

**CAPITAL ALLIANCE INCOME FUND
COLOMBO - 02**

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31ST MARCH 2025**



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

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Capital Alliance Income Fund ("the Fund"), which comprise the statement of financial position as at 31st March 2025, and the statement of profit or loss and other comprehensive income, the statement of movement in unitholders' 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 23.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Fund as at 31st March 2025, 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

Capital Alliance Investments Limited ("the Management") and the Trustee of the Fund ("the Trustee") are 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.

Partners : Sujeewa Rajapakse FCA, ACCA, FCMA, MBA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. H. Sasanka Rathnaweera FCA, ACMA.
F. Sarah Z. Afker FCA, FCMA (UK), CGMA, MCSI (UK). Dinusha C. Rajapakse FCA, LLB (Hons)(Colombo), CTA, Attorney at Law.
Nirosha Vadivel Bsc (Acc.), FCA, ACMA. R. D. Chamika N. Wijesinghe FCA, BBA (Acc.) Sp. H. M. R. Thilina Ranaweera FCA, BBMgt (Acc.) Sp.

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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

14th August 2025

NV/cc

CAPITAL ALLIANCE INCOME FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2025

Page 1

| | | 2024/2025 | 2023/2024 |
|---|-------|---------------------|---------------------|
| | Notes | Rs. | Rs. |
| Investment income | | | |
| Interest income | 4 | 214,659,592 | 313,476,015 |
| Change in unrealised gain on financial asset at fair value through profit or loss | 7 | - | 4,849,750 |
| Realised gain on financial asset at fair value through profit or loss | | - | 35,019,750 |
| Total investment income | | 214,659,592 | 353,345,515 |
| Other income | | 743,031 | 1,549,181 |
| Expenses | | | |
| Management fees | | (7,960,150) | (7,930,074) |
| Trustee fees | | (2,069,639) | (2,470,102) |
| Custodian fees | | (289,864) | (272,892) |
| Bank charges | | (323,835) | (277,054) |
| Audit fees | | (33,425) | (441,468) |
| Other expenses | | (44,969) | (16,456) |
| Impairment of financial assets at amortised cost and other receivables | | (32,286,797) | (15,538,435) |
| Total operating expenses | | (43,008,679) | (26,946,481) |
| Profit before tax | | 172,393,944 | 327,948,215 |
| Income tax expense | 5 | - | - |
| Net profit after tax for the year | | 172,393,944 | 327,948,215 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 172,393,944 | 327,948,215 |
| Increase in net assets attributable to unitholders | | 172,393,944 | 327,948,215 |

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 23 form an integral part of these Financial Statements.

Colombo
14th August 2025



CAPITAL ALLIANCE INCOME FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2025

Page 2

| | Notes | As at 31.03.2025 Rs. | As at 31.03.2024 Rs. |
|--|-------|----------------------------|----------------------------|
| Assets | | | |
| Cash and cash equivalent | 6 | 4,188,996 | 8,402,092 |
| Financial assets fair value through profit or loss | 7 | - | - |
| Financial assets at amortised cost | 8 | 1,091,629,126 | 719,780,455 |
| Other receivables | 9 | 814,900 | 15,478,205 |
| Income tax receivable | 10 | - | - |
| Total assets | | <u>1,096,633,022</u> | <u>743,660,752</u> |
| Liabilities | | | |
| Accrued expenses | 11 | <u>1,775,162</u> | <u>1,094,337</u> |
| Total liabilities | | <u>1,775,162</u> | <u>1,094,337</u> |
| Net assets | | <u>1,094,857,860</u> | <u>742,566,415</u> |
| Unitholders' fund | | | |
| Net assets attributable to unitholders | | <u>1,094,857,860</u> | <u>742,566,415</u> |

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 23 form an integral part of these Financial Statements.

The Board of Directors of the Management Company and the Trustee are responsible for preparations and presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards.

The Financial Statements were approved by the Management Company and the Trustee on 14th August 2025.


Signed for and on behalf of the Management Company by:


.....
Director
Dr. M. De Zoysa
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


.....
Hatton National Bank PLC
Trustee

Colombo
14th August 2025



CAPITAL ALLIANCE INCOME FUND
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE YEAR ENDED 31ST MARCH 2025

| | 2024/2025 Rs. | 2023/2024 Rs. |
|---|----------------------|--------------------|
| Unitholders' fund at the beginning of the year | 742,566,415 | 2,563,557,174 |
| Increase in net assets attributable to unitholders | 172,393,944 | 327,948,215 |
| Creation of units | 2,578,574,933 | 2,048,888,214 |
| Redemption of units | (2,398,677,432) | (4,197,827,188) |
| Net increase/ (decrease) due to unitholders' transactions | 179,897,501 | (2,148,938,974) |
| Unitholders' fund at the end of the year | 1,094,857,860 | 742,566,415 |

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 23 form an integral part of these Financial Statements.

Colombo
14th August 2025



CAPITAL ALLIANCE INCOME FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2025

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| | 2024/2025 Rs. | 2023/2024 Rs. |
|---|----------------------|------------------------|
| Cash flows from operating activities | | |
| Interest received | 208,040,109 | 414,938,328 |
| Other income received | 743,031 | 1,549,181 |
| Management fees, Trustee fees and Custodian fees paid | (10,097,175) | (11,538,714) |
| Net increase other receivables | (34,134,380) | (13,607,447) |
| Other expenses reversals/ (paid) | 56,118 | (242,908) |
| Net (investment in)/ uplift of treasury bills/bonds repurchase agreements | (267,974,000) | 28,140,000 |
| Net investment in fixed deposits | (201,370,993) | - |
| Net uplift of commercial papers | 67,210,487 | 1,058,412,734 |
| Net uplift/(investment in) of trust certificates | 53,416,206 | (352,467,461) |
| Net uplift of treasury bonds | - | 984,176,500 |
| Realised gain on financial assets at fair value through profit or loss | - | 35,019,750 |
| Net cash generated (used in)/ from operating activities | (184,110,597) | 2,144,379,963 |
| Cash flows from financing activities | | |
| Cash received on creation of units | 2,578,574,933 | 2,048,888,214 |
| Cash paid on redemption of units | (2,398,677,432) | (4,197,827,188) |
| Net cash generated from/ (used in) financing activities | 179,897,501 | (2,148,938,974) |
| Net decrease in cash and cash equivalents | (4,213,096) | (4,559,011) |
| Cash and cash equivalents at the beginning of the year (Note A) | 8,402,092 | 12,961,103 |
| Cash and cash equivalents at the end of the year (Note B) | 4,188,996 | 8,402,092 |
| At the beginning of the year | | Note A |
| Cash and cash equivalents | 8,402,092 | 12,961,103 |
| | <u>8,402,092</u> | <u>12,961,103</u> |
| At the end of the year | | Note B |
| Cash and cash equivalents | 4,188,996 | 8,402,092 |
| | <u>4,188,996</u> | <u>8,402,092</u> |

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 23 form an integral part of these Financial Statements.

Colombo
14th August 2025



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION**1.1 General information**

Capital Alliance Income Fund is an open-ended Unit Trust Fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 10th March 2014.

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 5, "Millenium House", 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 the income and mitigate the levels of risks over medium to long-term.

1.3 Date of authorisation for issue

The Financial Statement of the Fund for the year ended 31st March 2025 were authorised for issue by the Management Company and the Trustee on 14th August 2025.

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 and the Financial Statements are 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 2025, 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 (CIS Code 2022) of the Securities and Exchange Commission of Sri Lanka.

2.3 Basis of measurement

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

2.4 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.

2.5 Materiality 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.



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

2.6 Going Concern

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

2.7 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

2.8 Changes in Accounting Standards

No significant impact resulted on the financial statements of the Fund due to changes in Accounting Standards and disclosures during the year and Standards Issued but not yet effective.



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

2.9 Summary of material accounting policy information**2.9.1 Financial instruments****2.9.1.1 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 regulations or convention in the marketplace.

2.9.1.2 Initial measurement of financial instrument

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

2.9.1.3 Measurement categories of financial assets and liabilities

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

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

2.9.1.4 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 repurchase agreements, fixed deposits, commercial papers, and trust certificates. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in realised gain/(loss) on debt instruments held at amortised cost.

Fair value through profit or loss:

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

- (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 the contractual cash flows and sell,
or



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

- (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 the 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. As of 31st March 2025, the Fund has no such investments.

2.9.1.5 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:

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.

2.9.1.6 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, are 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 lifetime ECL calculation.



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

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 the Sovereign, the Fund applies the low-risk simplification.

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.

2.9.1.7 Derecognition

A financial asset is 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 the control of the asset.

2.9.1.8 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.

2.9.2 Cash and cash equivalents

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

2.9.3 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 from 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 its unitholders.

2.9.4 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.



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

Interest Income

For all the 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.

2.9.5 Expenses

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

| | |
|----------------|--|
| Management fee | - 0.5% p.a of Net Asset Value of the Fund. |
| Trustee fee | - 0.13% p.a. of Net Asset Value (NAV) of the Fund. |
| Custody fee | - Flat fee of Rs.20,000 per month. |

2.9.6 Unitholders' funds and net assets attributable to unitholders

Unitholders' Funds 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, liquidity risk and economic risk.

Financial instruments of the Fund comprise repurchase agreements against Treasury Bills/Bonds, fixed deposits, commercial papers and trust certificates.

The Management Company is responsible for identifying and controlling the risk that arise 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 the 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 Management Company, 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 contractual obligations to be similarly affected by changes in economics, political or other conditions.

3.1 Credit risk

Credit risk is the risk that the counterparty to the financial instruments will fail to discharge an obligation and cause the Fund to incur a financial loss of interest and/or principal. The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in debt securities, cash and cash equivalents and other receivables.

Capital Alliance Income Fund's investments are fixed deposit, commercial paper, Trust certificate, Government securities and repurchase agreement against the Government security.

3.1.1 Debt securities

The credit risk exposure on these instruments is not deemed to be significant. It is the Fund's policy to enter into financial instruments with reputable counterparties with high credit quality.

The Fund invests in debt securities which are low risk investments. An analysis of debt securities by rating is set out in the table below.

| | 31 st March 2025 | 31 st March 2024 |
|--------------------|-----------------------------|-----------------------------|
| | Rs. | Rs. |
| Risk rating | | |
| Low risk | 568,464,978 | 87,698,011 |
| Medium risk | 226,569,743 | 293,699,701 |
| High risk | 305,848,094 | 364,147,320 |
| Total | 1,100,882,815 | 745,545,032 |

The credit ratings of the counterparties with which the Fund places investments are as set out below:

| Counterparty | Credit Rating | Rating Agency |
|---------------------------------------|---------------|---------------------|
| LOLC Finance PLC | A | Lanka rating agency |
| Asiri Hospital Holdings PLC | BBB- | Lanka rating agency |
| First Capital Holdings PLC | A | Lanka rating agency |
| Mercantile Investment and Finance PLC | BBB- | Fitch Rating |
| Richard Pieris Finance Limited | A | Fitch Rating |
| Commercial Credit & Finance PLC | BBB | Lanka rating agency |
| Vallibel Finance PLC | BBB+ | Lanka rating agency |



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

3.1.2 Cash and cash equivalents

All counterparties have a following rating as determined by the Fitch rating agency. However, in accordance with the Fund's policy, the investment manager monitors the Fund's credit position on a daily basis, to maintain credit risk at a minimum level.

| | | |
|----------------------------------|---|-----|
| Hatton National Bank PLC | - | AA- |
| People's Leasing and Finance PLC | - | A |
| Sanasa Development Bank PLC | - | BB+ |

3.1.3 Credit risk by class of financial assets

| | 12 Month expected credit losses | Life time expected credit losses not credit impaired | Life time expected credit losses credit impaired | Total |
|---------------------------------------|---------------------------------------|---|---|---------------|
| As at 31 st March 2025 | Rs. | Rs. | Rs. | Rs. |
| Financial assets | | | | |
| Financial assets at amortised cost | 1,100,882,815 | - | - | 1,100,882,815 |
| Other receivables | 814,900 | - | 48,797,685 | 49,612,585 |
| Cash and cash equivalents | 4,188,996 | - | - | 4,188,996 |
| | 1,105,886,711 | - | 48,797,685 | 1,154,684,396 |

| | 12 Month expected credit losses | Life time expected credit losses not credit impaired | Life time expected credit losses credit impaired | Total |
|---------------------------------------|---------------------------------------|---|---|-------------|
| As at 31 st March 2024 | Rs. | Rs. | Rs. | Rs. |
| Financial assets | | | | |
| Financial assets at amortised cost | 745,545,032 | - | - | 745,545,032 |
| Other receivables | 15,478,205 | - | - | 15,478,205 |
| Cash and cash equivalents | 8,402,092 | - | - | 8,402,092 |
| | 769,425,329 | - | - | 769,425,329 |

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



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

3.2 Market risk

Market risk represents the risk that the value of the Fund's investments 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 investments 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 has 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.

3.2.1 Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk. The Fund's interest bearing financial assets are exposed to risks associated with the effect of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using the sensitivity analysis.

The Fund's policy is to hold all its net assets attributable to unit holders invested in debt securities. The table below summarises the Fund's exposure to interest rate risks. It includes the Fund's assets and liabilities at fair values, categorised by the earlier contractual re-pricing on maturity dates.

| | Floating interest Rs. | Fixed interest Rs. | Non-interest Rs. | Total Rs. |
|---|-----------------------------|--------------------------|---------------------|----------------------|
| As at 31st March 2025 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | Nil | 93,557 | 4,095,439 | 4,188,996 |
| Financial assets at amortised cost | 179,210,682 | 921,672,133 | Nil | 1,100,882,815 |
| Other receivables | Nil | Nil | 814,900 | 814,900 |
| Total exposure | 179,210,682 | 921,765,690 | 4,910,339 | 1,105,886,711 |

| | Floating interest Rs. | Fixed interest Rs. | Non-interest Rs. | Total Rs. |
|---|-----------------------------|--------------------------|---------------------|--------------------|
| As at 31st March 2024 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | Nil | 89,631 | 8,312,461 | 8,402,092 |
| Financial assets at amortised cost | 238,379,372 | 507,165,660 | Nil | 745,545,032 |
| Other receivables | Nil | Nil | 15,478,205 | 15,478,205 |
| Total exposure | 238,379,372 | 507,255,291 | 23,790,666 | 769,425,329 |



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

3.3 Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unit holders' interest rate risk and other price risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical level of changes in interest rates, historical correlation of the Fund's investment with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in performances and correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

| | 31.03.2025 | | 31.03.2024 | |
|--|---|--|---|--|
| | Increases/ (decreases) on profit before tax Rs. | Increases/ (decreases) on amounts attributable to Unitholders Rs. | Increases/ (decreases) on profit before tax Rs. | Increases/ (decreases) on amounts attributable to Unitholders Rs. |
| Change in interest rate of the Fund's investment in trading securities existing as of reporting date: | | | | |
| +1% | 10,916,291 | 10,916,291 | 7,197,805 | 7,197,805 |
| -1% | (10,916,291) | (10,916,291) | (7,197,805) | (7,197,805) |

3.4 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 the 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 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.



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

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.

| | Less than 1 month Rs. | 1-6 months Rs. | 6-12 months Rs. | More than One Year Rs. | Total Rs. |
|-------------------------------------|-----------------------------|-------------------|--------------------|------------------------------|---------------|
| 31st March 2025 | | | | | |
| <u>Financial Assets</u> | | | | | |
| Financial assets at amortised cost | 432,198,751 | 221,190,296 | 145,252,738 | 270,696,170 | 1,069,337,955 |
| Other receivables | 814, 900 | - | - | - | 814, 900 |
| Cash and cash equivalents | 4,188,996 | - | - | - | 4,188,996 |
| | 437,202,647 | 221,190,296 | 145,252,738 | 270,696,170 | 1,074,341,851 |
| <u>Financial Liabilities</u> | | | | | |
| Management fee | 563,216 | - | - | - | 563,216 |
| Trustee fee | 146,436 | - | - | - | 146,436 |
| Custodian fee | 24,669 | - | - | - | 24,669 |
| Audit fee | 473,981 | - | - | - | 473,981 |
| Other fees | 45,816 | - | - | - | 45,816 |
| Payable on units creations | 521,044 | - | - | - | 521,044 |
| | 1,775,162 | - | - | - | 1,775,162 |
| 31st March 2024 | | | | | |
| <u>Financial Assets</u> | | | | | |
| Financial assets at amortised cost | 161,071,248 | 346,094,411 | 51,701,450 | 186,677,922 | 745,545,031 |
| Other receivables | 15,478,205 | - | - | - | 15,478,205 |
| Cash and cash equivalents | 8,402,092 | - | - | - | 8,402,092 |
| | 184,951,545 | 346,094,411 | 51,701,450 | 186,677,922 | 769,425,328 |
| <u>Financial Liabilities</u> | | | | | |
| Management fee | 386,699 | - | - | - | 386,699 |
| Trustee fee | 100,542 | - | - | - | 100,542 |
| Custodian fee | 24,602 | - | - | - | 24,602 |
| Audit fee | 440,556 | - | - | - | 440,556 |
| Other fees | 25,894 | - | - | - | 25,894 |
| Payable on units creations | 116,044 | - | - | - | 116,044 |
| | 1,094,337 | - | - | - | 1,094,337 |

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



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

3.5 Economic risk

The decelerated trend was witnessed in year on year Inflation measured by the CCPI (2021=100) which recorded at 0.70 % in March 2025 from 3.40% in April 2024.

Interest rates displayed a declining trend during the period. The benchmark 12month Treasury bill rate which was at 10.28% p.a. in April 2024 recorded a drop to 8.25% p.a. by the end of March 2025. Yields on long term Treasury bonds also followed a decreasing trend. Central Bank key policy rates were gradually reduced two times during the financial year 2024/25. As of end March 2025, the SDFR, SLFR and SRR were at 7.50%, 8.50% and 2% respectively.

The exchange rate which was at 300.4081 (Rs/US\$) at the beginning of April 2024, depreciated by 1.11% against USD during the year and was recorded at 296.3472 (Rs/USD) as at 31st March 2025.

The United States has introduced new reciprocal tariffs under President Donald Trump, significantly impacting global trade. Sri Lanka is among the top 10 countries affected, with tariffs reaching up to 44%. Due to tariff announcement, the equity market took a nosedive, dropping 4.5% - its biggest one-day drop in 2 years, which was at the peak of the economic crisis. Government securities also lost ground, as yields rose between 20-50 bps across the curve (from the tariff announcement to the pause) which saw the Treasury utilise its cash buffers at auctions to limit volatility in interest rates while reducing borrowing needs from the market as recommended by the IMF. Then, when the 90-day pause was announced, equity markets did a 180, bouncing back 4.7% in a single day, with bond yields falling 20-40 bps to date since the pause.

The Fund's management continuously monitors these macroeconomic factors and employs diversification and portfolio adjustments to mitigate potential adverse impacts.

3.6 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.



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

The disclosures of unitholders' fund are as follows.

The movement in the Unitholders' Fund as at 31st March 2025

I. In terms of Value

| | Rs. |
|--|----------------------|
| Unitholders' funds as at 01 st April 2024 | 742,566,415 |
| Creations during the year | 2,578,574,933 |
| Redemptions during the year | (2,398,677,432) |
| Increase in net assets attributable to unitholders | 172,393,944 |
| Unitholders' funds as at 31 st March 2025 | <u>1,094,857,860</u> |

II. In terms of number of units

| | |
|---|----------------------|
| Opening number of units as at 01 st April 2024 | 23,094,274.77 |
| Unit creations during the year | 74,488,488.88 |
| Unit redemptions during the year | (68,180,137.89) |
| Closing number of units as at 31 st March 2025 | <u>29,402,625.76</u> |

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.



4. INTEREST INCOME

| | 2024/2025 Rs. | 2023/2024 Rs. |
|---|--------------------|--------------------|
| Treasury bills/bonds re-purchase agreements | 49,214,944 | 23,569,583 |
| Trust certificates | 122,931,093 | 110,832,973 |
| Commercial papers | 29,852,530 | 127,432,759 |
| Fixed deposits | 12,661,025 | - |
| Treasury bonds | - | 51,640,700 |
| | <u>214,659,592</u> | <u>313,476,015</u> |

5. INCOME TAX EXPENSE

From 01st April 2018, no income tax has not been recognised in the Financial Statements as the Fund has considered all income as being passed through to its unitholders.

6. CASH AND CASH EQUIVALENTS

| | As at 31.03.2025 Rs. | As at 31.03.2024 Rs. |
|--|----------------------------|----------------------------|
| Hatton National Bank PLC - Current account | 4,095,439 | 8,312,461 |
| People's Leasing and Finance PLC - Savings account | 65,061 | 61,964 |
| Sanasa Development Bank PLC - Savings account | 28,496 | 27,667 |
| | <u>4,188,996</u> | <u>8,402,092</u> |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | | |
|--|----------|-----------------|
| Balance as at the beginning of the year | - | 1,024,918,500 |
| Purchases during the year | - | 278,707,700 |
| Sales during the year | - | (1,350,136,400) |
| Accrued interest during the year | - | 6,640,700 |
| Change in unrealised gain on financial assets at fair value through profit or loss | - | 4,849,750 |
| Realised gain on sales of financial assets at fair value through profit or loss | - | 35,019,750 |
| | <u>-</u> | <u>-</u> |



8. FINANCIAL ASSETS AT AMORTISED COST

| | | As at 31.03.2025 | | As at 31.03.2024 | |
|--------------------------------------|-------|----------------------|----------------------|--------------------|--------------------|
| | | Carrying value | Fair value | Carrying value | Fair value |
| | | Rs. | Rs. | Rs. | Rs. |
| Treasury bills repurchase agreements | 8.1 | 355,867,720 | 355,867,720 | 87,698,011 | 87,698,011 |
| Fixed deposits | 8.2 | 212,597,258 | 212,597,258 | - | - |
| Commercial papers | 8.3 | 226,569,743 | 226,569,743 | 293,699,701 | 293,699,701 |
| Trust certificates | 8.4 | 305,848,094 | 305,848,094 | 364,147,320 | 364,147,320 |
| Less: Impairment | 8.5.1 | (9,253,689) | (9,253,689) | (25,764,577) | (25,764,577) |
| | | <u>1,091,629,126</u> | <u>1,091,629,126</u> | <u>719,780,455</u> | <u>719,780,455</u> |

| | | As at 31.03.2025 | | As at 31.03.2024 | |
|--|--|----------------------|-----------------------|--------------------|-----------------------|
| | | Carrying value | Holding as a % of net | Carrying value | Holding as a % of net |
| | | Rs. | asset value | Rs. | asset value |
| 8.1 Treasury bills repurchase agreements | | | | | |
| HNB Securities Ltd | | 355,867,720 | 33% | - | - |
| Acuity Securities Limited | | - | - | 87,698,011 | 12% |
| | | <u>355,867,720</u> | <u>33%</u> | <u>87,698,011</u> | <u>12%</u> |
| 8.2 Fixed deposits | | | | | |
| LOLC Finance PLC | | 108,959,932 | 10% | - | - |
| Commercial Credit & Finance PLC | | 103,637,326 | 9% | - | - |
| | | <u>212,597,258</u> | <u>19%</u> | <u>-</u> | <u>-</u> |
| 8.3 Commercial papers | | | | | |
| Asiri Hospital Holdings PLC | | 78,006,811 | 7% | 73,373,237 | 10% |
| First Capital Holdings PLC | | 148,562,932 | 14% | - | - |
| Softlogic Holdings PLC | | - | - | 74,851,238 | 10% |
| Softlogic Capital PLC | | - | - | 93,773,776 | 13% |
| Janashakthi PLC | | - | - | 51,701,450 | 7% |
| | | <u>226,569,743</u> | <u>21%</u> | <u>293,699,701</u> | <u>40%</u> |
| 8.4 Trust certificates | | | | | |
| Mercantile Investment and Finance PLC | | 102,696,446 | 9% | - | - |
| Richard Pieris Finance Limited | | 101,947,777 | 9% | - | - |
| Vallibel Finance PLC | | 101,203,871 | 9% | 101,407,562 | 14% |
| HNB Finance PLC | | - | - | 85,270,361 | 11% |
| Fixed Income Investments III (Private) Limited | | - | - | 87,754,191 | 12% |
| Fixed Income Investments V (Private) Limited | | - | - | 89,715,206 | 12% |
| | | <u>305,848,094</u> | <u>27%</u> | <u>364,147,320</u> | <u>49%</u> |
| | | <u>1,100,882,815</u> | <u>100%</u> | <u>745,545,032</u> | <u>100%</u> |



| | | As at 31.03.2025 Rs. | As at 31.03.2024 Rs. |
|-------|---|----------------------------|----------------------------|
| 8. | FINANCIAL ASSETS - AT AMORTISED COST (CONTD...) | | |
| 8.5 | Movement of impairment during the year | | |
| | Opening balance at the beginning of the year | 25,764,577 | 10,226,142 |
| | (Reversal)/ charge to the income statement | (16,510,888) | 15,538,435 |
| | Closing balance at the end of the year | <u>9,253,689</u> | <u>25,764,577</u> |
| 8.5.1 | The breakdown of the provision for impairment is provided below. | | |
| | Financial assets at amortised cost | 9,253,689 | 25,764,577 |
| | Other receivables | 48,797,685 | - |
| | | <u>58,051,374</u> | <u>25,764,577</u> |
| 9. | OTHER RECEIVABLES | | |
| | Miscellaneous receivable | 814,900 | 15,478,205 |
| | Receivables from Fixed Income Investment I (Pvt) Ltd - Commercial Papers | 48,797,685 | - |
| | Less: Past due Provision as per SLFRS 09 | <u>(48,797,685)</u> | <u>-</u> |
| | | <u>814,900</u> | <u>15,478,205</u> |
| 9.1 | Receivables from Fixed Income Investment I (Pvt) Ltd - Commercial Papers | | |
| | Fixed Income Investment I (Pvt) Ltd (Subsidiary of Ultimate Parent Company of the Management Company) acts as the agent to collect the proceeds from selected Commercial Papers. The receivable balance of Commercial Papers from Fixed Income Investment I (Pvt) Ltd as at 31st March 2025, amounts to LKR 48,797,685/-. | | |
| | | As at 31.03.2025 Rs. | As at 31.03.2024 Rs. |
| 10. | INCOME TAX RECEIVABLE | | |
| | Income tax receivable | 2,765,580 | 2,765,580 |
| | Provision for doubtful income tax receivable | <u>(2,765,580)</u> | <u>(2,765,580)</u> |
| | | <u>-</u> | <u>-</u> |
| 11. | ACCRUED EXPENSES | | |
| | Management fee | 563,216 | 386,699 |
| | Trustee fee | 146,436 | 100,542 |
| | Custodian fee | 24,669 | 24,602 |
| | Audit fee | 473,981 | 440,556 |
| | Other fees | 45,816 | 25,894 |
| | Payable on units creations | 521,044 | 116,044 |
| | | <u>1,775,162</u> | <u>1,094,337</u> |
| 12. | CONTINGENT LIABILITY AND CONTINGENT ASSETS. | | |
| 12.1. | Contingent liabilities | | |
| | There were no contingent liabilities as at the reporting date. | | |
| 12.2 | Contingent assets | | |
| | There were no contingent assets as at the reporting date. | | |
| 13. | EVENTS AFTER THE REPORTING DATE | | |
| | There have been no material events occurring after the reporting date that require adjustments or disclosure in these Financial Statements. | | |
| 14. | CAPITAL COMMITMENTS | | |
| | The Fund does not have significant capital commitments as at the reporting date. | | |





CAPITAL ALLIANCE INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS

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15 ASSETS PLEDGED

There were no assets pledged as securities 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 2025 are 29,402,625.76 (2024 - 23,094,274.77) and the unit price as at this date is Rs. 36.9994 (2024 - Rs. 33.2884).

17. 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.

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

Assets

Cash and cash equivalent
Financial assets at amortised cost
Other receivables

Liabilities

Accrued expenses

18. RELATED PARTY DISCLOSURE

18.1 Responsible entity

The responsible entities of Capital Alliance Income Fund are Capital Alliance Investments Limited ("the Management Company") and Hatton National Bank PLC ("the Trustee").

18.2 Key management personnel

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

i) Directors

Ms. H. M. S. Perera
Dr. M. De Zoysa
Mr. K P Mannakkara

ii) Other key management personnel

Other KMPs include the 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 Other transactions within the Fund

Apart from those details disclosed in Note 18.5, 18.6 and 18.7, key management personnel have not entered into any other transactions involving the Fund during the financial year.



CAPITAL ALLIANCE INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS

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18. RELATED PARTY DISCLOSURE (CONTD...)

18.5 Key Management personal unitholding and related party unitholding

The key management personal of capital alliance investment limited and related parties have held the following units in the Fund.

| Name of related party | Relationship | As at 31st March 2025 | | As at 31st March 2024 | |
|---|---|-----------------------|---------------------|-----------------------|---------------------|
| | | No of Units held | Value of investment | No of Units held | Value of investment |
| Mr. K.P. Mannakkara | Director of Capital Alliance Investments Limited - Management Company | 79 | 2,918 | 79 | 2,625 |
| Capital Alliance Investments Limited | Management Company | 982,350 | 36,346,353 | - | - |
| Capital Alliance Holdings Limited | Ultimate Parent company of the Managing Company | 1,483,909 | 54,903,724 | - | - |
| Capital Alliance Securities (Private) Limited | A Subsidiary of Parent of the Management Company | 209,839 | 7,763,932 | 1,353,579 | 45,058,475 |

18.6 Other transactions with related parties and amounts due

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 ended | | Balance as at | |
|--|---------------------------|-----------|---------------|------------|
| | 2024/2025 | 2023/2024 | 31.03.2025 | 31.03.2024 |
| Fund Management fee | 7,960,150 | 7,930,074 | 563,216 | 386,699 |
| Trustee fees | 2,069,639 | 2,470,102 | 146,436 | 100,542 |
| Custodian fees | 289,864 | 272,892 | 24,669 | 24,602 |
| The Bank balance held at Hatton National Bank PLC as at 31st March | | | 4,095,439 | 8,312,461 |

In addition to the above, certain administrative expenses were borne by the Management Company.

18.7 Other transactions with related parties

Investments in Treasury bill / bond repurchase agreements, Treasury bond and trust certificates 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 as at | |
|--|-----------------------------------|------------|---------------|------------|
| | 2024/2025 | 2023/2024 | 31.03.2025 | 31.03.2024 |
| | Rs. | Rs. | Rs. | Rs. |
| Investments in treasury bills/ bonds repurchase agreements with Capital Alliance PLC - (Subsidiary of Ultimate Parent Company of the Management Company) | 15,187,906 | 6,956,634 | - | - |
| Investments in treasury bonds with Capital Alliance PLC - (Subsidiary of Ultimate Parent Company of the Management Company) | - | 51,640,700 | - | - |

| 18. RELATED PARTY DISCLOSURE (CONTD...) | Investment income during the year | | Balance as at | |
|--|--------------------------------------|------------|---------------|------------|
| | 2024/2025 | 2023/2024 | 31.03.2025 | 31.03.2024 |
| 18.7 Other transactions with related parties (Contd...) | Rs. | Rs. | Rs. | Rs. |
| Investments in trust certificates with Fixed Income Investment I (Pvt) Ltd - (Subsidiary of Ultimate Parent Company of the Management Company) | 46,285,001 | 15,084,401 | - | - |
| Investments in trust certificates with Fixed Income Investment II (Pvt) Ltd - (Subsidiary of Ultimate Parent Company of the Management Company) | 39,987,134 | 10,056,147 | - | - |
| Investments in trust certificates with Fixed Income Investment III (Pvt) Ltd - (Subsidiary of Ultimate Parent Company of the Management Company) | 6,502,979 | 8,317,671 | - | 87,754,191 |
| Investments in trust certificates with Fixed Income Investment V (Pvt) Ltd - (Subsidiary of Ultimate Parent Company of the Management Company) | 10,850,632 | 28,996,302 | - | 89,715,206 |

Fixed Income Investment III and V (Pvt) Limiteds amalgamated to Fixed Income Investment II (Pvt) Limited, w.e.f. 14th January 2025.

Fixed Income Investment I (Pvt) Ltd (Subsidiary of Ultimate Parent Company of the Management Company) acts as the agent to collect the proceeds from selected Commercial Papers. The receivable balance of Commercial Papers from Fixed income Investment I (Pvt) Ltd as at 31st March 2025, amounts to LKR 48,797,685/- as given in Note 9.1.

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

| | As at 31.03.2025 Rs. | As at 31.03.2024 Rs. |
|---|----------------------------|----------------------------|
| Net asset value as per Financial Statements | 1,094,857,860 | 742,566,415 |
| Under/ (over) Provision of impairment | (7,417,437) | 25,764,577 |
| Under provision adjustment of audit fee | 440,556 | 440,556 |
| Published net asset value | <u>1,087,880,979</u> | <u>768,771,548</u> |
| Number of units outstanding | 29,402,625.76 | 23,094,274.77 |
| Published net asset value per unit | <u>36.9994</u> | <u>33.2884</u> |

20. COMPARATIVE INFORMATION

The accounting policies have been consistently applied by the Fund and are consistent with those of the previous year. The previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation/classification.

