

**CAPITAL ALLIANCE INVESTMENT GRADE FUND  
COLOMBO 2**

**FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31<sup>ST</sup> MARCH 2025**



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## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF CAPITAL ALLIANCE INVESTMENT GRADE FUND**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the Financial Statements of Capital Alliance Investment Grade Fund ("the Fund"), which comprise the statement of financial position as at 31<sup>st</sup> 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 24.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Fund as at 31<sup>st</sup> 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.  
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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 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

31<sup>st</sup> July 2025

NV/kp

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

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	Note	2024/2025 Rs.	2023/2024 Rs.
<b>Investment income</b>			
Interest income	4	6,576,297,673	5,150,222,393
Realised gains on financial assets at fair value through profit or loss	8.3	-	447,691,330
Unrealised gains on financial assets at fair value through profit or loss	8.4	(1,660,200)	(12,344,800)
<b>Total investment income</b>		<u>6,574,637,473</u>	<u>5,585,568,923</u>
 Other income	5	 5,729,083	 12,225,144
<b>Expenses</b>			
Management fees		(502,432,265)	(242,154,643)
Trustee fees		(92,047,728)	(46,601,722)
Custodian fees		(289,864)	(272,892)
Audit fees		(3,421,111)	(730,285)
Bank charges		(1,982,100)	(1,346,886)
Tax consultancy fees		(110,605)	(38,298)
Impairment reversal/ (charge) on financial assets at amortised cost	9.6	540,610,559	(199,843,933)
<b>Total operating expenses</b>		<u>(59,673,114)</u>	<u>(490,988,659)</u>
 <b>Net operating profit</b>		 6,520,693,442	 5,106,805,408
 <b>Finance cost</b>			
Interest expense		-	(350)
 <b>Profit before tax</b>		 6,520,693,442	 5,106,805,058
 Income tax expense	6	 -	 -
 <b>Profit after tax for the year</b>		 <u>6,520,693,442</u>	 <u>5,106,805,058</u>
 Other comprehensive income		 -	 -
 <b>Total comprehensive income</b>		 <u>6,520,693,442</u>	 <u>5,106,805,058</u>
 <b>Increase in net assets attributable to unitholders</b>		 <u><u>6,520,693,442</u></u>	 <u><u>5,106,805,058</u></u>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 24 form an integral part of these Financial Statements.

Colombo  
31st July 2025



**CAPITAL ALLIANCE INVESTMENT GRADE FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31ST MARCH 2025**

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	Note	As at 31.03.2025 Rs.	As at 31.03.2024 Rs.
<b>Assets</b>			
Cash and cash equivalents	7	91,027,046	126,586,352
Financial assets at fair value through profit or loss	8	-	796,200,800
Financial assets at amortised cost	9	55,016,136,331	45,037,801,719
Other receivables	10	65,122,091	233,693,958
<b>Total assets</b>		<u>55,172,285,468</u>	<u>46,194,282,829</u>
<b>Liabilities</b>			
Accrued expenses and other payables	11	80,921,288	95,971,725
<b>Total liabilities</b>		<u>80,921,288</u>	<u>95,971,725</u>
<b>Net assets</b>		<u>55,091,364,180</u>	<u>46,098,311,104</u>
<b>Unitholders' fund</b>			
Net assets attributable to unitholders		<u>55,091,364,180</u>	<u>46,098,311,104</u>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 24 form an integral part of these Financial Statements.

The Board of Directors of the Management Company and Trustee are responsible for the preparation 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 31st July 2025.

Signed for and on behalf of the Management Company by:

.....  
Director  
**Capital Alliance Investments Limited**  
Management Company

.....  
Director  
**Capital Alliance Investments Limited**  
Management Company

Signed for and on behalf of the Trustee by:

.....  
Hatton National Bank PLC  
Trustee

.....  
Hatton National Bank PLC  
Trustee

Colombo  
31st July 2025  
NV/kp



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

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	<b>2024/2025</b>	<b>2023/2024</b>
	<b>Rs.</b>	<b>Rs.</b>
Unitholders' fund at the beginning of the year	46,098,311,104	15,140,352,212
Increase in net assets attributable to unitholders	6,520,693,442	5,106,805,058
Creation of units	170,853,781,449	122,992,279,213
Redemption of units	(168,381,421,815)	(97,141,125,379)
Net increase due to unitholders' transactions	2,472,359,634	25,851,153,834
Unitholders' fund at the end of the year	55,091,364,180	46,098,311,104

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 24 form an integral part of these Financial Statements.

**Colombo  
31st July 2025**



**CAPITAL ALLIANCE INVESTMENT GRADE FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31ST MARCH 2025**

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	2024/2025 Rs.	2023/2024 Rs.
<b>Cash flows from operating activities</b>		
Interest received	6,538,883,323	5,294,148,654
Other income received	5,729,083	12,225,144
Operating expenses paid	(594,448,443)	(213,583,356)
Other receivables	168,571,867	1,799,908
Net investment in repurchase agreements	3,737,164,000	(17,331,038,000)
Net investment in fixed deposits	(11,500,000,000)	1,040,000,000
Net investment in debentures	(4,823,040,002)	(1,210,000,000)
Net investment in bonds	-	6,417,993,080
Net investment in bills	773,143,000	(776,400,500)
Net investment in commercial papers	2,152,582,162	(4,586,870,303)
Net investment in trust certificates	1,054,381,737	(14,383,831,293)
<b>Net cash used in operating activities</b>	<b>(2,487,033,273)</b>	<b>(25,735,556,666)</b>
<b>Cash flows from financing activities</b>		
Cash received on creation of units	170,832,895,782	122,992,279,213
Cash paid on redemption of units	(168,381,421,815)	(97,141,125,379)
Interest paid	-	(350)
<b>Net cash generated from financing activities</b>	<b>2,451,473,967</b>	<b>25,851,153,484</b>
<b>Net (decrease)/increase in cash and cash equivalents (Note A)</b>	<b>(35,559,306)</b>	<b>115,596,818</b>
<b>Cash and cash equivalents at the beginning of the year (Note B)</b>	<b>126,586,352</b>	<b>10,989,534</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>91,027,046</b>	<b>126,586,352</b>
<b>At the beginning of the year</b>		<b>Note A</b>
Cash at bank	126,586,352	10,989,534
	126,586,352	10,989,534
<b>At the end of the year</b>		<b>Note B</b>
Cash at bank	91,027,046	126,586,352
	91,027,046	126,586,352

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 24 form an integral part of these Financial Statements.

Colombo  
31st July 2025



## MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

**1. CORPORATE INFORMATION****1.1 General information**

Capital Alliance Investment Grade Fund ("the Fund") is an open-ended Unit Trust Fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 30<sup>th</sup> August 2013.

The Fund is managed by Capital Alliance Investments Limited which is incorporated and domiciled in Sri Lanka. The registered office of the Management Company is located at Level 05, "Millennium 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 investment 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 31<sup>st</sup> March 2025 were authorised for issue by the Management Company and the Trustee on 31<sup>st</sup> July 2025.

**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 have been 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 31<sup>st</sup> March 2025, statement of profit or loss and other comprehensive income, statement of movement in unitholders' Funds and statement of cash flows for the year then ended, and a summary of material accounting 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 under 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.



**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 market place.

**2.9.1.2 Initial measurement of financial instruments**

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 Fair Value through Profit and Loss (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 include 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, trust certificates, fixed deposits, commercial papers and debentures. 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



## MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

- (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 it 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.

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.

**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 the 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.



## MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

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

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

For debt instruments at amortised cost issued by 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 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.

**2.9.1.8 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.



## MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

**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 31<sup>st</sup> March 2018, the Fund is 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 01<sup>st</sup> April 2018, an Eligible Unit Trust would not be liable for income tax on any income which is a 'pass through' to its Unitholders. Accordingly, post 31<sup>st</sup> March 2018, the Fund has considered all income as being a 'pass through' to 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.

**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.

**2.9.5 Expenses**

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

Management fee	-	0.75% of Net Asset Value of the Fund
Trustee fee	-	0.13% of Net Asset Value of the Fund
Custody fee	-	Rs: 20,000/- per month

**2.9.6 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****3.1. Financial instruments**

The Fund's principal financial assets comprise investments treasury bill repurchase agreements, commercial papers, trust certificates, fixed deposits, debentures and cash at bank. The overall objective of the Fund is to optimise income at very low levels of risk, essentially retaining the risk-free nature of Government Securities but offering the convenience of a unit trust. The Fund's principal financial liabilities comprise amounts attributable to Unitholders, which are the amounts owed to Unitholders of the Fund. The Fund also has other financial instruments such as receivables and payables, which arise directly from its operations.



## MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

In accordance with SLFRS 9 Financial Instruments: Recognition and Measurement, the investments in repurchase agreements, commercial papers, trust certificates, debentures and fixed deposits are classified as 'financial assets at amortised cost' and are valued at amortised cost. Amounts attributable to Unitholders are classified as 'equity' and are carried at the redemption amount being net asset value. Accrued expenses are classified as 'other financial liabilities' at amortised cost.

**3.2. Financial risk management objectives, policies and processes**

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, economic risk and liquidity risk.

Financial instruments of the Fund comprise investments in treasury bill repurchase agreements, debentures, treasury bill, trust certificate, commercial papers and fixed deposits for the purpose of generating a return on the investment made by Unitholders, in addition to cash at bank, and other financial instruments such as receivables and payables, which arise directly from its operations.

The Fund Management Company is responsible for identifying and controlling the risks that arise from these financial instruments. The Fund 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 the 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 Fund Management Company also monitors information about the total fair value of financial instruments exposed to risk, 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 Fund 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, politics or other conditions.

**3.3. Credit risk**

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

The Fund's exposure to credit risk from its financial assets arises from default of the counterparty. It is the Fund's policy to enter into financial instruments with reputable counterparties.

Capital Alliance Investment Grade Fund's investments are only in repurchase agreements against Government securities, Trust Certificates, Commercial papers, fixed deposits and Debenture Repurchase Agreements.

MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

The methodology used for ECL calculation is disclosed under 2.9.1.6 Impairment and it was updated for the latest macroeconomic forecasts and adjusted for the negative impacts due to Covid 19 pandemic. ECL calculations also consider weighted scenario analysis. Further, the Fund has taken initiatives to de-risk the Unit Trust portfolios with investments in Government Securities and instruments rated A- and above.

**3.3.1. 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 high risk investments, medium risk and low risk investments. An analysis of debt securities by rating is set out in the table below.

	31 <sup>st</sup> March 2025 Rs.	31 <sup>st</sup> March 2024 Rs.
Risk rating		
High risk	15,353,388,897	16,809,709,471
Medium risk	11,813,809,869	8,925,558,701
Low risk	27,851,515,251	19,845,721,792
Total	55,018,714,017	45,580,989,964

**3.3.2. Risk concentration of credit risk exposure**

Concentration of credit risk is managed by the 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.

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

Counterparty	Credit Rating	Rating Agency
First Capital Holdings PLC	A+	Lanka Rating Agency
HNB Finance PLC	A	Fitch Rating
LOLC Holdings PLC	A	Lanka Rating Agency
People's Leasing & Finance PLC	A	Fitch Rating
Richard Pieris Finance Ltd	A	Fitch Rating
Siyapatha Finance PLC	A	Fitch Rating
L B Finance PLC	A-	Fitch Rating
Asia Asset Finance PLC	A+	Fitch Rating
Seylan Bank PLC	A+	Fitch Rating
Abans PLC	AA	Fitch Rating
Fixed Income Investment I (Pvt) Ltd	AA	Lanka Rating Agency
Fixed Income Investment II (Pvt) Ltd	AA	Lanka Rating Agency
Bank of Ceylon	AA-	Fitch Rating
Capital Alliance PLC	A	Lanka Rating Agency
Hatton National Bank PLC	AA-	Fitch Rating

## MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

Counterparty	Credit Rating	Rating Agency
Singer Finance (Lanka) PLC	BBB+	Fitch Rating
Commercial Bank of Ceylon PLC	AA-	Fitch Rating
Mercantile Investment and Finance PLC	BBB-	Fitch Rating
Sampath Bank PLC	AA-	Fitch Rating

## 3.3.3. Cash and cash equivalents

All counterparties have a credit rating assigned by the Fitch rating agency. However, in accordance with the Fund's policy, the investment manager monitors the Fund's credit exposure daily to ensure credit risk remains at a minimal level.

Counterparty	Credit rating	Rating agency
Hatton National Bank PLC	AA-	Fitch Rating
Sanasa Development Bank PLC	BB+	Fitch Rating

The Fund's maximum exposure to credit risk can be analysed as follows:

	Balance as at 31.03.2025 Rs.		Balance as at 31.03.2024 Rs.	
	Maximum exposure	Net exposure	Maximum exposure	Net exposure
Financial assets at fair value through profit or loss	-	-	796,200,800	796,200,800
Total	-	-	796,200,800	796,200,800

## 3.3.4. Credit risk by class of financial assets

	12 Month expected credit losses Rs.	Life time expected credit losses not credit impaired Rs.	Life time expected credit losses credit impaired Rs.	Total Rs.
As at 31 <sup>st</sup> March 2025				
Financial assets at amortised cost	55,018,714,017	-	-	55,018,714,017
Other receivables	65,122,092	-	-	65,122,092
Cash and cash equivalents	91,027,046	-	-	91,027,046
	55,174,863,155	-	-	55,174,863,155



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

As at 31 <sup>st</sup> March 2024	12 Month expected credit losses Rs.	Life time expected credit losses not credit impaired Rs.	Life time expected credit losses credit impaired Rs.	Total Rs.
Financial assets at amortised cost	45,580,989,964	-	-	45,580,989,964
Other receivables	233,693,958	-	-	233,693,958
Cash and cash equivalents	126,586,352	-	-	126,586,352
	45,941,270,274	-	-	45,941,270,274

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.

3.4. 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 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 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.

3.4.1. 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.

As at 31 <sup>st</sup> March 2025	Floating interest Rs.	Fixed interest Rs.	Non-interest Rs.	Total Rs.
<b>Financial assets</b>				
Cash and cash equivalents	Nil	28,337	90,998,709	91,027,046
Financial assets at FVTPL	Nil	Nil	Nil	Nil
Financial assets at amortised cost	Nil	55,016,136,331	Nil	55,016,136,331
Other receivables	Nil	Nil	65,122,092	65,122,092
<b>Total exposure</b>	Nil	55,016,164,668	156,120,801	55,172,285,469

## MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

As at 31 <sup>st</sup> March 2024	Floating interest Rs.	Fixed interest Rs.	Non-interest Rs.	Total Rs.
<b>Financial assets</b>				
Cash and cash equivalents	Nil	27,514	126,558,838	126,586,352
Financial assets at FVTPL	Nil	796,200,800	Nil	796,200,800
Financial assets at amortised cost	Nil	45,037,801,719	Nil	45,037,801,719
Other receivables	Nil	Nil	233,693,958	233,693,958
<b>Total exposure</b>	Nil	45,834,030,033	360,252,796	46,194,282,829

## 3.5. Summarised sensitivity analysis

The following, table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders' 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.

	Impact on operating profit/net assets attributable to unitholders' interest rate risk 31 <sup>st</sup> March 2025	Impact on operating profit/net assets attributable to unitholders' interest rate risk 31 <sup>st</sup> March 2024
Change in interest rate of the Trust's investment in trading securities:		
+10%	5,501,613,633	4,583,400,252
-10%	(5,501,613,633)	(4,583,400,252)

## 3.6. 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 readily converted into cash under normal market conditions. In addition, the Fund invests within established limits to ensure there is no concentration of risk. The Manager ensures that a minimum liquidity level of 3% of the total NAV of the Fund is available in cash or near cash form at any given time as required by the Unit Trust Code, reducing the liquidity risk to its investors.



## MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

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 year. The amounts in the table are the contractual undiscounted cash flows.

31 March 2025	Less than 1 month Rs.	1-6 months Rs.	6-12 months Rs.	1-2 years Rs.	Over 2 Years Rs.	Total Rs.
<b><u>Financial assets</u></b>						
Cash and cash equivalents	91,027,046	-	-	-	-	91,027,046
Financial assets at amortised cost	20,277,058,136	8,969,881,493	3,559,179,066	9,353,450,000	15,482,210,600	57,641,779,295
Other receivables	65,122,092	-	-	-	-	65,122,092
	20,433,207,274	8,969,881,493	3,559,179,066	9,353,450,000	15,482,210,600	57,797,928,433
<b><u>Financial liabilities</u></b>						
Management fee	43,883,687	-	-	-	-	43,883,687
Trustee and custodian fee	7,631,175	-	-	-	-	7,631,175
Audit fee	2,267,043	-	-	-	-	2,267,043
Consultancy fee	91,848	-	-	-	-	91,848
Fund received for unit creations	27,047,535	-	-	-	-	27,047,535
	80,921,288	-	-	-	-	80,921,288





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## MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

31 March 2024	Less than 1 month Rs.	1-6 months Rs.	6-12 months Rs.	1-2 years Rs.	Over 2 Years Rs.	Total Rs.
<b>Financial assets</b>						
Cash and cash equivalents	126,586,352	-	-	-	-	126,586,352
Financial assets at FVTPL	796,200,800	-	-	-	-	796,200,800
Financial assets at amortised cost	16,947,396,534	18,339,697,967	1,253,913,902	3,672,052,641	5,896,000	40,218,957,044
Other receivables	233,693,958	-	-	-	-	233,693,958
	18,103,877,644	18,339,697,967	1,253,913,902	3,672,052,641	5,896,000	41,375,438,154
<b>Financial liabilities</b>						
Management fee	36,372,956	-	-	-	-	36,372,956
Trustee and custodian fee	6,329,248	-	-	-	-	6,329,248
Audit fee	886,787	-	-	-	-	886,787
Consultancy fee	1,243	-	-	-	-	1,243
Fund received for unit creation	47,933,202	-	-	-	-	47,933,202
Other payables	4,448,289	-	-	-	-	4,448,289
	95,971,725	-	-	-	-	95,971,725

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.

### 3.7. 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 12-month 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 1.35% against USD during the year and was recorded at 296.3472 (Rs/USD) as at 31st March 2025.

## MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

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.

### 3.8. 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 Collective Investment Scheme 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' fund:

#### The movement in the Unitholders' fund as at 31<sup>st</sup> March 2025

##### I. In terms of Value

	Rs.
Unitholders' fund as at 01 <sup>st</sup> April 2024	46,098,311,104
Creations during the year	170,853,781,449
Redemptions during the year	(168,381,421,815)
Increase in net assets attributable to Unitholders	6,520,693,443
Unitholders' fund as at 31 <sup>st</sup> March 2025	<u>55,091,364,181</u>

##### II. In terms of No. of Units

	Units
No. of Units as at 01 <sup>st</sup> April 2024	1,419,652,047
Unit creations during the year	4,970,911,032
Unit redemptions during the year	(4,876,310,923)
No. of Units as at 31 <sup>st</sup> March 2025	<u>1,514,252,156</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.





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	2024/2025 Rs.	2023/2024 Rs.
<b>4. INTEREST INCOME</b>		
Interest on,		
Treasury bill/Bond repurchase agreements	2,119,569,783	786,175,184
Debentures	851,895,100	581,632,181
Treasury bonds	-	290,290,110
Treasury bills	169,692,473	39,172,500
Trust certificates	2,270,334,034	2,640,459,768
Commercial papers	449,900,712	269,463,778
Fixed deposits	714,905,571	543,028,872
	<u>6,576,297,673</u>	<u>5,150,222,393</u>
<b>5. OTHER INCOME</b>		
Miscellaneous income	5,729,083	12,225,144
	<u>5,729,083</u>	<u>12,225,144</u>
<b>6. INCOME TAX EXPENSE</b>		
Following the enactment of the new Inland Revenue Act No. 24 of 2017 effective from 1st April 2018, the Fund is deemed to be 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 2025.		
	As at 31.03.2025 Rs.	As at 31.03.2024 Rs.
<b>7. CASH AND CASH EQUIVALENTS</b>		
Hatton National Bank - Current account	90,998,709	126,558,838
Sanasa Development Bank PLC - Savings account	28,337	27,514
	<u>91,027,046</u>	<u>126,586,352</u>
<b>8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
<b>8.1 Treasury Bonds</b>		
Balance at the beginning of the year	-	6,427,795,500
Purchases during the year	-	9,686,488,545
Sales during the year	-	(16,735,892,985)
Accrued interest during the year	-	184,665,110
Change in unrealised (loss)/gain on financial assets at fair value through profit or loss	Note 8.4	(14,005,000)
Realised gain on sales of financial assets at fair value through profit or loss	Note 8.3	450,948,830
Market value as at 31st March	<u>-</u>	<u>-</u>
<b>8.2 Treasury Bills</b>		
Opening Balance as of 01 Apr	796,200,800	-
Purchases during the year	3,090,530,216	2,499,040,700
Sales/ matured during the year	(4,054,763,289)	(1,740,415,100)
Accrued interest during the year	169,692,473	39,172,500
Unrealised gain on financial assets at fair value through profit or loss	Note 8.4	1,660,200
Realised loss on sales of financial assets at fair value through profit or loss	Note 8.3	(3,257,500)
Market value as at 31st March	<u>-</u>	<u>796,200,800</u>
<b>8.3 Realised gain on financial assets at fair value through profit or loss</b>		
Treasury bills	-	(3,257,500)
Treasury Bonds	-	450,948,830
	<u>-</u>	<u>447,691,330</u>
<b>8.4 Unrealised loss on financial assets at fair value through profit or loss</b>		
Treasury bills	(1,660,200)	1,660,200
Treasury Bonds	-	(14,005,000)
	<u>(1,660,200)</u>	<u>(12,344,800)</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTD...)

	As at 31.03.2025		As at 31.03.2024	
	Carrying value Rs.	Holdings as a % of net asset value	Carrying value Rs.	Holdings as a % of net asset value
8.5 Treasury Bills				
Capital Alliance PLC	-	0%	796,200,800	2%
	-	0%	796,200,800	2%

		As at 31.03.2025		As at 31.03.2024	
		Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
9. FINANCIAL ASSETS AT AMORTISED COST					
Treasury bills repurchase agreements	9.1	14,500,749,292	14,500,749,292	18,432,250,140	18,432,250,140
Fixed deposits	9.2	13,350,765,959	13,350,765,959	1,413,471,652	1,413,471,652
Trust certificates	9.3	15,353,388,897	15,353,388,897	16,809,709,471	16,809,709,471
Commercial papers	9.4	2,438,227,482	2,438,227,482	4,626,016,106	4,626,016,106
Debentures	9.5	9,375,582,387	9,375,582,387	4,299,542,595	4,299,542,595
Less: Impairment	9.6	(2,577,686)	(2,577,686)	(543,188,245)	(543,188,245)
		55,016,136,331	55,016,136,331	45,037,801,719	45,037,801,719

		As at 31.03.2025		As at 31.03.2024	
		Carrying value Rs.	Holdings as a % of net asset value	Carrying value Rs.	Holdings as a % of net asset value
9.1 Treasury bills repurchase agreements					
Hatton National Bank PLC		14,500,749,292	26%	14,639,504,110	32%
Commercial Bank of Ceylon PLC		-	-	3,792,746,030	8%
		14,500,749,292	26%	18,432,250,140	40%

9.2 Fixed deposits					
Asia Asset Finance PLC		3,054,588,493	6%	1,413,471,652	3%
People's Leasing and Finance PLC		7,686,940,479	14%	-	0%
Singer Finance (Lanka) PLC		544,233,562	1%	-	0%
Siyapatha Finance PLC		2,065,003,425	4%	-	0%
		13,350,765,959	25%	1,413,471,652	3%

9.3 Trust Certificates					
HNB Finance PLC		2,073,857,738	4%	2,025,171,063	4%
L B Finance PLC		1,245,413,683	2%	1,113,971,944	2%
Abans PLC		4,368,157,534	8%	-	0%
Mercantile Investment and Finance PLC		209,900,663	0%	-	0%
Richard Pieris Finance Limited		146,414,051	0%	1,626,730,328	4%
Fixed Income Investment I (Pvt) Limited		2,848,313,534	5%	1,038,792,554	2%
Fixed Income Investment II (Pvt) Limited		4,461,331,694	8%	2,986,458,246	6%
Fixed Income Investment III (Pvt) Limited		-	0%	4,429,977,087	10%
Fixed Income Investment V (Pvt) Limited		-	0%	3,588,608,249	8%
		15,353,388,897	27%	16,809,709,471	36%



		As at 31.03.2025		As at 31.03.2024	
		Carrying Value Rs.	Holdings as a % of Net Asset Value	Carrying Value Rs.	Holdings as a % of Net Asset Value
<b>9. FINANCIAL ASSETS AT AMORTISED COST (CONTD....)</b>					
<b>9.4 Commercial Papers</b>					
First Capital Holdings PLC		25,265,805	0%	-	0%
LOLC Holdings PLC		2,412,961,677	4%	3,610,966,685	8%
CIC Holdings PLC		-	-	1,015,049,421	2%
		<u>2,438,227,482</u>	<u>4%</u>	<u>4,626,016,106</u>	<u>10%</u>
<b>9.5 Debentures</b>					
People's Bank		-	0%	262,909,589	1%
Singer Finance (Lanka) PLC		822,773,384	1%	877,169,733	2%
Bank of Ceylon		3,111,313,551	6%	3,159,463,273	7%
Commercial Bank of Ceylon PLC		1,203,436,242	2%	-	0%
Hatton National Bank PLC		1,610,134,932	3%	-	0%
Sampath Bank PLC		693,850,837	1%	-	0%
Seylan Bank PLC		1,934,073,441	4%	-	0%
		<u>9,375,582,387</u>	<u>17%</u>	<u>4,299,542,595</u>	<u>10%</u>
				<b>2024/2025</b>	<b>2023/2024</b>
				<b>Rs.</b>	<b>Rs.</b>
<b>9.6 Impairment during the year</b>					
Opening balance				543,188,245	343,344,312
Charge to the income statement				(540,610,559)	199,843,933
Closing balance				<u>2,577,686</u>	<u>543,188,245</u>
<b>9.6.1 Movement in Impairment during the Year</b>				<b>2024/2025</b>	<b>2023/2024</b>
				<b>Rs.</b>	<b>Rs.</b>
<b>Stage 1</b>					
Balance at the beginning of the year				46,881,740	12,757,836
Charge to income statement				(44,304,054)	34,123,904
Balance at the end of the year				<u>2,577,686</u>	<u>46,881,740</u>
<b>Stage 2</b>					
Balance at the beginning of the year				496,306,505	330,586,476
Charge to income statement				(496,306,505)	165,720,029
Balance at the end of the year				<u>-</u>	<u>496,306,505</u>
<b>Total</b>				<u>2,577,686</u>	<u>543,188,245</u>
				<b>As at</b>	<b>As at</b>
				<b>31.03.2025</b>	<b>31.03.2024</b>
				<b>Rs.</b>	<b>Rs.</b>
<b>10. OTHER RECEIVABLES</b>					
Other receivables				65,122,091	233,693,958
				<u>65,122,091</u>	<u>233,693,958</u>
<b>11. ACCRUED EXPENSES AND OTHER PAYABLES</b>					
Management fee				43,883,687	36,372,956
Trustee and custodian fee				7,631,175	6,329,248
Audit fee				2,267,043	886,787
Consultancy fee				91,848	1,243
Fund received for unit creation				27,047,535	47,933,202
Other payables				-	4,448,289
				<u>80,921,288</u>	<u>95,971,725</u>





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12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

12.1 Contingent Liabilities

There were no contingent liabilities as at reporting date.

12.2 Contingent Assets

There were no contingent assets as at 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.

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 are deemed to be in issue as at 31 March 2025 are 1,514,252,155.77(2024 - 1,419,652,047.23) and unit price as at this date is Rs. 36.3836 (2024 - Rs. 32.8542).

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Financial assets carried at fair value

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
As at 31st March 2025				
Financial assets at fair value through profit or loss	-	-	-	-
As at 31st March 2024				
Financial assets at fair value through profit or loss	796,200,800	-	-	796,200,800

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	Liabilities
Cash and cash equivalents	Accrued expenses and other payables
Financial assets at amortised cost	
Other receivables	

18. RELATED PARTY DISCLOSURES

18.1 Responsible entity

The responsible entities of Capital Alliance Investment Grade 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 persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.



CAPITAL ALLIANCE INVESTMENT GRADE FUND  
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18. RELATED PARTY DISCLOSURE (CONTD....)

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 and 18.6, key management personnel have not entered into any other transactions involving the Fund during the financial year.

18.5 Key management personnel unit holding and related party unit holding

The key management personnel of Capital Alliance Investments Limited and related parties have held the following units in the Fund.

As at 31st March 2025

Name	Relationship	No.of units	Value Rs.
Mr. K.P. Mannakkara	Director of Management Company	1,504,969.36	54,756,203.35
Mrs. H. M. S. Perera	Director of Management Company	2,046,642.13	74,464,208.76
Mrs. M. De Zoysa	Director of Management Company	1,464,631.75	53,288,575.42
Capital Alliance Investments Limited	Management Company	739,640.76	26,910,793.66
FipBox (Private) Limited	A subsidiary of Ultimate Parent Company	1,927,003.86	70,111,337.64
Capital Alliance Holdings PLC	Ultimate parent of the managing Company	925.33	33,666.64
Finnovation Private Limited	A subsidiary of Ultimate Parent Company	3,111,859.81	113,220,662.72

As at 31st March 2024

Name	Relationship	No.of units	Value Rs.
Mr. K.P. Mannakkara	Director of Management Company	1,206,957.69	39,653,629.43
Mrs. H. M. S. Perera	Director of Management Company	772,995.07	25,396,134.78
Mrs. M. De Zoysa	Director of Management Company	112,449.45	3,694,436.75
Capital Alliance Investments Limited	Management Company	11,653,190.77	382,856,260.20
FipBox (Private) Limited	A subsidiary of Ultimate Parent Company	461,162.69	15,151,131.25
Capital Alliance Holdings PLC	Ultimate parent of the managing Company	10,459,513.73	343,638,955.99

18.6 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 as at	
	2024/2025	2023/2024	31.03.2025	31.03.2024
		Rs.	Rs.	Rs.
Fund management fee	502,432,265	242,154,643	43,883,687	36,372,956
Trustee and custodian fees	92,337,592	46,874,614	7,631,175	6,329,248
The Bank balance held at Hatton National Bank PLC			90,998,709	126,558,838

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

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

18.6 Other transactions with and amounts due to related parties (Contd....)

Investments in Treasury bills Repurchase Agreements, Trust certificates, treasury bills, and treasury bonds 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 31 March	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Investments in Treasury bill repurchase agreements with Capital Alliance PLC - (Subsidiary of Ultimate Parent Company of the Management Company)	-	145,353,264	-	-
Investments in Treasury bills with Capital Alliance PLC - Subsidiary of Ultimate Parent Company of the Management Company)	-	39,172,500	-	796,200,800
Investments in Treasury bonds with Capital Alliance PLC - Subsidiary of Ultimate Parent Company of the Management Company)	-	290,290,110	-	-
Investments in Commercial Papers with Capital Alliance PLC - Subsidiary of Ultimate Parent Company of the Management Company)	11,881,507	-	-	-
Investments in trust certificates with Fixed Income Investment I (Pvt) Ltd - (Subsidiary of Ultimate Parent Company of the Management Company)	129,222,078	360,703,738	2,848,313,534	1,038,792,554
Investments in trust certificates with Fixed Income Investment II (Pvt) Ltd - (Subsidiary of Ultimate Parent Company of the Management Company)	325,913,581	375,139,591	4,461,331,694	2,986,458,246
Investments in trust certificates with Fixed Income Investment III (Pvt) Ltd - (Subsidiary of Ultimate Parent Company of the Management Company)	243,184,144	344,259,800	-	4,429,977,087
Investments in trust certificates with Fixed Income Investment V (Pvt) Ltd - (Subsidiary of Ultimate Parent Company of the Management Company)	312,930,005	582,856,922	-	3,588,608,249

\* On 14th February 2025, the Fixed Income Investment III (Pvt) Ltd, Fixed Income Investment V (Pvt) Ltd had been amalgamated to Fixed Income Investment II (Pvt) Ltd.

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	55,091,364,180	46,098,311,104
Impairment provision	2,577,686	543,188,245
Published net asset value	<u>55,093,941,866</u>	<u>46,641,499,349</u>
Number of units outstanding	1,514,252,155.77	1,419,652,047.23
Published net asset value per unit	<u>36.3836</u>	<u>32.8542</u>

20. COMPARATIVE INFORMATION

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