

CAPITAL ALLIANCE GILT FUND
COLOMBO 2

FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31ST MARCH 2026



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

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Capital Alliance Gilt Fund ("the Fund"), which comprise the statement of financial position as at 31st March 2026, 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 20.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Fund as at 31st March 2026, 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.
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Nirosha Vadivel Bsc (Acc.), FCA, ACMA. R. D. Chamika N. Wijesinghe FCA, BBA (Acc.) Sp. H. M. R. Thilina Ranaweera FCA, BBMgt (Acc.) Sp.

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

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

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

Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of 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

23rd July 2026

NV/cc

CAPITAL ALLIANCE GILT FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2026

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	Note	2025/2026 Rs.	2024/2025 Rs.
Investment income			
Interest income	4	313,897	312,181
Unrealised loss on financial assets at FVTPL		-	(2,494)
Total investment income		313,897	309,687
Other income		15,430	19,166
Expenses			
Management fees		(25,388)	(23,250)
Trustee fees		(6,601)	(6,045)
Audit fees		(2,578)	(1,220)
Bank charges		(6,975)	(15,070)
Total operating expenses		(41,542)	(45,585)
Profit before tax		287,785	283,268
Income tax expense	5	-	-
Profit after tax for the year		287,785	283,268
Other comprehensive income		-	-
Total comprehensive income		287,785	283,268
Increase in net assets attributable to unitholders		287,785	283,268

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 20 form an integral part of these Financial Statements.

Colombo
23rd July 2026



CAPITAL ALLIANCE GILT FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2026

Page 2

	Note	As at 31.03.2026 Rs.	As at 31.03.2025 Rs.
Assets			
Cash and cash equivalents	6	352,401	855,809
Financial assets at amortised cost	7	3,939,883	2,790,205
Income tax receivable	8	-	-
Other receivables	9	34	143
Total assets		4,292,318	3,646,158
Liabilities			
Accrued expenses	10	81,115	51,550
Total liabilities		81,115	51,550
Net assets		4,211,203	3,594,608
Unitholders' fund			
Net assets attributable to unitholders		4,211,203	3,594,608

The accounting policies and notes on pages 05 to 20 form an integral part of these Financial Statements.

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

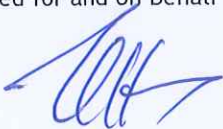
The Financial Statements were approved by the Management Company and the Trustee on 23rd July 2026.

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

Colombo
23rd July 2026



CAPITAL ALLIANCE GILT FUND
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE YEAR ENDED 31ST MARCH 2026

Page 3

	2025/2026 Rs.	2024/2025 Rs.
Unitholders' fund at the beginning of the year	3,594,608	2,736,299
Increase in net assets attributable to unitholders	287,785	283,269
Creation of units	4,302,063	10,203,477
Redemption of units	(3,973,253)	(9,628,437)
Net increase due to unitholders' transactions	328,810	575,040
Unitholders' fund at the end of the year	4,211,203	3,594,608

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 20 form an integral part of these Financial Statements.

Colombo
23rd July 2026



CAPITAL ALLIANCE GILT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2026

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	2025/2026 Rs.	2024/2025 Rs.
Cash flows from operating activities		
Interest received	304,218	342,741
Other income received	2,964	3,965
Investment in reverse repurchase agreements	(1,140,000)	(2,175,000)
Net investment in treasury bills	-	1,946,804
Net cash (used in)/generated from operating activities	(832,818)	118,510
Cash flows from financing activities		
Cash received on creation of units	4,302,663	10,209,077
Cash paid on redemption of units	(3,973,253)	(9,628,437)
Net cash generated from financing activities	329,410	580,640
Net (decrease)/increase in cash and cash equivalents	(503,408)	699,150
Cash and cash equivalents as at the beginning of the year (Note A)	855,809	156,659
Cash and cash equivalents as at the end of the year (Note B)	352,401	855,809
As at the beginning of the year		Note A
Cash at bank	855,809	156,659
	855,809	156,659
As at the end of the year		Note B
Cash at bank	352,401	855,809
	352,401	855,809

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 20 form an integral part of these Financial Statements.

Colombo
23rd July 2026



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION**1.1 General information**

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

The Fund is managed by Capital Alliance Investments Limited which is incorporated and domiciled in Sri Lanka. The registered office of the Management Company was previously located at Level 05, "Millennium House", 46/58, Nawam Mawatha, Colombo 02. During the year, the Company changed its registered office to Level 06, M2M Veranda Offices, No. 34, W. A. D. Ramanayake Mawatha, Colombo 02. The Trustee of the Fund is Hatton National Bank PLC whose place of business is at "HNB Towers", No. 479, T. B. Jayah Mawatha (Darley Road), Colombo 10.

1.2 Operating activities

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

1.3 Date of authorisation for issue

The Financial Statements of the Fund for the year ended 31st March 2026 were authorised for issue by the Management Company and the Trustee on 23rd July 2026.

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 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 2026, 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 Going concern

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

2.5 Materiality and aggregation

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



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/LKAs requires the management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. In the selection and application of the Fund's accounting policies, which are described below, the Fund Management Company is required to make judgments and assumptions and use assumptions in measuring items reported in the Financial Statements. These estimates are based on the management's knowledge of current facts and circumstances, and assumptions based on such knowledge and expectations of future events. Actual results may differ from such estimates.

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

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

The 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 regulation or convention in the marketplace.

2.7.1.2 Initial measurement of financial assets

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



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

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.

2.7.1.4 Subsequent measurement**Amortised cost**

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

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

Fair value through profit or loss:

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

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

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

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

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

The Fund's financial liabilities comprise accrued expenses and other payables in the statement of financial position.



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 derecognised as well as through the EIR amortisation process.

2.7.1.6 Impairment

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

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

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

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the financial assets.

Write-offs

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



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

2.7.1.7 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.

2.7.1.8 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 Payables and provisions

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

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

2.7.4 Income tax

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

2.7.5 Recognition of income

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



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

(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.

(ii) Realised (loss)/gain on financial assets at fair value through profit or loss

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

(iii) Unrealised (loss)/gain on financial assets at fair value through profit or loss

Realised gains/(losses) on financial assets held at fair value through profit or loss include results of buying and selling of units.

2.7.6 Expenses

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

Management fee	-	0.50% of Net asset value of the Fund
Trustee fee	-	0.13% p.a. of net asset value of the Fund
Custody fee	-	Rs. 20,000/- per month plus the applicable Government tax

During the 2025/26 financial year, the custodian waived its fees for this fund.

2.7.7 Unitholders' Fund and net assets attributable to unitholders

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

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

3. FINANCIAL RISK MANAGEMENT

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

Financial instruments of the Fund comprise cash at bank and investment in treasury bills repurchase agreements.

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



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

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

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

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

3.1 Credit risk

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

The Fund is subject to credit risk on its bank balance, investment in treasury bill reverse repurchase agreements and receivables. The credit risk exposure on these instruments is not deemed to be significant.

3.1.1 Debt securities

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

	31 st March 2026	31 st March 2025
	Rs.	Rs.
Risk rating		
Low risk	3,939,883	2,790,205
Total	3,939,883	2,790,205

The investments grading of the issuer is as follows:

Issuer	Rating	Rating Agency
HNB Securities Limited	A	Fitch Rating Lanka Ltd

3.1.2 Cash and cash equivalents

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



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

3.1.3 Credit risk by class of financial assets

As at 31 st March 2026	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	3,939,883	-	-	3,939,883
Other receivables	34	-	-	34
Cash and cash equivalents	352,401	-	-	352,401
	4,292,318	-	-	4,292,318

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	2,790,205	-	-	2,790,205
Other receivables	143	-	-	143
Cash and cash equivalents	855,809	-	-	855,809
	3,646,157	-	-	3,646,157

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.

3.2 Market risk

3.2.1 Cash flow and fair value interest rate risk

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

The Fund's policy is to hold all its net assets attributable to unitholders 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.



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

As at 31 st March 2026	Floating interest Rs.	Fixed interest Rs.	Non-interest Rs.	Total Rs.
Financial assets				
Cash and cash equivalents	Nil	Nil	352,401	352,401
Financial assets at amortised cost	Nil	3,939,883	Nil	3,939,883
Other receivables	Nil	Nil	34	34
Total exposure	Nil	3,939,883	352,435	4,292,318

As at 31 st March 2025	Floating interest Rs.	Fixed interest Rs.	Non-interest Rs.	Total Rs.
Financial assets				
Cash and cash equivalents	Nil	Nil	855,809	855,809
Financial assets at amortised cost	Nil	2,790,205	Nil	2,790,205
Other receivables	Nil	Nil	143	143
Total exposure	Nil	2,790,205	855,952	3,646,157

3.3 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 the 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 st March 2026	Impact on operating profit/net assets attributable to unitholders' interest rate risk 31 st March 2025
Change in interest rate of the Trust's investment in trading securities:		
+1%	39,399	27,902
-1%	(39,399)	(27,902)



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

3.4 Liquidity risk

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

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

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

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

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

As at 31 st March 2026	Less than 1 month Rs.	1-6 months Rs.	6-12 months Rs.	1-2 years Rs.	Total Rs.
Financial assets					
Financial assets at amortised cost	-	3,993,944	-	-	3,993,944
Cash and cash equivalents	352,401	-	-	-	352,401
Other receivables	34	-	-	-	34
	352,435	3,993,944	-	-	4,346,379
Financial liabilities					
Management fee payable	-	60,640	-	-	60,640
Trustee fee payable	-	16,078	-	-	16,078
Audit fee payable	-	3,797	-	-	3,797
Payable on unit creation	-	600	-	-	600
	-	81,115	-	-	81,115



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

As at 31 st March 2025	Less than 1 month Rs.	1-6 months Rs.	6-12 months Rs.	1-2 years Rs.	Total Rs.
Financial assets					
Financial assets at amortised cost	2,792,030	-	-	-	2,792,030
Cash and cash equivalents	855,809	-	-	-	855,809
Other receivables	143	-	-	-	143
	3,647,982	-	-	-	3,647,982
Financial liabilities					
Management fee payable	-	-	35,252	-	35,252
Trustee fee payable	-	-	9,477	-	9,477
Audit fee payable	1,220	-	-	-	1,220
Payable on unit creation	5,600	-	-	-	5,600
	6,820	-	44,729	-	51,549

3.5 Capital risk management

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

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

The following is the disclosures of the unitholders' Fund.

The movement in the unitholders' Fund

I. In terms of value

	As at 31.03.2026 Rs.	As at 31.03.2025 Rs.
Unitholders' Fund	3,594,608	2,736,299
Creations during the year	4,302,063	10,203,477
Redemptions during the year	(3,973,253)	(9,628,437)
Total comprehensive income for the year	287,785	283,269
Unitholders' Fund	4,211,203	3,594,608



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

II. In terms of number of units

	As at 31.03.2026 No. of units	As at 31.03.2025 No. of units
Opening number of units	271,566.75	222,588.12
Unit creations during the year	314,948.70	792,615.74
Unit redemptions during the year	(289,456.50)	(743,607.11)
Closing number of units	297,058.95	271,566.75

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.



	2025/2026 Rs.	2024/2025 Rs.
4. INVESTMENT INCOME		
Interest on treasury bill repurchase agreements	313,897	96,092
Interest on treasury bills	-	216,089
	<u>313,897</u>	<u>312,181</u>

5. INCOME TAX EXPENSE

Following the enactment of the new Inland Revenue Act No. 24 of 2017 effective from 1st April 2018, the Fund is deemed as conducting an eligible investment business and is treated as a tax pass through vehicle. Hence, no provision for income tax was made in the Financial Statements for the year ended 31st March 2026.

	As at 31.03.2026 Rs.	As at 31.03.2025 Rs.
6. CASH AND CASH EQUIVALENTS		
Cash at bank	352,401	855,809
	<u>352,401</u>	<u>855,809</u>

	As at 31.03.2026		As at 31.03.2025	
	Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.

7. FINANCIAL ASSETS AT AMORTISED COST

Investment in treasury bill reverse repurchase agreements	7.1	3,939,883	3,939,883	2,790,205	2,790,205
		<u>3,939,883</u>	<u>3,939,883</u>	<u>2,790,205</u>	<u>2,790,205</u>

	As at 31.03.2026		As at 31.03.2025	
	Carrying value Rs.	Holding as a % of net asset value	Carrying value Rs.	Holding as a % of net asset value

7.1 Treasury bills reverse repurchase agreements

Capital Alliance PLC	-	-	2,790,205	78%
HNB Securities Ltd	3,939,883	94%	-	-
	<u>3,939,883</u>	<u>94%</u>	<u>2,790,205</u>	<u>78%</u>



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NOTES TO THE FINANCIAL STATEMENTS

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	As at 31.03.2026 Rs.	As at 31.03.2025 Rs.
8. INCOME TAX RECEIVABLE		
Income tax receivable	5,300,626	5,300,626
Provision for doubtful income tax receivable	(5,300,626)	(5,300,626)
	<u>-</u>	<u>-</u>
9. OTHER RECEIVABLES		
Money market interest receivable	34	143
	<u>34</u>	<u>143</u>
10. ACCRUED EXPENSES		
Management fee payable	60,640	35,253
Trustee fee payable	16,078	9,477
Audit fee payable	3,797	1,220
Payable on unit creation	600	5,600
	<u>81,115</u>	<u>51,550</u>

Payable on unit creation amounting to Rs. 600/- represents amounts payable in respect of unit creations for which cash has been received from investors amounting to Rs. 4,302,663/- but units were pending allotment as at reporting date.

11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

11.1 Contingent liabilities

There were no contingent liabilities as at the reporting date.

11.2 Contingent assets

There were no contingent assets as at the reporting date.

12. EVENTS AFTER THE REPORTING DATE

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

13. CAPITAL COMMITMENTS

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

14. ASSETS PLEDGED

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

15. UNITS IN ISSUE AND UNIT PRICE

Units in issue and deemed to be in issue as at 31st March 2026 are 297,058.95 (2025 - 271,566.75) and unit price as at this date is Rs.14.1763 (2025 - Rs.13.2366).

16. RELATED PARTY DISCLOSURES

16.1 Responsible entity

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

16.2 Key management personnel

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

i) Directors

Mr. K.P Mannakkara

Ms. H. M. S. Perera

Dr. M. De Zoysa

ii) Other key management personnel (KMPs)

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

16.3 Key management personnel compensation

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

16.4 Related party unit holding and other transactions

As at 31st March 2026

Name	Relationship	No.of units	Value Rs.
Capital Alliance Investments Limited	Management Company	207,656	2,943,799

As at 31st March 2025

Name	Relationship	No.of units	Value Rs.
Capital Alliance Investments Limited	Management Company	196,255	2,597,747

16.5 Other transactions with related parties

Apart from those details disclosed in Note 16.2 key management personnel have not entered into any other transactions involving the Fund during the financial year.

16.6 Other transactions 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 disclosed below:

	Charge for the year		Balance as at	
	2025/2026 Rs.	2024/2025 Rs.	31.03.2026 Rs.	31.03.2025 Rs.
Fund management fee	25,388	23,250	60,640	35,252
Trustee fee	6,601	6,045	16,078	9,477

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

16.6 Other transactions with and amounts due from related parties (Contd....)

	As at 31.03.2026 Rs.	As at 31.03.2025 Rs.
b) The bank balance held at Hatton National Bank PLC	352,401	855,809
c) In addition to the above, certain administrative expenses are borne by the Management Company.		

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

	As at 31.03.2026 Rs.	As at 31.03.2025 Rs.
Net asset value as per Financial Statements	4,211,203	3,594,608
Published net asset value	<u>4,211,203</u>	<u>3,594,608</u>
Number of units outstanding	297,058.95	271,566.75
Published net asset value per Unit	<u>14.1763</u>	<u>13.2366</u>

18. 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.

