



Resilience in adversity

Annual Report 2021 / 2022



Contents

OVERVIEW

Introduction to the Report	2
About Us	3
Our Journey	4
Financial Highlights	5

STEWARDSHIP

Chairman's Message	8
Chief Executive Officer's Review	10
Board of Directors	13
Heads of Departments	17
Management Discussion and Analysis	21
Risk Management	24
Key Financial Performance Review	29
Annual Report of the Board of Directors	31

COMPLIANCE REPORTS

Corporate Governance	36
Listing Rules Compliance	58
Companies Act Checklist	62
Audit Committee Report	63
Related Party Transactions Review Committee Report	65
Remuneration Committee Report	66
Statements of Directors' Responsibility	67

FINANCIAL REPORTS

Financial Calendar	69
Independent Auditor's Report	70
Statement of Profit or Loss and Other Comprehensive Income	74
Statement of Financial Position	75
Statement of Changes in Equity	76
Statement of Cash Flows	77
Notes to the Financial Statements	78

OTHER REPORTS

Investor Information	129
Five Year Summary	131

SUPPLEMENTARY INFORMATION

Glossary of Financial Terminology	133
Notice of Meetings	136
Form of Proxy	139
Corporate Information	Inner Back Cover



Resilience in adversity

We chose resilience as our focus point this year, as we followed through on our revitalised brand through a challenge-filled year. And as we present our account of the year under review, we are satisfied with the progress we have made, despite the headwinds we faced. We have strengthened our core and made our processes and procedures more efficient. We have emphasised even more, our focus on risk management and compliance and in a year of trials we emerged relatively unscathed by remaining true to our strong fundamentals, and continuing our momentum in demonstrating our resilience in adversity

Introduction to the Report

This is the first Annual Report published by Capital Alliance PLC (CALT) since the listing of the Company on the Colombo Stock Exchange (CSE) on 15th December 2021. The Company name was changed from "Capital Alliance Limited" to "Capital Alliance PLC", with effect from 26th January 2022.

Capital Alliance PLC (CALT) is proud to present the Annual Report which provides comprehensive and concise information on the performance of the company for the year ended 31st March 2022 and the Independent Auditors' Report on the Financial Statements conforming to all applicable statutory requirements.

The Financial Statements of the Company were duly certified by the Financial Controller and were approved for the submission to the Board of Directors by the Board Audit Committee. The financial statements were approved by the Board of Directors on 24th June 2022.

Reporting period and boundary

The Report covers the operations of Capital Alliance PLC (CALT) identified as the "Company". The Report covers the 12 months period from 1st April 2021 to 31st March 2022, which is consistent with our usual annual reporting cycle. There are no significant changes from previous reporting periods in the scope and boundaries. Comparative financial information, if reclassified or restated, has been disclosed and explained in the relevant sections.

The Company does not have any other subsidiaries, associates, joint ventures, overseas operations, or other businesses. The Company's shareholding structure, and operations are disclosed on Pages 129,130 and 3 respectively.

The key financial and non-financial aspects are discussed in the context of the Company unless stated otherwise.

Reporting Frameworks

Financial reporting

- The Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

Corporate governance reporting

- Laws and Regulations of the Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange
- Code of Best Practices on Corporate Governance issued by CA Sri Lanka

Compliance

Both financial and non-financial information contained in this report complies with applicable rules and guidelines stipulated by the Central Bank of Sri Lanka, the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange, The Inland Revenue Act, and all the Directions issued by The Inland Revenue Department and CA Sri Lanka .

Independent Assurance

The Company has engaged Messrs. KPMG to obtain an independent assurance in respect of their audit opinion on the financials given on pages 70 to 73 of this Annual Report.

Feedback and Further Information and Suggestions

The Company welcomes your comments, suggestions, and inquiries on this Report.

Contact Us

Mr. Yasantha Kumara
Financial Controller

Capital Alliance PLC
Level 5, 'Millennium House, 46/58,
Nawam Mawatha, Colombo 02,
Sri Lanka.

Tel : (94) 11 2317777 Ext: 7320
Fax : (94) 11 2317788
Email : yasanthak@cal.lk

About Us

Capital Alliance PLC (CALT) (Previously-Capital Alliance Limited) 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 Holdings Group (CAL Group) has graduated to become a leading Investment Banking group in Sri Lanka. Capital Alliance PLC is a subsidiary of the Capital Alliance Holdings Limited.

Capital Alliance PLC forms the Government securities trading function of the Group and, as per the Central Bank of Sri Lanka, is one of the five (05) non-Bank Primary Dealers in the country. Capital Alliance PLC's (CALT) main business is trading in government securities. CALT's business is regulated by the Central Bank of Sri Lanka and its activities 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.

ICRA Lanka reaffirms the issuer rating of [SL]A-(Stable) for Capital Alliance PLC on 25th March 2022.

Capital Alliance Limited was listed on the Colombo Stock Exchange (CSE) on 15th December 2021.

The CAL Group's Vision and Mission statements are as follows:

Our Vision

"To be the leading capital markets solutions provider in frontier markets"

Our Mission

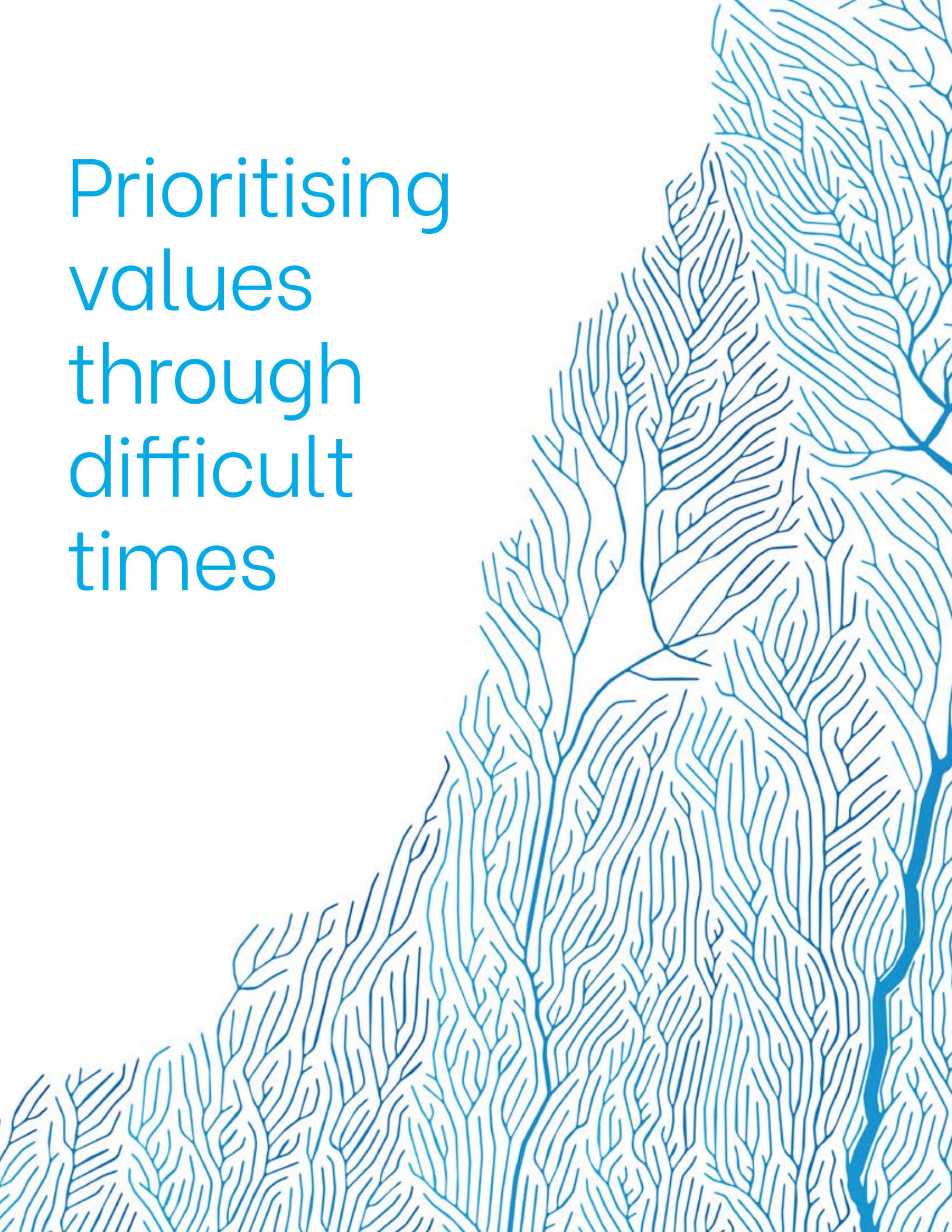
"To foster the development of capital markets as an efficient alternative to fulfill the banking needs of our customers"

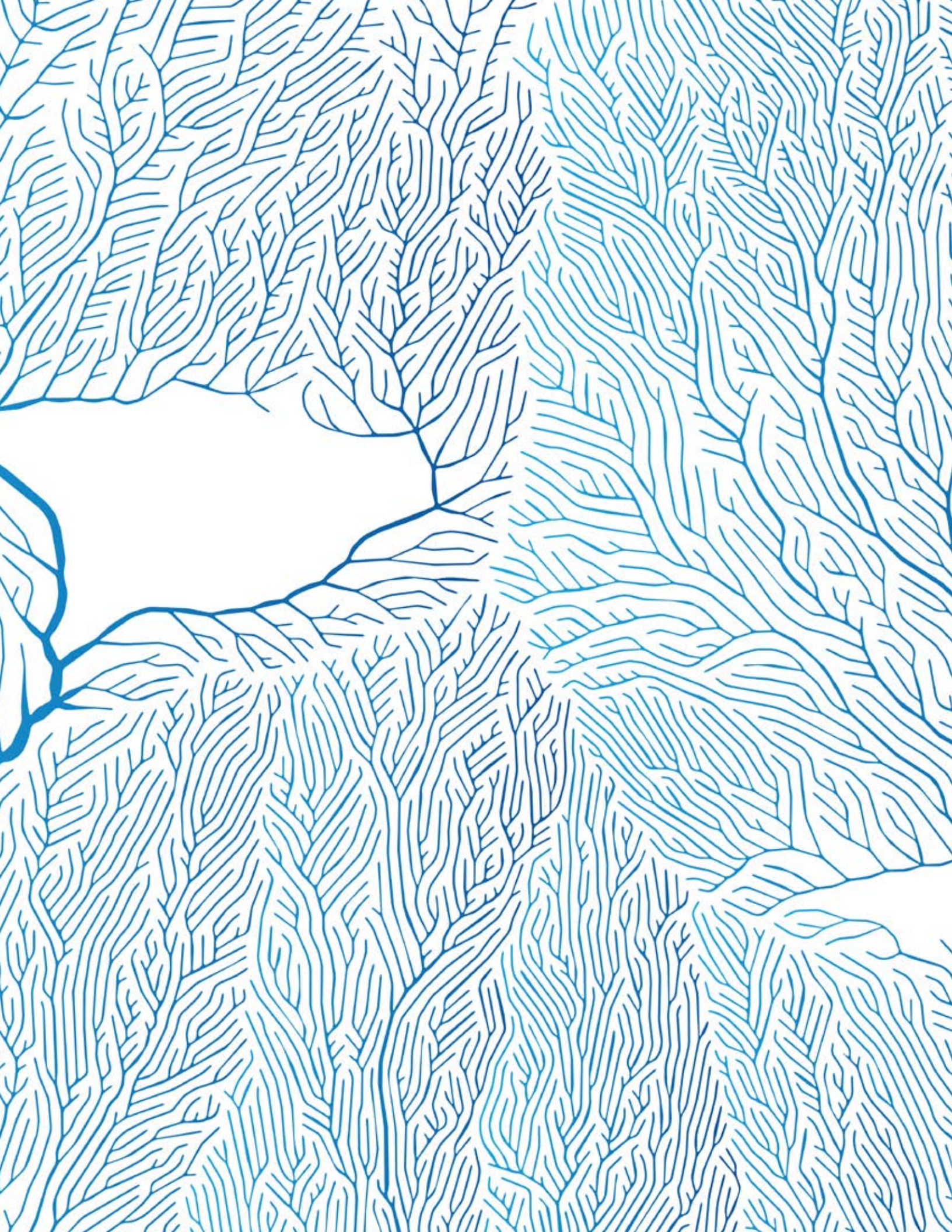


Financial Highlights

For the Year Ended 31st March	2022 Rs.	2021 Rs.	Variance %
Interest Income	508,341,479	1,075,181,078	(53%)
Interest Expenses	(284,028,315)	(707,137,564)	(60%)
Net Interest Income	224,313,164	368,043,514	(39%)
Net Gain/(Loss) from Trading	(202,893,988)	1,345,009,255	(115%)
Net Loss from remeasurement of Financial Assets at FVTPL	(16,022,056)	(132,025,344)	(88%)
Direct Expenses	(6,680,015)	(16,433,846)	(59%)
Other Income	7,438,593	5,345,044	39%
Net Operating Income	6,155,698	1,569,938,623	(100%)
Operating Expenses	(212,447,493)	(299,712,468)	(29%)
Profit/(Loss) Before Tax	(206,291,795)	1,270,226,155	(116%)
Income Tax (Expenses)/Benefits	34,916,243	(303,745,017)	111%
Profit/(Loss) for the year	(171,375,552)	966,481,138	(118%)
Other Comprehensive Income/(Expense) for the year	4,161,806	(3,526,610)	218%
Total Comprehensive Income/(Expense) for the year	(167,213,746)	962,954,528	(117%)
AS AT 31ST MARCH			
Assets			
Financial Assets	8,133,445,925	11,530,257,186	(29%)
Other Assets	81,444,682	34,394,790	137%
	8,214,890,607	11,564,651,976	(29%)
Liabilities			
Financial Liabilities	5,494,394,418	8,640,112,495	(36%)
Other Liabilities	52,740,652	201,092,183	(74%)
	5,547,135,070	8,841,204,678	(37%)
Equity	2,667,755,237	2,723,447,298	(2%)
Basic Earnings/(Loss) per share (Rs.)	(0.57)	3.35	
Market Price Per Share (Rs.)	9.50	-	
Net Asset Value Per Share (Rs.)	8.10	9.45	
Return on Equity (ROE) (%)	(6.36%)	40.83%	
Return on Assets (Before Tax) (ROA) (%)	(2.09%)	9.80%	
Debt to Equity Ratio (Times)	2.05	3.11	
Interest Yield (%)	5.18%	8.33%	
Interest Cost (%)	4.1%	6.9%	
Interest Spread (%)	1.1%	1.4%	
Dividend Per Share (Rs.)	-	1.04	
Dividend Payout Ratio (%)	-	31.07%	
Capital Adequacy Ratio (%)	310.65%	54.11%	

Prioritising values through difficult times





Chairman's Message



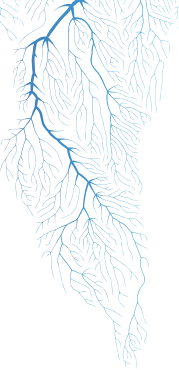
“ The fast-changing economic environment demands dynamism from businesses. From the onset of COVID, businesses have had to adapt fast or perish.”

The economy

The past year has been an exceptionally challenging one for all Sri Lankans. The Sri Lankan economy which was barely beginning to recover from the aftermath of the pandemic was thrown into a full-blown economic meltdown with the country running out of foreign reserves and losing access to international markets. The economy is feeling the pinch stemming from the unsustainable public debt levels, dollar shortages and unprecedented inflation rates. Vast amounts of money printed during 2020 and 2021 coupled with the bunching up of foreign debt repayments resulted in our foreign reserves fall to

record low levels creating the Dollar crisis that we are facing today. Many essential imports are unavailable due to the shortage of Dollars in the market and at times even essential consumables such as medicines are difficult to be sourced for lifesaving hospital surgeries.

Our weak external position has also led to the energy crisis we're now grappling with. Long power cuts and fuel queues have destroyed the productivity of the country. Lack of fuel and electricity affect the functioning of almost all businesses. In addition, we have employees who could be adding to the productivity of the economy standing in queues for hours to sort their day to day supplies.



Coupled with our struggling currency, domestic and global supply pressures have driven inflation to unprecedented levels take the so much so that many households are now consuming just two meals a day. Interest rates have risen to historic highs with money market liquidity deficit levels crossing LKR 600Bn by April 2022. Since a detailed analysis of the economy will be presented in the Management Discussion, I will take this opportunity to talk about CALT in the context of the past year.

CAL Values

Although 2021 came with its own set of challenges, I'm proud to say that by staying true to our CAL values we were able to successfully navigate through these challenges without much disruption. The fast-changing economic environment demands dynamism from businesses. From the onset of Covid, businesses have had to adapt fast or perish. CALT has managed to adapt quickly to the changing conditions in the economy such as the drying up of liquidity in the money market and the drastic increase in interest rates. Our strong Risk and Compliance culture allowed us to manage the risk of our portfolio during these turbulent times which helped minimise the impact to our shareholder funds.

The pickup in Government security interest rates have resulted in a surge in client interest towards Government securities. As a primary dealer licensed by the CBSL, CALT has engaged this new growing client base, to not only allow investment towards Treasury bills and bonds. But also to educate individuals on the nature and attractiveness of a different investment product which was rarely accessed by the general public. By staying true to our CAL values of integrity and dynamism, we have been able to streamline the account opening process in order to engage with a larger volume of clients interested in treasury products.

What the Future Holds

Innovation has been one of the cornerstones of CALT's success over the last two decades. "We are always only two years away from irrelevance" is one of the values that is deeply entrenched in the CAL culture that underscores our commitment to innovation and driving forward the capital markets of Sri Lanka. Over the years we have made significant progress on innovation on many fronts, primarily on IT infrastructure that has allowed us have access to state of the art systems to manage our trading, settlement and auction processes. Our CAL portal has enabled us to engage larger client volumes and streamline the client onboarding process.

Moving forward into 2022, we will strive to continuously innovate, not just in the IT space but also other spheres of the business such as product development and R&D. We hope that CALT will be able to contribute to the development of the Sri Lankan Capital markets for the prosperity of the financial markets and the country as whole.

Although the past year has posed significant challenges, we are optimistic about the opportunities the future holds. We must look at the context of the country in terms of a medium to long term future. Even though things may seem grim at this point, if Sri Lanka takes the required policy action and steps towards recovery, I'm certain that we will have the opportunity to rebuild to a level even better than before.

Mr. D. A. De Zoysa
Chairman

Chief Executive Officer's Review



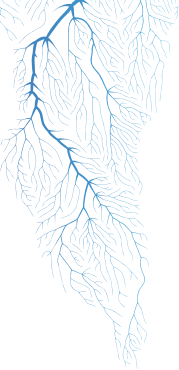
“ Operating in these volatile conditions has not been an easy task and I am very proud of how well our team was able to pre-empt, adapt, and position ourselves to withstand these external shocks.”

Dear Stakeholders,

At the beginning of the pandemic, we realised that 2020 was going to be a year like no other. Despite the volatile conditions the world was facing, we had a positive view of the future. While the pandemic itself seems to be largely behind us now, the economic and political crisis that engulfed Sri Lanka thereafter is of a scale we have never seen before. Operating in these volatile conditions has not been an easy task and I am very proud of how well our team was able to pre-empt, adapt and position ourselves to withstand these external shocks.

The Sri Lankan Economic Crisis

Although most of the ill effects of the economic downturn played out in 2021 and 2022, these problems have been in the making since the end of 2019. The COVID-19 pandemic brought its own impact to the economy, with global and domestic travel restrictions impacting many industries such as tourism and retail. Nevertheless, I believe that it was not the pandemic that is responsible for the situation we are in today. A big part of our troubles are self-inflicted through some poor policy decisions that exacerbated the existing economic headwinds. It is vital that there is greater understanding about the causality to prevent the recurrence of these policy mistakes that proliferated a pandemic induced economic slowdown into a full-blown economic meltdown.



Since they have been extensively discussed and highlighted in many fora, I will just touch upon the three policy errors that we think are responsible for the current economic turmoil.

1. Government tax cuts in 2019. This in our view was the foundation for the economic crisis that we are currently embroiled in. Sweeping tax cuts, led to the government fiscal deficit expanding more than LKR 2 Trillion.
2. Money Printing to fund the government. Policymakers wanted to maintain a low interest rate environment to boost the economy that was reeling from the pandemic. To counteract the upward pressure on interest rates they were facing during the time, money printing on a massive scale was embarked upon in 2020 and 2021.
3. Pegging the USD. The higher demand for USD in the market was initially driven by external factors such as a higher import bill on the back of higher commodity prices and the surge in demand for credit given the lower interest rates. The currency being subsequently soft pegged to the Dollar at LKR 200-204 despite the significant depreciation pressure led to a reduction in supply of USD via lower remittances, subdued export conversions and the creation of a parallel informal currency market. As we know, price controls and shortages are two sides of the same coin. Initially the peg was defended by utilising the already low FX reserves held by the Central Bank of Sri Lanka but once that was depleted, we had no choice but to face the inevitable shortages of goods and services we are now grappling with.

These policy decisions have crippled our country into the worst economic crisis I have seen in my lifetime. The energy crisis taking center stage has resulted in long queues for fuel and gas as well as regular power cuts. Energy is an essential commodity, the lack of which has destroys the productive capacity of an economy.

After perusing these misguided policies for the most of 2020 and 2021, in April 2022, post the balance sheet date, the country saw one of the sharpest devaluations and steepest escalations in interest rates in our history. In the first and second quarters of 2022, the 1-year Treasury yields rose by almost 17% owing to the consecutive increases in policy rates. Such a steep increase in interest rates usually poses an immense challenge to any primary dealer as higher interest rates cause a decline in the market value of government securities, the main asset carried on the Statement of Financial Position of a primary dealer.

Resilience in adversity

For the primary dealing industry, and especially for Capital Alliance PLC (CALT) the past year has been extremely challenging. Managing market risk in the face of sharp interest rate escalations has been the most significant challenge. With the market liquidity deficit crossing LKR 600 Bn by April 2022, the tight liquidity position in the money markets made it challenging to manage overall liquidity positions. In this regard, we are glad that we were able to position ourselves correctly in the period leading up to the crisis, mainly due to our data driven research capabilities and prudent Risk Management policies that allowed us to accurately forecast the macro-economic variables and position ourselves accordingly. We were able to manage our balance sheet and our risk to achieve a small profit at an operational level.

During the year, Capital Alliance PLC (CALT) also diversified part of its portfolio into listed equities as permitted by CBSL and managed to realise a gain of almost LKR 52Mn. We were also able to exit this portfolio before the downturn in the equity market.

One of the significant milestones for Capital Alliance PLC (CALT) during the year was the listing of the company on the Colombo Stock Exchange in December 2021 making the entity the first standalone Primary Dealer to be listed in Sri Lanka. I would like to thank all the investors who subscribed to the issue and made it a success as well as those who have subsequently become shareholders of the company for the trust and confidence placed upon us.

We made use of the IPO to offer a portion of the company shares to our team, thereby making them all shareholders with a vested interest in the performance of the company.

Looking Ahead

Despite the many setbacks that Sri Lanka has faced in the past year, I strongly believe there is still scope for Sri Lanka to revert to a strong economic growth trajectory once the current fiscal and external imbalances are addressed and rectified. Sri Lankan people and businesses are amazingly resilient having withstood a 30-year civil war, the tsunami, terror attacks and a pandemic. I know that we will overcome even the most drastic economic crisis of our lifetime.

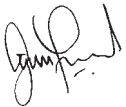
Chief Executive Officer's Review contd

However, I am of the firm belief that this should not just be about getting over the crisis. I feel that this is an opportunity to start afresh and to fix some of the core issues with our institutions and economy which dragged us to this precarious position. We should remember that most countries have gone through one or more crises and what determines a successful recovery has been the remedial actions that were taken during the crisis. If we temporarily patch up our issues just enough to get over the immediate hurdle, we will never reach the full potential we have as a country. However, like India did in 1991, if we make the necessary fundamental changes to our economy, we can look forward to reaching our full potential in the next decade.

With interest rates at historic highs, the platform has been set for the country's debt market to attract more funds both domestically as well as from overseas. In fact, we are already witnessing immense interest in Government securities from multiple client segments that have not been active in this asset class before. Retailers, corporates, and other client segments have shown significant interest in Government security auctions owing to the attractive interest rates. This is a significant opportunity for the primary dealing industry.

Appreciations

I am extremely grateful to the Chairman and the members of the Board for their support and valuable advice. I also take this opportunity to thank the team for their dedication and loyalty to the company. My thanks are due also to the officials of the Central Bank of Sri Lanka, and other regulatory bodies for their advice and support. In conclusion, I wish to convey my sincere thanks to our shareholders, valued clients, bankers and other stakeholders for the trust and confidence placed with us.



Mr. W. A. T. Fernando

Executive Director

Board of Directors

The Board of Directors of Capital Alliance PLC (Previously Capital Alliance Limited) (CALT) comprises of 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.

The Board of Directors is as follows;

Name	Designation
Mr. D. A. De Zoysa	Chairman - Non-Executive Non-Independent Director
Mr. W. A. T. Fernando	Executive Director
Mr. R. J. Arsaratnam	Non-Executive Non-Independent Director
Mr. C. S. R. S. Anthony	Non-Executive Non-Independent Director
Ms. A. I. C. Nandasena	Non-Executive Independent Director
Ms. K. A. D. Siriwardene	Non-Executive Independent Director



Mr. D. A. De Zoysa

Chairman - Non-Executive Non-Independent

Mr. De Zoysa has been Director since 2003 and currently serves as the Chairman of Capital Alliance Holdings Limited and Capital Alliance PLC (Previously Capital Alliance Limited).

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 board member of several of companies across risk and insurance broking, hotel management and travel services, real estate development and HR consulting services.

Mr. De Zoysa is a trustee and board member of Musaeus College, Colombo.

He holds a Bachelor of Business (Finance and IT) from the University of Technology, Sydney and an MSc in Insurance and Sustainable Risk Management from Glasgow Caledonian University, London

Membership of Board Subcommittees

Chairman - Remuneration Committee (CALH/CALT)

Member - Risk Management Committee (Group)

Other Directorships Held

Associated Electrical Corporation Ltd, Capital Alliance Holdings Limited, A E C Properties (Pvt) Ltd, Commercial Agencies (Ceylon) (Pvt) Ltd, Ajita De Zoysa and (Company) (Pvt) Ltd, ADZ Insurance Brokers (Pvt) Ltd, Corporate Druids (Pvt) Ltd, UGA Escapes (Pvt) Ltd, Capital Alliance Partners Limited, Wizard Entertainment (Pvt) Ltd, The Fabulous Gateway (Pvt) Ltd, Aurora Amicitia (Pvt) Ltd, Granite Capital (Pvt) Ltd, SLT Campus (Pvt) Ltd, Tempest Two (Pvt) Ltd.

Board of Directors contd



Mr. W. A. T. Fernando

Executive Director

Mr. Ajith Fernando has served in the capacity of Executive Director since founding the Company in October 2000. He is also, at present, the Chief Executive Officer (CEO) of the Company and the 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 (Pvt) Limited, CAL Securities Limited (Bangladesh) and as the Managing Director of Ceylon Tea Brokers PLC. He is a Fellow of the Chartered Institute of Management Accountants (UK) and holds an MA in Financial Economics from the University of Colombo

Other Directorships Held

Ashthi Holdings (Pvt) Ltd, Capital Alliance Holdings Limited, Capital Alliance Securities (Pvt) Ltd, Capital Alliance Partners Limited, Capital Alliance Investments Limited, CAL Investment Consultancy FZ-LLC, CAL Bangladesh Limited, CAL Securities Limited, Tempest PE Partners (Pvt) Ltd, BetaOne Investments Limited, Finnovation (Pvt) Ltd, Ceylon Tea Brokers PLC, Logicare (Pvt) Ltd, ADZ Insurance Brokers (Pvt) Ltd, Yoho Bed Lanka (Pvt) Ltd, The Metal Factor, Soul Kitchen (Private) Limited, SLT Campus (Pvt) Ltd, and Social Impact Capital (Pvt) Ltd, Fipbox (Pvt) Ltd.



Mr. R. J. Arsatnam

Non-Executive Non-Independent Director

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. Mr. Arasaratnam is an Executive Director of Jetwing Travels. He specialises in the Marketing Functions of the Group and holds eight directorates within the Group.

Other Directorships Held

Capital Alliance Holdings Limited, Jetwing Travels (Pvt) Ltd, Jetwing Air (Pvt) Ltd



Mr. C. S. R. S. Anthony

Non-Executive Non-Independent Director

Mr. Sanjeewa Anthony is an Attorney-at-Law of the 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), an Associate Member of the Institute of the Chartered Accountants of Sri Lanka (ACA), a Fellow Member of The Institute of Certified Management Accountants of Sri Lanka (FCMA) and a Fellow Member of Certified Professional Managers (FCPM). He commenced his career at PricewaterhouseCoopers, prior to joining Jetwing Hotels Limited as Finance Manager in 1996 and is currently an Executive Director. He is also serving on several Directorates including two Publicly Quoted companies. He is a Life Member of the Bar Association of Sri Lanka ("BASL").

Membership of Board Subcommittees

Chairman - Audit Committee

Member - Related Party Transactions Review Committee

Other Directorships Held

Jetwing Hotels Limited, The Lighthouse Hotel PLC, Negombo Landmark (Pvt) Ltd, The First Resort (Pvt) Ltd, Jetwing Eco Holidays (Pvt) Ltd, Jetwing Relief Fund (Guarantee) (Pvt) Ltd, Ranagala Hotels (Pvt) Ltd, Jetwing Kiwi Ltd, Jetwing Kiwi Management Ltd, Thaladena Villas (Pvt) Ltd, Jetwing Zinc Journeys Lanka (Pvt) Ltd, Jetwing Kaduruketha (Pvt) Ltd, Jet Enterprises (Pvt) Ltd, Capital Alliance Holdings Limited, Jetwing Academy (Pvt) Ltd



Ms. A. I. C. Nandasena

Non-Executive Independent Director

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. Her diverse work experience, exceeding 10 years, includes three and a half years at the Colombo Stock Exchange. 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.

Membership of Board Subcommittees

Chairperson - Related Party Transaction Review Committee

Member - Audit Committee

Member - Remuneration Committee

Board of Directors contd



Ms. K. A. D. Siriwardene

Non-Executive Independent Director

Ms. Siriwardene counts for over two decades of experience in enterprise-driven strategy implementation, organisational process excellence and implementation of large-scale IT systems, overseen by corporate governance and practical risk management in delivering client satisfaction across a plethora of industries in corporate and non-profit sectors both in Sri Lanka and overseas. She holds a MSc in Business Computing from the University of Westminster London, UK.

She is currently the Co-Founder and Director at Advik Consulting where she handles all facets of management consulting in areas of Strategy Execution, Project Management Office implementation and Business Process excellence. Previously, she served as a Board Director and Group CEO of Davora Group of Companies, Strategy Implementation Consultant at Stax (Pvt) Ltd, Vice President of Delivery and Governance at Brandix i3 (Pvt) Ltd, Associate Director at Navantis IT (Pvt) Ltd. She 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.

Membership of Board Subcommittees

Member - Related Party Transaction Review Committee

Member - Audit Committee

Member - Remuneration Committee

Other Directorships Held

Advik Consulting (Pvt) Ltd

Heads of Departments



Mr. Somadasa Palihawadana

Managing Director-Capital Alliance PLC

A well-respected industry veteran, Mr. Palihawadana was appointed to the position of Managing Director of the company in May, 2018. As the Managing Director of Capital Alliance PLC, Mr. Palihawadana also takes on the functions of the CEO, of Capital Alliance PLC, in his responsibilities.

He possesses a body of experience extending over 43 years, with a focus on treasuries and dealing activities. Mr. Palihawadana also holds the position of Deputy Chairman at Seylan Development PLC.

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 a Branch Manager at Bank of Ceylon until March 1999 (joined in September 1974).

He holds a Bachelor of Science (B.Sc) degree from the University of Colombo.

He resigned from the company with effect from 31st March 2022.



Ms. H. M. S. Perera

Chief Risk & Compliance Officer-Company and Group

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.

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 company and group-wide risk avenues.

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.

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.

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 and Logicare (Private) Limited.

Heads of Departments contd



Mr. Tharindra Kulasinghe

Chief Information Officer-Company and Group

With CAL's reliance on IT to propel the company forward by capitalising on increased market opportunity both locally and globally, Mr. Kulasinghe steers the transformation of the company and entire the Group's IT environment, in the areas of technology infrastructure, fintech software, product development, digital transformation and cyber security. He guides the strategy, introduction, implementation, management, and support aspects of the full range of technology-led initiatives within the company and Group.

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 from 2011 to 2014, and Brandix i3 (now Fortude) where he served as Project Manager from 2014 to 2016.

He harnesses a vast expanse of knowledge in incorporating cutting-edge technology across CAL's operations and business functions and his work allows the Company and the Group to consistently disrupt conventions in financial service markets while establishing uncharted paths.



Mr. Udeeshan Jonas

Chief Strategist, CAL

Mr. Jonas heads the Research arm of the Company and Group, one of the top-rated equity research houses in the country. He possesses deep insights and expertise in the Sri Lankan economy and capital markets. Being attached to the Company and Group since 2011, Mr. Jonas has played a pivotal role in revolutionising the equity research industry in Sri Lanka with the introduction of several innovative research products to the local market.

He was instrumental in heading a team that won multiple awards at the CFA Capital Market Awards that includes Gold award for Best Equity Research Report for the year 2017/18 and Best Sector Report in Sri Lanka for the year 2018/19, a feat achieved for the first time in the history of the competition. Prior to his role as Senior Vice President - Head of Research, Mr. Jonas worked as a fund manager for Capital Alliance Investments Limited, managing a portfolio of private wealth management mandates. Mr. Jonas is a CFA charter holder and an Associate Member of the Chartered Institute of Management Accountants (CIMA, UK). He also holds a Bachelor of Business from Edith Cowan University, Australia. Mr. Jonas is also a visiting lecturer for CFA.



Ms. Rochelle Mortier

Chief Human Resources Officer-Company and Group

Ms. Mortier possesses 18 years of experience in Human Resource Management and Organisational Development including prior roles across multinationals, insurance, apparel and KPOs. She has worked extensively on HR strategy, industrial relations and HR operations in serving the Company's and Group's manifold requirements. She is a key member of the management team, directly involved in nurturing and developing the Company's and Group's human capital component. Her expertise in change management, HR transformation and labour issues adds great value to the organisation.

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.



Mr. Yasantha Kumara

Financial Controller-Company and Group

Currently responsible for the finance function of the Company and Group, 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 Company and Group. In addition, conforming to best practices, regulatory guidelines, and IFRS Standards.

Yasantha has around 15 years of post-qualified experience in Banking, Finance, Insurance Sector Companies, and KPMG - Sri Lanka. His core expertise includes IFRSs, financial management, financial reporting and analysis, corporate planning and taxation, Asset Liability Management, Risk and Compliance, Processes and controls

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 (FRM) from the Global Association of Risk Professionals (USA) and holds a BSc. (Accounting) special degree with first-class and MBA from the University of Sri Jayewardenepura.

Heads of Departments contd



Mr. Migara Hettiarachchi

Senior Manager-Operations

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.

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.

He is a Member of Chartered Management Institute - UK (CMI)

Employees of Capital Alliance PLC

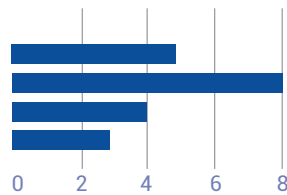
Total Employees



Age Analysis

Age
Under 20
21 - 30
31 - 40
41 - 50
50+

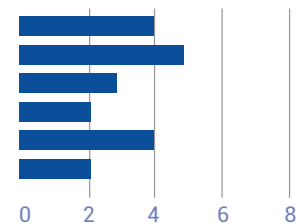
No of Employees



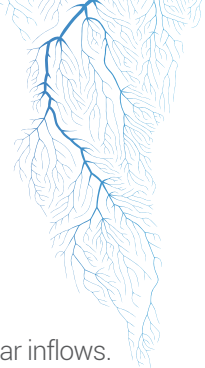
Service Duration Analysis

Service Duration
Under 01 Year
1 - 5 Years
6 - 10 Years
11 - 15 Years
16 - 20 Years
21+ Years

No of Employees



Management Discussion and Analysis



Global Economic Environment

At the start of 2021, the outlook on the global economy was positive, predominantly due to high growth expectations in developed markets and the anticipation of a recovery cycle owing to the easing of global lockdowns and an accelerated vaccination drive. In March 2021, global growth was projected to rise to 6% in 2021, moderating to 4.4% in 2022 (IMF World Economic Outlook, April 2021: Managing Divergent Recoveries). This was a significant uptick in growth expectations from 2020, reflecting steep fiscal and monetary stimulus in several large economies and increased COVID-19 vaccinations.

Growing inflation concerns had been the theme of the latter half of 2021, predominantly due to a strong recovery in global demand, coupled with supply pressures. The unfolding of the Russia-Ukraine war in February 2022 only spurred on the economic damage coming through from the previous year, as it exerted severe pressure on the global supply chain. This further fueled inflation and pulled back 2022 global growth expectations from 4.4% to 3.6%. (IMF World Economic Outlook, April 2022: War Sets Back the Global Recovery).

As a result of the growing inflationary pressures, many economies around the world began to unwind the large monetary policy easing measures taken during 2020. In March 2022, the US Federal Reserve increased the Federal funds rate by 25 basis points in response to 40-year inflation highs, while the Bank of England raised rates by 65 basis points in 3 steps (CBSL Annual Report 2021).

Sri Lankan Economic Environment

The domestic economy faced its own unique challenges during 2021, and the global conditions only served to exacerbate the issue. Recovering from a contraction of 3.6% in 2020, the Sri Lankan economy was expected to grow by 3.3% in 2021 ("Sri Lanka Projected to Grow by 3.3 Percent Amidst Uncertainties" IMF Press release Oct 7 2021). However, the

acceleration in inflation, external balance pressures, increasing social and political instability, and a developing energy crisis have posed significant challenges to the economy in the first half of 2022. Global commodity price increases and a recovery in local demand have driven a steep rise in inflation, with the Headline Colombo Consumer Price Index recording a 29.8% growth year-on-year for April 2022 (Sri Lanka Department of Census and Statistics).

Poor policy decisions taken during the past two years started showing severe adverse impacts during 2021. The starting point of the economic crisis was the fiscal easing measures introduced in 2019, which continued into 2021 with government expenditure exceeding government revenue by over LKR 2 Trn (CBSL Annual Report). The persistent fiscal deficit along with accelerating inflation expectations exerted significant upward pressure on interest rates in 2H 2021 and 1H 2022.

Policy makers took the stance of maintaining low interest rates despite the expanding budget deficit. This meant that the CBSL had to print vast amounts of money to fund the government's expenditure. In addition, Sri Lanka was shut out of international capital markets and delayed corrective actions including approaching the IMF,

which severely restricted Dollar inflows. These major policy errors in concert drove the country to the brink of the US Dollar crisis we are grappling with today. The Balance of Payments (BOP) pressure faced as a result of these policy decisions exerted depreciation pressure on the currency. Demand for Dollar swelled throughout the year on the current account, with imports for the year exceeding USD 20 Bn (Central Bank of Sri Lanka), and on the financial account with significant debt repayments needing to be met.

The next error in policy was the anchoring of the exchange rate, where the Central Bank maintained the official LKR/USD rate at around 200 LKR/USD for the entirety of 2021. Policy makers continued to take a "control" mindset, where the CBSL determined the price of our currency instead of allowing free markets to function. This inadvertently led to Dollar shortages and a black market for foreign currency. Mounting pressure on the currency and essential goods shortages led the CBSL to relax the exchange rate in March 2022, and by May 2022, it reached 360 LKR/USD (Figure 1). This steep depreciation is evidence that the market-determined price of the USD was much above 200 LKR/USD, and markets needed to adjust to the fair value of the USD based on supply and demand factors.

LKR/USD EXCHANGE RATE

LKR/USD



(Figure 1)

Management Discussion and Analysis contd

Access to international capital markets to service the dollar shortage was not an option for the government in the past year. Since the onset of COVID-19 in 2020, multiple credit downgrades by international rating agencies due to poor policy measures, and a spike in the secondary market rates for International Sovereign Bonds, made it difficult for the

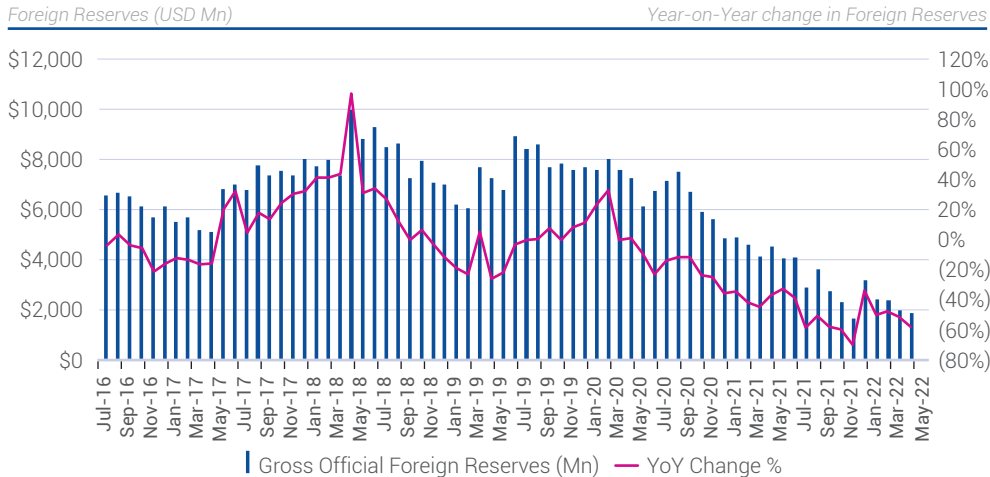
Government to raise US dollar funding in the capital markets. Additionally, the Government outright rejected IMF support, resulting in very limited options for dollar inflows to the country. Therefore, servicing the Dollar demand while anchoring the exchange rate resulted in a sharp decline in foreign currency reserves during the year (Figure 2).

Industry Environment

The sharp decline in Foreign Exchange Reserves has been the main driver of the decline in money market liquidity (Figure 3), reaching LKR -750Bn by April 2022, which exerted significant upward pressure on Government security interest rates.

SRI LANKA FOREIGN RESERVES

(Figure 2)



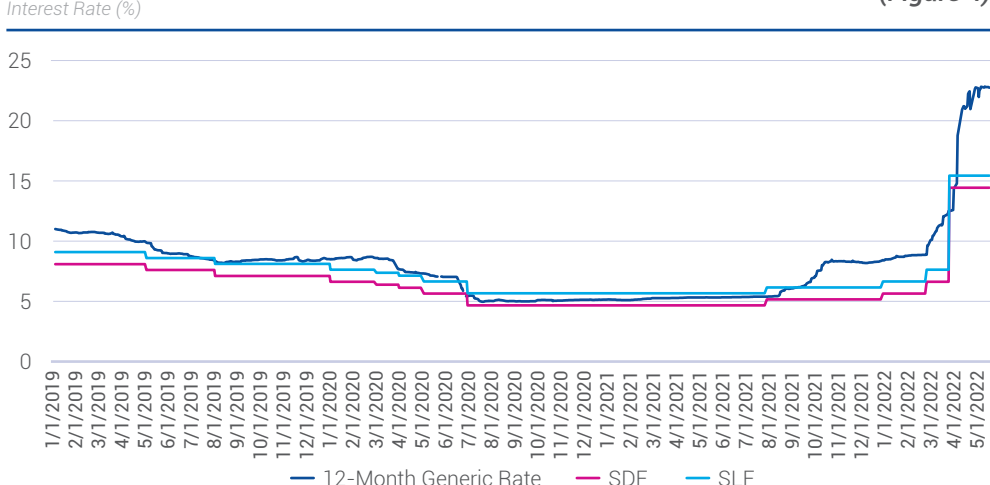
OUTSTANDING MARKET LIQUIDITY

(Figure 3)



GOVERNMENT SECURITY & STANDING FACILITY RATES 2019-2022

(Figure 4)



The depreciation pressure on the currency along with other factors such as rising inflation prompted the CBSL to take drastic measures to stabilise the economy. Throughout 2021, the CBSL only raised their policy rates by 0.50%. However, in 2022, the CBSL hiked policy rates by 8.5%, which included the steepest ever rate hike issued in its history. This was done by raising the Standing Deposit and Lending Facility rates by 7% in April 2022. (Figure 4). Due to the inaction and errors in policies in the previous two years, this drastic action was warranted and required.

Government Security Market interest rates followed suit, driven by the notable decline in money market liquidity, increased inflation expectations, and larger government security auctions caused by fiscal deficit borrowing pressure. The 1-year Treasury Bill yields increased by 3%-4% in 2H 2021. However, keeping in line with the steep policy rate hikes, what followed in 1H 2022 was one of the sharpest increases in Government Security interest rates Sri Lanka has seen, with the 1Y Treasury Bill increasing from 8% to 25% in a matter of 3 months (February to May 2022) (Figure 4).

Company Performance

A rising interest rate environment generally poses a significant challenge to the primary dealing industry. Particularly in this cycle, the steepness at which interest rates have risen is unprecedented. Therefore, it has been an exceptionally challenging year for

the industry as a whole to navigate amidst a wide range of uncertainties and risks. Despite the drastic increase in interest rates, Capital Alliance PLC (CALT) showed resilience in its performance by keeping losses minimal to LKR 171.4Mn in FY22.

Risk Management

The current operating environment is exposed to elevated risks on many fronts, both locally and globally. Therefore, we believe that Risk Management has an even more important role to play in the Primary Dealing operating environment than usual. It is our prudent Risk Management and compliance procedures that have allowed us to minimise the financial impact to the company when market risk posed such a significant threat. For this reason, we have exerted more emphasis on the framework used to assess the risks posed to the company in the new operating environment. We are reviewing our limits and policies on all fronts to continue adapting and advancing our risk management.

The year under review was a challenging year for CALT. The team was able to manage interest rate risk by making timely and accurate interest rate calls. The risk management team continued to build resilience along all types of risks faced by the Company by continuously monitoring various risk factors faced by the business due to the current economic conditions prevalent in the country.

During the year under review Mr. Jeevan William, Chairman Risk Committee and the CAL Group board risk committee along with the CALT team evaluated the risk mitigant controls and risk limits for CALT's proprietary trading book. The limits on interest rate risk, liquidity risk and concentration risk were clearly re-defined. All breaches are reported to the board at least quarterly and more frequently if required. The CRCO reports directly to the CAL Group risk committee and the team is also responsible for periodical assessments

of the effectiveness of the Company's performances and decisions made against the defined risk appetite set by the board

Risk & Compliance team ensures that the Company's risk management framework is continuously updated, and appropriate compliance policies are in place to mitigate or prevent such risk factors.

As defined by the board of CAL Group the company operates within a low/medium overall risk range. The company has a zero tolerance with regards to governance and reputation and a low tolerance to regulatory non-compliance and business disruption and a medium risk appetite towards health and safety of its stake holders, and towards strategic objectives related to earning volatility and availability and retention of talent.

The Executive Committee (EXCO) comprising of the CEO and the Heads of the Support services is responsible for identifying the risks and the level of risk that can be taken within the risk parameters set by the board and confirming the risk status of risk events for each business unit. The EXCO is responsible for validating risks at a business and company level on a quarterly basis.

The risk management team serves as the second line of defense in managing the risk framework of the company and the Internal auditors conduct regular independent audits and is the third line of defense in ensuring that the company's risk management policies and systems are in place.

The enterprise risk management process at CAL also ensures that all aspects of risks are carefully evaluated and common risk across all companies, business specific risks and core sustainability risks are clearly defined.

In the year under review the company adopted a hybrid (work from home/ work from office) work culture to ensure that business activities continued without any disruptions during the COVID 19

pandemic. The Business continuity plan was evaluated effectively during the year and the company faced no issues whilst working from home. This work plan enabled the company to monitor the health and safety of all staff members.

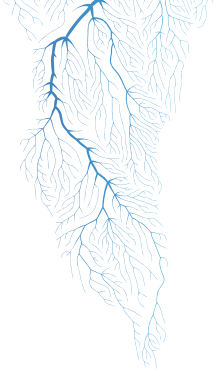
The IT team continuously dedicate time and effort to ensure that all systems are secure by conducting vulnerability assessments, and process improvements to systems. IT security and control policies are also documented and continuously updated and assessed to strengthen threats against cyber security attacks.

Succession planning and possible attrition has also been a key focus point and will continue to be a key area of risk assessment and management in the coming year.

The board of directors of CAL believe in maintaining a strict compliant culture at CAL. The Risk and Compliance team ensures that all laws regulations and directions issued by the Central bank of Sri Lanka, the listing rules of the Colombo Stock Exchange and the Laws of the Securities and Exchange Commission of Sri Lanka, and the Companies Act No. 7 of 2007 are followed and ensure that effective controls and monitoring tools are in place to ensure compliance of all the rules by the company.

Future Outlook

The Sri Lankan economy stands at a critical crossroad as we assess future prospects. As heightened macroeconomic risks resulting from external and fiscal fronts, rising social unrest and political instability, global commodity prices, and the fuel and energy crisis are significant dampeners on growth, GDP expectations are somewhat poor in the near term. However, the successful conclusion of a comprehensive debt restructuring program, successful engagement of the IMF, fiscal consolidation and State-Owned Enterprise reforms are some critical near-term reforms that may strengthen growth prospects in the medium term.



Risk Management

Enterprise Risk Management (ERM)

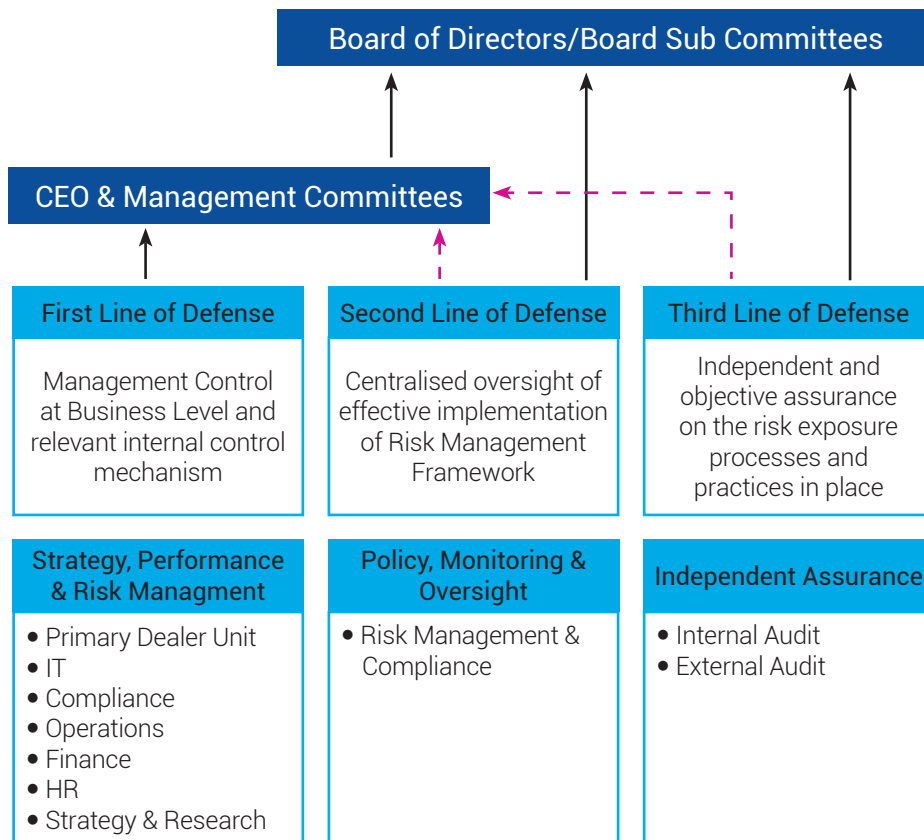
To meet its risk management objectives, the Company has developed a comprehensive and well-articulated risk strategy stemming from the Enterprise Risk Management (ERM) policy where the main value drivers are Financial/ Earnings Volatility, Regulatory Compliance, Governance, Reputation and Brand, Business Continuity, Health and Safety and Employee Satisfaction.

Our ERM framework is based on a four-step process that starts with Risk Identification, and then moves on to Risk Validation where Risks are identified at Business Unit level through the annual Risk Control Self-Assessment (RCSA) conducted by each business unit and department. Risks identified in this way are collated by the Risk and Compliance unit and presented to the Group Executive Committee for validation. Validated risks are then internalised through the Risk Normalisation procedure where risk ownership and management responsibilities are allocated for each individual risk. The final step, Risk Presentation refers to the monitoring and reporting of risk for the purpose of governance and overall control.



Three-lines-of-defense Mechanism

The ERM Framework is operationalised on a day-to-day basis, through the three-lines-of-defense mechanism.



First Line of Defense

Our employees and their respective unit heads form the first line of defense. They are responsible for daily risk management based on Board approved policies, instructions, and guidelines.

Second Line of Defense

The second line of defense is made up of the Group Risk Committee as well as the Risk and Compliance Unit.

Third Line of Defense

The third line of defense consists of the Internal Audit function, which operates under the purview of the Board Audit Committee. In their role as the third line of defense, the Internal Audit function performs independent assurance activities to evaluate and improve the effectiveness of risk management and control as well as the risk governance processes within the Company.

Risk Governance

Role of the Board

The CALT board has requested the Group risk committee to take on the role of managing CALT risk and compliance matters and overall responsibility for Risk Management rests with the Board of Directors of the Company.

Risk and Audit Committees

To assist in executing its risk management responsibilities, the Board has appointed the Board Audit Committee. Further, the Group level Risk Management Committee is monitoring risk and ensures the Company has implemented and maintained the risk parameters set by the Board.

The Audit Committee (AC) is mainly responsible for:

- Monitoring the effectiveness of the Internal Audit reviews and assessing the bi-annual audit plans
- Reviewing the independence of the external auditor in terms of the control processes adopted and the Management letters issued by them
- Reviewing quarterly Budgets, Audited Financial Statements and Tax matters prior to being submitted to the Board

Risk Management contd

Risk and Compliance Unit

The Risk and Compliance Unit (RCU) is the main facilitator in the implementation of the overall ERM framework. In this capacity the RCU is responsible for ensuring that all key headline risks across the Company are identified, measured, and controlled in line with the risk management policies set out by the Board. Furthermore, as the custodian of the Risk Registers, the RCU is required to monitor and report on any movements in Company risks as well as the Group's overall risk profile. Risk Register meetings are held quarterly to discuss irregularities with the Executive Committee of the Group.

Capital Alliance PLC undertakes risk, based on its business model and the strategic objectives set by the Board of Directors. In the current dynamic environment with increasing regulatory requirements, changing customer behavior, new competitors and new technologies, our approach to risk management is based on both individual responsibility and collective oversight, supported by comprehensive reporting to ensure that all headline risks within the Company's risk universe are monitored and managed properly.

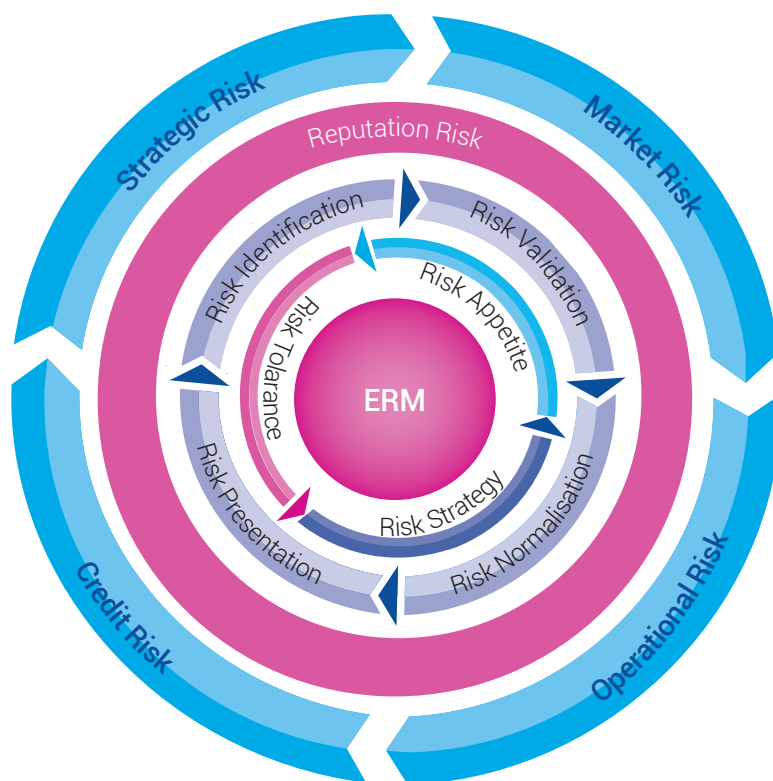
Risk Appetite

The Company's risk appetite is the amount of risk it is prepared to accept in pursuing its strategic objectives based on its key value drivers. The Company's stated Risk Appetite provides a decision-making framework for the strategic and operational treatment of risk and is used as an internal tool by the Central Enterprise Risk Management Division as means of calibrating the level of tolerance of risk on a Companywide level.

Risk Strategy

The Risk Strategy of the Company is to establish formal mechanisms to ensure that best efforts are taken to appropriately identify the risks and maximise any potential opportunities arising from such risks events and mitigate and minimise the adverse effects stemming from those identified risks.

This is operationalised through the embedding of risk management in business operations and strategic decision-making process.



Types of Risks Faced by the Company

Market Risk

Market risk is the possibility of losses arising from the changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, equity prices, and commodity prices.

Under the Market risk interest rate risk is the main risk faced by the Company.

Interest Rate Risk

The risk that unforeseen changes in interest rates could affect the prospects of the business. Based on risk appetite, the company has established risk limits to monitor interest rate risk.

Cut loss policies

It 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 a 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 by the management.

Target Duration and Convexity

The duration of the portfolio depends on the maturity profile 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 the interest rate risk.

Scenario analysis limits

With the use of the data systems, CALT is able to successfully gauge the market conditions based on the past data and market experience. Using this information, an informed decision could be made on the interest rate outlook.

Continuous and ongoing monitoring combined with in-depth research and statistical modeling, forms the basis of the interest rate risk management strategy.

Risk Dashboards reflecting risk limits set on trading limits are updated daily and presented quarterly to the Board Risk Committee.

Post-decision reviews and guidance from the Board Risk Committee also play a crucial role in managing interest rate risk over time.

Liquidity Risk

Liquidity Risk is the risk of non-compliance with payment obligations on time or doing so with excessive cost.

A Board-approved trading policy serves as the foundation for managing the company's liquidity risk. The policy dictates specific limits including Value at Risk, PV01, Modified Duration, single entity exposure, Cut-loss, Maximum holding period etc.

All indicators are monitored daily by the RCU and reported to the Board Risk Committee every quarter.

Furthermore, a contingency plan is in place to safeguard against the possibility of a liquidity shortfall.

Credit Risk

Since, the company is dealing in Government Securities and operating in a highly regulated environment, the credit risk attached to the primary dealing operation is minimal. Further, The Company has established guidelines for controlling and monitoring Counterparty Risk

Counterparty Risk

The risk of a counterparty failing to honor their side of a transaction presents risks if the counter party fails to honour the transaction, where CALT

could be short of security or cash, on the settlement date. Senior management sets Counterparty Limits, based on the Board recommended guidelines. When setting these counterparty limits.

Concentration Risk

CALT mitigates the risk of losses due to over-exposure to a single type of security, through portfolio diversification.

Subject to the other limits being adhered to, no more than a pre-determined percentage of the maximum portfolio limit can be invested in securities with the same maturity bucket.

Further, for any temporary increases and decreases in the limits, CEO approval is obtained and such approvals are reviewed by the Board.

Operational Risk

Human Resource Risk

The possible loss to the company owing to the inability of employees to collaborate as a team to perform their assigned job roles.

Human Resources risk remains well managed due to the Company's robust Human Capital Development model that seeks to create a dynamic environment where all employees, without exception, benefit from a challenging work experience that will provide the opportunity to pursue a rewarding career within the company.

Risk Management contd

Business Continuity Risk

The possible loss to the Company owing to the failure of internal systems, including IT infrastructure. The Company manages Business Continuity Risk through a well-documented BCP (Business Continuity Plan). Audits are conducted every quarter to review and update the BCP control checklist consisting of procedure manuals, SOP's, internal policy documents, etc. Business impact analysis and risk assessments are also carried out on an ongoing basis to determine pain points that need to be addressed, with critical issues encountered and reported to HODs for necessary action

System & Information Risk

The possible loss of data and information due to an external cyber-attack or an internal leak. The Company has invested in the latest information security firewalls and data leakage prevention software. In addition, two-factor authentication protocol has been enabled for critical applications and accounts. All hardware is secured by antivirus guards. These antivirus guards are monitored continuously.

The user-level matrix is monitored periodically

An independent third party has been commissioned to perform an annual vulnerability assessment

Regulatory And Compliance Risk

The risk due to non-compliance with regulatory requirements. These risks are constantly reviewed by the Board of Directors as the Company is governed by the laws and regulations of Central Bank of Sri Lanka (CBSL), Securities and Exchange Commission (SEC) and Colombo Stock Exchange (CSE).

The risk and Compliance unit continuously monitors the changes in relevant regulatory Directions and Circulars. Internal process manuals of individual business units are created and updated and benchmarked with Directions and industry best practices.

Quarterly compliance reports are submitted to the Board and all non-compliance (if any) are informed to the regulator concerned with proposed remedial action for their review.

Reputational Risk

The risk of damage to the Company's corporate image in the public domain including customers, investors, and all other Stakeholder groups.

These risks have been identified as crucial to business continuation and several measures have been implemented to mitigate such risks.

Strategic Risk

The risk that the results are significantly different from the strategy and business plan as a result of changes in the business environment and risks associated with strategic decisions.

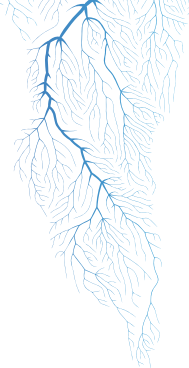
The Board holds quarterly meetings at which strategy and performance are a central focus together with embedded risk management aspects.

The assessment and monitoring of the effective implementation of strategy and communication of the change of business environment and remedial measures are discussed at the Management Committee and at Board meetings.

Risk Tolerance

CALT has a plethora of risk management/mitigation policies in place. This emphasises 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 the losses.

Key Financial Performance Review



Financial Review

The Company closed the year ended 31st March 2022 with a post-tax loss of LKR 171.4 Mn, a notable drop compared to a profit after tax of LKR 966.5 Mn in the corresponding year mainly due to the trading losses arising from upward movement in interest rates of Government securities during the year.

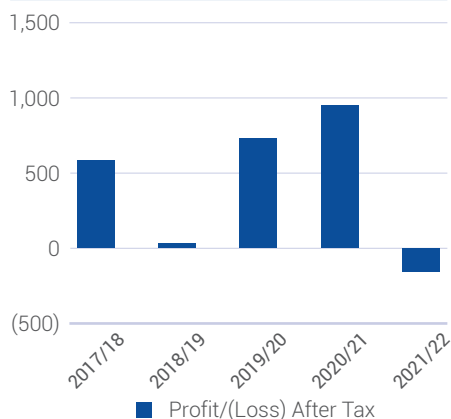
Meanwhile, the Company's Total Assets dropped to LKR 8,214.9 Mn as at 31st March 2022 as the company proactively reduced its portfolio to manage the interest rate exposure considering the unconducive interest rate environment to avoid substantial losses from the trading portfolio.

INCOME STATEMENT ANALYSIS

Company Profitability

Capital Alliance PLC reported a Loss for the year of LKR 171.4 Mn compared to net profit of LKR 966.5 Mn for the previous financial year. The company's Net Operating Income decreased by LKR 1,563.8 Mn in the year under review, denoting a drop of 99.6% which was largely driven by a sharp drop in Interest Income and Net Gains from Trading.

PROFIT/(LOSS) AFTER TAX (LKR MN)



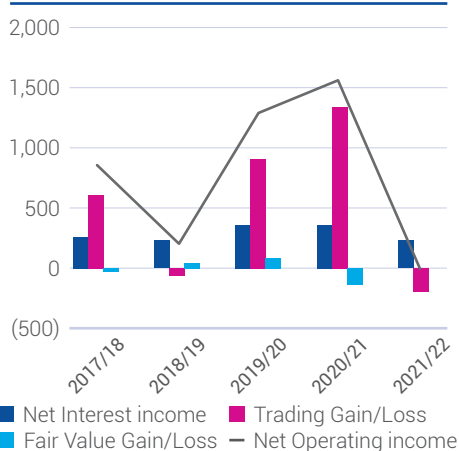
Consequently, The Company Return on Equity (ROE) decreased to -6.36% in the FY 2021/22 from 40.83% in 2020/21. The Company's return on assets (ROA) also decreased to -2.09% in the year under review from 9.8% in the previous financial year, which was one of the exceptional year of performance in the Company history.

Net Operating Income

The key components of Net Operating Income are; Net Interest Income, Gains/(Losses) from trading and Net Fair Value Gains/(Losses) from Financial Assets at FVTPL.

In the current financial year, while Net Interest Income declined to LKR 224.3 Mn from LKR 368 Mn reported in 2020/2021.

NET OPERATING INCOME (LKR MN)



Meanwhile due to the adverse impact of the unfavorable interest rate environment. Net Losses from Trading were LKR 202.9 Mn in FY 2021/22. Capital Loss on the treasury bills and bonds was LKR 255.2 Mn which represents the major portion of the Net Capital Losses on Trading. However, Capital Gain on Quoted Shares increase to LKR 52.3 Mn compared to LKR 4.6 Mn in FY 2020/21.

Net Interest Income

The Company recorded Total Interest Income of LKR 508.3 Mn in the FY 2021/22, down by 52.72% compared to LKR 1,075.1 Mn reported in the previous period. Further, Interest expenses of LKR 284 Mn were recorded for the year under review compared to LKR 707.13 Mn in the FY 2020/21.

The Company recorded LKR 224.3 Mn in Net Interest Income (NII) compared to LKR 368 Mn in 2020/21. The interest spread decreased to 1.1% in 2021/22 from 1.39% in 2020/21.

Net Gains/(Losses) on Trading

The company's Net capital Losses on trading recorded LKR 202.8 Mn in 2021/22 and of this, LKR 267.70 Mn was attributed to Net Capital Losses on Treasury Bonds. However, net capital loss on trading was reduced by the capital gain on quoted shares of LKR 52.3 Mn in FY 2021/22 as a result of timely diversifying to the quoted equity investments within the allowable regulatory limits.

Net capital gains/(Losses) on trading consist mainly of Net capital gains/(Losses) on Treasury Bills, Treasury Bonds and Quoted Shares which have been classified under financial assets measured at FVTPL.

Net Fair Value gains/(losses) from Financial Assets at FVTPL

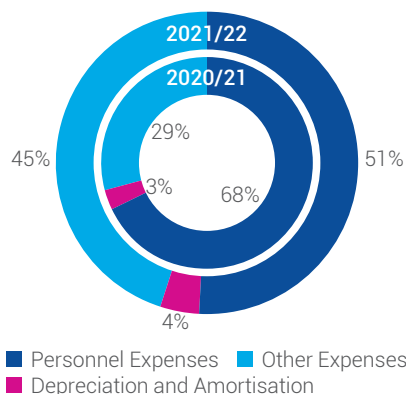
The Company registered a Net Fair Value loss from Financial Assets at FVTPL of LKR 16 Mn in the current financial year compared to a loss of LKR 132 Mn in the previous financial year. Net Fair Value Gains/(Losses) mainly consist of Remeasurement Gains/(Losses) on Government Securities and Quoted Shares which have been classified under financial assets measured at FVTPL.

Key Financial Performance Review contd

Operating Expenses

Company Operating Expenses decreased notably by LKR 87.26 Mn in 2021/22. The decrease in Company Operating Expenses was mainly attributed to the reduction of Personnel Expenses by LKR 93.5 Mn, since company has linked the performance based compensations to the level of profitability achieved in order to maintain greater flexibility in managing cost to income ratio. However, other expenses increased by LKR 7.87 Mn mainly due to one off expense incurred on listing the company.

OPERATING EXPENSES (LKR MN)



Profit Before Tax (PBT) & Profit After Tax (PAT)

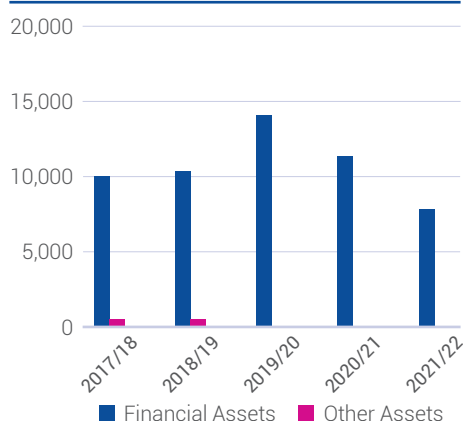
The Company recorded a pre-tax loss of LKR 206.3 Mn in the FY 2021/22, a drop of LKR 1,476.5 Mn over the previous year and post-tax loss of LKR 171.4 Mn for the year ended 31st March 2022, a decrease from the net profit of LKR 966.5 Mn registered in the previous financial year. Further, the Company has recorded tax benefits of LKR 34.9 Mn which is mainly due to the deferred tax reversal arising from the tax losses generated during the year.

Financial position analysis

Assets

With the economic conditions affecting the Company's Primary dealer unit, Total Company Assets decreased by LKR 3,349.8 Mn in the FY 2021/22, a decline of -28.97% from the previous year. This was mainly due to the LKR 3,388.2 Mn drop in the value of the portfolio of Financial Assets (Government Securities) Measured at FVTPL as part of the company's proactive Risk Management Policy to limit the company from substantial losses affecting the equity from unfavorable interest rate movements.

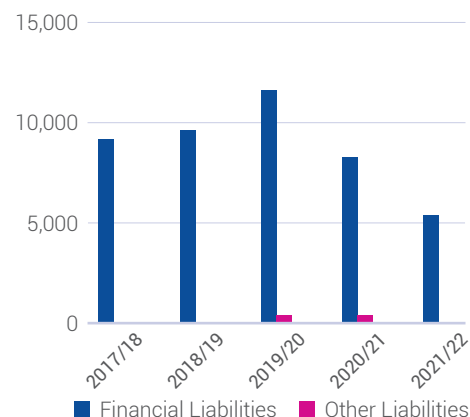
TOTAL ASSETS (LKR MN)



Liabilities

The Company's total liabilities decreased by LKR 3,294 Mn in the current financial year, a drop of 37.25% compared to the previous year. This was mainly due to the LKR 2,995.1 Mn decline in Securities Sold Under Repurchase Agreements as a result of less funding requirement due to the reduction of investment in Government Securities

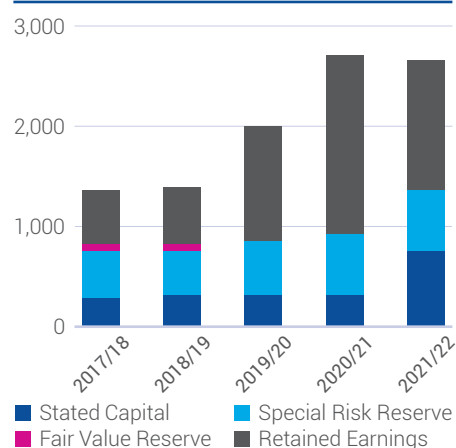
TOTAL LIABILITIES (LKR MN)



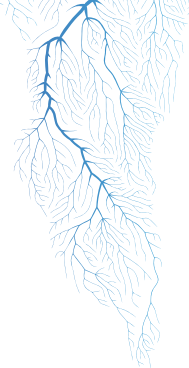
Equity

Total Equity decreased by LKR 55.69 Mn since the net retained earnings has recorded a drop of LKR 467.46 Mn due to the dividend payments and losses incurred during the year. Further, the company has increased its stated capital by the amount of LKR 411.77 Mn through an IPO in December 2021, thereby maintaining total equity about the same level compared to previous year.

TOTAL EQUITY (LKR MN)



Annual Report of the Board of Directors



The Directors of Capital Alliance PLC have the pleasure in presenting their Annual Report together with the Audited Financial Statements for the year ended 31st March 2022 which were approved by the Directors on 24th June 2022.

Review of Operations

During the year under review, the Company reported a Net Operating Income of LKR 6.15 Mn compared to LKR 1,569.94 Mn reported in the previous year.

The Company closed the year ended 31st March 2022 with a post-tax loss of LKR 171.38 Mn, a notable drop compared to net profit of LKR 966.48 Mn in the corresponding year mainly due to upward movement in interest rates during the year.

Principal Activities

The main activity of the Company is operating as a Primary Dealer in Government Securities.

Legal Status

Capital Alliance PLC (Previously Capital Alliance Limited) was incorporated on 10th August 2000 under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007 and it was listed on Colombo Stock Exchange (CSE) on 15th December 2021 and there onwards company is trading its shares in the market.

Financial results

The Company's post-tax loss was LKR 171.38 Mn compared with net profit after tax of LKR 966.48 Mn in the year 2020/21.

A summary of the financial results for the year is set out below.

	2022 LKR Mn	2021 LKR Mn
Net Operating Income	6.156	1,569.94
Profit/(Loss) Before Tax	(206.29)	1,270.23
Profit/(Loss) After Tax	(171.38)	966.48
Total Comprehensive Income/(Expense)	(167.21)	962.95

The Financial Statements of the Company are set out on pages 70 to 128 of the Annual Report.

Board of Directors

Directorate

The following were the Directors of the Company as at 31st March 2022

Mr. D. A. De Zoysa - Chairman
(Non-Executive Non-Independent Director)

Mr. W. A. T. Fernando
(Executive Director)

Mr. R. J. Arsaratnam
(Non-Executive Non-Independent Director)

Mr. C. S. R. S. Anthony
(Non-Executive Non-Independent Director)

Ms. A. I. C. Nandasena
(Non-Executive Independent Director)

Ms. K. A. D. Siriwardene
(Non-Executive Independent Director)

The profiles of the Directors are given on pages 13 to 16 of the Annual Report.

Interest in Shares

Directors/Chief Executive Officer and their shareholdings as at 31 March 2022 were as follows

Name	Designation	Shareholding As at 31st March 2022	Shareholding As at 31st March 2021 *
Mr. W. A. T. Fernando	Director/Group CEO	21,698,676	21,698,676
Mr. S. Palihawadana	Managing Director (Resigned w.e.f 31st March 2022)	500,000	Nil
Mr. R. J. Arasaratnam	Director	3,312	12
Mr. D. A. De Zoysa	Director	Nil	Nil
Mr. C. S. R. S. Anthony	Director	2,600	Nil
Ms. A. I. C. Nandasena	Director	Nil	Nil
Ms. K. A. D. Siriwardene	Director	Nil	Nil

*Adjusted for share subdivision

Annual Report of the Board of Directors contd

Other Directorship/ Significant Positions of Directors

Information of the other Directorships/significant positions of the present Directors of the Company are given on pages 13 to 16.

Related Party Transactions

Related party transactions have been declared at the meetings of the Directors and are detailed in Note 28 to the financial statements.

The Directors declare that the Company is in compliance with the Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) pertaining to related party transactions during year 2021/22

Directors' Interests

As required by the Companies Act, No. 7 of 2007, an Interests Register was maintained by the Company during the period under review. All Directors have made declarations as provided for in Section 192 (2) of the Companies Act aforesaid. The Interest Register is available for inspection as required under the Companies Act.

The Company carries out transactions in the ordinary course of business with entities in which a Director of the Company is a Director. The transactions with entities where a Director of the Company either has control or exercises significant influence have been classified as related party transactions and disclosed in Note 28 to the Financial Statements.

Remuneration and Fees

Details of Directors' remuneration and fees are set out in Note 10 to the financial statements. All fees and remuneration have been duly approved by the Board of Directors of the Company.

Risk and Internal Control

The Board of Directors has satisfied itself that there exists an effective and comprehensive system of internal controls to monitor, control and manage the risks to which the Company is exposed, to carry on its business in an orderly manner, to safeguard its assets and to secure as far as possible the reliability and accuracy of records.

Corporate Governance

The Directors acknowledge their responsibility for the Company's corporate governance and the system of internal control. The Directors are responsible to the shareholders for providing strategic direction to the Company and safeguarding the assets of the Company. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the financial statements. The compliance with recommended corporate governance practices is disclosed on pages 36 to 60 of the Annual Report.

The performance of the Company is monitored by way of regular review meetings. These meetings provide an opportunity to ensure that progress is in line with agreed targets. Regular Board meetings are held to further strengthen the review process and ensure compliance with all statutory and regulatory obligations.

Dividend

There was no dividend paid for the year 2021/22. (Out of 2020/21 profit - total dividend of LKR 300.25 Mn was paid).

Significant Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on pages 78 to 91. There were no changes in the accounting policies adopted by the Company during the year under review.

Going Concern

The Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared on a going concern basis.

Capital Expenditure

Details of equipment and their movements during the year are given in Note 20 to the financial statements.

Reserves

The movements in reserves during the financial year 2021/22 have been presented in the Statement of Changes in Equity on Page 76 of the Annual Report.

Income tax Expenses

Income tax expenses have been computed in accordance with the provision of the Inland Revenue Act, No. 24 of 2017 and subsequent amendment Act 10 of 2021 as disclosed in Note 11 to the financial statements.

Stated Capital

The stated capital of the Company as at 31 March 2022 was LKR 723,348,421 consisting of 329,417,884 ordinary shares.

Share Information and Substantial Shareholders

Major shareholders of the company as at 31st March 2022 are disclosed in Page 129.

Information relating to the market value of a share and information on share trading is stated under Shareholder and Investor information on page 129 of the Annual Report.

Statutory Payments and Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to the employees have been made on time, and that the Company has not engaged in any activities contravening laws and regulations.

Equal Opportunities

The Company is committed to providing equal opportunities to all employees irrespective of their gender, marital status, age, religion, race or disability. It is the Company's policy to give full and fair consideration to persons, with respect to applications for employment, continued employment, training, career development and promotion, having regard for each individual's particular aptitudes and abilities.

Events Occurring After the Reporting Date

There were no material events after the financial reporting period which require an adjustment to or a disclosure in the financial statements and refer the Note 30 to the financial statements.

Independent Auditors

During the period under review, the Company's Auditors were Messrs. KPMG, Chartered Accountants. The fees paid to auditors are disclosed in Note 10 to the financial statements.

Based on the declaration from Messrs. KPMG, and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company, other than as disclosed in the above paragraph.

Messrs. KPMG, Chartered Accountants, have expressed their willingness to continue in office as Auditors of the Company for the ensuing year. In accordance with the Companies Act, No. 7 of 2007, a resolution proposing the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors to the Company will be submitted at the Annual General Meeting.

In accordance with the Companies Act, No. 7 of 2007, a resolution proposing the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors to the Company will be submitted at the Annual General Meeting

Independent Auditor's Report

The independent Auditor's report on the financial statements is given on pages 70 to 73 of the Annual Report.

Auditor's Right to Information

Each person who is a Director of the Company at the date of approval of this report confirms that;

as far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware.

Each Director has taken all the steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Annual General Meeting

The Annual General Meeting of the Company will be held on 27th July 2022. The notice convening the Meeting and the agenda are given on page 136 of the Annual Report.

This Annual Report is signed for and on behalf of the Board.



S. S. P. Corporate Services (Private) Limited
Secretaries



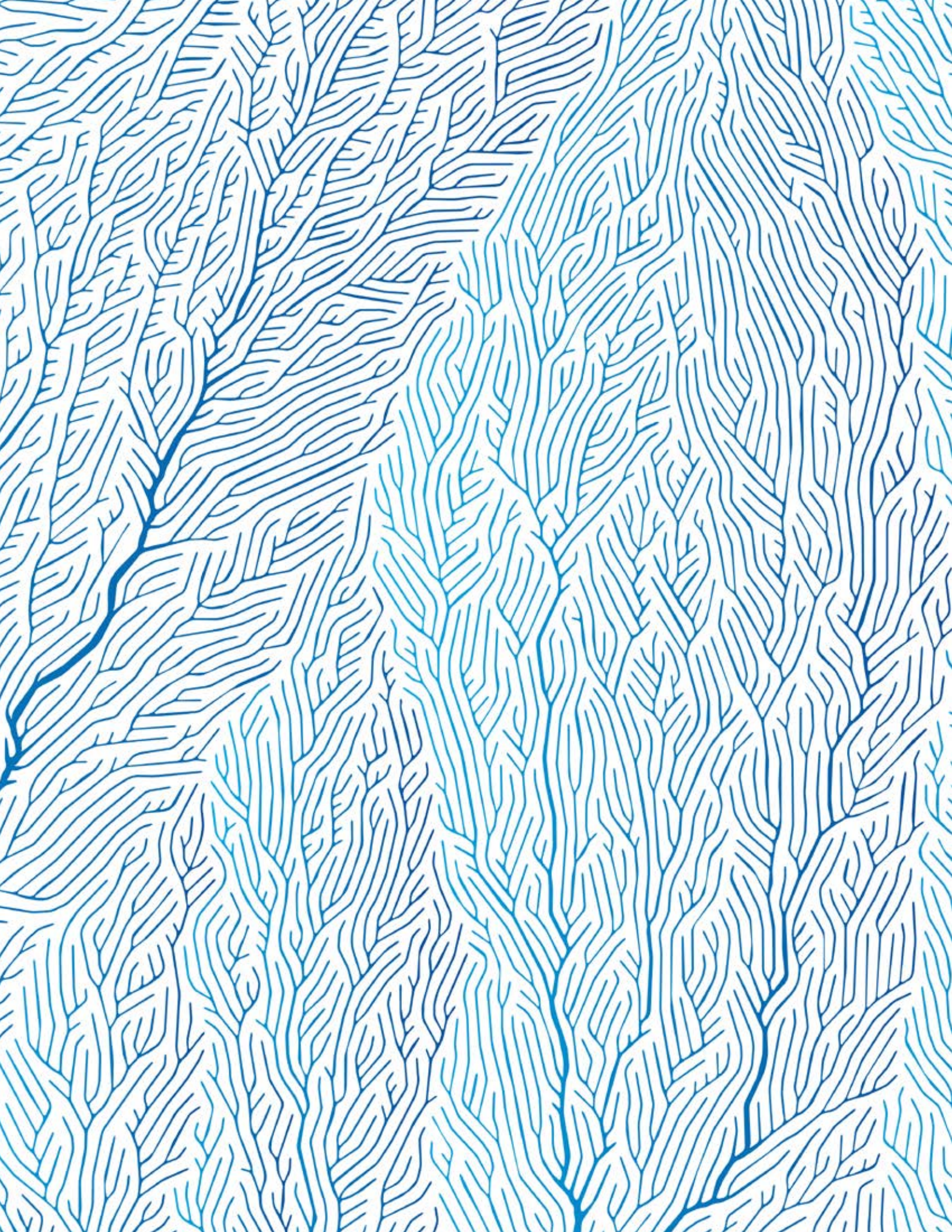
Chief Executive officer



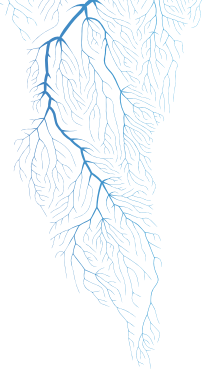
Chairman



Offering
opportunity
through
investment



Corporate Governance



The Capital Alliance PLC's approach to Corporate Governance

Statement by the Chairman

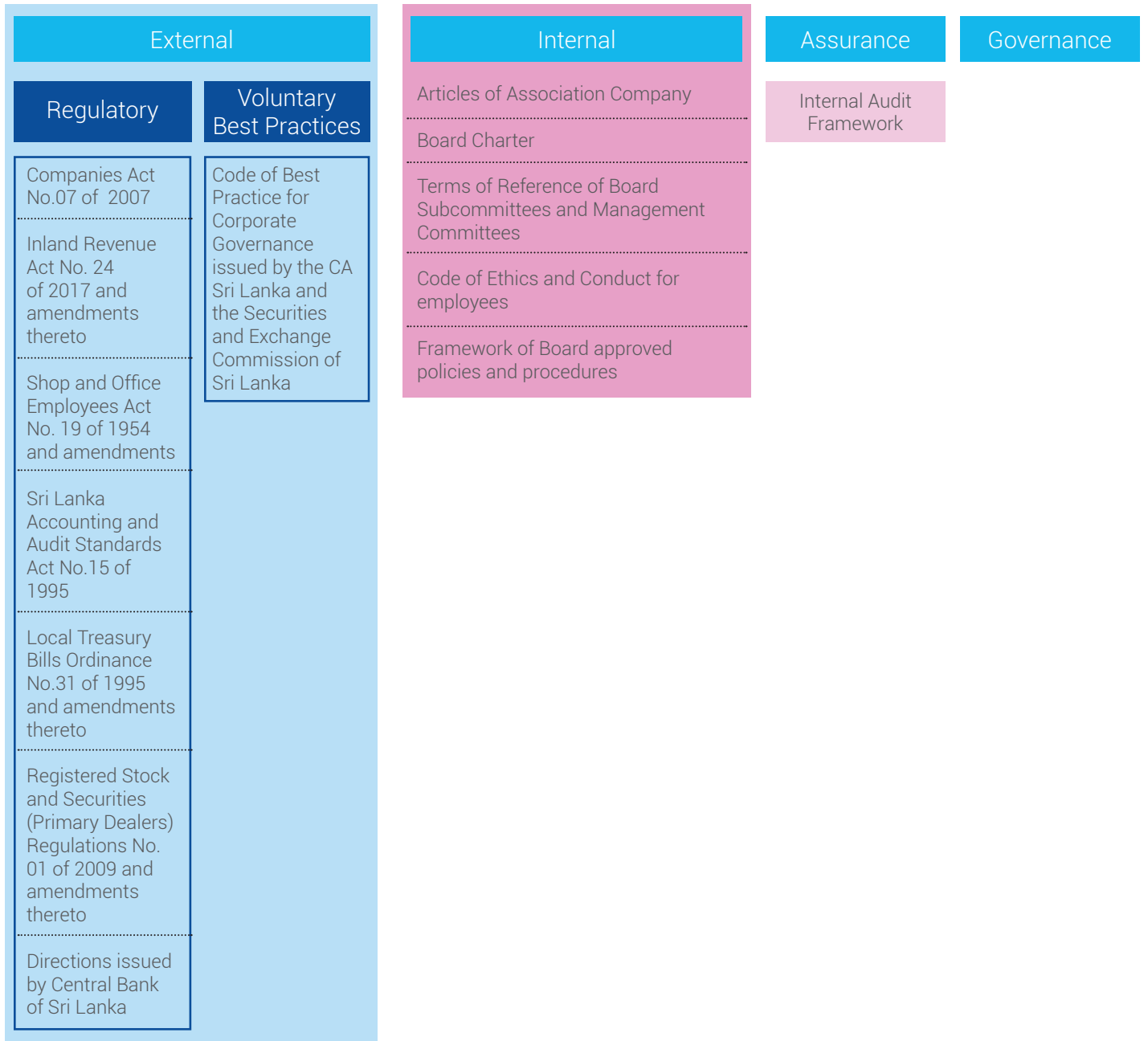
The Capital Alliance PLC's Governance process is aimed at driving our commitment to compliance. The Compliance team led by the Chief Risk and Compliance Officer (CRCO) who directly reports to the Board, is responsible for exercising necessary control to ensure the Company operates in compliance with all applicable laws and in line with the values and ethical standards set out by the Board. Under the supervision of the CRCO, the risk team monitors all the business activities and decisions made to ensure conformity with the Board approved policy measures. The compliance culture plays a vital role in supporting this. To reiterate its low tolerance policy for non-compliance, the Board sets the tone from the top with Directors leading by example to ensure that good standards of behaviour permeate throughout the Company. The compliance culture is reinforced at an operational level by the risk-based assessment program conducted by the risk team, while the Internal Audit Framework implemented under the stewardship of the Audit Committee provides an independent assurance on the Company's compliance status as well as the adequacy of internal systems and ethics programmes in meeting the necessary standards.

On behalf of the Board of Directors of Capital Alliance PLC, I wish to confirm the soundness of the Company's Governance Framework in ensuring that fully compliance with the laws, rules and regulations stipulated by its respective regulators including, the Central Bank of Sri Lanka (CBSL), Securities and Exchange Commission of Sri Lanka (SEC) and Colombo Stock Exchange (CSE). The Company as a whole has complied with all other laws and regulations applicable in the day to day operations of the Company. Furthermore, I declare that all the members of Capital Alliance PLC Board and all employees have discharged their duties in accordance with the policies, procedures and standards covered by the Internal Code of Ethics and Conduct.

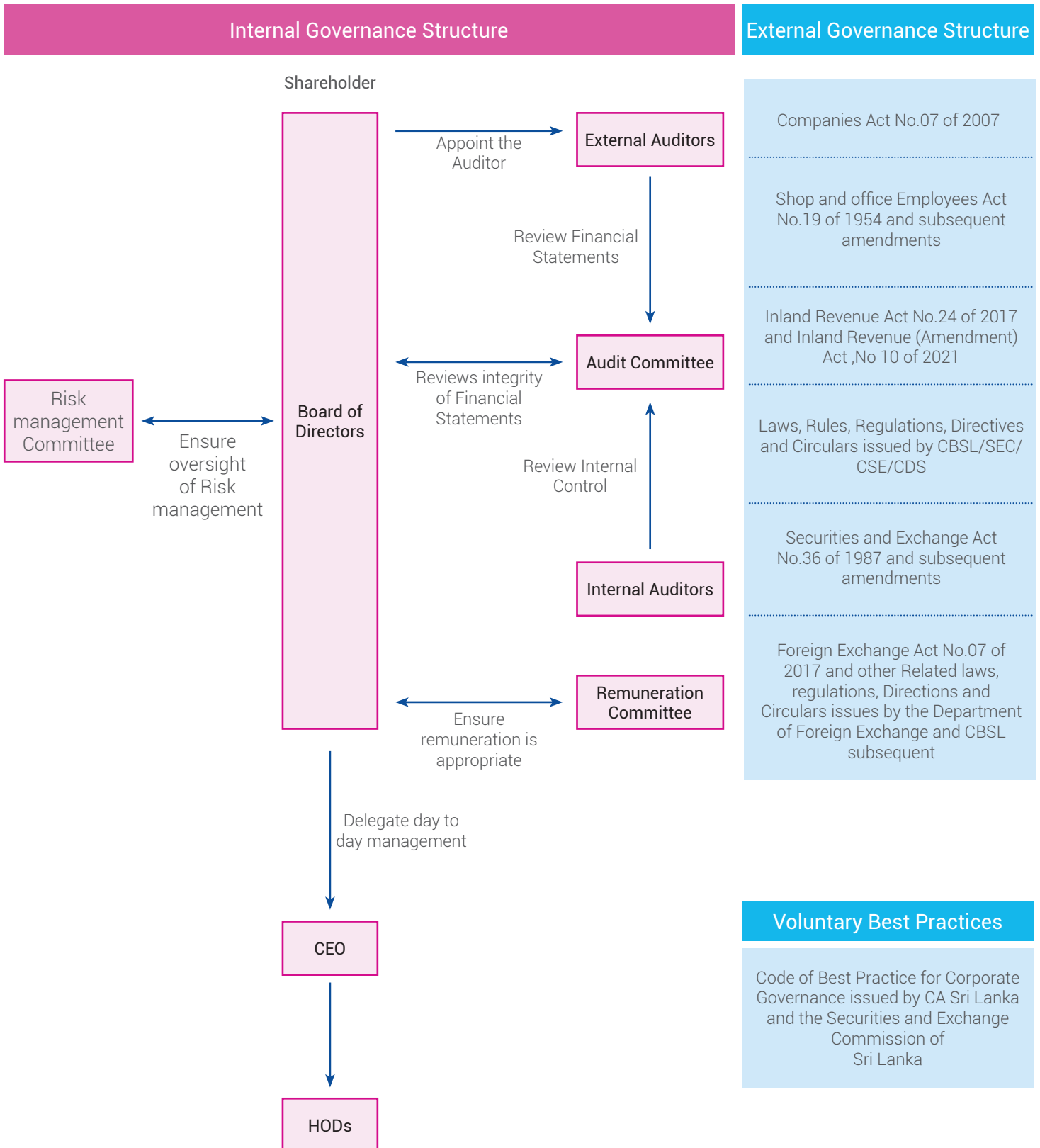
Mr. D. A. De Zoysa
Chairman

Good Governance is an ongoing commitment shared by the Board of Directors of Capital Alliance PLC. Based on the belief that good corporate governance provides the foundation for long-term business success, the Company Board has consistently been at the forefront of good corporate governance. The Company's overall approach to good governance is premised on full compliance with all regulatory frameworks applicable to the Company. Beyond this, the Company strives to emulate governance best practices observed by listed entities in Sri Lanka, which has led to the voluntary adoption of the Code of Best Practice for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC).

Apart from these external benchmarks, the Company's own internal frameworks create a solid ecosystem to ensure good governance principles are applied across the business in order to support the Company's desire to achieve compliance leadership.



Corporate Governance contd



The Board

Board Composition and Independence

To ensure that no individual Director or small group of Directors dominates the Board discussion and decision making, the company maintains a well-balanced Board comprising Two Independent Non-Executive Directors and Three Non-Executive Non-Independent Directors, along with the Capital Alliance PLC's Chief Executive Officer (CEO) who is the only Executive Director serving on the Board. The Independence of the Directors is assessed in accordance with the Corporate Governance Best practices and CSE Listing rules requirements and the Independent Non-Executive Directors have declared their independence in writing.

There is a clear and distinct division of responsibilities between the Chairman and the CEO which ensures there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the CEO has overall responsibilities over the operating unit, organisational effectiveness and implementation of Board policies and decisions.

All Directors on the Board are all professionals/academics/business leaders who hold senior positions in their respective fields and bring with them vast experience across a range

of industries and functional areas. In addition, the Company is committed to maintaining a strong gender balance at Board-level, with 33.33% of the current Board represented by female Directors.

Detailed profiles of each member of the Board are provided in a separate section of this Annual Report (Pages 13-16).

Board of directors Age Category

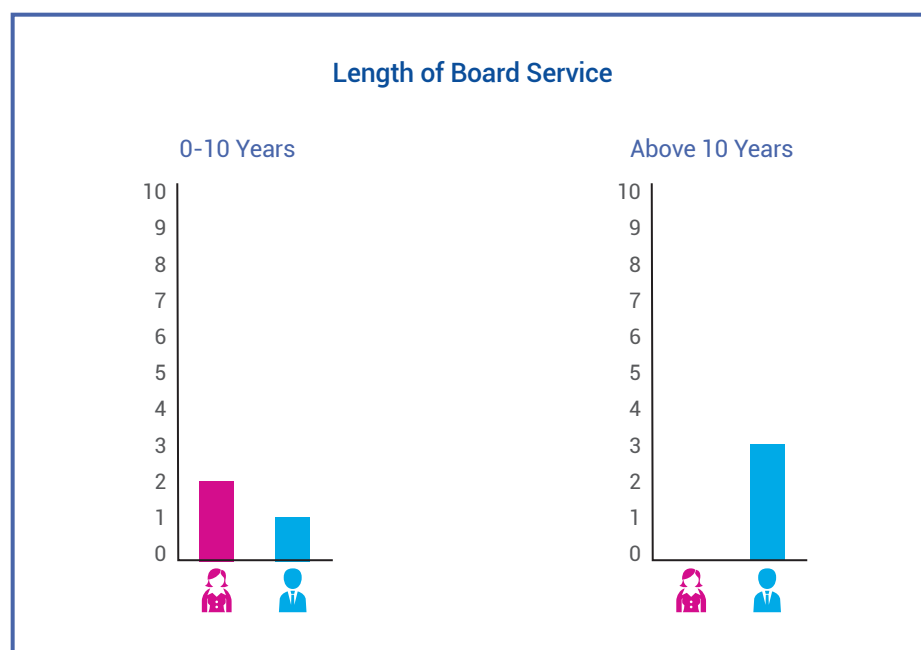
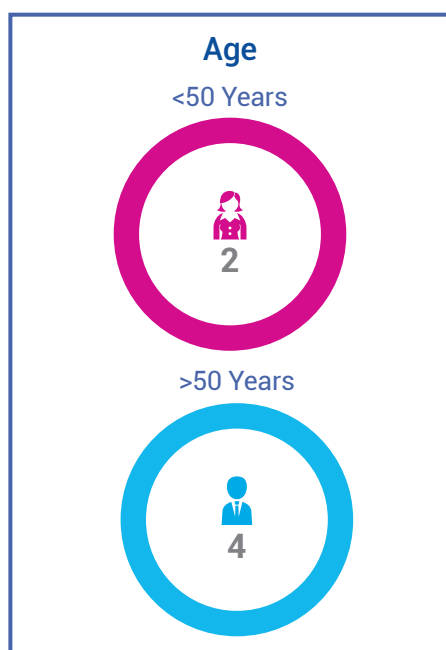
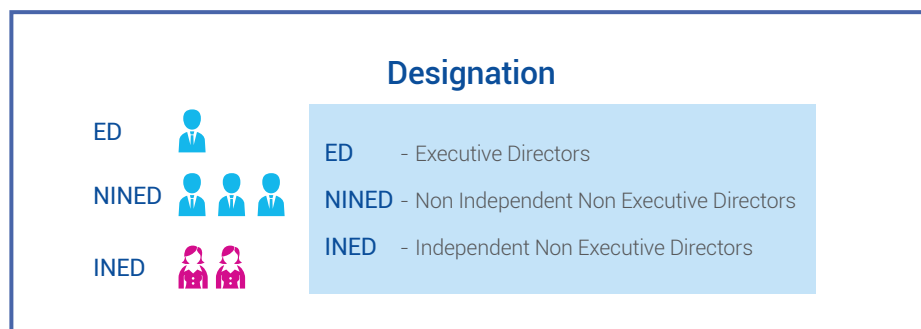
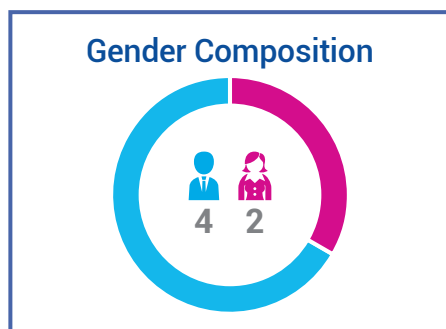
Age Company	Male	Female	Total
Under 30 years	0	0	0
30 to 50 years	0	2	2
Over 50	4	0	4
total	4	2	6

Name	Date of Appointment	No of Years	Designation
Mr. D. A. De Zoysa	10.01.2003	19 years	Chairman - Non-Executive Non-Independent Director
Mr. W. A. T. Fernando	30.07.2000	22 years	Executive Director
Mr. R. J. Arsaratnam	08.01.2003	19 years	Non-Executive Non-Independent Director
Mr. C. S. R. S. Anthony	09.07.2014	8 years	Non-Executive Non-Independent Director
Ms. A. I. C. Nandasena	23.08.2021	10 months	Non-Executive Independent Director
Ms. K. A. D. Siriwardene	23.08.2021	10 months	Non-Executive Independent Director

Gender Composition

Gender	No of Directors
Male	4
Female	2

Corporate Governance contd



BOARD RESPONSIBILITIES

The Company Board operates as per the duties and responsibilities defined by the Board Charter. Accordingly, the Board, as the apex governing body within the organisation is tasked with setting the Company's purpose and core values and is responsible for formulating the strategy in line with the Company's broader strategic intent. Furthermore, the Board reviews strategic and operational issues, approves annual financial statements and annual budgets and assesses performance

of the Company. The Board carries responsibility for ensuring that the senior management team possesses the relevant skills and expertise required for the management of the company.

The Directors also ensure adherence to laws and regulations pertaining to the functioning of the organisation. In this regard the Board is assisted by the Chief Risk Officer who also functions as the Compliance Officer to ensure compliance with all regulatory and statutory requirements and proper reporting of all compliance matters to the Board.

The Board meets frequently in order to ensure the effective discharge of its duties. It is mandatory that all Directors attend every scheduled Board Meeting. The Board Chair is responsible for setting the agenda for each meeting. Directors are given the specific documentation necessary, well in advance of scheduled meetings to allow adequate time for review and familiarisation and to facilitate decision making at the meetings.

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance																					
Directors A.1 The Board			<p>The company should be headed by an effective Board, which should direct, lead and control the Company</p> <p>Board consists of Two Independent Non-Executive Directors and Three Non-Executive Non-Independent Directors (Including Chairman), along with the Capital Alliance PLC's Chief Executive Officer (CEO) who is the only Executive Director who are professionals in the fields of Finance, Investment Banking and Management</p>																					
Frequency of Board Meetings	A 1.1	Complied	<p>Board meetings are held on a quarterly basis at a minimum and meet more frequently whenever it is necessary.</p> <p>Quarterly Board meetings are scheduled to determine the Company's strategic direction, review the operational and financial performance, and to provide oversight.</p> <p>The attendance of Directors at the Board meetings held during the year is depicted below.</p> <p>Name of Director Board Meeting Attendance</p> <table border="1"> <thead> <tr> <th>Name of the Director</th> <th>Eligibility</th> <th>Attendance</th> </tr> </thead> <tbody> <tr> <td>Mr. W. A. T. Fernando</td> <td>5</td> <td>5</td> </tr> <tr> <td>Mr. C. S. R. S. Anthony</td> <td>5</td> <td>5</td> </tr> <tr> <td>Mr. R. J. Arasaratnam</td> <td>5</td> <td>5</td> </tr> <tr> <td>Mr. D. A. De Zoysa</td> <td>5</td> <td>5</td> </tr> <tr> <td>Ms. A.I.C. Nandasena</td> <td>3</td> <td>3</td> </tr> <tr> <td>Ms. K. A. D. Siriwardene</td> <td>3</td> <td>3</td> </tr> </tbody> </table> <p>A board pack containing all relevant information is submitted to the Board of Directors</p> <p>Financial and operational results on pre agreed Key Performance Indicators</p> <ul style="list-style-type: none"> Included in Quarterly board pack <p>Financial performance compared to previous periods, budgets and targets</p> <ul style="list-style-type: none"> Included in Quarterly board pack <p>Impact of risk factors on financial and operating results and actions to mitigate such risks</p> <ul style="list-style-type: none"> Included in Quarterly board pack <p>Forecast for the next period</p> <ul style="list-style-type: none"> A Budget is set at beginning of the year and a Rolling Forecast with scenario analysis is provided on request. <p>Compliance with laws and regulations and any non-compliances</p> <ul style="list-style-type: none"> Included in the quarterly CRCO confirmation checklist <p>Internal control breaches or frauds during the period and related actions taken</p> <ul style="list-style-type: none"> Independent Internal Audits are carried out periodically and exceptions are reported to Board 	Name of the Director	Eligibility	Attendance	Mr. W. A. T. Fernando	5	5	Mr. C. S. R. S. Anthony	5	5	Mr. R. J. Arasaratnam	5	5	Mr. D. A. De Zoysa	5	5	Ms. A.I.C. Nandasena	3	3	Ms. K. A. D. Siriwardene	3	3
Name of the Director	Eligibility	Attendance																						
Mr. W. A. T. Fernando	5	5																						
Mr. C. S. R. S. Anthony	5	5																						
Mr. R. J. Arasaratnam	5	5																						
Mr. D. A. De Zoysa	5	5																						
Ms. A.I.C. Nandasena	3	3																						
Ms. K. A. D. Siriwardene	3	3																						

Corporate Governance contd

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
Frequency of Board Meetings	A 1.1	Complied	<p>Financial and operational decisions taken by the CEO within his delegated authority</p> <ul style="list-style-type: none"> Discussed on ad hoc basis and through the board pack and board meetings <p>Share trading of the Company and related party transactions by Key Management Personnel</p> <ul style="list-style-type: none"> The Company Secretary informs the Board of any related party share transactions by Directors.
Responsibilities of the Board	A.1.2	Complied	<p>The Board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enable risk to be assessed and managed.</p> <p>The Board adopted the following responsibilities,</p> <p>Ensuring the formulation and implementation of a sound business strategy</p> <ul style="list-style-type: none"> The Board provides stewardship, vision and strategic direction to the Company and fosters a culture of responsibility and accountability across the Company. A stakeholder centric approach is adopted in strategy formulation. A review of the business, marketing, financial and other strategies and their implementation takes place during the Board meetings <p>Appointing the chair and the senior independent director, if relevant</p> <ul style="list-style-type: none"> N/A (Chairman and CEO of the Company are not the same person) <p>Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy</p> <ul style="list-style-type: none"> The Directors are from diverse backgrounds and bring a wide range of experience and competencies that facilitates the effective discharging of Board responsibilities. The Board ensures that the Chairman, CEO, and the Management team possess the skills to implement the overall strategy. A brief resume of each Director including skills and experience is available in the "Board of Directors" on pages from 13 to 16 of the Annual Report <p>Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy</p> <ul style="list-style-type: none"> Succession planning is given recognition through meetings of the Board where succession is discussed along with significant new hires <p>Approving budgets and major capital expenditure</p> <ul style="list-style-type: none"> The budget for the year was approved at the beginning of the financial year Capital expenditure is included in the budget. Further, the Board reviews all significant capital expenditure made on annually.

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
Responsibilities of the Board (contd)	A.1.2	Complied	<p>Determining the matters expressly reserved to the board and those delegated to the management including limits of authority and financial delegation</p> <ul style="list-style-type: none"> Board determines on the matters expressly reserved to the Board such as formulating the strategy, significant transactions and deciding on the risk appetite of the Company <p>Ensuring effective systems to secure the integrity of information, internal controls, business continuity and risk management</p> <ul style="list-style-type: none"> The Board identifies significant risks on an ongoing basis and ensures the implementation of appropriate procedures to evaluate and manage the identified risks through internal and external audits and the Risk and Audit Committees <p>Ensuring compliance with laws, regulations and ethical standards</p> <ul style="list-style-type: none"> The Board ensures compliance with laws, regulations and standards on each area of business operations. The internal auditors and the CRCO monitor and report to the Audit Committee on their findings <p>Ensuring all stakeholder interests are considered in corporate decisions</p> <ul style="list-style-type: none"> The Board considers all stakeholders when making corporate decisions <p>Recognising sustainable business development in Corporate Strategy, decisions and activities and considering the need for adopting integrated reporting</p> <ul style="list-style-type: none"> The Board recognises the importance of including principles of sustainability in Corporate strategy, decisions and activities The Company does not adopt integrated reporting. <p>Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations</p> <ul style="list-style-type: none"> The Company keeps up to date with all current developments in relation to accounting standards and has reviewed the accounting policies regularly The Independent Auditor's Report appears from pages 70 to 73 in the Annual Report and affirms that the Company's Financial Statements are in line with Sri Lanka Accounting Standards <p>Establish a process of monitoring and evaluation of progress on strategy implementation budgets, plans and related risks</p> <ul style="list-style-type: none"> Each Board meeting, the progress of strategy implementation, achievement of budgets, plans and related risks are reviewed <p>Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the Company</p> <ul style="list-style-type: none"> The Company provides its accounts quarterly and annually to the Board for their review

Corporate Governance contd

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
Responsibilities of the Board (contd)	A.1.2	Complied	<p>Fulfilling such other Board functions are vital, given the scale, nature and complexity of the business concerned</p> <ul style="list-style-type: none"> • During the year, the Board was committed in fulfilling their obligations towards all stakeholders in line with laws, regulations and governance practices of the Company
Compliance with Laws & independent Professional advice	A 1.3	Complied	<p>The Board Directors individually and collectively act in accordance with the laws applicable to the business enterprise.</p> <p>In discharging their duties, the Directors seek independent professional advice from external parties, where necessary.</p>
Company Secretary	A 1.4	Complied	<p>The Company secretary provides the Board with support and advice relating to Corporate Governance matters, board procedures and applicable rules and regulations during the financial year</p> <p>Members of the Board have unrestricted access to the advice and services of the Company Secretary</p> <p>The appointment and removal of the Company Secretary rests with the Board</p>
Independent judgment	A1.5	Complied	<p>All Directors exercise independent judgment in all decisions pertaining to strategy, performance, resource allocation and standards of business conduct.</p>
Dedication of adequate time & effort by the Board	A 1.6	Complied	<p>The members of the Board dedicated adequate time and effort to fulfil their duties & responsibilities as directors of the Company and ensure that they are satisfactorily discharged.</p> <p>In addition to the board meetings, Directors attended to Sub-Committee meetings and also contributed to the decision making</p> <p>Board Sub-Committees include</p> <ul style="list-style-type: none"> • Audit Committee • Related Party Transactions Review Committee • Remuneration Committee
Calling for resolutions for the best interest to the Company	A 1.7	Complied	<p>Any Director may call for a resolution to be presented to the Board where he feels it is in the interest of the Company. As per the Articles of Association, the resolutions can be passed with majority voting</p>
Training for new and existing Directors	A 1.8	Complied	<p>Directors are encouraged to participate in continuous professional and self-development activities as necessary.</p> <p>The Board recognises the requirement for continuous training and development required to effectively perform their duties as Directors.</p> <p>The Board regularly reviews the training and development needs of the Directors.</p>

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
2. Chairman and Chief Executive Officer	There are two key tasks at the top of every public Company-conducting of the business of the Board and facilitating executive responsibility for the management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no individual has unfettered powers of decision		
Separation of Posts of Chairman & CEO	A 2.1	Complied	The positions of Chairman and Company CEO were separated to ensure a balance of power and authority and to prevent any one individual from possessing unfettered decision-making authority
A.3- Chairman's Role	The Chairman is responsible for preserving order and facilitating the effective discharge of Board functions		
	A 3.1	Complied	The Chairman in running of the Board, facilitates the effective discharge of board proceedings and ensures <ul style="list-style-type: none"> • The effective participation of both Executive and Non-Executive Directors • Agenda for Board meetings is developed in consultation with the Company CEO, Directors, CRCO, FC and the Company Secretary • Effective contributions by all Directors at proceedings • The views of directors on issues under consideration are ascertained • Board control on the affairs of the company and its obligations to all stakeholders • The balance of power between Executive and Non-Executive Directors are maintained.
A.4- Financial Acumen	The Board should ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.		
A.4 Financial Acumen	A .4	Complied	The board includes directors who possess the necessary knowledge and competence to offer the Board guidance on financial matters. A brief resume for each Director is on pages 13 to 16. In addition, the Audit Committee can discuss with the external and internal auditors on matters of finance
A.5 Board Balance	The Board should have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking.		
Board Balance	A 5.1	Complied	Board consists of Two Independent Non-Executive Directors and Three Non-Executive Non-Independent Directors (Including Chairman) , along with the Capital Alliance PLC's Chief Executive Officer (CEO) who is the only Executive Director. The profiles of the Executive and Non Executive Directors are given on Pages 13 to 16 of this Annual Report.

Corporate Governance contd

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
Independent Directors	A 5.2	Non-Complied	Two out of the Five Non-Executive Directors are considered independent for the concluded financial year.
	A 5.3	Complied	The Board considers Non-Executive Directors independence on an annual basis. Each is independent from management and free from any business or other relationship that could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment
	A 5.4	Complied	The Independent Directors have submitted written declarations of their independence
	A 5.5	Complied	The Board annually determines the independence of each Non-Executive Director based on the declarations submitted by them and by other information available to the Board
	A 5.6	Complied	No alternative directors were appointed during the year under review
	A 5.7/5.8	N/A	N/A
Meeting of Non-Executive Directors	A 5.9	Non-Complied	The Chairman meets with the NEDs with the presence of the Executive Directors on a need basis. There were no formal specific meetings held with NEDs during the year
Recording of concerns in board minutes	A 5.10	Complied	All concerns raised by the Directors about the matters of the Company which cannot be unanimously resolved have been duly recorded in the board minutes with sufficient detail.
A.6 Supply of Information	The Board should be provided with timely information in a form and quality appropriate to enable it to discharge its duties.		
Management has obligation to provide appropriate & timely information	A 6.1	Complied	The Board is provided with timely information in a form and of a quality appropriate to enable it to discharge its duties effectively. Directors make further inquiries where necessary, should information provided by management not be enough
	A 6.2	Complied	The Agenda for the Board meeting and connected discussion papers are ordinarily circulated to the Directors seven (7) days in advance to facilitate the effective conduct of the meeting.
A.7 Appointments to The Board	A formal and transparent procedure should be followed for the appointment of new Directors to the Board		
Appointments to the Board	A 7.1	Non complied	The Board has not established a Nominations Committee to make recommendations on Board appointments. Hence appointments to the Board are made collectively and with the consent of all the Directors
	A 7.2	Non complied	The Board as a whole annually assesses the Board composition despite the non-existence of a nomination committee
Appointments to the Board	A 7.3	Complied	Upon the appointment of a new Director to the Board the company should for with disclose to the Shareholders, along with a brief resume of the Director which includes; <ul style="list-style-type: none"> • the nature of his expertise in relevant functional area • other Directorships or memberships in Board sub committees • whether the Director is considered an Independent Director

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
A.8 Re-election	All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.		
Re-election	A 8.1	Complied	Reappointment of the Non Executive directors has been done according to the provision of the Companies Act
	A 8.2	Complied	All the Directors Including the Chairman of the Board should be subject to election by Shareholders at the first opportunity after their appointment, and re-election thereafter at intervals of no more than 3 years.
Resignation	A 8.3	Complied	Written communications are provided to the Board by Directors who resign prior to completion of his appointed term.
A.9 Appraisal of Board Performance	Boards should periodically appraise their own performance to ensure that Board responsibilities are satisfactorily discharged		
Need to have a formal and rigorous process for reviewing the performance of the Board and its Committees	A 9.1	Non Complied	No formal process for reviewing the performance of the Board and its Committees. An informal process is adhered to whereby if the Board and its Committees are not performing, it can be taken up with the Chairman of the Board.
Need for the Board to appraise itself annually on its performance	A 9.2	Non Complied	No formal process for reviewing the performance of the Board and its Committees annually.
Need for review the participation, contribution and engagement of each Director at the time of re-election	A 9.3	Non Complied	No process is in place to review the participation, combination and engagement of each Director of the time of re-election.
Need for the Board to state in the Annual Report how such performance evaluation is conducted	A 9.4	Non Complied	As no formal review of the performance has been undertaken, no statement is included in the Annual Report.

Corporate Governance contd

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
A.10 Disclosure of information in respect of Directors	Details in respect of each Director should be disclosed in the Annual Report for the benefit of the shareholders.		
Disclosure of information in respect of Directors	A 10.1	Complied	<p>Name, qualifications and brief profile</p> <ul style="list-style-type: none"> Refer to pages 13 to 16 <p>The nature of his/her expertise in relevant functional areas</p> <ul style="list-style-type: none"> Refer to pages 13 to 16 <p>Immediate family and/or material business relationships with other Directors of the Company</p> <ul style="list-style-type: none"> Directors have immediate family and/or material business relationships with other Directors of the Company. Transactions with Immediate family and/or material business relationships with other Directors of the Company have been disclosed under Related Party Transactions. <p>Whether Executive, Non-Executive and/or independent Director</p> <ul style="list-style-type: none"> Refer to pages 13 to 16 <p>Names of listed companies in Sri Lanka in which the Director concerned serves as a Director</p> <ul style="list-style-type: none"> Refer to pages 13 to 16 <p>Names of other companies in which the Director concerned serves as a Director, provided that where he/she holds directorships in companies within a Group of which the Company is a part, their names need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies</p> <ul style="list-style-type: none"> Refer to pages 13 to 16 <p>Number/percentage of Board meetings of the Company attended during the year</p> <ul style="list-style-type: none"> Refer to page 41 <p>The total number of Board seats held by each Director indicating listed and unlisted Companies and whether in an executive or non-executive capacity</p> <ul style="list-style-type: none"> Partially Complied <p>Names of Board Committees in which the Director serves as Chairman or a member;</p> <ul style="list-style-type: none"> Refer to the "Committee Reports" on pages from 63 to 66

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
A.11 Appraisal of the Chief Executive Officer	The Board of Directors should at least annually assess the performance of the Chief Executive Officer		
Target/Goals for the CEO	A 11.1	Complied	At the commencement of each financial year, the Board in consultation with the Chief Executive Officer sets financial and non-financial goals based on the short, medium and long-term objectives of the Company
Evaluation of the performance of the CEO	A 11.2	Complied	The performance of the CEO should be evaluated by the Board at the end of each financial year.
Directors' Remuneration	The Company should have a formal and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.		
B.1 Remuneration Procedure			
Remuneration Committee	B 1.1	Complied	The Board has implemented a formal and transparent procedure for developing policies on remuneration by setting up a Remuneration Committee. Its purpose is to assist the Board of Directors in matters relating to compensation of the Company's Directors, Executive Officers and such other employees as determined by the Committee
Composition	B 1.2	Non Complied	The Remuneration Committee consists three Non-Executive Directors. The chairman of the Committee is a Non independent Director. The following Directors served on the Remuneration Committee during the financial year under review. Mr. D. A. De Zoysa (Chairman) <i>(Non-Executive Non Independence Director)</i> Ms. A. I. C. Nandasena <i>(Non-Executive Independence Director)</i> Ms. K. A. D. Siriwardene <i>(Non-Executive Independence Director)</i>
	B 1.3	Complied	The members of the Committee are indicated in the Page 66 in Annual Report.
Remuneration of Non-Executive Directors	B 1.4	Complied	In terms of the Articles of Association of the Company, the Directors determine the fees payable to the Non-Executive Directors
Consultation of the Chairman and access to professional advice	B 1.5	Complied	The Remuneration Committee consults the Chairman about its proposal relating to the remuneration of other Executive Directors and has access to professional advice in discharging their responsibilities

Corporate Governance contd

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
B.2 Level and make-up of Remuneration	The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to the corporate and individual performance.		
Level and make up of remuneration	B 2.1	Complied	The remuneration committee ensures that the remuneration of executives at each level is competitive and is line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is on par with market rates
Design of remuneration for long term success	B 2.2	Complied	Executive Directors' and Key Management's remuneration is designed to promote the long-term success of the Company
Design the remuneration of the Executive Directors to promote long term success of the Company	B 2.3	Complied	As mentioned in B.2.1, the remuneration of the Executive Directors are designed to attract and retain high calibre executives which leads to long term success of the Company and are benchmarked against industry remuneration
Comparison of remuneration within the Group	B 2.4	Complied	When determining annual salary increments, the remuneration committee is sensitive to remuneration and employment conditions elsewhere in the Company
Performance based Remuneration	B 2.5	Complied	The Remuneration Committee reviews the performance of the Executive Directors and senior management and the performance bonus is based upon the achievement of goals and targets by the individual
Executive share options	B 2.6	Complied	No Executive share options offered under discounted prices
Designing the remuneration	B 2.7	Complied	Performance-related remuneration is designed by the Remuneration Committee
Early Termination of Directors	B 2.8	Complied	No specific Compensation scheme has been implemented
	B 2.9	Complied	If the situation arises, the Remuneration Committee will tailor their approach in the event of early termination to be relevant to the circumstances.
Remuneration for Non-Executive Directors	B 2.10	Complied	Remuneration of Non-Executive Directors reflects their time commitment and responsibilities of their role and market practices. It does not include share options
B. 3 Disclosure of Remuneration	The Company should disclose the Remuneration Policy and the details of Remuneration of the Board as a whole		
Disclosure of Remuneration	B 3 .1	Complied	The total remuneration paid to the Directors are disclosed in Note 10 to the Financial statements

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
C.Relations with Shareholders	The Board should use the Annual General Meeting to communicate with shareholders and encourage their active participation.		
C.1 Constructive use of the Annual General Meeting and Conduct of General Meetings			
Adequate Notice of the AGM	C 1.1	Complied	Notice of Meeting is sent to shareholders 15 working days prior to the date of the AGM, as requested by statute and a copy of the Annual Report including Financial Statements and the Form of the Proxy are shared online on the CSE and Official Website of the company in order to provide the opportunity to all the shareholders to attend the AGM.
Separate resolution for all separate issues at the AGM	C 1.2	Complied	A separate resolution is proposed for each issue at the AGM. Further, adoption of the Annual Report of the Board of Directors on the affairs of the Company and Audited Financial Statements together with the Report of the Auditors thereon are considered as a separate resolution.
Recording and counting proxy appointments	C 1.3	Complied	The Company ensures that all valid proxy appointments received for General Meetings are properly recorded and counted. The Company Secretary administers the AGM.
Availability of Board sub-committee chairpersons	C 1.4	Complied	The chairpersons of the sub committees are present at the AGM to answer any questions raised by the shareholders if so, requested by the Chairman.
Procedure for voting	C.1.5	Complied	The procedure governing voting at the General Meeting is circulated with the Notice of Meeting.
C.2 Communication with shareholders	The Board should implement effective communication with shareholders		
Effective Communication with shareholders	C. 2.1	Complied	The Company encourages effective communication with the shareholders and answers queries and concerns of shareholders through the Company Secretaries and in Corporate website.
	C. 2.2	Complied	The Company's policy pertaining to the communication with shareholders and shareholders involve the sharing of all financial and non-financial information as per the applicable statutory and regulatory requirements and best practices adopted by the Company. The methodology of communication with shareholders is multi-faceted to ensure the accuracy of information disseminated and the timeliness of dissemination.
	C. 2.3	Complied	The implementation of the policy and the methodology is done through the adoption of the above-mentioned channels of communication.
Contact person in relation to shareholder communications	C. 2.4	Complied	The contact person for shareholder communication is the Company Secretary and the designated person is appointed to answer queries from the shareholder relating to circulation of the Annual Report.

Corporate Governance contd

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
Process to make all Directors aware of major issues and Concerns of shareholders and responding to them	C.2.5	Complied	<p>The Company Secretaries maintain a record of all correspondence received and will deliver such correspondence to the Board or individual Director as applicable.</p> <p>The Board or individual Director, as applicable, will respond appropriately to all validly received shareholder correspondence and will direct the Company Secretaries to send the response to the particular shareholder.</p>
Person to contact in relation to shareholders' matters	C. 2.6	Complied	The Contact Person in relation to all matters pertaining to the Shareholders is the Company Secretary
Responding to shareholder matters	C. 2.7	Complied	Company Secretary is assigned to respond to shareholders by the Board and update the Board on such matters.
C.3 Major and Material Transactions	Directors should disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company, if entered into.		
Major transaction	C. 3.1	Complied	The Directors ensure that prior to engaging in or committing to a 'Major related party transaction' with a related party, involving the acquisition, sale or disposition of greater than one third of the value of the Company's assets or that of a subsidiary which has a material bearing on the Company and/or consolidated net assets of the Company, or a transaction which has or is likely to have the effect of the Company acquiring obligations and liabilities, of greater than one third of the value of the Company's assets, or entering into transactions or a series of related transactions which have the purpose or effect of substantially altering the nature of the business carried on by the Company the Directors will disclose to shareholders the purpose and all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an extraordinary general meeting.
	C. 3.2	Complied	Major transactions where shareholder's approval is necessary will be approved through shareholder resolution
D. Accountability and Audit	The Board should present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.		
D 1.1 Accountability and Audit			
Boards responsibility for statutory and regulatory reporting	D 1.1	Complied	The Board has presented the annual report which includes the Financial Statements of the Company that are true and fair, balanced and understandable and prepared in accordance with LKASs and SLFRSs to regulators as well as presented interim and other public price sensitive information in a balanced and understandable way as required by statutory requirements.

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
Boards responsibility for statutory and regulatory reporting	D 1.2	Complied	<p>The Board is aware of its responsibility to present regulatory and statutory reporting in a balanced and understandable manner and a statement to this effect is given in the Statement of Directors' Responsibility on page 67 confirming this position.</p> <p>In preparing annual and quarterly Financial Statements, the Company complies with the requirements of the;</p> <ul style="list-style-type: none"> • Companies Act No. 07 of 2007, • Sri Lanka Accounting Standards • Listing Rules
	D 1.3	Complied	The Financial Controller and Chief Executive Officer review year-end Financial Statements before submitting to the Audit Committee and the Board and ensure that, the financial records of the entity have been properly maintained and that the Financial Statements comply with the appropriate accounting standards and give a true and fair view.
Directors Report	D.1.4	Complied	The Declarations required to be made by the Board are given in the Annual Report of the Board of Directors (refer pages 31 to 33)
Statement of Directors and Auditors responsibility for the financial statement	D.1.5	Complied	The Statement of Directors' responsibility in preparation of the Financial Statements is given on page 67 while the Independent Auditor's report on pages 70 to 73 states the Auditor's responsibility for the Financial Statements.
Management Discussion Analysis	D. 1.6	Partially Complied	Management discussion and analysis and Key Financial Performance Review is given on pages 21 to 23 and 29 to 30 of this report. The Risk Management report is given on pages 24 to 28.
Summoning an Extra Ordinary General Meeting (EGM) to notify Serious loss of capital	D. 1.7	Complied	The Directors ensure that if in the event the net assets of the Company fall below 50% of the value of the Company's shareholders funds an Extraordinary General Meeting will be convened to notify the shareholders of the position and the remedial action being taken.
Related party transactions	D. 1.8	Complied	The transactions entered into by the Company with the related parties is disclosed on Note 28 of the Financial Statements and Report on Related Party Transaction Review committee is given on page 65.

Corporate Governance contd

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
D.2 Risk Management and Internal Control	The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets. Broadly, risk management and internal control is a process, effected by a Company's Board of Directors and management, designed to provide reasonable assurance regarding the achievement of Company's objectives		
Monitor the company's risk management and internal control systems	D. 2.1	Complied	<p>The Company has its own internal audit processes implemented to ensure that effective controls are in place.</p> <p>These processes extend across all Company operations. The internal audit function is outsourced, and reports to the Board Audit Committee and CEO.</p> <p>The risk management section is covered on pages 24 to 28</p>
Review the need for internal audit function	D. 2.2	Complied	The Audit Committee monitors, reviews, and evaluates the effectiveness of the risk management and internal control system including the internal controls over financial reporting. The Audit Committee report is given on page 63.
Internal Audit function	D. 2.3	Complied	An Internal Audit is executed bi-annually under supervision of the Audit Committee
Review of the process and effectiveness of risk management and internal controls	D. 2.4	Complied	The Audit Committee monitors, reviews and evaluates the effectiveness of internal control system including the internal controls over financial reporting. In the reporting period ended 31st March 2022, the Board of Directors was satisfied with the effectiveness of the system of internal controls of the Company.
D.3 Audit Committee	The Board should establish formal and transparent arrangements for selecting and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors.		
Composition of the Audit Committee	D. 3.1	Partially Complied	<p>The Audit Committee consists of Three Non-Executive Directors.</p> <p>Directors who served on the Audit Committee during the Financial Year 2021/22</p> <p>Mr. C. S. R. S. Anthony - Chairman (Non-Executive Non-Independent Director)</p> <p>Ms. A. I. C. Nandasena (Non-Executive Independent Director)</p> <p>Ms. K. A. D. Siriwardene (Non-Executive Independent Director)</p>
Terms of Reference of the Audit Committee	D. 3.2	Complied	The Audit Committee has a written Terms of Reference dealing with its authority and duties

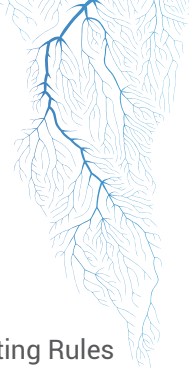
Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
Duties of the Audit Committee	D. 3.2	Complied	<p>The Audit Committee is responsible for reviewing the financial reporting system and Financial Statements, including compliance with relevant accounting standards, laws and company policies and monitoring the scope & results of the internal and external audit, its effectiveness and the independence, performance and objectivity of the external auditors.</p> <p>In the event the auditors are contracted for non-audit services, the Committee reviews the nature and extent of such services with the aim of balancing objectivity, independence and value for money.</p> <p>The adequacy and effectiveness of the internal control system is reviewed by the Audit Committee with the Company Internal Auditor. During the Audit Committee meetings, Internal Auditors are invited to present their internal audit findings.</p> <p>Management is expected to implement an effective system of internal control that addresses the following:</p> <ul style="list-style-type: none"> • Safeguarding of assets • Maintaining proper accounting records • Providing reliable financial information • Identifying and managing business risks • Compliance with legislation and regulation • Early detection of instances of non-compliance • Identification and adoption of best practices
Disclosures of the Audit Committee	D. 3.3	Complied	The names of the members of the Audit Committee, Committee meetings held, and the attendance of members are available in the Audit Committee Report on pages 63 to 64.
D.4 Related Party Transaction Review Committee	The Board should establish a procedure to ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties more favourable treatment than that accorded to third parties in the normal course of business		
Disclosure of Related Party Transactions Review Committee	D. 4.1	Complied	<p>Separate Related Party Transaction Review Committee has been formed from the date of 9th November 2021.</p> <p>Related party and related party transactions are defined as per LKAS 24 in the Financial Statements</p>
	D. 4.2	Complied	Related Party Transaction Review Committee consists Two Independent Non Executive Directors and one Non Independent Non Executive Directors.
	D. 4.3	Complied	Separate Related Party Transaction Review committee has been established.

Corporate Governance contd

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
D.5 Code of Business Conduct and Ethics	Companies must adopt a Code of Business Conduct & Ethics for Directors, Key Management Personnel and all other employees' including but not limited to: dealing with shares of the company; compliance with listing rules; bribery and corruption; confidentiality; encouraging that any illegal, fraudulent and unethical behavior be promptly reported to Those Charged With Governance. The company must disclose waivers of the Code for Directors, if any.		
Code of Business Conduct and ethics	D. 5.1	Complied	The Company has adopted a Code of Business conduct and ethics and the Directors and Key Management Personnel are committed to the Code and the principles contained therein. There were no reported cases of non-compliance to, Code of Business Ethics by any Director, Key management personnel or any other employee
	D.5.2	Complied	The company has a process in place to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.
	D.5.3	Complied	The policy in place and any share transaction done by a Board Director need to be immediately disclosed to the Company Secretary and company secretary will inform such transactions to the Colombo Stock Exchange. Any share transaction done by Key Management Personnel other than Board Directors should inform such transactions to CRCO of the Company
Affirmation by the Chairman for no violation	D. 5.4	Complied	The Chairman's affirmation in the Company's Annual Report that he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics.
D.6 Corporate Governance Disclosures	The Company should disclose the extent of adoption of best practices in Corporate Governance.		
Corporate Governance Disclosures	D. 5.6	Complied	The Corporate Governance Report sets out the manner and extent to which the Company has complied with the principles and provisions of the code

Corporate Governance Principle	Principle No.	Complied/ Not Complied	Level of Compliance
Institutional & Other Investors E.1 Shareholders voting	Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice		
Shareholder Voting	E.1	Complied	The Company is committed to maintaining good communications with investors. Company circulates, the AGM resolutions for shareholders' approval Further, the Directors consider that it is important to understand the views of shareholders and, in particular, any issues which concern them.
Evaluation of Governance Disclosures	E.2	Complied	When evaluating the governance arrangements particularly, in relation to the Board structure and composition, institutional investors are encouraged to give due weight to all relevant factors drawn to their attention.
Other Investors Investing and Divesting decisions	F.1	Complied	Individual shareholders, investing or divesting directly in shares of the Company are encouraged to carry out adequate analysis and seek the independent advice in such decisions.
Shareholder Voting	F.3	Complied	All shareholders are encouraged to participate at meetings of the company and a form of proxy accompanies each notice providing shareholders who are unable to attend such meeting the opportunity to cast their vote.
Sustainability Reporting Internet of things and Cyber Security	G 1.1 to G 1.5	Complied	Company has implemented adequate access controls, firewalls, virus protections and cyber security insurance cover to manage the cyber security risk.
Environment Society and Governance (ESG)	H 1.1 to H 1.5	Non-Complied	Company did not implement sustainability reporting in the Annual Report.

Listing Rules Compliance



Report on compliance with the rules on the content of the Annual Report according to section 7.6 of the Listing Rules of the Colombo Stock Exchange (Listing rules)

Colombo Stock Exchange (CSE) Listing Rules aim to boost the confidence of investors by requiring companies to publish accurate information on a timely basis to help investors to evaluate companies and make wise decisions on investing. These rules also depict governance rules, which should be adhered to by all listed companies. Level of compliance by Capital Alliance PLC with such rules is highlighted in the following table

Rule No	Disclosure Requirement	Page Reference
7.6 (i)	Name of persons who held the positions of Directors during the financial year	Refer the Pages 13 to 16
7.6 (ii)	Principal activities of the Entity and its Subsidiaries during the year and any changes therein	Refer the Pages 2 and 3
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentages of such shares held	Refer the Page 129
7.6 (iv)	The public holding percentage	Refer the Page 130
7.6 (v)	A statement of each Director's and Chief Executive Officer's shareholding and the percentage of such shares held	Refer the Page 31
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Refer the Pages 24 to 28
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	N/A
7.6 (viii)	Extent, locations, valuations, and the number of buildings of the Entity's land holdings and investment properties	N/A
7.6 (ix)	Number of shares representing the Entity's stated capital	Refer the Page 109 and Note 26 to the Financial Statements
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings	Refer the Page 130
7.6 (xi)	Ratios and market price information: Equity Debt Any changes in credit rating	Refer the Pages 3 and 5
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	N/A
7.6 (xiii)	Details of funds raised through Public Issues, Rights and Private Placements during the year	Refer the Page 109 and Note 26 to the Financial Statements
7.6 (xiv)	Information in respect of Employee Share Option Schemes and Employee Share Purchase Schemes	N/A
7.6 (xv)	Disclosure pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5 c and 7.10.6 c of Section 7 of the Rules	Refer the Pages 59 to 60
7.6 (xvi)	Disclosure on Related Party Transaction exceeding 10% of the equity or 5% of the total assets whichever is lower, of the Entity as per the latest Audited Financial Statements	Refer the Page 113

Compliance Requirements on Corporate Governance Rule 7.10 of the Listing Rules

The Continuing Listing Rule Section 7.10 of the Colombo Stock Exchange (CSE) mandates companies listed on the Colombo Stock Exchange to publish a table in the Annual Report, confirming that as at the date of the Annual Report, they comply with the Corporate Governance rules. The rule addresses the following areas:

- A. Non-Executive Directors
- B. Independent Directors
- C. Disclosures relating to Directors
- D. Remuneration Committee
- E. Audit Committee

Rule No	CSE Listing Rule	Compliance Status	Details of Compliance
7.10.1 NON - EXECUTIVE DIRECTORS			
7.10.1(a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Complied	Refer the Pages 13 to 16
7.10.2 INDEPENDENT DIRECTORS			
7.10.2(a)	Two or one third of Non-Executive Directors, whichever is higher, should be independent	Complied	Refer the Pages 13 to 16
7.10.2(b)	Each Non-Executive Director should submit a declaration of independence/non independence in the prescribed format	Complied	The Independent Directors have submitted written declarations of their independence
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report	Complied	Refer the Pages 13 to 16
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	N/A	N/A
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise	Complied	Refer the Pages 13 to 16
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	Complied	Refer the Pages 13 to 16
7.10.4 CRITERIA FOR DEFINING INDEPENDENCE			
7.10.4 (a-h)	Requirements for meeting the criteria to be an Independent Director	Complied	Independence of the Directors has been determined based on listing rules 7.10.4 (a-h)
7.10.5 REMUNERATION COMMITTEE			
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher	Complied	Refer the Page 66
7.10.5 (b)	Functions of the Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors	Complied	Refer the Page 66

Listing Rules Compliance contd

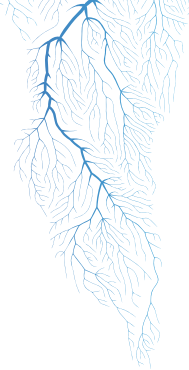
Rule No	CSE Listing Rule	Compliance Status	Details of Compliance
7.10.5 (c)	The Annual Report shall set out:		
	(i) The names of the Directors that comprise the Remuneration Committee	Complied	Refer the Page 66
	(ii) A statement of Remuneration Policy	Complied	Refer the Page 66
	(iii) Aggregate remuneration paid to Executive and Non-Executive Directors	Complied	Refer the note 10 to Financial Statements.
7.10.6 AUDIT COMMITTEE			
7.10.6 (a)	(i) The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher	Complied	Refer the Page 63
	(ii) The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Complied	Refer the Page 63
	(iii) The Chairman or one member of the Committee should be a member of a recognised professional accounting body	Complied	Refer the Page 15
7.10.6 (b)	The functions of the Audit Committee;		
	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/ LKAS	Complied	Refer the Page 63
	Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations	Complied	Refer the Page 63
	Ensuring the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS	Complied	Refer the Page 63
	Assessment of the independence and performance of the Entity's External Auditors	Complied	Refer the Page 63
	Make recommendations to the Board pertaining to External Auditors	Complied	Refer the Page 63
7.10.6 (c)	The Annual Report shall set out;		
	(i) The names of the Directors who comprise the Audit Committee	Complied	Refer the Page 63
	(ii) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Complied	Refer the Page 63
	(iii) A report by the Audit Committee setting out the manner of compliance of the functions set out in Section 7.10 of the Listing Rules	Complied	Refer the Page 63

Report on compliance with the rules on the content of the Annual Report in section 9.3.2 of the listing rules of the Colombo Stock Exchange (Related Party Transactions)

The Related Party Transactions Review Committee (RPTR) was established with the approval of the Board of Directors of Capital Alliance PLC to ensure strict compliance with the rules and regulations governing related party transactions for Listed Entities.

Rule No	CSE Listing Rule	Compliance Status	Details of Compliance
9.2 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE			
9.2.1	Review of Related Party Transaction [RPT]	Complied	Refer the Note 28
9.2.2	The Committee should comprise a combination of Non-Executive Directors and Independent Non-Executive Directors, One Independent Non Executive Director shall be appointed as Chairman	Complied	Refer the Page 65
9.3.2	Disclosures in the Annual Report		
	In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity according to the latest Audited Financial Statements	Complied	Refer the Note 28
	In the case of Recurrent Related Party Transactions, if the aggregate value of the Recurrent Related Party Transactions exceeds 10% of the Net revenue/income as per the latest Audited Financial Statements	Complied	Refer the Note 28
	Annual Report shall contain a report compiled by the Related Party Transaction Review Committee including followings: <ul style="list-style-type: none"> • Names of the Directors who are in the committee • Statement with regard to Related party transactions reviewed during the financial year • Number of times the committee has met during the financial year • Policies and procedures adopted by the RPT Committee 	Complied	Refer the Page 65

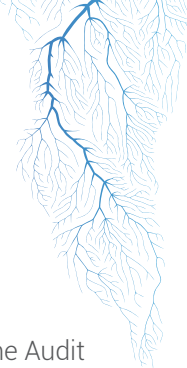
Companies Act Checklist



Level of Compliance under Section 168 of the Companies Act No 07 of 2007

Information Required to be Disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Annual Report Page Reference for Compliance and Necessary Disclosure
The nature of the business of the Company together with any change thereof during the accounting period	Section 168 (1) (a)	Refer the page 2 & 3
Signed Financial Statements of the Company for the accounting period completed in accordance with Section 151.	Section 168 (1) (b)	The Financial Statements of the Company for the year ended 31st March 2022 have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards and comply with the requirements of the Companies Act No. 07 of 2007 and which were duly certified by the Financial Controller (the person responsible for the preparation of the Financial Statements) and were approved by two members of the Board as appearing on pages from 70 to 128 form an integral part of this Report.
Auditors' Report on the Financial Statements of the Company	Section 168 (1) (c)	Refer pages no 70 to 73 for the "Independent Auditors' Report"
Accounting policies of the Company and any change therein	Section 168 (1) (d)	Note to the Financial Statements: Significant Accounting Policies adopted in the preparation of the Financial Statements of the Company are given on pages from 78 to 91. There were no changes to the Accounting Policies used by the Company.
Particulars of the entries made in the Interests Register of the Company during the accounting period.	Section 168 (1) (e)	The Company maintains interest Registers. All Directors have made declarations as required by Sections 192 (1) and (2) of the Companies Act aforesaid and all related entries were made in the Interest Registers during the year under review. The Interest Registers are available for inspection by shareholders or their authorised representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007
Remuneration and other benefits paid to Directors of the Company during the accounting period	Section 168 (1) (f)	Refer Note 10 to the Financial Statements on page 94. Also refer the Remuneration Committee Report on page 66
Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Refer Note 10 to the Financial Statements on page 94.
Information on Directorate of the Company during and at the end of the accounting period	Section 168 (1) (h)	Refer the Pages 13 to 16.
Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Company	Section 168 (1) (i)	Note 10 to the Financial Statements on page 94.
Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Refer the Page 70 to 73 for Audit Report
Acknowledgement of the contents of this Report/Signatures on behalf of the Board	Section 168 (1) (k)	Refer the Page from 31 to 33

Audit Committee Report



Composition

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

The Audit Committee consists of Three Non Executive Directors out of which one is Non Independent Director of the Company. The Committee is chaired by Mr. C. S. R. S. Anthony.

The members of the Board appointed Audit Committee are as follows.

Mr. C. S. R. S. Anthony - Chairman
(Non-Executive Non-Independent Director)

Ms. A. I. C. Nandasena
(Non-Executive Independent Director)

Ms. K. A. D. Siriwardene
(Non-Executive Independent Director)

Meetings

2 audit committee meetings were held during the year under review. The quorum for meetings shall be any two members of the Audit Committee. The Financial Controller shall be the Secretary to the Audit Committee. The Audit Committee will meet as it deems appropriate, but at a minimum this will be four times a year. The external auditor shall have access to the Chairman of the

Audit Committee at any time and may hold discussions directly with the Audit Committee Chairman if required.

By invitation of the Chairman of the Audit Committee, the external and internal auditor, the Group Risk and Compliance Officer, The Group Chief Information Officer, The Chief Executive Officer-CALT, the Financial Controller, other Directors and representatives from the finance function and other areas of the business may attend meetings of the Audit Committee.

The proceedings of the Audit Committee meetings are reported to the Board of Directors on a regular basis.

The Company's Audit Committee was established as a Board Sub Committee with effect from 9th November 2021 and the attendance for the said meetings are given below for Financial Year 2021/2022.

Name of Directors	Eligibility	Attendance
Mr. C. S. R. S. Anthony (Chairman)	2	2
Ms. A. I. C. Nandasena	2	2
Ms. K. A. D. Siriwardene	2	2

Role and Responsibilities

The main objective of the Board Audit Committee is to assist the Board of Directors in exercising its fiduciary responsibilities towards its stakeholders.

The Committee carried out the following activities

Financial Reporting System

The Committee monitors compliance to the regulatory requirements on financial reporting given in the Sri Lanka Accounting Standards (SLFRS & LKAS) promulgated by the CA Sri Lanka and Companies Act No 7 of 2007 and Listing Rules of the Colombo Stock Exchange.

The Audit Committee along with the Management reviewed the Quarterly Financial Statements and Annual Financial Statements for the year ended 31st March 2022 focusing on the quality and accuracy of the Financial Statements including compliance with the relevant regulatory requirements.

The Committee also reviews the effectiveness of the financial reporting systems in place to ensure the reliability of the information provided to the Shareholders and other Stakeholders

Internal Audit

The Internal Audit function of the company has been outsourced to Messrs. Ernst & Young (E&Y). The Observations highlighted in the internal audit reports were examined by the Committee and follow up action taken by the management on the audit recommendations were also reviewed. The committee reviewed the effectiveness of the internal audit function and the scope and procedures for internal audit during the ensuing year. The Internal Audit Report issued by the Internal Auditors was evaluated with the Management and implementation on key recommendations given by the Internal Auditors was also reviewed during the year

Audit Committee Report contd

External Audit

The Audit Committee shall oversee the relationship with the external auditor including:

Approve the audit engagement fees and terms of engagement.

Review annually the activities, findings, conclusions, and recommendations of the external auditor (including the Management Letter)

Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process considering relevant professional and regulatory requirements including reviewing and monitoring the external auditor's quality control procedures and steps taken by the external auditor to respond to changes in regulatory and other requirements. Be responsible for ensuring the resolution of any disagreements between management and the external auditor regarding financial reporting.

Having reviewed the effectiveness of the External Audit, the Audit Committee also recommended to the Board of Directors that Messrs. KPMG be reappointed as the Auditors for the financial year ending 31 March 2023, subject to the approval of the shareholders at the Annual General Meeting.

Whistleblowing Policy

The Company's Whistleblowing Policy was put in place and all members of staff were educated and encouraged to resort to whistleblowing if they had reasonable grounds to believe that there were wrong doings or other improprieties. All appropriate procedures are in place to conduct independent investigations into incidents reported through this process or if identified through other means. Concerns raised are investigated and the identity of the person raising the concern is kept confidential. Even anonymous complaints are investigated. This process is monitored by the Board Audit Committee.

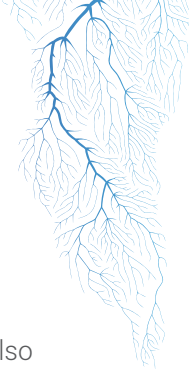
Board Audit Committee Evaluation

An independent evaluation of the effectiveness of the Committee was carried out by the members of the Board during the year. Considering the overall conduct of the Committee and its contribution on the overall performance of the Company, the Committee has been rated as highly effective.



C. S. R. S. Anthony
Chairman - Audit Committee
24th June 2022

Related Party Transactions Review Committee Report



Related Party Transactions Review Committee

The Board established the Related Party Transactions Review Committee in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules").

Composition of the Committee

Related Party Transactions Review Committee comprises of Three Directors as given below;

Ms. A. I. C. Nandasena (Chairperson)
(Non-Executive Independent Director)

Ms. K. A. D. Siriwardene
(Non-Executive Independent Director)

Mr. C. S. R. S. Anthony
(Non-Executive Non-Independent Director)

The above composition is in compliance with the provisions of the Code regarding the composition of the Board Related Party Transactions Review Committee.

Objectives

This Committee's primary objectives are to:

- Assist the Board in reviewing all Related Party Transactions carried out by the Company
- Review the Related Party Transactions of the Company to ensure that these transactions are in accordance with the Code of Best Practices on Related Party Transactions issued by the SEC and Section 9 of the Listing Rules issued by the CSE on Related Party Transactions and the Code of Best Practice on Corporate Governance issued by the CA Sri Lanka.
- Update the Board of Directors at quarterly Board Meetings

Meetings

The Company's Related Party Transactions Review Committee was established as a Board Sub Committee with effect from 9th November 2021 and the attendance for the said meetings are given below for Financial Year 2021/2022.

Name of the Director	Eligibility to Attend	Attended
Ms. A. I. C. Nandasena (Chairperson)	2	2
Ms. K. A. D. Siriwardene	2	2
Mr. C. S. R. S. Anthony	2	2

Minutes of meetings were circulated to the Board of Directors for their information and review.

Procedures Followed by the Committee

The senior management is requested to update the Committee on all related party transactions during its quarterly meetings.

The senior management is also requested to inform the committee regarding the proposed non recurrent transactions prior to the completion of such transactions.

In terms of recurrent related party transactions, the Committee reviews and assesses ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the related party transaction remains appropriate.

Activities During the Year

During the year under review, the Committee reviewed all the Related Party Transactions and the nature of such transactions at its meetings and communicated the observations and recommendations of the Committee to the Board of Directors.

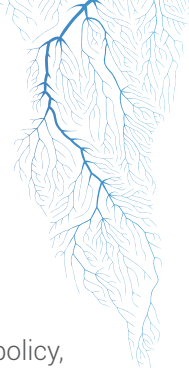
Details of the related party transactions entered into by the Company during the year is disclosed in note 28 to the financial statements.

Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to the Related Party Transactions appears on the Report of the Board of Directors of this Annual Report.

Ms. A. I. C. Nandasena
Chairperson - Related Party Transactions Review Committee
24th June 2022

Remuneration Committee Report



Report of the Remuneration Committee

The Board established the Remuneration Committee in terms of the Code of Best Practice on Remuneration issued by the Securities & Exchange Commission of Sri Lanka and Listing Rules of the Colombo Stock Exchange (the "Rules").

Composition of the Committee

The Board appointed Remuneration Committee consists of a majority of Independent Non-Executive Directors and is chaired by a Non Independent Non- Executive Director. The members of the Committee have a range of experience and knowledge of the business and industry.

Committee members are:

Mr. D. A. De Zoysa (Chairman)
(Non-Executive Non-Independent Director)

Ms. A. I. C. Nandasena
(Non-Executive Independent Director)

Ms. K. A. D. Siriwardene
(Non-Executive Independent Director)

Responsibility of Remuneration Committee

The Remuneration Committee is responsible to make remuneration policy recommendations to the Board of Capital Alliance PLC and as such works closely with the members of the Board. In terms of the Articles of Association of the Company, the 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. 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.

Remuneration policy

The Company's remuneration policy aims to recruit, retain and motivate high calibre personnel at Board and Executive levels who possess appropriate professional, managerial and operational expertise required to achieve the Company's short-term and long term objectives. The remuneration policy attempts to guarantee that the total remuneration package is sufficiently competitive to attract the best spirit for the Company.

Salaries and the other benefits are also reviewed annually considering the individual performances, Company's performance and the levels of remuneration in the industry.

Meetings

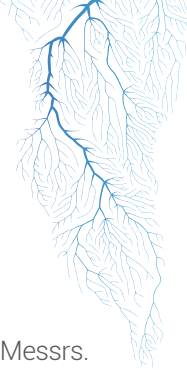
The Committee was established as a Board Sub Committee with effect from 9th November 2021 and the attendance for the said meetings are given below for the Financial Year 2021/2022.

Name of the Director	Eligibility to Attend	Attended
Mr. D. A. De Zoysa (Chairman)	1	1
Ms. A. I. C. Nandasena	1	1
Ms. K. A. D. Siriwardene	1	1

Mr. D. A. De Zoysa
Chairman

Remuneration Committee
24th June 2022

Statements of Directors' Responsibility



Set out below are the responsibilities of the Directors in relation to the Financial Statements of the Company.

The Directors of the Company are responsible for ensuring that the Company keep proper books of accounts of all the transactions and prepare and present the financial statements to the shareholders in accordance with the relevant provisions of the Companies Act, No.7 of 2007 and other statutes which are applicable in the preparation of financial statements. The financial statements comprise of the Statements of Financial Position as at 31st March 2022, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended and Notes thereto. The Directors are required to prepare these financial statements on a going concern basis unless it is not appropriate.

The Directors confirm that the financial statements of the Company give a true and fair view of;

- The state of affairs of the Company as at 31st March 2022 and
- The financial performance of the Company for the financial year ended 31st March 2022

The financial statements of the Company for the year ended 31st March 2022 incorporated in this report have been prepared in accordance with the Companies Act, No. 7 of 2007, Sri Lanka Accounting Standards (LKAS/SLFRS).

The financial statements of the Company have been certified by the Financial Controller of the Company who is responsible for the preparation of financial statements and signed by two Directors in accordance with Section 150 and 152 of the Companies Act. The Directors are also responsible for ensuring that proper accounting records which correctly record and explain the Company's transactions and also determine the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of financial statements and further enabling the financial statements to be readily and properly audited, in accordance with the Section 148 (1) of the Act. The Directors have therefore caused the Company to maintain proper books of accounts and regularly review financial reports at their meetings. The Board also reviews and approves all interim financial statements prior to their release. The Board of Directors accepts the responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that the financial statements have been prepared using appropriate Accounting Policies in a consistent basis and appropriate estimates and judgments made to reflect the true substance and form of transactions.

The Directors have taken reasonable measures to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have laid down effective and comprehensive internal control system.

The Auditors of the Company, Messrs. KPMG who were reappointed in accordance with a resolution passed at the last Annual General Meeting were provided with all necessary information required by them in order to carry out their audit and to express an opinion which is contained on pages 70 to 73 of this Annual Report.

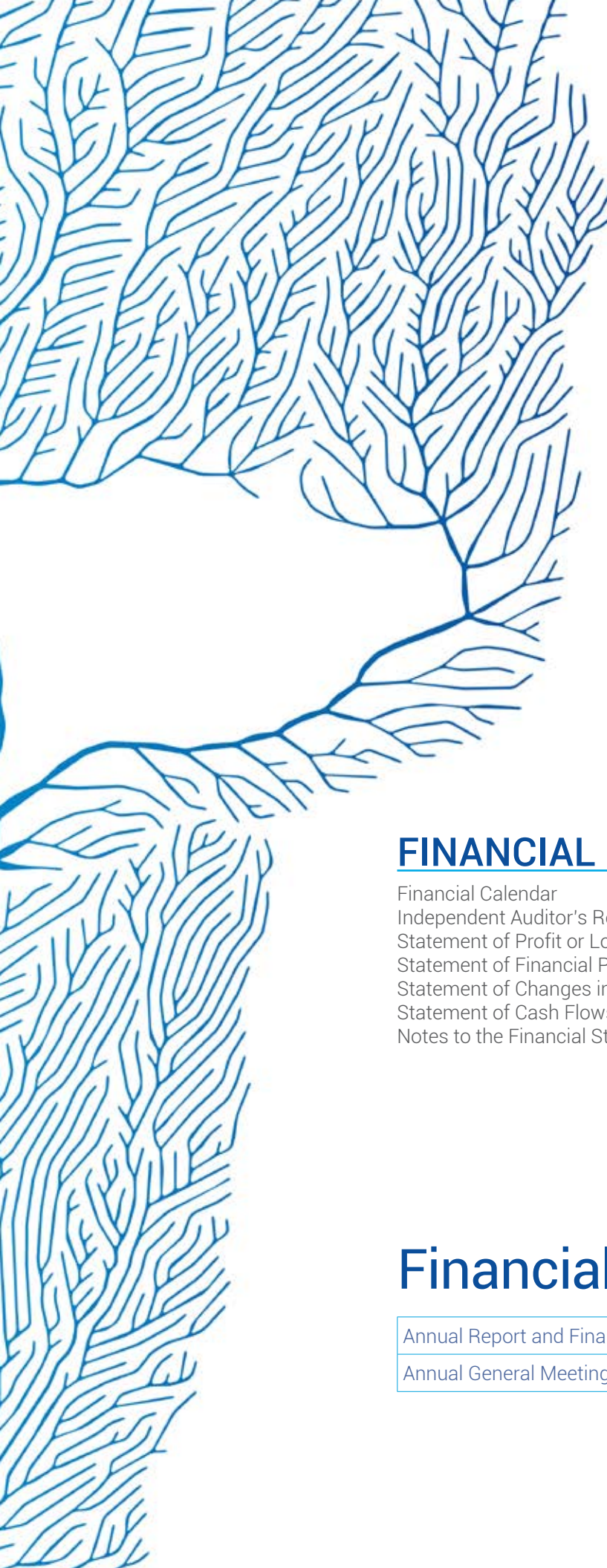
The Directors confirm that to the best of their knowledge, all statutory payments due in respect of the Company as at the financial reporting date have been paid or where relevant provided for.

The Directors further confirm that after considering the financial position, operating conditions and regulatory and other factors, they have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future and that the Going Concern basis is the most appropriate in the preparation of these financial statements.

S. S. P. Corporate Services (Private) Limited
Secretaries
24th June 2022

Seeking
quality
through
new
processes





FINANCIAL REPORTS

Financial Calendar	69
Independent Auditor's Report	70
Statement of Profit or Loss and Other Comprehensive Income	74
Statement of Financial Position	75
Statement of Changes in Equity	76
Statement of Cash Flows	77
Notes to the Financial Statements	78

Financial Calendar

Annual Report and Financial Statements signed	24th June 2022
Annual General Meeting	27th July 2022

Independent Auditor's Report



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

TO THE SHAREHOLDERS OF CAPITAL ALLIANCE PLC Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Capital Alliance PLC ("the Company"), which comprise the statement of financial position as at 31st March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out in pages 74 to 128 of this Annual report.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2022, 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 Company in accordance with the Code of Ethics 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG, a Sri Lankan Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

P.Y.S. Perera FCA	C.P. Jayatilake FCA	T.J.S. Rajakarier FCA
W.J.C. Perera FCA	Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara FCA
W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA	G.A.U. Karunaratne FCA
R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA	R.H. Rajan FCA
M.N.M. Shameel FCA	Ms. C.T.K.N. Perera ACA	A.M.R.P. Alahakoon ACA
Ms. P.M.K.Sumanasekara FCA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardane ACA, W.A.A. Weerasekara CFA, ACMA, MRICS



01. Recognition of Gains/ Losses on Trading and Interest Income on Financial Assets	
Refer to the significant accounting policy in Note 3.10 and 3.11 explanatory Note 5 and 7.1 to the financial statements	
Risk Description	Our Response
<p>As described in Note 5 and 7.1 the Company has recognised interest income and net loss from trading of financial assets of Rs. 508 Mn and Rs. 203 Mn respectively, based on the Company's business model, this arises from different types of financial instruments.</p> <p>In addition, the Company considers such income and losses as an important element in the preparation of budgets and measuring management performance. These factors could create an incentive for gains/ losses on trading and interest income to be recognised in contrary to the recognition criteria.</p> <p>Considering above factors, we identified gains/ losses on trading and interest income of financial assets as a key audit matter because it is a significant audit risk and one of the key performance indicators of the Company and therefore there is an inherent risk of manipulation of the timing of recognition by management to meet specific targets or expectations.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of the management's key internal controls over the gains/ losses on trading and interest income recognition and measurement. • Testing the operating effectiveness of key IT application controls over gains/ losses on trading and interest income, in addition to evaluating the integrity of the general IT control environment. • Performing test of details over gains/ losses on trading and interest income by inspecting a sample of transactions, recomputation of gains and losses on trading and interest income and testing of cut off transactions in order to ensure such income is recognised and measured in accordance with the applicable financial reporting requirements and the Company accounting policies. • Assessing adequacy of the disclosures in the financial statements.
02. Recoverability of Deferred Tax Assets	
Refer to the significant accounting policy in Note 3.19 and explanatory Note 11.6 to the financial statements	
Risk Description	Our Response
<p>The Company has recognised deferred tax assets amounting to Rs. 44 Mn as at 31 March 2022.</p> <p>The Company had recognised significant deferred tax assets in respect of the future benefit of deductible temporary differences and accumulated tax losses that it believes are recoverable. The recoverability of recognised deferred tax assets is in part dependent on the Company's ability to generate future taxable profits sufficient to utilise deductible temporary differences and tax losses.</p> <p>We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Reviewing the correspondence with the Company's tax consultant with regard to the ability to utilise the carried forward tax losses reported in the tax returns, against the future taxable profits, as well as assessing the impact of any uncertain tax positions. • Assessing and evaluating the Company's approach for evaluating the likelihood of the recoverability of deferred tax assets. This included evaluating the key assumptions in future taxable profits forecasts for Company with accumulated unutilised tax losses by comparing the most significant inputs used in the forecasts, including future revenue, margins and operating cost growth rates, with the historical performance of the entity, management's forecasts used for other purposes and our knowledge of the business gained from other audit procedures. • Assessing adequacy of the disclosures in the financial statements.

Independent Auditor's Report contd



Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the Financial Statements and our Auditor's Report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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.

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 Company and the Company'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 Company's ability to continue as a going concern. If we conclude that a 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 Company 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2618.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

24th June 2022

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st March,	Note	2022 Rs.	2021 Rs.
Interest Income	5	508,341,479	1,075,181,078
Interest Expenses	6	(284,028,315)	(707,137,564)
Net Interest Income		224,313,164	368,043,514
Net Gain/(Loss) from Trading	7.1	(202,893,988)	1,345,009,255
Net Loss from remeasurement of Financial Assets at FVTPL	7.2	(16,022,056)	(132,025,344)
Direct Expenses	8	(6,680,015)	(16,433,846)
Other Income	9	7,438,593	5,345,044
Net Operating Income		6,155,698	1,569,938,623
Operating Expenses			
Personnel Expenses		(109,427,411)	(202,937,870)
Depreciation and Amortisation		(7,770,871)	(9,404,921)
Other Expenses		(95,249,211)	(87,369,677)
Profit/(Loss) Before Tax	10	(206,291,795)	1,270,226,155
Income Tax (Expense) /Benefit	11	34,916,243	(303,745,017)
Profit/(Loss) for the year		(171,375,552)	966,481,138
Other Comprehensive Income/(Expense)			
Items that will not be reclassified to profit or loss			
Actuarial Gain/(Loss) on Retirement Benefit Obligation	25	4,839,309	(4,640,276)
Deferred Tax on Actuarial gain/ (loss) on Retirement Benefit Obligation	11.6.1	(677,503)	1,113,666
Other Comprehensive Income/(Expense) for the year		4,161,806	(3,526,610)
Total Comprehensive Income/(Expense) for the year		(167,213,746)	962,954,528
Basic Earnings/(Loss) per share - (Rs.)	12	(0.57)	3.35

The Notes on pages 78 to 128 are an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Financial Position

As at 31st March,	Note	2022 Rs.	2021 Rs.
ASSETS			
Cash and Cash Equivalents	13	14,265,035	10,472,382
Financial Assets measured at Amortised Cost	14	40,167,893	47,184,373
Financial Assets measured at FVTPL	15	8,075,894,287	11,464,111,249
Amount due from Related Companies	22.1	886,146	3,437,023
Other Receivables	16	23,966,904	10,097,759
Financial Assets measured at FVOCI	17	-	1,000,000
Deferred Tax Asset	11.6	43,977,351	9,401,526
Intangible Assets	18	932,103	2,541,625
Right-of-Use Asset	19	11,205,302	13,413,645
Equipment	20	3,595,286	2,992,394
Total Assets		8,214,890,307	11,564,651,976
EQUITY AND LIABILITIES			
LIABILITIES			
Financial Liabilities at Amortised Cost	21	5,465,983,373	8,461,113,826
Amounts due to Related Companies	22.2	7,046,054	86,857,147
Other Payables	23	9,592,308	78,590,712
Lease Liability	24	11,772,683	13,550,810
Retirement Benefit Obligation	25	38,506,345	40,783,555
Income Tax Payable	11.5	14,234,307	160,308,628
Total Liabilities		5,547,135,070	8,841,204,678
EQUITY			
Stated Capital	26	723,348,421	311,576,061
Special Risk Reserve	27	644,799,017	644,799,017
Retained Earnings		1,299,607,799	1,767,072,220
Total Equity		2,667,755,237	2,723,447,298
Total Liabilities and Equity		8,214,890,307	11,564,651,976

The Notes on pages 78 to 128 are an integral part of these Financial Statements.

It is certified that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



Financial Controller

The Board of Directors is responsible for the preparation and Presentation of these Financial Statements.

Approved and signed for on behalf of the Board of Directors of Capital Alliance PLC.



Director



Director

Colombo
24th June 2022

Statement of Changes in Equity

For the Year Ended 31st March,	Stated Capital Rs.	Special Risk Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01st April 2020	311,576,061	548,150,903	1,150,574,363	2,010,301,327
Total Comprehensive Income for the year				
Profit for the year	-	-	966,481,138	966,481,138
Other Comprehensive Expense for the year	-	-	(3,526,610)	(3,526,610)
Total Comprehensive Income	-	-	962,954,528	962,954,528
Transferred To the Special Risk Reserve	-	96,648,114	(96,648,114)	-
Transactions with owners of the company				
Dividend Paid	-	-	(249,808,557)	(249,808,557)
Balance as at 31st March 2021	311,576,061	644,799,017	1,767,072,220	2,723,447,298
Balance as at 01st April 2021	311,576,061	644,799,017	1,767,072,220	2,723,447,298
Total Comprehensive Income/(Expense) for the year				
Loss for the year	-	-	(171,375,552)	(171,375,552)
Other Comprehensive Income for the year	-	-	4,161,806	4,161,806
Total Comprehensive Expense	-	-	(167,213,746)	(167,213,746)
Transferred To the Special Risk Reserve	-	-	-	-
Transactions with owners of the company				
Dividend Paid (Note 26)	-	-	(300,250,675)	(300,250,675)
Ordinary Shares Issued	411,772,360	-	-	411,772,360
Balance as at 31st March 2022	723,348,421	644,799,017	1,299,607,799	2,667,755,237

The Notes on pages 78 to 128 are an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Cash Flows

For the Year Ended 31st March,	Note	2022 Rs.	2021 Rs.
Cash flows from Operating Activities			
Interest receipts		533,840,304	1,182,003,026
Interest payments		(273,934,941)	(740,636,208)
Payments of Direct Cost		(6,680,015)	(16,433,845)
Other receipts		7,438,593	5,345,044
Cash payments to employees and suppliers		(198,041,141)	(284,182,510)
Operating profit before changes in operating assets and liabilities		62,622,800	146,095,507
(Increase)/Decrease in Financial Assets measured at Amortised Cost		873,295	622,549,022
(Increase)/Decrease in Financial Assets measured at FVTPL		3,143,867,346	3,271,663,721
(Increase)/Decrease in Other Receivables		(13,869,145)	(1,799,415)
(Increase)/Decrease in Amount due from Related Companies		2,550,877	3,152,424
Increase/(Decrease) in Financial Liabilities at Amortised Cost		(3,005,223,827)	(3,410,629,594)
Increase/(Decrease) in Amount due to Related Companies		(79,811,093)	65,525,967
Increase/(Decrease) in Other Payable		(68,998,404)	13,169,860
Net cash generated from operating activities		42,011,849	709,727,492
Gratuity Paid	25.1	(2,025,000)	-
Income Taxes Paid	11.5	(146,411,406)	(448,103,785)
		(106,424,557)	261,623,707
Cash flows from Investing Activities			
Purchase of equipment	20	(2,671,710)	(1,825,977)
Purchase of Intangible assets	18	(395,910)	(405,000)
Withdrawal of Fixed deposits	14	6,077,933	-
Net cash from / (used in) investing activities		3,010,313	(2,230,977)
Cash flows from Financing Activities			
Issue of Ordinary Shares	26.1	411,772,360	-
Dividend paid		(300,250,675)	(249,808,557)
Lease payments	24.2	(4,314,788)	(4,292,764)
Net cash generated from / (used in) financing activities		107,206,897	(254,101,321)
Net increase in cash and cash equivalents		3,792,653	5,291,409
Cash and cash equivalents at the beginning of the year	13	10,472,382	5,180,973
Cash and cash equivalents at the end of the year	13	14,265,035	10,472,382

The Notes on pages 78 to 128 are an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Notes to the Financial Statements

For the Year Ended 31st March,

1. REPORTING ENTITY

1.1 Corporate Information

Capital Alliance PLC, formerly Capital Alliance Limited ("the Company"), is a limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange during the year. The registered office of the Company and the principal place of business at Level 5, "Millennium House", 46/58, Navam Mawatha, Colombo 2.

1.2 Principal Activities and Nature of Operations

The Company is primarily involved in the business of dealing in Government Securities and corporate debt securities. There were no significant changes in the nature of the principal activities of the company during the financial year.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's Parent undertaking and controlling party is Capital Alliance Holdings Limited, which is incorporated in Sri Lanka.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows together with the Accounting Policies and Notes to the Financial Statements. The financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No.7 of 2007 and

provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange. These Financial Statements, except for information on cash flows have been prepared on the accrual basis of accounting.

2.2 Date of authorisation for issue

The financial statements were authorised for issue by the Board of Directors in accordance with the resolution passed by the Board of Directors on 24th June 2022.

2.3 Presentation of Financial Statements

The assets and liabilities of the Statement of Financial Position are grouped by nature and listed in order to reflect their relative liquidity and maturity pattern.

2.4 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company in accordance with the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and as per the provisions of the Companies Act No. 07 of 2007 and related disclosure requirements of Listing Rules. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors" and "Statement of Director's Responsibility".

2.5 Basis of Measurement

The Financial Statements of the Company have been prepared on the historical cost basis except for the following material items in the statement of financial position:

Category	Basis of measurement	Note
Financial assets at Fair Value through Profit or Loss (FVTPL).	At Fair Value	15
Financial assets at Fair Value through Other Comprehensive Income (FVOCI)	At Fair Value	17
Retirement Benefit obligation.	Actuarially valued and recognised at present value of the defined benefit obligation	25

2.6 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the functional currency of the Company.

2.7 Use of Estimates and Judgments

The preparation of Financial Statements in conformity with LKAS/SLFRS requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that financial year or in the period of the revision and future periods if the revision affects both current and future financial years.

Information about critical judgments, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are included in the following notes to these Financial Statements.

Critical accounting estimate/judgment	Disclosure reference
Going concern	2.13
Classification of financial assets and liabilities	3.2.1 & 3.2.2
Fair value of financial instruments	3.2.1, 3.2.2 & 32
Useful lives of intangible assets	3.4.2.4
Useful lives of property, plant and equipment	3.4.1.4
Retirement benefit obligation	3.8 & 25
Deferred tax on unutilised tax losses	3.19 & 11.6
Impairment losses on financial assets	3.3
Provisions for liabilities, commitments and contingencies	3.7, 3.23.4 & 29.1

2.8 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values.

When available, the company measures the fair value of an instrument using quoted prices in an active market for that instrument. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair values are categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

2.9 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability.

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

Notes to the Financial Statements contd

2.10 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative'.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.11 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretations Committee) and as specifically disclosed in the Significant Accounting Policies of the Company.

2.12 Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of Financial Statements'.

2.13 Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Furthermore, the Management has assessed the existing and anticipated effects of Covid - 19 on the Company and the macroeconomic environment of Sri Lanka has been discussed in note 35 and is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The company has consistently applied the accounting policies set out below to all periods presented in these financial statements.

3.1 Foreign Currency

Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currency (Sri Lankan Rupee-LKR) at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency

gain or loss on monetary items are the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in Statement of Profit or Loss.

3.2 Financial instruments

3.2.1 Financial Asset

Recognition and initial measurement

The Company initially recognizes all financial assets and liabilities on the settlement date.

However, for financial assets/liabilities held at fair value through profit and loss any changes in fair value from the trade date to settlement date is accounted in profit or loss while for financial assets at fair value through other comprehensive income, any change in fair value from the trade date to settlement date is accounted in Other Comprehensive Income.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; fair value through other comprehensive income (FVOCI) - equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
 - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Classification and subsequent measurement of financial assets

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

Notes to the Financial Statements contd

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3.2.2 Financial Liability

Initial Recognition and Measurement

On initial recognition, the company classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- Financial liabilities at amortised cost; and
- Financial liabilities at fair value through profit or loss

Classification and Subsequent Measurement of Financial Liabilities

The subsequent measurement of financial liabilities depends on their classification.

Financial Liabilities at Amortised Cost

Financial Liabilities issued by the Company that are not designated at fair value through profit or loss are recognised initially at fair value plus any directly attributable transaction costs, by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

The EIR amortisation is included in 'Interest expense' in the Statement of Profit or Loss and Other Comprehensive Income. Gains and losses too are recognised in the Statement of Profit or Loss and Other Comprehensive Income. when the liabilities are derecognised as well as through the EIR amortisation process.

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include derivative liabilities held for risk management purposes.

3.2.3 Derecognition

(a) Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

(b) Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.2.4 Reclassification of Financial Assets and Liabilities

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company's changes its objective of the business model for managing such financial assets. Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

3.3 Impairment

3.3.1 Non-derivative Financial Assets

Financial instruments and contract assets

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Notes to the Financial Statements contd

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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 assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in "provision for impairment of financial assets at amortised cost" in the Statement of Profit or Loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

3.3.2 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

3.4 Equipment and Intangible Assets

3.4.1 Equipment

3.4.1.1 Owned Assets - Basis of Recognition

Items of Equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing cost. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of Equipment have different useful lives, they are accounted for as separate items (major components) of Equipment.

3.4.1.2 Subsequent Expenditure

The cost of replacing a part of an item of Equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of Equipment are recognized in profit or loss as incurred.

3.4.1.3 Derecognition

The carrying amount of an item of Equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an item of Equipment is included in Statement of Profit or Loss when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of Equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

3.4.1.4 Depreciation

Items of Equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of Equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognized in Statement

of Profit or Loss, unless the amount is included in the carrying amount of another asset.

The estimated useful lives and depreciation rates are as follows:

Asset Category	Useful Life	Depreciation Rate
	(Years)	(%)
Furniture and Fittings	5 years	20%
Office Equipment	4 years	25%
Computer Equipment	3 years	33.3%
Communication Devices	1 year	100%

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

3.4.2 Intangible Assets

An intangible asset is recognized if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 38 on Intangible Assets.

Intangible assets with finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

3.4.2.1 Computer Software

All computer software cost incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and its probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses.

3.4.2.2 Other Intangible Assets

Other intangible assets that are acquired by the company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

3.4.2.3 Subsequent Expenditure

Subsequent Expenditure incurred on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

3.4.2.4 Amortization

Amortization is calculated over the cost of the asset or other amount substituted for cost less its residual value.

Amortization is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives and depreciation rates are as follows:

Asset Category	Useful Life	Depreciation Rate
	(Years)	(%)
Computer Software	4 years	25%

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.5 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

3.5.1 As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to

Notes to the Financial Statements contd

restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

3.5.1.1 As a lessee

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'right-of-use assets and lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash balances with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

3.7 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably; and it is probable that an outflow, of economic benefits will be required to settle the obligation.

3.8 Employee Benefits

Short term employee benefits

The costs of all short-term employee benefits (that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service) are recognised during the period in which the employee renders the related service. The accruals for employee entitlements to benefits such as salaries, bonuses and annual leave represent the amounts which the Company has a present obligation to pay as a result of the employee's services and the obligation can be measured reliably. The accruals have been calculated at undiscounted amounts based on current salary levels at the reporting date.

Defined Benefit Plan - Retirement Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized in the Statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date.

The defined benefit obligation is calculated annually by a qualified actuary using the Projected Unit Credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that apply to the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Provision has been made for retiring gratuities from the first year of service for all employees in conformity with LKAS 19 - Employee Benefits. However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity to an employee arises only on completion of 5 years of continued service with the Company.

Remeasurements of the defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in OCI. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined Contribution Plan - Employees' Provident Fund & Employee's Trust Fund

All employees who are eligible for Employees' Provident Fund Contribution and Employees' Trust Fund Contribution are covered by relevant contribution funds in line with respective Statutes and Regulations.

Contributions to Provident Fund and Trust Fund covering the employees are recognized as an expense in the Statement of Profit or Loss.

Termination Benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

3.9 Stated Capital

As per the Companies Act No. 07 of 2007, section 58 (1), stated capital in relation to a Company means the total of all amounts received by the Company or due and payable to the Company in respect of the issue of shares and in respect of call in arrears.

Statement of Profit or Loss and Other Comprehensive Income

3.10 Interest Income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss and Other Comprehensive Income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on debt securities measured at FVOCI is calculated on an effective interest basis

Notes to the Financial Statements contd

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Company's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and financial liabilities carried at fair value through profit or loss, are presented in net income as gain on fair valuation of other financial instruments at fair value through profit or loss in the statement of profit or loss and Other Comprehensive Income.

3.11 Gain/ (Loss) on Sale of Financial Investments measured at Fair Value through Profit or loss

Gain/(loss) on Sale of Financial Investments measured at fair value through profit or loss comprises realised trading gains on disposal of government securities and quoted shares presented as sale of financial investments at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

3.12 Gain/ (Loss) on Disposal of Financial Investments - Fair Value through Other Comprehensive Income

Gain/ (Loss) on Disposal of Financial Investments measured at fair value through other comprehensive income comprises realised capital gain/ (loss) on disposal of investment in equity securities classified as financial assets measured at fair value through other comprehensive income, is presented in other income.

3.13 Gain/ (Loss) on Fair Valuation of Financial Investments - Fair Value through Profit or Loss

Gain/(loss) on Fair Valuation of Financial Investments is the unrealised gain/ (loss) on fair valuation (marked to market valuation) of government securities and quoted instruments. The fair valuation gain/ (loss) is presented in profit or loss.

3.14 Brokering Commission

Brokering commission is recognized on an accrual basis.

3.15 Other Income

Other income is recognized on an accrual basis. Profits or losses of a revenue nature on the disposal of Equipment have been accounted for in the profit or loss.

3.16 Dividend Income

Dividend income is recognised in profit or loss on an accrual basis when the Company's right to receive the dividend is established. This is usually on the ex-dividend date for equity securities. Dividends are presented in other income.

3.17 Expenses Recognition

Expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year. For the presentation of the Statement of Profit or Loss the Directors are of the opinion that the nature of the expenses method present fairly the element of the Company's performance, and hence such presentation method is adopted.

3.18 Borrowing Cost

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

3.19 Taxation

Income tax expense comprises both current and deferred tax. Income tax expense is recognized in income statement except to the extent that it relates to items recognized directly in equity, in which case is recognized in the statement of comprehensive income or statement of changes in equity, in which case it is recognized directly in the respective statements.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the tax on dividend income.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Temporary differences in relation to a right-of-use assets and lease liability are regarded as a net package (Net Lease liability) for the purpose of recognising deferred tax.

Deferred Tax is not recognised for, temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary difference to the extent that it is probable that future taxable profit will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary difference is insufficient to recognised a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on the business plans. Differed tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reduction are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates in enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting

date, to recover or settle the carrying amount of its assets and liabilities

Tax exposures

In determining the amount of current and deferred tax, the Company considers the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events.

New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Uncertainty Over Income Tax Treatments

The Company accounted for the uncertainty over tax treatments under IFRIC 23. An 'uncertain tax treatment' is a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under tax law.

If it is not probable that the taxation authority will accept an uncertain tax treatment, effect of uncertainty shall be reflected in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. The effect of uncertainty for each uncertain tax treatment shall be reflected by using either of the most likely amount or the expected value methods, depending on which method the Company expects to better predict the resolution of the uncertainty.

3.20 Borrowings

Repo borrowings are the Company's sources of debt funding. When the Company sells a financial asset and simultaneously enters into an

agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a borrowing, and the underlying asset continues to be recognised in the Company's financial statements. The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

3.21 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the 'direct method'. Interest paid and Interest Income received are classified as operating cash flows, interest on fixed deposits received are classified as investing cash flows for the purpose of presentation of the Statement of Cash Flows. Cash and cash equivalents comprise of cash in hand, cash at bank and bank overdrafts.

3.22 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating decisions of the other, irrespective of whether a price is being charged.

3.23 General

3.23.1 Events after the Reporting Period

Events after the reporting date are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. In this regard, all material and important events that occurred after the reporting period are considered and appropriate disclosures are made where necessary (Note 30).

Notes to the Financial Statements contd

All material adjusting events after the reporting period have been considered and where appropriate adjustments to or disclosures have been made in the respective notes to the financial statements.

3.23.2 Earnings per Share

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.23.3 Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Company.

3.23.4 Capital Commitment and Contingent Liabilities

Capital commitments and contingencies which exist as at the date of Statement of Financial Position are disclosed in the respective notes to the Financial Statements.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

A number of new standards and amendments to standards are effective for annual periods beginning after 1st January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023.

The following new and amended standards are not expected to have a significant impact on the company's financial statements.

Annual Improvements to SLFRS Standards 2018-2020. The amendments are effective for annual reporting periods beginning on or after 1 January 2022

As part of its process to make non-urgent but necessary amendments to accounting Standards, the IASB International Accounting Standards Board (the Board) has issued the Annual Improvements to SLFRS Standards 2018-2020. Key Aspects covered is as follows.

- SLFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of SLFRS 1 for a subsidiary that becomes a first-time adopter of SLFRS Standards later than its parent. The Company does not anticipate this amended to have a significant impact.

- SLFRS 9 Financial Instruments

This amendment clarifies that - for the purpose of performing the "10 per cent test" for derecognition of financial liabilities - in determining those fees paid net of fees received, a borrower includes only

fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Company does not anticipate this amended to have a significant impact.

- SLFRS 16 Leases

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to LKAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The Company does not anticipate this amended to have a significant impact.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16). The amendment applies to annual reporting periods beginning on or after 1 January 2022

This amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be

capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The Company does not anticipate this amended to have a significant impact.

Definition of Accounting Estimates (Amendments to LKAS 8)

The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendment applies to annual reporting periods beginning on or after 1 January 2023.

Classification of Liabilities as Current or Non-current (Amendments to LKAS 1). The amendment applies to annual reporting periods beginning on or after 1 January 2023

The amendments in Classification of Liabilities as Current or Noncurrent (Amendments to LKAS 1) affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those item

The Key amendments are as follows:

- the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The classification is unaffected by expectations about whether

an entity will exercise its right to defer settlement of a liability. The standard also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The Company does not anticipate this amended to have a significant impact.

Disclosure of Accounting Policies (Amendments to LKAS 1). The amendment applies to annual reporting period beginning on or after 1 January 2023

The key amendments include,

- requiring companies to disclose their material accounting policies rather than their significant accounting policies.
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The Company does not anticipate this amended to have a significant impact.

COVID-19 Related Rent concessions (Amendment to SLFRS 16)

In May 2020, the Board issued COVID-19-Related Rent Concessions (the 2020 amendments), which amended SLFRS 16 Leases. The 2020 amendments introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. Under that practical expedient, a lessee

is not required to assess whether eligible rent concessions are lease modifications, instead accounting for them in accordance with other applicable guidance.

The practical expedient introduced in the 2020 amendments only applies to rent concessions for which any reduction in lease payments affects solely payments originally due on or before 30 June 2021. If the Board had taken no further action, the practical expedient would have expired in a few months.

The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated. As a result, lessors and lessees are negotiating rent concessions that extend beyond 30 June 2021.

The Board has therefore extended the practical expedient by 12 months - i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

The 2021 amendments are effective for annual reporting periods beginning on or after 1 April 2021. Lessees are permitted to apply it early, including in financial statements not authorised for issue. In effect, it is available to be applied now, subject to any local endorsement requirements.

The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings. The disclosure requirements of Paragraph 28(f) of LKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors do not apply on initial application.*

Notes to the Financial Statements contd

5. INTEREST INCOME

For the year ended 31st March	2022 Rs.	2021 Rs.
Financial Assets measured at FVTPL		
Interest on Treasury Bills	332,973,458	94,364,258
Interest on Treasury Bonds	127,921,660	897,801,128
	460,895,118	992,165,386
Financial Assets measured at Amortised cost		
Interest on Securities Purchased Under Resale Agreements	47,118,405	82,509,388
Interest on Fixed Deposit	234,551	390,494
Interest Income on Staff Loans	93,405	115,810
	47,446,361	83,015,692
	508,341,479	1,075,181,078

For the year ended 31st March	2022 Rs.	2021 Rs.
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6. INTEREST EXPENSES

Interest on Securities Sold under Repurchase Agreements	284,028,315	707,107,671
Interest on Bank and Other Loans	-	29,893
	284,028,315	707,137,564

7. GAIN AND (LOSS) ARISE FROM FINANCIAL ASSETS

For the year ended 31st March	2022	2021
	Rs.	Rs.

7.1 NET GAIN /(LOSS) FROM TRADING

Gain on Treasury Bills	12,506,265	41,683,944
Gain/(Loss) on Treasury Bonds	(267,704,408)	1,298,768,981
Gain on Quoted Shares	52,304,155	4,556,330
	(202,893,988)	1,345,009,255

7.2 NET GAIN/(LOSS) FROM REMEASUREMENT OF FINANCIAL ASSETS AT FVTPL

Remeasurement Loss on Government Securities	(19,700,312)	(123,107,633)
Remeasurement Gain/(Loss) on Quoted Shares	3,678,256	(8,917,711)
	(16,022,056)	(132,025,344)

8. DIRECT EXPENSES

For the year ended 31st March	2022	2021
	Rs.	Rs.

Brokerage Commission	6,680,015	16,433,846
	6,680,015	16,433,846

9. OTHER INCOME

For the year ended 31st March	2022	2021
	Rs.	Rs.

Brokerage Income	10,955	3,473,191
Dividend Income	7,217,985	1,481,691
Sundry Income	209,653	390,162
	7,438,593	5,345,044

Notes to the Financial Statements contd

10. PROFIT/(LOSS) BEFORE TAX

For the year ended 31st March	2022 Rs.	2021 Rs.
Profit/(loss) before tax for the year Is stated after charging all expenses including the following;		
Directors' Fees	1,300,000	-
Audit fee		
- Statutory Audit	810,000	750,000
- Other Services	552,568	324,000
Depreciation of Equipment	2,064,046	2,344,112
Depreciation of Right-of-Use assets	3,701,393	3,802,582
Amortisation of Intangible Assets	2,005,432	3,258,227
Staff cost included;		
- Salaries and other staff benefits	87,803,524	179,982,422
- Defined Benefit Plan - Gratuity (Note 25)	4,587,099	5,663,066
- Defined Contribution Plans - EPF	9,107,216	8,975,887
- ETF	2,276,804	2,243,972
Other Employee Related Cost	5,652,768	6,072,523
Donations	45,957	6,250

11. INCOME TAX EXPENSES/(BENEFITS)

For the year ended 31st March	2022 Rs.	2021 Rs.
11.1 Amounts recognised in /(reversed to) Profit or Loss		
Current Tax Expense for the year (Note 11.2)	-	304,915,270
Under Provision for previous years	337,085	-
Deferred Tax Charge due to reduction in tax rate (Note 11.6.1)	3,917,302	1,016,801
Deferred Tax Charge/ (Reversal) for the year (Note 11.6.1)	(39,170,630)	(2,187,054)
	(34,916,243)	303,745,017

11. INCOME TAX EXPENSES/(BENEFITS) (CONTD.)

For the year ended 31st March	2022 Rs.	2021 Rs.
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11.2 Reconciliation between Accounting Profit and Taxable Profit

Accounting Profit/(Loss) Before Tax	(206,291,795)	1,270,226,155
Other Sources of Income & exempt income	(63,528,352)	(6,544,325)
Disallowable expenses	13,570,818	24,453,920
Allowable expenses	(8,563,540)	(18,161,762)
Assessable income/(loss) from Business	(264,812,869)	1,269,973,988
Other Sources of Income	6,261,925	506,304
Total Taxable Income/(Loss)	(258,550,944)	1,270,480,292
Income Tax at 24%	-	304,915,270
Income Tax at 14%	-	-
Current Tax Expense	-	304,915,270

11.3 Accumulated Tax Losses

Balance at the beginning of the year	-	-
Losses Incurred during the year	(258,550,944)	-
Tax Losses Carried forward	(258,550,944)	-

11.4 Applicable Income Tax Rates

The Company is liable to pay income tax at the rate of 24%. However as per the Inland Revenue (Amendment) Act No 10 of 2021, since the Company has listed its shares after January 1, 2021, but prior to December 31, 2021, in the Colombo Stock Exchange licensed by the Securities and Exchange Commission of Sri Lanka, Income tax rate shall be reduced by fifty per centum (50%) for the Year of Assessment 2021/22 and liable to pay income tax at the rate of 14% for the next three (3) Year of Assessments commencing from 2022/23.

Notes to the Financial Statements contd

11. INCOME TAX EXPENSES/(BENEFITS) (CONTD.)

As at 31st March	2022 Rs.	2021 Rs.
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11.5 Income Tax Payable

Balance at the beginning of the year	160,308,628	334,520,021
Income Tax Provision for the year	-	304,915,270
Income Tax under provision	337,085	-
Income Tax payments	(146,411,406)	(448,103,785)
Withholding and Other Credits	-	(31,022,878)
Balance at the end of the year	14,234,307	160,308,628

11.6 Deferred Tax Asset

Balance at the Beginning of the year	9,401,526	7,117,607
Amount reversed during the year - (Note - 11.6.1)	34,575,825	2,283,919
Balance at the end of the year	43,977,351	9,401,526

11.6.1 Amount reversed during the year

Effect of change in tax rates recognized in profit/ (Loss)	(3,917,302)	(1,016,801)
Amount reversed during the year in Profit/(Loss)	39,170,630	2,187,054
Amount (recognized)/reversed in Other Comprehensive Income	(677,503)	1,113,666
	34,575,825	2,283,919

Deferred tax asset is recognised by considering the brought forward tax losses of which, the amount in the opinion of the Directors, will be available to allow the benefit of the loss to be realised in accordance with LKAS 12 and provisions of Inland Revenue Act No. 10 of 2021. The deferred tax asset has been computed on the basis of 14% in accordance with the Inland Revenue (Amendment) Act No. 10 of 2021 (2021 - 24%)

As per section 36 (k) of Inland Revenue (Amendment) Act No 10 of 2021, the company's gains and profits are taxable at 14% for three Years of Assessment commencing from April 1 2022, thereafter taxed at 24%. Accordingly, based on the requirements of LKAS 12 in relation to Deferred taxation, deferred tax assets and liabilities are calculated at tax rates (both 14% and 24%) that are expected to apply to the period when the asset is realized or liability is settled.

Effect of changing tax rates resulted in a loss of Rs. 3,917,302 related to remeasurement of deferred tax asset of the company.

Analysis of recognised deferred tax assets/ (liabilities) in the Statement of Financial Position

	2022		2021	
	Temporary Difference	Tax effect on Temporary Difference	Temporary Difference	Tax effect on Temporary Difference
	Rs.	Rs.	Rs.	Rs.
On Equipment	235,249	32,935	(43,058)	(10,334)
On Intangible assets	(228,780)	(32,029)	(1,704,633)	(409,112)
On Right-of-use assets	(11,205,302)	(1,568,742)	(13,413,645)	(3,219,275)
On Lease Creditor on ROU Assets	11,772,683	1,648,175	13,550,810	3,252,194
On Retirement benefit obligations	38,506,345	7,699,880	40,783,555	9,788,053
On Carried forward tax losses	258,550,944	36,197,132	-	-
	297,631,139	43,977,351	39,173,029	9,401,526

Deferred Tax Asset / Assessment of Recoverability

The Board of Directors carefully analysed the availability of the future taxable profits against which the unused tax losses can be utilised. In this assessment the Company estimated the profitability using recently prepared internal budgets and plans and going concern in a very conservative manner. In this assessment, directors note the composition of the carried forward tax loss as given in the note 11.3 current estimated duration of recoverability of deferred tax asset is 03 years until Y/A 2024/25. Further the management carried out sensitivity analysis to enhance the assumption of recoverability of the deferred tax assets and based on the sensitivity analysis performed internally, the Company will be able to utilise the tax losses amounting to Rs. 259 Mn within 03 years from the reporting date until Y/A 2024/25.

Deferred tax is an estimate computed based on the assumptions on available information as at the reporting date. Hence these estimates are subject to change if there are further developments to any information, which the assumptions are based at the time of estimation (i.e. new amendments to the IRD act). Such changes to the estimates will be adjusted during the period the change occurs.

12. BASIC EARNINGS/(LOSS) PER SHARE

Earnings/(Loss) Per Share is calculated by dividing the Profit/(Loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2022	2021 (Restated)
Profit/(Loss) attributable to ordinary shareholders - (Rs.)	(171,375,552)	966,481,138
Weighted average number of ordinary shares in issue (Note 12.1)	300,311,783	288,240,648
Basic Earnings/(Loss) per share - (Rs.)	(0.57)	3.35

There were no potentially dilutive instruments outstanding at anytime during the year, hence diluted earnings per share is equal to the Basic Earnings Per Share.

Notes to the Financial Statements contd

12.1 Weighted average number of ordinary shares in issue

	2022	2021 (Restated)
Opening Number of Ordinary shares	288,240,648	288,240,648
Weighted average number of ordinary shares in issue during the year *	12,071,135	-
Closing Weighted average number of ordinary shares	300,311,783	288,240,648

*On 15th December 2021, the Company raised additional share capital of Rs.411,772,360 by issuing 41,177,236 number of Ordinary shares through an IPO.

The weighted-average number of ordinary shares as at 31st March 2021 has been restated based on the number of shares sub-divided in August 2021 in accordance with Sri Lanka Accounting Standard LKAS 33 Earnings Per Share.

13. CASH AND CASH EQUIVALENTS

As at 31st March	2022 Rs.	2021 Rs.
Cash at Bank	14,245,035	10,424,382
Cash in Hand	20,000	48,000
	14,265,035	10,472,382
Cash and Cash Equivalent in the Statement of Financial Position	14,265,035	10,472,382
Cash and Cash Equivalent for the Purpose of Statement of Cash Flows	14,265,035	10,472,382

14. FINANCIAL ASSETS MEASURED AT AMORTISED COST

As At 31st March,	Note	2022 Rs.	2021 Rs.
Fixed Deposits		-	6,077,933
Securities Purchased under Resale agreements	14.1	40,167,893	41,106,440
		40,167,893	47,184,373

14.1 Fair value of the securities pledged for the securities purchased under resale agreements

	Market Value (Rs.)		Face Value (Rs.)	
	2022	2021	2022	2021
Treasury Bonds	45,591,315	44,546,792	49,000,000	39,750,000
	45,591,315	44,546,792	49,000,000	39,750,000

The Company follows the guidelines stipulated in the Direction on Repurchase and Reverse Repurchase Transactions of Dealer Direct Participants in Scripless Treasury Bonds and Scripless Treasury Bills, issued by the Central Bank of Sri Lanka, in receiving securities for reverse repurchase agreements (Direction No. 01 of 2019, dated 20 December 2019). Only the eligible securities are used for such receipts and the Section 4.3, 4.4 and 4.5 are complied with when considering the haircut requirements.

The Board of Directors of the Company has established an Effective Risk management Framework by implementing necessary policies and procedures to ensure compliance with the said guidelines. An Effective Internal Control System is used to verify the accuracy of security receipts.

The Company is entitled to repledge the securities received as collateral for the Resale Agreements (Reverse Repo) and the entity has an obligation to return such securities at deal maturity. In relation to any repurchase transaction, at anytime between the purchase date and repurchase date the dealer can substitute other eligible Securities for any purchased securities. However, the purchased securities shall not be traded at any time between the purchase date and the repurchase date. Accordingly, no any securities has been repledged as at 31st March 2022 (2021- Rs. 39,750,000).

15. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS

As at 31st March		2022	2021
		Rs.	Rs.
Government Treasury Bills	15.1	8,065,944,839	6,314,468,250
Government Treasury Bonds	15.1	546,079	4,948,539,909
Investment in Quoted Shares	15.2	9,403,369	201,103,090
		8,075,894,287	11,464,111,249

15.1 Securities pledged as Collateral

The Government securities classified as Financial Assets measured at FVTPL, following amounts have been pledged as collateral for Repurchase Agreements entered into by the Company.

	Market Value (Rs.)		Face Value (Rs.)	
	2022	2021	2022	2021
Government Treasury Bills	5,835,814,603	3,617,255,008	5,912,834,858	3,418,628,000
Government Treasury Bonds	-	5,830,918,492	-	5,869,550,000
	5,835,814,603	9,448,173,500	5,912,834,858	9,288,178,000

Notes to the Financial Statements contd

15.2 Investment in Quoted Shares

As at 31st March	2022			2021		
	No. of Shares	Cost	Market Value	No. of Shares	Cost	Market Value
		Rs.	Rs.		Rs.	Rs.
Hatton National Bank PLC	-	-	-	170,200	24,200,398	21,445,200
Aitken Spence PLC	-	-	-	461,027	29,919,918	25,586,999
Teejay Lanka PLC	-	-	-	423,466	17,956,687	16,938,640
Commercial Bank of Ceylon PLC	-	-	-	132,937	10,772,929	11,366,114
Sampath Bank PLC	-	-	-	450,000	24,482,496	24,210,000
Richard Pieris & Company PLC	-	-	-	293,780	4,414,562	4,935,504
Watawala Plantations PLC	45,035	6,781,100	4,201,766	180,008	11,588,691	10,278,457
Lanka ORIX Leasing Company PLC	-	-	-	20,000	9,404,160	5,840,000
Piramal Glass Ceylon PLC	-	-	-	7,250,000	77,280,960	80,475,000
Vallibel One PLC	-	-	-	577	-	27,176
CIC Holdings PLC	136,525	7,861,722	5,201,603	-	-	-
	181,560	14,642,822	9,403,369	9,381,995	210,020,801	201,103,090

15.3 Investment in Quoted Shares Movement

As at 31st March	2022	2021
	Rs.	Rs.
Balance at the beginning of the year	201,103,090	-
Investments during the year	543,615,240	363,032,543
Disposals During the Year	(791,297,372)	(157,568,072)
Capital Gain on Quoted Shares	52,304,155	4,556,330
Remeasurement Gain/(Loss)	3,678,256	(8,917,711)
Balance at the end of the year	9,403,369	201,103,090

16. OTHER RECEIVABLES

As at 31st March	2022 Rs.	2021 Rs.
Deposits and Advances	2,033,968	3,506,502
Prepayments	3,905,231	1,825,863
Staff Loan	2,232,564	4,052,159
Inventory	295,269	713,235
Other Tax Receivables	15,499,872	-
	23,966,904	10,097,759

17. FINANCIAL ASSETS MEASURED AT FAIRVALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31st March	2022 Rs.	2021 Rs.
Investment in Non quoted Shares	1,000,000	1,000,000
Less : Provision for fall in value of Investment	(1,000,000)	-
	-	1,000,000

	No. of Ordinary shares	Cost of investment 'Rs.	2022 Market Value 'Rs.	2021 Market Value 'Rs.
Lanka Financial Services Bureau Limited	100,000	1,000,000	-	1,000,000

Investment in Non quoted shares includes the cost of shares in Lanka Financial Services Bureau Limited. The investment amount is fully provided since the management is of the view that the amount is irrecoverable.

Notes to the Financial Statements contd

18. INTANGIBLE ASSETS

As at 31st March	2022 Rs.	2021 Rs.
Cost		
Balance at the beginning of the year	31,344,667	30,939,667
Additions during the year	395,910	405,000
Balance at the end of the year	31,740,577	31,344,667
Accumulated Amortisation		
Balance at the beginning of the year	28,803,042	25,544,815
Amortisation during the year	2,005,432	3,258,227
Balance at the end of the year	30,808,474	28,803,042
Carrying Value	932,103	2,541,625

18.1 Fully Depreciated Intangible Assets

The initial cost of fully-depreciated Intangible Assets as at 31st March which are still in use as follows

Computer Software	29,902,535	19,348,250
	29,902,535	19,348,250

19. RIGHT- OF- USE ASSET

As at 31st March	2022 Rs.	2021 Rs.
Cost		
Balance at the beginning of the year	21,094,012	6,786,124
Additions During the Year	-	14,307,888
Remeasurement During the Year	1,493,050	-
Balance at the end of the year	22,587,062	21,094,012
Amortisation		
Balance at the beginning of the year	7,680,367	3,877,785
Amortisation for the year	3,701,393	3,802,582
Balance at the end of the year	11,381,760	7,680,367
Carrying amount	11,205,302	13,413,645

19.1 Right of Use Asset

Right of Use Asset Category	Premises	Lease Term	No Sq. Feet
Buildings	The Second Floor designated as Level Five (05), of "Millennium House" situated at No. 46/58, Nawam Mawatha, Colombo 02	2021-2024	1,538

20. EQUIPMENT

	Computer Equipment Rs.	Office Equipment Rs.	Furniture & Fittings Rs.	Communication Devices Rs.	Total Rs.
Cost					
Balance as at 1st April 2020	10,429,749	3,181,431	4,216,381	291,287	18,118,848
Additions during the year	1,019,000	686,977	-	120,000	1,825,977
Balance as at 31st March 2021	11,448,749	3,868,408	4,216,381	411,287	19,944,825
Balance as at 01st April 2021	11,448,749	3,868,408	4,216,381	411,287	19,944,825
Additions during the year	2,117,300	413,640	130,270	10,500	2,671,710
Disposals during the year	(323,000)	-	-	(4,900)	(327,900)
Balance as at 31st March 2022	13,243,049	4,282,048	4,346,651	416,887	22,288,635
Accumulated Depreciation					
Balance as at 01st April 2020	8,332,519	2,212,091	3,772,422	291,287	14,608,319
Charge for the year	1,592,234	537,045	184,833	30,000	2,344,112
Balance as at 31st March 2021	9,924,753	2,749,136	3,957,255	321,287	16,952,431
Balance as at 01st April 2021	9,924,753	2,749,136	3,957,255	321,287	16,952,431
Charge for the year	1,267,485	497,987	204,374	94,200	2,064,046
Disposals during the year	(319,861)	-	-	(3,267)	(323,128)
Balance as at 31st March 2022	10,872,377	3,247,123	4,161,629	412,220	18,693,349
Carrying value as at 31st March 2021	1,523,996	1,119,272	259,126	90,000	2,992,394
Carrying value as at 31st March 2022	2,370,672	1,034,925	185,022	4,667	3,595,286

Based on the assessment of potential impairment carried out by the Company as at 31st March 2022, no provision was required to be made in the Financial Statements.

Notes to the Financial Statements contd

There were no capitalised borrowing cost related to the acquisition of Equipment during the year (2021 - Nil).

There were no restrictions on the title of the Equipment as at 31st March 2022.

There were no items of Equipment pledged as security as at 31st March 2022.

There were no temporary idle items of Equipment as at 31st March 2022.

20.1 Fully Depreciated Assets

As at 31st March	2022 Rs.	2021 Rs.
The initial cost of fully-depreciated equipment as at 31st March which are still in use as follows		
Computer Equipment	8,712,148	8,203,188
Office Equipment	2,542,053	1,574,490
Furniture & Fittings	3,700,031	3,700,031
Communication Devices	411,287	291,287
	15,365,519	13,768,996

21. FINANCIAL LIABILITIES AT AMORTISED COST

As at 31st March	2022 Rs.	2021 Rs.
Securities Sold Under Repurchase Agreements	5,465,983,373	8,461,113,826

21.1 Securities Pledged as Collateral

	Market Value (Rs.)		Face Value (Rs.)	
	2022	2021	2022	2021
Government Treasury Bills	5,835,814,603	3,617,255,008	5,912,834,858	3,418,628,000
Government Treasury Bonds	-	5,875,465,283	-	5,869,550,000
	5,835,814,603	9,492,720,291	5,912,834,858	9,288,178,000

The Company follows the guidelines stipulated in the Direction on Repurchase and Reverse Repurchase Transactions of Dealer Direct Participants in Scripless Treasury Bonds and Scripless Treasury Bills, issued by the Central Bank of Sri Lanka, in allocating securities for repurchase agreements (Direction No. 01 of 2019 dated 20 December 2019). Only the eligible securities are used for such allocation and the Section 4.3, 4.4 and 4.5 are complied with when considering the haircut requirements.

The Board of Directors of the Company has established an Effective Risk management Framework by implementing necessary policies and procedures to ensure compliance with the said guidelines. An Effective Internal Control System is used to verify the accuracy of security allocation.

22. AMOUNTS DUE TO / DUE FROM RELATED COMPANIES

As at 31st March	2022	2021
	Rs.	Rs.

22.1 Amounts Due from Related Companies

Tempest PE Partners (Pvt) Ltd	6,813	24,379
Capital Alliance Investments Ltd	879,333	3,412,644
	886,146	3,437,023

22.2 Amounts Due to Related Companies

Capital Alliance Partners Ltd	880,965	604,077
Capital Alliance Securities (Pvt) Ltd	569,867	54,738,242
Capital Alliance Holdings Ltd	5,595,222	11,850,078
Finnovation (Pvt) Ltd	-	19,664,750
	7,046,054	86,857,147

23. OTHER PAYABLES

As at 31st March	2022	2021
	Rs.	Rs.
Provisions and Accrued Expenses	6,297,329	74,243,532
Other Payables	3,294,979	4,347,180
	9,592,308	78,590,712

Notes to the Financial Statements contd

24. LEASE LIABILITY

As at 31st March	2022 Rs.	2021 Rs.
Gross Lease Obligation	13,305,107	15,519,200
Finance cost applicable for future periods	(1,532,424)	(1,968,390)
Net Lease Obligation	11,772,683	13,550,810

24.1 Maturity Analysis

Payable within one year

Gross Lease Obligation	4,668,459	4,244,054
Finance cost applicable for future periods	(869,964)	(1,047,230)
Net Lease Obligation	3,798,495	3,196,824

Payable after one year

Gross Lease Obligation	8,636,648	11,275,146
Finance cost applicable for future periods	(662,460)	(921,160)
Net Lease Obligation	7,974,188	10,353,986

24.2 Lease Liability Movement

Balance at the beginning of the year	13,550,810	3,073,714
Remeasurement during the year	1,493,050	-
Additions during the year	-	14,307,888
Lease Interest	1,043,611	461,972
Lease Payments	(4,314,788)	(4,292,764)
Balance at the end of the year	11,772,683	13,550,810

24.3 Amounts Recognised in Income Statement

Interest on Lease Liabilities	1,043,611	461,972
Amortisation - Right-of-Use Assets	3,701,393	3,802,582
Total amounts Recognised in Income Statement	4,745,004	4,264,554

24.4 Amounts Recognised in Statement of Cash Flows

Repayment of Gross Lease Liability	4,314,788	4,292,764
	4,314,788	4,292,764

25. RETIREMENT BENEFIT OBLIGATION

As at 31st March	2022 Rs.	2021 Rs.
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25.1 Movement in the present value of the Defined Benefit Obligation:

Balance at the beginning of the year	40,783,555	30,480,213
Current Service Cost	3,047,722	3,607,151
Past Service Credit	(1,315,472)	-
Interest Cost	2,854,849	2,055,915
Actuarial (Gain)/Loss for the year	(4,839,309)	4,640,276
Benefits paid during the year	(2,025,000)	-
Balance at the end of the year	38,506,345	40,783,555

25.2 Expense recognized in Profit or Loss:

Current Service Cost	3,047,722	3,607,151
Past Service Credit	(1,315,472)	-
Interest Cost	2,854,849	2,055,915
	4,587,099	5,663,066

Expense recognized on Other Comprehensive Income

Actuarial (Gain)/ Loss for the year	(4,839,309)	4,640,276
	(4,839,309)	4,640,276

Provision for the year	(252,210)	10,303,342
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During 2021/2022, the retirement benefit obligations were adjusted to reflect new legal requirements in the country regarding the retirement age. As a result of the plan amendment, the Company's defined benefit obligation decreased by Rs. 1,315,472. A corresponding past service credit was recognized in profit or loss during 2021/2022.

The provision for retirement benefit obligations as at 31st March 2022 is based on the actuarial valuation carried out by a professionally qualified actuary, Mr. M. Poopalanathan, an Actuary of the Actuarial and Management Consultant (Pvt) Ltd, using the "Projected Unit Credit" (PUC) method, the method recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits". As at 31st March 2021, company has adopted the Gratuity Formula method in computing the Gratuity.

Notes to the Financial Statements contd

25.3 The principal actuarial assumptions used were as follows:

Expected Annual Average Salary Increment	13%	10%
Discount Rate	15%	7%
Staff Turnover Factor	7%	10%
Retirement age	60 Years	55 Years
Weighted average retirement age	9.4 Years	-

The Company will continue as a going concern.

Assumption regarding future mortality are based on A 1967/70 mortality table issued by Institute of Actuaries, London, United Kingdom

25.4 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts in Rupees shown below.

	2022		2021	
	Increase	Decrease	Increase	Decrease
Movement by 1%				
Discount Rate	(1,587,379)	1,759,168	(2,338,789)	2,514,995
Salary Increment rate	1,952,426	(1,791,329)	2,421,130	(2,297,376)

25.5 Maturity Analysis

The following payments (Amounts in Rupees) are expected on employee benefit liabilities in future years from the fund as follows,

	2022	2021
Within next 12 months	1,478,950	-
Between 1 to 5 years	27,874,956	-
Between 5 to 10 years	5,011,241	-
More than 10 years	4,141,198	-
	38,506,345	-

Comparative figures for maturity analysis of Retirement Benefit Obligation is not available since company had used formula method for gratuity valuation in 2020/21.

26. STATED CAPITAL

As at 31st March	2022 Rs.	2021 Rs.
Issued and Fully paid Ordinary Shares (Note 26.1)	723,348,421	311,576,061
	723,348,421	311,576,061

The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Company.

There was no dividend paid for the year 2021/22. (Out of 2020/21 profit - total dividend of Rs.300.25 Mn was paid and Dividend Per Share was Rs.1.04, adjusted for the share subdivision and Dividend Per share was Rs.12.50 before share subdivision)

26.1 Movement of Stated Capital

Balance at beginning of the year	311,576,061	311,576,061
Ordinary shares issued during the year	411,772,360	-
Balance at end of the year	723,348,421	311,576,061

26.2 Movement of No. of shares

At the beginning of the year	24,020,054	24,020,054
Increase of shares due to sub-division	264,220,594	-
Share issue during the year through initial public offering	41,177,236	-
As at the end of the year	329,417,884	24,020,054

26.3 On 5th August 2021, Number of Shares of the Company was subdivided by splitting every one (01) existing voting ordinary share into twelve (12) voting ordinary shares resulting 288,240,648 ordinary shares after sub division and on 15th December 2021, the Company raised additional share capital of Rs.411,772,360 by issuing 41,177,236 number of Ordinary shares through an IPO.

All known expenditure items have been provided for and there is no management fees or similar expenditure provided for in the Financial Statements. Further, funds raised through the IPO during the period was utilised to enhance the Core Capital of the Company as per the objectives of the issue.

Notes to the Financial Statements contd

27. SPECIAL RISK RESERVE

As at 31st March	2022 Rs.	2021 Rs.
Balance at the beginning of the year	644,799,017	548,150,903
Transferred during the year	-	96,648,114
Balance at the end of the year	644,799,017	644,799,017

A sum equivalent to 10% of profit after tax of Capital Alliance PLC has been transferred to Special Risk Reserve in accordance with the Directions issued by the Central Bank of Sri Lanka.

28. RELATED PARTY TRANSACTIONS

According to Sri Lanka Accounting Standard (LKAS 24) 'Related Party Disclosures', Key management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non executive Directors) have been classified as "Key Management Personnel" of the company.

28.1 Parent And Ultimate Controlling Party

The Company's parent undertaking is Capital Alliance Holdings Limited.

28.2 Key management personnel

Key management personnel include persons who were Directors of Capital Alliance PLC at any time during the financial year

1) Directors

Mr. W. A. T. Fernando
Mr. R. J. Arasarathnam
Mr. D. A. De Zoysa
Mr. C. S. R. S. Anthony
Ms. A. I. C. Nandasena
Ms. K. A. D. Siriwardene

2) Other key management personnel (KMPs)

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

28.3 Transactions With Key Management Personnel

Loans to Directors

No loans have been given to the Directors of the Company.

Key Management Personnel Compensation

Key management personnel comprise the Directors of the Company and the salary paid for the year is Rs. 33,581,415 (2021- Rs 32,016,464).

Benefits	2022	2021
Emoluments paid - short term benefits	31,511,415	30,216,464
Defined Contribution Benefits	2,070,000	1,800,000

Other Transactions with Key Management Personnel

There were no material transactions with key management personnel of the Company.

28.4 Transaction With Related Companies

1) Directorships in Other Companies

Names of the Directors of the Related Companies which had Transactions with the Company

Name of the Director/ Company	Capital Alliance Holdings Ltd	Capital Alliance Securities (Pvt) Ltd	Capital Alliance Partners Ltd	Capital Alliance Investments Ltd *	Finnovation (Pvt) Limited	Tempest PE Partners (Pvt) Ltd
Mr W. A. T. Fernando	Director	Director	Director	Director	Director	Director
Mr D. A. De Zoysa	Director/ Chairman	-	Director	-	-	-
Mr C. S. R. S. Anthony	Director	-	-	-	-	-
Mr R. J. Arasaratnam	Director	-	-	-	-	-
Ms N. T. M. S. Cooray	Director	-	-	-	-	-
Mr T. J. William	Director	-	Director	-	-	-
Ms K. A. Wilson	Director	-	-	-	-	-
Ms R. S. Jayasuriya	Director	-	-	-	-	-
Ms. H. M. S. Perera	-	Director	-	Director	Director	Director
Mr H. G. Aturupane	-	Director	-	-	Director	-
Mr A. D. Pushparajah	-	Director	-	-	-	-
Mr. A S Wijesinha **	-	-	-	Director	-	-
Mr. W D P De Mel	-	-	-	Director	-	-
Mr. K S C P K Gunasinghe	-	-	-	Director	-	-
Mr. K. P. Mannakkara	-	-	-	Director	-	-
Mr C. P. R. Perera	-	-	-	-	-	Director

* Managing Company of the Unit Trust Funds

** Resigned on 06th May 2021

Notes to the Financial Statements contd

2) Transactions with Related Parties

The Company carries out transactions with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS 24), "Related Party Disclosure", in the ordinary course of its business. The details of such transactions are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions

Company	Relationship	Nature Of Transaction	2022 (Rs.)	2021 (Rs.)
Capital Alliance Holdings Ltd	Parent Company	Interest charge on Repo	(288,767)	(117,001)
		Interest on Reverse Repo	-	92,344
		Reimbursement of Expenses	(13,195,467)	(18,382,296)
		Intercompany Payable	(5,595,222)	(11,850,078)
		Dividend Paid	(272,498,413)	(226,718,679)
Capital Alliance Investments Ltd	Sub-Subsidiary of Parent Company	Repo Borrowings	(7,149,991)	(6,706,684)
		Interest charge on Repo	(379,627)	(280,695)
		Reimbursement of Expenses	29,681,498	21,901,619
		Intercompany Receivable	879,333	3,412,644
Capital Alliance Partners Ltd	Subsidiary of Parent Company	Reimbursement of Expenses	(2,830,897)	(11,882,703)
		Intercompany Payable	(880,965)	(604,077)
		Professional Fees - IPO	(6,176,585)	-
Capital Alliance Securities (Pvt) Ltd	Sub-Subsidiary of Parent Company	Repo Borrowings	(194,561,772)	(155,268,686)
		Interest charge on Repo	(8,521,408)	(4,425,621)
		Reimbursement of Expenses	14,575,682	5,640,626
		Intercompany Payable	(569,867)	(54,738,242)
		Brokerage Expenses	(7,831,030)	(3,147,800)
		Brokerage Expenses - IPO	(826,287)	-
Finnovation (Pvt) Ltd	Subsidiary of Parent Company	Software development and maintenance Expenses	(14,055,825)	(30,605,843)
		Reimbursement of Expenses	-	(7,260,469)
		Intercompany Payable	-	(19,664,750)

Company	Relationship	Nature Of Transaction	2022 (Rs.)	2021 (Rs.)
Tempest PE Partners (Pvt) Ltd	Joint Venture of Parent Company	Intercompany Receivable	6,813	24,379
		Reimbursement of Expenses	280,361	292,738
CAL Fixed Income Opportunities Fund (Formerly Known as Capital Alliance Corporate Debt & Gilt Trading Fund)	Unit Trust Fund managed by Affiliated Company	Interest charge on Repo	(59,589)	(4,079,246)
		Repo Borrowings	(300,059,589)	-
Capital Alliance Investment Grade Fund	Unit Trust Fund managed by Affiliated Company	Repo Borrowings	-	(335,591,981)
		Interest charge on Repo	(29,641,210)	(27,451,648)
Capital Alliance Corporate Treasury Fund	Unit Trust Fund managed by Affiliated Company	Repo Borrowings	-	-
		Interest charge on Repo	-	(50,876)
Capital Alliance Gilt Fund	Unit Trust Fund managed by Affiliated Company	Interest charge on Repo	-	(15,083,528)
Capital Alliance Income Fund	Unit Trust Fund managed by Affiliated Company	Repo Borrowings	-	(280,730,848)
		Interest charge on Repo	(15,803,507)	(10,896,943)
Capital Alliance Balanced Fund	Unit Trust Fund managed by Affiliated Company	Interest charge on Repo	(96,507)	-
Ms. N T M S Cooray	Director of the Parent Company	Interest charge on Repo	-	(25,514)

This note should be read in conjunction with Note 22.

There were no Related Party Transactions exceeding 10% of the equity or 5% of the Total Assets whichever is lower of the company and there were no Recurrent Related Party Transactions, if aggregate value of the Non -recurrent Related Party transactions exceeds 10% of Net Revenue /Income during the financial year.

Notes to the Financial Statements contd

29. COMMITMENTS AND CONTINGENCIES

29.1 There were no other material litigations or claims that could have a material impact on financial position of the Company or which would lead to a disclosure in the financial statements for the year ended 31st March 2022, except the following,

The Company has appealed against assessment on VAT on Financial Services amounting to Rs.40Mn, Rs.39Mn, Rs.70Mn, Rs.0.5Mn ,Rs.62Mn, Rs.95Mn and Rs 17.9 Mn respectively for the Year of Assessment (Y/A) 12/13, 13/14, 14/15, 15/16 ,16/17 ,17/18 and 18/19.

Further, Tax Appeal Commission issued a determination on 14th March 2022 confirming the Y/A 12/13 VAT on financial services determination issued by IRD and the Company has submitted an application on 28th March 2022 requiring the Tax Appeal Commission to state the case for the opinion of the Court of Appeal. Accordingly the case has been stated by Tax Appeal Commission for the hearing of the Court of Appeal.

The Company has also appealed against assessment on NBT on Financial Services amounting to Rs.1.7Mn, Rs.11.9Mn, Rs.0.1Mn and Rs.9.3Mn respectively for 13/14, 14/15, 15/16 and 16/17 Year of Assessment.

The related Appeals against the said Assessments and Determinations have been duly submitted. Based on the Tax Consultant's opinion, no liability would arise on the above mentioned tax matters as they are outside the scope of chargeability of taxes, However the company may pursue a settlement of these taxes on an amicable basis.

There were no material capital commitments as at the reporting date which require disclosures in the financial statements.

29.2 Off Balance Sheet Exposures

As at 31st March	2022 Rs.	2021 Rs.
Assets		
Forward Purchases-Government Securities	3,517,296,000	800,000,000
Liabilities		
Forward Sales Forward Sales Contracts-Government Securities	3,517,296,000	1,500,000,000

30. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the date of the Statement of Financial Position that require adjustments to or disclosure in the Financial Statement.

31. FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risks arising from financial instruments:

- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk Management Framework

The CALT board has requested the Group risk committee to take on the role of managing the CALT risk and compliance matters and Overall responsibility for Risk Management rests with the Board of Directors of the Company and also risk is monitored at the CAL Group level through the Group risk committee.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

31.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that would impact Company's income or the value of investment in financial instruments. The objective of managing market risk is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

Market risk principally arises on the Company's investments in government securities, interest-bearing financial assets and financial liabilities, and financial assets and financial liabilities denominated in foreign currencies.

Notes to the Financial Statements contd

31. FINANCIAL RISK MANAGEMENT (contd.)

31.1.1 At the reporting date the exposure to Market risk of the Company's financial instruments was; -

	Carrying Amount	Market risk Measurement		Carrying Amount	Market risk Measurement	
	As at 31st March 2022	Trading Portfolios	Non -Trading Portfolios	As at 31st March 2021	Trading Portfolios	Non -Trading Portfolios
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets						
Cash and Cash Equivalents	14,265,035	-	14,265,035	10,472,382	-	10,472,382
Financial Assets measured at Amortised Cost	40,167,893	-	40,167,893	47,184,373	-	47,184,373
Financial Assets measured at FVTPL	8,075,894,287	8,075,894,287	-	11,464,111,249	11,464,111,249	-
Financial Assets measured at FVOCI	-	-	-	1,000,000	-	1,000,000
	8,130,327,215	8,075,894,287	54,432,928	11,522,768,004	11,464,111,249	58,656,755
Financial liabilities						
Financial Liabilities at Amortised Cost	5,465,983,373	-	5,465,983,373	8,461,113,826	-	8,461,113,826
Lease Liability	11,772,683	-	11,772,683	13,550,810	-	13,550,810
	5,477,756,056	-	5,477,756,056	8,474,664,636	-	8,474,664,636

31.1.2 Interest rate risk

Interest rate risk mainly arises as a result of the Company having interest sensitive assets and liabilities which are directly impacted by changes in the interest rates. Interest rate risk mainly impact the company through yield curve risk, which arises from the shifts in the yield curve that have a negative impact on the earnings or asset values and maturity mismatches in interest bearing assets and liabilities. The management monitors the sensitivities on regular basis and ensures that such risks are managed on a timely manner.

The interest rates have increased significantly after the reporting date, this may lead to significant impact on the future profitability of the Company.

31.1.2.1 Exposure to interest rate risk

The interest rate profile of the Company's interest bearing financial instruments is as follows,

As at 31st March,	2022			2021		
	Variable interest rate	Fixed interest rate	Total	Variable interest rate	Fixed interest rate	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Financial Assets measured at Amortised Cost	-	40,167,893	40,167,893	-	47,184,373	47,184,373
Financial Assets measured at FVTPL	-					
Government Treasury Bills and Bonds	-	8,066,490,918	8,066,490,918	-	11,263,008,159	11,263,008,159
Total	-	8,106,658,811	8,106,658,811	-	11,310,192,532	11,310,192,532
Financial liabilities						
Financial Liabilities at Amortised Cost	-	5,465,983,373	5,465,983,373	-	8,461,113,826	8,461,113,826
Total	-	5,465,983,373	5,465,983,373	-	8,461,113,826	8,461,113,826

31.1.2.2 Sensitivity analysis

The following table shows the estimated impact on profitability and equity by fluctuation of interest rates assuming that all other variables remain constant on the following financial assets and liabilities. Floating rate instruments expose the Company to cash flow fluctuations, whereas fixed interest rate instruments expose the Company to change in fair values.

As at 31st March,	2022		2021	
	Fixed-rate		Fixed-rate	
	Impact on PBT Rs.	Impact on equity Rs.	Impact on PBT Rs.	Impact on equity Rs.
Increase in 700 basis points				
Financial Assets				
Government Securities				
Treasury Bills	(63,629,320)	(55,993,802)	(52,339,448)	(39,777,980)
Treasury Bonds	(85,274)	(75,041)	(1,061,952,458)	(807,083,868)
Securities Purchased Under Repurchase Agreements	(265,048)	(233,242)	(243,712)	(185,222)
	(63,979,642)	(56,302,085)	(1,114,535,618)	(847,047,070)
Financial Liabilities				
Securities Sold Under Repurchase Agreements	14,263,592	12,551,961	41,397,041	31,461,751
	14,263,592	12,551,961	41,397,041	31,461,751
Decrease in 700 basis points				
Financial Assets				
Government Securities				
Treasury Bills	63,629,320	55,993,802	52,339,448	39,777,980
Treasury Bonds	85,274	75,041	1,061,952,458	807,083,868
Securities Purchased Under Repurchase Agreements	265,048	233,242	243,712	185,222
	63,979,642	56,302,085	1,114,535,618	847,047,070
Financial Liabilities				
Securities Sold Under Repurchase Agreements	(14,263,592)	(12,551,961)	(41,397,041)	(31,461,751)
	(14,263,592)	(12,551,961)	(41,397,041)	(31,461,751)

Notes to the Financial Statements contd

31. FINANCIAL RISK MANAGEMENT (contd.)

Company has established following measures to manage the interest rate risk

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 the portfolio is considered in assessing the interest rate risk.

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

Continuous and ongoing monitoring combined with in-depth research and statistical modeling, forms the basis of the interest rate risk management strategy of the company.

Risk Dashboards reflecting risk limits set on trading are updated daily and presented quarterly to the Group Risk Committee.

Post-decision reviews and guidance from the Group Risk Committee also play a crucial role in managing interest rate risk over time.

31.1.3 Equity risk

The Company's exposure to equity risk arises from its investments in equity securities. Equity risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market prices.

Listed equity investments

As at 31st March	2022 Rs.	2021 Rs.
Investment in Quoted Shares	9,403,369	201,103,090

Sensitivity analysis of equity risk

The following table shows the estimated impact on profitability and equity by fluctuation of stock market prices at the reporting date, assuming that all other variables remain constant.

As at 31st March	Impact on PBT	
	2022 Rs.	2021 Rs.
10% decline in stock prices	(940,337)	(20,110,309)
10% Increase in stock prices	940,337	20,110,309

Management of Equity Risk

The Company manages the equity risk through diversification and placing limits on individual and total equity portfolio investments. The Company's equity risk management policies are;

- Investment decisions are based on in depth macroeconomic and industry analysis as well as research reports on company performance.
- Reports on the equity portfolio are submitted to the Company's senior management on a regular basis.
- Adherence to the investment policy which includes stringent guidelines on risk exposures.

31.1.4 Currency risk

The foreign currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuating due to the changes in foreign exchange rates. However, there is no material impact to the company from the foreign currency exposure.

31.2 Credit risk

Credit risk is the risk that counter-party will not meet its contractual obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for company's investments in reverse repurchase agreements) and from its financing activities including any deposits with banks and financial institutions and other financial instruments.

31.2.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date based on the concentration of the risk by sector was;

	Cash and Cash Equivalents Rs.	Financial Assets measured at FVTPL Rs.	Financial Assets measured at FVOCI Rs.	Financial Assets measured at Amortised Cost Rs.	Other Receivables Rs.
As at 31st March 2022					
Government	-	8,066,490,918	-	-	-
Corporate	14,245,035	-	-	40,167,893	-
Other	-	-	-	886,146	2,232,564
Total	14,245,035	8,066,490,918	-	41,054,039	2,232,564
As at 31st March 2021					
Government	-	11,263,008,159	-	-	-
Corporate	10,424,382	-	1,000,000	47,184,373	-
Other	-	-	-	3,437,023	4,052,159
Total	10,424,382	11,263,008,159	1,000,000	50,621,397	4,052,159

All the balances as at 31st March 2022 and 31st March 2021 are in the neither past due nor impaired category. Further, based on historic default rate, the Company believe that no impairment allowance is necessary in respect of the financial assets other than Financial assets measured at FVOCI for which a provision has been made as at 31st March 2022.

Notes to the Financial Statements contd

31. FINANCIAL RISK MANAGEMENT (contd.)

31.2.2 Management of Credit Risk

Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.

Establishing the authorisation structure for the approval and renewal of facilities

Limiting concentrations of exposure to counterparties, industries, and by issuer, credit rating band and market liquidity.

Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Continually reviewing and assessing credit risk.

31.2.3 Impairment

The aging of other receivables at the reporting date was;

	2022 (Rs.) Gross	2021 (Rs.) Gross
Not past due	2,232,564	4,052,159
Past due 0 - 31 days	-	-
Past due 31 - 90 days	-	-
More than 90 days	-	-
	2,232,564	4,052,159

Based on the past due date, the Company believe that no provisions are required as at 31st March 2022.

31.2.4 Credit risk on financial investments

The Company is also exposed to credit risk through its financial investments. The credit worthiness of the financial instruments are assessed using the credit ratings assigned to each entity. This rating provides the Company the indication of the financial stability of the investment.

Credit risk exposure of Cash at Bank is depicted in the below table using the carrying values as at the Statement of Financial Position Date.

Institution	Rating	Rating Agency	2022 Rs.	2021 Rs.
Commercial Banks in Sri Lanka	A+	Fitch	223,800	-
	A	Fitch	12,650,161	14,309,393
	AA-	Fitch	808,946	989,316
Central Bank of Sri Lanka			562,128	1,203,606
			14,245,035	16,502,315

This does not include the exposure that would arise in the future as a result of changes in values. Further there were no any other off balance sheet exposures which would give arise to credit risk.

31.2.5 Collateral held for reverse repurchase investments

Reverse repurchase investments on government securities are backed by treasury bills and bonds which are provided as collateral. The management monitors the market value of the collateral, requests additional collateral when needed and performs a valuation when applicable. Details of collateral held for reverse repurchase agreements and the haircut policy are disclosed in Note 14.1.

Risk response to credit risk on financial investments

- Regularly review credit worthiness of counterparties and take necessary actions if required.
- Appropriate actions are implemented when the investments are expected to be high credit risk.
- Clearly defined single party exposure limits based on the credit ratings and regulatory requirements and monitoring them closely at different levels.

31.3 Liquidity risk

The Liquidity risk is the risk that the company may not be able to meet its present and future cash obligations without incurring unacceptable losses or impacting operations. The Company's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

31.3.1 Exposure to Liquidity Risk

The following are the remaining contractual maturities of financial assets and financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

As at 31st March 2022	Total Carrying amount Rs.	Total Rs.	Contractual Cash flows		
			12 months or less Rs.	1 - 2 Years Rs.	2 - 5 Years Rs.
Assets					
Cash and Cash Equivalents	14,265,035	14,265,035	14,265,035	-	-
Financial Assets measured at Amortised Cost	40,167,893	40,207,481	40,207,481	-	-
Financial Assets measured at FVTPL	8,075,894,287	8,178,166,632	8,177,469,254	210,088	487,290
Amount due from Related Companies	886,146	886,146	886,146	-	-
Other Receivables	2,232,564	2,232,564	2,232,564	-	-
	8,133,445,925	8,235,757,858	8,235,060,480	210,088	487,290
Liabilities					
Financial Liabilities at Amortised Cost	5,465,983,373	5,482,165,739	5,482,165,739	-	-
Other Payables	9,592,308	9,592,308	9,592,308	-	-
Lease liability	11,772,683	13,305,107	4,668,459	8,636,648	-
Amounts Due to Related Companies	7,046,054	7,046,054	7,046,054	-	-
	5,494,394,418	5,512,109,208	5,503,472,560	8,636,648	-

Notes to the Financial Statements contd

31. FINANCIAL RISK MANAGEMENT (contd.)

31.3.1 Exposure to Liquidity Risk (contd.)

As at 31st March 2021	Carrying Amount Rs.	Contractual Cash Flows Rs.	12 months or Less Rs.	1 - 2 Years Rs.	2 - 5 Years Rs.
Cash and Cash Equivalents	10,472,382	10,472,382	10,472,382	-	-
Financial Assets measured at Amortised Cost	47,184,373	47,184,373	47,184,373	-	-
Financial Assets measured at FVTPL	11,464,111,249	11,464,111,249	11,464,111,249	-	-
Amount due from Related Companies	3,437,023	3,437,023	3,437,023	-	-
Financial Assets measured at FVOCI	1,000,000	1,000,000	1,000,000	-	-
Other Receivables	4,052,159	4,052,159	4,052,159	-	-
	11,530,257,186	11,530,257,186	11,530,257,186	-	-
Financial Liabilities at Amortised Cost	8,461,113,826	8,461,113,826	8,461,113,826	-	-
Other Payables	78,590,712	78,590,712	78,590,712	-	-
Lease liability	13,550,810	15,519,200	4,244,054	11,275,146	-
Amounts Due to Related Companies	86,857,147	86,857,147	86,857,147	-	-
	8,640,112,495	8,642,080,885	8,630,805,739	11,275,146	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

31.3.2 Management of Liquidity Risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company has access to approved short-term financing facilities from commercial banks and company as a primary dealer has access to standing liquidity facility from Central Bank of Sri Lanka. if required.

The Company monitors the level of expected cash inflows on Investments and other receivables together with expected cash outflows on Repurchase agreements and other payables and it is estimated that the maturity of financial assets as at the reporting date would occur in sufficient quantity and timing, given the historical trends, and currently available information which would enable the Company to meet its contractual obligations.

Company has taken following measures to manage the liquidity risk of the company

- Maintaining a diversified funding base and appropriate contingency facilities.
- Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.
- Monitoring liquidity ratios and carrying out stress-testing of the Company's liquidity position.
- Regular reviews cash flow projections.
- Availability of stand by facilities to be used in the event of an emergency.

Unutilised bank overdraft facilities

As at 31st March 2022 the Company had approved unutilized bank facilities amounting to Rs.1,225 Mn.

31. FINANCIAL RISK MANAGEMENT (contd.)

31.6 Operational Risk

Operational risks due to internal and external frauds, employee practices and workplace safety, products and processes, technology and infrastructure, and business practices, damage to physical assets, business interruption, and system failures in execution, delivery, and process management and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The goal of the operational risk management framework is to identify, assess, control and mitigate operational risk within the firm. A standard operational risk framework is applied across the firm in order to ensure consistency and completeness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within department. This responsibility is supported by the development of overall Company's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of the transaction.
- Compliance with regulatory and other legal requirements.
- Development of business contingency plans.
- Training and professional development.
- Risk mitigation, including insurance where this is effective.

Further, the company has identified key risk indicators and maintain a Risk Register to monitor the operational risk of the Company. The company also do Risk and Control Self-Assessment and assesses the risk through scenario analysis. Compliance with Company's internal controls and procedures is supported by a programme of periodic reviews undertaken by Internal Audit. The results of internal audit reviews are discussed with the management of the Company with summaries submitted to the Audit Committee.

32. FAIR VALUE OF ASSETS AND LIABILITIES

32.1 Accounting classification and fair value of financial instruments

Financial instruments measured subsequently on the ongoing basis either at fair value or amortized cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized.

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the company's estimate of assumptions that a market participant would make when valuing the instruments. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1: category of financial assets that are measured in whole or in part by reference to published quotes in an active market

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Notes to the Financial Statements contd

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is reasonable approximation of fair value.

31st March 2022	Fair Value			Total Rs.
	Level 1 Rs.	Level 2 Rs.	Carried at Cost Rs.	
Financial assets				
Financial Assets measured at FVTPL				
Financial Assets measured at FVTPL	9,403,369	8,066,490,918	-	8,075,894,287
Assets carried at amortized cost				
Cash and Cash Equivalents	-	-	14,265,035	14,265,035
Amount due from Related Companies	-	-	886,146	886,146
Other Receivables	-	-	2,232,564	2,232,564
Total Financial assets	9,403,369	8,066,490,918	17,383,745	8,093,278,032
Financial Liabilities				
Financial Liabilities at Amortised Cost				
Financial Liabilities at Amortised Cost	-	-	5,465,983,373	5,465,983,373
Amounts due to Related Companies	-	-	7,046,054	7,046,054
Other Payables	-	-	9,592,308	9,592,308
Lease Liability	-	-	11,772,683	11,772,683
Total Financial Liabilities	-	-	5,494,394,418	5,494,394,418

32. FAIR VALUE OF ASSETS AND LIABILITIES (contd.)

31st March 2021	Level 1 Rs.	Level 2 Rs.	Carried at Cost Rs.	Total Rs.
Financial assets				
Financial Assets measured at FVTPL				
Financial Assets measured at FVTPL	201,103,090	11,263,008,159	-	11,464,111,249
Financial Assets measured at FVOCI				
Financial Assets measured at FVOCI	-	-	1,000,000	1,000,000
Assets carried at amortized cost				
Cash and Cash Equivalents	-	-	10,472,382	10,472,382
Amount due from Related Companies	-	-	3,437,023	3,437,023
Other Receivables	-	-	4,052,159	4,052,159
Total Financial assets	201,103,090	11,263,008,159	18,961,564	11,483,072,813
Financial Liabilities				
Financial Liabilities at Amortised Cost				
Financial Liabilities at Amortised Cost	-	-	8,461,113,826	8,461,113,826
Amounts due to Related Companies	-	-	86,857,147	86,857,147
Other Payables	-	-	78,590,712	78,590,712
Lease Liability	-	-	13,550,810	13,550,810
Total Financial Liabilities	-	-	8,640,112,495	8,640,112,495

Level 1

The Company use quoted market prices of Colombo Stock Exchange (CSE) in measuring Fairvalue of Shares.

Level 2

The Company use the daily average government security rates issued by Public Debt Department of Central Bank of Sri Lanka for Fair Valuing Government Securities.

Notes to the Financial Statements contd

33 FINANCIAL INSTRUMENTS

Financial Instruments - Statement of Financial Position

The Financial Instruments recognize in the Statement of Financial Position are as follows:

As at 31st March		2022	2021
Financial Assets	Note	Rs.	Rs.
Financial Assets measured at Amortised Cost			
Other receivables	16	2,232,564	4,052,159
Financial Assets measured at Amortised Cost	14	40,167,893	47,184,373
Amounts Due from Related Companies	22.1	886,146	3,437,023
Cash and cash equivalents	13	14,265,035	10,472,382
		57,551,638	65,145,937
Financial Assets measured Fair value Through Profit or Loss			
Financial Assets measured at FVTPL	15	8,075,894,287	11,464,111,249
		8,075,894,287	11,464,111,249
Financial Assets measured Fair value Through Other Comprehensive Income			
Financial Assets measured at FVOCI	17	-	1,000,000
		-	1,000,000
Total		8,133,445,925	11,530,257,186

As at 31st March		2022	2021
Financial liabilities	Note	Rs.	Rs.
Other financial liabilities			
Financial Liabilities at Amortised Cost	21	5,465,983,373	8,461,113,826
Other Payables	23	9,592,308	78,590,712
Lease liability	24	11,772,683	13,550,810
Amounts Due to Related Companies	22.2	7,046,054	86,857,147
		5,494,394,418	8,640,112,495
Total		5,494,394,418	8,640,112,495

34. CAPITAL MANAGEMENT

The Company's policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of stated capital, reserves and retained earning. The Board of Directors monitors the return on capital, gearing ratio, dividend payout to ordinary shareholders.

The gearing ratio at the reporting date is as follows.

As at 31st March	2022	2021
Interest bearing borrowing (Rs.)	5,465,983,373	8,461,113,826
Equity (Rs.)	2,667,755,237	2,723,447,298
Gearing ratio	2.05	3.11

Dividend Policy

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.

Minimum Core Capital

Capital Alliance PLC is an authorised Primary Dealer, supervised and regulated by the CBSL, and is subject to minimum Core Capital and Risk Weighted Capital Adequacy Ratio requirements stipulated by the regulator.

The Company has raised LKR 411,772,360 from the new issue of shares through IPO to improve the Core Capital of the Company.

CBSL Core Capital Compliance Timeline

Core Capital Requirement	Effective Date to Comply
LKR 1.0 bn	current requirement
LKR 2.0 bn	by 01 January 2022
LKR 2.5 bn	by 01 January 2023

As per the CBSL Direction No. 01 of 2021, applicable to Primary Dealer Companies

Notes to the Financial Statements contd

CBSL Core Capital Requirements

The Capital Adequacy Requirements as per the CBSL Direction No. 01 of 2021 applicable to Primary Dealer Companies (Core Capital)	The Timeline to Achieve such Requirements	The Level of Compliance As at 31st March 2022 Rs.	The Level of Compliance As at 31st March 2021 Rs.
LKR 2,500,000,000	1-Jan-23	2,622,845,783	2,711,504,146

CBSL Capital Adequacy Requirement

The Capital Adequacy Requirements as per the CBSL Direction No. 02 of 2015 applicable to Primary Dealer Companies (Risk Weighted Capital Adequacy Ratio)	The Timeline to Achieve such Requirements	The Level of Compliance As at 31st March 2022 Rs.	The Level of Compliance As at 31st March 2021 Rs.
10.00%	N/A	310.65%	54.11%

35. The Macro Economic Environment of Sri Lanka

The Company's operations are in Sri Lanka that has been witnessing, severe events that have set off an interconnected fiscal, monetary and economic crisis. Sri Lanka's sovereign credit rating was downgraded multiple times by all international rating agencies. and Fitch Ratings has downgraded Sri Lanka's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'C' from 'CC'. The Long-Term Local-Currency IDR has been affirmed at 'CCC'.

Due to drastic decrease in foreign reserves of Sri Lanka, Central bank of Sri Lanka decided to float the rupee from 10th March 2022 and as a further measurement, the CBSL increased the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank by 700 basis points to 13.50 per cent and 14.50 per cent, respectively, effective from the close of business on 08 April 2022. These changes in underlying economic factors have fluctuated the key drivers of profitability of the company.

Throughout this sequence of events, the ability of the Sri Lankan government and the banking sector in Sri Lanka to borrow funds from international markets was significantly affected. Banks have imposed unofficial capital controls, restricted transfers of foreign currencies outside Sri Lanka, significantly reduced credit lines to companies and withdrawals of cash to private depositors, all of which added to the disruption the country's economic activity, as the economic model of Sri Lanka relies mainly on imports and consumption. Businesses are downsizing, closing or going bankrupt, and unemployment and poverty are rising fast and have reached unprecedented levels.

This has resulted in an uncontrolled increase in prices and the drastic depreciation of the Sri Lankan Rupee, impacting intensely the purchasing power of the Sri Lankan citizens, driving a currency crisis and unprecedented inflation levels.

The Company proactively managed the risk of increasing interest rates and made conscious efforts by re-balancing Investments in Government Securities and Repo Borrowings portfolio. With sound risk management practices, the company managed to minimize losses through unfavorable interest rate movements.

Investor Information

Market Price per Share

Information on shares of the Company for the Year ended	31-Mar-22	31-Mar-21
Market Price Per Share (Rs.)	9.50	-
Highest Price per share (Rs.)	24.50	-
Lowest Price per share (Rs.)	9.00	-

List of Twenty Major Shareholders as at 31st March 2022

	Name of Shareholder/Company	Number of Shares	Percentage
1	Capital Alliance Holdings Ltd	261,598,476	79.41%
2	Mr. W.A.T. Fernando	21,698,676	6.59%
3	Mrs. H.M.S. Perera	4,724,340	1.43%
4	Mr. W.D.N.H. Perera	2,732,493	0.83%
5	Mr. K.L.D.N.N.M. Liyanage	1,515,776	0.46%
6	Mr. V.K. Hirdaramani	1,400,000	0.42%
7	Ashithi Holdings (Pvt) Ltd	1,000,012	0.30%
8	Peoples Merchant Finance Plc/D.D.N. Kumarasiri	1,000,000	0.30%
9	SDS Spices (Pvt) Ltd	999,600	0.30%
10	Mrs. T. T.A. De Silva Weerasooria	980,000	0.30%
11	Miss B.C. Palihawadana	836,292	0.25%
12	Mr. A. De Zoysa	692,836	0.21%
13	Mrs. D.S.H. Fernando	635,500	0.19%
14	Mr. U.H. Dharmadasa	567,549	0.17%
15	Frontier Wealth (Pvt) Ltd	538,344	0.16%
16	Mr. S. Palihawadana	500,000	0.15%
17	Mr. A.D. Rayen	500,000	0.15%
18	Mr. L.H.S.L. Silva	500,000	0.15%
19	Mr. S.D.K. Fernando	496,932	0.15%
20	People's Leasing & Finance PLC/Mr.S. Gobinath	441,000	0.13%

Investor Information contd

Distribution of Share Holdings

Holdings	No. of Holders	Total Holdings
1-1000 shares	1,068	0.15%
1,001-10,000 shares	1,859	1.77%
10,001-100,000 shares	318	3.16%
10,0001-1,000,000 shares	64	5.74%
Over 1,000,000 shares	7	89.18%
	3,316	100.00%

Shareholding of the Directors/ Managing Director

Name	Designation	Shareholding
Mr. W A T Fernando	Director/CEO	21,698,676
Mr. S. Palihawadana	Managing Director (Resigned w.e.f 31st Mar 2022)	500,000
Mr. R J Arasaratnam	Director	3,312
Mr. D A De Zoysa	Director	Nil
Mr. C S R S Anthony	Director	2,600
Ms. A I C Nandasena	Director	Nil
Ms. K A D Siriwardene	Director	Nil

Compliance relating to the Public Floating

Disclosure in accordance with the Section 7.4 (b) (ii) - Appendix 7B (a) (Item 4) of CSE Listing Rules

Float adjusted market capitalisation as at 31st March 2022	Rs.372,187,855
Public holding percentage	11.89%
Number of public shareholders	3,299

Complied with the Minimum Public Holding requirement under Option 2 of CSE Listing Rule 7.13.1 (b)

Five Year Summary

Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31st March,	2022	2021	2020	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Income	508,341,479	1,075,181,078	1,439,556,700	1,092,701,549	1,158,799,651
Interest Expenses	(284,028,315)	(707,137,564)	(1,100,034,407)	(870,974,562)	(897,884,949)
Net Interest Income	224,313,164	368,043,514	339,522,293	221,726,987	260,914,702
Net Gain/(Loss) from Trading	(202,893,988)	1,345,009,255	898,346,842	(68,425,333)	611,155,082
Net Gain / (Loss) from remeasurement of Financial Assets at FVTPL	(16,022,056)	(132,025,344)	77,525,742	50,859,577	(22,532,970)
Direct Expenses	(6,680,015)	(16,433,846)	(13,258,460)	(13,559,914)	(13,633,719)
Other Income	7,438,593	5,345,044	10,414,633	11,246,807	7,566,534
Net Operating Income	6,155,698	1,569,938,623	1,312,551,050	201,848,124	843,469,629
Operating Expenses					
Personnel Expenses	(109,427,411)	(202,937,870)	(179,050,458)	(107,903,762)	(199,685,043)
Depreciation and Amortisation	(7,770,871)	(9,404,921)	(9,956,452)	(8,303,897)	(6,388,234)
Other Expenses	(95,249,211)	(87,369,677)	(115,737,129)	(48,144,745)	(64,045,195)
Profit /(Loss) Before Tax	(206,291,795)	1,270,226,155	1,007,807,011	37,495,720	573,351,157
Income Tax (Expenses)/Benefits	34,916,243	(303,745,017)	(270,415,130)	-	-
Profit /(Loss) for the year	(171,375,552)	966,481,138	737,391,881	37,495,720	573,351,157
Other Comprehensive Income/ (Expense) for the year	4,161,806	(3,526,610)	(36,746,388)	(17,400,902)	51,176,285
Total Comprehensive Income/(Expense) for the year	(167,213,746)	962,954,528	700,645,493	20,094,818	624,527,442

Five Year Summary contd

Statement of Financial Position

As At 31st March,	2022	2021	2020	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS					
Cash and Cash Equivalents	14,265,035	10,472,382	5,180,973	25,855,498	19,771,516
Financial Assets measured at Amortised Cost	40,167,893	47,184,373	776,555,344	1,524,524,820	723,788,781
Financial Assets measured at FVTPL	8,075,894,287	11,464,111,249	13,522,791,058	9,050,897,908	9,501,349,779
Amount due from Related Companies	886,146	3,437,023	6,589,447	2,642,458	598,947
Other Receivables	23,966,904	10,097,759	39,321,220	50,759,188	36,691,266
Financial Assets measured at FVOCI	-	1,000,000	1,000,000	461,856,150	478,284,900
Deferred Tax Asset	43,977,351	9,401,526	7,117,607	-	-
Income Tax Receivable	-	-	-	4,169,906	-
Intangible Assets	932,103	2,541,625	5,394,852	8,307,413	13,757,603
Right-of-use Asset	11,205,302	13,413,645	2,908,339	-	-
Equipment	3,595,286	2,992,394	3,510,529	4,106,520	5,342,826
Total Assets	8,214,890,307	11,564,651,976	14,370,369,369	11,133,119,861	10,779,585,618
LIABILITIES AND EQUITY					
LIABILITIES					
Bank Overdrafts	-	-	-	1,202,627	-
Financial Liabilities at Amortised Cost	5,465,983,373	8,461,113,826	11,905,242,064	9,652,264,907	9,340,091,537
Amounts due to Related Companies	7,046,054	86,857,147	21,331,179	13,840,610	-
Other Payables	9,592,308	78,590,712	65,420,851	20,672,682	24,274,550
Lease Liability	11,772,683	13,550,810	3,073,714	-	-
Retirement Benefit Obligation	38,506,345	40,783,555	30,480,213	25,669,240	31,327,900
Income Tax Payable	14,234,307	160,308,628	334,520,021	-	-
Total Liabilities	5,547,135,070	8,841,204,678	12,360,068,042	9,713,650,066	9,395,693,987
EQUITY					
Stated Capital	723,348,421	311,576,061	311,576,061	311,576,061	296,092,715
Special Risk Reserve	644,799,017	644,799,017	548,150,903	474,411,715	470,662,143
Fair Value Reserve	-	-	-	36,092,750	56,555,100
Retained Earnings	1,299,607,799	1,767,072,220	1,150,574,363	597,389,269	560,581,673
Total Equity	2,667,755,237	2,723,447,298	2,010,301,327	1,419,469,795	1,383,891,631
Total Liabilities and Equity	8,214,890,307	11,564,651,976	14,370,369,369	11,133,119,861	10,779,585,618

Glossary of Financial Terminology

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or uncollectability.

Asset

A resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

Asset Backed Securitisations

Short or long-term financial securities which are backed by financial assets and also referred to Securitisations.

Capital adequacy ratio (CAR)

A measure of a Primary Dealer's capital and is a prudential requirement reflecting the dealer's level of stability. Two categories of capital are measured by the CAR namely Tier 1 and Tier 2.

- Tier 1 capital in view of local Primary Dealers consists of shareholders' equity, retained earnings or other surpluses and preference shares types as selectively set out by the Central Bank of Sri Lanka.
- Tier 2 capital includes revaluation reserves, subordinated term debt, perpetual subordinated debt and cumulative preference shares as selectively set out by the Central Bank of Sri Lanka.

Capital Employed

The sum of shareholders' equity and debt Capital denoting the total amount of capital used in the acquisition of profits.

Capital Reserves

The profits of a company which (for various reasons) are not regarded as distributable to shareholders as dividends. These include gains on the revaluation of capital assets.

Cash Equivalents

Short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Commercial Paper

A short term unsecured promissory note issued in the open market by quoted public companies representing an obligation of the issuing entity.

Contingent Liabilities

Conditions or situations at the reporting date, the financial effects of which are to be determined by future events which may or may not occur.

Corporate Governance

Process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective

pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practice".

Cost Method

Cost method is a method of accounting for an investment whereby the investment is recognised at cost. The investor recognizes income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

Credit rating

An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.

Credit risk

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Debt Market

This also refers to as the bond market. A financial market where participants can issue new fixed income securities, known as the primary market, or buy and sell fixed income securities, known as the secondary market.

Deferred Tax

Sum set aside in the financial statements that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Glossary of Financial Terminology contd

De-recognition

Removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

Derivatives

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (eg. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

Dividend Cover

Profit after tax divided by gross dividends. This measures the number of times the dividend is covered by distributable profits.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Dividend Payout

It is the percentage of earnings paid to shareholders in dividends.

Dividend yield

Dividend earned per share as a percentage of its market value.

Earnings Per Share

Profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue.

Effective Interest Method

A method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Events Occurring After the Reporting Period:

Significant events that occur between the reporting date and the date on which financial statements are authorised for issue.

Equity Instrument

Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities

Expected Credit Losses

Expected credit losses are a probability - weighted estimate of credit losses over the expected life of the financial instrument.

- 12 Month expected Credit Losses: The portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.
- Lifetime Expected Credit Losses: The expected credit losses that result from all possible default events over the expected life of a financial instrument.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial Assets Recognized through profit or loss -measured at fair value

These financial assets are held within a business model with the objective to sell financial assets.

Financial Assets at Amortised cost

These financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. These assets are tested for impairment.

Financial Assets - fair value through other comprehensive income

These financial assets are held within a business model with the objective to both hold financial assets in order to collect contractual cash flows and sell financial assets.

Financial Asset or Financial Liability at Fair Value through Profit or Loss

Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as 'at fair value through profit or losses.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Fixed Income Securities

Securities whose current income is fixed or based on some underlying index. These are also known as debt securities since they represent a fixed obligation of the company unlike equity, which pays dividends only when the company makes profits.

Gross Dividends

The portion of profit inclusive of tax withheld distributed to shareholders.

Guarantee

A promise made for a fee by a third party (Guarantor), who is not a party to the contract between two others, that the guarantor will be liable if one of the parties fails to fulfill the contractual obligations.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Allowances

Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective respectively.

Intangible Asset

An identifiable non-monetary asset without physical substance held for use in the production/supply of goods/ services or for rental to others or for administrative purposes.

Interest Rate Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Initial Public Offering (IPO)

The first sale of a company's shares to the public, leading to the listing of its shares on the stock market.

Issue The issuance of new shares for sale to public by a company that has already held its Initial Public Offering (IPO).

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Lease

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Liabilities

Debt or obligations of a business.

Liquidity risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Listed

A company or its financial securities which are admitted for trading on a stock exchange.

Market Value per Share

The price at which an ordinary share is transacted in the stock market.

Market Capitalization

The market value of a company at a given date obtained by multiplying the share price by the number of issued shares.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of financial statements.

Net Assets Per Share

Net assets (total assets fewer total liabilities) divided by the number of shares issued.

Policy Rates

The rates that are used by a central bank to implement or signal its monetary policy stance. The Central Bank of Sri Lanka uses the Standing Deposit Facility Rate and Standing Lending Facility Rate as policy rates.

Primary Dealer

A dealer in government securities licensed by the Central Bank of Sri Lanka.

Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related Party Transactions

A transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

Repurchase Agreement

An agreement (Repo for short) is the simultaneous sale and repurchase of a security on different settlement dates.

Reverse Repurchase Agreement

An agreement (Reverse Repo for short) is the simultaneous purchase and resale of a security on different settlement dates.

Statutory Reserve Requirement (SRR)

A sum equivalent to 10% of profit after tax of a primary dealer has been transferred to Special Risk Reserve in accordance with the Directions issued by the Central Bank of Sri Lanka.

Transaction Costs

Incremental costs which are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Unlisted

A financial instrument that is not traded on a stock exchange. This also refers to a company that has not been admitted to the stock exchange or acquired 'listed' status.

Yield Curve

The graphical depiction of the relationship between the yield on Treasury securities and the corresponding period.

Notice of Meeting

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (AGM) of Capital Alliance PLC (the Company) will be held as a Virtual meeting on 27th July 2022 at 1.00 p.m emanating from Level 05, Millennium House No 46, 58 Nawam Mawatha, Colombo 02. for the purpose of conducting the routine business of the Company to be undertaken at an AGM, as set out in the detailed Notice of Meeting available on the Corporate website of the Company [Notice of Meeting- Annual General Meeting 2022](https://cal.lk/wp-content/uploads/common/Notice_of_Meeting-Annual_General_Meeting_FY_2022.pdf) https://cal.lk/wp-content/uploads/common/Notice_of_Meeting-Annual_General_Meeting_FY_2022.pdf and the website of the Colombo Stock Exchange (CSE) : <https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=CALT.N0000>

The business to be brought before the Meeting will be to:

1. Read the Notice convening the Meeting
 2. Receive and consider the Report of the Board of Directors and the Statements of Accounts for the year ended 31 March 2022 together with the Report of the Auditors thereon.
 3. Re-elect as a Director, Mr. Rajadurai James Arasaratnam, who will be retiring by rotation in terms of Articles 79 & 80 of the Articles of Association of the Company.
 4. Re-elect as a Director, Ms. Aloka Irudiyani Chathurangani Nandasena, who was appointed to the Board on 23rd August 2021, in terms of Article 86 of the Articles of Association of the Company.
 5. Re- elect as a Director, Ms. Koruwage Aruni Dharshika Siriwardene, who was appointed to the Board on 23rd August 2021, in terms of Article 86 of the Articles of Association of the Company.
 6. Re-appoint M/s KPMG - Sri Lanka, Chartered Accountants, as the Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.
 7. Authorize the Directors to determine contributions to charities and other donations for the year 2022/2023.
- The Annual Report of the Company is available on the ;
 - 1) Corporate Website of the Company - [Annual Report for Year Ended 31st March 2022](https://cal.lk/wp-content/uploads/common/Capital_Alliance_PLC-Annual_Report_FY_22.pdf) https://cal.lk/wp-content/uploads/common/Capital_Alliance_PLC-Annual_Report_FY_22.pdf and the website of the CSE
 - 2) Members may also access the Annual Report and Financial Statements on their mobile phones by scanning the following QR code



- A Member unable to attend the AGM is entitled to appoint a Proxy to attend and vote in his / her place by completing and sending the form of Proxy , a copy of which can be downloaded [from Proxy Form - Annual General Meeting 2022](https://cal.lk/wp-content/uploads/common/Proxy_Form-Annual_General_Meeting_FY_2022.pdf) https://cal.lk/wp-content/uploads/common/Proxy_Form-Annual_General_Meeting_FY_2022.pdf
- In order be valid, the Completed Form of Proxy must be lodged at the Registered Office of the Company not less than 48 hours before the meeting.
- Instructions as to attending the virtual AGM could be found at [Instructions - Annual General Meeting 2022](https://cal.lk/wp-content/uploads/common/Virtual_AGM_Instructions.pdf) https://cal.lk/wp-content/uploads/common/Virtual_AGM_Instructions.pdf
- For any inquiries or clarifications, please contact Ms Naomi Thomson on any working day on +94 11 2317777 or Email to caltagm@cal.lk.

By Order of the Board of Directors
Capital Alliance PLC



S. S. P. Corporate Services (Private) Limited
Colombo, Sri Lanka
04th July 2022

Form of Proxy

FORM OF PROXY-Annual General Meeting - 2022

I/We, (NIC No)
of being a member/members of Capital Alliance PLC hereby appoint Mr/
Mrs/Ms (NIC No)
of failing him / her,

Mr. Dinesh Ajit De Zoysa of Colombo or	failing him
Mr. Widanalage Ajith Terence Fernando of Colombo or	failing him
Mr. Rajadurai James Arasaratnam of Colombo or	failing him
Mr. Conganige Sextus Roland Sanjeewa Anthony of Colombo or	failing him
Ms. Aloka Irudiyani Chathurangani Nandasena of Colombo	failing her
Ms. Koruwage Aruni Dharshika Siriwardene of Colombo	

as my /our Proxy to represent me/us and vote and speak for me/us on my/our behalf at the 01st Annual General Meeting of the Company to be held as a virtual meeting on **27th July 2022 at 1.00 p.m.** and at any adjournment thereof and to vote at every poll which may be taken in consequence thereof.

Please indicate your preference by placing a "X" against the Resolution Number.

	FOR	AGAINST
1. To receive and consider the Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2022 together with the Report of the Auditors thereon.		
2. To re-elect as a Director , Mr. Rajadurai James Arasaratnam , who will be retiring by rotation in terms of Articles 79 & 80 of the Articles of Association of the Company.		
3. To re-elect as a Director , Ms. Aloka Irudiyani Chathurangani Nandasena, who was appointed to the Board on 23rd August 2021, in terms of Article 86 of the Articles of Association of the Company.		
4. To re- elect as a Director , Ms. Koruwage Aruni Dharshika Siriwardene, who was appointed to the Board on 23rd August 2021, in terms of Article 86 of the Articles of Association of the Company.		
5. To re-appoint M/s KPMG, Sri Lanka, Chartered Accountants, as the Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.		
6. To authorize the Directors to determine contributions to charities and other donations for the year 2022/2023.		

As witness my/our hand/s this day of 2022

.....
NIC Number / Reg. No

.....
(Signatures)

Please provide the following details:

Name of the Shareholder	:	
Email Address of the Shareholder	:	
CDS A/C No/ NIC No/Company Reg No	:	
Folio No/ No of Shares held	:	
Name of the Proxy holder	:	
Email Address of the Proxy holder	:	
Proxy holder's ID No (if not a Director)	:	

CAPITAL ALLIANCE PLC - PQ 00252285

INSTRUCTIONS FOR COMPLETION OF THE FORM OF PROXY

1. Please complete the Form of Proxy by filling in legibly your full name, NIC number, email address and postal address and by signing in the space provided.
2. To be valid, the duly perfected Form of Proxy should reach the Registered Office of the Company, Level 5, Millennium House, No. 46/58, Nawam Mawatha, Colombo 2 (by way of scanning and emailing to caltagm@cal.lk or by post) not less than 48 hours before the time appointed for holding the meeting.
3. Please indicate clearly how your Proxy is to vote on the Resolutions. If no indication is given, the Proxy in his/her discretion may vote as he/she thinks fit.
4. If the shareholder is a Company or body corporate, a form of Corporate Representation executed under its Common Seal in accordance with its Articles of Association or Constitution should be submitted.
5. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.

Corporate Information

Name of the Company

Capital Alliance PLC (Formerly Capital Alliance Limited)

Legal Form

Date of Incorporation - 10th August 2000

Date of Listing in CSE - 15th December 2021

Company Registration No.

PQ 00252285

Board of Directors

Mr. D. A. De Zoysa

Chairman - Non-Executive Non-Independent Director

Mr. W. A. T. Fernando

Executive Director

Mr. R. J. Arasaratnam

Non-Executive Non-Independent Director

Mr. C. S. R. S. Anthony

Non-Executive Non-Independent Director

Ms. A. I. C. Nandasena

Non-Executive Independent Director

Ms. K. A. D. Siriwardene

Non-Executive Independent Director

Registered Office

Capital Alliance PLC
Level 5, "Millennium House"
46/58, Navam Mawatha,
Colombo 2, Sri Lanka.

Tel : (94) 11 231 7777

Fax : (94) 11 231 7788

E Mail : info@cal.lk

URL : www.cal.lk

Auditors

Messers. KPMG, Chartered Accountants
32A, Sir Mohamed Macan Marker
Mawatha Colombo 03
+94 11 5426426

Company Secretary

S S P Corporate Services (Private) Limited
101, Inner Flower Road
Colombo 03.
+94 11 2573894

Bankers

Seylan Bank PLC
Sampath Bank PLC
Nations Trust Bank PLC
Commercial Bank of Ceylon PLC
Peoples Bank PLC
DFCC Bank PLC

Lawyers

F J & G de Saram
Attorneys at Law
216, De Saram Place
Colombo 10
+94 11 47182000

Concept & Designed by



