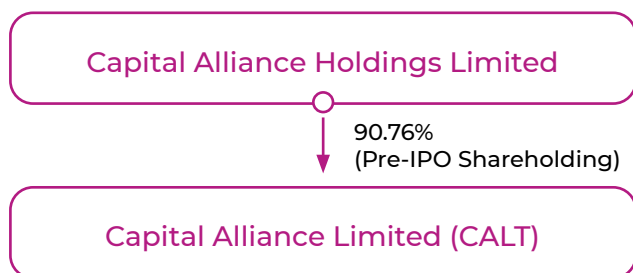

3. THE COMPANY

3.1 OVERVIEW OF THE COMPANY

Capital Alliance Limited (CALT) was established in 2000 as a debt dealer and subsequently appointed as an authorised primary dealer by the Central Bank of Sri Lanka in 2003. With over two decades of experience, the Capital Alliance Group (CAL Group) has graduated to become a leading Investment Banking group in Sri Lanka. The Group has diversified into asset management, stock brokering, corporate debt and equity advisory, private equity and research services to suit the needs of their wide-ranging clients. The group specialises in originating, trading and investing in debt and equity securities, thereby offering investments into a variety of asset classes, all under one roof. Family businesses form the core constituents of the Group's client base. By focusing on building and nurturing long-term relationships with their clients this has indisputably brought about great success for the Group.

Capital Alliance Limited forms the securities trading function of the Group and, as per the CBSL², is one of five (05) non-Bank Primary Dealers in the country. CALT's main business is trading government securities and the Company makes profits by accurately forecasting interest rate movements. CALT's business is regulated by the Central Bank of Sri Lanka and its operations are limited to those specified under Schedule III of the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009 as amended from time to time.

Group Structure



3.1.1 KEY STRENGTHS OF CALT

A. Interest Rate Forecasting

Interest rate forecasting is a key aspect of the CALT business model and management's experience in interest rate forecasting helps to indicate the ideal time for market entry and exit.

CALT has its own in-house proprietary trading models which has been instrumental in forecasting interest rates in the past as depicted by its stellar ROE. Given that CALT operates in a highly dynamic field, the Company undertakes research to keep up with emerging market trends and to continuously improve their forecasting capacity. Further, the use of Big Data driven systems helps to analyse past patterns and extrapolate them to gauge current market trends.

B. Diverse and Dedicated Dealing Team & Focus Towards Human Resource Development

CAL comprises of a team of individuals from diverse backgrounds who add value in their own capacities. The team is headed by three veterans in the industry – CAL Group CEO (Mr. Ajith Fernando) who holds over 30 years of experience in Primary Dealing, Managing Director (Mr. Somadasa Palihawadana) who has over 43 years of experience in the industry and the CAL Group Chief Risk & Compliance Officer (Mrs. Sharmali Perera) who has been in the industry for over 20 years. The trio bring in a wealth of experience and expertise into CALT.

By maintaining a balance between young and dynamic members along with seasoned veterans, CALT is able to bring in technical expertise and current market knowledge to ensure that their operations run smoothly as they offer high quality services to clients.

The CAL Group places great emphasis on performance and work ethic across all group companies. Building on this culture, CALT aims to motivate their employees for work and personal success. There is an appraisal index that

2 <https://www.cbsl.gov.lk/en/authorized-financial-institutions/registered-authorized-primary-dealers>

ascertains the training requirements of CALT's resource pool, which in turn determines the success of their employees. Given the dynamic nature of the industry the Company's commitment to training and development is at the forefront of their agenda. This is because relevant training is instrumental for employees to achieve technical expertise and raise competency levels to be better equipped to handle the challenges in the industry. Training also includes sales training, anti-money laundering, bonds and securities, budget management and cash flow management and specialised training is required to enhance decision making and supervisory abilities in terms of communication, negotiation and conflict resolution skills. The Company also ensures that they invest in human capital in the specialised field of money markets which is a growing niche market.

C. Stringent Risk Management Policies

CALT has a plethora of risk management/mitigation policies in place. This emphasises on the fact that the Company ensures discipline when making trading decisions on their portfolio by trading within the risk management policies set by the board of directors to minimise losses.

Core policies include:

Cut loss policies – maintains a limit in terms of maximum loss a portfolio can undergo. Every trading position taken by the company will have a cut loss limit earmarked which ensures the maximum loss the company will incur, when a trading position is capped.

Value at Risk (VaR) limit – The VaR is a mathematical model which forecasts the loss the portfolio can undergo with 95% probability within a stipulated limit set by the Board of Directors. Therefore, in a worst-case scenario with 95% confidence level there is a pre-determined maximum value of money that can be lost. This is monitored daily by the Dealing team and Management.

Target Duration and Convexity – The duration of the portfolio depends on the maturity of the bills and bonds held in the portfolio. The duration of the portfolio is based on the prevailing interest rate outlook. The longer tenor bonds carry a higher interest rate risk, therefore, the average duration of holding a portfolio needs to be factored in to spread interest rate risk.

Scenario analysis limits – with the use of the data systems, CALT is able to successfully gauge the market conditions based-on past data and experience in market conditions. With this, they can make informed decision in terms of interest rate outlook.

D. In-House Software Systems

CALT has systems software that integrates the back-office function to manage settlements efficiently, without any bottlenecks, errors or defaults. This includes the Fixed Income System that handles deal processing and settlement functions of the back-office operations and the Traders Front End System which was developed to ensure portfolio management with risk mitigation tools.

E. Part of an Established and Multifaceted Financial Services Group (CAL Group)

As a member of a multifaceted financial services group, CALT is able to draw on the synergistic benefits of all the services offered by the CAL Group. There is a higher chance of knowledge transfer and ability to draw on the skills and talents of the individuals from the other verticals the Group operates in. Therefore, clients are able to benefit from this level of all-encompassing service.

3.1.2 AWARDS

Best Fixed Income Trading House: the IFM Awards (2016 and 2018) – celebrates excellence in its purest form and ensures the highest standards of innovation and performance.



3.2 VISION STATEMENT

CALT's Vision Statement is the same as the CAL Group's which is:

"To become the Preferred Investment Banking Partner in Frontier Markets."

3.3 MISSION STATEMENT

To drive economic growth in Frontier Markets by using capital markets to create a financial eco-system that is a more transparent and efficient alternative to the traditional banking system.

3.4 VALUES

CALT follows the 4 fundamental values that are part of the CAL Group:

- » Integrity - We only sell to our clients what we would sell to our family.
- » Fairness - We hire for attitude and reward performance.
- » Dynamism - We are always only two years away from irrelevance.
- » Teamwork - We are a star team, not a team of stars.

3.5 DEGREE OF DEPENDENCY ON KEY CUSTOMERS AND SUPPLIERS

Degree of dependency on Key Customers

Based on CALT's business model, a significant part of the Net Income is derived from the Interest Income (from Government Securities, Reverse Repos, etc.), and Trading Gains (realised gains on the sale of Government Securities, etc.).

Furthermore, CALT's gross income can be attributable to both the Primary and Secondary markets – with the CBSL constituting the entirety of the Primary market transactions. A break-down of the Secondary market sales based on the type of client is provided below:

Table 3-1 Contribution by Key Customers

| Customer Category | Contribution % to Secondary Market Sales (FY21) |
|------------------------------------|---|
| Banks | 67.51% |
| Primary Dealers | 12.84% |
| Fund Management Companies | 10.71% |
| Corporates | 3.45% |
| Individuals | 3.24% |
| Non-Banking Financial Institutions | 1.29% |
| Insurance Companies | 0.96% |
| TOTAL | 100% |

Source: CALT Management Information

Degree of dependency on Key Suppliers

Considering the nature of the business carried-out by CALT, there is low dependency on suppliers for the Company's operations. However, it should be noted that CALT obtains funding from finance providers (Banks, other Primary Dealers etc.) through loan facilities and Repurchase Agreements (repos), and commission payments made to money market brokers for facilitating trading of financial instruments.

3.6 STATED CAPITAL

The Stated Capital of the Company comprised of 24,020,054 Ordinary Voting Shares representing a value of LKR 311,576,061 as at 30th June 2021. On 05 August 2021, the Board of Directors resolved to carry out a sub-division of shares in the ratio of 12:1 resulting in the total number of Ordinary Voting Shares in the Company increasing to 288,240,648. This sub-division of shares does not change the value of the Stated Capital of the Company nor the percentage ownership of the existing Shareholders. The post sub-division cost per share, calculated as Stated Capital divided by the Number of Shares, is approximately LKR 1.08 per share – this computation only considers the Stated Capital component of Equity and excludes Reserves such as Retained Earnings.

In the event of liquidation of the Company, the Ordinary Shareholders shall have the right to an equal Share in any surplus assets of the Company available for distribution after paying all the creditors of the Company and all other claims and Debts in accordance with the provisions contained in the Companies Act No 7 of 2007 on liquidation.

3.6.1 LATEST SHAREHOLDER LIST

Table 3-2 Latest Shareholder List (post Share Sub-division)

| Name of Shareholder | No. of Shares as at 30 September 2021 | % Ownership |
|--|---------------------------------------|-------------|
| M/S. Capital Alliance Holdings Limited | 261,598,476 | 90.76% |
| Mr. Widanalage Ajith Terence Fernando | 21,698,676 | 7.53% |
| Ms. Habaragamuralalage Mary Sharmali Perera | 3,792,240 | 1.32% |
| Mr. Kekulandala Liyanage Don Nuwan Nirmala Maheshan Liyanage | 1,015,776 | 0.35% |
| Mr. Sampathawaduge Dilan Kevin Fernando | 135,432 | 0.05% |
| M/S. Ashthi Holdings (Private) Limited | 12 | 0.00% |
| M/S. Jetwing Travels (Private) Limited | 12 | 0.00% |
| Ms. Nawalage Therese Manouri Shiromal Cooray | 12 | 0.00% |
| Mr. Rajadurai James Arasaratnam | 12 | 0.00% |
| TOTAL | 288,240,648 | 100% |

3.6.2 NEW SHARES ISSUED

There were no share issues during the period of two (02) years immediately preceding the date of this Prospectus.

3.6.3 RE-PURCHASES OR REDEMPTIONS

The Company has not performed a Share re-purchase, redemption or stated capital reduction exercises in the two (02) years preceding the date of this Prospectus.

3.6.4 OUTSTANDING CONVERTIBLE DEBT SECURITIES

The Company has no outstanding Convertible Debt Securities as at the date of this Prospectus.

3.6.5 EMPLOYEE SHARE OPTION SCHEMES

On 16th February 2015, the Company established an Employee Share Option Scheme that entitled management to purchase shares in the Company, in return for their services rendered. The Company had two (02) Employee Share Option Schemes, with each scheme having two (02) options.

As specified under Note 28 of the Audited Financial Statements for the Year Ended 31st March 2021 (Annexure 2), both Option 1 and Option 2 pertaining to Scheme 1, and Option 1 of Scheme 2 have either been exercised or expired due to not being exercised by the relevant employees within the exercise period.

However, Option 2 of Scheme 2, which specified 555,555 shares to be granted at the discretion of the Board of Directors of the Company, has not been vested and the exercise price and number of employees has also not been determined by the Board of Directors as at that date. As such, on 20th August 2021, the Board of Directors resolved to revoke the aforementioned Option 2 of Scheme 2 of the Employee Share Option Scheme. This has been highlighted under Note 14 of the Unaudited Financial Statements for the Period Ended 30th June 2021 (Annexure 3).

As at the date of this Prospectus, CALT does not have any Employee Share Option Schemes in effect.

3.7 FREE TRANSFERABILITY OF SHARES

The Pre-IPO Shareholders shall not transfer existing Ordinary Voting Shares during the interim period between the date of Initial Listing Application and the date of listing of the Shares of the Company.

The Pre-IPO Shares held by Non-Public Shareholders will be locked-in for a period of 6 months from the date of listing of the Shares of the entity. However, the Pre-IPO Shares held by Public Shareholders will not be subject to any lock-ins. Please refer Section 3.9 for further details pertaining to the locked-in Shares.

The New Shares offered via the IPO shall not be transferable by the Shareholders during the period commencing from the date of transfer of the Offered Shares and up to the date of listing (excluding the date of listing) on the CSE.

No Ordinary Voting Shares or Other Class of Shares are subscribed or sold privately, in conjunction with the public Issue of Shares.

There are no statutory restrictions on the free transferability of shares of the Company, save and except the following restrictions set out under the Local Treasury Bills (Primary Dealers) Regulations No.1 of 2009 as amended and Registered Stock and Securities (Primary Dealers) Regulations No. 1 of 2009 as amended issued under the Local Treasury Bills Ordinance and Registered Stock and Securities Ordinance, respectively.

- a. The Company requires the prior written approval of the Monetary Board of CBSL to register a shareholding of a person where such shareholding results in a change of a 'controlling interest' of the Company. A 'controlling interest' means holding of 51% or more of the stated capital of the Company;
- b. The Company requires the prior written approval of the Monetary Board of CBSL to register a shareholding of more than 10% of the stated capital of the Company held by a holding company or a subsidiary of any other primary dealer.

As the majority shareholder of the Company is Capital Alliance Holdings Limited (a related entity), the management of the Company will ensure that Capital Alliance Holdings Limited will not dilute its stake below 51% unless, prior approval has been obtained from the Monetary Board of CBSL in compliance with (a), above.

The Company will also be responsible for ensuring compliance with (b) above. Accordingly, in the event a holding company or a subsidiary of any other primary dealer acquires over 10% of the stated capital in the Company on the CSE, the Company will take the necessary steps to be in compliant with (b) above, including obtaining approval from the Monetary Board of CBSL. Any such purchaser shall not be permitted to vote at general meetings until such time the approval from the Monetary Board of CBSL is obtained for such acquisition. In the event the Monetary Board of the CBSL does not approve such acquisition, the relevant purchaser/shareholder must divest the excess shares in the market, to comply with the Regulations identified in (b), above.

The concurrence of CBSL to the aforesaid has been duly obtained by the Company.

There are no restrictions in respect of non-residents holding shares of the Company, subject to the statutory restrictions specified above.

3.8 DIVIDEND POLICY

CALT has paid the following dividends for its Ordinary Shares, most recently and over the past three (03) completed Financial Years immediately preceding the date of this Prospectus:

Table 3-3 Dividend Payments

| Dividend Paid Year | Out of Profit | Total Dividend Paid |
|--------------------|---------------|---------------------|
| 2021/22* | 2020/21 | 300,250,675 |
| 2020/21 | 2019/20 | 249,808,557 |
| 2019/20 | 2018/19 | - |
| 2018/19 | 2017/18 | - |

Source: Audited Financial Statements

**as per Unaudited Financial Statements as at 30 June 2021*

During the interim period between 31 March 2021 and 30 June 2021, the Company has declared and paid a dividend of LKR 300,250,675 out of the 2020/21 profits. This will be the first and final dividend payment paid out of the profit for the financial year 2020/21.

Subject to the provisions of the Companies Act No. 7 of 2007, the Articles of Associations of the Company and the provisions set out in the CBSL Direction No. 01 of 2021 applicable to Primary Dealer Companies, the Board of Directors may recommend and declare a maximum pay-out of 50% from and out of the Profit for the Year of the Company, to the Shareholders, by way of dividends. The exact dividend rate will be determined based on several factors, including but not limited to Company's earnings, future capital requirements and overall financial condition.

3.9 DETAILS PERTAINING TO THE LOCKED-IN SHARES

Shareholding Structure

Given below is the shareholding structure of the Company as at the date of the Prospectus (Pre-IPO) and subsequent to the Issue (Post-IPO) assuming full subscription.

Table 3-4 Pre and Post Shareholding

| Name of Shareholder | Pre-IPO | | Post-IPO | |
|--|--------------------|----------------|--------------------|----------------|
| | No. of Shares | % | No. of Shares | % |
| M/S. Capital Alliance Holdings Limited | 261,598,476 | 90.76% | 261,598,476 | 79.41% |
| Mr. Widanalage Ajith Terence Fernando | 21,698,676 | 7.53% | 21,698,676 | 6.59% |
| Ms. Habaragamuralalage Mary Sharmali Perera | 3,792,240 | 1.32% | 3,792,240 | 1.15% |
| Mr. Kekulandala Liyanage Don Nuwan Nirmala Maheshan Liyanage | 1,015,776 | 0.35% | 1,015,776 | 0.31% |
| Mr. Sampathawaduge Dilan Kevin Fernando | 135,432 | 0.05% | 135,432 | 0.04% |
| M/S. Ashthi Holdings (Private) Limited | 12 | 0.00% | 12 | 0.00% |
| M/S. Jetwing Travels (Private) Limited | 12 | 0.00% | 12 | 0.00% |
| Ms. Nawalage Therese Manouri Shiromal Cooray | 12 | 0.00% | 12 | 0.00% |
| Mr. Rajadurai James Arasaratnam | 12 | 0.00% | 12 | 0.00% |
| IPO Shareholders | - | - | 41,177,236 | 12.50% |
| TOTAL | 288,240,648 | 100.00% | 329,417,884 | 100.00% |

Locked-in Shares – Pre-IPO:

In compliance with the CSE Listing Rules, 2.1.1(d) the Shares mentioned below will be locked-in and will not be available for trading as given below from the date of listing of the Shares of the Company.

Table 3-5 Locked-in Shares (Pre-IPO)

| Shareholders | Category of Shareholders | Locked-in Shares | The time period after which the Shares will be available for trading | No. of Shares | No. of Shares as a percentage (%) of total number of Shares in Issue |
|--|--------------------------|------------------|--|---------------|--|
| Non-Public Shareholders: | | | | | |
| M/S. Capital Alliance Holdings Limited | Non-Public | Locked-in | 6 Months | 261,598,476 | 90.76% |
| Mr. Widanalage Ajith Terence Fernando | Non-Public | Locked-in | 6 Months | 21,698,676 | 7.53% |
| Ms. Habaragamuralalage Mary Sharmali Perera | Non-Public | Locked-in | 6 Months | 3,792,240 | 1.32% |
| M/S. Ashthi Holdings (Private) Limited | Non-Public | Locked-in | 6 Months | 12 | 0.00% |
| M/S. Jetwing Travels (Private) Limited | Non-Public | Locked-in | 6 Months | 12 | 0.00% |
| Ms. Nawalage Therese Manouri Shiromal Cooray | Non-Public | Locked-in | 6 Months | 12 | 0.00% |
| Mr. Rajadurai James Arasaratnam | Non-Public | Locked-in | 6 Months | 12 | 0.00% |
| Public Shareholders: | | | | | |
| Mr. Kekulandala Liyanage Don Nuwan Nirmala Maheshan Liyanage | Public | Not Locked-in | N/A | 1,015,776 | 0.35% |
| Mr. Sampathawaduge Dilan Kevin Fernando | Public | Not Locked-in | N/A | 135,432 | 0.05% |
| Total | | | | | 100% |

* Public defined under CSE Listing Rules 2.1.1.

There were no Share transfers among the Shareholders categorized either as “Public” or “Non-Public” during the period of twelve (12) months immediately preceding the date of the Initial Listing Application, hence no further Shares will be subject to a lock-in, in terms of CSE Listing Rule 2.1.1 (d) (iii).

Further, no further Share allotments were carried out among the Shareholders categorized either as “Public” or “Non-Public” during the period of twelve (12) months immediately preceding the date of the Initial Listing Application.

Hence only 287,089,440 Shares will be subject to a lock-in in terms of CSE Listing Rule 2.1.1 (d) (i) as set out above.

Pre-IPO Public holding (number of Pre-IPO Shares held by the ‘Public’ as a percentage of the total Pre-IPO number of Shares), as per the ‘public’ definition provided in the CSE listing rules is 0.40%.

The Company hereby confirms that the information furnished herewith shall remain unchanged until the date of listing.

Locked-in Shares – Post IPO:

Table 3-6 Locked-in Shares (Post-IPO)

| Category of Shareholders | Locked-in Shares | The time period after which the Shares will be available for trading | No. of Shares | No. of Shares as a percentage (%) of total number of Shares in Issue |
|--------------------------|------------------|--|--------------------|--|
| Non-Public | Locked-in | 6 Months | 287,089,440 | 87.15% |
| Public | Not Locked-in | N/A | 1,151,208 | 0.35% |
| IPO Shares (Public) | Not Locked-in | N/A | 41,177,236 | 12.50% |
| Total | | | 329,417,884 | 100% |

*Non-Public Shareholders defined under CSE Listing Rules 2.1.1.

Post-IPO Public holding (number of Post IPO Shares held by the 'Public' as a percentage of the total Post IPO number of Shares), on the assumption that the parties who subscribe to the IPO shall be Public Shareholders (as per the 'Public Holding' definition provided in the CSE Listing Rules) is 12.85%.

3.10 TAKEOVER OFFERS

There has been no take-over offers by third parties in respect of the Company's Shares during the past two (02) years. Further, the Company has not made any takeover offers in respect of Shares of a third party.

3.11 FUTURE STRATEGIES

A A. Expanding Product-base

In addition to the existing business model, CALT plans to expand its product base into derivatives and alternative investment products to best suit the investment requirements of their clients and the market. This will allow CALT to generate a new revenue line in addition to its existing fixed income trading income and interest income.

B Increasing Secondary Market Transaction Volume

The introduction of the Central Counterparty (CCP) System as planned by the CBSL will allow CALT to increase its secondary market volume significantly allowing the Company to trade with all market participants (the system will remove any restrictions that some parties may have with trading with certain counterparties) and this increases the potential to generate higher profits for the Company.

C Trading Strategy

CALT expects at higher interest rates there will be greater volatility as witnessed in the past. This results in higher chances of making capital gains.

3.11.1 ASSUMPTIONS ASSOCIATED WITH FUTURE STRATEGIES

A CBSL's existing Direction allowing Primary Dealers to invest in alternative investments to continue

CBSL will, under its Direction 08/24/008/0021/001, dated 10th July 2013, continue to allow Primary Dealers to invest in alternative investment products. CBSL as per its "Road Map 2021: Monetary and Financial Sector Policies for 2021 and Beyond" talks about further liberalising and developing products and liquidity of the financial markets which provides the Company a clear direction on this regard.

B The timeline for the implementation of the Central Counterparty System

The Company expects the CBSL (and relevant authorities) to implement the Central Counterparty system enabling a higher volume of transactions to be executed by Primary Dealers. The swift implementation of the system is highly probable, as evident from recent developments in Sri Lankan capital markets; such as the fast-tracked implementation of a Delivery vs Payment (DVP) system for stock market transactions.

C Greater volatility at higher interest rates

CALT's management believes that, at higher interest rates there will be greater volatility in the market which is expected to result in a higher possibility of recording capital gains.

3.11.2 RISKS ASSOCIATED WITH THE FUTURE STRATEGIES

A CBSL introducing new regulations that prohibits Primary Dealers in investing in alternative investment instruments

There is a possibility of the CBSL restricting the ability for Primary Dealers to make investments in alternative products due to market risk and/or of a potential risk posed to the overall financial system. However, with the expected development in markets and instruments, the Company believes this risk to be minimal.

B Delay in the implementation of the CCP system

CALT will not be able to see the expected increase in the trading volumes, in the short term, if there are any delays in the implementation of the Central Counterparty System within the stipulated timelines.

C A continuous increase in the interest rate cycle

If the interest rates continue to increase, without any interim volatilities in between the periods (as per management expectations), there is a possibility of the Company recording losses for the period under consideration.

D Suspension/revocation of Primary Dealing license

The Company requires a Primary Dealing license to carry out its business. The CBSL may suspend and/or revoke the license the terms and conditions attached to the license are not continuously adhered to. Based on CALT's experience operating in the industry and the stringent compliance practices in place, the Company believes this risk to be minimal.

3.12 LITIGATION AND DISPUTES

The Company has not been involved, nor is it currently involved in any legal, arbitration or mediation proceedings, which may have had significant effects on the Company's financial position and profitability.

Further, there have been no penalties imposed by regulatory and state authorities on the Company in the recent past, as at the date of this Prospectus.

3.13 CONTINGENT LIABILITIES

As of 31 March 2021, apart from the tax assessments disclosed under Section 3.14, there were no other contingent liabilities that would affect the current and future profits of the Company.

3.14 TAXATION APPLICABLE TO THE COMPANY

Corporate Income Taxation

The Company is liable to pay tax at the rate of 24% in accordance with the Inland Revenue Act, No. 24 of 2017 and the Inland Revenue (Amendment) Act, No. 10 of 2021.

Value Added Tax (VAT) on Financial Services

Based on the Tax Consultant's opinion, the Board of the Directors of the Company is of the view that CALT is not liable for VAT on Financial Services.

Tax Concessions or Tax Exemptions

The Company does not qualify for any tax concessions or tax exemptions as at the submission of the listing application.

However, the Government of Sri Lanka via the Inland Revenue Amendment Act No. 10 of 2021 effected the following tax concessions to a company which lists its shares on the CSE between 1st January 2021 and 31 December 2021:

- » Income tax payable by the Company in the year of assessment commencing from 1 April 2021 (year of assessment 2021/22) will be reduced by 50%
- » Concessionary tax rate of 14% for 3 years commencing from 1 April 2022 (year of assessment 2022/2023)

Tax Assessments

The Company has appealed against the assessment on VAT on Financial Services amounting to LKR 40mn, LKR 39mn, LKR 70mn, LKR 1mn, LKR 62mn and LKR 95mn respectively for the Years of Assessment 12/13, 13/14, 14/15, 15/16, 16/17 and 17/18. Excluding Year of Assessment 17/18, where the appeal was made to the Commissioner General of the Department of Inland Revenue, the remainder of the appeals were made to the Tax Appeals Commission.

The Company has also appealed to the Commissioner General of the Department of Inland Revenue against assessment on NBT on Financial Services amounting to LKR 1.7mn, LKR 11.9mn, LKR 0.1mn, LKR 9.3mn and LKR 12.7mn respectively for the Years of Assessment 13/14, 14/15, 15/16, 16/17 and 17/18. Excluding Years of Assessment 16/17 and 17/18, where the appeal was made to the Commissioner General of the Department of Inland Revenue, the remainder of the appeals were made to the Tax Appeals Commission.

The related Appeals against the said Assessments and Determinations have been duly submitted. Based on the Tax Consultant's opinion, the Board of Directors of CALT is of the view that no liability would arise on the above-mentioned tax matters as they are outside the scope of chargeability of taxes.

3.15 ANALYSIS OF RECENT FINANCIAL INFORMATION

The returns recorded in the Primary Dealing business are highly dependent on macroeconomic variables, such as movements in the interest rates. As such, the annual return to Shareholders can be highly volatile, as seen in Table 3-7.

Table 3-7 Comparison of Audited Financial Information for Years Ended 31 March 2021 and 2020

| Financial Statement Item | FY21 (LKR) | FY20 (LKR) | YoY |
|--------------------------|---------------|---------------|--------|
| Interest Income | 1,075,181,078 | 1,439,556,700 | -25.3% |
| Interest Expense | 707,137,564 | 1,100,034,407 | -35.7% |
| Net Interest Income | 368,043,514 | 339,522,293 | 8.4% |
| Net Gain from Trading | 1,345,009,255 | 898,346,842 | 49.7% |
| Profit After Tax | 966,481,138 | 737,391,881 | 31.1% |

Both Interest Income and Interest Expense witnessed a significant reduction in FY21 (compared to FY20) as a result of the low interest-rate environment, that prevailed during the year under consideration, leading to Net Interest Income only having a marginal increase. Despite this marginal increase, the Profit After Tax was up by over 31% which can be attributable to the significant increase in the Net Gain from Trading – as a result of capital gains recorded from the sale of Government Securities (interest rates have an inverse relationship with prices of Government Securities; therefore, the drop-in interest rates resulted in prices of Government Securities increasing). It should be noted that the most significant contributor to a Primary Dealer's profit is the capital gains component, rather than the Net Interest Income.

Furthermore, CALT's Profit After Tax in FY20 was a 1,867% increase compared to the Profit After Tax figure of LKR 37,495,720 in FY19 – due to the change in the macroeconomic environment; further illustrating the dependence on the macroeconomic environment and the volatile nature of the industry, and, as a result, of the Company.

Table 3-8 Comparison of Unaudited Financial Information for the 3 Months Ended 30 June 2021 and 2020

| Financial Statement Item | for 3 months ended 30 June 2021 (LKR) | for 3 months ended 30 June 2020 (LKR) | YoY |
|--------------------------|--|--|--------|
| Interest Income | 126,098,218 | 297,613,744 | -57.6% |
| Interest Expense | 74,079,914 | 199,915,559 | -62.9% |
| Net Interest Income | 52,018,304 | 97,698,185 | -46.8% |
| Net Gain from Trading | 6,343,385 | 667,374,177 | -99.0% |
| Profit After Tax | 12,384,036 | 907,133,466 | -98.6% |

The Net Interest Income for the 3 months ended 30 June 2021 saw a 46.8% reduction compared to the last corresponding quarter. This was primarily due to the reduction in the Company's holding of Government Securities in their portfolio (LKR 8,123 mn as 30 June 2021 against LKR 19,154 mn as at 30 June 2020). The Company reduced its exposure in Government Securities due to the rise in interest rates and as a mechanism to manage the interest rate risk.

Due to the rise in interest rates, the current operational environment is less favourable compared to the previous corresponding quarter ended. As such, the capital gains recorded during the last ended quarter have been significantly lower than that for the last corresponding quarter. The Company does not anticipate to record significant capital gains during the current financial year, due to the aforementioned reasons.

3.16 DETAILS OF BENEFITS PAID TO PROMOTERS

No benefits have been paid or given within the two (02) years preceding the Issue and there is no benefit intended to be paid or given to any Promoter.

3.17 DETAILS OF COMMISSION PAID

CALT has not paid any commission in the two (02) years preceding the Issue, nor are any commissions payable for subscribing or agreeing to subscribe or procure or agreeing to procure subscription for any Shares of the Company apart from the brokerage payable on the IPO, as detailed in Section 1.11 of this Prospectus.

3.18 INTERESTS IN TRANSACTIONS RELATING TO PROPERTY OF THE COMPANY

There were no transactions relating to the property of the Company completed within the two (02) preceding years in which any vendor of the property to the Company or any person, is or was at the time of the transaction, a promoter or a director or proposed director of the Company having any interest, direct or indirect.

3.19 MATERIAL CONTRACTS

As at the date of the Prospectus there were no material contracts entered into or any agreements entered into with other parties by the Company within the preceding two (02) years, other than those contracts entered into as part of the ordinary course of business of the Company.

4 CORPORATE GOVERNANCE

4.1 DIRECTORS

4.1.1 BOARD OF DIRECTORS

The Board of Directors of CALT comprises six (06) Directors of whom two (02) are Non-Executive Independent Directors, three (03) are Non-Executive Non-Independent Directors and one (01) is an Executive Director. As at the date of Prospectus the composition of the Board of Directors is as follows:

Table 4-1 Board of Directors

| Name | Designation |
|--|---|
| Mr. Dinesh Ajit De Zoysa | Chairman – Non-Executive Non-Independent Director |
| Mr. Widanalage Ajith Terence Fernando | Executive Director |
| Mr. Rajadurai James Arasaratnam | Non-Executive Non-Independent Director |
| Mr. Conganige Sextus Roland Sanjeewa Anthony | Non-Executive Non-Independent Director |
| Ms. Aloka Irudiyani Chathurangani Nandasena | Non-Executive Independent Director |
| Ms. Koruwage Aruni Dharshika Siriwardene | Non-Executive Independent Director |

4.1.2 PROFILES OF THE BOARD OF DIRECTORS

Table 4-2 Director Profiles

| Name and Designation | Business Experience |
|---|---|
| Mr. Dinesh Ajit De Zoysa <i>(Chairman – Non-Executive Non-Independent Director)</i> | <p>Mr. De Zoysa has been Director since 2003 and currently serves as the Chairman of Capital Alliance Holdings Limited and Capital Alliance Limited.</p> <p>He is the managing director of AEC Ltd and has extensive industry experience in a career spanning over 30 years. Mr. De Zoysa serves as a non-executive board member of a number of companies across risk and insurance broking, hotel management and travel, real estate development, HR transformation and consulting as well as design and IT services.</p> <p>Mr. De Zoysa is a trustee and board member of Musaeus College, Colombo. He holds a Bachelor of Business (Finance and IT) from University of Technology, Sydney and a MSc in Insurance and Sustainable Risk Management from Glasgow Caledonian University, London.</p> |
| Mr. Widanalage Ajith Terence Fernando <i>(Executive Director)</i> | <p>Mr. Ajith Fernando has served in the capacity of Executive Director since founding the Company in October 2000. He is also, at present, the Group CEO of the CAL Group. In this role, he oversees and guides the functions of the entire CAL Group including CALT which is a constituent of the Group. He has over 30 years of experience in the Primary Dealing industry. Mr. Fernando also serves as the Chairman of Capital Alliance Investments Limited, Logicare (Private) Limited, CAL Securities Limited (Bangladesh) and as the Managing Director of Ceylon Tea Brokers PLC.</p> <p>He is a Fellow of the Chartered Institute of Management Accountants (UK) and holds an MA in Financial Economics from the University of Colombo.</p> |

| Name and Designation | Business Experience |
|--|--|
| <p>Mr. Rajadurai James Arasaratnam <i>(Non-Executive Non-Independent Director)</i></p> | <p>Mr. Arasaratnam hails from the field of Accountancy prior to embarking on a career in the Travel Trade and counts over 40 years of experience in the field of Travel, Tour Operations and other Travel Related Fields.</p> <p>Mr. Arasaratnam is the Executive Director of Jetwing Travels. He specialises in the Marketing Functions of the Group and holds eight directorates within the Group.</p> |
| <p>Mr. Conganige Sextus Roland Sanjeewa Anthony <i>(Non-Executive Non-Independent Director)</i></p> | <p>Mr. Anthony is an Attorney-at-Law (Supreme Court of Sri Lanka), Notary Public, Commissioner for Oaths and a Registered Company Secretary. He is also a Fellow Member of the Chartered Institute of Management Accountants (FCMA) UK, Chartered Global Management Accountant (CGMA), a Fellow Member of The Institute of Certified Management Accountants of Sri Lanka (FCMA) and a Fellow Member of Chartered Professional Managers (FCPM).</p> <p>He commenced his career at PricewaterhouseCoopers, prior to joining Jetwing Hotels Limited as Finance Manager in 1996 and is currently the Executive Director. He is also serving on several Directorates including a Publicly Quoted company. Mr. Anthony is a Life Member of the Bar Association of Sri Lanka (BASL) and a member of the Finance Committee of the BASL as well.</p> |
| <p>Ms. Aloka Irudiyani Chathurangani Nandasena <i>(Non-Executive Independent Director)</i></p> | <p>Ms. Aloka Nandasena is a Partner of M/s D. L. & F. De Saram, Attorneys-at-Law and Notaries Public, specialising in corporate and commercial law, banking and finance, and projects and infrastructure.</p> <p>Her diverse work experience, exceeding 10 years, includes three and a half years at the Colombo Stock Exchange.</p> <p>She has several academic qualifications which include LL.B (Hons), University of London, LL.M (University of Colombo), Attorney-at-law of Supreme Court of Democratic Socialist Republic of Sri Lanka and Notary Public of Colombo.</p> |
| <p>Ms. Koruwage Aruni Dharshika Siriwardene <i>(Non-Executive Independent Director)</i></p> | <p>Ms. Siriwardene counts for over 24 years of experience in strategy initiatives, organisational processes, measurement systems and client satisfaction delivery across a plethora of industries including IT, food and beverage, manufacturing, healthcare, retail services, public sector, tea manufacturing and non-profit organisations both in Sri Lanka and overseas. She holds a MSc in Business Computing from the University of Westminster London, UK.</p> <p>She is currently the Co-Founder and Director at Advik Consulting where she handles strategy execution, Project Management Offices implementation frameworks while ensuring operational excellence.</p> <p>Previously, she served as a Board Director and Group CEO of Davora Group of Companies, Strategy Implementation Consultant at Stax (Pvt) Ltd, Vice President Delivery and Governance at Brandix i3 (Pvt) Ltd, Associate Director at Navantis IT (Pvt) Ltd and Technical Consultant at Millennium IT (Pvt) Ltd.</p> <p>Aruni is a former part-time lecturer at the University of Westminster London, UK. She is a member of the Women's Chamber of Industry and Commerce, SLASSCOM-Wtech and Sri Lanka Institute of Directors. As a Rotarian, she was formerly the President of the club and is the current Secretary to the Board.</p> |

4.1.3 OTHER DIRECTORSHIPS HELD BY THE DIRECTORS

Table 4-3 Other Directorships held by the Directors

| Name and Designation | Other Directorships |
|---------------------------------------|--|
| Mr. Dinesh Ajit De Zoysa | <ul style="list-style-type: none"> » A E C Properties (Pvt) Ltd » ADZ Insurance Brokers (Pvt) Ltd » Ajita De Zoysa and (Company) (Pvt) Ltd » Associated Electrical Corporation Ltd » Aurora Amicitia (Pvt) Ltd » Capital Alliance Holdings Limited » Capital Alliance Limited » Capital Alliance Partners Limited » Commercial Agencies (Ceylon) (Pvt) Ltd » Corporate Druids (Pvt) Ltd » Granite Capital (Pvt) Ltd » Red Dot Tours Lanka (Pvt) Ltd » The Fabulous Gataway (Pvt) Ltd » UGA Escapes (Pvt) Ltd » Wizard Entertainment (Pvt) Ltd |
| Mr. Widanalage Ajith Terence Fernando | <ul style="list-style-type: none"> » ADZ Insurance Brokers (Pvt) Ltd » Amazing Adventures Lanka » Ashthi Holdings (Pvt) Ltd » BetaOne Investments Limited (Bangladesh) » CAL Bangladesh Limited » CAL Investments Holdings Ltd (UAE) » CAL Securities Limited (Bangladesh) » Capital Alliance Holdings Limited » Capital Alliance Investments Limited » Capital Alliance Limited » Capital Alliance Partners Limited » Capital Alliance Securities (Pvt) Ltd » Ceylon Tea Brokers PLC » Finnovation (Pvt) Ltd » Fip Box (Pvt) Ltd » Heritage Partners (Pvt) Ltd » Logicare (Pvt) Ltd » Social Impact Capital (Pvt) Ltd » Social Enterprise (Pvt) Ltd » Soul Kitchen (Private) Limited » Tempest PE Partners (Pvt) Ltd » The Metal Factor Limited » Yoho Bed Lanka (Pvt) Ltd |
| Mr. Rajadurai James Arasaratnam | <ul style="list-style-type: none"> » Capital Alliance Holdings Limited » Capital Alliance Limited » Jetwing Air » Jetwing Travels |

| Name and Designation | Other Directorships |
|---|--|
| Mr. Conganige Sextus Roland Sanjeewa Anthony | <ul style="list-style-type: none"> » Capital Alliance Holdings Limited » Capital Alliance Limited » Jet Enterprises (Pvt) Ltd » Jetwing Academy (Pvt) Ltd » Jetwing Eco Holidays (Pvt) Ltd » Jetwing Hotels Limited » Jetwing Kaduruketha (Pvt) Ltd » Jetwing Kiwi Ltd » Jetwing Kiwi Management Ltd » Jetwing Relief Fund (Guarantee) (Pvt) Ltd » Jetwing Zinc Journeys Lanka (Pvt) Ltd » Negombo Landmark (Pvt) Ltd » Ranagala Hotels (Pvt) Ltd » Thalahena Villas (Pvt) Ltd » The First Resort (Pvt) Ltd » The Lighthouse Hotel PLC |
| Ms. Aloka Irudiyani Chathurangani Nandasena | None |
| Ms. Koruwage Aruni Dharshika Siriwardene | <ul style="list-style-type: none"> » Advik Consulting (Pvt) Ltd |

4.2 AUDIT COMMITTEE

The Audit Committee takes an independent stance when it comes to providing advice and assistance regarding internal functions of the Company. The Audit Committee regularly reviews the performance of the Company through discussions with the Directors and Senior Management, and reviews the Internal Audits carried out by the Internal Auditors. The Audit Committee also monitors all audit activities and ensures compliance with Financial Standards and Statutory regulations.

Members of the CALT Audit Committee are as follows:

- » Mr. Conganige Sextus Roland Sanjeewa Anthony (Chairman)
- » Ms. Aloka Irudiyani Chathurangani Nandasena
- » Ms. Koruwage Aruni Dharshika Siriwardene

4.3 REMUNERATION COMMITTEE

The Remuneration Committee is responsible to make remuneration policy recommendations to the Board of CALT and as such works closely with the members of the Board. In terms of the Articles of Association of the Company, remuneration of the Directors must be a sum the Board determines as being fair and reasonable to the Company.

The Committee ensures transparency and fairness in remuneration policy, as no Director is able to decide their remuneration and they review policy frameworks set out by the Company's Human Resources and Finance. They also ensure that compensation payments to any Executive Directors or members of Senior Management are followed through in accordance with the legal context of the country. The Remuneration Committee's primary objective is to attract and retain a highly qualified and experienced workforce and reward their performance.

Members of the CALT Remuneration Committee are as follows:

- » Mr. Dinesh Ajit De Zoysa (Chairman)
- » Ms. Aloka Irudiyani Chathurangani Nandasena
- » Ms. Koruwage Aruni Dharshika Siriwardene

4.4 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The objective of the Related Party Transaction Review Committee is to ensure there is firm adherence to the guidelines surrounding related party transactions. The Committee oversees that industry best practices are followed and that the interests of all stakeholders are considered.

Members of the CALT Related Party Transaction Review Committee are as follows:

- » Ms. Aloka Irudiyani Chathurangani Nandasena (Chairwoman)
- » Ms. Koruwage Aruni Dharshika Siriwardene
- » Mr. Conganige Sextus Roland Sanjeewa Anthony

4.5 DIRECTORS' SHAREHOLDINGS IN THE COMPANY

The Pre-IPO Directors' shareholding in the Company is as follows:

Table 4-4 Directors' Shareholding in the Company

| Name of the Director | Designation | Pre-IPO Shares Held* | % Shareholding |
|---------------------------------------|--|----------------------|----------------|
| Mr. Widanalage Ajith Terence Fernando | Chief Executive Officer – CAL Group | 21,698,676 | 7.53% |
| Mr. Rajadurai James Arasaratnam | Independent Non-Executive Director | 12 | 0.00% |

*Pre-IPO shareholding post share sub-division

Directors of the Company have not made any sales and/or purchases of Shares of CALT during the year immediately preceding the date of this Prospectus.

The Articles of Association of the Company does not require any shareholding qualification for directors, unless otherwise determined at a General Meeting of the Company.

4.6 DIRECTORS' INVOLVEMENT IN LITIGATION AND OFFENCES

No Director or a person nominated to become a Director of the Company has been involved in:

- » Any petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he/she was an Executive Officer.
- » Any conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.
- » No such Director was the subject of any order, judgment or ruling of any court of competent jurisdiction temporarily enjoining him/her from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

4.7 DIRECTORS' INTERESTS

4.7.1 DIRECTORS INTEREST IN ASSETS

None of the Directors have any interest in any assets acquired, disposed of or leased by the Company during the past two (02) years preceding the date of this Prospectus and/or in any assets proposed to be acquired, disposed of or leased during the two (02) years succeeding the Issue.

4.7.2 DIRECTOR INTERESTS IN CONTRACTS

There are no contracts or arrangements in force as of the date of the submission of the Initial Listing Application to which the Directors are materially interested in relation to the business of the Company.

5 HUMAN RESOURCE

5.1 EMPLOYEES

As at 30th September 2021, there are 20 employees at CALT. There are no labour unions within the Company nor within the CAL Group.

5.2 CHIEF EXECUTIVE OFFICER/MANAGING DIRECTOR

Table 5-1 CEO/Managing Director's Profile

| Name | Mr. SOMADASA PALIHAWADANA |
|---------------------|---|
| Business Experience | <p>As the Managing Director of CALT, Mr. Palihawadana also takes on the functions of the CEO, of CALT, in his responsibilities.</p> <p>A well-respected industry veteran, Mr. Palihawadana was appointed to the position of Managing Director – Capital Alliance Limited in May, 2018.</p> <p>He possesses a body of experience extending over 43 years, with a focus on treasuries and dealing activities. Mr. Palihawadana currently holds the position of Deputy Chairman at Seylan Development PLC.</p> <p>Prior to joining CALT, he served as the Deputy General Manager at Seylan Bank PLC until December 2017 (having joined the bank in March 1999) and was Branch Manager at Bank of Ceylon until March 1999 (joined in September 1974).</p> <p>He holds a Bachelor of Science (B.Sc) degree from the University of Colombo.</p> |

The Chief Executive Officer/Managing Director has not been involved in:

- » Any petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an Executive Officer.
- » Any conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

5.3 SENIOR MANAGEMENT

The Senior Management of the Company specified in this section of the Prospectus are common to the CAL Group and, as such, carries out their specified duties across multiple entities including CALT.

Table 5-2 Senior Management Profiles

| Designation and Name | Business Experience |
|--|---|
| Chief Executive Officer – CAL Group Mr. Widanalage Ajith Terence Fernando | <p>Mr. Ajith Fernando has served in the capacity of Executive Director since founding the Company in October 2000. He is also, at present, the Group CEO of the CAL Group.</p> <p>In this role, he oversees and guides the functions of the entire CAL Group including CALT which is a constituent of the Group. He has over 30 years of experience in the Primary Dealing industry. Mr. Fernando also serves as the Chairman of Capital Alliance Investments Limited, Logicare (Private) Limited, CAL Securities Limited (Bangladesh) and as the Managing Director of Ceylon Tea Brokers PLC.</p> <p>He is a Fellow of the Chartered Institute of Management Accountants (UK) and holds an MA in Financial Economics from the University of Colombo.</p> |

| Designation and Name | Business Experience |
|---|--|
| <p>Chief Risk & Compliance Officer – CAL Group</p> <p>Mrs. Habaragamuralalage Mary Sharmali Perera</p> | <p>Drawing on 20-plus years of experience in the financial services industry, Ms. Perera is a founding member of CALT and has been an integral member since its establishment in 2000.</p> <p>Reporting directly to the Board Risk Management Committee while being responsible for the effectiveness and compliance aspects of statutory reporting requirements, she's led the implementation of a comprehensive risk framework encompassing group-wide risk avenues.</p> <p>This is of key strategic importance in realising the company's future goals, where new levels of income and market share are measured in line with the risk-reward balance.</p> <p>She started her career at Hatton National Bank in January 1984 where she held the position of Banking Assistant until January 1990. She was Manager – Margin Trading at Seylan Merchant Bank from January 1994 to January 1998 and was Assistant Manager – Treasury at Vanik Incorporation until January 2000.</p> <p>An Associate Member of the Chartered Institute of Management Accountants (UK), Ms. Perera also serves on the Boards of three of the Group's companies, as well as Ceylon Tea Brokers PLC, Finnovation (Private) Limited, and Logicare (Private) Limited.</p> |
| <p>Chief Information Officer – CAL Group</p> <p>Mr. Tharindra Kulasinghe</p> | <p>With CAL's reliance on IT to propel the company forward by capitalizing on increased market opportunity both locally and globally, Mr. Kulasinghe steers the transformation of the entire Group's IT environment, whether in the areas of technology infrastructure, software, product development and digital transformation. He guides the strategy, introduction, implementation, management, and support aspects of the full range of technology-led initiatives within the Group.</p> <p>With a MEng Degree in Mechanical Engineering and Business Management, a BEng in Mechanical Engineering, as well as PRINCE2 Project Management Professional credentials to his name, Mr. Kulasinghe has cut his teeth at leading technology companies such as MilleniumIT (now LSEG – London Stock Exchange Group Technology), where he held the position of Project Manager at MillenniumIT from 2011 to 2014, and Brandix i3 (now Fortude) where he served as Project Manager at Brandix i3 from April 2014 to December 2016.</p> <p>He harnesses a vast expanse of knowledge in incorporating cutting-edge technology across CAL's operations and business functions and his work allows the Group to consistently disrupt conventions in financial service markets while establishing uncharted paths.</p> |
| <p>Financial Controller – CAL Group</p> <p>Mr. Pananwala Arachchige Yasantha Lalith Kumara</p> | <p>Currently responsible for the finance function of the Capital Alliance Group and Unit Trust Funds, in his role as Financial Controller, he brings in the primary focus of business process developments that adds value to the Finance function of the CAL Group. In addition, conforming to best practices, regulatory guidelines and IFRS Standards.</p> <p>Prior to joining CAL, Mr. Yasantha has around 12 years of post-qualified experience in Banking, Insurance and Finance Sector Companies and KPMG – Sri Lanka. His core expertise includes financial management, financial reporting, auditing, ALM, corporate planning and taxation.</p> <p>Mr. Yasantha is an Associate Member of the Institute of the Chartered Accountants of Sri Lanka, the Institute of Chartered Management Accountants (UK), a CFA Charter Holder (USA), a Certified Financial Risk Manager from Global Association of Risk Professionals (USA) and holds a BSc. (Accounting) special degree with first class and MBA from the University of Sri Jayewardenepura.</p> |

| Designation and Name | Business Experience |
|---|--|
| Chief Human Resources Officer – CAL Group Ms. Rochelle Mortier | <p>Ms. Mortier possesses 18 years of experience in Human Resource Management and Organizational Development and involves prior roles across multi-nationals, insurance, apparel and KPOs. She has worked extensively on HR strategy, industrial relations and HR operations in serving the Group’s manifold requirements. She is a key member of the management team, directly involved in nurturing and developing the Group’s human capital component. Her expertise in change management, HR transformation and labour issues adds great value to the organization.</p> <p>Ms. Mortier also serves as the Chief Human Resources Officer for Ceylon Tea Brokers PLC and Logicare (Pvt) Ltd. She possesses an MBA from the Postgraduate Institute of Management, University of Jayewardenepura; a Masters in Labour Law and Relations from the University of Colombo; and a BA in Economics and Social Sciences from the Open University of Sri Lanka. Further, she’s a Member of the Association of Human Resource Professionals of Sri Lanka.</p> |
| Manager – Operations Mr. Migara Hettiarachchi | <p>Mr. Hettiarachchi has over 13 years of diverse experience with CAL and currently heads the Operations Department of multiple CAL Group Companies dealing in Primary Dealing, Stock Brokering and Asset Management.</p> <p>He is responsible for back-office functions relating to Government and Corporate Debt Securities, Money Market operations, SWIFT settlements, Unit Trust and Equity Market Settlements.</p> <p>Currently, he is following a Diploma in Treasury and Risk Management conducted by the Institute of Bankers of Sri Lanka.</p> |

5.4 MANAGEMENT AGREEMENTS

As at the date of this Prospectus there are no Management Agreements in place for the Company.

6. DECLARATIONS

6.1 DECLARATION BY THE DIRECTORS

We, the undersigned being the Directors of Capital Alliance Limited, hereby declare and confirm that we have read the provisions of the Companies Act No. 7 of 2007 relating to the issue of the Prospectus and that those provisions have been complied with.

This Prospectus has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that the provisions of the Listing Rules of the Colombo Stock Exchange and the Companies Act No. 7 of 2007 and any amendments made thereto from time to time, have been complied with and after making all reasonable inquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in the Prospectus, such representations have been made after due and careful inquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time and according to our best judgments.

We further declare that the profit forecasts have been included in this Prospectus after due and careful inquiry of the information available with the Company and assumptions that are considered to be reasonable at the present point in time and according to our best judgments.

| Name of the Director | Designation | Signature |
|--|---|-----------|
| Mr. Dinesh Ajit De Zoysa | Chairman – Non-Executive Non-Independent Director | Sgd. |
| Mr. Widanalage Ajith Terence Fernando | Executive Director | Sgd. |
| Mr. Rajadurai James Arasaratnam | Non-Executive Non-Independent Director | Sgd. |
| Mr. Conganige Sextus Roland Sanjeewa Anthony | Non-Executive Non-Independent Director | Sgd. |
| Ms. Aloka Irudiyani Chathurangani Nandasena | Non-Executive Independent Director | Sgd. |
| Ms. Koruwage Aruni Dharshika Siriwardene | Non-Executive Independent Director | Sgd. |

6.2 DECLARATION BY THE COMPANY

We, Capital Alliance Limited, having our Registered office at Level 5, "Millennium House", 46/58, Nawam Mawatha, Colombo 02, hereby declare that to the best of our knowledge and belief this Prospectus constitutes full and fair disclosure of all material facts about the Offer and the Company.

An application has been made to the Colombo Stock Exchange for permission to deal in and for a listing for all of the Ordinary Voting Shares Offered by the Company, and those Ordinary Voting Shares are the subject of this Offer. Such permission will be granted when the Ordinary Voting Shares are listed on the Colombo Stock Exchange. The Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of the Company or of the Shares Offered.

Sgd.
Director

Sgd.
Director

6.3 DECLARATION BY THE MANAGERS AND FINANCIAL ADVISORS TO THE OFFER

We, Capital Alliance Partners Limited of Level 5, "Millennium House", 46/58, Nawam Mawatha, Colombo 02 hereby declare that to the best of our knowledge and belief this Prospectus constitutes full and true disclosure of all material facts about the Offer and the Company and we have satisfied ourselves that the profit forecasts had been stated by the Directors after due and careful inquiry.

Sgd.
Director

Sgd.
Director

6.4 DECLARATION BY THE INDEPENDENT VALUERS TO THE OFFER

We, Ernst & Young Transaction Advisory Services (Private) Limited, of 201, De Saram Place, Colombo 10, hereby declare that we are neither a related party to Capital Alliance Limited, as defined in the Sri Lankan Accounting Standards, nor have a significant interest or financial connection with Capital Alliance Limited and/or the Group.

We declare that we are a member of a good standing professional association relevant to the valuation assignment undertaken and have the necessary skills and resources available at our disposal to arrive at a competent independent opinion in determining the IPO Price.

Furthermore, we also declare that we have made all the inquiries that we believe are desirable and appropriate in order to arrive at a competent independent opinion.

Sgd.
Director

Sgd.
Director

Annexure 1

Accountant's Report
and five-year summary



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

21st September 2021

The Board of Directors
Capital Alliance Limited,
Level 5, "Millennium House"
46/58, Nawam Mawatha,
Colombo 02,
Sri Lanka.

Dear Sirs,

ACCOUNTANTS' REPORT FOR THE INCLUSION IN THE PROSPECTUS OF CAPITAL ALLIANCE LIMITED ISSUED IN CONNECTION WITH THE INITIAL PUBLIC OFFER TO SUBSCRIBE UP TO A MAXIMUM NO OF 41,177,236 ORDINARY SHARES.

This report has been prepared for the inclusion in the Prospectus issued in connection with the initial public offer to subscribe up to a maximum no of 41,177,236 ordinary shares of Capital Alliance Limited (the "Company")

1. INCORPORATION

The Company was incorporated and domiciled in Sri Lanka and it was originally incorporated as a limited liability company on 10th August 2000 as "Capital Alliance Limited" under the Companies Act No.7 of 2007.

2. FINANCIAL STATEMENTS

We have examined the Financial Statements of Capital Alliance Limited for the financial years ended 31st March 2017 to 31st March 2021 and report as follows.

2.1 Five Years Summary of Audited Financial Statements

A Summary of Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and Statements of Cash Flows of Capital Alliance Limited for the years ended 31st March 2017 to 31st March 2021, based on the audited financial statements of the Company are set out in Annexure 1 of the prospectus.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative

("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K Sumanasekara FCA, W.A.A. Weerasekara CFA, ACMA, MRICS



2.2 Audited Financial Statements for the year ended 31st March 2021

Statement of Financial Position as at 31st March 2021, the related Statement of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended and summary of significant and other explanatory notes are included in Annexure 2 of the Prospectus. We have audited these Financial Statements and our audit report thereon dated 31st May 2021 is also enclosed.

2.3 Audit Reports

We have audited the Financial Statements of Capital Alliance Limited for the years ended 31st March 2017 to 31st March 2021. Unmodified audit opinions have been expressed on the said Financial Statements.

2.4 Application of Accounting Standards and Accounting Policies

The Financial Statements of the Company for the years ended 31st March 2017 to 31st March 2021 comply with Sri Lanka Accounting Standards.

The accounting policies of the Company are disclosed in the audited financial statements of the Company for the years ended 31st March 2017 to 31st March 2021. There were no material changes in the accounting policies of the Company for the years ended 31st March 2017 to 31st March 2021 except for adoption of SLFRS 9, SLFRS 16 and IFRIC 23.

2.5 Dividends Paid

The Company has paid dividend during the years ended 31st March 2017 to 31st March 2021 as follows.

| Year | Dividend Paid (LKR) | Dividend Per Share (LKR) |
|-----------|---------------------|--------------------------|
| 2016/2017 | 125,000,085/- | 4.74/- |
| 2017/2018 | 158,348,220/- | 6.00/- |
| 2018/2019 | - | - |
| 2019/2020 | - | - |
| 2020/2021 | 249,808,557/- | 10.40/- |

2.6 Events after Reporting date

There were no significant events occurred after the last audit report date.

2.7 Restriction on use

This report is made solely for the purpose of inclusion in the prospectus issued in connection with the Initial Public offering of 41,177,236 ordinary shares at the share offer price of Rs.10/- each by Capital Alliance Limited.

Yours faithfully,

CHARTERED ACCOUNTANTS



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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|----------------------|----------------------|--------------------|--------------------|--------------------|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| Interest Income | 1,075,181,078 | 1,439,556,700 | 1,092,701,549 | 1,158,799,651 | 795,314,760 |
| Interest Expenses | (707,137,564) | (1,100,034,407) | (870,974,562) | (897,884,949) | (598,516,166) |
| Net Interest Income | 368,043,514 | 339,522,293 | 221,726,987 | 260,914,702 | 196,798,594 |
| Net Gain from Trading | 1,345,009,255 | 898,346,842 | (68,425,333) | 611,155,082 | 281,044,834 |
| Direct Expenses | (16,433,846) | (13,258,460) | (13,559,914) | (13,633,719) | (12,672,067) |
| Other Income | 5,345,044 | 10,414,633 | 11,246,807 | 7,566,534 | 9,432,222 |
| Net Gain / (Loss) from remeasurement of Financial Assets at FVTPL | (132,025,344) | 77,525,742 | 50,859,577 | (22,532,970) | 120,485,110 |
| Net Operating Income | <u>1,569,938,623</u> | <u>1,312,551,050</u> | <u>201,848,124</u> | <u>843,469,629</u> | <u>595,088,692</u> |
| Operating Expenses | | | | | |
| Personnel Expenses | (202,937,869) | (179,050,458) | (107,903,762) | (199,685,043) | (107,898,160) |
| Depreciation and Amortisation | (9,404,922) | (9,956,452) | (8,303,897) | (6,388,234) | (4,524,644) |
| Other Expenses | (87,369,677) | (115,737,129) | (48,144,745) | (64,045,195) | (50,282,429) |
| Profit Before Tax | <u>1,270,226,155</u> | <u>1,007,807,011</u> | <u>37,495,720</u> | <u>573,351,157</u> | <u>432,383,460</u> |
| Income Tax Expenses | (303,745,017) | (270,415,130) | - | - | (125,047,256) |
| Profit for the year | <u>966,481,138</u> | <u>737,391,881</u> | <u>37,495,720</u> | <u>573,351,157</u> | <u>307,336,204</u> |
| Basic Earnings per Share | <u>40.24</u> | <u>30.70</u> | <u>1.56</u> | <u>24.66</u> | <u>11.87</u> |

