

**CAPITAL ALLIANCE BALANCED FUND
COLOMBO 02**

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



Tel : +94-11-2421878-79-70
+94-11-2387002-03
Fax : +94-11-2336064
E-mail : bdo partners@bdo.lk
Website : www.bdo.lk

Chartered Accountants
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02
Sri Lanka

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

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Capital Alliance Balanced 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 24.

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.

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



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

24th July 2025

NV/dm

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

Page 1

	Note	2024/2025 Rs.	2023/2024 Rs.
Investment Income			
Dividend income	4.1	7,254,768	1,667,521
Interest income	4.2	2,639,288	1,587,142
Realised gain on financial assets at FVTPL - quoted shares	7.2	24,122,107	6,125,919
Unrealised gain on financial assets at FVTPL- quoted shares	7.3	23,374,395	34,202,471
Total investment income		57,390,558	43,583,053
Expenses			
Management fees		(1,343,012)	(896,206)
Trustee fees		(358,136)	(283,163)
Custodian fees		(289,864)	(233,533)
Audit fee		(5,348)	-
Bank charges		(190,200)	(173,610)
Outperformance fee		(447,001)	(3,334,789)
Brokerage fee		(1,631,213)	(1,002,848)
Other expenses		(7)	(14,215)
Total operating expenses		(4,264,781)	(5,938,364)
Profit before tax		53,125,777	37,644,689
Income tax expense	5	-	-
Profit for the year		53,125,777	37,644,689
Other comprehensive income		-	-
Total comprehensive income		53,125,777	37,644,689
Increase in net assets attributable to unitholders		53,125,777	37,644,689

Figures in brackets indicate deductions.

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

Colombo
24th July 2025



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

Page 2

	Note	As at 31.03.2025 Rs.	As at 31.03.2024 Rs.
Assets			
Cash and cash equivalents	6	605,724	516,754
Financial assets - fair value through profit or loss	7.1	153,438,598	108,670,726
Financial assets at amortised cost	8	12,126,622	2,804,917
Income tax receivable	9	-	-
Other receivables	10	1,217,453	47,964
Total assets		<u>167,388,397</u>	<u>112,040,361</u>
Liabilities			
Accrued expenses	11	643,685	245,665
Total liabilities		<u>643,685</u>	<u>245,665</u>
Net assets		<u>166,744,712</u>	<u>111,794,696</u>
Unitholders' fund			
Net assets attributable to Unitholders		<u>166,744,712</u>	<u>111,794,696</u>

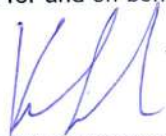
Figures in brackets indicate deductions.

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 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 24th July 2025.

Signed for and on behalf of the Management Company by:



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



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

Signed for and on behalf of the Trustee by;



Hatton National Bank PLC
Trustee



Hatton National Bank PLC
Trustee



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

Page 3

	2024/2025	2023/2024
	Rs.	Rs.
Unitholders' fund at the beginning of the year	111,794,696	2,814,361
Increase in net assets attributable to unitholders	53,125,777	37,644,689
Creation of units	182,843,933	137,576,691
Redemption of units	(181,019,694)	(66,241,045)
Net increase due to unitholders' transactions	1,824,239	71,335,646
Unitholders' fund at the end of the year	166,744,712	111,794,696

Figures in brackets indicate deductions.

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

Colombo
24th July 2025



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

Page 4

	2024/2025 Rs.	2023/2024 Rs.
Cash flows from operating activities		
Interest received	2,631,518	1,611,876
Dividend received	6,037,413	1,667,521
Management, trustee and custodian fees paid	(2,045,341)	(1,181,761)
Other expenses paid	(1,821,420)	(4,525,462)
Net change in other payable	-	(35,222,667)
Net change in other receivable	47,931	(47,964)
Net investment in treasury bills repurchase agreements	(9,314,000)	(659,437)
Proceeds from selling shares	77,006,644	28,331,089
Investment in equity shares	(74,278,014)	(61,938,710)
Net cash used in operating activities	(1,735,269)	(71,965,515)
Cash flows from financing activities		
Cash received on creation of units	182,843,933	137,576,691
Cash paid on redemption of units	(181,019,694)	(66,241,045)
Net cash generated from financing activities	1,824,239	71,335,646
Net increase/ (decrease) in cash and cash equivalents	88,970	(629,869)
Cash and cash equivalents at the beginning of the year (Note A)	516,754	1,146,623
Cash and cash equivalents at the end of the year (Note B)	605,724	516,754
At the beginning of the year		Note A
Cash at bank	516,754	1,146,623
	516,754	1,146,623
At the end of the year		Note B
Cash at bank	605,724	516,754
	605,724	516,754

Figures in brackets indicate deductions.

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

Colombo
24th July 2025





CAPITAL ALLIANCE BALANCED FUND
MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

Page 5

1. CORPORATE INFORMATION

1.1 General information

Capital Alliance Balanced Fund (the "Fund") is an open-ended Fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 30th January 2015.

The Fund is managed by Capital Alliance Investments Limited which has been incorporated and domiciled in Sri Lanka. The registered office of the management Company is located at Level 05, "Millennium House", 46/58, Nawam Mawatha, Colombo 02. The Trustee of the Fund is Hatton National Bank PLC having its place of business at "HNB Towers", No. 479, T. B. Jayah Mawatha (Darley Road), Colombo 10.

1.2 Operating activities

The overall objective of the Fund is to maximise the total return of the Fund by investing in a combination of equity and fixed income instruments.

1.3 Date of authorization for issue

The Financial Statements of the Fund for the year ended 31st March 2025 were authorised for issue by the Management Company and the Trustee on 24th 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 it is indicated. The Financial Statements have been presented in Sri Lankan rupees. The statement of financial position has been presented on a liquidity basis.

2.2 Statement of compliance

The Financial Statements which comprise the statement of financial position as at 31st March 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 Going concern

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

2.4 Materiality and aggregation

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

2.5 Functional and presentation currency

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

MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

2.6 Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities and 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 the items reported in the Financial Statements. These estimates are based on management's knowledge of the current facts and circumstances, and assumptions based on such knowledge and expectations of future events. Actual results may differ from such estimates.

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

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

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

Determination of Fair Value and Fair Value Hierarchy

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

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

2.7 Summary of material accounting policy information**2.7.1 Financial instruments****2.7.1.1 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.

2.7.1.2 Initial measurement of financial assets

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



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

2.7.1.3 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

2.7.1.4 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 the 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. Any gain or loss arising on de-recognition is recognised directly in the statement of profit or loss and presented as realised gain/(loss) on debt instruments held at amortised cost.

Fair value through profit and loss

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

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely the payments of principal and interest on the principal amount outstanding
or
- (b) It is not held within a business model whose objective is either to collect the contractual cash flows or to both collect the 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 recognizing the gains and losses on them on different bases.

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

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

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

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



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

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 de-recognised as well as through the EIR amortisation process.

2.7.1.6 Impairment

The Fund assesses on a forward-looking basis, the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

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

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

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

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

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

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.



2.7.1.7 De-recognition

A financial asset is de-recognised when,

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

2.7.1.8 Offsetting of financial instruments

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

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

2.7.2 Cash and cash equivalents

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

2.7.3 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 would not be liable for income tax on any income which is a 'pass through' to its Unitholders. Accordingly, post 31st March 2018, the Fund has considered all income as being a 'pass through' to its Unitholders.

2.7.4 Recognition of income

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

(i) Interest income

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



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

(ii) Dividend income

Income is recognised when the right to receive the dividend is established, normally being the ex-dividend date. Dividend income is recognised net of withholding tax, if any.

(iii) Unrealised gains/(losses) on financial assets held at fair value through profit or loss

Unrealised gains/(losses) on financial assets held at fair value through profit or loss includes all gains and losses arise from changes in fair value of financial assets held at fair value through profit or loss" as at the reporting date.

(iv) Realised gains/(losses) on financial assets held at fair value through profit or loss

Realised gains/(losses) on financial assets held at fair value through profit or loss includes results of buying and selling of quoted equity securities.

2.7.5 Expenses

The management, trustee and custodian fees of the Fund as per the trust deed are as follows,

Management fee	-	0.75% of the Net Asset Value of the Fund.
Performance fee	-	10% of any excess percentage in the net return over the growth of the All-Share Price Index over a period of one year.
Trustee fee	-	0.20% p.a. of net asset value of the Fund.
Custodian fee	-	Flat fee of Rs. 20,000 per month.

2.7.6 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 in treasury bills, repurchase agreements, commercial papers, fixed deposits, trading securities and cash at bank. The overall objective of this Fund is to optimise the 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.

In accordance with LKAS 39 Financial Instruments: Recognition and Measurement, the investments in repurchase agreements and fixed deposits are classified as 'loans and receivables' and are valued at amortised cost. The Fund's investments in trading equity securities are classified as 'held for trading' and valued at fair value. 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.

MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

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, liquidity risk and economic risk.

Financial instruments of the Fund comprise investments in treasury bills/bond repurchase agreements, fixed deposits and trading equity securities, 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 risk 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 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 various risks, as well as compliance with established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept, with additional emphasis on selected industries. This information is prepared and reported to relevant parties within the Fund 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.

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.

3.3 Credit risk

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

The Fund's 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 Balanced Fund's investments in debt instruments are only in repurchase agreements against the Government securities.



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

3.3.1 Debt securities

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.

Risk rating	31 st March 2025 Rs.	31 st March 2024 Rs.
Low risk	12,126,622	2,804,917
Total	12,126,622	2,804,917

The investments grading of the issuers are as follows:

Issuer	Rating	Rating Agency
Hatton National Bank PLC	AA-	Fitch Rating
Commercial Bank of Ceylon PLC	AA-	Fitch Rating
DFCC Bank PLC	A	Fitch Rating
Nations Trust Bank PLC	A	Fitch Rating
Sampath Bank PLC	AA-	Fitch Rating
Sanasa Development Bank PLC	BB+	Fitch Rating
Seylan Bank PLC	A+	Fitch Rating
National Development Bank PLC	A	Fitch Rating

3.3.2 Cash and cash equivalents

All counterparties have a rating of AA- as determined by the Fitch rating Lanka Limited. 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.

3.3.3 Risk concentration of credit risk exposure

Concentration of credit risk is managed by counterparty and by market sector. The Fund is also subject to credit risk on its investment in quoted shares. The credit risk exposure on these instruments is not deemed to be significant.

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

	As at 31.03.2025 Rs.		As at 31.03.2024 Rs.	
	Amortized Cost/ Fair Value	Maximum Exposure	Amortized Cost/ Fair Value	Maximum Exposure
Financial assets at FVTPL	153,438,598	153,438,598	108,670,726	108,670,726
Total	153,438,598	153,438,598	108,670,726	108,670,726



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

3.3.4 Credit risk by class of financial assets

As at 31 st March 2025	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				
Financial assets at amortised cost	12,126,622	-	-	12,126,622
Other receivables	1,217,453	-	-	1,217,453
Cash and cash equivalents	605,724	-	-	605,724
	13,949,799	-	-	13,949,799

As at 31 st 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				
Financial assets at amortised cost	2,804,917	-	-	2,804,917
Other receivables	47,964	-	-	47,964
Cash and cash equivalents	516,754	-	-	516,754
	3,369,635	-	-	3,369,635

There is 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 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 Management Company invests in a variety of securities.

MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

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 and equity 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	Nil	605,724	605,724
Financial assets at FVTPL	Nil	Nil	153,438,598	153,438,598
Financial assets at amortised cost	Nil	12,126,622	Nil	12,126,622
Other receivable	Nil	Nil	1,217,453	1,217,453
Total exposure	Nil	12,126,622	155,261,775	167,388,397

	Floating interest Rs.	Fixed interest Rs.	Non-interest Rs.	Total Rs.
As at 31st March 2024				
Financial assets				
Cash and cash equivalents	Nil	Nil	516,754	516,754
Financial assets at FVTPL	Nil	Nil	108,670,726	108,670,726
Financial assets at amortised cost	Nil	2,804,917	Nil	2,804,917
Other receivable	Nil	Nil	47,964	47,964
Total exposure	Nil	2,804,917	109,235,444	112,040,361

3.5 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates.

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

3.6 Price risk

Price risk is the risk that the fair values of the Fund's investment in trading securities fluctuate as a result of changes in the price of the Fund's investments in trading securities. Price risk exposure arises from the Fund's investment portfolios.



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

The table below shows the impact on the statement of Comprehensive Income and Statement of Financial Position due to a reasonably possible change in the price of the Fund's investment in trading equity securities, with all other variables held constant:

	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 price of the Fund's investment in trading securities existing as of reporting date:				
+10%	15,343,860	15,343,860	10,867,073	10,867,073
-10%	(15,343,860)	(15,343,860)	(10,867,073)	(10,867,073)

3.7 Liquidity risk

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

Due to the nature of a unit trust, it is unlikely that a significant number of Unitholders would exit at the same time. However, to control liquidity risk, the Fund invests in financial instruments which are readily convertible into cash under normal market conditions.

In addition, the Fund invests within established limits to ensure that there is no concentration of risk. The Fund 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.

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

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



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

	Less than 1 month Rs.	1-6 months Rs.	6-12 months Rs.	More than 1 year Rs.	Total Rs.
As at 31st March 2025					
<u>Financial assets</u>					
Financial assets - fair value through profit or loss	153,438,598	-	-	-	153,438,598
Financial assets at amortised cost	12,116,000	-	-	-	12,116,000
Other receivables	1,217,453	-	-	-	1,217,453
Cash and cash equivalents	605,724	-	-	-	605,724
	167,377,775	-	-	-	167,377,775
<u>Financial liabilities</u>					
Management fee	131,579	-	-	-	131,579
Trustee fee	35,088	-	-	-	35,088
Custodian fee	24,669	-	-	-	24,669
Audit fee	5,348	-	-	-	5,348
Outperformance fee	447,001	-	-	-	447,001
	643,685	-	-	-	643,685
As at 31st March 2024					
<u>Financial assets</u>					
Financial assets - fair value through profit or loss	108,670,726	-	-	-	108,670,726
Financial assets at amortised cost	2,804,917	-	-	-	2,804,917
Other receivables	47,964	-	-	-	47,964
Cash and cash equivalents	516,754	-	-	-	516,754
	112,040,361	-	-	-	112,040,361
<u>Financial liabilities</u>					
Management fee	156,354	-	-	-	156,354
Trustee fee	41,694	-	-	-	41,694
Custodian fee	47,617	-	-	-	47,617
	245,665	-	-	-	245,665

The contractual amounts disclosed in this analysis are gross undiscounted cashflows and, therefore, may not agree with the carrying amounts in the Statement of Financial Position.



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

3.8 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 1.35% 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.

3.9 Capital risk management

The Fund considers its net assets attributable to Unitholders as capital, notwithstanding net assets attributable to Unitholders are classified as a liability. The amount of net assets attributable to Unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of Unitholders. Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Management Company. Under the terms of the Unit Trust Code, the Management Company has the discretion to reject an application for units and to defer redemption of units if the exercise of such discretion is in the best interests of Unitholders.

Following being the disclosures of Unitholders' Fund;



CAPITAL ALLIANCE BALANCED FUND
MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

Page 18

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

I. In terms of Value

	Rs.
Unitholders' Fund as at 01 st April 2024	111,794,696
Creations during the year	182,843,933
Redemptions during the year	(181,019,694)
Total comprehensive income for the year	53,125,777
Unitholders' Fund as at 31 st March 2025	<u>166,744,712</u>

II. In terms of No. of units

	No. of Units
Opening no of Units as at 01 st April 2024	5,902,087
Unit creations during the year	7,235,808
Unit redemptions during the year	(7,075,695)
Closing no of Units as at 31 st March 2025	<u>6,062,200</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 attaching to it as all other Units of the Fund.



	2024/2025 Rs.	2023/2024 Rs.
4. INVESTMENT INCOME		
4.1 Dividend income	7,254,768	1,667,521
4.2 Interest on		
Treasury bill	-	148,332
Treasury bill reverse repurchase agreements	2,537,216	1,266,471
Savings account	102,072	172,339
	<u>2,639,288</u>	<u>1,587,142</u>

5. INCOME TAX EXPENSE

Following the enactment of the new Inland Revenue Act No. 24 of 2017 effective from 1st April 2018, the Fund is deemed to be conducting an eligible investment business and is treated as a tax 'pass through' vehicle. Hence, no provision for income tax has been made in the Financial Statements for the year ended 31st March 2025.

	As at 31.03.2025 Rs.	As at 31.03.2024 Rs.
6. CASH AND CASH EQUIVALENTS		
Cash at bank	605,724	516,754
	<u>605,724</u>	<u>516,754</u>



		31.03.2025 Rs.	31.03.2024 Rs.
7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
7.1 Quoted equity securities			
Cost of investment		95,959,560	74,566,083
Increase in market value of quoted equity securities		57,479,038	34,104,643
Market value	7.4	<u>153,438,598</u>	<u>108,670,726</u>
7.2 Realised gain on financial assets at fair value through profit or loss			
Proceeds on sale of equity shares		77,006,644	28,331,089
Average cost of equity sold		(52,884,537)	(22,205,170)
		<u>24,122,107</u>	<u>6,125,919</u>
7.3 Unrealised gain on financial assets at fair value through profit or loss			
Equity securities		23,374,395	34,202,471
		<u>23,374,395</u>	<u>34,202,471</u>
7.4 Quoted equity securities - fair value measurement			

Counterparty	As at 31.03.2025			As at 31.03.2024		
	No of shares	Market value Rs.	Holding as a % of net asset value	No of shares	Market value Rs.	Holding as a % of net asset value
Banks						
Hatton National Bank PLC	81,157	24,752,885	15%	82,734	14,892,120	13%
Nations Trust Bank PLC	132,609	25,195,710	15%	150,840	16,215,300	15%
Sampath Bank PLC	221,062	27,080,095	16%	196,154	15,692,320	14%
Commercial Bank of Ceylon PLC	167,141	24,653,298	15%	187,724	18,340,635	16%
DFCC Bank PLC	124,378	13,184,068	8%	213,075	16,193,700	14%
Sanasa Development Bank PLC	257,477	9,320,667	6%	252,039	8,191,268	7%
Seylan Bank PLC - Voting	188,367	13,656,608	8%	154,440	7,258,680	6%
Seylan Bank PLC - Non Voting	100,000	5,310,000	3%	312,808	11,886,704	11%
National Development Bank PLC	96,124	10,285,268	6%	-	-	0%
		<u>153,438,598</u>	<u>92%</u>		<u>108,670,726</u>	<u>97%</u>

		As at 31.03.2025		As at 31.03.2024	
		Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
8. FINANCIAL ASSETS AT AMORTISED COST					
Treasury bill repurchase agreements	8.1	12,126,622	12,126,622	2,804,917	2,804,917
		<u>12,126,622</u>	<u>12,126,622</u>	<u>2,804,917</u>	<u>2,804,917</u>

		As at 31.03.2025		As at 31.03.2024	
		Carrying value Rs.	Holding as a % of net asset value	Carrying value Rs.	Holding as a % of net asset value
8.1 Treasury bill repurchase agreements					
HNB Securities Limited		12,126,622	7%	-	0%
Acuity Securities Limited		-	0%	2,804,917	3%
		<u>12,126,622</u>	<u>7%</u>	<u>2,804,917</u>	<u>3%</u>



	As at 31.03.2025 Rs.	As at 31.03.2024 Rs.
9. Income tax receivable		
Income tax receivable	8,215	8,215
Provision for doubtful income tax receivable	(8,215)	(8,215)
	<u>-</u>	<u>-</u>
10. OTHER RECEIVABLE		
Customer cash	-	47,931
Money market interest receivable	98	33
Dividend receivable	1,217,355	-
	<u>1,217,453</u>	<u>47,964</u>
11. ACCRUED EXPENSES		
Management fees payable	131,579	156,354
Trustee fees payable	35,088	41,694
Custodian fees payable	24,669	47,617
Audit fee payable	5,348	-
Outperformance fee payable	447,001	-
	<u>643,685</u>	<u>245,665</u>

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

12.1 Determination of fair value and fair value hierarchy

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

	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	153,438,598	-	-	153,438,598
As at 31st March 2024				
Financial assets - fair value through profit or loss	108,670,726	-	-	108,670,726

12.2 Financial Assets and Financial Liabilities not carried at fair value

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 equivalents
Financial assets at amortised cost
Other receivables

Liabilities

Accrued expenses and other payables

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

13.1 Contingent liabilities

There were no contingent liabilities as at the reporting date.

13.2 Contingent assets

There were no contingent assets as at the reporting date.



14. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that would require adjustments to, and/or disclosure in these financial statements.

15. CAPITAL COMMITMENTS

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

16. ASSETS PLEDGED

There were no assets pledged as securities as at the reporting date.

17. UNITS IN ISSUE AND UNIT PRICE

Units in issue and deemed to be in issue as at 31st March 2025 6,062,199.84 is (2024 - 5,902,086.50) and Unit price as at this date is Rs. 27.5056 (2024 - Rs.18.9416/-).

18. RELATED PARTY DISCLOSURE

18.1 Responsible entity

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

18.2 Key management personnel

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

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

ii) Other key management personnel

Other 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.



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

18.5 Related party unit holding and other transactions

The following are the related party unit holdings of Capital Alliance Balanced Fund.

As at 31st March 2025

Name	Relationship	No. of Units	Value of units held Rs.
Capital Alliance Investments Limited	Managing Company	278.78	7,589

As at 31st March 2024

Name	Relationship	No. of Units	Value of units held Rs.
Capital Alliance Investments Limited	Managing Company	278.78	5,223

18.6 Other transactions with and amounts due to related parties

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

	Charge for the year ended		Balance as at	
	2024/2025	2023/2024	31.03.2025	31.03.2024
	Rs.	Rs.	Rs.	Rs.
Fund management fee	1,343,012	896,206	131,579	156,354
Trustee fees	358,136	283,163	35,088	41,694
Custodian fees	289,864	233,533	24,669	47,617
Outperformance fees	447,001	3,334,789	447,001	-

- b) The Bank balance held at Hatton National Bank PLC 605,724 516,754

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

18.7 Other transactions with related parties

Investments in Treasury bill repurchase agreements and treasury bills have been made in the ordinary course of operations with 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 bill repurchase agreements with Capital Alliance PLC - (Subsidiary of the Ultimate Parent Company of the Management Company)	252,084	301,477	-	-
Investments in Treasury bills with Capital Alliance PLC - (Subsidiary of ultimate Parent Company of the Management Company)	-	148,332	-	-



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	166,744,712	111,794,696
Published net asset value	166,744,712	111,794,696
Number of Units outstanding	6,062,200	5,902,087
Published net asset value per unit	27.5056	18.9416

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.

