

**CAPITAL ALLIANCE MEDIUM RISK
DEBT 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 MEDIUM RISK DEBT FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Capital Alliance Medium Risk Debt 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 unitholder'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 pages 05 to 15.

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 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.

BDO Partners, a Sri Lankan Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Partners : Sujeewa Rajapakse FCA, ACCA, FCMA, MBA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. H. Sasanka Rathnaweera FCA, ACMA. R. Vasanthakumar Bsc (Acc), ACA, F. Sarah Z. Afker FCA, ACMA (UK), CGMA, MCSI (UK). Dinusha C. Rajapakse FCA, LLB (Hons)(Colombo), CTA, Attorney at Law. Nirosha Vadivel Bsc (Acc), ACA, ACMA.



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 disclosure 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 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/kp

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

	Notes	2023/2024 Rs.	2022/2023 Rs.
Investment income			
Interest income income	4	419,545	342,953
Total investment income		419,545	342,953
Other income		3,421	2,505
Expenses			
Management fees		(13,635)	(6,353)
Trustee fees		(4,262)	(2,922)
Bank charges		(12,450)	(4,316)
Total operating expenses		(30,347)	(13,591)
Profit before tax		392,619	331,867
Income tax expense	5	-	-
Profit after tax for the year		392,619	331,867
Total comprehensive income for the year		392,619	331,867
Increase in net assets attributable to unitholders		392,619	331,867

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 15 form an integral part of these Financial Statements.

Colombo
29th July 2024



CAPITAL ALLIANCE MEDIUM RISK DEBT FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2024

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	Notes	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Assets			
Cash and cash equivalents	6	49,661	159,899
Financial assets at amortised cost	7	2,677,963	2,170,213
Income tax receivable	8	-	-
Other receivables	9	5	-
Total assets		2,727,629	2,330,112
Liabilities			
Accrued expenses	10	14,773	10,977
Total liabilities		14,773	10,977
Net assets		2,712,856	2,319,135
Unitholders' fund			
Net assets attributable to unitholders		2,712,856	2,319,135

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 15 form an integral part of these Financial Statements.

The Management Company is responsible for the preparation and presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards.

Signed for and on behalf of the Management Company by:



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



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

Signed for and on behalf of the Trustee by:



.....
Hatton National Bank PLC
Trustee

Colombo
29th July 2024
NV/kp




.....
Hatton National Bank PLC
Trustee



**CAPITAL ALLIANCE MEDIUM RISK DEBT FUND
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE YEAR ENDED 31ST MARCH 2024**

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	2023/2024	2022/2023
	Rs.	Rs.
Unitholders' fund at the beginning of the year	2,319,135	63,028
Increase in net assets attributable to unitholders	392,619	331,867
Creation of units	692,999	4,266,000
Redemption of units	(691,897)	(2,341,760)
Net increase due to unitholders' transactions	1,102	1,924,240
Unitholders' fund at the end of the year	<u>2,712,856</u>	<u>2,319,135</u>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 15 form an integral part of these Financial Statements.

Colombo
29th July 2024



CAPITAL ALLIANCE MEDIUM RISK DEBT 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	424,355	315,180
Management, Custodian and Trustee fees paid	(14,099)	-
Bank charges and other expenses paid	(12,450)	(4,316)
Other income received	3,414	2,505
(Investment in) Treasury bill reverse repurchase agreements	(2,385,000)	(270,000)
(Investment in)/Upliftment of Treasury bill	1,872,440	(1,872,440)
Net cash used in operating activities	(111,340)	(1,829,071)
Cash flows from financing activities		
Cash received on creation of units	692,999	4,266,000
Cash paid on redemption of units	(691,897)	(2,341,760)
Net cash generated from financing activities	1,102	1,924,240
Net (decrease)/increase in cash and cash equivalents	(110,238)	95,169
Cash and cash equivalents at the beginning of the year (Note A)	159,899	64,730
Cash and cash equivalents at the end of the year (Note B)	49,661	159,899
At the beginning of the year		Note A
Cash at bank	159,899	64,730
	159,899	64,730
At the end of the year		Note B
Cash at bank	49,661	159,899
	49,661	159,899

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 15 form an integral part of these Financial Statements.

Colombo
29th July 2024





CAPITAL ALLIANCE MEDIUM RISK DEBT FUND
MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General information

Capital Alliance Medium Risk Debt Fund ("the Fund") is an open-ended Fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 06th December 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 Level 05, "Millennium House", 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 low levels of risk through investments in only investment grade securities.

1.3 Date of authorisation for issue

The Financial Statements 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 indicated. The Financial Statements are presented in Sri Lankan rupees. The statement of financial position is 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' fund and statement of cash flows for the year then ended, and a summary of material accounting policy information 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 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.

2.4 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.

2.5 Functional and presentation currency

The Financial Statements have been presented in Sri Lankan Rupees, the Fund's functional and presentation currency, which is the primary economic environment in which the Fund operates.



CAPITAL ALLIANCE MEDIUM RISK DEBT FUND
MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

2.6 Summary of significant accounting policies

2.6.1 Financial instruments

2.6.1.1 Initial recognition

Financial assets and liabilities are initially recognised 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 market place.

2.6.1.2 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 fair value through profit and loss are expensed in the statement of profit or loss.

2.6.1.3 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

2.6.1.4 Subsequent measurement

Amortised cost

A debt instrument is measured at 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 treasury bill/bond repurchase agreements, fixed deposits, and debentures. Any gain or loss arising on derecognition is recognised directly in the statement of profit or loss and presented as realised gain/(loss) on debt Instruments held at amortised cost.

Fair value through profit and 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 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 when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising their gains and losses on different bases.

**CAPITAL ALLIANCE MEDIUM RISK DEBT FUND****MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS**

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. As of 31st March 2024, the Fund has no such investments.

2.6.1.5 Financial liabilities**a) Initial recognition and measurement**

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

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

b) Subsequent measurement

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

Other financial liabilities

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

2.6.1.6 Impairment

The Fund assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. 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 Fitch Rating Lanka 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.



CAPITAL ALLIANCE MEDIUM RISK DEBT FUND

MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

For debt instruments at amortised cost issued by the Sovereign, the Fund applies the low-risk simplification.

Investment in treasury bill repurchase agreements 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.

2.6.1.7 Derecognition

A financial asset is derecognised 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.

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

2.6.2 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.6.3 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 is not liable for Income Tax on any Income which is a pass through to its unitholders. Accordingly, after 31st March 2018, the Fund has considered all income as being a pass through to its unitholders.



CAPITAL ALLIANCE MEDIUM RISK DEBT FUND
MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

2.6.4 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.

(i) 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.

2.6.5 Expenses

The Management, Trustee, 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
Custodian fee	- Flat fee of Rs. 20,000/- per month from 01.04.2023 to 05.06.2023 and, it is waived off from 06.06.2023 to 31.03.2024

2.6.6 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 of Repurchase agreements against Treasury Bills/Bonds, Fixed Deposits, and Debentures.

The Management Company is responsible for identifying and controlling the risk that arises from these financial instruments. The Manager agrees 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.

MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

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.

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 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's policy is to enter into financial instruments with reputable counterparties with investment grade of BBB- or above.

Capital Alliance Medium Risk Debt Fund's investments are only in investment in treasury bill/bond repurchase agreements, fixed deposits and debentures.

Risk concentration of credit risk exposure

Concentration of credit risk is managed by counterparty and by market sector. The Fund is also subject to credit risk on its bank balance and receivables. The credit risk exposure on these instruments is not deemed to be significant.

b) Market risk

Market risk represents the risk that the value of the Fund's investment portfolios will fluctuate as a result of changes in market prices.

This risk is managed by ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies. As such, Unitholders can manage this risk through their choices of which investment portfolios to participate in.

The Fund uses a range of different fund arrangements for investment assets. Where a unitholder is invested in more than one investment portfolio, this reduces the impact of a particular manager underperforming. Within the underlying investment portfolio, diversification is achieved at a number of levels. The diversified portfolios are invested across a range of investment sectors. Within each sector of the diversified portfolios, the Fund managers invest in a variety of securities.





CAPITAL ALLIANCE MEDIUM RISK DEBT FUND
MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Fund's interest-bearing financial assets are exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates. The risk is measured using sensitivity analysis. However, due to the short-term nature of the instruments at fixed rate of interest, it is reasonably expected that the fluctuation in interest rate will not materially impact the net assets value of the Fund.

c) 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 Management Company 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 an 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 pay-outs. No such borrowings have arisen during the year.

The Fund's investments are managed on 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.

31 st March 2024	Less than 1 month Rs.	1-6 months Rs.	6-12 months Rs.	More than One Year Rs.	Total Rs.
Financial assets	2,732,817		-	-	2,732,817
Financial liabilities	(14,773)	-	-	-	(14,773)

31 st March 2023	Less than 1 month Rs.	1-6 months Rs.	6-12 months Rs.	More than One Year Rs.	Total Rs.
Financial assets	159,899	2,281,229	-	-	2,441,128
Financial liabilities	(10,977)	-	-	-	(10,977)

The contractual amounts disclosed in this analysis are gross undiscounted cashflows and therefore, may not agree with the carrying amounts in the statement of financial position.

d) Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding that 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 are the disclosures of Unitholders' Funds.

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	2,319,135
Creations during the year	692,999
Redemptions during the year	(691,897)
Total Comprehensive Income for the year	392,619
Unitholders' Fund as at 31 st March 2024	2,712,856

II. In terms of Number of units

	No. of Units
Opening number of units as at 01 st April 2023	125,847
Unit creations during the year	34,182
Unit redemptions during the year	(34,310)
Closing number of units as at 31 st March 2024	125,719

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 attached to it as all other units of the Fund.





CAPITAL ALLIANCE MEDIUM RISK DEBT FUND
NOTES TO THE FINANCIAL STATEMENTS

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	2023/2024	2022/2023
	Rs.	Rs.
4. INTEREST INCOME		
Interest on treasury bills repurchase agreements	98,196	18,859
Interest on treasury bills	321,349	324,094
	<u>419,545</u>	<u>342,953</u>

5. INCOME TAX EXPENSES

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	As at 31.03.2023
	Rs.	Rs.
6. CASH AND CASH EQUIVALENTS		
Cash at bank	49,661	159,899
	<u>49,661</u>	<u>159,899</u>

7. FINANCIAL ASSETS AT AMORTISED COST

Investment in treasury bill reverse repurchase agreements	7.1	2,677,963	271,465
Investment in treasury bill	7.2	-	1,898,748
		<u>2,677,963</u>	<u>2,170,213</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
7.1 Treasury bills reverse repurchase agreements				
Capital Alliance PLC	2,677,963	99%	271,465	12%
	<u>2,677,963</u>	<u>99%</u>	<u>271,465</u>	<u>12%</u>
7.2 Treasury bills				
Capital Alliance PLC	-	0%	1,898,748	82%
	<u>-</u>	<u>0%</u>	<u>1,898,748</u>	<u>82%</u>

8. INCOME TAX RECEIVABLE

Income tax receivable	270,280	270,280
Provision for doubtful income tax receivable	(270,280)	(270,280)
	<u>-</u>	<u>-</u>

9. OTHER RECEIVABLES

Money market interest receivable	5	-
	<u>5</u>	<u>-</u>

10. ACCRUED EXPENSES

Custodian fee payable	-	1,702
Management fee	11,495	6,353
Trustee fees	3,278	2,922
	<u>14,773</u>	<u>10,977</u>



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11. FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

The fair value of fixed rate financial assets and liabilities (other than assets and liabilities with maturities within 12 months) carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

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
	Cash and cash equivalents
	Other receivables
Liabilities	- Accrued expenses

12. CONTINGENCIES

There are no material contingencies existing as at the reporting date that require adjustments or disclosures in the Financial Statements.

13. EVENTS AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments or disclosure in the Financial Statements.

14. CAPITAL COMMITMENTS

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

15. UNITS IN ISSUE AND UNIT PRICE

Units in issue and deemed to be in issue as at 31st March 2024 are 125,718.92 (2023 - 125,846.96). Unit price as at this date is Rs. 21.5787/- (2023 - Rs.18.4282/-).

16. RELATED PARTY DISCLOSURE

16.1 Management Company and Trustee

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

16.2 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 w.e.f. 01st December 2023)
Mr. W. A. T. Fernando (Resigned w.e.f. 30th November 2023)
Mr. K. S. C. P. K. Gunasinghe (Resigned w.e.f 19th February 2024)

ii) Other key management personnel

The other persons are those with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

16.3 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.



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16. RELATED PARTY DISCLOSURE (CONTD....)

16.4 Related party unit holding and other transactions

The following are the related party unitholdings of Capital Alliance Medium Risk Debt Fund.

As at 31st March 2024

Name	Relationship	No. of units	Value Rs.
Capital Alliance Investments Limited	Management Company	92,945	2,005,636

As at 31st March 2023

Name	Relationship	No. of units	Value Rs.
Capital Alliance Investments Limited	Management Company	106,826	1,968,617

16.5 Other transactions within the Fund

Apart from those details disclosed in Note 16.6 and 16.7 key management personnel have not entered into any other transactions involving the Fund during the financial year.

16.6 Other transactions with and amounts due to related parties

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	
	2023/2024 Rs.	2022/2023 Rs.	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Fund management fee	13,635	6,353	11,495	6,353
Trustee fees	4,262	2,922	3,278	2,922
Custodian fees	-	-	-	1,702
The bank balance held at Hatton National Bank PLC/Deutsche Bank AG as at 31st March			49,661	159,899

16.7 Other transactions with related parties

Investments in treasury bill and repurchase agreements have been made in the ordinary course of operations with the following related parties. The resulting investment income and outstanding investment balances are given below.

	Investment income during the year		Balance	
	2023/2024 Rs.	2022/2023 Rs.	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Treasury bill reverse repurchase agreement on Government securities with Capital Alliance PLC (Subsidiary of ultimate parent company of the management company)	98,196	18,859	2,655,000	271,465
Investments in Treasury bills with Capital Alliance PLC (Subsidiary of ultimate parent company of the management company)	321,349	324,094	-	1,898,748

17. 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	2,712,856	2,319,135
Published net asset value	2,712,856	2,319,135
Number of units outstanding	125,718.92	125,846.96
Published net asset value per unit	21.5787	18.4282