

**CAPITAL ALLIANCE GILT FUND
COLOMBO 02**

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31ST MARCH 2024**



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INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF CAPITAL ALLIANCE GILT FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Capital Alliance Gilt Fund ("The Fund"), which comprise the statement of financial position as at 31st March 2024, and the statement of profit or loss and other comprehensive income, the statement of movement in unit holder's fund and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information as set out on page 05 to 17.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31st March 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Fund Management Company and the Trustee for the Financial Statements

The Fund Management Company 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of the Rule 50 of the Collective Investment Scheme Code (CIS Code) issued by the Securities and Exchange Commission of Sri Lanka in terms of Section 183 of the Securities and Exchange Commission Act; No 19 of 2021 and the trust deed.

BDO Partners

CHARTERED ACCOUNTANTS

Colombo

29th July 2024

NV/dm

CAPITAL ALLIANCE GILT FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2024

	Note	2023/2024 Rs.	2022/2023 Rs.
Investment income			
Interest income	4	430,790	342,827
Unrealised gains on financial assets at FVTPL		2,494	-
Total investment income		433,284	342,827
Other income		11,384	2,540
Expenses			
Management fees		(14,707)	(6,286)
Trustee fees		(4,677)	(2,893)
Bank charges		(8,840)	(4,449)
Total operating expenses		(28,224)	(13,628)
Profit before tax		416,444	331,739
Income tax expense	5	-	-
Profit after tax for the year		416,444	331,739
Total comprehensive income		416,444	331,739
Increase in net assets attributable to unitholders		416,444	331,739

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 17 form an integral part of these financial statements.

Colombo
29th July 2024



CAPITAL ALLIANCE GILT FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2024

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	Note	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Assets			
Cash and cash equivalents	6	156,659	152,324
Income tax recoverable	7	-	-
Financial assets at amortised cost	8	615,720	271,465
Financial assets at FVTPL	9	1,979,344	1,898,748
Other receivables	10	10	-
Total assets		2,751,733	2,322,537
Liabilities			
Accrued expenses	11	15,434	9,204
Total liabilities		15,434	9,204
Net assets		2,736,299	2,313,333
Unitholders' Fund			
Net assets attributable to Unitholders		2,736,299	2,313,333

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 17 form an integral part of these financial statements.

The Management Company is responsible for preparations and presentation of these financial statements in accordance with Sri Lanka Accounting Standards.

Signed for and on behalf of the Management Company by;



Mr. K. P. Mannakkara
Director
Capital Alliance Investments Limited
Management Company



Ms. H. M. S. Perera
Director
Capital Alliance Investments Limited
Management Company

Signed for and on behalf of the Trustee by:



Hatton National Bank PLC
Trustee



Hatton National Bank PLC
Trustee



CAPITAL ALLIANCE GILT FUND
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE YEAR ENDED 31ST MARCH 2024

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	2023/2024 Rs.	2022/2023 Rs.
Unitholders' fund at the beginning of the year	2,313,333	4,273
Increase in net assets attributable to unitholders	416,444	331,739
Creation of Units	2,712,075	5,536,000
Redemption of Units	(2,705,554)	(3,558,679)
Net increase due to Unitholders' transactions	6,522	1,977,321
Unitholders' fund at the end of the year	2,736,299	2,313,333

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 17 form an integral part of these financial statements.

Colombo
29th July 2024



CAPITAL ALLIANCE GILT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2024

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	2023/2024 Rs.	2022/2023 Rs.
Cash flows from operating activities		
Interest received	412,797	317,594
Management fees and trustee fees paid	(13,153)	25
Other income/(expenses) paid	2,533	(24,121)
Investment in Reverse repurchase agreements	(330,000)	(270,000)
Investment in Treasury bills	(74,364)	(1,872,440)
Net cash used in operating activities	(2,187)	(1,848,942)
Cash flows from financing activities		
Cash received on creation of units	2,712,075	5,536,000
Cash paid on redemption of units	(2,705,554)	(3,558,679)
Net cash generated from financing activities	6,522	1,977,321
Net increase in cash and cash equivalents	4,335	128,379
Cash and cash equivalents at the beginning of the year (Note A)	152,324	23,945
Cash and cash equivalents at the end of the year (Note B)	156,659	152,324
At the beginning of the year		Note A
Cash at bank	152,324	23,945
	152,324	23,945
At the end of the year		Note B
Cash at bank	156,659	152,324
	156,659	152,324

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 17 form an integral part of these financial statements.

Colombo
29th July 2024





CAPITAL ALLIANCE GILT FUND

MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General information

Capital Alliance Gilt Fund ("the Fund") is an open ended unit trust fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 12th August 2013.

The Fund is managed by Capital Alliance Investments Limited which is incorporated and domiciled in Sri Lanka. The registered office of the Management Company is located at No.46/58, Nawam Mawatha, Colombo 02. The Trustee of the Fund is Hatton National Bank PLC whose place of business is at "HNB Towers", No. 479, T. B. Jayah Mawatha (Darley Road), Colombo 10.

1.2 Operating activities

The investment objective of the Fund is to optimise income at very low levels of risk, essentially retaining the risk-free nature of government securities but offering the convenience of a unit trust.

1.3 Date of authorisation for issue

The Financial Statement of the Fund for the year ended 31st March 2024 were authorised for issue by the Management Company and the Trustee on 29th July 2024.

2. PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

The Financial Statements have been prepared on the historical cost basis unless otherwise it is indicated. The Financial Statements have been presented in Sri Lankan rupees. The statement of financial position has been presented on a liquidity basis.

2.2 Statement of compliance

The Financial Statements which comprise the statement of financial position as at 31st March 2024, statement of profit or loss and other comprehensive income, statement of movement in unitholders' funds and statement of cash flows for the year then ended, and a summary of material accounting policies and other explanatory information have been prepared and presented in accordance with Sri Lanka Accounting Standards and the requirements of the Unit Trust Deed and collective Investment Scheme Code of the Securities and Exchange Commission of Sri Lanka.

2.3 Basis of measurement

The Financial Statements have been prepared under the historical cost convention with the exception of certain assets and liabilities at fair value.

2.4 Going concern

These Financial Statements are prepared on the assumption that the Fund is a going concern i.e. as continuing in operation for the foreseeable future. It is therefore assumed that the Fund has neither the intention nor the necessity of liquidation.

2.5 Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.



CAPITAL ALLIANCE GILT FUND

MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

2.6 Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements in conformity with SLFRSs/LKASs 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. In the selection and application of the Fund's accounting policies, which are described below, the Fund Management Company is required to make judgments and assumptions and use assumptions in measuring items reported in the Financial Statements. These estimates are based on management's knowledge of current facts and circumstances, and assumptions based on such knowledge and expectations of future events. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year or the year of the revision and future years as well, if the revision affects both the current and the future years.

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

Management uses its judgment in determining the appropriate valuation technique for financial instruments that are not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Other financial instruments are valued using a discounted cash flow analysis based on the assumptions supported, where possible, by observable market prices or rates.

Determination of Fair Value and Fair Value Hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

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

2.7 Summary of significant accounting policies**2.7.1 Financial instruments****2.7.1.1 Initial recognition**

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

2.7.1.2 Initial measurement of financial assets

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



CAPITAL ALLIANCE GILT FUND

MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

2.7.1.3 Measurement categories of financial assets

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

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

2.7.1.4 Subsequent measurement

Amortised cost:

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

Debt instruments at amortised cost in the statement of financial position comprise investments in the treasury bill repurchase agreements. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in realised gain/(loss) on debt instruments held at amortized cost.

Fair value through profit or loss:

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

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

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

2.7.1.5 Financial liabilities

a) Initial recognition and measurement

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

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

b) Subsequent measurement

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

**CAPITAL ALLIANCE GILT FUND****MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS****Other financial liabilities**

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

2.7.1.6 Impairment

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

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

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

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

Consistent with the policies of the Fund, investments when rated below BBB- are considered as non-investment grade investments and the Fund considers such investments as having incurred significantly deteriorated credit risk. Such investments are considered for life time ECL calculation.

Further, movements within the ratings of the investment grade stipulate significant deterioration of credit risk. Significant deterioration is measured through a two-notch downgrade of the external credit rating of the counterparty since the origination of the instrument.

For debt instruments at amortised cost issued by Sovereign, the Fund applies the low risk simplification. The Fund's debt instruments at amortized cost comprise solely of Treasury bill repurchase agreements that are obtained from primary dealers with a collateral of either treasury bills or bonds that are graded in the top investment category- AAA rating and, therefore, are considered to be low risk investments.

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 financial assets.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.



CAPITAL ALLIANCE GILT FUND

MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

2.7.1.7 De-recognition

A financial asset is de-recognised when,

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

2.7.1.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- there is currently an enforceable legal right to offset the recognised amounts and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.2.2 Cash and cash equivalents

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

2.2.3 Payables and provisions

Payables are initially recognised at fair value, which is the fair value of the consideration to be paid in the future for goods and service received, whether or not billed to the Fund, and subsequently measured at amortised cost.

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying the economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

2.2.4 Income tax

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from, or paid to the taxation authorities. Until 31st March 2018, the Fund was liable to pay income tax at the rate of 10% in accordance with the Inland Revenue Act No 10 of 2006. Subsequent to the enactment of the new Inland Revenue Act No 24 of 2017, effective 01st April 2018, an eligible Unit Trust would not be liable for income tax on any income which is a 'pass through' to its Unitholders. Accordingly, post 31st March 2018, the Fund has considered all income as being a 'pass through' to its Unitholders.

2.2.5 Recognition of income

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

**CAPITAL ALLIANCE GILT FUND****MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS****Interest Income**

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

2.2.6 Expenses

The Management, Trustee fees and Custodian Fees of the Fund as per the Trust Deed are as follows.

Management fee	-	0.50% of Net Asset Value of the Fund
Trustee fee	-	0.20% p.a. of net asset value of the Fund from 01.04.2023 to 05.06.2023 and, 0.13% p.a. of net asset value of the Fund from 06.06.2023 to 31.03.2024
Custody fee	-	Flat fee of Rs. 20,000/- per month from 01.04.2023 to 05.06.2023 and, it is Nil from 06.06.2023 to 31.03.2024

2.2.7 Unitholders' Fund and net assets attributable to Unitholders

Unitholders' Fund has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities other than those due to Unitholders as at the reporting date.

Units can be issued and redeemed based on the Fund's net asset value per unit, calculated by dividing the net assets of the Fund as described in the Trust Deed and directives issued by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue. Income not distributed is included in net assets attributable to Unitholders.

3. FINANCIAL RISK MANAGEMENT

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Fund is exposed to credit risk, market risk and liquidity risk.

Financial instruments of the Fund comprise cash at bank.

The Management Company is responsible for identifying and controlling the risk that arises from these financial instruments. The Management Company agrees to policies for managing each of the risks identified below.

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

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



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

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

a) Credit risk

Credit risk is the risk that the counterparty to the financial statements will fail to discharge an obligation and cause the Fund to incur a financial loss.

The Fund is subject to credit risk on its bank balance and receivables. The credit risk exposure on these instruments is not deemed to be significant.

b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet its obligation to pay unitholders.

Due to the nature of a unit trust, it is unlikely that a significant number of unitholders would exit at the same time. However, to control liquidity risk, the Fund invests in financial instruments which are readily convertible into cash under normal market conditions. In addition, the Fund invests within established limits to ensure that there is no concentration of risk. The Manager ensures that a minimum liquidity level of 3% of the total NAV of the Fund is available in cash or near cash form at any given time as required by the Unit Trust Code, reducing the liquidity risk to its investors.

In addition, the Security and Exchange Commission and the Fund require additional number of business days' notice to the Fund from large investors redeeming over 3% of the Fund and the Fund is also permitted to borrow up to 15% of the deposited property for redemption payouts. No such borrowings have arisen during the period.

The Fund's investments are managed on a short-term basis and by investing in Government securities. Further, liquidity is managed by the Fund Management Company through bank facilities and investment in highly liquid short-term instruments.

The table below analyses the Fund's non-derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows.

31st March 2024	Less than 1 month Rs.	1-6 months Rs.	6-12 months Rs.	1-2 years Rs.	Total Rs.
Financial assets	776,266	2,000,000	-	-	2,776,266
Financial liabilities	(15,434)	-	-	-	(15,434)
31st March 2023	Less than 1 month Rs.	1-6 months Rs.	6-12 months Rs.	1-2 years Rs.	Total Rs.
Financial assets	152,324	2,281,229	-	-	2,433,533
Financial liabilities	(9,204)	-	-	-	(9,204)

MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

c) Capital risk management

The Fund considers its net assets attributable to Unitholders as capital, notwithstanding net assets attributable to Unitholders are classified as a liability. The amount of net assets attributable to Unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of Unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Management Company. Under the terms of the Unit Trust Code, the Management Company has the discretion to reject an application for units and to defer redemption of units if the exercise of such discretion is in the best interests of unitholders.

The following is the disclosures of the Unitholders' Fund.

The movement in the Unitholders' Fund as at 31st March 2024

I. In terms of Value

	Rs.
Unitholders' Fund as at 01 st April 2023	2,313,333
Creations during the year	2,712,075
Redemptions during the year	(2,705,554)
Total comprehensive income for the Year	416,445
Unitholders' Fund as at 31 st March 2024	2,736,299

II. In terms of number of Units

	No. of Units
Opening number of units as at 01 st April 2023	219,127
Unit creations during the year	244,797
Unit redemptions during the year	(241,366)
Closing number of units as at 31 st March 2024	222,558

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.



	2023/2024 Rs.	2022/2023 Rs.
4. INTEREST INCOME		
Interest on treasury bill repurchase agreements	79,390	18,843
Interest on treasury bills	351,400	323,984
	<u>430,790</u>	<u>342,827</u>

5. INCOME TAX EXPENSE

Following the enactment of the new Inland Revenue Act No. 24 of 2017 effective from 1st April 2018, the Fund is deemed as conducting an eligible investment business and is treated as a tax pass through vehicle. Hence, no provision for income tax was made in the Financial Statements for the year ended 31st March 2024.

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
6. CASH AND CASH EQUIVALENTS		
Cash at bank	156,659	152,324
	<u>156,659</u>	<u>152,324</u>

7. INCOME TAX RECEIVABLE

Income tax receivable	5,300,626	5,300,626
Provision for doubtful income tax receivable	(5,300,626)	(5,300,626)
	<u>-</u>	<u>-</u>

8. FINANCIAL ASSETS AT AMORTISED COST

Investment in treasury bill reverse repurchase agreements	8.1	615,720	271,465
		<u>615,720</u>	<u>271,465</u>

	As at 31.03.2024		As at 31.03.2023	
	Carrying value Rs.	Holding as a % of net asset value	Carrying value Rs.	Holding as a % of net asset value
8.1 Treasury bills reverse repurchase agreements				
Capital Alliance PLC	615,720	23%	271,465	12%
	<u>615,720</u>	<u>23%</u>	<u>271,465</u>	<u>12%</u>



		As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
9. FINANCIAL ASSETS AT FVTPL			
Investment in treasury bills		1,976,850	1,898,748
Unrealised gains on financial assets at FVTPL		2,494	-
	9.1	<u>1,979,344</u>	<u>1,898,748</u>

9.1 Treasury bills

Balance at the beginning of the year		1,898,748	-
Purchases during the year		7,826,703	5,574,654
Sales/ matured during the year		(7,778,647)	(3,702,214)
Accrued interest during the year		30,046	26,308
Unrealised gain on financial assets at fair value through profit or loss		2,494	-
Market value as at 31st March	9.2	<u>1,979,344</u>	<u>1,898,748</u>

As at 31.03.2024		As at 31.03.2023	
Carrying value Rs.	Holding as a % of net asset value	Carrying value Rs.	Holding as a % of net asset value

9.2 Treasury bills

Capital Alliance PLC	1,979,344	72%	1,898,748	82%
	<u>1,979,344</u>	<u>72%</u>	<u>1,898,748</u>	<u>82%</u>

10. OTHER RECEIVABLES

Money market interest receivable	10	-
	<u>10</u>	<u>-</u>

11. ACCRUED EXPENSES

Fund management fee payable	12,002	6,304
Trustee fee payable	3,432	2,900
	<u>15,434</u>	<u>9,204</u>

12. CONTINGENCIES

There are no material contingencies existing as at the reporting date that require adjustments to, or disclosures in the financial statements.

13. EVENTS AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that requires adjustments to, or disclosure on the financial statements.



14. COMPARATIVE INFORMATION

Comparative information has been re-classified where necessary to conform to the current year's presentation/classification.

14.1 Significant reclassifications

14.1.1 Statement of financial position

	As disclosed in 2022/23 Rs.	Reclassified amount 2022/23 Rs.	Reclassification adjustment (Rs.)
Investment in treasury bills			
Financial assets at amortised cost	2,170,213	271,465	1,898,748
Financial assets at FVTPL	-	1,898,748	(1,898,748)

The Investment in Treasury Bills of Rs.1,898,748 which was initially recognised as "Financial assets at amortised cost" in the Statement of Financial Position has been re-classified and recognised as "Financial assets at FVTPL."

15. CAPITAL COMMITMENTS

The Fund does not have significant capital commitments as at the reporting date.

16. UNITS IN ISSUE AND UNIT PRICE

Units in issue and deemed to be in issue as at 31st March 2024 are 222,558.12 (2023 - 219,126.71) and Unit price as at this date is Rs.12.2948 (2023 - Rs.10.5571).

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Financial assets carried at fair value

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
As at 31st March 2024				
Financial assets at fair value through profit or loss	1,979,344	-	-	1,979,344
As at 31st March 2023				
Financial assets at fair value through profit or loss	1,898,748	-	-	1,898,748

Assets for which fair value approximates carrying value

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

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

Assets

Financial assets at amortised cost
Other receivables
Cash and cash equivalents

Liabilities

Accrued expenses





CAPITAL ALLIANCE GILT FUND
NOTES TO THE FINANCIAL STATEMENTS

18. RELATED PARTY DISCLOSURE

18.1 Management company and trustee

The Management Company is Capital Alliance Investments Limited.
The Trustee is Hatton National Bank PLC

18.2 Key management personnel

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

i) Directors

Mr. K. P. Mannakkara
Ms. H. M. S. Perera
Dr. M. De Zoysa (Appointed effective from 01st December 2023)
Mr. W. A. T. Fernando (Resigned effective from 30th November 2023)
Mr. K. S. C. P. K. Gunasinghe (Resigned effective from 19th February 2024)

ii) Other key management personnel (KMPs)

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

18.3 Key management personnel compensation

Key management personnel are paid by Capital Alliance Investments Limited. Payments made from the Fund to Capital Alliance Investments Limited do not include any amounts directly attributable to the compensation of key management personnel.

18.4 Related party unit holding and other transactions

As at 31st March 2024

Name	Relationship	No.of units	Value Rs.
Capital Alliance Investments Limited	Management Company	183,058	2,250,659

As at 31 March 2023

Name	Relationship	No.of units	Value Rs.
Capital Alliance Investments Limited	Management Company	199,622	2,107,431

18.5 Other transactions with related parties

Apart from those details disclosed in note 18.6, key management personnel have not entered into any other transactions involving the Fund during the financial year.

18.6 Other transactions with and amounts due from related parties

a) The fees were charged by the Management Company and Trustee for services provided during the year and the balances outstanding from such dues as at year end are as disclosed below:

	Charge for the year		Balance as at	
	2023/2024 Rs.	2022/2023 Rs.	31.03.2024 Rs.	31.03.2023 Rs.
Fund management fee	14,707	6,286	12,004	6,304
Trustee fee	4,677	2,893	3,431	2,900

18. RELATED PARTY DISCLOSURE (CONTD....)

18.6 Other transactions with and amounts due from related parties

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
b) The Bank balance held at Hatton National Bank PLC/Deutsche Bank AG	156,659	152,324

c) In addition to the above, certain administrative expenses are borne by the Management Company.

19. RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Net asset value as per financial statements	2,736,299	2,313,333
Other adjustments	-	-
Published net asset value	<u>2,736,299</u>	<u>2,313,333</u>
Number of Units outstanding	222,558	219,127
Published net asset value per Unit	<u>12.2948</u>	<u>10.5571</u>

