 Regulations		

Cost Approach as at June 30, 2021

	LKR '000	Cash and Cash Equivalents	54,223	Financial Liabilities at Amortized Cost	5,746,586
Total Assets	8,460,788	Financial Assets measured at Amortised Cost	808,492	Amounts due to Related Companies	2,363
Total Liabilities	6,025,207	Financial Assets measured at FVTPL	7,525,311	Other Payables	78,565
Net Asset Value	2,435,581	Amount due from Related Companies	23	Lease Liability	12,777
		Financial Assets measured at FVOCI	1,000	Retirement Benefit Obligation	42,399
		Other Receivables	42,354	Income Tax Payable	142,517
		Deferred Tax Asset	10,202		
		Intangible Assets	2,017		
		Right-of-use Asset	12,519		
		Equipment	4,647		
		Total Assets	8,460,788	Total Liabilities	6,025,207

Source: Management Information

Conclusion

Based on the management accounts of the company, Net Asset Value of CALT as at 30th June 2021 amounted to LKR 2,435 Mn. Accordingly, CALT's Net Asset Value per share is deemed to be LKR 8.45.

Source: Management information

Conclusion

Based on the management accounts of the company, Net Asset Value of CAL T as at 30th June 2021 amounted to LKR 2,435 Mn. Accordingly, CAL T's Net Asset Value per share is deemed to be LKR 8.45.



9 EYTAS Team

Home	1 Background to the Assign ...	7 Company Profile
2 Executive Summary	3 Our Approach and ...	8 Valuation Results
4 Economic Analysis	5 Industry Analysis	9 EYTAS Team
6 Regulations		10 Abbreviations

Buwanesh Wijesuriya - Partner - Ernst & Young | Head of Transaction Advisory Services (Pvt.) Limited

Buwanesh has over 26 years of experience in the fields of assurance and advisory business services, transaction advisory services, special audits, agreed upon services and investigations etc. His expertise in due diligence reviews, transaction structuring and transaction negotiation is widespread and he had been involved in some of the very high profile transactions which took place in Sri Lanka. Over the last 26 years, Buwanesh has been involved in performing over 250 due diligence assignments. These include large and small scale transactions in numerous sectors of the economy. He was selected for secondment twice to the Ernst and Young in Boston, USA. During his second tenure (2003 October to 2005 March) which lasted for eighteen months, he was involved in the Banking Asset Management Group where he was responsible for audits of mutual and private equity funds. Buwanesh is a fellow member of the Institute of Chartered Accountants of Sri Lanka (FCA) as well as the Chartered Institute of Management Accountants of United Kingdom (FCMA).

Mithun Pragash Gnanasekaran - Senior Manager - Transaction Advisory Services (Pvt.) Limited

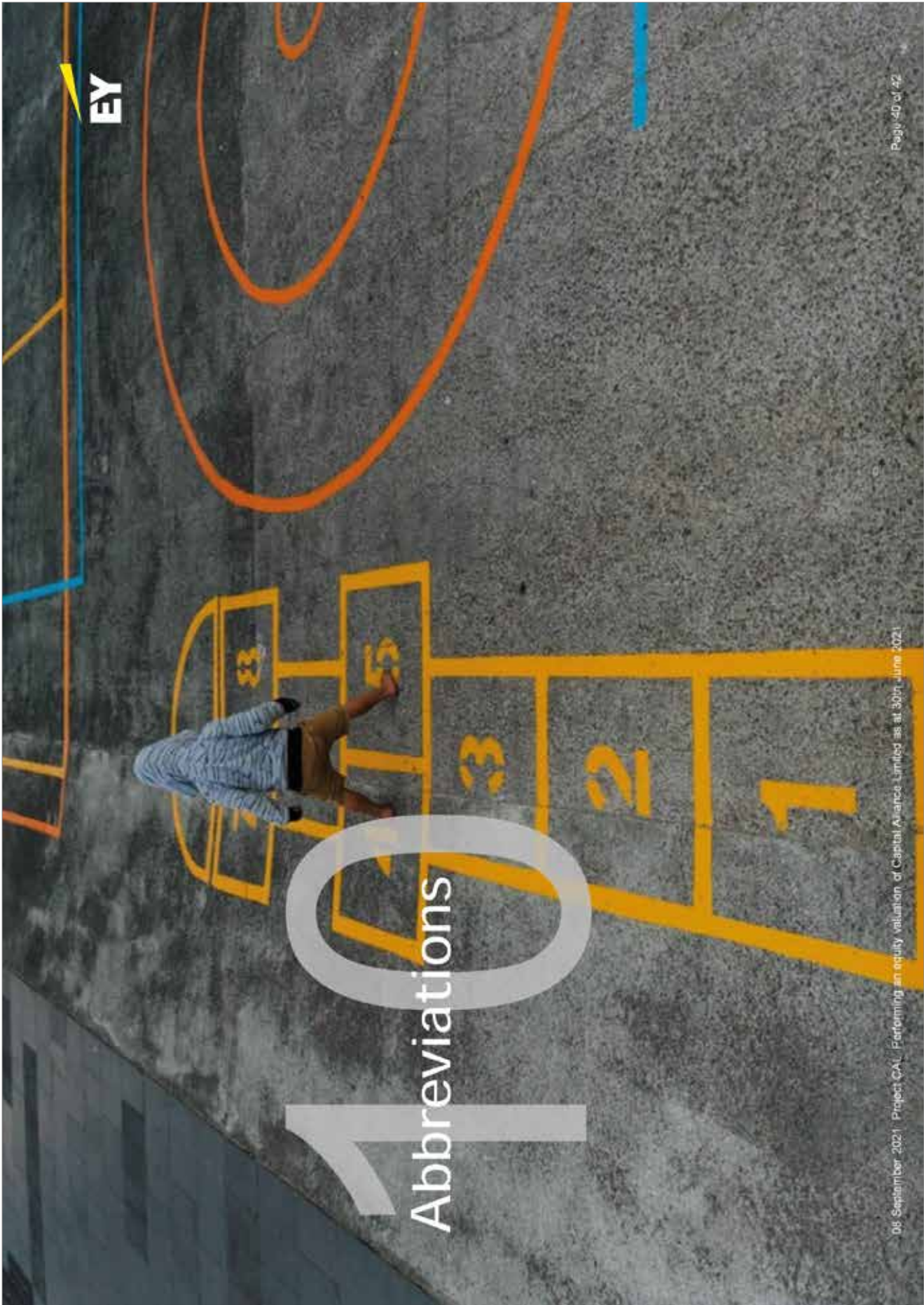
Mithun is a Valuation and Business Modeling specialist with more than 4 years of experience with EYTAS. Prior to him joining Ernst & Young, he was employed at National Asset Management Limited, as an Investment Analyst, managing unit trust funds and private portfolios. He was employed at Moody's Analytics Knowledge Services, where he worked in the capacity of Research Analyst, providing financial services to a leading London-based investment bank. Mithun has experience in analyzing several industries, including Telecommunication Services, Retail and Diversified Holdings. He has experience in performing equity valuations, financial feasibility studies and review of business models for publicly listed and private entities. In addition, Mithun has investment experience in listed equity and fixed-income instruments as well. He holds a Bachelor of Commerce degree from the University of Melbourne, Australia.

Lahiru Karunathilaka - Senior Director - Transaction Advisory Services (Pvt.) Limited

Lahiru is a lead advisory specialist focusing on capital market advisory work and has over 15 years of experience with Ernst & Young Transaction Advisory Services. He has extensive experience in undertaking Valuation, Fund raising, Mergers & Acquisition and project finance assignments. Lahiru was selected for rotation to Ernst & Young, Singapore office for a period of 7 months during the year 2011. He was involved in providing Independent financial advisory and deal advisory services for the consolidation of the NBFI sector carried out by CBSL in 2014 and 2021. Moreover, he was involved in providing Independent Financial Advisory Services for the largest Merchant Bank in the country in terms of a Merger transaction. Lahiru has also provided economic advisory services to a leading regional infrastructure investment bank in relation to a infrastructure market study in Sri Lanka and was instrumental in providing financial advisory services on a public-private partnership (PPP) initiative to a global construction company relating to a government infrastructure project. Lahiru is an associate member of Chartered Institute of Management Accountants (CIMA) UK and is currently a CFA level 3 candidate.

Sachindi Fernando - Executive - Transaction Advisory Services (Pvt.) Limited

Sachindi joined EYTAS in early 2020, prior to which she worked as an Associate in the Audit and Assurance Division of KPMG. She has experience in handling projects/engagements in various sectors such as Apparel, Hospitality, Warehousing and Logistics, IT Services and Infrastructure, covering a variety of services including the performing of equity valuations, financial forecasting and modelling, financial feasibility studies and business model reviews. Sachindi is currently reading for a Bachelor of Business Administration (Special) in International Business at University of Colombo while pursuing the final stage of Chartered Accountancy.



10 Abbreviations

Home	1 Background to the Assign ...	7 Company Profile
2 Executive Summary	3 Our Approach and ...	8 Valuation Results
4 Economic Analysis	5 Industry Analysis	9 EYTAS Team
6 Regulations		10 Abbreviations

AWFDR	Average Weighted Fixed Deposit Rate	IPO	Initial Public Offering
AWLR	Average Weighted Lending Rate	LKR	Sri Lankan Rupee
AWPR	Average Weighted Prime Lending Rate	M&A	Mergers & Acquisitions
Bn	Billion	Mn	Million
BOD	Board of Directors	MRP	Market Risk Premium
bps	Basis Points	NAV	Net Asset Value
CAL	Capital Alliance Limited	NDB	National Development Bank
CALT	Capital Alliance Limited - Treasuries	NTB	Nations Trust Bank
CAR	Capital Adequacy Ratio	OP	Operating Profit
CBSL	Central Bank of Sri Lanka	PAT	Profit After Tax
CCPI	Colombo Consumer Price Index	PBV	Price to Book Value
DCF	Discounted Cash Flows	PD	Primary Dealer
DDM	Dividend Discount Model	Rf	Risk Free Rate
DFCC	Development Finance Corporation of Ceylon	ROA	Return on Assets
DPO	Dividend Payout	ROE	Return on Equity
DPS	Dividend Per Share	RWCAR	Risk Weighted Capital Adequacy Ratio
EFG	Egyptian Financial Group	S&P	Standard & Poor's
EPS	Earnings Per Share	SDFR	Standing Deposit Facility Rate
EYTAS	Ernst & Young Transaction Advisory Services	SLFR	Standing Lending Facility Rate
FCT	First Capital Treasuries Limited	SLISB	Sri Lanka International Sovereign Bonds
FVOCI	Fair Value Through Other Comprehensive Income	SRP	Size Risk Premium
FVTPL	Fair Value Through Profit or Loss	SRR	Statutory Reserve Ratio
FY	Financial Year	SRR	Special Risk Reserve
GDP	Gross Domestic Product	T-Bonds	Treasury Bonds
HNB	Hatton National Bank	USD	United States Dollar
ICRA	Investment Information and Credit Rating Agency	WTS	Wealth Trust Securities Limited
ICRP	Industry and Company Specific Risk Premium	YoY	Year-On-Year

08 September 2021 | Project CAL: Performing an equity valuation of Capital Alliance Limited as at 30th June 2021

Page 41 of 42

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Annexure 5

Collection Points

Annexure 5 – Collection Points

Copies of the Prospectus and the Application Form can be obtained free of charge from the following collection points.

Managers to the Offer

Capital Alliance Partners Limited
Level 5, "Millennium House",
46/58, Nawam Mawatha, Colombo 02
Tel: +94 11 2317777
Fax: +94 11 2317788

Company

Capital Alliance Limited
Level 5, "Millennium House",
46/58, Nawam Mawatha, Colombo 02
Tel: +94 11 2317777
Fax: +94 11 2317788

Registrars to the Offer

S S P Corporate Services (Private) Limited
101, Inner Flower Road,
Colombo 03.
Tel: +94 11 257 3485
Fax: +94 11 257 3609

Members of The Colombo Stock Exchange

NDB Securities (Private) Ltd.

Level 2, NDB Capital Building,
No. 135, Bauddhaloka Mawatha, Colombo 4.
Tel: +94 11 2 131 000
Fax: +94 11 2 314 181
E-mail: mail@ndbs.lk

Assetline Securities (Pvt) Ltd. (Inactivated Operations)

No.120, 120A, Pannipitiya Road, Battaramulla.
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Fax: +94 11 4 700 101, +94 11 4 700 112
E-mail: info@assetline.lk

Asha Securities Limited.

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Tel: +94 11 2 429 100
Fax: +94 11 2 429 199
E-mail: asl@ashasecurities.net

J B Securities (Pvt) Ltd.

No. 150, St. Joseph Street, Colombo 14.
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Fax: +94 11 2 430 070
E-mail: jbs@jb.lk

Asia Securities (Pvt) Ltd.

4th Floor, Lee Hedges Tower,
No. 349, Galle Road, Colombo 3
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Fax: +94 11 258 4864
E-mail: inquiries@asiasecurities.lk

S C Securities (Pvt) Ltd.

5th Floor, No. 26B, Alwis Place, Colombo 3.
Tel: +94 11 4 711 000 / +94 11 4 711 001
Fax: +94 11 2 394 405
E-mail: itdivision@sampathsecurities.lk

First Capital Equities (Pvt) Ltd.

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Tel: +94 11 2 639 898
Fax: +94 11 5 736 264
E-Mail: equity@firstcapital.lk

Nation Lanka Equities (Pvt) Ltd.

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Somerville Stockbrokers (Pvt) Ltd.

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John Keells Stock Brokers (Pvt) Ltd.

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Tel: +94 11 2 306 250
Fax: +94 11 2 342 068
E-mail: jkstock@keells.com

Acuity Stockbrokers (Pvt) Ltd.

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Lanka Securities (Pvt) Ltd

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Fax: +94 11 4 706 767
E-mail: info@lankasec.com

Capital Trust Securities (Pvt) Ltd.

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Tel: +94 11 2 174 174 / +94 11 2 174 175
Fax: +94 11 2 174 173
E-mail: inquiries@capitaltrust.lk

CT CLSA Securities (Pvt) Ltd.

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Fax: +94 11 2 552 289
E-mail: info@ctcls.lk

Bartleet Religare Securities (Pvt) Ltd.

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Fax: +94 11 2 434 985
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TRADING MEMBERS OF THE COLOMBO STOCK EXCHANGE

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Fax: +94 11 2 3177 88
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First Guardian Equities (Pvt) Ltd.

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E-mail: info@fge.lk

Candor Equities Ltd.

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Tel: +94 11 2 359 100
Fax: +94 11 2 305 522
E-mail: info.cel@candorh.com

Enterprise Ceylon Capital (Private) Limited.

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Fax: -
E-mail: info@ecc.lk

Richard Pieris Securities (Pvt) Ltd.

No.310, High Level Road,
Nawinna, Maharagama
Tel: +94 11 431 0500
Fax: +94 11 280 2385
Email: communication@rpsecurities.com

LOLC Securities Limited

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E-Mail: info@lolcsecurities.com

SMB Securities (Pvt) Ltd.

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E-mail: info@smbsecurities.lk

Taprobane Securities (Pvt) Ltd.

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Fax: +94 11 5 328 177
E-mail: info@taprobane.lk

Softlogic Stockbrokers (Pvt) Ltd

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Fax: +94 11 7 277 099
Email: ssb.inquiry@softlogic.lk

TKS Securities (Pvt) Ltd. (Inactivated Operations)

4th Floor, No. 245,
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Tel: +94 11 7 857 799
Fax: +94 11 7 857 857
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Navara Securities (Pvt) Ltd

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Annexure 6

Custodian Banks

Annexure 6 – Custodian Banks

Bank of Ceylon

Head Office

11th Floor, 04, Bank of Ceylon Mawatha, Colombo 01.

Tel: +94 112 204064

Citi Bank, N A

65 C, Dharmapala Mawatha.

P. O. Box 888, Colombo 07.

Tel: +94 114 794728

Commercial Bank of Ceylon PLC

Commercial House

21, Bristol Street, P.O. Box 853, Colombo 01.

Tel: 011 2 445 010-15

Deutsche Bank AG

P.O. Box 314, 86, Galle Road, Colombo 03.

Tel: 011 2 447 062 / 011 2 438 057

Hatton National Bank PLC

HNB Towers, 479, T. B. Jayah Mawatha, Colombo 10.

Tel: +94 112 661 762

Union Bank of Colombo PLC

64, Galle Road, Colombo 03.

Tel: +94 112 374205

Nations Trust Bank PLC

256, Sri Ramanathan Mawatha, Colombo 15

Tel: +94 114 313131

Pan Asia Banking Corporation PLC

Head Office

450, Galle Road, Colombo 03.

Tel: 011 2 565 565

The Hong Kong and Shanghai Banking

Corporation Limited

24, Sir Baron Jayathilake Mawatha, Colombo 01.

Tel: 011 2 325 435, 011 2 446 591, 011 2 446 303

People's Bank

Head Office - Treasury, 5th Floor, Sir Chittampalam A
Gardiner Mawatha, Colombo 02.

Tel: 011 2 206782

Public Bank Berhad

340, R A De Mel Mawatha, Colombo 03.

Tel: 011 2 576 289, 011 7 290 200-7

Standard Chartered Bank

37, York Street, P. O. Box 112, Colombo 01.

Tel: +94 112 480450

Sampath Bank PLC

110, Sir James Peiris Mawatha, Colombo 02.

Tel: +94 115 331458, +94 114 730662

State Bank of India

16, Sir Baron Jayathilake Mawatha, Colombo 01.

Tel: +94 114 622350

Seylan Bank PLC

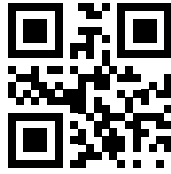
Level 8, Ceylinco Seylan Towers,

90, Galle Road, Colombo 03.

Tel: 011 4 701 812, 011 4 701 819

Notes

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Capital Alliance Limited

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