

# EXPLORING OUR POTENTIAL

**CEYLON  
GUARDIAN**  
A CARSON CUMBERBATCH COMPANY

Ceylon Guardian Investment Trust PLC  
Annual Report 2015/16

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# EXPLORING OUR POTENTIAL

**Ceylon Guardian Investment Trust PLC has over 60 years' experience in wealth creation for its stakeholders. While the year under review was a difficult one, we're working on several significant projects that promise to advance your company's strategic expansion and growth in the years ahead.**







**This report analyses our performance in the year under review while looking ahead as we continue to explore our potential for growth and expansion in the future that we see.**

Ceylon Guardian Investment Trust PLC is the holding company of the investment business of the Carson Cumberbatch Group. As an investment house, it is engaged in managing portfolios of multiple asset classes for varied groups of investors, thus providing valued investment solutions to suit varying risk appetites.

The Guardian Group holds an investment portfolio worth approximately Rs. 19.4 billion as at the end of March 2016. This portfolio comprises equity stakes in some of Sri Lanka's most successfully run blue chip companies that have been built for future value creation.

# ABOUT THIS REPORT

**This report contains the Annual Report and the Financial Statements of Ceylon Guardian Investment Trust PLC for the financial year under review. It comprises the Management Commentary on the Financial and Operational performance of the Company, Audited Financial Statements for the year ended 31st March 2016 and other reports / information required under the Companies Act No 7 of 2007, and other industry regulations.**

 <p><b>Ceylon Guardian Group</b> Portfolio Performance and financial results of the Group.</p>	 <p><b>Private Equity</b> Private Equity strategy and project highlights.</p>	 <p><b>Unit Trusts</b> The retail and public investor services group.</p>
 <p><b>Our Future View</b></p>	 <p><b>Asset Management Capabilities</b></p>	 <p><b>Economy &amp; Market Review</b></p>

Ceylon Guardian Investment Trust PLC is the holding company of the investment business of the Carson Cumberbatch Group. As an investment house it is engaged in managing portfolios of multiple asset classes for varied groups of investors, thus providing valued investment solutions to suit their risk appetite.

The Guardian Group holds an investment portfolio worth approximately Rs. 19.4 billion as at the end of March 2016. This portfolio comprises equity stakes in some of Sri Lanka's most successfully run blue chip companies that have been built up for future value creation; as well as an actively traded portfolio to capitalise on short term market movements.

Ceylon Guardian's business model has evolved over the last five years to include to different aspects of capital markets.

our fully owned fund management company licensed by the Securities and Exchange Commission manages several institutional client portfolios valued at approximately Rs. 4 Bn. our unit trust business carried out as a joint venture with Acuity Partners (Pvt) Limited now manages over Rs. 5 Bn in retail and corporate funds. our private equity portfolio under Guardian Capital Partners is expected to expand rapidly once our recently inked joint venture with Small Enterprise Assistance Funds comes in to operation.

# KEY HIGHLIGHTS

in Rupees Thousands

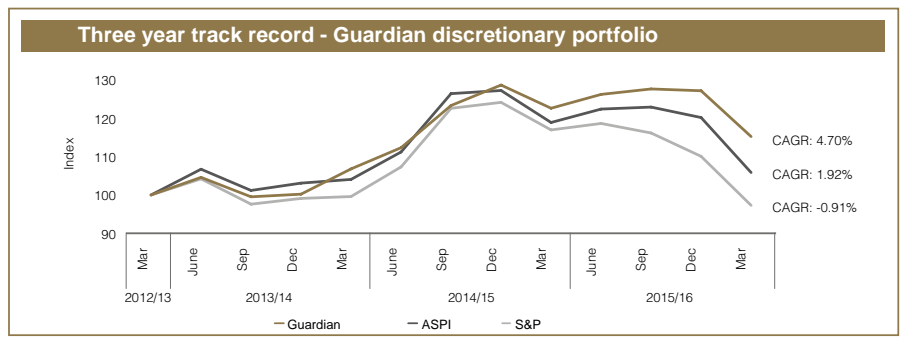
For the year ended / as at 31st March	2016	2015	Change (%)
Revenue	1,176,326	2,066,614	(43)
Profit from operations	637,645	1,983,418	(68)
Share of Profit/(loss) of equity accounted investees net of tax	4,809	(461)	(1,143)
Profit before taxation	642,073	1,983,577	(68)
Profit for the year	611,200	1,919,262	(68)
Profit attributable to equity holders of the parent company	512,879	1,510,801	(66)
Other comprehensive income / (expense) for the year	(8,136,749)	1,725,821	(571)
Total comprehensive income / (expense) for the year	(7,525,549)	3,645,083	(306)
Total comprehensive income / (expense) attributable to equity holders of the parent	(6,179,746)	2,984,336	(307)
Net cash used in operating activities	(402,412)	(545,677)	(26)
Total equity attributable to equity holders of the parent	16,137,296	22,630,844	(29)
Total equity	19,551,988	27,458,481	(29)
Total assets	19,783,461	27,698,993	(29)
Return on ordinary shareholders' funds (%)	3.18	6.68	(52)
Earnings per share (Rs)	5.78	17.02	(66)
Dividend per share (Rs) *	3.00	5.00	(40)
Net assets per ordinary / deferred share (Rs)	181.77	257.65	(29)
Guardian fund value **	19,428,117	27,338,751	(29)
<b>Stock market data</b>			
All Share Price Index (points)	6,072	6,820	(11)
S&P SL 20 Index (points)	3,204	3,852	(17)
Market capitalisation	9,932,570	15,105,796	(34)
Share price (Rs.)			
Year end	119.70	184.00	(35)
High	200.00	210.00	(5)
Low	118.50	150.00	(21)

\* Based on proposed / interim dividend

\*\* Based on the fair value of portfolio after adjusting for cash and cash equivalents.

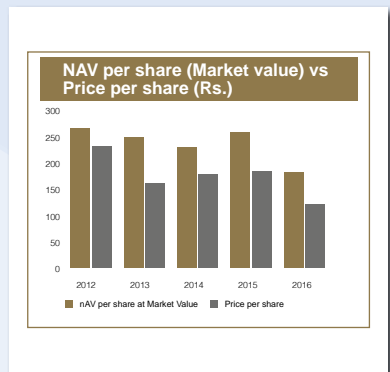
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**12,275**  
 Rs. Mn  
 Discretionary portfolio



**181.77**  
 Rs.  
 NAV per share

**119.70**  
 Rs.  
 Share price



**1,176**  
 Rs. Mn  
 Revenue

**611**  
 Rs. Mn  
 Profit for the year

**19,428**  
 Rs. Mn  
 Total portfolio

**9,933**  
 Rs. Mn  
 Market capitalisation

# CHAIRMAN'S MESSAGE

**Taxation policy is a key driver of business and hence should follow a consistent and predictable trend, driven by over-arching policy objectives. This gives businesses an opportunity to plan their strategies in the context of predictable tax policies. Inconsistency in taxation policy creates havoc in the planning cycles of companies which have corporate plans that span well beyond the political terms of governments.**

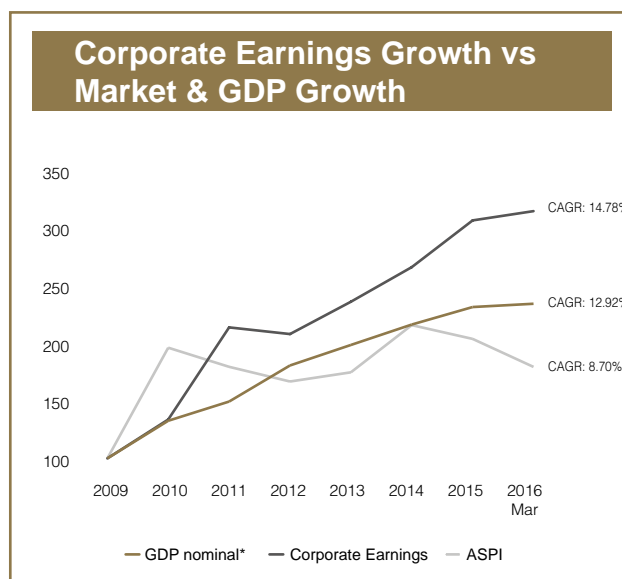
Dear Shareholders,

It is with a sense of hope and expectation that I welcome you to the 64th Annual General Meeting of the Company. I mention this specifically, because we believe that our country is at a critical turning point where its economic development is concerned. Having successfully overcome a debilitating civil conflict, Sri Lanka embarked on a concerted development effort, which now needs to be supported by deep rooted economic reforms and structural changes which would help take us to the next level of stability and prosperity.

As a country we need to have the courage to recognise that remaining entrenched in inefficiency, debt dependence and poor competitiveness in relation to the rest of the world would not help us to give our future generations a nation to be proud of. To create a better economic platform for the next generation, we have to improve the efficiencies of our institutions, undertake policy reforms that reduce the burden on tax payers and create a vibrant economy that offers diverse and high quality job opportunities for our youth, whilst taking care of our fundamental pillars of a good education and healthcare system for our people. There can be no more time lost in doing this.

As a part of the capital markets of Sri Lanka, we well recognise that capital markets are a facilitative industry in driving enterprise forward in a country. So if enterprises do not grow, expand and constantly demand new and innovative forms of capital, the capital markets cannot exist in isolation. Therefore, we feel compelled to comment on the general state of the economy and business, from which the demand for capital markets services is derived.

Taxation policy is a key driver of business and hence should follow a consistent and predictable trend, driven by over-arching policy objectives. This gives businesses an opportunity to plan their strategies in the context of predictable tax policies. Inconsistency in taxation policy creates havoc in the planning cycles of companies which have corporate plans that span well beyond the political terms of governments. Thus taxation and revenue generation policies that address the long term needs of the country have to be articulated and executed



\*2016 Q1 GDP figure was measured using a 5% growth rate as forecasted by the IMF

Sources: Central Bank of Sri Lanka/ International Monetary Fund/ Colombo Stock Exchange



consistently. All other forms of state control over private enterprise should similarly be articulated and practised, namely price regulation, volume regulation, licensing regimes, and all forms of operating limits. They should not in any way be subject to short lived quick fixes that change for opportunistic political gains. Any government which truly believes that the private sector is the engine of growth should avoid creating uncertainty to investors who have committed tremendous amounts of capital on the basis of policy continuity.

State owned enterprises that make losses, bleed tax payers of hard earned money. Losses of these entities essentially therefore constitute an exercise in passing the costs of waste & corruption and the burdens of one group of people to a different group of people, and serves no one in particular. So whilst giving due consideration to protection of worker rights and consumer interests, state enterprise reform will have to be undertaken to have a lasting impact on economic efficiency.

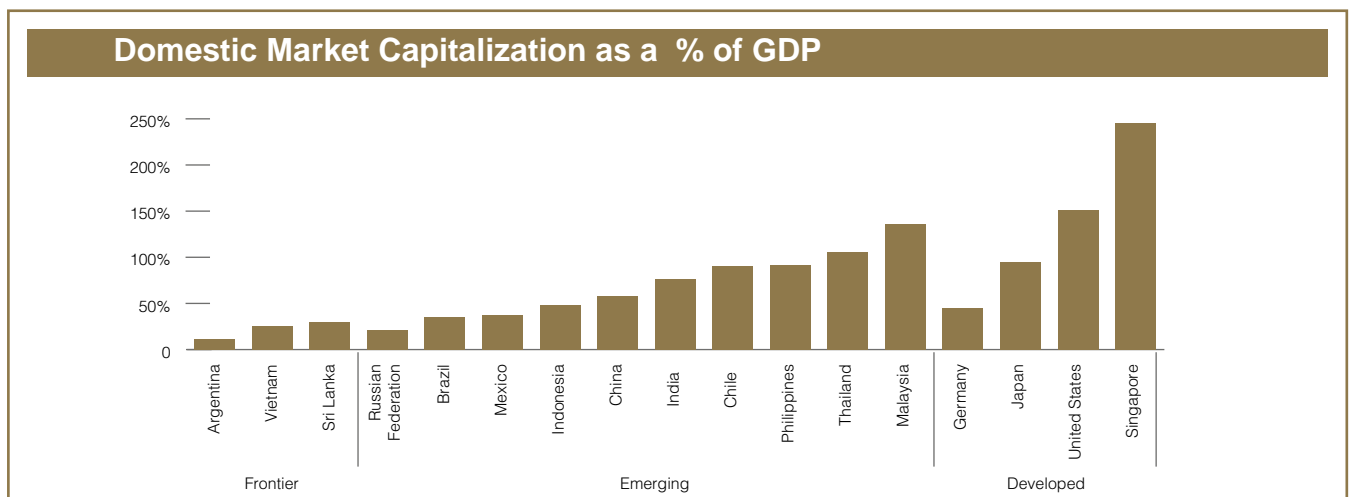
The chronic balance of payments deficits we have faced for decades is not an easily correctable problem. Essentially its end result is an impoverished nation vis a vis other developing countries whose citizens hold currencies that bring them more prosperity. In correcting this situation, we have become indebted to the rest of the world in a growing measure and this makes the cost of taking on more debt higher. To address the problem we need better quality, more diverse sources of

foreign exchange other than from the export of cheap domestic workers which is now our main source of foreign earning. Going forward, these low level jobs should transform to manufacturing or service industry based jobs based locally, that earn foreign dollars.

When these structural and deep rooted issues get properly addressed, along with other specific sector based reforms, we would naturally see a more predictable and stable environment which businesses would find conducive for investment.

The catalyst for capital market growth thereby becomes automatically activated, with demand for capital increasing. Thus we would see critical indicators like market capitalisation to GDP ratio increasing to levels of 70%-80% as more economic activity gets translated to capital markets. Post war listed company earnings growth has overshoot both GDP and the index growth, thus demonstrating the potential of the market to grow.

The poor state of markets in 2015/16, reflected in our performance this year, with our discretionary portfolio declining (prior to distribution of dividends) 6.39%, although out performing the market by 4.58%, and profits declining 68.15% to 611.2 mn. With our strategic holding, declining 48.38%, the total portfolio value declined (prior to distribution of dividends) by 27.67%.



Source : World Federation of Exchanges Database

# CHAIRMAN'S MESSAGE

Nevertheless Guardian continued to invest in developing its people and fund management infrastructure in anticipation of future growth needs of its business model. A joint venture with Small Enterprise Assistance Funds based in the US, was entered into recently which marks Ceylon Guardian's entry into a larger scale private equity operation. Our JV partner brings in expertise in managing and transforming companies via private equity investments. It has invested more than USD 387 Mn to date in more than 400 projects via 35 funds spread across 25 countries. As a joint venture which attempts to create value to the small and medium enterprise sector of the country, our shared vision with our JV partner is to help SMEs grow by providing access to markets, technology and good management practises derived from collective experiences drawn across our operations.

In other related business expansions, we are happy to note the 109% growth in our unit trust business which attempts to bring capital market investments within reach of the majority. Much work remains to be done in spreading awareness and knowledge of this product and its ease of use for the intelligent layman investor. The fund management and marketing teams of the unit trust company have worked extensively with investor groups and distribution channels in this regard. In support of successive policy makers recommendations to make Sri Lanka a regional financial centre, Guardian now considers itself ready to explore investment opportunities outside the country and integrate with regional markets. Outdated exchange control laws however, stand in the way of building the competitive advantage we seek as an investment house, since no capital can be deployed out of this country at the moment.

I wish to conclude by thanking the staff for their dedication & enthusiasm amidst difficult conditions, our intermediaries & service providers for their support, and the regulators for the efforts to develop the industry. Most importantly I thank our clients and investors who placed their faith in Guardian and its partner companies; and our shareholders who have remained confident of our ability to deliver results.

I convey my appreciation to my board members and the members of the Audit Committee, Remuneration Committee, Nomination Committee and Related Party Transactions Review Committee for their diligence. We will continue to build our business for long term opportunities whilst managing the volatilities of the short term with care.

(Sgd.)

**I. Paulraj**  
Chairman

Colombo  
07th June 2016

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## CEYLON GUARDIAN GROUP PORTFOLIO

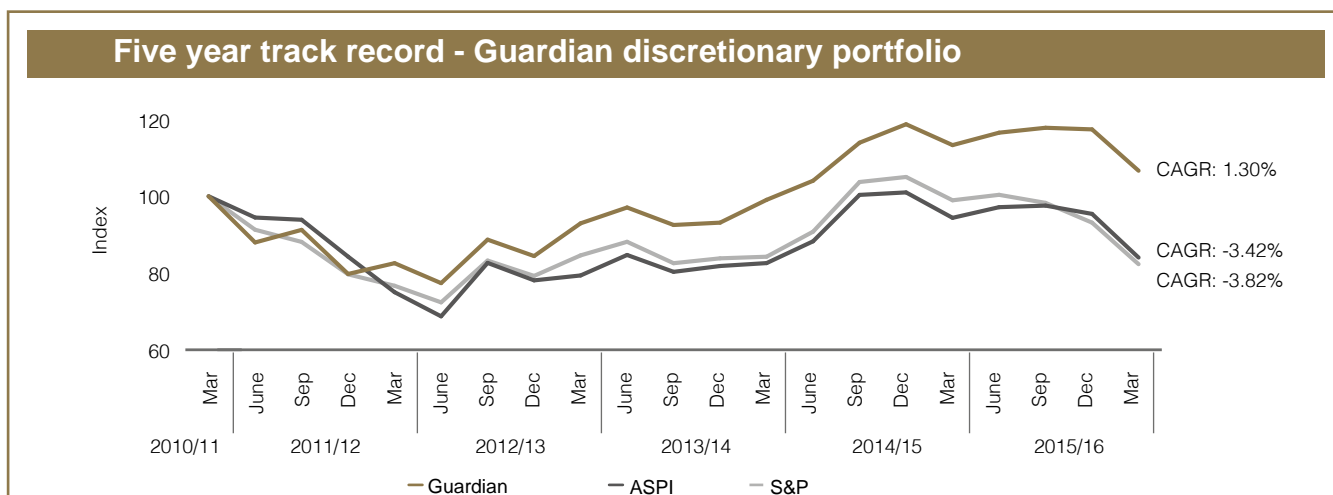
**Ceylon Guardian practices a disciplined investment process which promotes cross team collaboration and individual experience. The fund managers and research team collectively scrutinise the portfolio holdings and potential trading opportunities when arriving at investment decisions.**

The Ceylon Guardian portfolio consists of a discretionary segment which is actively managed and a non-discretionary segment which consists of the strategic holdings of the group. The discretionary component amounts to Rs.12.27 billion while the strategic holding is valued at Rs.7.15 billion. The discretionary segment is actively managed using a bottom up stock selection approach where investee companies are evaluated by the fund management team using fundamental research and the team's extensive experience in capital markets.

Ceylon Guardian practices a disciplined investment process which promotes cross team collaboration and individual experience. The fund managers and research team collectively scrutinise the portfolio holdings and potential trading opportunities when arriving at investment decisions. Fundamental research is conducted on companies using cash-flow and relative valuation models.

Portfolio composition	As at			As at 31-Mar-16 (Dividend adjusted)*	Dividend adjusted performance
	31-Mar-16	31-Mar-15	Change %		
	Discretionary portfolio (Rs. '000)	12,274,728	13,481,618		
Total portfolio (Rs.'000)	19,428,117	27,338,751	-28.94%	19,773,817	-27.67%
ASPI (Points)	6,071.88	6,820.34	-10.97%		-10.97%
S&P 20 (Points)	3,204.44	3,852.43	-16.83%		-16.83%

\*After adding back the total cash outflow from the distribution of dividend by the Group which was Rs. 345.7 mn during the period.

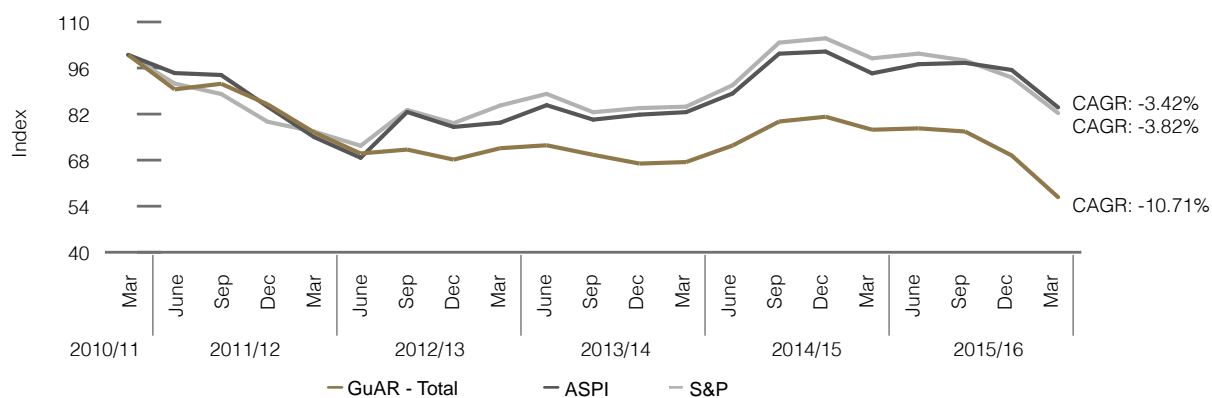


# MANAGEMENT DISCUSSION & ANALYSIS

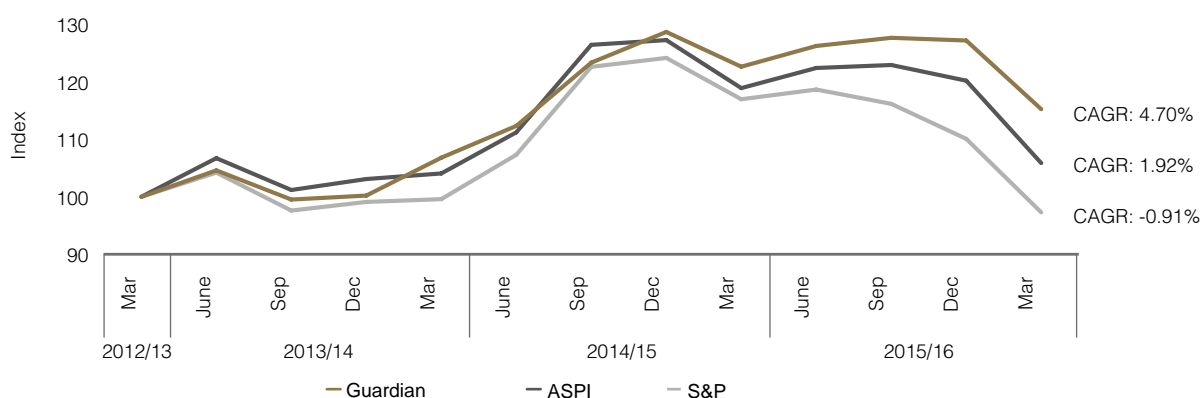
The total portfolio was valued at Rs.19.43 billion as at 31st March 2016 compared to Rs.27.34 billion from the previous year, an annual dividend adjusted negative performance of 27.67%. The discretionary portfolio amounting to Rs.12.27 billion as at 31st March 2016 (prior to distribution of dividends)

declined by 6.39% compared to the benchmark All Share Price Index which fell by 10.97% for the financial year. The discretionary portfolio despite falling in value was able to outperform the All Share Price Index by 4.58%.

## Five year track record - Guardian total portfolio



## Three year track record - Guardian discretionary portfolio



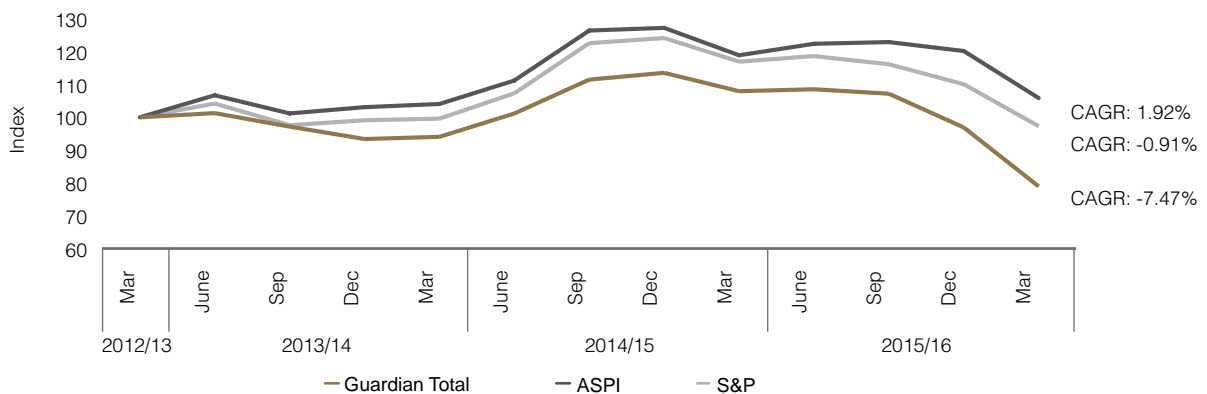


**Banking and financial services**



**Construction and engineering**

### Three year track record - Guardian total portfolio



#### Investment update

The financial year ending March 2016 proved to be a jittery year for global and domestic equities. Investor confidence was drained by a mix of domestic and international events leading markets into bearish territory. Domestic concerns focused on parliamentary elections, fiscal budget deficits and the economy navigating the edge of a balance of payments crisis. On the global front, persistent concerns about the state of the global economy, volatile oil prices and an initial hawkish US federal reserve tempered enthusiasm. All these factors led to the Colombo Stock Exchange enduring weak investor sentiment and lower activity.

Paradoxically, the equity market slow-down has improved return prospects for the medium to longer term as we see fundamental value on a cross section of stocks remaining intact. Ceylon Guardian being a long term equity manager used the decline in markets as an opportunity to increase its equity exposures. During the year we were net buyers in the Colombo Stock Exchange with purchases for the review period totalling Rs. 2.9 billion compared to sales of Rs. 2.0 billion. Further during the current financial year our purchases have further grown by a net of Rs 0.42 billion.

# MANAGEMENT DISCUSSION & ANALYSIS



**Leisure**



**Retail and property**

Looking at the portfolio, the banking stocks were significant detractors to both the portfolio and the All Share Price Index during the review period. Despite strong loan growth and improved cost management, the banks especially came under large scale selling pressure from foreign investors due to the emerging market sell-off. Large weights in our portfolio from this sector being Commercial Bank, Hatton National Bank, Sampath Bank fell by 24.12%, 10.35% and 10.23% respectively compared to the All Share Price Index fall of 10.97%. Our investment approach helped us weather the storm and we maintain these investments which remain fundamentally sound and undervalued.

## Top five holdings

As value investors, we saw this decline as an opportunity to accumulate shares with strong fundamentals while their share prices plunged. The portfolio maintains a large exposure to Commercial Bank and further bought Rs. 260 million over the period under review. Commercial Bank being the largest listed bank with 264 branches offers full scale banking solutions focused on SME and Trade Finance. The bank is positioned well to take advantage of the economic growth potential with a lending mix of 40% corporate and 60% retail and SME loans. Furthermore, the bank's lucrative expansion into Bangladesh which accounts for 10% of net profit makes it the only private bank to own branches out of Sri Lanka. We expect reduced

Company	Market value of the Holding ('000)	Holding as a % of Discretionary portfolio	Ownership stake %
John Keells Holdings PLC	1,141,890	9.30	0.65
Distilleries Company of Sri Lanka PLC	902,957	7.36	1.46
Commercial Bank of Ceylon PLC	891,033	7.26	0.87
Sampath Bank PLC	859,884	7.01	2.21
Hatton National Bank PLC	811,442	6.61	1.23
<b>Total</b>	<b>4,607,206</b>	<b>37.54</b>	

loan growth next year after a bumper year of 25% growth in advances in 2015. The banks large bond portfolio has recently experienced significant mark to market losses with the spike in interest rates. However, we feel this will normalise once the economy eventually recovers from its Balance of Payment concerns.

We remain upbeat with regard to our investment in Hatton National Bank and further increased exposure and bought Rs. 298 million. With an asset base of Rs. 757 billion the bank is the second largest listed bank with a lending focus on SME and retail segment. The bank has performed well across its key

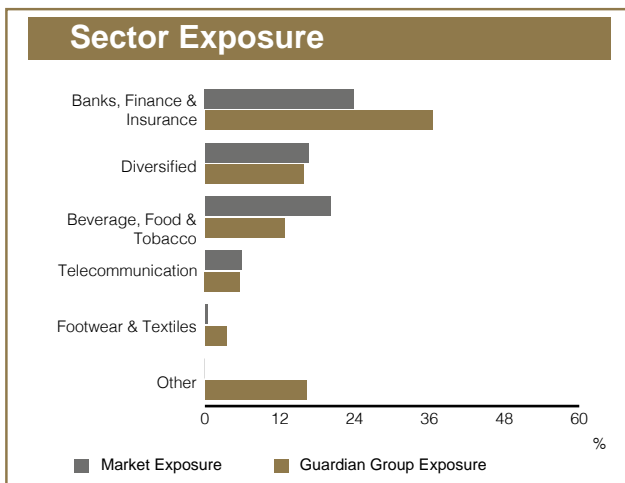




**Food, beverage and consumer goods**



**Telecommunications**



indicators for 2015 relative to peers. A renewed focus on asset quality and overall efficiency of the bank had contributed well for the financial results for 2015.

We had expected interest rates to increase as a result of higher consumption imports, capital outflows and external debt repayment. Although, this generally has a positive impact on bank net interest margins (NIMs) there are repercussions on its counterpart leasing sector NIMs. Furthermore, cyclical policy actions tended to focus on deterring vehicle imports through reducing Loan to Value ratios and increasing import duties on

this sector. With this in mind we exited our positions in Nations Trust Bank which had the largest leasing sector exposure in its loan book of 25% compared to other banks which averaged around 8%.

Another large weight in the discretionary portfolio which was a significant detractor in terms of stock performance, was John Keells Holdings (JKH), a large conglomerate with main contributing sectors being transport, leisure, property development, consumer food & retail and financial services. The share price decline was also greatly influenced by foreign selling. Key performing business segments in prior years such as transport and leisure have reduced in contribution to growth, and the success of the USD 850 million integrated resort project (Waterfront) remains critical to the group. However, the consumer foods and retail segments had a strong year with increased consumption patterns witnessed across the economy. Our positions in the portfolio for this stock were reduced at a slower pace this year compared to the prior year due to price weakness. In terms of strategy we remain neutral on the stock as we continue to watch and study developments in the Waterfront project.

Our holdings in Cargills contributed significantly to the outperformance over the All Share Price Index with the share price recording a 9.49% return in the financial year. The company showed very strong results arising from its core

# MANAGEMENT DISCUSSION & ANALYSIS

retail and manufacturing businesses with improved consumer spending from higher disposable incomes. With GDP per capita expected to increase as Sri Lanka's development accelerates, we expect the market share of modern trade to expand from its current 16% levels closer to Indonesia, Thailand and Malaysia which have market shares of 38%, 46% and 48% respectively.

Some new additions to the portfolio from the Insurance sector included Ceylinco Insurance Non-voting and Peoples Insurance. Ceylinco Insurance is the market leader in Life insurance and second largest player in the Non-life market. The company displayed impressive improvements in its claims and expense ratio. Peoples Insurance shows significant competitive advantages by leveraging off its giant parent companies Peoples Leasing and Peoples Bank.

More recent positions which are currently being built in non banking investments are Softlogic Holdings, a diversified conglomerate with a strong healthcare and retail business exposure, as well as a Tokyo Cement which will benefit from the construction drive.

Distilleries Company of Sri Lanka now features amongst our top five holdings, with benefits expected to accrue to the alcohol industry due to the curtailment of non tax paid spirits from infiltrating the market. Furthermore, the higher incidence of tax on beer after the recent budget, has caused consumers to switch to harder alcohols, abandoning the movement previously shown towards softer alcohols. We have seen Distilleries volumes increase as a result. And although competition has increased due to new entrants to the industry and the resultant compression of margins, profitability overall is seen to be growing.

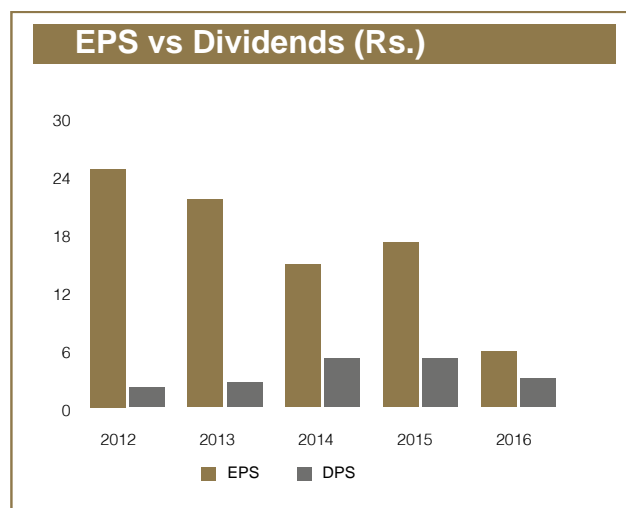
## Financial Review and Shareholder Returns

Ceylon Guardian Group reported a profit after tax of Rs. 611.2 mn for the year ended 31st March 2016 compared to Rs. 1,919.3 mn the previous year. The decrease of group profit by 68 % is a reflection of the subdued market activity when compared with last year. The realisation of capital gains on disposal of stocks in the group portfolio is the key contributor towards the group profit. However, during the period under review, it was Rs. 621.4 mn recorded as "Net gain from disposal of available for sale financial assets" whereas, it was Rs. 1,367.9 mn in previous financial year.

The net fair value losses on instruments held as "fair value through profit or loss financial assets" amounts to Rs. 211.6 mn for the current year due to the falling in market prices of equity shares, as opposed to the net gain of Rs. 194.9 mn for last year. The impairment loss on account of fall in fair value of instruments held as "available for sale financial assets" which is either significant or prolonged, amounts to Rs. 95.2 mn ( 2015 - Rs. 81.7 mn) for the period under review.

Net change in fair value of available for sale financial assets, which is the main component of other comprehensive Income, amounts to negative Rs. 7.59 bn compared to positive Rs. 2.73 bn recorded in the previous year. A significant contributor to the negative fair value change is the Strategic Investment which experienced a share price drop of 48% and is the single long term non-discretionary holding by the Group, reflecting a loss of Rs. 6.7 bn in the mark to market valuation, recognised against the comprehensive income of the Group.

This strategic investment represents the value of the Carsons oil palm business to which it has heavy exposure. The price drop reflects the weak state of global commodity markets and price levels hitherto not seen for palm oil, the reduced but still prevalent rupiah devaluation / dollar appreciation impact on foreign loans held by the Carsons plantation sector. The negatives affecting this sector and hence the investment, are mostly beyond the control of the management and subject to recovery resulting from global commodity and regional trends.

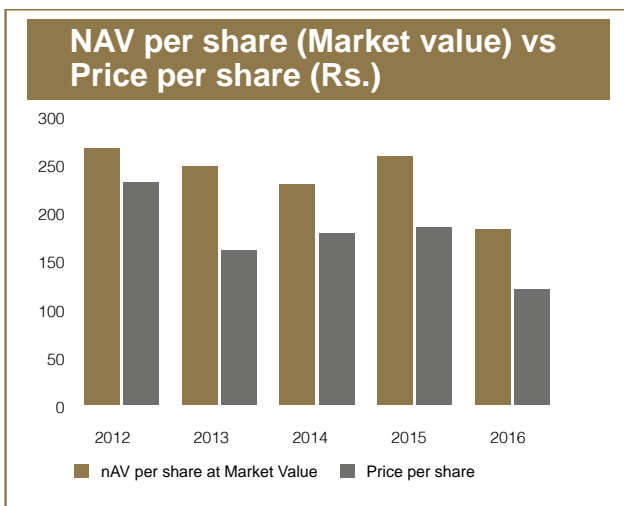




The Company proposes a dividend of Rs. 3/- per share as final, which is to be approved by the Shareholders at the Annual General Meeting. The Company has been maintaining a consistent dividend to match shareholder expectations.

The net asset value depreciation of the Group's total portfolio was Rs. 7.9 bn during the financial year under review (Rs.6.7 bn on account of strategic and Rs. 1.2 bn on account of the discretionary portfolio), against an appreciation of Rs. 3.1 bn recorded in the last financial year (of which Rs. 1.8 bn was for the strategic portfolio and Rs.1.3 bn for the discretionary). The net asset value per share (NAV) amounted to Rs. 181.77 (2015 - Rs. 257.65) which is based on fair value of its portfolio.

As at 31st March	2016	2015	Change %
ASPI	6,072	6,820	(11)
NAV per share (Rs.)	181.77	257.65	(29)
Market price per share (Rs.)	119.70	184.00	(35)
Discount of NAV to market price per share	35%	29%	



However, the Company's share has been trading at a discount in the CSE over the past years. As of 31st March 2016, the market price of the Company was at Rs. 119.70 recording a drop of 35% for the year, and still trades at a discount of 35% to the NAV. Shareholder wealth depreciation during the year was 33.31 % taking into account both share price movement and dividend for the year.

## our future view of markets

Looking ahead the global economic pick-up is expected to be very gradual with risks tilted towards the downside. The fragile recovery in advanced economies is expected to continue with emerging market economies to experience very divergent prospects. Three aspects will dominate global transitions which include China's shift to a more consumption and service economy (from current investment and manufacturing), price movements in commodities and gradual tightening in the US economy while other central banks delve further into monetary easing.

We expect the domestic economy to gradually emerge out of its balance of payment concerns. A drive on fiscal consolidation will also see the island creating a more sustainable platform for growth. With recent tightening policies introduced by the Monetary Board of Sri Lanka we expect credit growth to moderate and inflation to remain in mid-single digit levels. This should reduce upward pressure on the yield curve and as a result we expect to see interest rates moderate in the medium term.

With the Sri Lankan economy expected to stabilise in the next financial year we expect more confidence amongst investors. An increased appetite for risky assets can result in a recovery in the All Share Price Index from recent market corrections. In the medium term we expect a higher growth momentum for the economy with the implementation of proposed reforms and development plans which would flow through into capital markets. Uncertainty still prevails on the timing of a global recovery and may result in mixed movements of foreign interest in the Colombo Stock Exchange.

# MANAGEMENT DISCUSSION & ANALYSIS

## OUR CAPITAL MARKETS BUSINESSES



*From left to right*

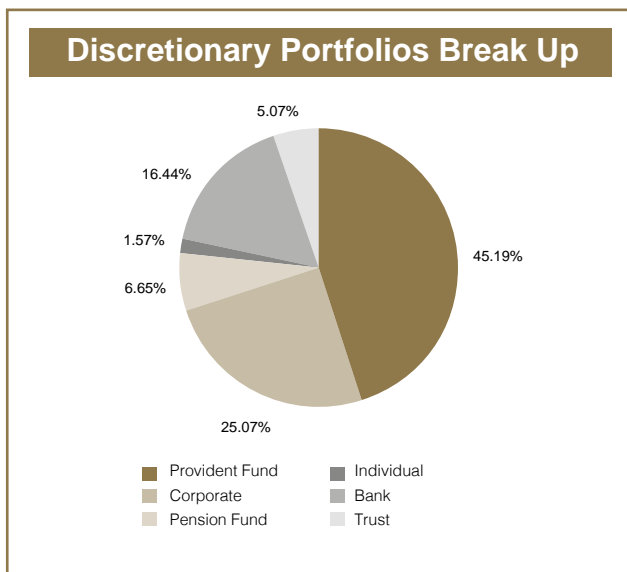
FunD MAnAGEMEnT TEAM: Sashika Wickramaratne, Asanka Jayasekara, Sumith Perera, Crishani Perera

**Our discretionary services are supported by an individual fund manager for each account and a very structured decision process to which the entire team gives inputs. Performance is managed by the designated fund manager once again with careful review and input monthly by the team. Compliance with client objectives and policy is assured through scrutiny by the audit team. Guardian adds critical value to its clients through its research insights and policy views.**

## Discretionary portfolio management services

Ceylon Guardian provides customised portfolio management solutions which span across the equity and fixed income asset classes. Leveraging from the strength of Ceylon Guardian's own resources and expertise, customised client portfolios have achieved superior performances with all client returns above the stipulated benchmarks. The AUM (assets under management) from the discretionary client portfolio business has grown to Rs.3.88 billion as at 31st March 2016. This segment of the business is a growing component for Ceylon Guardian, which generates supplementary fee income for the company and adds to synergies in building industry networks and clients.

Our discretionary portfolio services are supported by an individual fund manager for each account and a very structured decision process to which the entire team gives inputs. Performance is managed by the designated fund manager once again with careful review and input monthly by the team. Compliance with client objectives and policy is assured through scrutiny by the audit team. Guardian adds critical value to its clients through its research insights and policy views.



## Private equity

The portfolio value in Guardian Capital Partners PLC (GCP), the Private Equity investment arm of the Guardian Group, stood at Rs. 221 Mn in equities consisting of 5 companies. We made an investment of Rs. 10 Mn into Kashmi Singapore Pte Ltd during the year. LVL Energy Fund Limited is the largest holding, followed by Expolanka Holdings and Access Engineering. We continue to hold the stakes in the Expolanka and Access Engineering despite them being listed, as the prices seen in the market did not justify exiting these holdings.

Portfolio Composition	Rs. Mn	%
LVL Energy Fund Limited	75	34%
Expolanka Holdings PLC	48	22%
Access Engineering PLC	48	22%
Hsenid Business Solutions (Pvt) Ltd	40	18%
Kashmi Singapore Pte Ltd	10	5%
	221	100%

### LVL Energy Fund Limited

LVL Energy Fund is an energy focused investment vehicle and a subsidiary of Lanka Ventures PLC. The company invests in renewable and non-renewable energy projects in partnership with industry leaders in the power generation and engineering, procurement & construction (EPC) contracting segments. At present the company has invested in a total capacity of 136.6Mw, of which 104.4Mw is accounted for by thermal plants located in Bangladesh. The balance capacity is located in Sri Lanka of which 15.6Mw is in wind and the balance is in hydro power plants.

### Expolanka Holdings PLC

Expolanka is one of the leading freight forwarders in the South Asian region, specialised in the garments/apparel vertical. SG Holdings Global PTE LTD, a leading logistics company in Japan, is the majority shareholder of the company with a 51.4% ownership stake. SG Holdings is working together with the founding shareholders to further the company's growth in the freight and logistics space. The restructuring process the company embarked on has achieved the desired results, and management hopes to complete the process within the next financial year. The exposure to the regional apparel industry through valuable international partnerships, though sensitive

# MANAGEMENT DISCUSSION & ANALYSIS

**The first initiative with SEAF would be to launch a Sri Lanka focused Private Equity fund, with a broad mandate to invest across the private equity space. SEAFs networks, experience and knowledge base would enable us to add significant value to investee companies in areas such as building market access, transfer of proven technologies to improve operations, product & services, identifying and rectifying managerial and operational deficiencies, facilitating the growth of the entrepreneurs & management teams via provision of knowledge, networks and access to regional players etc.**

to global economic forces, provides exposure to a competitive and scalable business model.

## Access Engineering PLC

Access Engineering PLC (AEL) is engaged in construction and real estate businesses. AEL is one of the leading C1 contractors in the country involved in construction of buildings, roads & highways, water & waste water management, bridges & flyovers, harbours & marine work, dredging & reclamation, telecommunication, irrigation & land drainage, and piling. Given the infrastructure development thrust in Sri Lanka, exposure to AEL would enable us to benefit from the growth trends in this sector.

## HSenid Business Solutions (Pvt) Ltd

HSenid develops and markets human resource management software, delivering solutions via on-premise and software as a service (SaaS) platforms. The company also offers HR outsourcing services. Whilst being the market leader in Sri Lanka, the company also derives over 25% of its revenue from overseas markets, mainly from the African region, India and Malaysia. The company is in the process of investing and building these overseas markets to further penetrate and improve market share, a key driver of its future growth.

## Kashmi Singapore Pte Ltd

A company based in Singapore, Kashmi has developed a Peer to Peer mobile payment solution with embedded social media functionality, which enables cash transfers between individuals and vendors through a mobile app. The company was founded by a group of young Sri Lankan entrepreneurs, operating out of

Singapore and Sri Lanka. The company will initially launch the product in Singapore and then it hopes to expand into other ASEAN countries like Malaysia and Indonesia. The promoters were funded by 'Turn 8', which is an incubator based in Dubai, and 'Startupbootcamp Fintech Singapore' a financial innovation focused accelerator in Singapore, during the product development stage. The funds raised at the seed round will be used to fund the market development strategy of the company.

## Consolidated performance of the portfolio companies

The portfolio companies generated consolidated revenues of Rs. 55.7 Bn for the 9 months ending December 2015, an increase of 9.5%. Consolidated net profit increased by 28.5%, to Rs. 3 Bn (Figure 2).

Figure 2: Portfolio Company Performance	Annual		9 months	
	2013/14	2014/15	Dec-14	Dec-15
Revenue	70,135	69,478	50,838	55,690
Net profit	4,262	3,232	2,373	3,049
Revenue growth		-0.90%		-6.30%
Profit growth		-24.20%		28.50%

All companies contributed to the top and bottom line growth recorded for the 9 months for FY 2016.

### Joint Venture with Foreign Private Equity Manager

In April 2016, Guardian Capital Partners entered into a joint venture agreement with Small Enterprise Assistance Funds (SEAF), a PE fund manager registered in the state of New York in the United States of America. The JV will be for the purpose of creating and managing a dedicated PE fund for Sri Lanka in collaboration with Guardian. SEAF commenced operations in 1989, launching its first fund in 1992 in Poland and has now expanded into 25 Emerging and Frontier markets across Asia, Africa, Central & Eastern Europe and Latin America. It has invested more than USD 387 Mn to date in more than 400 projects via 35 investment vehicles/funds. It has close to USD 700 Mn in committed capital, which has been raised from investors such as Development Financial Institutions; IFC (International Finance Corporation), DEG (German Investment and Development Corporation) and FMO (Netherlands Development Finance Company), development focused sovereign funds; Swedfund (Swedish Government Development Financier), Finnfund (A Finnish State Owned Development Finance Company), Qatar Development Bank and Norfund (Norwegian Investment Fund for Developing Countries), and institutional investors such as insurance companies (New York Life, Life Insurance Corporation of India etc.).

Their vast experience and track record in Frontier Markets will directly translate to Sri Lanka, given the similarity in market maturity, deal sizes and similarities in economic and business conditions. We believe that SEAF will enable us to vastly improve our knowledge and capabilities in the PE business, whilst also contributing to the development of the industry as a whole in the country. SEAF has committed to place full time resources in the country and we look forward to a fruitful partnership going forward,

The first initiative with SEAF would be to launch a Sri Lanka focused Private Equity fund, with a broad mandate to invest across the private equity space. SEAFs networks, experience and knowledge base would enable us to add significant value to investee companies in areas such as building market access, transfer of proven technologies to improve operations, product & services, identifying and rectifying managerial and operational deficiencies, facilitating the growth of the entrepreneurs & management teams via provision of knowledge, networks and access to regional players etc.

The joint venture will be executed via an asset management company. Guardian Capital Partners (GCP) will own 41.7% of the company. The JV Company in turn will be appointed as the fund manager of the proposed private equity fund. The domicile of the fund will be determined based on regulatory and taxation considerations. We hope to attract funds from local and foreign institutions. GCP plans to participate in the fund as an investor. GCPs investment in the fund will send a strong signal to and build confidence in potential foreign investors we hope to tap via SEAFs networks. Further this will enable GCP and its shareholders to enhance the opportunity set available, as the increased fund size will enable the company to get exposed to larger companies and deals which were previously not available to GCP. Simultaneously increased diversification afforded via being part of a large and relatively more diverse asset pool will also help reduce risks.

The proposed venture will be however subject to GCP obtaining all necessary regulatory approvals in Sri Lanka and shareholder approvals where necessary.



# MANAGEMENT DISCUSSION & ANALYSIS



*From left to right*

**unIT TRuST TEAM:** Asanka Jayasekara, Sashika Wickramaratne, Champa Perera, Mohandas V Thangarajah, Roshan Fernando, Shewantha Peiris

## unit Trusts

Guardian Acuity Asset Management (GAAM) is the mutual fund arm of the Ceylon Guardian which opens up the fund management expertise of the group to the general public. Our Joint venture partner for this part of the business, Acuity Partners Limited (the investment banking arm of HNB bank and DFCC bank) brings the marketing and distribution expertise to Guardian Acuity Asset Management.

The financial year 2015/16 has been a challenging year for the mutual fund industry both in local and global markets, due to weakening of macroeconomic conditions and investor confidence across the world. We remain focused on growing our AUM (asset under management) by providing superior return, servicing our clients well and delivering high quality investment expertise through equity, money market fixed income (FI) and money market gilt edged (GE) products. Despite the AUM of the overall industry shrinking, GAAM grew

**We remain focused on growing our AUM (asset under management) by providing superior return, servicing our clients well and delivering high quality investment expertise through equity, money market fixed Income (FI) and money market gilt edged (GE) products. Despite the AUM of the overall industry shrinking, GAAM grew by 109% to Rs 5.6 bn in the FY 2015/16.**

Period	FY2015/16		Since Inception*		Since Inception *	
	Fund Return	Benchmark Return**	31st March 2016 (Cumulated) Fund Return	31st March 2016 (Cumulated) Benchmark Return**	31st March 2016 (CAGR) Fund Return	31st March 2016 (CAGR) Benchmark Return**
Equity Fund	-6.3%	-11.0%	53.1%	10.9%	11.0%	2.6%
Fixed Income Fund	7.4%	6.1%	46.3%	38.3%	9.2%	8.2%
Gilt Edged Fund	6.3%	6.1%	6.5%	6.3%	6.3%	6.1%

\* Inception : Guardian Acuity Equity Fund (GAEF) – Feb 2012,  
Guardian Acuity Money Market Fund (GAMMF) – Feb 2012 ,  
Guardian Acuity Money Market Gilt Fund (GAMMGF) – Mar 2015

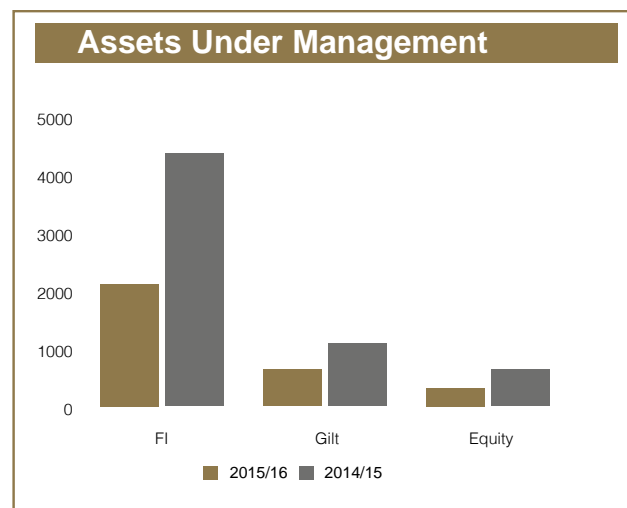
\*\*Benchmark : Equity - CSE All Share Price Index, FI and Gilt - NDBIB-CRISIL 91 Day T-Bill Index

by 109% to Rs 5.6 bn in the FY 2015/16. The money market fund stood at Rs 4.4 bn by the end of the financial year as the largest contributor to the total AUM and the gilt edged fund and equity fund also grew to Rs 1.1 bn and Rs 362mn respectively during the year. We continue to expand our reach through the HNB branch network, increasing the size of the sales team and developing new distribution channels.

All funds delivered above benchmark returns in the FY 2015/16 by continuing their impressive "since inception returns". The Equity Fund recorded 11.0% annualised return by outperforming the benchmark return by 8.4% whilst other two money market funds, namely GAMMF and GAMMGF, recorded 9.2% and 6.3% annualised return since inception, above the benchmark set.

In this business, as we compete head to head with other large scale fund managers, we measure ourselves against our competition as well. We have consistently maintained our position within the top three funds in our respective fund categories, since launch four years ago.

The presence of our banking partners greatly enhances the branding and accessibility of our products. However, we have not seen the banking channel welcoming alternative products to its portfolio of financial services yet. We foresee that it nevertheless remains a viable fee based channel and we continue to engage with the banking network effectively. Other channels including agents and our direct marketing staff have contributed immensely to business growth. We look forward to new industry regulatory developments that will require certified finance professionals being developed for professional marketing of financial services.



GAAM as a manager of public funds always adheres to the high standards of ethics, integrity, and professional excellence. This has been further strengthened in 2016 as we voluntarily claim adherence to the Asset Manager Code of Conduct of CFA Institute, USA. Further our dedication to high and consistent client service has been proved by launching an online client portal that provides subscription, redemption, funds switching, investment balance inquiry and other client services via the internet. This enables clients to engage with GAAM efficiently and without hassle of travelling. We are committed to constantly evolving, investing in our systems and people and improving our processes for delivering unmatched service to our clientele.

We will, in this business, continue to invest in building a sales team, more market visibility and acquiring new channels (including developing the online channel) as well as enhancing service standards.

# MANAGEMENT DISCUSSION & ANALYSIS

## ASSET MANAGEMENT CAPABILITY



*From left to right*

**SuPPoRT SERVICES TEAM:**

Front : Prabhath Dissanayake, Champa Perera, Omesha Piyumi, Lakmal Wickrama Arachchichi

Back : Deemantha Kaushika, Indramali Samarasinghe, Priyan De Mel

**On human resource management, a well thought out succession plan ensures that key functional areas are staffed by high quality senior and second level management. The latter are groomed to take over specific responsibilities as they gain experience. This process assures us of a continuous flow of experienced talent through the organisation, and progression opportunity for high performers for whom career paths are provided along with organisational growth.**

The Ceylon Guardian Group has emerged as a leading portfolio management and capital markets group within Sri Lanka due to the diversity of its asset management capability and supporting systems and frameworks. Having primarily started off as equity managers and continuing to be one of the largest equity portfolios managers in the private sector (with listed equity of 24.95 Bn under management), its competencies are also now well entrenched in fixed income management through its exposure to money market funds in the unit trust business (fixed income assets of over Rs 5.93 Bn).

Diversifying its core asset classes and drawing strength from its diversified parent company, the Ceylon Guardian Group has now firmly established itself as a key player in the emerging private equity industry in the country and hopes to establish



its strength further by joining up with the capabilities of its joint venture partner Small Enterprise Assistance Funds. This would be supplemented by value addition from management capabilities across our Group companies, as well as practices ensuring good governance and financial discipline.

The core asset management capabilities built up are used to service a diverse clientele ranging from institutional portfolios where customised mandates are undertaken; to individual retail investors who can choose from across our simple to understand unit trust products offered through our JV company. Thus Guardian lives upto its promise of offering "valued investment solutions" to everyone. As with most other industries scale helps to command many competitive advantages. As large scale equity investors, we feature in most of the top 20 shareholder lists of our investee companies and hence have access to management of those companies when conducting our stock evaluations, thus providing greater insight. The relationships built thereby enhance our access to fixed income transactions with those key corporates. Once again within the capital markets, our scale enables us to command better quality deals on advantageous terms.

Further, our team of seven research staff comprise the backbone of our decision making process and they spend time and effort in understanding economic impacts and key industry sensitivities of business decisions by undertaking field visits to the trade and consumers. This requires considerable investment in time and effort which we are able to spare due to our team size.

Getting onto investment infrastructure, our well equipped support services team of seven provide strong control and stewardship for our clients and public funds. Our reporting effort is well supported by Credence Ideal investment management system procured from a leading vendor supplying the asset management industry in India servicing clients such as State Bank of India, ICICI Bank and SBI Associates (largest banking group in India) with whom we have had a business relationship of over 8 years. We are presently deploying an upgraded version of this to enhance the offering to our clients on reporting including web enabled access and GIPS compliance (global investment performance standards).

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Similarly we upgraded our Operational Procedures and Code of Ethics and Standards of Professional Conduct recently to comply with the CFA Asset Managers Code of Conduct.

The team's actions on risk management are well supported by an effective system of risk assessment and reporting which looks at everything from portfolio concentration risk, to regulatory and economic and market based volatilities and liquidity levels to support fund in / outflows. Our compliance process is supported by our parent company's Group internal audit, as well as outsourced independent internal auditors in the unit trust business. A dedicated compliance officer also functions under this set up to look after adherence to all internal and external guidelines.

On human resource management, a well thought out succession plan ensures that key functional areas are staffed by high quality senior and second level management. The latter are groomed to take over specific responsibilities as they gain experience. This process assures us of a continuous flow of experienced talent through the organisation, and progression opportunity for high performers for whom career paths are provided along with organisational growth.

# MANAGEMENT DISCUSSION & ANALYSIS

## ECONOMY AND MARKET



*From left to right*

RESEARCH TEAM: Vijith Karunaratne, Kasun Gunawardhana, Akila Hewagamage, Thasmi Gunawardane, Harindi Hettigamage, Tharinda Jayawardana

**The calendar year 2015 marked a year of change for Sri Lanka's political landscape. The presidential and parliamentary elections saw a transition in leadership of the country with new leaders articulating good governance and democratic platforms. Thus far, the new government has steered foreign policy in a more diverse direction and is in the process of implementing policies that will improve transparency. Much is expected of the new government with regard to introduction of reforms and providing economic direction. There lies a high expectation on economic and political reforms and the speed at which it is implemented.**

## Economic Review

An arrow, as the saying goes, can only be shot by pulling it backward. Similarly, the year under review saw the economy and markets take a step back in the hope of restructuring itself to create a platform for future growth.

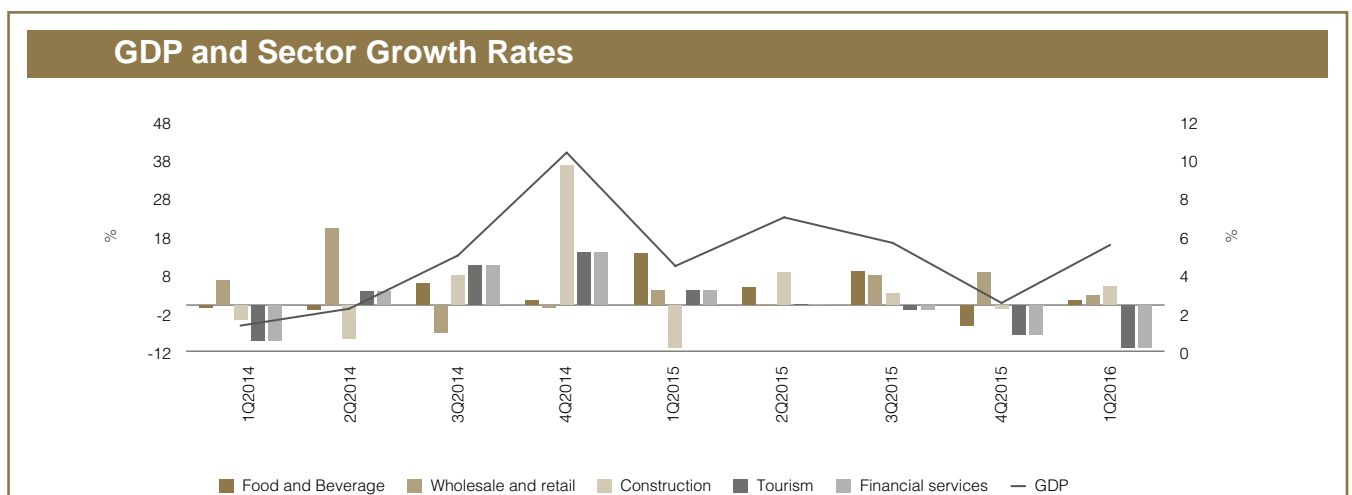
The Sri Lankan economy shows great potential with many avenues for expansion. The geographic location of the island brings with it advantages to develop tourism, maritime, logistics and integrate into regional supply chains. Furthermore, a vibrant service sector and domestic consumption (with increasing GDP per capita) have also proved to be strong contributors to Sri Lanka's economic growth story. The 30 year conflict which ended in 2009 left a vacuum of infrastructure development which the country now has to fast track. The implementation of such projects if financed appropriately will sustain economic growth on a higher trajectory. There lies a need for cohesive policy framework which can help Sri Lanka accelerate development in key sectors resulting in much needed diversity in exports, higher skilled labour force, foreign direct investment and a strategy to better integrate into regional economies.

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platforms. Thus far, the new government has steered foreign policy in a more diverse direction and is in the process of implementing policies that will improve transparency. Much is expected of the new government with regard to introduction of reforms and providing economic direction. There lies a high expectation on economic and political reforms and the speed at which it is implemented.

Sri Lanka's GDP growth was registered at 4.8% for 2015 which was marginally down from the previous year. Favourable weather patterns saw agriculture perform better with a growth of 5.5%. The industrial sector slowed down to 3.0% as a result of the construction sector coming to a standstill as infrastructure projects were put on hold. The service sector grew by an improved 5.3% with broad-based growth across subsectors.

The year also marked the start of the typical monetary tightening cycle in Sri Lanka. The trade deficit tends to widen with growth in import led consumption, which is in turn spurred by accommodative monetary policy for prolonged periods. With inadequate capital inflows the foreign reserves fluctuate unnervingly and hasten currency depreciation. Furthermore, an increasing exposure to foreign debt (currently 54% of total debt) leaves the economy susceptible to global shocks. The flight from emerging markets in the last quarter of the financial year led to capital outflows from Sri Lanka intensifying and heightened the drain on Sri Lanka's reserves.



Source : Central Bank of Sri Lanka

# MANAGEMENT DISCUSSION & ANALYSIS

The Central Bank of Sri Lanka in order to address excessive growth in credit, reign in the trade deficit and reduce pressure on the Rupee, tightened monetary policy by increasing policy rates by 50 basis points in February 2016 and increased the SRR by 150 basis points in December 2015. Interest rates meanwhile have increased by 2-3% across secondary market bond yields and primary auctions resulting in a 'risk-off' attitude by investors.

The country's high debt to GDP levels of around 76% and low levels of revenue collection of approximately 13% in 2015 reveal a need for urgent re-structuring on the fiscal policy front. A recent round of proposed fiscal budgets saw the country unable to address its deepening fiscal deficit. Fitch Ratings downgraded Sri Lanka one notch to B+ citing amongst other reasons frail finances, precarious external position, high rising government debt and no credible fiscal consolidation plan. The sovereign credit rating has grown in significance over the years due to higher levels of foreign participation in the Sri Lankan debt markets. The country will be burdened with higher interest costs if markets continue to factor in further credit downgrades.

We believe that the Sri Lankan economy is navigating through the financial storm and will move into calmer and more productive territory based on its present course. The intervention of IMF can restore confidence amongst domestic and international investors and ease pressure on capital flows. Furthermore, fiscal tightening measures currently proposed can indicate a more determined step in the direction of much needed fiscal consolidation.

## Equity Market Review

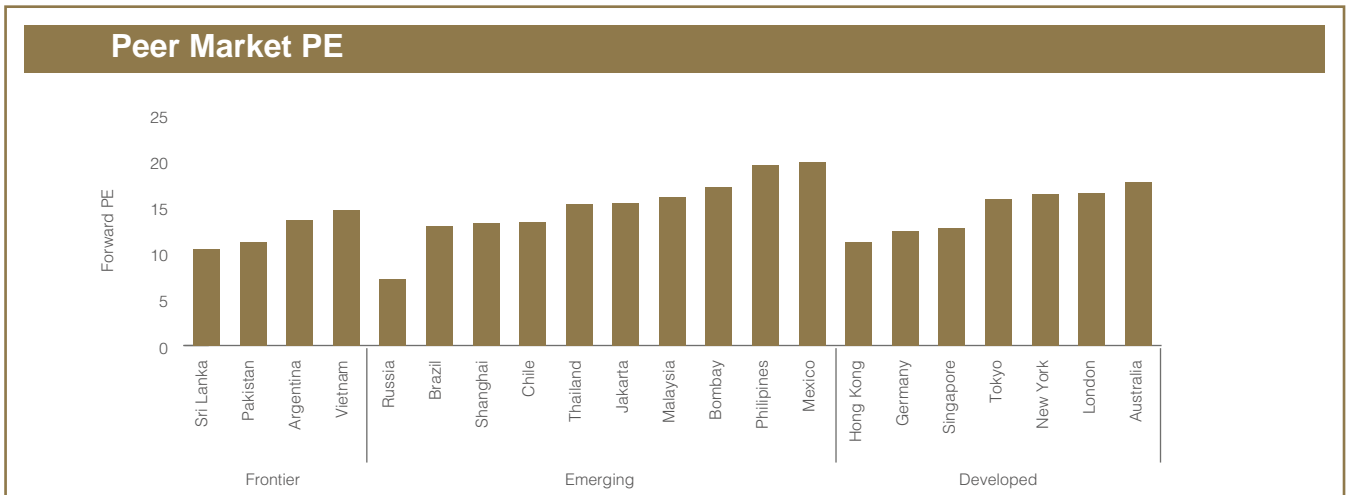
Equity markets underwent a correction for the financial year ending March 2016 with the All Share Price Index (ASPI) recording -10.97% and the S&P SL20 falling -16.82%. The first half of the financial year was dominated by an overall sense of uncertainty prevailing in anticipation of general elections to

be held in August 2015. Investors were intently watching the transitional period after the presidential elections in January 2015 and implications on policies that were expected to follow thereafter.

The growth story of emerging economies came into question by global investors during the year which resulted in a sell off across emerging markets. Key issues that unsettled foreign investors included a slow-down in China's economy, collapse in oil prices and the increase in the US Fed's policy rate. After the initial Fed rate hike announced in December 2015 the Fed took a more dovish view due to lower expectations in global growth and more sluggish US economic numbers. Sri Lanka too witnessed significant foreign outflows throughout the period under review which amounted to Rs. 9.4 billion. Much of the selling was focused on the large cap stocks resulting in the All Share Price Index taking a severe beating. Key sectors such as banking, finance & insurance sector, diversified sector and manufacturing fell by 15.4%, 14.0% and 7.4%. In recent months global markets have settled with oil prices recovering and emerging markets seeing a significant net inflow.

Foreign outflows from the CSE have stabilised compared to the start of the calendar year but the CSE has not benefitted from renewed interest in emerging markets. This is largely because domestic macroeconomic concerns came into the spotlight. The higher interest rates, external debt repayment and depreciation of the rupee led to bearish sentiment surrounding the CSE. The high debt burden and inadequate strides towards fiscal consolidation further led rating agencies to downgrade and place the island economy on rating watch which further dampens spirits.

Market capitalisation as at 31st March 2016 stood at Rs. 2.58 trillion compared with Rs. 2.89 trillion a year ago. Daily average turnover remained at subdued levels of Rs. 986 million for the financial year with reduced participation by domestic



Source : Bloomberg (20th June 2016)

institutional and retail investors. The 1 year and 2 year forward PE for the CSE based on our universe of coverage is currently at 11x and 9x with an anticipated growth in corporate earnings of 12% and 11% respectively. Corporate earnings remain moderate but particular companies show strong potential to consistently outperform the general market. The ability to select these companies and buy at correct pricing effectively reveals the need for fundamental research. The dividend yield of the CSE increased to 2.48% as at March 2016 compared to 2.2% in the previous year. Relative to regional markets the CSE looks more attractive from a valuation perspective and we are confident the foreign interest will return once macroeconomic stability is achieved.

# RISK MANAGEMENT

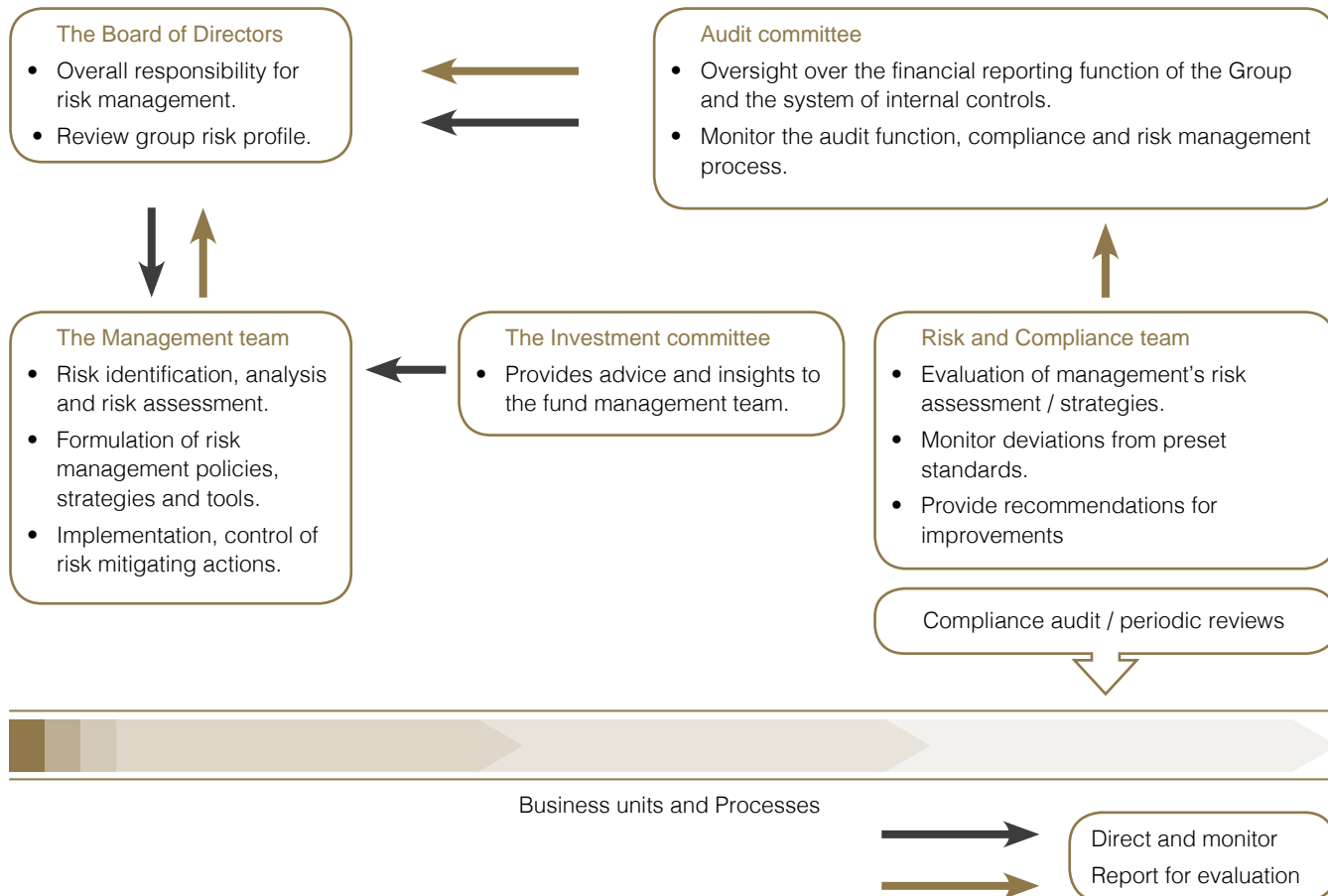
## overview of Risk Management

Risk Management is the process of identification and assessment of risks arising due to factors which are internal and external to the entity, and implementation of identified, mitigating actions to address such risks. Management of risk helps to avoid or minimise unanticipated losses being incurred. It is not a one time or periodic assessment, rather it is a continuous process, which is also an integral part of normal business operations and the management of the entity.

## Risk Management Structure at Ceylon Guardian

The Risk Management structure established at Ceylon Guardian Group is applicable across the parent company and all other entities of the Group. The Company's Board of Directors has overall responsibility for the establishment

and oversight of the Group's risk management framework. The Board of Directors has delegated this function to the Management of Guardian Fund Management Limited (GFM) which is a fully owned subsidiary of the parent company, the Fund Managers and Carsons Management Services (Private) Limited (CMSL), the Managers; who are responsible for developing and monitoring the Ceylon Guardian Group's risk management policies and reports regularly to the Board of Directors on its activities. The Ceylon Guardian Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.



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The Audit Committee of the Company has oversight over the financial reporting function of the Company, the system of internal controls as well as the audit, compliance and risk management processes. Further, an Investment Committee provides advice and insights to the fund management team to further sharpen and refine their decision making process. This organisation structure determines the objectives and policies of our risk management framework and promotes a culture of risk awareness and balanced risk-taking within the Company.

### Risk categories

Ceylon Guardian Group operates the portfolio and asset management sector of the Carson's Group. The group business operations include management of the Ceylon Guardian group portfolio which consist of listed equity / private equity and fixed income securities, management of unit trusts with equity / debt instruments and providing of portfolio management services to external customers. The Group faces various types of risk, some of which are applicable across all the assets classes under management while some are applicable to specific business operations or an asset category.

The key identified risks are monitored and managed as a continuous process.



# RISK MANAGEMENT

**Macro environmental risks:** Overall macro-economic conditions and political factors affect the risk profile of the Company. The variations of macro-economic variables like Gross Domestic Product (GDP), interest rate, inflation, exchange rates and changes in the political environment and government policies affect the achievement of Company business and financial objectives.

Risk Category	Impact and mitigating strategies
<p><b>Country risks</b></p> <p>The risk associated with operations which are subject to various exchange control regulations, currency fluctuations, transaction costs &amp; taxes and other actions that may be imposed by the government or policy making bodies of the particular foreign country or Sri Lanka.</p>	<ul style="list-style-type: none"> <li>• This is a new risk area for which we are looking to build a framework as the Group intends to exploit new markets in the future, when regulations permit.</li> <li>• The Sri Lanka Fund, a subsidiary company which is domiciled in Cayman Island and is subject laws and regulations imposed by regulatory authorities there. Changes in Cayman Island regulatory environment, in the context of The Sri Lanka Fund is continuously monitored with the assistance of the Fund's, Lawyers who have the necessary expertise.</li> </ul>
<p><b>Currency risks</b></p> <p>The risk associated with any fluctuations of foreign exchanges rates against Sri Lanka Rupee.</p>	<ul style="list-style-type: none"> <li>• The Sri Lanka Fund, of which the reporting currency is US dollars, is exposed to risk of currency impact on translation.</li> </ul>
<p><b>Market risk - domestic</b></p> <p>The exposure to adverse movements in both equity / fixed income securities market, which can result in value loss as well as variations in the anticipated returns from those securities. This is mainly caused by systematic risk factors such as interest rates, currency parity, inflation and availability of credit which affect both capital and money markets, and the value of securities.</p>	<ul style="list-style-type: none"> <li>• Market risks are inherent in every security and are thus collectively considered at the portfolio level to take into account the asset allocation decisions of the portfolio. The risks affecting a particular class of security are mitigated by switching to asset classes that are assessed to be less risky in a particular scenario. The sectorial and security exposure is continuously monitored.</li> <li>• A sound research base to determine changing economic fundamentals of the country, determine the impact on equity vs fixed income investments and the prompt shifting of funds between asset classes. The sensitivity of stock valuations to changes in economic indicators are continuously monitored.</li> <li>• The returns of money market funds the Company has invested in is sensitive to changes in the financial sector. Hence the behaviour of interest rate determinants are monitored, and anticipated interest rate trends are considered in pursuing investment strategy.</li> </ul>



Risk Category	Impact and mitigating strategies
<p><b>Market risk - international and external</b></p> <p>The risk that the domestic market will have an indirect impact from other markets, international trade and capital inflows / outflows, changing economic indicators and policies in the global context. The entry and exit of foreign investors from the local market is also determined by the macro economic trends prevailing in foreign markets and relative valuations of our market vis-a-vis developed and other comparative Asian markets.</p>	<ul style="list-style-type: none"> <li>• Commodity risk is somewhat high for the domestic economy, since Sri Lanka is an import dependent for vital commodities. We continuously monitor global developments in capital markets which is vital to assess and mitigate this risk.</li> <li>• Building of expertise in foreign markets will take place going forward, as we would look to invest overseas gradually. In mitigating the risk we would tie up or collaborate with foreign entities that have expertise in such markets in order to gain knowledge.</li> </ul>
<p><b>Portfolio Risks:</b> The risk arising due to investment strategy, factors inherent to investment instruments and composition of the portfolio which affect the return of the portfolio.</p>	
<p><b>General securities risk</b></p> <p>Inherent investment risks associated with the particular investment instrument or issuing entity of the security. The price or value of any security may fluctuate, resulting in possible loss not only of returns and profits, but even all or part of the principal sums.</p>	<ul style="list-style-type: none"> <li>• General securities risk is applicable regardless of whether the instrument is equity listed / unlisted or fixed income, but the magnitude of risk will vary with the type of the instrument.</li> <li>• Portfolio management and investment selection process which is a bottom up approach, is designed to maximise the risk/return trade off. Risk mitigating methodology is based on the internal research process, and prospective investments are selected from fundamental analysis and contact with corporate management of the issuing company through company visits. A continuous process of monitoring the performance of investee companies is adopted, after the investment is made.</li> <li>• In the case of private equity since there are no regulatory disclosure requirements we require the investee company to disclose financial information on regular basis.</li> </ul>
<p><b>Concentration risk</b></p> <p>This is the risk that, the portfolio is over exposed to a particular sector / sectors or a security / securities resulting the risk and return of the portfolio being over dependent on the performances / risk profiles of those sectors or securities.</p>	<ul style="list-style-type: none"> <li>• Monitoring sector exposure and single company / group exposure of the portfolio as a diversification and a mitigation strategy.</li> <li>• Loss limits are set to monitor stocks performing below their cost of acquisition to determine whether temporary capital erosion is a concern.</li> <li>• Monitoring by the compliance team takes place as a routine process.</li> </ul>

# RISK MANAGEMENT

Risk Category	Impact and mitigating strategies
<p><b>Liquidity risk</b></p> <p>Liquidity is the tradability of the securities in the market or the ability to realise cash with minimum loss of capital. The risk is that if the investment instruments of the portfolio are less liquid, execution of fund management decisions are affected.</p>	<ul style="list-style-type: none"> <li>• Lower liquidity of securities could affect the fund manager's ability to transact, which in turn, could affect the fund's overall performance. This might be due to poor market sentiment of a security, or low levels of publicly traded quantities. On acquisition of shares, we consider on the factors like size of free float, tradability of the stock, market turnover, major shareholders etc.</li> <li>• In case of private equity investment which are unlisted, there is no official market price available for valuing the investment. However, we monitor secondary market trades to track prices. This is not an accurate guide as the volume of trades is a key factor in determining fair price. As we take fairly significant positions in private equity investee companies divestment of our stakes is more difficult, bringing a further element of illiquidity to our investments</li> <li>• We agree with the investee company on possible exit mechanisms.</li> </ul>
<p><b>Regulatory and compliance risk:</b> Company is operating in an industry under the supervision and monitoring of several regulatory authorities, especially Securities and Exchange Commission of Sri Lanka (SEC) and provisions of other regulatory requirements like the Companies Act, Listing Rules of The Colombo Stock Exchange, Central Bank of Sri Lanka are applicable in this industry.</p>	
<p>The conduct of operations of the Group should be in compliance with the legal and regulatory provisions and financial requirements applicable under these regulatory benchmarks. Non-compliance or violation of these requirement will cause risk of cancellation / suspension of some licences issued by SEC, facing being taken by respective regulatory authorities etc.</p>	<ul style="list-style-type: none"> <li>• The management together with the Carsons group legal division pro-actively identifies and set up appropriate systems and processes for legal and regulatory compliance in respect of the Company's operations.</li> <li>• Periodic training programs for staff to improve the awareness of changes in applicable laws and regulations.</li> <li>• Reviews on a quarterly basis reviews conducted by the compliance team and the management certification of compliance with relevant laws and regulations on a periodic basis.</li> <li>• Internal audit monitors compliance with all regulatory provision.</li> </ul>

Risk Category	Impact and mitigating strategies
<p><b>Operational Risks :</b> This is the risk of losses being incurred resulting from disruptions, disturbance of business operations caused by events due to inadequate or failed internal processes, people and systems within the organisation. The management of operational risk is a continuous process which includes identification, assessment of risk and implementation of measures to address such risk, which specifically covers following key areas which are significant in the context of Investment and asset management operations.</p>	
<p><b>Systems and process risks</b></p> <p>The Company's business operations are structured in a way that, those are performed as interconnected / interdependent processes. The divisions of the company, either separately or collectively are responsible for the functions of these process which utilise human / physical resources and information systems</p>	<ul style="list-style-type: none"> <li>• The management of systems and process risk consist of identifying risks and formulating plans promoting best practices, implementing internal controls / systems and monitoring compliance with these internal guidelines.</li> <li>• The processes are continuously monitored to identify the areas of weakness and to implement improvements.</li> <li>• Correct application of recommended practices where back up procedures are followed on a routine basis to ensure data and Information security. Our accounting systems and portfolio management systems are regularly backed up to prevent loss of data.</li> <li>• Business continuity plan which describes how to resume business after a disruption occurs in business process, location and the system. A Disaster Recovery Plan is available at the Carson's Group level which deals with recovering Information Technology infrastructure, facilitating of critical operations to be active in an alternate location etc. after a disastrous interruption.</li> <li>• Systems support and the maintenance agreements with for the portfolio management software is made available through an annual maintenance agreement with the software vendor which ensures on line support for system issues and queries.</li> <li>• The internal audit function of the Carsons Group ensures the safeguarding of Company assets, recommends process improvements in areas where process control failures are noted and compliance with regulatory requirements etc.</li> </ul>

# RISK MANAGEMENT

Risk Category	Impact and mitigating strategies
<p><b>Reputation risk</b></p> <p>This is a critical risk in that as a financial entity any loss / theft or misappropriation of cash / financial assets can cause permanent and long term loss of business</p>	<ul style="list-style-type: none"> <li>• A sound system of internal controls and quarterly internal audits are carried out by the internal audit department.</li> <li>• A Code of Ethics signed by all staff and constant education and awareness of the code.</li> <li>• Regular staff communication.</li> </ul>
<p><b>Staff risks</b></p> <p>A fund management operational unit requires qualified professionals with experience in the fund management industry. Knowledge of the operating mechanism of the market as well as its norms and ethics is of importance.</p>	<ul style="list-style-type: none"> <li>• Having diversity in the team, developing a strong second level, providing training and development opportunities, are standard practices of the industry with which we benchmark ourselves. A performance related incentive scheme for the staff is in place and is being reviewed regularly. The networking ability of key staff to source clients and deals is important in running a successful fund management operation by being shown important deals by market intermediaries.</li> <li>• The staff of GFM are all professionally qualified with a track record of experience in the industry. A strong research team has been developed to complement the fund management operation and raise the standard of the investment decision making process. Staff training and development is identified as an important area of concern, while retention is managed through a comprehensive reward structure and incentive scheme, opportunities for career progression and a culture of being HR oriented. Collectively these steps help us to work towards having an effective succession plan in place.</li> </ul>

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## ISRAEL PAULRAJ

Israel Paulraj is the Chairman of Ceylon Investment PLC, Guardian Capital Partners PLC and Rubber Investment Trust Limited. He serves as a Director of several subsidiary Companies within the Carsons Group.

He served as Past Chairman of the Federation of Exporters Associations of Sri Lanka and The Coconut Products Traders Association. He was a member of the Executive Committee of the Ceylon Chamber of Commerce, National Chamber of Commerce of Sri Lanka and Shippers Council. He served on the Board of Arbitrators of the Ceylon Chamber of Commerce. He has served as Hony. General Secretary of the Central Council of Social Services, Hony. Treasurer of The Christian Conference in Asia, President of the Church of Ceylon Youth Movement and Hony. Treasurer of the National Christian Council of Sri Lanka. He has also served as Chairman of the Incorporated Trustees of the Church of Ceylon.

He also served on the Presidential Task Force on Non Traditional Export and Import Competitive Agriculture set up by President R.Premadasa. He served as Chairman of the Ecumenical Loan Fund of Sri Lanka and on its International Board in Geneva. He was a member of the Commercial Law Reform Commission and has served on the Parliamentary Consultative Committee on Internal and International Trade.

He holds a Bachelor of Law Degree and an Executive Diploma in Business Administration.

## CHAN DIMA GUNAWARDENA

Chandima Gunawardena serves as a Non-Independent, Non - Executive Director of most of the Carsons Group Companies in Sri Lanka and overseas. He is also a Director of Bukit Darah PLC. Since assuming Non-Executive status in the Group, he serves as an advisor to the Group's Strategic Planning and Management forums in Sri Lanka and serves on Board Committees, including the Audit Committees of the Group in Sri Lanka and overseas covering all operating sectors of the Group.

Mr. Gunawardena has over four decades of experience in varied fields of business and commercial activities and has held senior positions in Corporate, Mercantile and State Institutions. He was appointed to the Carsons Group Directorate in 1990.

He has served in the Management Committee of The Ceylon Chamber of Commerce for over 10 years and was a Founder Council member of the Sri Lanka Institute of Directors (SLID) and continued to serve in the council for over 10 years.

He is a Fellow of the Chartered Institute of Management Accountants, UK.

## MANILAL FERNANDO

Manilal Fernando is a Director of Ceylon Investment PLC and is currently the Chairman of Shipping Cargo Logistics (Pvt) Ltd., Hyundai Lanka (Pvt) Ltd. and Dynamic AV Technologies (Pvt) Ltd. He is also a Director of Aitken Spence & Co. PLC and Eco Corp Asia Private Limited. He is a Trustee of Joseph Fraser Memorial Hospital.

He has been the Past President of the Football Federation of Sri Lanka from 1979 to 1999, as well as the Vice President of the National Olympic Committee of Sri Lanka from 1990 to 2014.

He is an Attorney-at-Law & Notary Public.

## ROSE COORAY

Rose Cooray is a Director of Ceylon Investment PLC, Hatton National Bank PLC and HNB Grameen Finance Limited. She is the Chairperson of HNB Assurance PLC, HNB General Ltd and Sithma Development (Pvt) Ltd. She functions as the Chairperson of the Board Integrated Risk Committees of Hatton National Bank and HNB Grameen Finance and is a Member of several other Board sub-committees at both these institutions. She is a retired Deputy Governor of the Central Bank of Sri Lanka where she served for over 35 years.

On release from the Central Bank, she had served the Ministry of Finance in the capacity of Director General Fiscal Policy and Economic Affairs Department for nearly 6 years, represented the Government on the Boards of DFCC Bank, Sri Lanka Institute of Information Technology, Sri Lanka Telecom, Ceylon Electricity Board, De La Rue Currency and Security Print (Pvt) Ltd, Export Development Board, National Housing Development Authority and represented the Monetary Board on West Coast Power (Pvt) Ltd. She has functioned as the Vice Chairperson of the Institute of Bankers of Sri Lanka for 5 years and has

# PROFILES OF THE DIRECTORS

served on a number of Committees at national level covering a variety of subjects representing the Ministry of Finance and the Central Bank. She has also presented papers/been the resource person representing the Central Bank and the Ministry of Finance at various international meetings/seminars.

Mrs. Cooray has been involved extensively in policy making and implementing projects and programmes, especially in the area of regional development and microfinance. She has wide experience in negotiating loans with multilateral and other donors, as well as bilateral trade agreements on behalf of the Government. Her articles/papers have been published in professional journals.

## KRISHNA SELVANATHAN

Krishna Selvanathan is a Director of Carsons Management Services (Private) Limited, Lion Brewery (Ceylon) PLC, Pegasus Hotels of Ceylon PLC and the Investment Sector Companies of the Carsons Group.

He holds a BA Degree in Accounting & Finance and Business Administration from the University of Kent, U.K.

## WILLIAM KNIGHT

William Knight is the Chairman of Myanmar Investments International Ltd, specialist investors in Myanmar, listed on AIM. He is also Chairman of the JP Morgan Chinese Investment Trust PLC, a London listed investment trust specialising in greater China, as well as holding the Chairmanship of MCS Apparel (HK) Limited, Henry Cotton's (Greater China) Limited and Marina Yachting (Hong Kong) Ltd, three joint venture companies owning branded consumer goods being marketed in China.

His current board positions include Smith Tan Phoenix Asia Fund and GNET Group PLC. In recent years he has served as a board member of specialist funds investing in India, Korea, Mauritius, Portugal, Russia, Thailand and Vietnam, as well as for an AIM listed private equity fund of funds for India and China.

He originally specialised in financing major capital projects at Lazard Brothers and spent 18 years in various senior positions in the Lloyds Bank group based in London, Hong Kong and Lisbon. He is a co-founder of Emerisque Brands, an East/ West management buy-in company and he is the Chairman of the Advisory Board of Homestrings LLP, an investment platform for the world's Diaspora.

## TIMOTHY CHEE MING CHIA

Mr. Timothy C. M. Chia is Chairman of Hup Soon Global Corporation Private Limited and Gracefield Holdings Limited.

He was the President of PAMA Group Inc. (previously known as Prudential Asset Management Asia Limited, the Asian investment and asset management arm of The Prudential Insurance Company of America). He retired from PAMA Group of Companies on 31 December 2004. In 2007, he founded Hup Soon Global Corporation and became its founding Chairman.

Prior to joining PAMA, as one of the original principals in 1986, Mr. Chia was Vice President - Investment of American International Assurance Company Limited (AIA), a major subsidiary of the American International Group, Inc., New York (AIG).

Mr. Chia is currently a Director of Banyan Tree Holdings Ltd, Fraser and Neave Limited, Singapore Power Ltd, The Straits Trading Company Limited, Ceylon Investment PLC, Vertex Venture Holdings Ltd and Malaysia Smelting Corporation Berhad.

He was made Chairman of UBS AG – Asia in October 2009 and retired in September 2011. He stepped down as Senior Advisor to JM Financial Singapore Pte Ltd and EQT Funds Management Limited in 2015. He was the Chairman - Asia of Coutts & Co Ltd, the wealth management arm of the Royal Bank of Scotland Group, from January 2012 to March 2016.

He was a board member of Singapore Power Ltd joining the board in September 1998 until his retirement in July 2004. He served as Chairman of one of Singapore Power's major subsidiaries, Power Gas Ltd from 1998 to 2002.

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Amongst his past appointments, Mr. Chia was a Director of SP PowerAsset Ltd, Power Gas Ltd, SPI (Australia) Assets Pty Ltd, Singapore Post Ltd, FJ Benjamin Holdings Ltd, Frasers Centrepoint Ltd, Macquarie Pacific Star Prime REIT Management Ltd, The Hour Glass Ltd, KorAm Bank Co. (Korea), Meritz Securities Co., Ltd (Korea) and Magnecomp Precision Technology Public Co., Ltd (Thailand).

Since January 2004, Mr. Chia was named a Trustee a of the Singapore Management University. He is currently a member of its Audit and Investment Committees and Chairman of its Committee for Institutional Advancement.

In 2010, The Singapore Venture Capital and Private Equity Association inducted Mr. Chia into the "SVCA Hall of Fame" as its inaugural member by naming him "Pioneer Venture Capitalist & Private Equity Investor since 1986".

In October 2015, Mr. Chia was appointed as Advisory Council Member of the ASEAN Business Club ("ABC") and the co-chair of ABC Singapore.

In January 2016, Mr. Chia was appointed as a Member of the Advisory Board of the Asian Civilisation Museum.

He is currently a Fellow of the Singapore Institute of Directors and a member of the World Presidents' Organisation.

In 1996, Mr. Chia was elected a Director of the Singapore Dance Theatre until he stepped down in March 2004 and in September 2004, was conferred the Arts Supporter Award by the National Arts Council.

Mr. Chia graduated with a cum laude in Management from Fairleigh Dickinson University in the United States.

# MANAGEMENT TEAM



Ruvini Fernando is a Director / CEO of Guardian Fund Management Limited, investment managers of the Ceylon Guardian Group and a Director of The Sri Lanka Fund, a country fund dedicated to Sri Lankan equities. She is also joint managing director of Guardian Acuity Asset Management Limited. She counts approximately 25 years' experience in diverse fields of accounting, finance, strategic planning and investment management, of which 10 years have been with the Ceylon Guardian Group and 22 years with Carsons Group. She was a former visiting faculty member of the MBA programme of the Postgraduate Institute of Management (PIM). She is a Fellow of the Chartered Association of Certified Accountants (ACCA), UK and the Chartered Institute of Management Accountants (CIMA), UK and holds a Masters in Business Administration from the PIM, University of Sri Jayewardenepura. She currently serves as member of the National Agenda Committee on Financial and Capital Markets of the Ceylon Chamber of Commerce.

Director / Head of Research, Guardian Fund Management Ltd. Has over 10 years of experience in investment research. Before joining the Carsons group, he worked as a research analyst at JB Securities (Pvt) Ltd. Is a CFA charter holder and an associate member of the Chartered Institute of Management Accountants. Also holds a BSc Degree from the University of Sri Jayewardenepura specialising in Finance.

Head of Portfolio Management, Guardian Fund Management Ltd and Alternate Director of Guardian Acuity Asset Management Limited. Has over 11 years' experience in the field of Asset Management working as a Fund Manager for CAAM Saudi Fransi LLC (Kingdom of Saudi Arabia), Investment Analyst for Eagle NDB Fund Management (Sri Lanka) and as a Financial Analyst for John Keells Stockbrokers. He holds a BSc (Hons) in Economics and Business Finance from Brunel University, UK and is an Associate Member of the Chartered Institute of Management Accountants.



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Fund Manager, Guardian Fund Management Limited/ Guardian Acuity Asset Management Ltd and Manager-Research, Guardian Fund Management Limited. Has over 9 years' experience in asset management and investment research and worked as a research analyst at JB Securities (Pvt) Ltd before joining Ceylon Guardian group. He holds a B.Sc. Finance (Hons) degree from the University of Sri Jayewardenepura, Sri Lanka and is an associate member of the Chartered Institute of Management Accountants, UK. He is a visiting lecturer at department of finance, University of Sri Jayewardenepura.

Accountant, Guardian Fund Management Limited. Commenced career at KPMG, Chartered Accountants, prior to joining the Carsons Group. Counts over 8 years of experience in auditing and accounting. Associate Member of the Institute of Chartered Accountants of Sri Lanka. Holds a B.Sc. Finance (Special) Degree from the University of Sri Jayewardenepura, Sri Lanka.

Manager - Portfolio Operations, Guardian Fund Management Ltd with over 9 years' experience in operations, auditing, accounting and financial reporting. She worked as Finance Manager at Hada Group, Dubai & Hayleys Group and as an Assistant Manager at KPMG. Holds a Bsc Accounting (Special) in degree from University of Sri Jayewardenepura, Sri Lanka and is an Associate Member of the Institute of Chartered Accountants, Sri Lanka.

# THE TEAM





# SUSTAINABILITY REPORT

**We at Ceylon Guardian go beyond creating wealth for our business stakeholders. As a socially responsible corporate, we understand the importance of wealth creation from the grassroots level, and we believe that one of the best ways to achieve this is by fostering the sustainable growth of small businesses in the country. We believe that a vibrant and dynamic Small and Medium Enterprises (SME) sector is crucial for the long-term growth of a developing economy, by creating sustainable livelihoods, reducing rural unemployment, encouraging innovation and strengthening social cohesion within communities.**

## YounG EnTREPREnEuRS DEVELoPMEnT PRoGRAMME

The Young Entrepreneurs Development Programme (YEDP) was launched in order to enhance the technical and business management skills of young entrepreneurs towards their success, which would promote the socioeconomic development of Sri Lanka in a sustainable manner. Currently in its third year, YEDP is the flagship programme of the Youth to Nation Foundation (YNF), founded in 2013 with the vision to build a nation of self-reliant, motivated youth who will add value to, rather than be dependent on society.

Beneficiaries to the programme are selected by a selection committee comprising both internal and external members. Selection is based on the extent to which entrepreneurs add value to the economy – in terms of local raw material usage, direct and indirect employment generation, and earning or saving of foreign exchange.

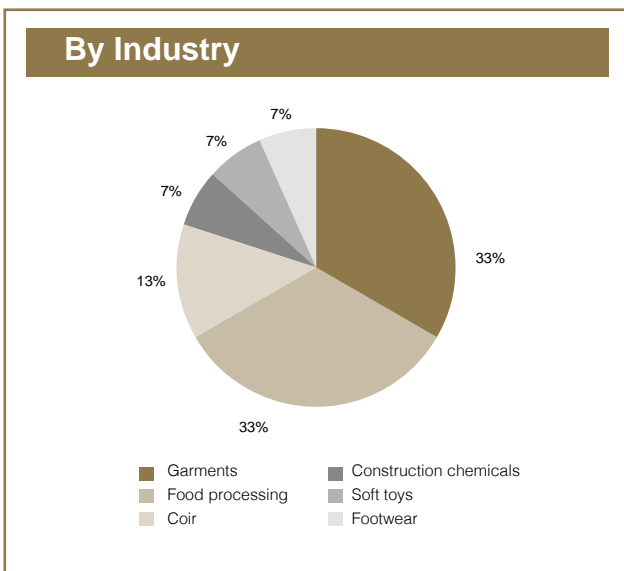
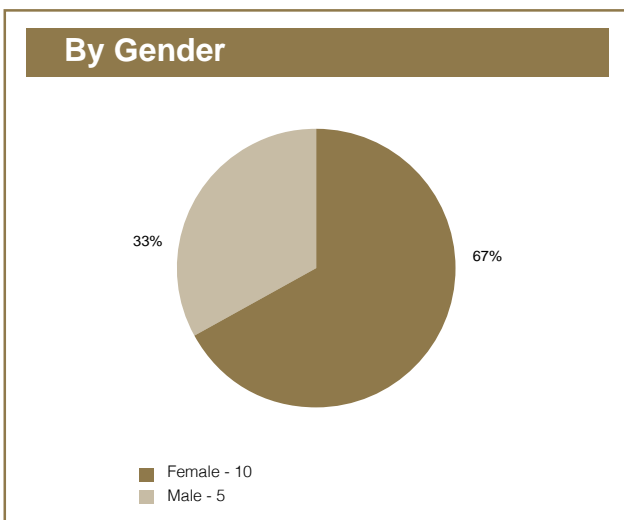
Selected entrepreneurs are provided with financial assistance to expand their businesses based on a projected 3-year business plan. In addition they are provided management intervention by the dedicated YNF team, so that they would be successful in achieving that business plan. Such intervention is carried out for each individual entrepreneur, by conducting regular field visits to them and interacting with their major stakeholders, such as key buyers, suppliers and indirect workers.

### ouR GRoWInG FunDInG PoRTFoLlo

Year	No. of Beneficiaries		Total Value of Funds Disbursed (Rs.)	
	New	Cumulative	New Loans	Cumulative Value
2013	3	3	1,900,000.00	1,900,000.00
2014	5	8	4,055,790.00	5,955,790.00
2016	7	15	7,118,000.00	13,073,790.00

Currently, our focal districts are Hambantota, Matara, Ratnapura and Colombo. In the year under review, seven new entrepreneurs were selected, increasing the total number of beneficiaries in the programme to fifteen.

#### YEDP BENEFICIARIES



#### PROJECT IMPACT To-DATE

- Secured employment and improved work conditions for approximately 220 direct employees, majority of whom are rural women
- Improved livelihoods for approximately 100 indirect beneficiaries including outsourced workers, raw material suppliers, distributors and sales agents
- Approximately 50 jobs created following YNF intervention
- 10 competency development workshops for 310 entrepreneurs in Matara, Hambantota, Ratnapura and Monaragala districts

#### KEY PERFoRMAncE InDICAToRS

The progress of each entrepreneur is continuously assessed based on pre-determined Key Performance Indicators (KPIs), thereby enabling the YNF team to identify the priority areas on which intervention is necessary for each. These KPIs reflect a holistic approach to growth, taking into consideration the 3 Ps of People, Planet and Profits, and are categorised into Primary, Secondary and Growth Factors.

#### Key Performance Indicators for Beneficiary Entrepreneurs

Primary Factors	Secondary Factors	Growth Factors
Sales volumes/ Revenue	Customer satisfaction	Market development
Production volumes/ Production efficiency/ Capacity utilisation	Product quality/ Design	New product development
Cash/ Working capital management	Accounting/ Record-keeping	Technical improvement
Labour management	Work conditions/ Health & safety	Environmental impact



# SUSTAINABILITY REPORT

## CoMPETEnCY DEVELoPMEnT WoRKSHoPS

In addition to the entrepreneurs selected to YEDP, YNF also conducts competency development workshops for SME entrepreneurs in selected clusters, with a view to provide a greater social benefit to a larger group of beneficiaries. These workshops are conducted with the collaboration of the respective regional Chambers of Commerce. Topics are determined based on the Training Needs Assessment (TNA) of the target participants, and resource persons include both in-house professionals and external experts in the relevant fields.

In the year under review, two such workshops were conducted in Matara and Wellawaya, participated by a total of approximately 80 entrepreneurs.

## ouR IMPACT – A FEW SuCCeSS SToRIES

### A.J.K.A. Damayanthi

Damayanthi is a manufacturer of soft toys from Weligama, in the Matara District. She was granted a loan of Rs. 1,000,000/- in 2014 by YNF, in order to construct a separate production/ storage facility, whereas previously part of her house was used



for this purpose. With YNF intervention, Damayanthi has been able to achieve significant business improvement – growth in volumes and revenue, improved worker productivity, improved safety standards at work, and better bookkeeping.

With the increase in scale of operations, Damayanthi has increased her number of workers, and currently there are about twenty women in the locality to whom she provides employment. A majority of these women work from their own homes, and therefore have the opportunity to earn a living whilst also attending to their household duties.

We take pride in Damayanthi's achievement of winning the award for the "Best Entrepreneur in Matara District", at the Divi Neguma Trade Fair held in Matara in December 2015.

### Malithi Priyangika

Malithi is a manufacturer of ladies fashion garments from Ranna, in the Hambantota District. YNF granted her a loan of



*Malithi – winner of the Silver Award for "Best Woman Entrepreneur" at the "Hambantota District Best Entrepreneur Awards Ceremony 2015", held in September 2015*

Rs. 1,000,000/- in 2014, for investment in machinery. Malithi has also experienced significant growth in volumes and revenue. In addition she has adopted better business practices, such as computerised record-keeping, maintenance of monthly accounts, better cash flow management and improved worker welfare. She has increased employment, currently providing a means of livelihood to over 25 direct and indirect workers in the locality, majority of whom are women.

With the expansion of business, Malithi has been able to invest in more technologically advanced machinery, which has led to reduced wastage and improvements in production efficiency and quality of finished goods.



*Opening of the new production facility – Anjana looks on as an employee commences work at the auspicious time*

### **Anjana Thusitha Kumara**

Anjana is a manufacturer of garments from Kamburugamuwa, Matara. His aim is to produce trendy yet affordable casual wear for the rapidly growing teenage market segment. Anjana was granted a loan of Rs. 1,000,000/- by YNF in 2015, in order to complete construction of a new production facility. The new facility has greater workspace, enabling him to increase his workforce and thereby the scale of production. It has also improved the working conditions and safety at work of existing employees, and enabled him to streamline his production process and gain efficiency improvements.

### **overseas Business opportunities**

Three of our beneficiaries participated in the “Canton Fair” held in Guangzhou, China in October 2015, in their attempt to seek international business opportunities. These are Keerthi Siriwardhana – a construction chemicals manufacturer from Walasmulla, Dhammika Sujith – a manufacturer of coir-based products from Weeraketiya, and Devananda Wijenayake – a commercial-scale stringhopper manufacturer from Ambalanthota. We take pride in their efforts to make a difference and grow to new heights in their respective industries.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Ceylon Guardian Investment Trust PLC have pleasure in presenting to the shareholders this Report together with the Audited Financial Statements for the year ended 31st March 2016.

The details set out herein provide the pertinent information required by the Companies Act, No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and are guided by recommended best Accounting Practices.

The Annual Report was approved by the Board of Directors on 07th June 2016.

## 1. GENERAL

Ceylon Guardian Investment Trust PLC (the "Company"), is a public limited liability Company incorporated in Sri Lanka in 1951.

## 2. THE PRINCIPAL ACTIVITIES OF THE COMPANY AND ITS SUBSIDIARIES

The principal activities of the Company and its subsidiaries are to act as specialised investment vehicles within the investment business to undertake listed, private equity and fixed income investments and engage in fund management activities. This will give the investors an opportunity to select an investment company to suit their risk appetite. Ceylon Guardian Investment Trust PLC would, as the parent entity, take-up diverse risks of all sub-segments of the investment business

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

A list of subsidiaries and jointly controlled entities are provided in notes 20 and 21 to these financial statements.

## 3. REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Chairman's Statement and Management Discussion & Analysis on pages 6 to 27 provide an overall assessment of the business performance of the Company and the Group and its future developments. These reports together with the audited consolidated financial statements reflect the state of affairs of the Company and the Group.

## 4. FINANCIAL STATEMENTS

The consolidated financial statements which comprise the Statement of Profit or Loss and other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and Notes to the financial statements of the Company and the Group for the year ended 31st March 2016 are set out on pages 64 to 121. These financial statements do comply with the requirements of the Companies Act, No. 07 of 2007.

### 4.1 Revenue

The Company and the Group generated revenue of Rs. 601.5 mn and Rs. 1,176.3 mn (2015 – Rs. 720.7 mn and Rs. 2,066.6 mn) for which a detailed analysis is given in note 11 to the Financial Statements.

### 4.2 Financial results and appropriation

An abridgement of the financial performance of the Company and the Group is presented in the table below:

In Rupees Thousands For the year ended 31st March	Group		Company	
	2016	2015	2016	2015
Retained earnings brought forward from previous year	7,303,903	6,291,648	4,075,797	3,916,835
Super Gain Tax for the year of Assessment 2013/14	(56,595)	-	(13,919)	-
Adjusted retained earnings brought forward from previous year	7,247,308	6,291,648	4,061,878	3,916,835
Profit for the year	512,879	1,510,801	420,902	608,815
Other comprehensive income for the year	93	69	-	-
Cash dividend	(263,509)	(439,182)	(263,509)	(439,182)
Scrip dividend	(175,673)	-	(175,673)	-
Effect due to change in share holdings	176	(3)	-	-
Forfeiture of unclaimed dividends	6,241	1,384	2,557	1,384
Transfers	74,985	(60,814)	13,220	(12,055)
Retained earnings carried forward	7,402,500	7,303,903	4,059,375	4,075,797



#### 4.3 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are given on pages 69 to 81.

#### 4.4 Investment in Financial Instruments

Investments in financial instruments of the Group and the Company represents investments in available for sale financial assets and investments in fair value through profit or loss financial assets, categorised in to,

Fair value hierarchy Level 1 - quoted securities, unit trusts

Fair value hierarchy Level 3 – unquoted and private equity securities (unlisted equity investments).

The information on the fair values of the investments classified as “available for sale financial assets” and investments classified as fair value through profit or loss financial assets are given in notes 22 and 24 respectively.

Further, the note 34.5 provides an analysis of these financial instruments which are carried at fair value, by the levels in the fair value hierarchy.

#### 4.5 Reserves

As at 31st March 2016, the total reserves stood at Rs. 5,079.8 mn and Rs. 15,008.6 mn (2015 - Rs. 5,621.1 mn and Rs. 21,677.7 mn ) for the Company and the Group respectively.

The movements of the above reserves are set out in the Statement of Changes in Equity.

#### 4.6 Fair value through profit or loss financial assets reserve

During the year, amounts of Rs. 74.9 mn and Rs. 13.2 mn were transferred from (2015 – Rs. 60.8 mn and Rs. 12.1 mn were transferred to) “Fair value through profit or loss financial assets reserve” due to realisation of gains and fair value adjustment of fair value through profit or loss financial assets for the Group and the Company respectively as shown in the Statement of Changes in Equity.

#### 4.7 Available for sales financial assets reserve

During the year the net negative movement reflected in the ‘Available for sale financial assets reserve’ of the Company and the Group amounted to Rs. 511.7 mn and

Rs. 6,717.9 mn (2015 – net positive movement of Rs. 461.9 mn and Rs. 1,470.7 mn) respectively, arising out of transfer of realised gains and fair value adjustment on “available for sale financial assets”.

### 5. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibilities of the Directors, in relation to the Financial Statements are detailed in the following paragraphs, whilst the responsibilities of the Auditors are set out in the Independent Auditors' Report.

According to the Companies Act, No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, the Directors are required to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the performance for the said period.

The financial statements comprise of *inter alia*:

- a Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year,
  - a Statement of Profit or Loss and Other Comprehensive Income of the Company, which presents a true and fair view of the Profit and Loss and Other Comprehensive Income of the Company and the Group for the financial year.
- In preparing these financial statements, the Directors are required to ensure that:
- appropriate accounting policies have been selected and applied consistently, while material departures, if any, have been disclosed and explained;
  - all applicable Accounting Standards have been complied with;
  - reasonable and prudent judgments and estimates have been made; and
  - provides the information required by and otherwise comply with the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors are responsible for ensuring that the Company and the Group maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and the Group in order to ensure that its Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and meet with the requirements of the Companies Act No. 07 of 2007.

They are also responsible for taking reasonable measures to safeguard the assets of the Company and the Group and in this regard to give proper consideration to the establishment and effective operation of appropriate systems of internal control with a view to prevent, detect and rectify fraud and other irregularities.

These financial statements have been prepared on a going concern basis since the Directors are of the view that the Company has adequate resources to continue in operation in the foreseeable future from the date of approving these financial statements.

The Directors are also of the view that they have discharged their responsibilities as set out in this statement.

## 6. ouTSTAnDInG LITIGATION

There is no litigation currently pending against the Company.

## 7. InTERESTS REGISTER

The Company maintains an Interests Register conforming to the provisions of the Companies Act no. 07 of 2007.

All Directors have made declarations as provided for in Section 192 (2) of the Companies Act aforesaid.

The relevant details as required by the Companies Act No. 07 of 2007 have been entered in the Interests Register during the year under review.

The Interests Register is available for inspection as required under the Companies Act.

## 7.1 Remuneration of Directors

Directors' Remuneration for the financial year ended 31st March 2016 is given in note 12 to the financial statements.

## 7.2 Directors' Interest in Contracts and Shares

Directors' interests in contracts of the Company are disclosed in note 33 to these financial statements and have been declared at meetings of the Directors. The Directors have had no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the Company, while they had the following interests in the ordinary shares of the Company as shown in the table below.

Directors	No. of shares as at	
	31st March 2016	01st April 2015
Mr. I. Paulraj (Chairman)	257	255
Mr. D.C.R. Gunawardena	257	255
Mr. V.M. Fernando	-	-
Mrs. M.A.R.C. Cooray	-	-
Mr. K. Selvanathan	-	-
Mr. C.W. Knight	-	-
Mr. T.C.M. Chia	-	-

## 8. DIRECTORS

The names of the Directors who served during the year are given under Corporate Information provided in the inner back cover of the Annual Report.

### 8.1 Directors to retire by rotation

In terms of Articles 89, 90 and 91 of the Articles of Association of the Company, Mr. D.C.R. Gunawardena and Mrs. M.A.R.C Cooray retire by rotation and being eligible offer themselves for re-election.

## 8.2 Appointment of Directors who are over 70 years of age

Upon the recommendation of the Nomination Committee of the Company and the Board, it is recommended that Mr. Paulraj and Mr. C.W. Knight who are over 70 years of age, be re-appointed as Directors of the Company for a further period of one year from the conclusion of the Annual General Meeting and the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not be applicable to them.

## 9. AuDIToRS

Company's Auditors during the year under review were Messrs. KPMG, Chartered Accountants.

A sum of Rs. 438,000/- and Rs. 2,977,000/- was paid to them by the Company and the Group respectively as audit fees for the year ended 31st March 2016 (2015 - Rs. 405,000/- and Rs. 2,807,500/-). In addition to the above, the auditors were paid Rs. 70,000/- and Rs. 510,000/- (2015 - Rs. 110,000/- and Rs. 585,000/-) as audit related fees for the Company and the Group respectively during the year. Also the auditors were paid Rs. 2,310,000/- (2015 - nil) as professional fees for non-audit services during the year.

The retiring auditors have expressed their willingness to continue in office. A resolution to re-appoint them as auditors of the Company and authorising the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee reviewed the appointment of the Auditors, its effectiveness and its relationship with the Company and its subsidiaries, including the level of audit and non-audit fees paid to the Auditors.

### 9.1 Auditors' relationship or any interest with the Company

The Directors are satisfied that, based on written representations made by the Independent Auditors to the Board, the Auditors do not have any interest with the Company and its subsidiaries that would impair their independence.

### 9.2 Independent Auditors' Report

The Independent Auditors' Report on the financial statements is given on page 31 of the Annual Report.

## 10. SIGnIFICAnT EVEnTS DuRInG THE YEAR

### 10.1 Company

There were no significant events during the year.

### 10.2 Subsidiaries

There were no significant events during the year.

## 11. CoMPLIAnCE WITH RuLES oF THE CoLoMBo SToCK EXCHAnGE

The Board has ensured that the Company has complied with the Rules pertaining to Corporate Governance and Related Party Transactions as per the Listing Rules of the Colombo Stock Exchange (CSE).

### 11.1 Regulatory Benchmarks

The Company's activities are regulated and are governed by the;

- 1) Companies Act No.07 of 2007
- 2) Listing Rules of the Colombo Stock Exchange
- 3) Rules of the Securities and Exchange Commission of Sri Lanka (SEC)
- 4) Central Bank of Sri Lanka

Ceylon Guardian Investment Trust PLC is registered as an Underwriter with the Securities and Exchange Commission of Sri Lanka (SEC), whilst Ceylon Investment PLC and Guardian Fund Management Limited, subsidiaries of the Company, are registered with the SEC as underwriter and Investment Manager, respectively.

The above registrations are renewed on an annual basis and each company has to fulfill the criteria stipulated by the SEC for such renewal. These include amongst many other provisions, the maintenance of a minimum capital, employment of qualified staff, place clear systems and procedures for handling investor/client portfolio and regular reporting and filings with the regulator.

Ceylon Guardian Investment Trust PLC owns 50% of the issued capital of Guardian Acuity Asset Management Limited (GAAM) as a Joint Venture. GAAM is registered as an Investment Manager and is a License holder for three Unit Trusts with the SEC.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The category of Investment Manager and License holders of unit trusts are also required to have in place a comprehensive KYC procedures to satisfy anti money laundering regulations when accepting third party funds to manage.

## 11.2 Board of Directors

The following Directors held office during the period under review and their brief profiles are given on pages 35 to 37 of the Annual Report.

Directors	Executive/ Non-Executive / Independent
Mr. I. Paulraj (Chairman)	Non-Executive
Mr. D.C.R. Gunawardena	Non - Executive
Mr. V.M. Fernando *	Non-Executive / Independent
Mrs. M.A.R.C. Cooray **	Non-Executive / Independent
Mr. K. Selvanathan	Executive
Mr. C.W. Knight	Non-Executive / Independent
Mr. T. C. M. Chia ***	Non-Executive / Independent

Each of the Non-Executive Directors of the Company have submitted a signed declaration on Independence/ Non-Independence as per Rule 7.10.2.(b) of the Listings Rules of the Colombo Stock Exchange (CSE). The said declarations were tabled at a Board Meeting held on 07th June 2016 in order to enable the Board of Directors to determine the Independence/Non-Independence of each of the Non-Executive Directors, in terms of Rule 7.10.3.(a) of the Listing Rule of the CSE.

\*The Board has determined that Mr. V.M. Fernando is an Independent Director in spite of being on the Board for more than 9 years and being a Director of Ceylon Investment PLC, in which a majority of the other Directors of the Board are also Directors, since he is not directly involved in the management of the Company.

\*\* The Board has also determined that Mrs. M.A.R.C. Cooray is an Independent Director in spite of being a Director of Ceylon Investment PLC, in which a majority of

the other Directors of the Board are also Directors, since she is not directly involved in the management of the Company.

\*\*\* The Board has also determined that Mr. T.C.M. Chia is an Independent Director in spite of being a Director of Ceylon Investment PLC, in which a majority of the other Directors of the Board are also Directors, since he is not directly involved in the management of the company.

## 11.3 Directors' Meetings Attendance

During the financial year the Board of Directors had Five Board Meetings and the attendance of the Directors were as follows;

Directors	Meetings attended (out of 5)
Mr. I. Paulraj (Chairman)	05
Mr. D.C.R. Gunawardena	05
Mr. V.M. Fernando	03
Mrs. M.A.R.C. Cooray	05
Mr. K. Selvanathan	05
Mr. C.W. Knight	04
Mr. T. C. M. Chia	04

## 11.4 Board Evaluation

The 'Board Evaluation Form' of the Company focusses on the following areas;

- Core Board Responsibilities
- Board Meetings
- Committee Meetings (any/ all sub-committees)
- Relationship with Management
- Individual self-assessment
- Stakeholder and Shareholder communication/ relationship
- Suggestions/ comments

The comments made by the Directors in the Board Evaluation Form are collated by the Nomination Committee of the Company and the results and proposed actions are reported to the Board of Directors. The suggestions and recommendations made by the Directors are being reviewed and implemented by the Company.

### 11.5 Audit Committee

As per the Rule 7.10.6 of the Listing Rules of the Colombo Stock Exchange, the Audit Committee of Carson Cumberbatch PLC (CCPLC), the parent Company, functions as the Audit Committee of the Company and comprises of the following members;

Audit Committee Members	Executive / Non-Executive/ Independent
Mr. V.P.Malalasekera (Chairman)	Non-Executive/Independent Director of CCPLC
Mr. D.C.R. Gunawardena	Non-Executive Director of CCPLC
Mr. F. Mohideen	Non-Executive/Independent Director of CCPLC

The Audit Committee Report is given on pages 57 to 58 of this Annual Report.

### 11.6 Remuneration Committee

As per the Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange, the Remuneration Committee of Carson Cumberbatch PLC (CCPLC), the Parent Company, functions as the Remuneration Committee of the Company and comprises of the following members;

Remuneration Committee Members	Executive / Non-Executive/ Independent
Mr. I. Paulraj (Chairman)	Non-Executive Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC
Mr. R. Theagarajah	Non-Executive/ Independent Director of CCPLC
Mr. W. M. R. S. Dias *	Non-Executive/ Independent Director of CCPLC
Mr. T. de Zoysa **	Non-Executive/ Independent Director of CCPLC

\*Appointed to the Remuneration Committee with effect from 18th May 2015

\*\*Appointed to the Remuneration Committee with effect from 28th July 2015

#### Scope and objective

The primary objective of the Remuneration Committee is to lead to establish a formal and transparent procedure for the development of a remuneration policy and the establishment of a remuneration structure.

#### Functions and Proceedings

The Remuneration Committee recommends to the Board the remuneration to be paid to the Chief Executive Officer, Executive Directors and Non-Executive Directors. Based on the recommendation of the Remuneration Committee, the Board approves remuneration to the respective Directors.

The Chief Executive Officer, Director-in-charge and other members of senior management may be invited to attend meetings to discuss the performance of the Executive Directors and make proposals as necessary. Neither Executive nor Non-Executive Directors are involved in Remuneration Committee meetings when determinations are made in relation to the remuneration of the respective Directors. The Committee is authorised by the Board to seek appropriate professional advice internally and externally as and when it is considered necessary.

The Remuneration Committee meets at least twice a year.

During the period under review the Committee had two meetings.

Remuneration Committee Members	Meetings Attended (Out of two)
Mr. I. Paulraj (Chairman)	1/2
Mr. D.C.R. Gunawardena	2/2
Mr. R. Theagarajah	2/2
Mr. W. M. R. S. Dias *	2/2
Mr. T. de Zoysa **	2/2

\*Appointed to the Remuneration Committee with effect from 18th May 2015

\*\*Appointed to the Remuneration Committee with effect from 28th July 2015

#### Reporting and Responsibilities

The Committee Chairman reports to the Board on its proceedings on all matters within its duties and responsibilities. The Committee makes recommendations to the Board as deemed appropriate on any area within its limit where action or improvements are needed.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Aggregated remuneration paid to the Non-Executive Directors of the Company are disclosed under note 12 on page 82 of the Annual Report. Executive Directors are not compensated for their role on the Board.

## 11.7 nomination Committee

The Nomination Committee of the Company comprises of the following members.

Nomination Committee Members	Executive/Non-Executive/Independent
Mr. I. Paulraj (Chairman)	Non-Executive Director
Mrs. M.A.R.C. Cooray	Non-Executive/Independent Director
Mr. D.C.R. Gunawardena	Non-Executive Director

### Scope and objective

The primary objective of the Nomination Committee is to lead the process for Board appointments of new Directors within group Companies and the nominations of members to represent the Company in group Companies/investee Companies.

### Functions and Proceedings

The Nomination Committee recommends new appointments to the Board. Based on the recommendation of the Nomination Committee, the Board approves the new appointments of Executive and Non-Executive Directors to the Board.

Any Director of the Board and the Chief Executive Officer/ Director-in-Charge and other members of senior management may be invited to attend Meetings of the Nomination Committee. The Committee may also invite appointed external consultants to aid the Committee in the discharge of its duties.

The Committee is authorised by the Board to seek appropriate professional advice internally and externally as and when considered necessary.

The Nomination Committee meets at least twice a year.

During the period under review, the Committee had two meetings with all members in attendance.

## 11.8 Related Party Transactions Review Committee

As per the Rule 9.2.3 of the Listing Rules of the Colombo Stock Exchange, the Related Party Transactions Review Committee of Carson Cumberbatch PLC (CCPLC), the parent Company, functions as the Related Party Transactions Review Committee (RPTRC) of the Company w.e.f. 01st January 2016 and comprises of the following members.

RPTRC Members	Executive / Non-Executive/Independent
Mr. V. P. Malalasekera (Chairman)	Non-Executive/ Independent Director of CCPLC
Mr. F. Mohideen	Non-Executive/ Independent Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC
Mr. H. Selvanathan	Executive Director of CCPLC
Mr. M. Selvanathan	Executive Director of CCPLC
Mr. S. K. Shah	Executive Director of CCPLC

The Related Party Transactions Review Committee Report is given on page 59 of this Annual Report.

### Declaration

The Directors have made self-declarations for the purpose of identifying parties related to them. The said declarations were noted at the First Related Party Transactions Review Committee Meeting.

The Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year.

### 11.8.1 Related Party Transactions Exceeding 10% of the Equity or 5% of the Total Assets of the Company

The Directors declare in terms of the requirements of the Listing Rules of the Colombo Stock Exchange that the transactions carried out by the Company with its Related Parties during the year ended 31st March 2016, did not exceed 10% of Equity or 5% of the Total Assets of the Company as at 31st March 2016.



The details of the Related Party Transactions are given in Note 33 to the Financial Statements.

#### 1. Non-Recurrent Related Party Transactions

There were no Non-Recurrent Related Party Transactions entered into by the Company, where the aggregate value of the Non-Recurrent Related Party Transactions exceeds 10% of the Shareholders' equity or 5% of the total assets, whichever is lower, of the Company as at 31st March 2016.

#### 2. Recurrent Related Party Transactions

There were no Recurrent Related Party Transactions where the aggregate value of the Recurrent Related Party Transactions exceeds 10% of the Gross Revenue/ Income of the Company, as per the Audited Financial Statements.

### 12. InTERnAL ConTRoL AnD RiSk MAnAGEMEnT

The ultimate responsibility to establish, monitor and review a company-wide internal control system rests with the Board of Directors. The intensity, depth and the tolerance limits for each components of the internal control system would be based on the weight of the elements of risk imposed on the sustenance of the business by the respective area of operation. Whilst a strong internal control system would mitigate the crystallisation of risk elements to a greater extent, employment of external support structures would also be necessary based on the risk assessments made thereon.

Effective maintenance of internal controls and risk identification and mitigation is handed down to the respective members of senior management within the guidelines of benchmark policies, procedures and authority limits clearly laid down.

Group internal Audit, whose scope of scrutiny is entirely driven by grading of the risk involved, will be monitoring and providing feedback to the Management and the Audit Committee. Regular submission of compliance and internal solvency certificates vouched by the Heads of the respective divisions as a mandatory agenda item keeps the Directors abreast of the position of the Company's resource base and governance requirements.

This allows the Board to have total control of the fulfilment of governance requirements by providing opportunity to take timely preventive action in case of potential

deterioration of status quo. A comprehensive description of the risk management strategies of the Company are given on pages 28 to 34 in the Annual Report.

### 13. HuMAn RESouRCES

The management of the Group's investments is undertaken by Guardian Fund Management Limited (GFM) and management support services are provided by Carsons Management Services (Private) Limited (CMSL).

GFM continued to invest in human capital development and implement effective human resource practices and policies to develop and build an efficient and effective workforce aligned around new business priorities of the Group and to ensure that its employees are developing the skills and knowledge required for the future success of the Group, centered around the core competencies required by an investment house.

The number of persons employed by GFM as at 31st March 2016 was 20 (31st March 2015 –17).

### 14. EQUITABLE TREATMENT To SHAREHOLDERS

The Company endeavours at all times to ensure equitable treatment to all shareholders.

### 15. DIVIDEnDS

#### 15.1 Dividends paid during the financial year

- The Company paid a First Interim Dividend of Rs.2/- per share in the form of a Scrip Dividend (in the ratio of 1 share for every 93 shares held) amounting to Rs.175,672,908/-, for the Financial year ended 31st March 2015. Accordingly, 882,149 Ordinary Shares (amounting to Rs.164,193,546/-) and 61,717 Deferred Shares (amounting to Rs.11,479,362/-) were issued. The Ordinary shares were uploaded to the CDS\* Accounts of the respective shareholders on 18th August 2015 and the payments in respect of fractional shares were made to the Ordinary shareholders, on 20th August 2015.

\* Central Depository Systems (Private) Limited

- A Final Dividend of Rs.3/- per Ordinary Share and Deferred Share for the Financial Year ended 31st March 2015 was paid on 20th August 2015.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

## 15.2 Proposed Dividend payment for the financial year ended 31st March 2016

Subject to the approval of the Shareholders at the Annual General Meeting, the Board of Directors have recommended a First & Final dividend of Rs. 3/- per Ordinary share and Deferred share for the year ended 31st March 2016.

The dividend payable has not been accounted for until it is approved at the forthcoming Annual General Meeting.

The details of the dividends paid during the year are set out in note 17 to the Financial Statements.

## 16. SolVEnCY TEST

Taking into account the said distribution referred to under item 15.2 above, the Directors are satisfied that the Company would meet the Solvency Test requirement under Section 57 of the Companies Act, No.07 of 2007 immediately after said distribution. The Company's Auditors, Messrs. KPMG, Chartered Accountants have issued a Certificate of Solvency conforming the same.

## 17. STATED CAPITAL

Stated Capital of the Company amounted to Rs.1,128.7 Mn which consists of 82,978,868 Ordinary Shares and 5,801,487 Fully paid Deferred Shares. The movement in Stated Capital of the Company is given in Note 26 to the Financial Statements.

There was no change in the Stated Capital of the Company during the year.

## 18. InVESTMEnts

Investments represent, investment in subsidiaries, investment in jointly controlled entity, available for sale financial assets held for capital appreciation and investments in fair value through profit or loss financial assets held for trading.

Investment in subsidiaries are detailed in note 20.

Investment equity accounted investee is explained in detail in note 21.

Investments in Available for sale financial assets which comprises those investments held for a longer tenure, usually over 3-5 years are disclosed in note 22.

The investment portfolio of fair value through profit or loss financial assets engaged in active trading to realise benefits of the short term movements in the stock market are disclosed in note 24.

## 19. CAPITAL ExPEndITuRE

The details of capital additions of the Group are as follows.

In Rupees Thousands	Group	
	2016	2015
Property plant & equipment	3,394	1,274
Intangible assets	-	-

## 20. STATuToRY PAYMEnts

The Directors to the best of their knowledge and belief were satisfied that all statutory dues have been paid up to date or have been provided for in the financial statements.

## 21. GoInG ConCERn

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared based on the going concern concept.

## 22. EVEnts AFTER THE REpORTInG DATE

Subsequent to the reporting date, no circumstances have arisen, which would require adjustments to or disclosures in the financial statements, other than those disclosed in note 36 to the Financial Statements.

## 23. ConTInGEnT LIABILITIES AnD CAPITAL CoMMITMEnt

The contingent liabilities and commitments made on account of capital expenditure as at 31st March 2016 are given in note 37 to the Financial Statements.

## 24. ExPEnSES on CoRPoRATE SoCIAL RESpOnSIBILITY ACTIVITIES

The Group and the Company incurred Rs. 5.5 Mn (2015 – Rs. 5 Mn) and Rs. 2.75 Mn (2015 - Rs. 2.5 Mn) respectively as CSR related expense by contributing towards "Youth to Nation Foundation", a Company limited by guarantee of which the main objective is to enhance the entrepreneurial, technical and business management skills of young entrepreneurs that would promote the socio economic



development of Sri Lanka in a sustainable manner. The members of the said Company are Ceylon Guardian Investment Trust PLC and Ceylon Investment PLC.

## 25. SHARE InFoRMATIon

The details relating to earnings, net assets, market value per share and information on share trading are given on pages 122 to 123 and 130 to 131 of the Annual Report.

## 26. TWEnTY MAJoR SHAREHoLDERS WITH CoMPARATIVES

The parent company, Carson Cumberbatch PLC holds 67.15% of the total ordinary shares in issue of the Company.

Name of shareholders	2016		2015	
	No. of shares	%	No. of shares	%
CARSON CUMBERBATCH PLC A/C NO.2	55,723,635	67.15	55,130,831	67.15
THURSTON INVESTMENTS LIMITED	3,139,814	3.78	3,609,650	4.40
EMPLOYEES PROVIDENT FUND	2,969,515	3.58	2,149,166	2.62
ESTATE OF LATE M. RADHAKRISHNAN (DECEASED)	2,055,048	2.48	2,033,186	2.48
GF CAPITAL GLOBAL LIMITED	1,599,983	1.93	1,582,962	1.93
MELLON BANK N.A.-COMMONWEALTH OF MASSACHUSETTS	1,374,657	1.66	395,000	0.48
MISS G.I.A. DE SILVA	877,611	1.06	868,275	1.06
MR. G.J.W. DE SILVA	877,232	1.06	867,900	1.06
MRS. M.L. DE SILVA	866,837	1.04	857,616	1.04
MR. K.C. VIGNARAJAH	621,958	0.75	609,483	0.74
MR. H.A. VAN STARREX	587,991	0.71	906,865	1.10
EMPLOYEES TRUST FUND BOARD	490,998	0.59	485,775	0.59
THE CEYLON DESICCATED COCONUT AND OIL COMPANY PVT LIMITED	386,550	0.47	382,438	0.47
MRS. S.E. LOKHANDWALLA	358,502	0.43	354,689	0.43
WALDOCK MACKENZIE LTD/MR. M.A.N. YOOSUFALI	354,100	0.43	346,400	0.42
MISS G.N.A. DE SILVA	353,250	0.43	349,493	0.43
MR. O.D. LIYANAGE	266,443	0.32	263,609	0.32
TIMEX GARMENTS (PVT) LTD	252,689	0.30	250,001	0.30
MRS. S. VIGNARAJAH	251,922	0.30	249,233	0.30
G N RUSSEL	234,894	0.28	232,396	0.28

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

## 27. Annual Report

The information provided herein is in pursuance of the requirements of the Companies Act No.07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Board of Directors have approved the Financial Statements of the Company together with the Reviews which form part of the Annual Report on 07th June 2016.

The appropriate number of copies of the Annual Report will be submitted to the Colombo Stock Exchange, the Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies, within applicable time frames.

## 28. Annual General Meeting

The 64th Annual General Meeting of the Company will be held on Tuesday the 26th day of July 2016 at 3.30 p.m. at "Kings Court", Cinnamon Lakeside Colombo, No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02.

The Notice of the Annual General Meeting, setting out the business which will be transacted thereat is on page 134 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)  
I. Paulraj  
Chairman

(Sgd.)  
D.C.R.Gunawardena  
Director

(Sgd.)  
K. D. De Silva (Mrs.)  
Director  
Carsons Management Services (Private) Limited  
Secretaries

Colombo  
07th June 2016

# AUDIT COMMITTEE REPORT

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The Audit Committee of Carson Cumberbatch PLC (CCPLC)-the Parent Company is the Audit Committee of the Company.

The Audit Committee consists of the following Members :

Mr.Vijaya Malalasekera (Chairman)  
*Non-Executive, Independent (CCPLC)*

Mr.Chandima Gunawardena  
*Non-Executive (CCPLC)*

Mr.Faiz Mohideen  
*Non-Executive, Independent (CCPLC)*

Mr.Vijaya Malalasekera is a Non-Executive, Independent Director of CCPLC and a former Director of Ceylon Tobacco Company PLC.

Mr.Chandima Gunawardena is a Non-Executive Director of CCPLC and in most of its Group Companies. He is a Fellow of the Chartered Institute of Management Accountants, U.K.

Mr.Faiz Mohideen, a Non-Executive, Independent Director of CCPLC, was a former Deputy Secretary to the Treasury and a former Director of Bank of Ceylon and Securities and Exchange Commission of Sri Lanka.

The purpose of the Audit Committee of CCPLC is as follows :

To assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process and the Company's process for monitoring compliance with laws and regulations, Company policies and procedures and the code of conduct.

To ensure that the internal audit activity is well managed, so that it adds value to the organisation by being objective in providing relevant assurance, contributing to the effectiveness and efficiency of governance, risk management and control processes.

The audit aspects of Ceylon Guardian Investment Trust PLC are conducted within the Agenda of CCPLC-Audit Committee.

CCPLC-Audit Committee held 06 Meetings during the financial year to discuss matters relating to the Company and the attendance of the Members of the Audit Committee was as follows :

#### Meetings attended (out of six)

Mr.Vijaya Malalasekera (Chairman)	06
Mr.Chandima Gunawardena	06
Mr.Faiz Mohideen	06

The Chief Executive Officer-Investment Sector, Financial Controller-Carsons Management Services (Private) Limited-Managers, internal auditors and senior management staff members of the Investment Sector also attended the Audit Committee Meetings by invitation.

The Committee met the External Auditors, Messrs. KPMG, twice during the year to discuss the audit scope and to deliberate the draft Financial Report and Accounts. The Audit Committee also discussed the draft Financial Report and Accounts, with the External Auditors, without the management being present to foster an unbiased, independent dialogue.

The Audit Committee approved the audit plan for the financial year 2015/2016 and the Group Internal Audit (GIA) carried out 05 audits on the Investment Sector companies based on the plan.

The findings and contents of the Group Internal Audit reports have been discussed with the relevant management staff and subsequently the audit reports were circulated to the Audit Committee and to the senior management.

The objectives of the GIA work was to have an independent review of the system of internal controls as established by the management, its adequacy and integrity vis-à-vis objectives served and to determine the extent of adherence to the controls by staff responsible for the function and to take corrective/preventive action where necessary.

As approved by the Audit Committee, Messrs.KPMG, as part of their regular audit scope has commenced a comprehensive external IT security and process audit covering the entire Carsons Management Services (Private) Limited (Managers

# AUDIT COMMITTEE REPORT

to the Company) - IT environment, which extends to the Investment Sector, as well.

The interim financial statements of Ceylon Guardian Investment Trust PLC have been reviewed by the Audit Committee Members at Audit Committee Meetings, prior to release of same to the Regulatory Authorities and to the shareholders.

The draft financial statements of Ceylon Guardian Investment Trust PLC for the year ended 31st March 2016 were reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs. KPMG, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required, by the Managers, Carsons Management Services (Private) Limited that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

The Audit Committee has determined that Messrs.KPMG, Chartered Accountants, Auditors were independent on the basis that they did not carry out any management related functions of the Company.

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors for the financial year ending 31st March 2017, subject to the approval of the shareholders of Ceylon Guardian Investment Trust PLC at the Annual General Meeting.

(Sgd.)

**V.P. Malalasekera**

Chairman – Audit Committee  
Carson Cumberbatch PLC

Colombo  
7th June 2016

# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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The Related Party Transactions Review Committee (RPTRC) of Carson Cumberbatch PLC (CCPLC) was constituted on 1st January 2016.

As provided by the Colombo Stock Exchange Listing Rules, the RPTRC of CCPLC - the Parent Company functions as the RPTRC of the Company.

## Composition of the Committee

The Members of the RPTRC are as follows :

1. **Mr.V. P. Malalasekera**  
(Chairman) - Non-Executive/Independent Director of CCPLC
2. **Mr. F. Mohideen**  
Non-Executive/Independent Director of CCPLC
3. **Mr. D. C. R. Gunawardena**  
Non-Executive Director of CCPLC
4. **Mr. H. Selvanathan**  
Executive Director of CCPLC
5. **Mr. M. Selvanathan**  
Executive Director of CCPLC
6. **Mr. S. K. Shah**  
Executive Director of CCPLC

## Purpose of the Committee

The objective of the RPTRC is to review all Related Party Transactions (RPTs) of the Listed Companies of the Carsons Group, other than those exempted by the 'Related Party Transactions Compliance Code', prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

## Policies and procedures

- The RPTRC reviews all the Related Party Transactions of the Listed Companies of the Carsons Group and where the Committee decides that the approval of the Board of Directors of the respective Companies is necessary to approve a Related Party Transaction, such Board approval is obtained prior to entering into the relevant Related Party Transaction.
- When reviewing a transaction, the RPTRC would decide whether the proposed transaction is carried out on an arm's length basis irrespective of whether recurrent or non-recurrent in nature.

- Reviewing and approval would be either by meeting of members (subject to quorum being present) or by circulation.
- In determining whether to obtain the approval of the Board of Directors for a Related Party Transaction, the RPTRC will take into account, among other factors it deems appropriate, whether the proposed RPTs pose a conflict of interest to the Directors.

The self-declarations from the Directors and Key Management Personnel are obtained for the purpose of identifying parties related to them. Further, the guidelines which senior management must follow in routing Related Party Transactions to the relevant forum, including transaction threshold values and pricing where applicable, have been documented even in the case of once approved recurrent transactions which are of operational nature, which as per the RPT code need not be repeatedly approved if within the broad thresholds.

The RPTRC in discharging its function has introduced processes and periodic reporting by the relevant entities with a view to ensuring that:

- there is compliance with the Code;
- shareholder interests are protected; and
- fairness and transparency are maintained.

The Committee has a criteria for designating Carsons Group Key Management Personnel (KMP). Further, processes have been introduced to obtain annual disclosures from all KMPs so designated.

The Committee held its First Meeting on 9th March 2016 with all Members in attendance. The Related Party Transactions of the Company for the period 1st January 2016 to 31st March 2016 have been reviewed by the Members of the RPTRC and the comments and observations of the Committee have been communicated to the Board of Directors of the Company.

(Sgd.)

**V.P. Malalasekera**

Chairman – Related Party Transactions Review Committee  
Carson Cumberbatch PLC

Colombo  
7th June 2016





# REALISING WHAT'S POSSIBLE

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Comprehensive Income / 64 . Statement of Financial Position / 65 . Statement of Changes in Equity / 66 .  
Statement of Cash Flows / 68 . notes to the Financial Statements / 69 .

# FINANCIAL CALENDAR

Financial year end	31st March 2016
64th Annual General Meeting to be held on	26th July 2016

## **AnnouCEMEnt oF RESuLTS**

Interim Financial Statements published in terms of the Listing Rules of the Colombo Stock Exchange

First Quarter ended 30th June 2015	14th August 2015
Second Quarter ended 30th September 2015	13th November 2015
Third Quarter ended 31st December 2015	12th February 2016
Fourth Quarter ended 31st March 2016	31st May 2016

## **Dividend Declaration**

First and Final Dividend	7th June 2016
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# INDEPENDENT AUDITORS' REPORT



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

Tel : +94 - 11 542 6426  
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+94 - 11 254 1249  
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Internet : www.lk.kpmg.com

## To THE SHAREHOLDERS OF CEYLON GUARDIAN INVESTMENT TRUST PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of Ceylon Guardian Investment Trust PLC, ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 64 to 121.

### Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- The basis of opinion and scope and limitations of the audit are as stated above.
- In our opinion:
  - 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,
  - the financial statements of the Company give a true and fair view of its financial position as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - the financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo  
7 June 2016

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In Rupees Thousands

For the year ended 31st March	Note	Group		Company	
		2016	2015	2016	2015
<b>Revenue</b>	11	1,176,326	2,066,614	601,591	720,712
Impairment loss on available for sale financial assets		(95,232)	(81,725)	(45,667)	(41,677)
Net change in fair value of fair value through profit or loss financial assets		(211,643)	194,892	(19,614)	12,921
<b>Profit on investment activities</b>		869,451	2,179,781	536,310	691,956
Other operating income		198	-	99	-
Administrative and other operating expenses		(232,004)	(196,363)	(109,200)	(73,965)
<b>Profit from operations</b>	12	637,645	1,983,418	427,209	617,991
Net finance income / (expense)	13	(381)	620	(93)	(42)
<b>Profit from operations after net finance income / (expense)</b>		637,264	1,984,038	427,116	617,949
Share of profit / (loss) of equity accounted investee net of tax	14	4,809	(461)	-	-
<b>Profit before taxation</b>		642,073	1,983,577	427,116	617,949
Income tax expense	15	(30,873)	(64,315)	(6,214)	(9,134)
<b>Profit for the year</b>		611,200	1,919,262	420,902	608,815
<b>other comprehensive income</b>					
<b>Items that will never be reclassified to profit or loss</b>					
Actuarial gain on employee benefit obligation	29	93	69	-	-
<b>Items that are / or may be reclassified to profit or loss</b>					
Net change in fair value of available for sale financial assets		(7,592,354)	2,731,426	(306,415)	621,191
Transfer of realised gains on disposal of available for sale financial assets		(580,138)	(1,009,320)	(205,251)	(159,242)
Share of other comprehensive income of equity accounted investee net of tax	14	955	581	-	-
Net exchange differences on translation of foreign operations		34,695	3,065	-	-
<b>other comprehensive income / (expense) for the year</b>		(8,136,749)	1,725,821	(511,666)	461,949
<b>Total comprehensive income / (expense) for the year</b>		(7,525,549)	3,645,083	(90,764)	1,070,764
<b>Profit attributable to:</b>					
Equity holders of the parent		512,879	1,510,801	-	-
Non controlling interest		98,321	408,461	-	-
		611,200	1,919,262	-	-
<b>Total comprehensive income / (expense) attributable to:</b>					
Equity holders of the parent		(6,179,746)	2,984,336	-	-
Non controlling interest		(1,345,803)	660,747	-	-
		(7,525,549)	3,645,083	-	-
<b>Earnings per share (Rs.)</b>	16	5.78	17.02	4.74	6.86

The notes to the financial statements from pages 69 to 121 form an integral part of these financial statements. Figures in brackets indicate deductions.

# STATEMENT OF FINANCIAL POSITION

In Rupees Thousands

As at 31st March	Note	Group		Company	
		2016	2015	2016	2015
<b>ASSETS</b>					
<b>non-current assets</b>					
Property, plant and equipment	18	8,814	8,517	-	-
Intangible assets	19	231,917	231,917	-	-
Investments in subsidiaries	20	-	-	2,141,799	2,083,812
Investment in equity accounted investee	21	31,677	25,913	35,000	35,000
Available for sale financial assets	22	15,721,149	22,898,257	3,359,164	3,989,444
<b>Total non-current assets</b>		<b>15,993,557</b>	<b>23,164,604</b>	<b>5,535,963</b>	<b>6,108,256</b>
<b>Current assets</b>					
Trade and other receivables	23	55,700	62,620	113,087	175,459
Current tax assets		11,501	12,400	11,443	12,249
Fair value through profit or loss financial assets	24	2,661,626	2,684,697	285,555	204,670
Cash and cash equivalents	25	1,061,077	1,774,672	298,358	109,382
<b>Total current assets</b>		<b>3,789,904</b>	<b>4,534,389</b>	<b>708,443</b>	<b>501,760</b>
<b>Total assets</b>		<b>19,783,461</b>	<b>27,698,993</b>	<b>6,244,406</b>	<b>6,610,016</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated capital	26	1,128,726	953,167	1,128,726	953,167
Capital reserves	27	327,936	326,981	208,660	208,660
Revenue reserves	28	14,680,634	21,350,696	4,871,118	5,412,426
<b>Total equity attributable to equity holders of the parent</b>		<b>16,137,296</b>	<b>22,630,844</b>	<b>6,208,504</b>	<b>6,574,253</b>
Non controlling interest		3,414,692	4,827,637	-	-
<b>Total equity</b>		<b>19,551,988</b>	<b>27,458,481</b>	<b>6,208,504</b>	<b>6,574,253</b>
<b>non-current liabilities</b>					
Employee benefits	29	9,528	10,034	-	-
<b>Total non-current liabilities</b>		<b>9,528</b>	<b>10,034</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>					
Trade and other payables	31	203,970	207,033	24,368	35,169
Current tax liabilities		2,240	4,570	-	-
Bank overdraft	25	15,735	18,875	11,534	594
<b>Total current liabilities</b>		<b>221,945</b>	<b>230,478</b>	<b>35,902</b>	<b>35,763</b>
<b>Total liabilities</b>		<b>231,473</b>	<b>240,512</b>	<b>35,902</b>	<b>35,763</b>
<b>Total equity and liabilities</b>		<b>19,783,461</b>	<b>27,698,993</b>	<b>6,244,406</b>	<b>6,610,016</b>
Net assets per ordinary / deferred share		181.77	257.65	69.93	74.85
The notes from pages 69 to 121 form an integral part of these financial statements					
I certify that these Financial Statements comply with the requirements of the Companies Act No. 07 of 2007.					
(Sgd). V.R. Wijesinghe Financial Controller Carsons Management Services (Private) Limited.					
The board of directors is responsible for the preparation and presentation of these financial statements.					
Approved & Signed on behalf of Investment Managers,			Approved & Signed on behalf of the Board,		
(Sgd). W.Y.R. Fernando Director Guardian Fund Management Limited Colombo		(Sgd). I. Paulraj Chairman		(Sgd). D.C.R. Gunawardena Director	
07th June 2016					

# STATEMENT OF CHANGES IN EQUITY

In Rupees Thousands

	Capital reserves			Revenue reserves					Attributable to equity holders of parent	non controlling interest	Total equity	
	Stated capital	Investment reserve	other capital reserve	Jointly controlled entity's capital reserve	Currency translation reserve	Fair value through profit or loss financial assets reserve	Available for sale financial assets reserve	General reserve				Retained earnings
<b>Group</b>												
Balance as at 1st April 2014	953,167	7,805	316,741	1,854	33,398	24,214	12,422,814	32,668	6,291,648	20,084,309	4,256,648	24,341,157
Profit for the year	-	-	-	-	-	-	-	-	1,510,801	1,510,801	408,461	1,919,262
Other comprehensive income for the year	-	-	-	581	2,179	-	1,470,706	-	69	1,473,535	252,286	1,725,821
Total comprehensive income for the year	-	-	-	581	2,179	-	1,470,706	-	1,510,870	2,984,336	660,747	3,645,083
Dividend paid for 2013/14	-	-	-	-	-	-	-	-	(439,182)	(439,182)	(89,859)	(529,041)
Effect due to change in share holdings	-	-	-	-	-	-	-	-	(3)	(3)	(99)	(102)
Forfeiture of unclaimed dividends	-	-	-	-	-	-	-	-	1,384	1,384	-	1,384
Transfers (note 28.2)	-	-	-	-	-	60,814	-	-	(60,814)	-	-	-
<b>Balance as at 31st March 2015</b>	<b>953,167</b>	<b>7,805</b>	<b>316,741</b>	<b>2,435</b>	<b>35,577</b>	<b>85,028</b>	<b>13,893,520</b>	<b>32,668</b>	<b>7,303,903</b>	<b>22,630,844</b>	<b>4,827,637</b>	<b>27,458,481</b>
<b>Balance as at 1st April 2015</b>	<b>953,167</b>	<b>7,805</b>	<b>316,741</b>	<b>2,435</b>	<b>35,577</b>	<b>85,028</b>	<b>13,893,520</b>	<b>32,668</b>	<b>7,303,903</b>	<b>22,630,844</b>	<b>4,827,637</b>	<b>27,458,481</b>
Super Gain Tax for the year of Assessment 2013/14*	-	-	-	-	-	-	-	-	(56,595)	(56,595)	(14,945)	(71,540)
Adjusted balance as at 1st April 2015	953,167	7,805	316,741	2,435	35,577	85,028	13,893,520	32,668	7,247,308	22,574,249	4,812,692	27,386,941
Profit for the year	-	-	-	-	-	-	-	-	512,879	512,879	98,321	611,200
Other comprehensive income / (expense)	-	-	-	955	24,262	-	(6,717,936)	-	93	(6,692,626)	(1,444,123)	(8,136,749)
Total comprehensive income / (expense) for the year	-	-	-	955	24,262	-	(6,717,936)	-	512,972	(6,179,747)	(1,345,802)	(7,525,549)
Cash dividend	-	-	-	-	-	-	-	-	(263,509)	(263,509)	(57,319)	(320,828)
Scrip dividend	175,559	-	-	-	-	-	-	-	(175,673)	(114)	(3,127)	(3,241)
Effect due to change in share holdings	-	-	-	-	-	-	-	-	176	176	6,561	6,737
Forfeiture of unclaimed dividends	-	-	-	-	-	-	-	-	6,241	6,241	1,687	7,928
Transfers (note 28.2)	-	-	-	-	-	(74,965)	-	-	74,965	-	-	-
<b>Balance as at 31st March 2016</b>	<b>1,128,726</b>	<b>7,805</b>	<b>316,741</b>	<b>3,390</b>	<b>59,839</b>	<b>10,043</b>	<b>7,175,584</b>	<b>32,668</b>	<b>7,402,500</b>	<b>16,137,296</b>	<b>3,414,692</b>	<b>19,551,988</b>

The notes from pages 69 to 121 form an integral part of these financial statements. Figures in brackets indicate deductions.

\*As per the provisions of Part III of the Finance Act, No. 10 of 2015, although the Companies in the Group did not become liable to pay Super Gains Tax as stand-alone entities, Rs. 71.5 mn was paid as Super Gain Tax on the basis that the Group is part of the Bukit Darah PLC group, of which the consolidated profit before tax exceeded the threshold stipulated in the aforesaid Act. According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards and hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

	Capital reserves			Revenue Reserves				Total equity
	Stated capital	Investment reserve	other capital reserve	Fair value through profit or loss financial assets reserve	Available for sale financial assets reserve	General reserve	Retained earnings	
<b>Company</b>								
<b>Balance as at 1st April 2014</b>	953,167	7,805	200,855	1,165	846,499	14,961	3,916,835	5,941,287
Profit for the year	-	-	-	-	-	-	608,815	608,815
Other comprehensive income for the year	-	-	-	-	461,949	-	-	461,949
Total comprehensive income for the year	-	-	-	-	461,949	-	608,815	1,070,764
Dividend	-	-	-	-	-	-	(439,182)	(439,182)
Forfeiture of unclaimed dividends	-	-	-	-	-	-	1,384	1,384
Transfers (note 28.2)	-	-	-	12,055	-	-	(12,055)	-
<b>Balance as at 31st March 2015</b>	953,167	7,805	200,855	13,220	1,308,448	14,961	4,075,797	6,574,253
<b>Balance as at 1st April 2015</b>	953,167	7,805	200,855	13,220	1,308,448	14,961	4,075,797	6,574,253
Super Gain Tax for the year of Assessment 2013/14*	-	-	-	-	-	-	(13,919)	(13,919)
<b>Adjusted balance as at 1st April 2015</b>	953,167	7,805	200,855	13,220	1,308,448	14,961	4,061,878	6,560,334
Profit for the year	-	-	-	-	-	-	420,902	420,902
Other comprehensive expense for the year	-	-	-	-	(511,666)	-	-	(511,666)
Total comprehensive income / (expense) for the year	-	-	-	-	(511,666)	-	420,902	(90,764)
Cash dividend	-	-	-	-	-	-	(263,509)	(263,509)
Scrip dividend	175,559	-	-	-	-	-	(175,673)	(114)
Forfeiture of unclaimed dividends	-	-	-	-	-	-	2,557	2,557
Transfers (note 28.2)	-	-	-	(13,220)	-	-	13,220	-
<b>Balance as at 31st March 2016</b>	1,128,726	7,805	200,855	-	796,782	14,961	4,059,375	6,208,504

\* As per the provisions of Part III of the Finance Act, No. 10 of 2015, although the Company did not become liable to pay Super Gains Tax as stand-alone entity, Rs. 13.9 mn was paid as Super Gain Tax on the basis that the Company is part of the Bukit Darah PLC group, of which the consolidated profit before tax exceeded the threshold stipulated in the aforesaid Act. According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards and hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

The notes from pages 69 to 121 form an integral part of these financial statements.  
Figures in brackets indicate deductions.

# STATEMENT OF CASH FLOWS

In Rupees Thousands

For the year ended 31st March	Note	Group		Company	
		2016	2015	2016	2015
<b>Cash flows from operating activities</b>					
Profit before taxation		642,073	1,983,577	427,116	617,949
<b>Adjustments for:</b>					
Share of (profit) / loss of equity accounted investee net of tax		(4,809)	461	-	-
Depreciation on property, plant and equipment	18	3,097	2,844	-	-
Amortisation of intangible assets	19	-	1,827	-	-
Scrip dividend income from subsidiary		-	-	(57,987)	-
Provision for employee benefit	29	2,637	2,494	-	-
Net finance (income) / expense	13	381	(620)	93	42
Impairment loss on available for sale financial assets		95,232	81,725	45,667	41,677
Net charge in fair value of fair value through profit or loss financial assets		211,643	(194,892)	19,614	(12,921)
<b>operating profit before working capital changes</b>		<b>950,254</b>	<b>1,877,416</b>	<b>434,503</b>	<b>646,747</b>
(Increase) / decrease in trade and other receivables		6,920	(18,742)	62,372	(4,521)
Net increase in investments		(1,279,188)	(2,330,016)	(27,552)	(777,702)
Increase / (decrease) in trade and other payables		26,496	22,013	(12,983)	(1,572)
<b>Cash generated from / (used in) operations</b>		<b>(295,518)</b>	<b>(449,329)</b>	<b>456,340</b>	<b>(137,048)</b>
Employee benefit paid		(3,050)	-	-	-
Super gain tax paid		(71,540)	-	(13,919)	-
Income tax paid		(32,304)	(96,348)	(5,408)	(8,720)
<b>net cash generated from / (used in) operating activities</b>		<b>(402,412)</b>	<b>(545,677)</b>	<b>437,013</b>	<b>(145,768)</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	18	(3,394)	(1,274)	-	-
Finance income		628	834	-	-
<b>net cash used in investing activities</b>		<b>(2,766)</b>	<b>(440)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>					
Dividend paid		(258,884)	(430,991)	(258,884)	(430,991)
Dividend paid to non controlling interest		(86,816)	(85,172)	-	-
Subscriptions for / (redemptions of) units		6,737	(102)	-	-
Finance expense paid		(1,009)	(214)	(93)	(42)
<b>net cash used in financing activities</b>		<b>(339,972)</b>	<b>(516,479)</b>	<b>(258,977)</b>	<b>(431,033)</b>
<b>net increase / (decrease) in cash and cash equivalents</b>		<b>(745,150)</b>	<b>(1,062,596)</b>	<b>178,036</b>	<b>(576,801)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,755,797</b>	<b>2,815,328</b>	<b>108,788</b>	<b>685,589</b>
Net exchange differences on translation of foreign operations		34,695	3,065	-	-
<b>Cash and cash equivalents at the end of the year</b>	25	<b>1,045,342</b>	<b>1,755,797</b>	<b>286,824</b>	<b>108,788</b>

The notes from pages 69 to 121 form an integral part of these financial statements.  
Figures in brackets indicate deductions.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Reporting entity

### (a) Domicile and Legal Form

Ceylon Guardian Investment Trust PLC is a limited liability Company which is incorporated in Sri Lanka. The shares of the Company have a primary listing on the Colombo Stock Exchange.

The registered office and principal place of business of the Company is located at No 61 Janadhipathi Mawatha, Colombo1.

The consolidated financial statements of the Company as at and for the year ended 31 March 2016 comprise the financial information of Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in jointly controlled entity.

The Group has two listed subsidiaries, listed on the Colombo Stock Exchange, out of the five subsidiaries set out in the note 20 to the financial statements. The jointly controlled entity is set out in note 21 to the financial statements.

### (b) Principal activities and nature of operations

The principal activities of the Company and its subsidiaries are to act as specialised investment vehicles to undertake listed, private equity and fixed income investments and to engage in fund management activities.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

The investment activities of the Group are managed by Guardian Fund Management Limited (the investment manager) and Carsons Management Services (Private) Limited function as Managers and Secretaries of the Group.

### (c) Parent entity and ultimate parent entity

In the opinion of the Directors' Carson Cumberbatch PLC is the Parent Company of Ceylon Guardian Investment Trust PLC and Bukit Darah PLC is the Ultimate Parent and Controlling entity of Ceylon Guardian Investment Trust PLC

### (d) number of employees

The Group had 20 (2015 – 19) employees at the end of the financial year. The Company had no employees as at the reporting date (2015 - Nil).

## 2. Basis of preparation

### (a) Statement of compliance

The financial statements of the Company and the Group comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement cash flows together with the notes to the financial statements.

The consolidated financial statements have been prepared in accordance with Sri Lanka Accounting Standards (LKAS / SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of Companies Act, No. 7 of 2007.

The consolidated financial statements were authorised for issue by the Board of Directors on 07th June 2016.

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for the following material items in the statement of financial position;

- Non-derivative financial instruments classified as fair value through profit or loss are measured at fair value;
- Available-for-sale financial assets are measured at fair value;
- Defined benefit obligations are measured at its present value, based on an actuarial valuation.

These financial statements have been prepared on the basis that the Company and the Group would continue as a going concern for the foreseeable future.

### (c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). The consolidated



# NOTES TO THE FINANCIAL STATEMENTS

financial statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency.

## (d) use of estimates and judgments

The preparation of the consolidated financial statements in conformity with LKAS/SLFRS requires management to make judgments, estimates and assumptions that affect 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 and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

### Assumptions and estimation uncertainties:

- i. Assessment of Impairment - Key assumptions used in discounted cash flow projections.

The Group assesses at each reporting date whether there is objective evidence that an asset or portfolio of assets is impaired. The recoverable amount of an asset or Cash Generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using appropriate discount rates that reflects the current market assessments of the time value of money and risks specific to the asset. The carrying value of goodwill is reviewed at each reporting date and is written down to the extent that it is no longer supported by probable future benefits. Goodwill is allocated to CGU for the purpose of impairment testing.

- ii. Deferred taxation - utilisation of tax losses

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the level of future taxable profits together with future tax planning strategies.

## iii. Defined benefit plans

The assessment of the liability of defined benefit obligations involves a significant element of assumptions; including discount rates, future salary increases, mortality rates and future pension increases and due to the long-term nature of these plans, such estimates are subject to uncertainty.

## iv. Current taxation

Current tax liabilities arise to the group in various jurisdictions. These liabilities are provided for in the financial statements applying the relevant tax statutes and regulations which the management believes reflect the actual liability. There can be instances where the stand taken by the group on transactions is contested by revenue authorities. Any additional costs on account of these issues are accounted for as a tax expense at the point the liability is confirmed on any group entity.

## Measurement of fair values

### vi. Fair value of financial instruments

Where the fair values of financial instruments recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## (e) Materiality and aggregation

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

## (f) Comparative figures

Where necessary, comparative figures have been rearranged to conform with the current year's presentation.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Financial Statements of the Group and the Company unless otherwise indicated.

#### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2016. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Group controls an investee if and only if the investor has all the following:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investor's returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Contractual arrangement with the other vote holders of the investee
- Rights arising from other contracts and arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

#### (i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

#### (ii) non-controlling interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to no

# NOTES TO THE FINANCIAL STATEMENTS

controlling interests are based on a proportionate amount of the net assets of the subsidiary.

No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

### (iii) Subsidiaries

Subsidiaries are entities controlled by the group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Adjustments required to the accounting policies of subsidiaries have been changed where ever necessary to align them with the policies adopted by the group.

In the Company's financial statements, investments in subsidiaries are carried at cost less impairment if any, in net recoverable value.

The consolidated financial statements are prepared to a common financial year end of 31st March.

### (iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

Subsequently that retained interest is accounted for as an equity-accounted investee (Note (v)) or as an available-for-sale financial asset (Note (c)) depending on the level of influence retained.

### (v) Investments in associates and jointly controlled entities (equity-accounted investees)

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in jointly controlled entities are accounted for under the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

### (vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (vii) Financial year end

All companies in the Group have a common financial year which ends on 31st March, except the following.

Company	Nature of relationship	Financial year end
Guardian Acuity Asset Management Limited	Jointly controlled entity	31st December

### (b) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates as 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 as at that date.

The foreign currency gain or loss on monetary items is 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 that are measured at fair value in foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in profit or loss. However, foreign currency differences arising from the retranslation of the following items are recognised in other comprehensive income:

- available-for-sale equity investments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);

(ii) **Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Sri Lanka Rupees at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Sri Lanka Rupees at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation not a fully owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of

the cumulative amount is re-attributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

(c) **Financial instruments**

(i) **Non-derivative financial assets**

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories; financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

## Financial assets at fair value through profit or loss

A financial asset is classified as fair value through profit or loss (FVTPL) or is designated as such on initial recognition if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented investment or risk management strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets classified as FVTPL comprise short-term sovereign debt securities actively managed by the Group's treasury department to address short-term liquidity needs.

Financial assets designated as fair values through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

## Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

## Specific instruments

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits 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 Group in the management of its short-term commitments.

### Investment in reverse repurchase agreement

The company purchases a financial asset and simultaneously enter into an agreement to re sell the same or a substantially similar asset at a fixed price on a future date. The arrangement is accounted for as loans and receivables.

## Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the available for sale financial assets reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

## (ii) non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

(iii) Stated capital

**ordinary shares**

Ordinary shares are classified as equity. Costs attributable to the issue of ordinary shares are recognised as a deduction against equity.

(d) Property, plant and equipment

(i) Recognition and measurement

All items of property, plant equipment are initially recorded at cost.

Subsequent to the initial recognition property, plant & equipment are carried at cost less accumulated depreciation thereon 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 following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property, plant and 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 property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows;

Class of asset	No of years
Motor vehicles	4-5
Furniture and Fittings	5-10
Computer equipment	3-5
Office equipment	5-10

Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Disposal

The gains or losses arising on disposal or retirement of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment are recognised net within other income in the Statement of Income.

## (e) Intangible assets and goodwill

### (i) Recognition and measurement

#### Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see (note 3 (a)).

#### Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

#### Software

All computer software costs incurred, licensed for use by the Group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category intangible assets and carried at cost less accumulated amortisation and any accumulated impairment losses. These costs are amortised to the Statement of profit or loss using the straight line method over 3 to 10 years.

### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

### (iii) Impairment

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

## (f) Impairment

### (i) Non derivative financial assets

A financial asset not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20 percent to be significant and a period of 9 months to be prolonged.

#### Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.



An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **Available-for-sale financial assets**

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the available-for-sale financial assets reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount.

An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

#### **(ii) Non-financial assets**

The carrying amounts of the Group'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. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **(g) Employee benefits**

##### **(i) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or

# NOTES TO THE FINANCIAL STATEMENTS

profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

## (ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

## (iii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The discount rate is the yield at the reporting date on high quality corporate bonds, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

The liability recognised in the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. Such actuarial valuations will be carried out once in every year. The liability is not externally funded. All Actuarial gains or losses are recognised immediately in other comprehensive income.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

## (h) Provisions

A provision is recognised if, as a result of a past event, the Group 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money

and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

## (i) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain. In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

## (i) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes, and after eliminating sales within the Group.

The following specific criteria are used for the purpose of recognition of revenue;

## (i) Dividend Income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

**(ii) Gain on disposal of financial assets (categorised as available for sale / fair value through profit or loss)**

Profits or losses on disposal of investments are accounted for in the Statement of Income on the basis of realised net profit.

**(iii) Management fee income**

Management fee income is recognised on accrual basis.

**(iv) Interest income**

Interest income comprises the amounts earned on funds invested (including available-for-sale financial assets), and is recognised as it accrues in profit or loss, using the effective interest method.

**(v) other income**

Net gains and losses of a revenue nature resulting from the disposal of property, plant & equipment have been accounted for in the Statement of profit or loss.

**(j) Expenditure Recognition**

**(i) operating Expenses**

All expenses incurred in day-to-day operations of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit or loss for the year. Provision has also been made for bad and doubtful debts, all known liabilities and depreciation on property, plant & equipment.

**(ii) Finance income and finance costs**

Finance costs comprise interest expense on borrowings and bank overdrafts.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

**(iii) Fee and commission expenses**

Fee and commission expenses are recognised in profit or loss when the related services are received.

**(k) Income tax expense**

Income Tax expense comprises current and deferred

tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

**(i) Current taxation**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively 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 declaration of dividends.

**(ii) Deferred taxation**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities

and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred 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, based on the level of future taxable profit forecasts and tax planning strategies.

#### (iii) Tax exposures

In determining the amount of current and deferred tax, the Group takes into account 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 judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

#### (iv) Economic Service Charge (ESC)

As per the provisions of Economic Service Charge Act No. 13 of 2006 and amendments thereto, is payable on "Liable Turnover" and is deductible from the income tax payments. Any unclaimed ESC can be carried forward and settled against the income tax payable in the four subsequent years.

#### (l) 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 policies decisions of the other, irrespective of whether a price is charged.

#### 4. Earnings per share

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

#### 5. Events after the reporting period

All material and important events which occur after the reporting date have been considered and disclosed in notes to the financial statements.

#### 6. Dividends on ordinary shares

Dividends on ordinary shares are recognised 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.

#### 7. Presentation

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

Where appropriate, the significant accounting policies are disclosed in the succeeding Notes.

##### (i) Offsetting income and expenses

Income and expenses are not offset unless required or permitted by accounting standards.

##### (ii) Offsetting assets and liabilities

Assets and liabilities are offset and the net amount reported in the statement of financial position only where there is;

- a current enforceable legal right to offset the asset and the liability; and
- an intention to settle the liability simultaneously

#### 8. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. 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- In put that are quoted market prices (unadjusted) in active markets for identifiable assets and liabilities
- Level 2- Inputs other than quoted prices included in Level 1 that are observable from the asset or liability either directly ( as prices ) or indirectly ( derived prices)
- Level 3 – Inputs from the asset or liability that are not based on observable market data (unobservable inputs)

This category includes all financial instruments for which the valuation techniques include inputs not based on observable data and unobservable inputs have significant effect on the instrument's valuation.

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

**(a) Equity and debt securities**

The fair values of investments in equity and debt securities are determined with reference to their quoted closing bid price at the measurement date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a other market-related discount rate.

**(b) Trade and other receivables**

The fair values of trade and other receivables, excluding construction work in progress, are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

**(c) other non-derivative financial liabilities**

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date.

**9. Statement of cash flows**

The Statement of cash flows has been prepared using the Indirect Method of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, "Statement of cash flows".

Cash and cash equivalents as referred to in the statement of cash flows are comprised of those items as explained in Note 25.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

**Directors' responsibility**

The Board of Directors is responsible for the preparation and presentation of the Financial Statements. This is more fully described under the relevant clause in the Directors' Report.

**10. new Accounting Standards issued but not effective as at reporting date**

A number of new standards and amendments to standards issued but not yet effective as at the reporting date have not been applied in preparing these Financial Statements.

**SLFRS 9 Financial Instruments**

SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39.

Effective date of IFRS 9 is 01st April 2018.

The Group is assessing the potential impact on its financial statements resulting from the application of SLFRS 9.

**SLFRS 15 Revenue from Contracts with Customers**

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, and LKAS 11 Construction Contracts.

SLFRS 15 is effective for annual reporting periods beginning on or after 01st April 2018.

The above new standard (SLFRS 15) is not expected to have a significant impact of the Group's financial statements.

The following new or amended standards are not expected to have an impact of the Group's financial statements.

- SLFRS 14 Regulatory Deferral Accounts – effective from 01st April 2016
- Agriculture: Bearer Plants (Amendments to LKAS 16 and LKAS 41) – effective from 01st April 2016

# NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

For the year ended 31st March	Group		Company	
	2016	2015	2016	2015
<b>11 Revenue</b>				
Net gain from disposal of fair value through profit or loss financial assets	82,332	156,079	4,290	29,158
Net gain from disposal of available for sale financial assets (note 11.1)	621,412	1,367,970	221,191	305,467
Dividend income	695,279	655,161	349,280	349,849
Interest income on financial assets carried at amortised cost (note 11.2)	101,293	200,972	26,830	36,238
Management fees	103,405	87,205	-	-
	1,603,721	2,467,387	601,591	720,712
Intra-group transactions	(427,395)	(400,773)	-	-
	1,176,326	2,066,614	601,591	720,712
<b>11.1 net gain from disposal of available for sale financial assets</b>				
Proceeds from disposal of available for sale financial assets	1,571,177	2,598,589	699,168	729,508
Carrying value of available for sale financial assets disposed	(1,529,903)	(2,239,939)	(683,228)	(583,283)
Transfer of realised gains on disposal of available for sale financial assets	580,138	1,009,320	205,251	159,242
	621,412	1,367,970	221,191	305,467
<b>11.2 Interest income on financial assets carried at amortised cost</b>				
Cash at bank	1,249	751	362	606
Securities purchased under resale agreements	66,156	151,045	17,236	29,518
Placements with Banking Institutions	33,888	49,176	9,232	6,114
	101,293	200,972	26,830	36,238
<b>12 Profit from operations</b>				
Profit from operations is stated after charging all expenses include the following:				
Auditors' remuneration & expenses				
- Audit and audit related fees	3,487	3,392	508	515
- Non audit services	2,310	-	-	-
Directors' fees	22,508	16,744	14,478	11,776
Support service fees*	33,202	38,024	11,515	15,757
Depreciation and amortisation (note 12.a)	3,097	4,671	-	-
Professional services (note 12.b)	1,466	2,113	714	331
Personnel cost (note 12.c)	79,553	67,438	-	-
Expenses on CSR activities	5,500	5,000	2,750	2,500

\*Support service fees refers to the fees payable to Carsons Management Services (Private) Limited, a related company, which acts as the Managers and Secretaries of the Group.

For the year ended 31st March	Group		Company	
	2016	2015	2016	2015
<b>12.a Depreciation and amortisation</b>				
Depreciation of property, plant and equipment	3,097	2,844	-	-
Amortisation of intangible assets	-	1,827	-	-
	<b>3,097</b>	<b>4,671</b>	<b>-</b>	<b>-</b>
<b>12.b Professional Services</b>				
Legal services	101	1,166	40	-
Valuation services	26	588	-	291
Other professional services	1,339	359	674	40
	<b>1,466</b>	<b>2,113</b>	<b>714</b>	<b>331</b>
<b>12.c Personnel cost</b>				
Salaries, wages and other related expenses	70,930	59,625	-	-
Defined benefit plan cost (note 29)	2,637	2,494	-	-
Defined contribution plan cost	5,986	5,319	-	-
	<b>79,553</b>	<b>67,438</b>	<b>-</b>	<b>-</b>
<b>The above include</b>				
Directors' emoluments	22,354	22,087	-	-
	<b>22,354</b>	<b>22,087</b>	<b>-</b>	<b>-</b>
<b>13 net finance income / (expense)</b>				
<b>Finance income</b>				
Interest income	539	823	-	-
Exchange gain	89	11	-	-
	<b>628</b>	<b>834</b>	<b>-</b>	<b>-</b>
<b>Finance expense</b>				
Interest on overdraft and borrowings	147	214	93	42
Exchange losses	862	-	-	-
	<b>1,009</b>	<b>214</b>	<b>93</b>	<b>42</b>
<b>net finance income / (expense)</b>	<b>(381)</b>	<b>620</b>	<b>(93)</b>	<b>(42)</b>



# NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

## 14 Share of profit / (loss) of equity accounted investee net of tax.

For the year ended	Investor's share of profit / (loss) net of tax		Investor's share of other comprehensive income net of tax	
	31st March 2016	31st March 2015	31st March 2016	31st March 2015
Guardian Acuity Asset Management Limited	4,809	(461)	955	581
	4,809	(461)	955	581

For the year ended 31st March	Group		Company	
	2016	2015	2016	2015

## 15 Income tax expense

### 15.1 Income tax expense

Provision for the year (note 15.2)	24,240	50,418	6,308	7,155
Over provision for previous year	(314)	(348)	(94)	(37)
Dividend tax	6,947	12,229	-	-
	30,873	62,299	6,214	7,118
<b>Deferred tax</b>				
Origination and reversal of temporary differences (note 30)	-	2,016	-	2,016
	-	2,016	-	2,016
Income tax expense for the year	30,873	64,315	6,214	9,134

### 15.2 Reconciliation between accounting profit and taxable profit

Accounting Profit before taxation	642,073	1,983,577	427,116	617,949
<b>Adjustments :</b>				
Exempt profits on sale of quoted public shares	(703,744)	(1,524,049)	(225,481)	(334,625)
Dividend income	(695,279)	(655,161)	(349,280)	(349,849)
Allowable claims	(5,769)	(3,486)	(99)	-
Impairment loss on available for sale financial assets	95,232	81,725	45,667	41,677
Net change in fair value of fair value through profit or loss financial assets	211,643	(194,892)	19,614	(12,921)
Expenses attributable to exempt profits	183,136	152,374	90,223	59,614
Disallowable expenses	30,477	23,635	14,770	10,912
	(242,231)	(136,277)	22,530	32,757
Transactions adjusted on consolidation	334,893	331,681	-	-
Share of (profit) / loss of equity accounted investee net of tax	(4,809)	461	-	-
Utilisation of tax losses (note 15.3)	(1,280)	(15,800)	-	(7,203)
Adjusted profit for taxation	86,573	180,065	22,530	25,554
Current tax liability for the year				
Current tax expense of the Company (note 15.4 (a))	6,308	7,155	6,308	7,155
Current tax expense of subsidiaries (note 15.4 (a))	17,932	43,263	-	-
	24,240	50,418	6,308	7,155

Income tax expense for the Group is based on the taxable profit of individual companies within the Group. At present, the tax laws in Sri Lanka do not provide for Group taxation.

### 15.3 Movement in tax losses

For the year ended 31st March	Group		Company	
	2016	2015	2016	2015
Tax losses brought forward	14,319	30,119	-	7,203
Adjustment on finalisation of income tax liability	983	-	-	-
Utilisation of tax losses during the year	(1,280)	(15,800)	-	(7,203)
Tax losses carried forward	14,022	14,319	-	-

### 15.4 Summary of provision applicable under relevant tax legislation

(a) In accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto, the Company and all other companies of the Group are liable to income tax at the standard rate of 28% (2015 - 28%) subject to exemption disclosed in note 15.4 (b).

(b) In terms of section 13 (t) of the Inland Revenue Act, No.10 of 2006 and amendments thereto, profits derived on sale of shares on which Share Transaction Levy (STL) has been paid is exempt from income tax.

(c) Economic Service Charge (ESC) paid by the Company and its subsidiaries are available as income tax credit over a period of four subsequent years. In instances where recoverability is not possible due to tax status, sums paid are written-off against profit/loss.

### 16 Earnings per share

The following reflect the earnings and share data used for the computation of earnings per ordinary / deferred share:

For the year ended 31st March	Group		Company	
	2016	2015	2016	2015
<b>Amount used as the numerator</b>				
Profit for the year attributable to the equity holders of the parent	512,879	1,510,801	420,902	608,815
<b>Amount used as denominator (in thousands)</b>				
Weighted average number of ordinary shares outstanding during the year * ('000)				
No of shares as at beginning of the year	87,836	87,836	87,836	87,836
Adjustment on issue of ordinary shares as scrip dividends ( note 26.1)	944	944	944	944
Weighted average number of ordinary shares outstanding during the year	88,780	88,780	88,780	88,780
<b>Earnings per share (Rs.)</b>	5.78	17.02	4.74	6.86

\* Each deferred share is considered to be made up of equivalent number of ordinary shares in calculating the weighted average number of shares outstanding during the year for the purpose of earnings per share calculation.

# NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

For the year ended 31st March	Company	
	2016	2015
<b>17 Dividend per share</b>		
<b>17.1 Dividend paid during the year</b>		
<b>Scrip dividend</b>		
Total dividend - ordinary / deferred shares	175,673	-
Dividend per share (Rs.)	2.00	-
<b>Cash dividend</b>		
Total dividend - ordinary / deferred shares	263,509	439,182
Dividend per share (Rs.)	3.00	5.00
Total dividend - ordinary / deferred shares	439,182	439,182
<b>17.2 Dividend proposed during the year</b>		
<b>First interim dividend - scrip</b>		
Total dividend - ordinary / deferred shares	-	175,673
Dividend per share (Rs.)	-	2.00
<b>Proposed final dividend - cash</b>		
-On ordinary shares	248,937	246,290
-On deferred shares	17,404	17,219
Total proposed dividend	266,341	263,509
Dividend per share (Rs.)	3.00	3.00
Total dividend per share (Rs.)	3.00	5.00

The proposed final dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and according to the Sri Lanka Accounting Standard (LKAS 10) - "Events after the reporting period ", the liability has not been provided for in these financial statements.

18. Property, plant & equipment - Group

	Office equipment	Computer equipment	Furniture & fittings	Motor vehicle	Total 2016	Total 2015
<b>Cost</b>						
Balance as at the beginning of the year	186	4,395	2,883	9,445	16,909	15,635
Additions	-	1,269	2,125	-	3,394	1,274
Disposals	-	-	-	-	-	-
Balance as at end of the year	186	5,664	5,008	9,445	20,303	16,909
<b>Accumulated depreciation</b>						
Balance as at the beginning of the year	120	2,919	2,048	3,305	8,392	5,548
Charge for the year	27	785	396	1,889	3,097	2,844
Disposals	-	-	-	-	-	-
Balance as at end of the year	147	3,704	2,444	5,194	11,489	8,392
<b>net book value as at end of the year</b>	<b>39</b>	<b>1,960</b>	<b>2,564</b>	<b>4,251</b>	<b>8,814</b>	<b>8,517</b>

18.1 Details of fully depreciated assets in property, plant and equipment are as follows;

As at 31st March	2016	2015
Office equipment	53	53
Furniture and fittings	1,889	-
Computer equipment	2,756	1,962
	4,698	2,015

18.2 The Group do not have any leased assets as at the reporting date.

18.3 No borrowing costs were capitalised during the year (2015 - Nil).

18.4 No fixed asset pledged as security as at the reporting date.

19. Intangible assets - Group

	Goodwill on consolidation	Computer Software	Total 2016	Total 2015
<b>Cost</b>				
Balance as at the beginning of the year	231,917	15,350	247,267	247,267
Balance as at end of the year	231,917	15,350	247,267	247,267
Balance as at the beginning of the year	-	15,350	15,350	13,523
Charge for the year	-	-	-	1,827
Balance as at end of the year	-	15,350	15,350	15,350
<b>Net book value as at the end of the year</b>	<b>231,917</b>	<b>-</b>	<b>231,917</b>	<b>231,917</b>

# NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

As at 31st March	2016	2015
19.1 Details of fully amortised intangible assets are as follows;		
Computer software	15,350	15,350
	15,350	15,350
19.2 Analysis of Computer software		
Purchased software	15,350	15,350
	15,350	15,350

#### 19.3 Impairment assessment on goodwill

##### Goodwill arising on business combinations - Guardian Capital Partners PLC

Based on the prevailing published market prices and the forecasted growth of its current investment portfolio, the Board of Directors is confident that the recoverable amount of goodwill is higher than its corresponding carrying amount as at the reporting date.

As at 31st March	2016			2015		
	No of shares	Cost	Fair value	No of shares	Cost	Fair value
20 Investment in subsidiaries - Company						
20.1 Quoted investments						
Ceylon Investment PLC	64,010,916	1,297,221	3,373,375	63,407,518	1,239,234	5,770,084
Guardian Capital Partners PLC	21,692,800	658,661	609,568	21,692,800	658,661	822,157
		1,955,882	3,982,943		1,897,895	6,592,241
20.2 unquoted investments						
Rubber Investment Trust Limited	3,955,609	316	10,434,578	3,955,609	316	8,730,016
Guardian Fund Management Limited	2,848,678	73,321	73,321	2,848,678	73,321	73,321
The Sri Lanka Fund	1,265,823	112,280	147,543	1,265,823	112,280	161,499
		185,917	10,655,442		185,917	8,964,836
Total investment in subsidiaries		2,141,799	14,638,385		2,083,812	15,557,077

The fair value of quoted investments are based on the volume weighted average prices as at 31st March, published by the Colombo Stock Exchange, whilst fair value of Rubber Investment Trust Limited is based on the net assets value arrived after fair valuation of its investment portfolio. The fair value of The Sri Lanka Fund is based on unit price published by the Investment Managers, Guardian Fund Management Limited as at the year end.

20.3 non-controlling interests

The following subsidiaries have material Non Controlling Interest (NCI).

As at 31st March	Nature of the business	Ownership interest held by NCI - %	
		2016	2015
Ceylon Investment PLC	Investment holding	35.64	35.64
Rubber Investment Trust Limited	Investment holding	17.81	17.81

Given below the summarised financial information of these subsidiaries.

For the year ended / as at 31st March	Ceylon Investment PLC		Rubber Investment Trust Limited	
	2016	2015	2016	2015
Revenue	322,032	739,237	437,049	609,804
Profit for the year	287,215	986,862	326,179	600,043
Total other comprehensive income / (expense) for the year	(4,090,419)	781,179	(7,148,265)	1,216,437
Total comprehensive income / (expense) for the year	(3,803,204)	1,768,041	(6,822,086)	1,816,480
Current assets	1,141,606	1,243,829	1,151,203	2,060,273
Non current assets	8,149,102	12,133,158	9,351,020	15,433,890
Total assets	9,290,708	13,376,987	10,502,223	17,494,163
Current liabilities	(187,055)	(274,817)	(67,643)	(47,495)
Net assets	9,103,653	13,102,170	10,434,580	17,446,668
Net cash used in operating activities	(52,634)	(87,556)	(335,898)	(341,690)
Net cash generated from investing activities	79,195	83,235	-	-
Net cash used in financing activities	(242,840)	(249,705)	(160,076)	(173,910)
Net decrease in cash and cash equivalents	(216,279)	(254,026)	(495,974)	(515,600)

21 Investment in equity accounted investee

As at 31st March	2016		2015	
	Cost	Carrying value	Cost	Carrying value

21.1 Group

Investment in jointly controlled entity ( note 21.3)	35,000	31,677	35,000	25,913
	35,000	31,677	35,000	25,913

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As at 31st March	2016		2015	
	No. of shares	Cost	No. of shares	Cost

## 21.2 Company

### Investment in jointly controlled entity

Guardian Acuity Asset Management Limited	3,500,000	35,000	3,500,000	35,000
		35,000		35,000

Guardian Acuity Asset Management Limited, is a company incorporated in Sri Lanka, to set up and carry out Unit Trust Management activities licensed by Securities and Exchange Commission of Sri Lanka, and governed by a Joint Venture agreement between Acuity Partners (Private) Limited and Ceylon Guardian Investment Trust PLC. Ceylon Guardian Investment Trust PLC and Acuity Partners (Pvt) Limited holds 50% each of the issued share capital in the said company.

For the year ended 31st March	2016		2015	
	% Holding	Carrying value	% Holding	Carrying value

## 21.3 Movement of investment in jointly controlled entity

Investment at cost		35,000		35,000
<b>Investors' share of net assets</b>				
At the beginning of the year	50%	(9,087)	50%	(9,207)
Share of jointly controlled entity's profit / (loss) net of taxation		4,809		(461)
Share of other comprehensive income net of taxation		955		581
At the end of the year		(3,323)		(9,087)
<b>Carrying value of total investment in jointly controlled entity on equity method</b>		31,677		25,913

### Summarised financial information of the jointly controlled entity

For the year ended / As at 31st March	2016	2015
Revenue	33,549	15,925
Profit / (loss) for the year	9,618	(922)
Total other comprehensive income for the year	1,910	1,161
Total comprehensive income for the year	11,528	239
Total non-current assets	49,221	46,469
Total current assets	19,221	8,364
Total assets	68,442	54,833
Total non-current liabilities	(643)	(374)
Total current liabilities	(4,445)	(2,633)
Net assets	63,354	51,826



## 22 Available for sale financial assets

As at 31st March	2016		2015		
	Cost	Fair value	Cost	Fair value	
<b>22.1 Summary - Group</b>					
<b>Investments in equity securities</b>					
Quoted	22.3(a)	7,001,690	15,448,327	5,925,413	22,647,355
Unquoted	22.3(b)	15,734	27,186	18,624	18,624
Private equity	22.3(c)	125,261	125,261	115,005	115,005
<b>Total investment in equity securities</b>		<b>7,142,685</b>	<b>15,600,774</b>	<b>6,059,042</b>	<b>22,780,984</b>
<b>Investments in debentures</b>					
Unquoted	22.3(d)	5	5	5	5
<b>Total investment in debentures</b>		<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>Investments in unit trusts</b>					
Unquoted	22.3(e)	90,461	120,370	88,263	117,268
<b>Total investment in units trusts</b>		<b>90,461</b>	<b>120,370</b>	<b>88,263</b>	<b>117,268</b>
<b>Total investment in available for sale financial assets</b>		<b>7,233,151</b>	<b>15,721,149</b>	<b>6,147,310</b>	<b>22,898,257</b>

## 22.2 Movement in available for sale financial assets - Group

For the year ended 31st March 2016	Fair value as at 1st April 2015	Additions	Disposals	Fair value adjustment	Fair value as at 31st March 2016
Investments in equity securities	22,780,984	2,038,183	(1,529,903)	(7,688,490)	15,600,774
Investments in debentures	5	-	-	-	5
Investments in unit trusts	117,268	2,198	-	904	120,370
	<b>22,898,257</b>	<b>2,040,381</b>	<b>(1,529,903)</b>	<b>(7,687,586)</b>	<b>15,721,149</b>
For the year ended 31st March 2015	Fair value as at 1st April 2014	Additions	Disposals	Fair value adjustment	Fair value as at 31st March 2015
Investments in equity securities	19,837,443	2,525,672	(2,220,286)	2,638,155	22,780,984
Investments in debentures	5	-	-	-	5
Investments in unit trusts	120,500	4,875	(19,653)	11,546	117,268
	<b>19,957,948</b>	<b>2,530,547</b>	<b>(2,239,939)</b>	<b>2,649,701</b>	<b>22,898,257</b>

The fair value adjustment represents the net unrealised gains / (losses) on fair value adjustment of investment portfolios including any adjustment on impairment losses.

Due to significant / prolonged decline in fair value of identified equity securities in available for sale financial assets below its cost, an impairment loss amounted to Rs. 95.2 Mn has been recognised against profit or loss for the year (2015 - 81.7 Mn) as required by LKAS – 39 "Financial Instruments; recognition and measurement". LKAS – 39 also requires to recognise fair value gains and losses arising from assets classified as available for sale, other than impairment losses, in other comprehensive income. Accordingly, a loss of Rs. 7,592.3 Mn and a gain of Rs. 2,731.4 Mn have been recognised in financial years 2016 and 2015 respectively.

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## 22.3 Available for sale financial assets - Group

### (a) Investments in equity securities - quoted

As at 31st March	2016			2015		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
<b>Banks, Finance &amp; Insurance</b>						
Central Finance Company PLC	2,140,279	431,231	449,459	2,488,874	501,454	622,467
Commercial Bank of Ceylon PLC	6,648,695	627,512	834,411	5,096,451	365,216	842,953
Ceylinco Insurance PLC - Non voting	241,266	163,028	188,670	-	-	-
DFCC Bank PLC	-	-	-	50,000	10,618	10,140
Hatton National Bank - Non voting	2,389,425	422,803	408,592	1,057,721	186,911	174,524
Hatton National Bank PLC	3,286,216	664,549	654,943	2,994,843	601,532	664,855
HNB Assurance PLC	2,000,000	106,360	108,000	2,000,000	106,360	170,000
Nations Trust Bank PLC	-	-	-	6,666,280	427,518	667,295
People's Leasing and Finance Company PLC	6,873,974	122,335	109,984	5,893,731	102,767	130,251
Peoples Insurance PLC	6,219,800	93,297	105,115	-	-	-
Sampath Bank PLC	3,729,716	860,128	842,916	2,993,345	692,193	754,622
Seylan Bank PLC	703,790	63,582	60,526	-	-	-
Seylan Bank PLC - Non voting	355,035	23,273	22,367	-	-	-
		3,578,098	3,784,983		2,994,569	4,037,107
<b>Beverage, Food &amp; Tobacco</b>						
Cargills (Ceylon) PLC	4,267,300	126,648	640,095	4,367,300	129,616	598,320
Distilleries Company of Sri Lanka PLC	3,558,749	841,976	733,814	2,669,722	627,700	642,068
		968,624	1,373,909		757,316	1,240,388
<b>Construction &amp; Engineering</b>						
Access Engineering PLC	6,475,619	210,199	134,693	6,475,619	210,199	124,332
		210,199	134,693		210,199	124,332
<b>Diversified</b>						
Aitken Spence PLC	3,348,000	336,851	246,078	3,348,000	336,851	333,126
Expolanka Holdings PLC	6,845,150	41,483	47,916	6,845,150	41,483	58,184
Hemas Holdings PLC	1,138,685	89,590	91,778	-	-	-
John Keells Holdings PLC	7,244,217	316,883	1,072,144	7,684,878	383,870	1,532,365
Softlogic Holdings PLC	5,144,707	79,405	68,425	-	-	-
		864,212	1,526,341		762,204	1,923,675
<b>Footwear and Textiles</b>						
Hayleys Fabric PLC	22,149,122	260,382	398,684	28,793,905	338,497	509,652
		260,382	398,684		338,497	509,652

As at 31st March	2016			2015		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
<b>Health Care</b>						
Ceylon Hospitals PLC	831,749	65,167	74,857	831,749	65,167	94,736
		65,167	74,857		65,167	94,736
<b>Hotels &amp; Travel</b>						
Aitken Spence Hotel Holdings PLC	4,826,890	310,812	255,825	3,315,388	218,424	222,131
Serendib Hotels PLC	1,110,814	39,314	30,547	1,110,814	39,314	31,103
		350,126	286,372		257,738	253,234
<b>Manufacturing</b>						
Tokyo Cement Company (Lanka) PLC	552,166	20,496	20,430	-	-	-
		20,496	20,430		-	-
<b>Motors</b>						
Diesel and Motor Engineering PLC	140,429	70,187	77,194	140,429	70,187	88,470
		70,187	77,194		70,187	88,470
<b>oil Palm</b>						
Bukit Darah PLC	20,438,250	1,928	7,153,388	20,438,250	1,927	13,857,132
Bukit Darah PLC - Preference Shares - 8% participative cumulative	31,875	1	1	31,875	1	1
		1,929	7,153,389		1,928	13,857,133
<b>Telecommunication</b>						
Dialog Axiata PLC	60,536,931	612,270	617,475	49,868,072	467,608	518,628
		612,270	617,475		467,608	518,628
<b>Total investment in equity securities - quoted</b>		<b>7,001,690</b>	<b>15,448,327</b>		<b>5,925,413</b>	<b>22,647,355</b>

The fair value of the Group's listed investment portfolio is based on the volume weighted average price as at 31st March, published by the Colombo Stock Exchange.

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As at 31st March	2016			2015		
<b>(b) Investments in equity securities - unquoted</b>						
DFCC Vardhana Bank Limited	-	-	-	165,759	2,890	2,890
Equity Investments Lanka (Private) Limited	11,250	2	2	11,250	2	2
Kandy Private Hospitals Limited	1,200	18	18	1,200	18	18
Lanka Communications Limited	1,428,496	15,714	27,166	1,428,496	15,714	15,714
<b>Total investment in equity securities - unquoted</b>		<b>15,734</b>	<b>27,186</b>		<b>18,624</b>	<b>18,624</b>
<b>(c) Investments in equity securities - private equity (unlisted)</b>						
hSenid Business Solutions (Private) Ltd	163,419	40,005	40,005	163,419	40,005	40,005
Kashmi Singapore PTE. LTD	417	10,256	10,256	-	-	-
LVL Energy Fund Limited	9,375,000	75,000	75,000	9,375,000	75,000	75,000
<b>Total investment equity securities - private equity (unlisted)</b>		<b>125,261</b>	<b>125,261</b>		<b>115,005</b>	<b>115,005</b>
<b>Total investment equity securities</b>		<b>7,142,685</b>	<b>15,600,774</b>		<b>6,059,042</b>	<b>22,780,984</b>
<b>(d) Investment in debentures</b>						
As at 31st March	2016			2015		
	No. of debentures	Cost	Fair value	No. of debentures	Cost	Fair value
<b>Redeemable unsecured</b>						
Tangerine Beach Hotels Limited - Zero Coupon	56	1	1	56	1	1
Ocean View Limited - 6%	360	4	4	360	4	4
<b>Total investment in debentures</b>		<b>5</b>	<b>5</b>		<b>5</b>	<b>5</b>
<p>The fair value of the Group's unlisted investment portfolio is based on the valuation carried out by investment managers, Guardian Fund Management Limited.</p>						

As at 31st March	2016			2015		
	No. of units	Cost	Fair value	No. of units	Cost	Fair value
<b>(e) Investments in unit trusts - unquoted</b>						
Guardian Acuity Equity Fund	2,500,000	25,000	38,275	2,500,000	25,000	40,850
Guardian Acuity Fixed Income Fund	6,464,196	65,461	82,095	6,279,202	63,263	76,418
<b>Total investment in unit trusts - unquoted</b>		<b>90,461</b>	<b>120,370</b>		<b>88,263</b>	<b>117,268</b>

Fair value of investment in unit trust is based on the redemption unit price published by the Unit Trust Managers, Guardian Acuity Asset Management Limited, as at 31st March.

#### 22.4 Summary - Company

As at 31st March	2016		2015		
	Cost	Fair value	Cost	Fair value	
<b>Investments in equity securities</b>					
Quoted	22.6(a)	2,692,136	3,282,580	2,768,198	3,924,155
Unquoted	22.6(b)	15,724	27,176	16,687	16,687
<b>Total investment in equity securities</b>		<b>2,707,860</b>	<b>3,309,756</b>	<b>2,784,885</b>	<b>3,940,842</b>
<b>Investments in debentures</b>					
Unquoted	22.6(c)	1	1	1	1
<b>Total investment in debentures</b>		<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Investments in unit trusts</b>					
Unquoted	22.6(d)	36,636	49,407	35,826	48,601
<b>Total investment in units trusts</b>		<b>36,636</b>	<b>49,407</b>	<b>35,826</b>	<b>48,601</b>
<b>Total investment in available for sale financial assets</b>		<b>2,744,497</b>	<b>3,359,164</b>	<b>2,820,712</b>	<b>3,989,444</b>

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## 22.5 Movement in available for sale financial assets - Company

For the year ended 31st March 2016	Fair value as at 1st April 2015	Additions	Disposals	Fair value adjustment	Fair value as at 31st March 2016
Investments in equity securities	3,940,842	404,219	(683,228)	(352,077)	3,309,756
Investments in debentures	1	-	-	-	1
Investments in unit trusts	48,601	811	-	(5)	49,407
	3,989,444	405,030	(683,228)	(352,082)	3,359,164

For the year ended 31st March 2015	Fair value as at 1st April 2014	Additions	Disposals	Fair value adjustment	Fair value as at 31st March 2015
Investments in equity securities	2,760,324	1,170,199	(563,630)	573,949	3,940,842
Investments in debentures	1	-	-	-	1
Investments in unit trusts	60,251	2,438	(19,653)	5,565	48,601
	2,820,576	1,172,637	(583,283)	579,514	3,989,444

## 22.6 Available for sale financial assets - Company

### (a) Investments in equity securities - quoted

As at 31st March	2016			2015		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
<b>Banks, Finance &amp; Insurance</b>						
Central Finance Company PLC	974,084	195,433	204,558	1,141,079	228,938	285,383
Ceylinco Insurance PLC - Non voting	115,256	77,727	90,130	-	-	-
Commercial Bank of Ceylon PLC	2,987,374	238,418	374,915	3,056,774	228,599	505,590
DFCC Bank PLC	-	-	-	25,000	5,309	5,070
Hatton National Bank PLC - Non voting	590,857	102,859	101,037	404,000	69,981	66,660
Hatton National Bank PLC	1,438,614	284,450	286,716	1,281,872	250,507	284,576
HNB Assurance PLC	2,000,000	106,360	108,000	2,000,000	106,360	170,000
Nations Trust Bank PLC	-	-	-	3,492,685	225,693	349,618
People's Leasing and Finance Company PLC	1,823,438	33,529	29,175	843,195	13,961	18,635
Peoples Insurance PLC	1,765,200	26,478	29,832	-	-	-
Sampath Bank PLC	1,694,165	388,439	382,881	1,514,978	349,743	381,926
		1,453,693	1,607,244		1,479,091	2,067,458
<b>Beverage, Food &amp; Tobacco</b>						
Cargills (Ceylon) PLC	4,267,300	126,648	640,094	4,367,300	129,616	598,320
Distilleries Company of Ceylon PLC	1,324,661	310,843	273,145	1,324,661	310,843	318,581
		437,491	913,239		440,459	916,901

As at 31st March	2016			2015		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
<b>Construction &amp; Engineering</b>						
Access Engineering PLC	2,160,000	79,003	44,928	2,160,000	79,003	41,472
		79,003	44,928		79,003	41,472
<b>Diversified</b>						
Aitken Spence PLC	1,674,000	168,425	123,039	1,674,000	168,425	166,563
		168,425	123,039		168,425	166,563
<b>Footwear and Textiles</b>						
Hayleys Fabric PLC	10,883,750	127,945	195,908	14,640,951	172,113	259,145
		127,945	195,908		172,113	259,145
<b>Health Care</b>						
Ceylon Hospitals PLC	518,371	47,544	46,653	518,371	47,544	59,042
		47,544	46,653		47,544	59,042
<b>Hotels &amp; Travels</b>						
Aitken Spence Hotel Holdings PLC	2,557,315	164,668	135,538	1,355,813	89,790	90,840
Serendib Hotels PLC	560,924	19,852	15,425	560,924	19,852	15,706
		184,520	150,963		109,642	106,546
<b>Motors</b>						
Diesel & Motor Engineering PLC	77,873	38,745	42,807	77,873	38,745	49,060
		38,745	42,807		38,745	49,060
<b>Telecommunication</b>						
Dialog Axiata PLC	15,470,454	154,770	157,799	24,804,659	233,176	257,968
		154,770	157,799		233,176	257,968
<b>Total investment in equity securities - quoted</b>		<b>2,692,136</b>	<b>3,282,580</b>		<b>2,768,198</b>	<b>3,924,155</b>

The fair value of the Company's listed investment portfolio is based on the volume weighted average price as at 31st March, published by the Colombo Stock Exchange.



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## (b) Investments in equity securities - unquoted

As at 31st March	2016			2015		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
DFCC Vardhana Bank limited	-	-	-	55,253	963	963
Equity Investments Lanka (Private) Limited	1	1	1	1	1	1
Kandy Private Hospitals Limited	600	9	9	600	9	9
Lanka Communications Limited	1,428,496	15,714	27,166	1,428,496	15,714	15,714
<b>Total investment in equity securities - unquoted</b>		<b>15,724</b>	<b>27,176</b>		<b>16,687</b>	<b>16,687</b>

## (c) Investments in debentures - unquoted

As at 31st March	2016			2015		
	No. of debentures	Cost	Fair value	No. of debentures	Cost	Fair value
<b>Redeemable unsecured</b>						
Ocean View Limited - 6%	120	1	1	120	1	1
<b>Total investment in debentures</b>		<b>1</b>	<b>1</b>		<b>1</b>	<b>1</b>

The fair value of the Company's unlisted investment portfolio is based on the valuation carried out by investment managers, Guardian Fund Management Limited.

## (d) Investments in unit trusts - unquoted

As at 31st March	2016			2015		
	No. of units	Cost	Fair value	No. of units	Cost	Fair value
Guardian Acuity Equity Fund	1,250,000	12,500	19,138	1,250,000	12,500	20,425
Guardian Acuity Fixed Income Fund	3,990,423	24,136	30,269	2,315,199	23,326	28,176
<b>Total investment in unit trusts</b>		<b>36,636</b>	<b>49,407</b>		<b>35,826</b>	<b>48,601</b>

Fair value of investment in unit trust is based on the redemption unit price published by the Unit Trust Managers, Guardian Acuity Asset Management Limited, as at 31st March.

23 Trade and other receivables

As at 31st March	Group		Company	
	2016	2015	2016	2015
<b>Financial</b>				
Trade receivables	4,793	11,281	-	199
Dividend receivable (note 23.1)	29,411	45,038	112,619	175,235
Other receivable	19,570	5,516	-	-
	53,774	61,835	112,619	175,434
<b>non financial</b>				
Advances and prepaid expense	1,926	785	468	25
	1,926	785	468	25
	55,700	62,620	113,087	175,459

23.1 Due from related entities

Dividend receivable by the Company includes dividend receivable from the subsidiary company "Ceylon Investment PLC" amounting to Rs. 96 mn (2014 - Rs. 153.6 mn).

24 Fair value through profit or loss financial assets

24.1 Summary

As at 31st March	Note	Group		Note	Company	
		2016	2015		2016	2015
<b>Investments in equity securities</b>						
Quoted	24.3.a	1,720,003	1,653,948	24.5.a	234,877	204,670
Total investment in equity securities		1,720,003	1,653,948		234,877	204,670
<b>Investments in unit trusts</b>						
Unquoted	24.3.b	941,623	1,030,749	24.5.b	50,678	-
Total investment in units trusts		941,623	1,030,749		50,678	-
<b>Total investment in fair value through profit or loss financial assets</b>		<b>2,661,626</b>	<b>2,684,697</b>		<b>285,555</b>	<b>204,670</b>

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## 24.2 Movement in fair value through profit or loss financial assets - Group

For the year ended 31st March 2016	Fair value as at 1st April 2015	Additions	Disposals	Effect of currency translation	Change in fair value	Fair value as at 31st March 2016
Investments in equity securities - quoted	1,653,948	851,677	(566,970)	30,694	(249,346)	1,720,003
Investment in unit trusts - unquoted	1,030,749	480,662	(607,520)	29	37,703	941,623
	2,684,697	1,332,339	(1,174,490)	30,723	(211,643)	2,661,626

For the year ended 31st March 2015	Fair value as at 1st April 2015	Additions	Disposals	Effect of currency translation	Change in fair value	Fair value as at 31st March 2016
Investments in equity securities - quoted	1,434,515	1,315,804	(1,275,291)	2,765	176,155	1,653,948
Investment in unit trusts - unquoted	25,202	1,012,107	(25,297)	-	18,737	1,030,749
	1,459,717	2,327,911	(1,300,588)	2,765	194,892	2,684,697

The change in fair value represents unrealised fair valuation gains / (losses) on fair value through profit or loss financial assets.

## 24.3 Fair value through profit or loss financial assets - Group

### (a) Investment in equity securities - quoted

As at 31st March	2016		2015	
	No. of shares	Fair value	No. of shares	Fair value
<b>Bank, Finance and Insurance</b>				
Central Finance Company PLC	60,600	15,332	85,000	21,383
Ceylinco Insurance PLC	28,000	22,400	-	-
Commercial Bank of Ceylon PLC	430,084	56,622	373,630	62,192
DFCC Bank PLC	297,315	40,732	197,315	40,015
Hatton National Bank PLC	777,800	156,499	746,650	162,349
Hatton National Bank PLC - Non voting	611,276	104,528	525,821	86,760
Janashakthi Insurance Company PLC	1,500,000	24,000	-	-
Nations Trust Bank PLC	-	-	74,920	7,313
People's Leasing & Finance PLC	1,081,000	23,782	1,431,000	35,279
Sampath Bank PLC	68,422	16,968	106,627	3,240
Seylan Bank PLC	1,139,671	98,462	1,119,671	107,753
Seylan Bank PLC - Non voting	591,755	37,281	-	-
Singer Finance (Lanka) PLC	500,000	9,050	-	-
Sinhaputhra Finance PLC	100,000	1,670	20,000	3,598
Softlogic Capital PLC	600,000	3,600	600,000	3,600
Union Bank of Colombo PLC	4,545,420	75,454	2,857,946	68,876
Vallibel Finance PLC	-	-	70,000	25,354
		686,380		627,712

As at 31st March	2016		2015	
	No. of shares	Fair value	No. of shares	Fair value
<b>Beverage, Food &amp; Tobacco</b>				
Cargills (Ceylon) PLC	103,800	19,618	103,800	15,981
Distilleries Company of Sri Lanka PLC	791,795	169,143	675,674	159,873
		188,761		175,854
<b>Construction and Engineering</b>				
MTD Walkers PLC	860,846	30,680	-	-
Access Engineering PLC	2,109,609	43,880	4,401,904	93,057
		74,560		93,057
<b>Diversified</b>				
Aitken Spence PLC	1,055,218	83,938	1,030,218	103,204
Hemas Holdings PLC	1,709,469	139,308	1,763,524	130,093
Hayleys PLC	42,457	12,283	-	-
John Keells Holdings PLC - Warrants 2015	-	-	257,900	8,279
John Keells Holdings PLC	461,569	69,746	150,124	32,566
Softlogic Holdings PLC	8,138,952	108,392	6,496,410	85,753
		413,667		359,895
<b>Footware and Textile</b>				
Hayleys Fabric PLC	1,036,132	23,209	1,036,132	18,142
		23,209		18,142
<b>Health Care</b>				
Asiri Central Hospital Limited	6,526	1,078	-	-
Asiri Hospitals PLC	620,000	14,880	-	-
Ceylon Hospitals PLC	90,000	9,108	90,000	10,632
The Lanka Hospitals Corporation PLC	548,000	27,948	648,000	25,855
		53,014		36,487
<b>Hotels &amp; Travels</b>				
Aitken Spence Hotel Holdings PLC	976,693	54,534	413,793	29,938
Serendib Hotels PLC	270,067	7,427	270,067	7,562
Serendib Hotels PLC - Non voting	765,592	13,572	765,592	16,528
		75,533		54,028

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As at 31st March	2016		2015	
	No. of shares	Fair value	No. of shares	Fair value
<b>Land &amp; Property</b>				
Overseas Realty (Ceylon) PLC	2,490,859	58,286	1,047,050	24,606
		58,286		24,606
<b>Manufacturing</b>				
Ceylon Glass Company PLC	-	-	2,000,000	11,400
Chevron Lanka Lubricants PLC	75,381	22,991	-	-
Kelani Tyres PLC	516,748	33,072	691,001	54,007
Lanka Tiles PLC	-	-	391,032	42,065
		56,063		107,472
<b>Motor</b>				
Diesel & Motor Engineering PLC	-	-	9,766	6,250
		-		6,250
<b>Power and Energy</b>				
Lanka IOC PLC	-	-	624,862	25,182
Laughfs GAS PLC	100,000	4,150	100,000	4,075
Panasian Power PLC	-	-	1,400,000	4,508
Vallibel Power Erathna PLC	1,034,117	8,273	3,364,000	26,272
		12,423		60,037
<b>Telecommunications</b>				
Dialog Axiata PLC	6,850,000	71,095	7,377,563	83,290
		71,095		83,290
<b>Trading</b>				
Singer Sri Lanka PLC	50,846	7,012	60,000	7,118
		7,012		7,118
<b>Total investment in equity securities - quoted</b>		<b>1,720,003</b>		<b>1,653,948</b>

(b) Investments in unit trusts - unquoted

As at 31st March	2016		2015	
	No. of shares	Fair value	No. of shares	Fair value
Guardian Acuity Fixed Income Fund	41,931,277	532,518	43,557,890	530,099
Guardian Acuity Money Market GILT Fund	3,842,442	409,105	5,000,000	500,650
<b>Total investment in unit trusts - unquoted</b>		<b>941,623</b>		<b>1,030,749</b>

24.4 Movement in fair value through profit or loss financial assets - Company

For the year ended 31st March 2016	Fair value as at 1st April 2015	Additions	Disposals	Change in fair value	Fair value as at 31st March 2016
Investments in equity securities - quoted	204,670	97,102	(46,603)	(20,292)	234,877
Investments in unit trusts - unquoted	-	50,000	-	678	50,678
	204,670	147,102	(46,603)	(19,614)	285,555
For the year ended 31st March 2015	Fair value as at 1st April 2014	Additions	Disposals	Change in fair value	Fair value as at 31st March 2015
Investments in equity securities - quoted	162,643	252,576	(223,470)	12,921	204,670
	162,643	252,576	(223,470)	12,921	204,670

The change in fair value represents unrealised fair valuation gains / (losses) on fair value through profit or loss financial assets.

24.5 Fair value through profit or loss financial assets - Company

(a) Investment in equity securities - quoted

As at 31st March	2016		2015	
	No. of shares	Fair value	No. of shares	Fair value
<b>Banks Finance &amp; Insurance</b>				
Hatton National Bank PLC - Non voting	279,651	47,820	262,868	43,373
Seylan Bank PLC	319,671	27,492	219,671	21,967
Union Bank of Colombo PLC	772,500	12,824	550,000	13,255
		88,136		78,595
<b>Beverage Food &amp; Tobacco</b>				
Distilleries Company of Sri Lanka PLC	132,500	27,322	106,500	25,613
		27,322		25,613
<b>Diversified</b>				
Hemas Holdings PLC	326,495	26,315	383,846	28,289
John Keells Holdings PLC	313,933	46,462	99,692	19,880
Softlogic Holdings PLC	1,745,500	23,215	1,125,000	14,850
		95,992		63,019
<b>Health Care</b>				
The Lanka Hospital Corporation PLC	100,000	5,100	200,000	7,980
		5,100		7,980

# NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

As at 31st March	2016		2015	
	No. of shares	Fair value	No. of shares	Fair value
<b>Hotel and Travels</b>				
Serendib Hotels PLC - Non voting	464,400	8,127	464,400	9,985
		8,127		9,985
<b>Manufacturing</b>				
Kelani Tyres PLC	-	-	145,000	11,310
		-		11,310
<b>Power and Energy</b>				
Lanka IOC PLC	-	-	200,000	8,060
		-		8,060
<b>Telecommunication</b>				
Dialog Axiata PLC	1,000,000	10,200	10,420	108
		10,200		108
<b>Total investment in equity securities - quoted</b>		<b>234,877</b>		<b>204,670</b>

(b) Investments in unit trusts - unquoted

As at 31st March	2016		2015	
	No. of shares	Fair value	No. of shares	Fair value
Guardian Acuity Fixed Income Fund	3,990,423	50,678	-	-
<b>Total investment in unit trusts - unquoted</b>		<b>50,678</b>		<b>-</b>

25 Cash and cash equivalents

As at 31st March	Group		Company	
	2016	2015	2016	2015
Cash at bank and cash in hand	20,901	32,282	1,324	1,894
Placements with banking institutions	472,661	-	155,382	-
Securities purchased under resale agreements	567,515	1,742,390	141,652	107,488
<b>Total cash and cash equivalents</b>	<b>1,061,077</b>	<b>1,774,672</b>	<b>298,358</b>	<b>109,382</b>
Bank overdraft	15,735	18,875	11,534	594
	15,735	18,875	11,534	594
<b>net cash and cash equivalents for the cash flow statement purpose</b>	<b>1,045,342</b>	<b>1,755,797</b>	<b>286,824</b>	<b>108,788</b>



## 26 Stated capital

As at 31st March	2016		2015	
	No. of shares	Value	No. of shares	Value
<b>ordinary shares</b>				
Issued and fully paid	82,978,868	1,043,687	82,096,719	879,607
<b>Deferred shares</b>				
Issued and fully paid (note 26.2)	5,801,487	85,039	5,739,770	73,560
	<b>88,780,355</b>	<b>1,128,726</b>	<b>87,836,489</b>	<b>953,167</b>

### 26.1 Movement in stated capital

As at 31st March	2016		2015	
	No. of shares	Value	No. of shares	Value
<b>ordinary shares - Issued and fully paid</b>				
Balance as at the beginning of the year	82,096,719	879,607	82,096,719	879,607
Issued during the year (26.1.1)	882,149	164,080	-	-
	<b>82,978,868</b>	<b>1,043,687</b>	<b>82,096,719</b>	<b>879,607</b>
<b>Deferred shares - Issued and fully paid</b>				
Balance as at the beginning of the year	5,739,770	73,560	5,739,770	73,560
Issued during the year (26.1.1)	61,717	11,479	-	-
	<b>5,801,487</b>	<b>85,039</b>	<b>5,739,770</b>	<b>73,560</b>
	<b>88,780,355</b>	<b>1,128,726</b>	<b>87,836,489</b>	<b>953,167</b>

26.1.1 With the approval of the shareholders, during the year the Company paid an interim dividend in the form of Scrip dividend of Rs. 2/- per ordinary share for the year ended 31st March 2015 amounting to Rs. 175,672,908/-. Accordingly the Company issued 882,149 ordinary shares and 61,717 deferred shares in the ratio of 1 share for every 93 existing shares at a value of Rs. 186/- per share.

#### 26.2 Superior voting rights attached to the deferred shares

The Company has in issue 5,801,487 shares titled "Deferred shares". The deferred shares are subordinated to the ordinary shares in respect of dividend entitlement and right to a dividend does not arise unless and until the ordinary shareholders have been paid a dividend. The deferred shares confer on the holders present in person, by proxy or by attorney the right to as many votes as the number of votes conferred by all other shares for the time being issued and each holder as aforesaid present in person, proxy or attorney at any such meeting shall be entitled to such proportion of the votes conferred by the deferred shares collectively as the number of his deferred shares bears to the full number of the deferred shares. The deferred shares rank equally and pari passu for all other purposes including capitalisation of reserves or profits with the ordinary shares of the Company, except for voting rights and dividend rights.

# NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

## 27 Capital reserves

As at 31st March	Group		Company	
	2016	2015	2016	2015
Investment reserve (note 27.1)	7,805	7,805	7,805	7,805
Other capital reserve (note 27.1)	316,741	316,741	200,855	200,855
Jointly controlled entity's capital reserve (note 27.2)	3,390	2,435	-	-
	327,936	326,981	208,660	208,660

### 27.1 Investment reserve and other capital reserve

These amounts have been reserved for future development of the Company.

### 27.2 Jointly controlled entity's capital reserve

Jointly controlled entity's capital reserve recognises the investor's share of the other comprehensive income / (expense) of the jointly controlled entity after the date of acquisition.

## 28 Revenue reserves

As at 31st March	Group		Company	
	2016	2015	2016	2015
Translation reserve (note 28.1)	59,839	35,577	-	-
Fair value through profit or loss financial assets reserve (note 28.2)	10,043	85,028	-	13,220
Available for sale financial assets reserve (note 28.3)	7,175,584	13,893,520	796,782	1,308,448
General reserve (note 28.4)	32,668	32,668	14,961	14,961
Retained earnings	7,402,500	7,303,903	4,059,375	4,075,797
	14,680,634	21,350,696	4,871,118	5,412,426

### 28.1 Translation Reserve

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

### 28.2 Fair value through profit or loss financial assets reserve

Net unrealised gains arising from fair value adjustment of fair value through profit or loss financial assets will be transferred from retained earnings to "Fair value through profit or loss financial assets reserve" as at the reporting date and any realised gains and / or losses arising from fair value adjustment of such assets will be transferred from "Fair value through profit or loss financial assets reserve" to retained earnings to the extent that transfer does not exceed the balance held in the said reserve as at that date.

During the year, Rs. 74.9 Mn and Rs. 13.2 Mn were transferred from (2015 - Rs. 60.8 Mn and Rs.12.1 Mn transferred to) "Fair value through profit or loss financial assets reserve" to retained earnings as shown in the Statement of Changes in Equity of the Group and the Company respectively.

### 28.3 Available for sale financial assets reserve

Available for sale financial assets reserve consists of net unrealised gains arising from fair valuation of available for sale financial assets, excluding the impact arising from impairment of such assets.

### 28.4 General reserve

This represents the amounts set aside by the Directors to meet any contingencies.

As at 31st March	Group		Company	
	2016	2015	2016	2015
<b>29 Employee benefits</b>				
Balance as at the beginning of the year	10,034	7,609	-	-
Payments during the year	(3,050)	-	-	-
Provision for the year	2,544	2,425	-	-
Balance as at the end of the year	9,528	10,034	-	-
<b>29.1 The amounts recognised in Profit or Loss are as follows;</b>				
Interest cost	1,004	761	-	-
Current service cost	1,633	1,733	-	-
Charge for the year	2,637	2,494	-	-
<b>29.2 The amounts recognised in other comprehensive income are as follows</b>				
Actuarial gains	(93)	(69)	-	-
Recognised for the year	(93)	(69)	-	-
Amount recognised in the Statement of Profit or Loss and Other Comprehensive Income	2,544	2,425	-	-

The gratuity liability as at 31st March 2016 amounting to Rs.9,527,542/- (2015 - Rs.10,034,302/-) for Group is made based on an actuarial valuation carried out by Mr. M. Poopalanathan (AIA) of Messrs Actuarial & Management Consultants (Pvt) Ltd. As recommended by the Sri Lanka Accounting Standards (LKAS - 19) - "Employee benefits", the "Projected Unit Credit (PUC)" method has been used in this valuation.

The principal assumptions made are given below :

Rate of discount	10.50% p.a. (2015 - 10.00% p.a.)
Rate of pay increase	12% p.a.
Retirement age	55 years
Mortality	A 67/70 mortality table, issued by the Institute of Actuaries, London was used.
Withdrawal rate	5% for age up to 50 and Zero thereafter.

The company is a going concern.

The above liability is not externally funded.

# NOTES TO THE FINANCIAL STATEMENTS

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## 29.3 Sensitivity analysis

A change of 1% in discount rate and future salary growth rates at the end of the reporting period would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, remain constant.

For the year ended 31st March 2016	Group Equity		Company Equity	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	898	(1,044)	-	-
Future salary increase	(1,042)	913	-	-

For the year ended 31st March 2015	Group Equity		Company Equity	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	885	(1,018)	-	-
Future salary increase	(1,025)	908	-	-

## 30 Deferred tax liabilities / (assets)

As at 31st March	Group		Company	
	2016	2015	2016	2015
Balance as at the beginning of the year	-	(2,016)	-	(2,016)
On origination and reversal of temporary differences	-	2,016	-	2,016
Balance as at the end of the year	-	-	-	-

### 30.1 Movement in deferred taxation during the year

Employee benefit	381	152	-	-
Property plant and equipment	(381)	(152)	-	-
Tax losses carried forward	-	(2,016)	-	(2,016)
Net deferred tax (charged) / reversed for the year	-	(2,016)	-	(2,016)

### 30.2 Deferred tax liabilities

Tax effect on property, plant and equipment	381	254	-	-
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### 30.3 Deferred tax assets

Tax effect on employee benefits	381	2,422	-	2,016
Tax effect on tax losses carried forward	-	(2,168)	-	(2,016)
Total deferred tax assets	381	254	-	-
Net deferred tax liabilities / (assets)	-	-	-	-

### 30.4 unrecognised deferred tax asset

Due to the uncertainty regarding the availability of future taxable profits against which the deferred tax asset would be utilised, the deferred tax asset which has not been recognised as at the reporting date amounted to Rs. 6,213,220/- (2015 -Rs. 6,726,180/-).

30.5 The deferred tax effect of undistributed reserve of subsidiaries and jointly controlled entity has not been recognised since the Company can control the timing of the reversal of these temporary differences.

30.6 **Impact due to corporate income tax rate change**

As provided for in Sri Lanka Accounting Standard (LKAS 12) - "Income taxes", deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Consequently following rates have been used for the computation of deferred tax asset / liability in respective years.

As at	Income tax rate
2015	- 28%
2016	- 28%

31 **Trade and other payables**

As at 31st March	Group		Company	
	2016	2015	2016	2015
<b>Financial</b>				
Trade payables	72,787	47,851	-	12,541
Dividend payables	54,195	85,068	-	-
Other payables	54,064	52,822	22,118	20,387
	181,046	185,741	22,118	32,928
<b>non financial</b>				
Accruals and provisions	22,924	21,292	2,250	2,241
	22,924	21,292	2,250	2,241
	203,970	207,033	24,368	35,169

32 **Comparative figures**

Previous years' figures and phrases have been rearranged wherever necessary to conform to the current year's presentations.

# NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

## 33 Related party transactions

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard -LKAS 24 - "Related Party Disclosures", the details of which are reported below.

### 33.1 Parent and ultimate controlling party

In the opinion of the Directors, Carson Cumberbatch PLC is the parent Company and Bukit Darah PLC is the ultimate controlling entity of Ceylon Guardian Investment Trust PLC.

As at 31st March	Ownership interest %	
	2016	2015
<b>Subsidiaries</b>		
Ceylon Investment PLC	64	64
Rubber Investment Trust Limited	82	82
Guardian Capital Partners PLC	84	84
Guardian Fund Management Limited	100	100
The Sri Lanka Fund	70	71
<b>Jointly controlled entity</b>		
Guardian Acuity Asset Management Limited	50	50

### 33.3 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard (LKAS 24) - "Related Party Disclosures", Key Management Personnel (KMP) are those having authority and responsibility for planning and controlling the activities of the entity directly or indirectly. Accordingly, the Directors of the Company (including executive and non-executive directors), the Chief Executive Officer of Investment Managers, Guardian Fund Management Limited and the Director - Finance of Managers and Secretaries, Carsons Management Services (Private) Limited have been classified as Key Management Personnel of the Company.

Compensation paid to the Key Management Personnel of the Company and the Group comprise the following;

As at 31st March	Group		Company	
	2016	2015	2016	2015
Short-term employee benefits	44,051	38,116	14,478	11,776
Post-employment benefits	730	613	-	-
Termination benefits	3,050	-	-	-
Other long-term benefits	-	-	-	-
Non cash benefits	81	102	-	-
	47,912	38,831	14,478	11,776

No transactions have taken place during the year between the Company and its subsidiaries and its' KMP other than those disclosed below.

### 33.4 Transactions with related companies

Name of the company	Relationship and names of the common Directors/ KMP	Nature of the transactions	Group		Company	
			2016	2015	2016	2015
Carson Cumberbatch PLC	<b>Parent Company</b> I. Paulraj D.C.R. Gunawardena K. Selvanathan (Alternate to M.Selvanathan)	Dividends paid	304,353	304,353	304,353	304,353
Ceylon Investment PLC	<b>Subsidiary</b> I. Paulraj D.C.R. Gunawardena V. M. Fernando Mrs. M. A. R. C. Cooray K. Selvanathan	Dividends received	-	-	154,003	153,560
Guardian Fund Management Limited (GFM)	<b>Subsidiary</b> K. Selvanathan	Portfolio management fees paid*	-	-	14,233	13,568
		Business development fees paid	-	-	35,500	12,000
Rubber Investment Trust Limited	<b>Subsidiary</b> I. Paulraj D.C.R. Gunawardena	Dividends received	-	-	79,338	83,385
Guardian Acuity Asset Management Limited	<b>Jointly controlled entity</b> D.C.R. Gunawardena K. Selvanathan	Portfolio management fees received	3,990	3,495	-	-
Bukit Darah PLC	<b>ultimate Controlling entity</b> I. Paulraj D.C.R. Gunawardena K. Selvanathan (Alternate to M.Selvanathan)	Dividend received on ordinary shares	61,315	61,315	-	-
		Dividend received on 8% participative cumulative preference shares	689	766	-	-
Carsons Management Services (Private) Limited (CMSL)	<b>Affiliate entity</b> K. Selvanathan D.C.R. Gunawardena	Support Service Fees paid	33,202	38,024	11,515	15,757
		Computer fees paid	1,320	1,320	420	420
		Secretarial fees paid	1,602	1,410	403	360
Equity Two PLC	<b>Affiliate entity</b>	Rental charges paid	5,176	3,376	-	-
Hatton National Bank PLC*	<b>other entity</b> Mrs. M.A.R.C. Cooray	Interest income received		12,368		2,055
		Securities purchased under resale agreements		637,042		102,724
		Balances held in demand deposits		1,380		526

\* The Company has obtained from HNB an inter-changeable short-term borrowing facility with Ceylon Investment PLC, a subsidiary company, to the value of Rs. 300 Mn (2015 - Rs. 300 Mn) on commercial terms.



# NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

## 34 Financial instruments

### Financial risk management - overview

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

Credit risk

Liquidity risk

Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing such risks, and the Company's management of capital. Pages 28 to 34 also carry a review of risks faced by the Group and the approach of managing such risks.

### Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has delegated this function to the Management of Guardian Fund Management Limited, the Fund Managers and Carsons Management Services (Private) Limited, the Managers; who are responsible for developing and monitoring the Group's risk management policies and reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to risk limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's investment portfolio comprises of investments in listed / unlisted equity securities and fixed income securities. The group's Investment Manager has been given discretionary authority to manage the assets, in line with the Group's investment policies and objectives.

Further, an Investment Committee provides advice and insights to the fund management team to further sharpen and refine their decision making process. This comprehensive management structure determines the objectives and policies of the Group's risk management framework and promotes a culture of risk awareness and balanced risk-taking within the Group.

### 34.1 Credit risk

Credit risk is the risk of financial loss to the Group, if a customer or a counter-party to a financial instrument or an obliged party to a receivable fails to meet its contractual obligations, and arises primarily on the Group's investments in fixed income earning securities, placements with banking institutions and receivables from market intermediaries and other counter parties, the Group has dealings with.

#### 34.1.1 Credit risk exposure and managing the risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows.

As at 31st March	Note	Carrying Amount	
		2016	2015
Available for sale financial assets - Investments in debentures	22.3.d	5	5
Available for sale financial assets - Investments in unit trusts	22.3.e	120,370	117,268
Fair value through profit or loss financial assets - Investments in unit trusts	24.3.b	941,623	1,030,749
Trade and other receivables*	23	53,774	61,835
Cash and cash equivalents - Cash at bank and cash in hand	25	20,901	32,282
Cash and cash equivalents - Placements with banking institutions	25	472,661	-
Cash and cash equivalents - Securities purchased under resale agreements	25	567,515	1,742,390
		<b>2,176,849</b>	<b>2,984,529</b>

\* Advances and prepaid expense which are non financial assets are excluded

#### Investments in corporate debt securities

These represents investment in debentures, which yields interest income on a continuing basis. However the Group's exposure to credit risk, arising from these investments is insignificant, considering the net investment value.

#### Investments in unit trusts

The Group has invested in following unit trusts;

Name of the fund	Fund category	Fund's investment instruments
Guardian Acuity Money Market Fund	Money market fund	Fixed income securities with in the maturity period less than 365 days
Guardian Acuity Equity Fund	Equity fund	Listed equity securities
Guardian Acuity Money Market Gilt Fund	Money market fund	Government securities with in the maturity period less than 365 days

Guardian Acuity Asset Management Limited, a joint venture company of Ceylon Guardian Investment Trust PLC and Acuity Partners Limited is the Investment Manager of the unit trust funds that the Group has invested in. The Group continuously monitors the performance, asset allocation, credit quality and maturity profiles of these funds in order to assess and mitigate the credit risk.

#### Trade and other receivables

A significant portion of the trade and other receivables comprise of proceeds receivable on disposal of quoted securities, dividends receivable and portfolio management fee receivable from clients external to the Group.

Settlement procedures surrounding the equity markets are highly structured and regulated. The "T+3" settlement cycle is in place with the involvement of a custodian bank, which is being duly monitored by the regulator, hence provides an assurance on the realisation of the balances. Further, a due evaluation process, including a continuous assessment mechanism is in place in selecting the market intermediaries that the Company transacts with, which involves prior approval from the Board of Directors.

Dividend receivable is accounted for when the right to receive the dividend is established. The balances are settled within a maximum period of 4-6 weeks and no risk of default, based on past experience in the industry.

The Clients external to the group are mostly the corporates to whom the Group provides portfolio management services. The terms and conditions which determine the fees have been agreed with the parties, in the form of a bi-lateral agreement, such that the risk of a dispute is minimum. The Group has encountered no defaults to date on the fees receivable from these clients.

#### Age profile of trade and other receivables

As at 31st March	2016	2015
Less than 30 days	50,249	54,160
30 – 60 days	838	7,561
61 – 90 days	848	17
91 – 120 days	476	17
More than 120 days	1,363	80
	53,774	61,835

The Group has neither recognised an impairment loss or an allowance for impairment of its trade and other receivables over the past 5 years period.

# NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

## Cash and cash equivalents

The Group held cash and equivalents in the form of demand deposits with commercial banks, placements with banking institutions and securities purchased under resale agreements, hence the Group is exposed to the risk of such counter-parties failing to meet contractual obligations.

The Group minimise the credit risk by monitoring the creditworthiness of the underlying counterparties periodically.

A credit rating analysis of banking / financial institutional counter-parties with whom the balances were held at the end of reporting period is presented below.

As at 31st March	2016	2015
<b>Credit rating</b>		
Risk free	-	112,013
AAA	15,391	11,202
AA+	-	20,540
AA	544,589	973,571
AA-	466,855	638,535
Unrated	34,242	18,811
	<b>1,061,077</b>	<b>1,774,672</b>

All government securities are classified as risk free and other ratings are obtained based on the ratings published by Fitch Ratings Lanka Ltd.

## 34.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are required to be settled by delivering cash or another financial asset.

### 34.2.1 Exposure to liquidity risk

The following are the contractual maturities of financial liabilities at the end of the reporting period.

As at 31st March 2016	Carrying amount	Total	Contractual cash flows		
			up to 3 months	3-12 months	More than a year
<b>non derivative financial liabilities</b>					
Trade and other payables *	181,046	181,046	181,046	-	-
Bank overdraft	15,735	15,735	15,735	-	-
	<b>196,781</b>	<b>196,781</b>	<b>196,781</b>	<b>-</b>	<b>-</b>

As at 31st March 2015	Carrying amount	Total	Contractual cash flows		
			up to 3 months	3-12 months	More than a year
<b>non derivative financial liabilities</b>					
Trade and other payables *	185,741	185,741	185,741	-	-
Bank overdraft	18,875	18,875	18,875	-	-
	<b>204,616</b>	<b>204,616</b>	<b>204,616</b>	<b>-</b>	<b>-</b>

\* Provisions and accrued expenses which are non financial liabilities are excluded.

The ratio of liquid assets with a very short expected liquidation period to total net assets is set out below.

As at 31st March	2016	2015
Cash and cash equivalents	1,061,077	1,774,672
Fair value through profit or loss financial assets - Investments in unit trusts	941,623	1,030,749
<b>Total liquid assets</b>	<b>2,002,700</b>	<b>2,805,421</b>
Liquid assets as a % of the total net assets	10%	10%

#### 34.2.2 Management of liquidity risk

The Group'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 the Group's reputation.

The Group maintains a portion of its assets in highly liquid form; demand deposits with commercial banks, placements with banking institutions, securities purchased under resale agreements and short term investment in money market funds, in order to capitalise the market opportunities and to meet its contractual obligations during the normal course of its operations.

A significant portion of the Group's investment portfolio comprises of listed equity investments which provides the Group with exposure to adequate liquidity, given the ability to convert in to cash and cash equivalents within a very short period of time if required.

In addition, the Group has access to approved financing arrangements, an analysis of which as at the reporting period is given below.

As at 31st March	2016	2015
Unutilised overdraft facilities	1,600,000	1,600,000
	<b>1,600,000</b>	<b>1,600,000</b>

#### 34.3 Market risk

The market risk is exposure to adverse movements in the security markets for both equity and fixed income investments, which can result variations in the anticipated returns from those securities. All financial institutions face market risks, created by changes in the macro environment related to political factors, national security, economic management and globalisation influences which have an impact on systematic risk factors such as interest rates, currency parity, inflation and availability of credit etc.

##### 34.3.1 Interest rate risk

The Group is exposed to interest rate risk, arising from its securities purchased under resale agreements, placements with banking institutions and overdraft facilities, in the event such have been utilised.

# NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

## Exposure and management of interest rate risk

At the end of the reporting period, the interest rate profile of the Group's interest-bearing financial instruments was as follows.

As at 31st March	Carrying Amount	
	2016	2015
<b>Financial assets</b>		
Placements with banking institutions	472,661	-
Investments under resale agreements	567,515	1,742,390
	<b>1,040,176</b>	<b>1,742,390</b>
<b>Financial liabilities</b>		
Bank overdraft	15,735	18,875
	<b>15,735</b>	<b>18,875</b>

The average base interest rates applied for the above financial instruments are as follows;

As at 31st March`	2016	2015
Commercial Banks Averaged Weighted Prime Lending Rate ( AWPLR) *	8.87%	6.95%
Commercial Banks Averaged Weighted Fixed Deposit Rate ( AWFDR) *	7.92%	6.45%

\* Monthly averaged rate

## Sensitivity Analysis

A change of 100 basis points in interest rates at the end of the reporting period would have increased / (decreased) profit or loss by the amounts shown below.

Movement in interest rate	Profit or Loss	
	Increase in 1%	Decrease in 1%
<b>As at 31st March 2016</b>		
- On interest earning assets	10,402	(10,402)
- On interest bearing liabilities	(157)	157
	<b>10,245</b>	<b>(10,245)</b>
<b>As at 31st March 2015</b>		
- On interest earning assets	17,424	(17,424)
- On interest bearing liabilities	(189)	189
	<b>17,235</b>	<b>(17,235)</b>

### 34.3.2 Exposure and management of other market price risks

#### Listed equity investments

The Group is holding an investment portfolio which includes listed and unlisted equity securities. Having a substantial portion of 81% (2015 - 77%) of its discretionary portfolio as equity investments designated as listed investments in the Colombo Stock Exchange, market volatilities bring in substantial variations to the Company's earnings and value of its asset base at the reporting dates.

The Group monitors the equity securities in its investment portfolio based on market indices, where decisions concerned with the timing of buy / sell are well supported with structured in-house research recommendations. Transactions of a major magnitude within the portfolio are subject to review and approval by the Investment Committee.

#### Private equity investments

Due evaluations are carried out prior to investing, extending to both financial and operational feasibilities of the private equity projects that the Group ventures in to, with a view to ascertain the Company's investment decision and the risks involved.

Continuous monitoring of the financial results and operations against the budgets and the industry standards ensure that the projects meet the desired outcome, and thereby the returns. Further, the Group generally carries investment agreements with the parties concerned, which carry specific 'exit clauses' to private equity projects - typically an 'Initial Public Offering', a 'Buy-out' etc.

The total asset base which is exposed to equity price risk is tabulated below.

As at 31st March	Note	Carrying Amount	
		2016	2015
Available for sale financial assets - investments in equity securities	22.3.a/b/c	15,600,774	22,780,984
Available for sale financial assets - investments in unit trusts Guardian acuity equity fund	22.3.e	38,275	40,850
Fair value through profit or loss financial assets - investment in equity securities	24.3.a	1,720,003	1,653,948
		17,359,052	24,475,782

A broad analysis of the investments made by the Company, based on the industry/sector is given in note 22 and 24.

### 34.3.3 Currency risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate, due to changes in foreign exchange rates. The Group is exposed to currency risk, through its' subsidiary, The Sri Lanka Fund (a country fund incorporated in Cayman Islands), which is denominated in a currency other than the group's functional currency, which is the prime factor that exposes the Group in to currency risk.

Following are the exchange rates that were used to translate the assets and liabilities of foreign operations, to Sri Lanka Rupees at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Sri Lanka Rupees at the averaged exchange rates for the reporting period.

For the year ended / As at 31st March	Conversion rate	
	2016	2015
<b>USD/LKR</b>		
Assets and liabilities	144.06	131.87
Income and expenses	136.18	130.64

# NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

## 34.4 Accounting classification and Fair values

The following table shows the carrying amounts and the fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value, if the carrying value is a reasonable approximation for fair value.

As at 31st March 2016	Fair value through profit or loss	Held to maturity	Loans and receivable	Available for sale	Other financial liabilities	Total carrying amount	Fair value
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### Financial assets measured at fair value

Available for sale financial assets	-	-	-	15,721,149	-	15,721,149	15,721,149
Fair value through profit or loss financial assets	2,661,626	-	-	-	-	2,661,626	2,661,626

### Financial assets not measured at fair value

Trade and other receivables	-	-	53,774	-	-	53,774	
Cash and cash equivalents	-	-	1,061,077	-	-	1,061,077	
<b>Total financial assets</b>	<b>2,661,626</b>	<b>-</b>	<b>1,114,851</b>	<b>15,721,149</b>	<b>-</b>	<b>19,497,626</b>	

### Financial liabilities not measured at fair value

Trade and other payables	-	-	-	-	181,046	181,046	
Bank overdraft	-	-	-	-	15,735	15,735	
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>196,781</b>	<b>196,781</b>	

As at 31st March 2015	Fair value through profit or loss	Held to maturity	Loans and receivable	Available for sale	Other financial liabilities	Total carrying amount	Fair value
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### Financial assets measured at fair value

Available for sale financial assets	-	-	-	22,898,257	-	22,898,257	22,898,257
Fair value through profit or loss financial assets	2,684,697	-	-	-	-	2,684,697	2,684,697

### Financial assets not measured at fair value

Trade and other receivables	-	-	61,835	-	-	61,835	
Cash and cash equivalents	-	-	1,774,672	-	-	1,774,672	
<b>Total financial assets</b>	<b>2,684,697</b>	<b>-</b>	<b>1,836,507</b>	<b>22,898,257</b>	<b>-</b>	<b>27,419,461</b>	

### Financial liabilities not measured at fair value

Trade & other payables	-	-	-	-	185,741	185,741	
Bank overdraft	-	-	-	-	18,875	18,875	
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>204,616</b>	<b>204,616</b>	



### 34.5 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows.

Level 1: Availability of quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Use of inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Use of inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
<b>As at 31st March 2016</b>				
Available for sale financial assets	15,568,697	-	152,452	15,721,149
Fair value through profit or loss financial assets	2,661,626	-	-	2,661,626
	18,230,323	-	152,452	18,382,775

<b>As at 31st March 2015</b>				
Available for sale financial assets	22,764,623	-	133,634	22,898,257
Fair value through profit or loss financial assets	2,684,697	-	-	2,684,697
	25,449,320	-	133,634	25,582,954

#### Reconciliation of Level 3 - fair value : Available for sale financial assets

For the year ended 31st March	2016	2015
Opening balance	133,634	58,634
Additions	10,256	75,000
Change in fair value	11,452	-
Disposals	(2,890)	-
Closing balance	152,452	133,634

# NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

## 34.6 Valuation techniques and significant unobservable inputs

The following table show the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used:

Investment in equity securities	Valuation method/ techniques	Unobservable inputs	Ranges	Weighted average	Inter-relationship between key unobservable inputs and fair value. The estimated fair value would increase if.
Private equity (unlisted)	Discounted cash flows :  The valuation model considers the present value of the net cash flows expected to be generated by the entity's operations. The expected net cash flows are discounted using a risk-adjusted discount rate.	Revenue CAGR	13% - 25%	16.00%	Increase
		Exit multiple:	5-8	7	Increase
		*P/E-Price to earnings ratio (times)  *EV/EBIT-Enterprise value to earnings before interest and tax			
		Discount rate	15.5%-20%	17.10%	Decrease

## 35 Segmental Reporting

The company's Chief Operating Decision Maker (CODM) monitors the operating results of the entity as a whole considering the operations as a single segment Investment holding and asset management for the purpose of making decisions about resource allocation and performance. Therefore no disclosure is made on operating segments.

## 36 Events after the reporting period

- After satisfying the solvency tests in accordance with Section 57 of the Company's Act, No. 7 of 2007, The Directors has recommended the payment of a first and final dividend of Rs.3/- (2015 - Rs.3/-) per Ordinary and Deferred share for the year ended 31st March 2016 amounting to Rs.266,341,065/- (2015 - Rs. 263,509,467/-) which is to be approved at the forthcoming Annual General Meeting. According to the Sri Lanka Accounting Standard (LKAS 10) - "Events after the reporting period" the proposed final dividend has not been recognised as a liability as at 31st March 2016.
- A subsidiary company, Guardian Capital Partners PLC (WAPO) entered into a Joint Venture Agreement with Small Enterprise Assistance Funds (SEAF, a company registered in the State of New York, USA ) on 28th April 2016. The Joint Venture Agreement was entered in order to form a JV Company in an overseas jurisdiction to carry on a fund management business to manage and invest in Private Equity projects in Sri Lanka. Guardian Capital Partners PLC will hold 41.7% and Small Enterprise Assistance Funds will hold 58.3% in the joint venture management company initially. Guardian Capital Partners PLC's participation in this venture is subject to obtaining all relevant regulatory and shareholder approvals in Sri Lanka.

Subsequent to the reporting period, no circumstances have arisen which would require adjustments to or disclosure in the financial statements, other than the above.

**37 Commitments and contingencies**

**37.1 Capital expenditure commitments**

There were no material capital commitments exist as at the reporting date.

**37.2 Contingencies**

There were no material contingent liabilities as at the reporting date.

**38 Responsibility for Financial Statements**

The Board of Directors is responsible for the preparation and presentation of the financial statements. This is more fully described under the relevant clause in the Directors' Report.

# FIVE YEAR SUMMARY

In Rupees Thousands

For the year ended / As at 31st March	2016	2015	2014	2013	2012
<b>Revenue</b>					
Dividend income	695,279	655,161	906,837	471,025	410,896
Net gain on disposal of investments	703,744	1,524,049	1,289,020	1,235,698	1,763,145
Interest income	101,293	200,972	338,405	154,853	95,670
Management fee	103,405	87,205	66,950	43,755	44,487
	1,603,721	2,467,387	2,601,212	1,905,331	2,314,198
Less: Inter-group transactions	(427,395)	(400,773)	(718,844)	(262,732)	(232,898)
	1,176,326	2,066,614	1,882,368	1,642,599	2,081,300
Fair value adjustment - unrealised	(306,875)	113,167	943	38,010	(677,321)
Profit on investment activities	869,451	2,179,781	1,883,311	1,680,609	1,403,979
<b>Profit before taxation</b>					
	642,073	1,983,577	1,721,756	2,321,078	2,554,255
Income tax expense	(30,873)	(64,315)	(109,611)	(23,579)	(15,696)
<b>Profit for the year</b>	611,200	1,919,262	1,612,145	2,297,499	2,538,559
Non controlling interest	(98,321)	(408,461)	(315,542)	(411,391)	(371,609)
<b>Profit attributable to the equity holders of the parent</b>	512,879	1,510,801	1,296,603	1,886,108	2,166,950
Dividends paid	(263,509)	(439,182)	(219,591)	(175,673)	(131,755)
<b>Statement of financial position</b>					
<b>Capital employed</b>					
Stated capital	1,128,726	953,167	953,167	953,167	953,167
Reserves	15,008,570	21,677,677	19,131,142	13,737,523	12,442,284
<b>Total equity attributable to equity holders of the parent</b>	16,137,296	22,630,844	20,084,309	14,690,690	13,395,451
Non controlling interest	3,414,692	4,827,637	4,256,848	3,139,062	2,803,388
<b>Total equity</b>	19,551,988	27,458,481	24,341,157	17,829,752	16,198,839
<b>Assets employed</b>					
Current assets	3,789,904	4,534,389	4,336,515	3,809,140	2,123,566
Current liabilities	(221,945)	(230,478)	(217,337)	(87,497)	(62,237)
<b>net current assets</b>	3,567,959	4,303,911	4,119,178	3,721,643	2,061,329
Non-current assets	15,993,557	23,164,604	20,229,588	14,113,534	14,141,866
Non-current liabilities	(9,528)	(10,034)	(7,609)	(5,425)	(4,356)
<b>net assets</b>	19,551,988	27,458,481	24,341,157	17,829,752	16,198,839
<b>Cash Flow Statements</b>					
Net cash generated from / (used in) operating activities	(402,412)	(545,677)	358,525	1,634,668	1,678,344
Net cash used in investing activities	(2,766)	(440)	(4,928)	(16,448)	(25,728)
Net cash used in financing activities	(339,972)	(516,479)	(281,708)	(221,043)	(161,244)
<b>net (decrease) / increase in cash &amp; cash equivalents</b>	(745,150)	(1,062,596)	71,889	1,397,177	1,491,372

For the year ended/As at 31st March	2016	2015	2014	2013	2012
<b>Ratios &amp; statistics</b>					
<b>operational ratio</b>					
Return on ordinary shareholders funds (%)	3.18	6.68	6.46	12.84	16.18
<b>Liquidity ratio</b>					
Current ratio (Times)	17.08	19.67	19.95	43.53	34.12
<b>Investor ratio</b>					
Earnings per share (Rs.)	5.78	17.02	14.76	21.47	24.67
Dividend per share (Rs.) *	3.00	5.00	5.00	2.50	2.00
Dividend cover (times)	1.93	3.40	2.95	8.57	12.34
Dividend growth (%)	(40)	100	100	25	33
Dividend yield (%)	2.51	2.72	2.81	1.56	0.87
Dividend payout ratio (%)	51.90	29.38	33.87	11.67	8.11
Net assets value per share - (Rs.)	181.77	257.65	228.66	247.48	265.88
Market value per share (Rs.) **	119.70	184.00	177.90	160.00	231.00
Price earning ratio (times)	20.71	10.81	12.05	7.47	9.36
Price to book value ratio (times)	0.66	0.71	0.78	0.65	0.87
Market capitalisation ('000)	9,932,570	15,105,796	14,605,006	13,135,475	18,964,342
Fair value of investments ('000)	19,428,117	27,338,751	24,232,993	26,029,738	28,052,053
All Share Price Index (points)	6,072	6,820	5,968	5,736	5,420
S&P SL 20 Index (points)	3,204	3,852	3,280	3,294	2,986
* Based on proposed / interim dividends.					
** As at 31st March.					

## **US\$ FINANCIALS**

### **PREPARATION OF US DOLLAR FINANCIAL STATEMENTS**

**The Financial Statements of the Group are stated in Sri Lankan Rupees.  
The translation of Sri Lankan Rupee amounts into US Dollar amounts is included solely for the  
convenience of Shareholders, Investors, Bankers and other users of Financial Statements.**

**US Dollar Financial do not form part of the audited  
Financial Statements of the Group.**

# FINANCIAL HIGHLIGHTS

In United State Dollars

For the year ended / As at 31st March	2016	2015	Change %
<b>Revenue</b>	8,459,734	15,751,631	(46)
Profit from operations	4,585,724	15,117,515	(70)
Share of Profit / (loss) of equity accounted investees net of tax	34,585	(3,514)	(1,084)
Profit before taxation	4,617,569	15,118,727	(69)
Profit for the year	4,395,541	14,628,521	(70)
Other comprehensive income / (expense) for the year	(58,516,713)	13,154,123	(545)
Total comprehensive income / (expense) for the year	(54,121,172)	27,782,644	(295)
Net cash used in operating activities	(2,894,009)	(4,159,123)	(30)
Total equity attributable to equity holders of the parent	111,530,140	169,748,305	(34)
Return on ordinary shareholders' funds (%)	3.94	8.62	(54)
Earnings per share	0.04	0.13	(68)
Dividend per share *	0.04	0.04	(10)
Net assets per share	1.26	1.93	(35)
Ceylon Guardian - Fund value **	134,274,083	205,061,139	(35)
* Based on proposed / interim dividend			
** Based on fair value of portfolio after adjusting for cash and cash equivalents			



# STATEMENT OF COMPREHENSIVE INCOME

In United State Dollars

For the year ended 31st March	Group	
	2016	2015
<b>Revenue</b>	8,459,734	15,751,631
Impairment loss on available for sale financial assets	(684,876)	(622,904)
Net change in fair value of fair value through profit or loss financial assets	(1,522,064)	1,485,457
<b>Profit on investment activities</b>	6,252,794	16,614,184
Other operating income	1,424	-
Administrative and other operating expenses	(1,668,494)	(1,496,669)
<b>Profit from operations</b>	4,585,724	15,117,515
Net finance income / (expense)	(2,740)	4,726
<b>Profit from operations after net finance income / (expense)</b>	4,582,984	15,122,241
Share of profit / (loss) of equity accounted investee net of tax	34,585	(3,514)
<b>Profit before taxation</b>	4,617,569	15,118,727
Income tax expense	(222,028)	(490,206)
<b>Profit for the year</b>	4,395,541	14,628,521
<b>other comprehensive income</b>		
<b>Items that will never be reclassified to profit or loss</b>		
Actuarial gain on employee benefit obligation	669	526
<b>Items that are / or may be reclassified to profit or loss</b>		
Net change in fair value of available for sale financial assets	(54,601,611)	20,818,796
Transfer of realised gains on disposal of available for sale financial assets	(4,172,154)	(7,692,988)
Share of other comprehensive income of equity accounted investee net of tax	6,868	4,428
Net exchange differences on translation of foreign operations	249,515	23,361
<b>other comprehensive income / (expense) for the year</b>	(58,516,713)	13,154,123
<b>Total comprehensive income / (expense) for the year</b>	(54,121,172)	27,782,644
<b>Profit attributable to:</b>		
Equity holders of the parent	3,688,450	11,515,251
Non controlling interest	707,091	3,113,270
	4,395,541	14,628,521
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent	(44,442,618)	22,746,463
Non controlling interest	(9,678,554)	5,036,181
	(54,121,172)	27,782,644
<b>Earnings per share</b>	0.04	0.13

# STATEMENT OF FINANCIAL POSITION

In United State Dollars

As at 31st March	Group	
	2016	2015
<b>ASSETS</b>		
<b>non-current assets</b>		
Property, plant & equipment	60,916	63,884
Intangible assets	1,602,854	1,739,551
Investment in equity accounted investees	218,930	194,367
Available for sale financial assets	108,654,012	171,754,103
<b>Total non-current assets</b>	<b>110,536,712</b>	<b>173,751,905</b>
<b>Current assets</b>		
Trade and other receivables	384,961	469,697
Current tax assets	79,487	93,009
Fair value through profit or loss financial assets	18,395,370	20,137,241
Cash and cash equivalents	7,333,451	13,311,372
<b>Total current assets</b>	<b>26,193,269</b>	<b>34,011,319</b>
<b>Total assets</b>	<b>136,729,981</b>	<b>207,763,224</b>
<b>EQuITY AnD LIABILITIES</b>		
<b>Equity</b>		
Stated capital	8,834,775	8,834,775
Capital reserves	774,165	767,297
Revenue reserves	101,921,200	160,146,233
<b>Total equity attributable to equity holders of the parent</b>	<b>111,530,140</b>	<b>169,748,305</b>
Non controlling interest	23,600,055	36,210,898
<b>Total equity</b>	<b>135,130,195</b>	<b>205,959,203</b>
<b>non-Current Liabilities</b>		
Employee benefits	65,851	75,263
<b>Total non-current liabilities</b>	<b>65,851</b>	<b>75,263</b>
<b>Current liabilities</b>		
Trade & other payables	1,409,704	1,552,903
Current tax liabilities	15,481	34,278
Bank overdraft	108,750	141,577
<b>Total current liabilities</b>	<b>1,533,935</b>	<b>1,728,758</b>
<b>Total liabilities</b>	<b>1,599,786</b>	<b>1,804,021</b>
<b>Total equity and liabilities</b>	<b>136,729,981</b>	<b>207,763,224</b>
Net assets per ordinary / deferred share	1.26	1.93

# FIVE YEAR SUMMARY

In United State Dollars

For the year ended / As at 31st March	2016	2015	2014	2013	2012
<b>Financial highlights - Group</b>					
<b>Statement of income</b>					
<b>Revenue</b>					
Dividend income	5,000,209	4,993,605	6,969,772	3,635,013	3,662,828
Net gain on disposal of investments	5,061,086	11,616,227	9,907,155	9,536,178	15,717,106
Interest income	728,465	1,531,799	2,600,915	1,195,038	852,826
Management fee	743,653	664,672	514,565	337,668	396,568
	11,533,413	18,806,303	19,992,407	14,703,897	20,629,328
Less: Inter-group transactions	(3,073,679)	(3,054,672)	(5,524,895)	(2,027,566)	(2,076,110)
	8,459,734	15,751,631	14,467,512	12,676,331	18,553,218
<b>Profit before taxation</b>	4,617,569	15,118,727	13,233,079	17,912,318	22,769,254
Income tax expenses	(222,028)	(490,206)	(842,448)	(181,965)	(139,918)
<b>Profit for the year</b>	4,395,541	14,628,521	12,390,631	17,730,353	22,629,336
Non controlling interest	(707,091)	(3,113,270)	(2,425,194)	(3,174,803)	(3,312,613)
<b>Profit attributable to the equity holders of the parent</b>	3,688,450	11,515,251	9,965,437	14,555,550	19,316,723
Dividends declared - Cash	(1,895,067)	(3,347,424)	(1,687,733)	(1,355,707)	(1,175,020)
<b>Statement of Financial position</b>					
<b>Capital employed</b>					
Stated capital	8,834,775	8,834,775	8,834,775	8,834,775	8,834,775
Reserves	102,695,365	160,913,530	144,797,208	107,248,236	95,735,490
<b>Total equity attributable to equity holders of the parent</b>	111,530,140	169,748,305	153,631,983	116,083,011	104,570,265
Non controlling interest	23,600,055	36,210,898	32,562,135	24,474,749	21,884,372
<b>Total equity</b>	135,130,195	205,959,203	186,194,118	140,557,760	126,454,637
<b>Assets employed</b>					
Current assets	26,193,269	34,011,319	33,171,536	30,028,695	16,577,408
Current liabilities	(1,533,935)	(1,728,758)	(1,662,487)	(689,768)	(485,846)
<b>net current assets</b>	24,659,334	32,282,561	31,509,049	29,338,927	16,091,562
Non-current assets	110,536,712	173,751,905	154,743,273	111,261,600	110,397,080
Non-current liabilities	(65,851)	(75,263)	(58,204)	(42,767)	(34,005)
<b>net assets</b>	135,130,195	205,959,203	186,194,118	140,557,760	126,454,637
<b>Cash Flow Statements</b>					
Net cash generated from / (used in) from operating activities	(2,894,009)	(4,159,123)	2,755,553	12,615,087	14,968,447
Net cash used in investing activities	(19,892)	(3,354)	(37,876)	(126,933)	(229,279)
Net cash used in financing activities	(2,444,962)	(3,936,578)	(2,165,153)	(1,705,837)	(1,438,776)
<b>net (decrease) / increase in cash &amp; cash equivalents</b>	(5,358,863)	(8,099,055)	552,524	10,782,317	13,300,392
<b>RATIOS &amp; STATISTICS</b>					
<b>operating ratio</b>					
Return on ordinary shareholders' funds (%)	3.31	6.78	6.49	12.54	18.47
<b>Liquidity ratio</b>					
Current ratio (times)	17.08	19.67	19.95	34.12	34.12
<b>Investor ratios</b>					
Earnings per share (US\$)	0.04	0.13	0.11	0.17	0.22

# NOTES TO THE FINANCIAL STATEMENTS

In United State Dollars

## 1. Basis of conversion

The translation of Sri Lankan Rupee amounts in to US Dollar amounts is solely for the convenience of the shareholders, investors, bankers and other users of financial statements.

The translation of the financial statements in to US Dollar were effected based on the following exchange rates.

	2016	2015
Statement of Profit or Loss and Other Comprehensive Income - Average rate	139.05	131.20
<b>Monetary assets and liabilities - closing rate</b>	<b>144.69</b>	<b>133.32</b>
Non-monetary assets and liabilities - closing rate	144.69	133.32
Ordinary share capital - historical rate		

Gains or losses on conversion are accounted for in the revenue reserve

## 2. Revenue reserve

	Group	
For the year ended 31st March	2016	2015
Beginning of the year	160,146,233	143,844,120
<b>net movement during the year</b>	<b>(47,736,275)</b>	<b>19,405,137</b>
	112,409,958	163,249,257
Currency fluctuations	(10,488,758)	(3,103,024)
As at the end of the year	101,921,200	160,146,233

# INFORMATION TO SHAREHOLDERS AND INVESTORS

## 1. Stock Exchange Listing

Ceylon Guardian Investment Trust PLC is a Public Quoted Company, the Ordinary Shares of which are listed on the main board of the Colombo Stock Exchange. Stock Exchange code for Ceylon Guardian Investment Trust PLC shares is "GUAR".

## 2. Share Valuation

The market price of the Company's shares as at 31st March 2016 was Rs.119/70 per share (2015 – Rs.184/00).

## 3. ordinary Shareholders

As at 31st March	2016	2015
Number of Shareholders	1,603	1,638

The number of ordinary shares held by non-residents as at 31st March, 2016 was 7,457,020 (2015 – 6,993,868) which amount to 9% (2015 – 8.52%).

Distribution of Shares	Residents			Non-Residents			Total		
	No of members	No. of Shares	%	No of Members	No of Shares	%	No of Members	No of Shares	%
1 - 1,000	998	176,983	0.21	14	3,874	0.01	1,012	180,857	0.22
1001 - 10,000	374	1,155,492	1.39	16	54,992	0.07	390	1,210,484	1.46
10,001 - 100,000	136	4,168,395	5.02	22	611,471	0.74	158	4,779,866	5.76
100,001 - 1,000,000	33	9,272,780	11.17	4	672,229	0.81	37	9,945,009	11.98
Above 1,000,000	3	60,748,198	73.21	3	6,114,454	7.37	6	66,862,652	80.58
<b>Grand Total</b>	<b>1,544</b>	<b>75,521,848</b>	<b>91.00</b>	<b>59</b>	<b>7,457,020</b>	<b>9.00</b>	<b>1,603</b>	<b>82,978,868</b>	<b>100.00</b>

## Categorisation of Shareholders as at 31st March 2016

Categories of shareholders	No. of shareholders	No. of shares	%
Individuals	1,422	12,966,337	15.63
Institutions	181	70,012,531	84.37
<b>Total</b>	<b>1,603</b>	<b>82,978,868</b>	<b>100.00</b>

## Public Shareholding

Percentage of ordinary shares held by the public as at 31st March 2016 was 32.51% (2015 - 32.51%) and the number of public shareholders were 1589.

## 4. Market performance - ordinary shares

	For the year ended 31st March	
	2016	2015
As at 31 March	119.70	184.00
Highest (Rs.)	200.00	210.00
Lowest (Rs.)	118.50	150.00
Value of the shares traded (Rs.)	425,838,749	982,481,801
No. of shares traded	2,353,433	5,046,469
Volume of transactions (Nos.)	297	2,616

## 5 Market capitalisation

Market capitalisation of the Company which is the number of ordinary shares in issue multiplied by the market value of an ordinary share was Rs. 9,932,570,499/60 as at 31st March, 2016 (2015 - Rs. 15,105,796,296/-).

## 6 Record of Bonus Issues, Rights Issues, Repurchase and Sub-division of shares

The undermentioned share issues/repurchase have been made by the Company to date, in relation to its ordinary shares.

Year ended	Issue	Basis	No. of shares	Cumulative No. of shares	
1951	- Initial Capital				
1990	- Bonus	01:01	757,525	1,515,050	
1992	- Bonus	01:08	189,381	1,704,431	
1999	- Bonus	01:04	426,108	2,130,539	
2000	- Bonus	01:04	532,634	2,663,173	
2002	- April	Rights	380,453	3,043,626	
	- May	Bonus	760,906	3,804,532	
2003	- July	Rights	760,906	4,565,438	
	- August	Bonus	760,906	5,326,344	
2004	- July	Rights	2,663,172	7,989,516	
2004	- September	Bonus	2,663,172	10,652,688	
2005	- March	Rights	3,550,896	14,203,584	
	- June	Bonus	4,734,528	18,938,112	
2009	- October	Repurchase	(2,840,716)	16,097,396	
2010	- November	Subdivision	64,389,584	80,486,980	
		Capitalisation of Reserves	01:50	1,609,739	82,096,719
2015	- August	Scrip	01:93	882,149	82,978,868

## 7 Dividend

7.1 The Company paid a First Interim Dividend of Rs.2/- per share in the form of a Scrip Dividend (in the ratio of 1 share for every 93 shares) amounting to Rs. 175,672,908/-, for the Financial Year ended 31st March 2015.

Accordingly, 882,149 Ordinary Shares (amounting to Rs.164,193,546/-) and 61,717 Deferred Shares (amounting to Rs.11,479,362/-) were issued.

7.2 A Final Dividend of Rs.3/- per Ordinary Share and Deferred Share for the Financial Year ended 31st March 2015 was paid on 20th August 2015.

7.3 The Directors have recommended a first and final dividend of Rs 3/- per Ordinary share and Deferred share for the year ended 31st March 2016.

## 8 number of employees

The Company had no employees at the balance sheet date (2015 - Nil). The Group has 20 (2015 -17) employees as at the reporting date.

## 9 Major shareholders

A list of major shareholders of the Company as at the balance sheet date is provided in the Annual Report of the Board of Directors, on page 55.







# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the SIXTY FOURTH Annual General Meeting of CEYLON GUARDIAN INVESTMENT TRUST PLC will be held on Tuesday, the 26th day of July 2016 at 3.30 p.m. at "Kings Court", Cinnamon Lakeside Colombo, 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02 for the following purposes:

1. To receive and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2016, together with the Independent Auditors' Report thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Mr. D.C.R. Gunawardena who retires by rotation in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.
4. To re-elect Mrs. M.A.R.C. Cooray who retires by rotation in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.
5. To re-appoint Mr. I. Paulraj who is over Seventy years of age, as a Director of the Company and to consider and if deemed fit to pass the following resolution :  
  
"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not be applicable to Mr. I. Paulraj who is seventy nine years of age and that he be re-appointed a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."
6. To re-appoint Mr. C.W. Knight who is over Seventy years of age, as a Director of the Company and to consider and if deemed fit to pass the following resolution:  
  
"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not be applicable to Mr. C.W. Knight who is seventy three years of age and that he be re-appointed a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

7. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act No. 7 of 2007 and to authorise the Directors to determine their remuneration.

By Order of the Board

(Sgd).

**K.D. De Silva (Mrs.)**

Director

**Carsons Management Service (Private) Limited**  
Secretaries

Colombo

07th June 2016

## notes

1. A member is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A Form of Proxy accompanies this notice.
2. The completed Form of Proxy must be deposited at the Registered Office, No.61, Janadhipathi Mawatha, Colombo 1, not later than 4.45 p.m. on 24th July 2016.
3. A person representing a Corporation is required to carry a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a member.
4. The transfer books of the Company will remain open.
5. Security Check  
We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the security personnel stationed at the entrance lobby.

# FORM OF PROXY

\*I/ We .....  
of .....  
being \*a Member/Members of CEYLON GUARDIAN INVESTMENT TRUST PLC, hereby appoint  
.....  
of .....  
bearing NIC No./ Passport No ..... or failing him/her

Israel Paulraj	or failing him,
Don Chandima Rajakaruna Gunawardena	or failing him,
Vernon Manilal Fernando	or failing him,
Mirihana Arachchige Rose Chandralatha Cooray	or failing her,
Krishna Selvanathan	or failing him,
Christopher William Knight	or failing him,
Timothy Chee Ming Chia	

as \*my/our proxy to attend at the 64th Annual General Meeting of the Company to be held on Tuesday, the 26th day of July 2016 at 3.30 p.m., at "Kings Court", Cinnamon Lakeside Colombo, 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
(1) To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2016, together with the Independent Auditors' Report thereon.	<input type="checkbox"/>	<input type="checkbox"/>
(2) To declare Rs. 3/- per Ordinary share and Deferred share as a First & Final dividend for the financial year ended 31st March 2016, as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
(3) To re-elect Mr. D.C.R. Gunawardena who retires by rotation in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(4) To re-elect Mrs. M.A.R.C. Cooray who retires by rotation in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(5) To re-appoint Mr. I. Paulraj who is over Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(6) To re-appoint Mr. C.W. Knight who is over Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(7) To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act. No. 07 of 2007 and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this.....day of ..... Two Thousand and Sixteen.

.....  
Signature /s

**note:**

- (a) \*Please delete the inappropriate words.
- (b) A shareholder entitled to attend and vote at a General meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the Company. A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the General Meeting of the shareholders.
- (c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- (d) Instructions are noted on the reverse hereof.

**InSTRuCTIonS AS To CoMPLETIon**

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 71 of the Articles of Association of the Company, the instrument appointing a proxy shall be in writing and :
  - (i) in the case of an individual shall be signed by the appointor or by his attorney; and
  - (ii) in the case of a Corporation shall be either under its common seal or signed by its attorney or by an officer on behalf of the Corporation.

The Company may, but shall not be bound to, require evidence of the authority of any such attorney or officer. A proxy need not be a member of the company.

4. In terms of Article 66 of the Articles of Association of the Company:

In the case of joint-holders of a share, the senior who tenders a vote, whether in person or by proxy or by attorney or by representative, shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stands in the Register of Members in respect of the joint holding.
5. To be valid the completed Form of Proxy should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1 not later than 4.45 p.m. on 24th July 2016.

Please fill in the following details	
Name	: .....
	.....
Address	: .....
	.....
	.....
	.....
Jointly with:	.....
Share Folio no. :	.....

# CORPORATE INFORMATION

## NAME OF THE COMPANY

Ceylon Guardian Investment Trust PLC  
(A Carson Cumberbatch Company)

## COMPANY REGISTRATION NO.

PQ 52

## DOMICILE AND LEGAL FORM

Ceylon Guardian Investment Trust PLC is a Public Quoted Company with limited liability, domiciled in Sri Lanka. The Company was incorporated in Sri Lanka in 1951.

## PRINCIPAL ACTIVITY AND NATURE OF OPERATIONS

During the year, the principal activity of the Company was holding and managing of an investment portfolio.

## PARENT AND CONTROLLING ENTITY

In the opinion of the Directors' Carson Cumberbatch PLC is the Parent Company of Ceylon Guardian Investment Trust PLC and Bukit Darah PLC is the ultimate Parent and Controlling entity of Ceylon Guardian Investment Trust PLC.

## DIRECTORS

Mr. I. Paulraj (Chairman)  
Mr. D.C.R. Gunawardena  
Mr. V.M. Fernando  
Mrs. M.A.R.C. Cooray  
Mr. K. Selvanathan  
Mr. C.W. Knight  
Mr. T.C.M. Chia

## NUMBER OF EMPLOYEES

The Company did not have any employees of its own as at the end of the year

## BAnKERS

Standard Chartered Bank  
HSBC  
Commercial Bank of Ceylon PLC  
Deutsche Bank A.G.  
DFCC Bank  
Peoples' Bank

## AUDITORS

Messrs. KPMG  
Chartered Accountants,  
No. 32A, Sir Mohamed Macan Markar Mawatha,  
Colombo 3.

## INVESTMENT MANAGER

Guardian Fund Management Limited  
No. 61, Janadhipathi Mawatha,  
Colombo 1, Sri Lanka.  
Tele: +94-11-2039200  
Fax: +94-11-2039385

## MANAGERS & SECRETARIES

Carsons Management Services (Private) Limited  
No. 61, Janadhipathi Mawatha,  
Colombo 1.  
Tele: +94-11-2039200 Fax: +94-11-2039300

## REGISTERED OFFICE & PRINCIPAL PLACE OF BuSInESS

No. 61, Janadhipathi Mawatha,  
Colombo 1.  
Tele: +94-11-2039200 Fax: +94-11-2039300

## CoRPoRATE WEBSITE

[www.carsoncumberbatch.com](http://www.carsoncumberbatch.com)

The Company is a member of the Carson Cumberbatch Group of companies

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[www.carsoncumberbatch.com](http://www.carsoncumberbatch.com)

# CEYLON GUARDIAN INVESTMENT TRUST PLC - PQ 52

In Rupees Thousands

## ADDITIONAL INFORMATION TO SHAREHOLDERS

We are herewith circulating the portfolio of the company's subsidiary, Rubber Investment Trust Limited.

### INVESTMENT PORTFOLIO OF RUBBER INVESTMENT TRUST LIMITED

#### Summary

As at 31st March	Note	2016		2015	
		Cost	Fair value	Cost	Fair value
Available for sale financial assets	1	1,524,025	9,351,020	454,725	15,433,890
Fair value through profit or loss financial assets	2	-	946,602	-	1,354,575
		1,524,025	10,297,622	454,725	16,788,465

#### 1 Available for sale financial assets

##### 1.1 Investment in equity securities - quoted

As at 31st March	2016			2015		
	no. of shares	Cost	Fair value	No. of shares	Cost	Fair value
<b>Banks, Finance &amp; Insurance</b>						
Hatton National Bank PLC - Non voting	1,184,341	210,853	202,522	269,000	48,197	44,384
Hatton National Bank PLC	123,977	28,613	24,709	122,000	28,229	27,084
People's Insurance PLC	2,689,400	40,341	45,451	-	-	-
Sampath Bank PLC	545,924	127,569	123,379	-	-	-
Seylan Bank PLC	703,790	63,582	60,526	-	-	-
Seylan Bank PLC - Non voting	355,035	23,273	22,367	-	-	-
Commercial Bank of Ceylon PLC	306,200	43,578	38,428	-	-	-
		537,809	517,382		76,426	71,468
<b>Beverage, Food &amp; Tobacco</b>						
Distilleries Company of Sri Lanka PLC	889,027	214,276	183,317	-	-	-
		214,276	183,317		-	-
<b>Diversified</b>						
John Keells Holdings PLC	7,083,485	308,418	1,048,355	7,544,237	375,405	1,504,321
Hemas Holdings PLC	1,138,685	89,590	91,778	-	-	-
Softlogic Holdings PLC	5,144,707	79,405	68,425	-	-	-
		477,413	1,208,558		375,405	1,504,321
<b>Manufacturing</b>						
Tokyo Cement Company (Lanka) PLC	552,166	20,496	20,430	-	-	-
		20,496	20,430		-	-
<b>oil palm</b>						
Bukit Darah PLC	20,438,250	1,928	7,153,388	20,470,125	1,928	13,857,135
		1,928	7,153,388		1,928	13,857,135
<b>Telecommunication</b>						
Dialog Axiata PLC	26,268,830	272,100	267,942	-	-	-
		272,100	267,942		-	-
<b>Total investment in equity securities - quoted</b>		<b>1,524,022</b>	<b>9,351,017</b>		<b>453,759</b>	<b>15,432,924</b>

##### 1.2 Investments in equity securities - unquoted

As at 31st March	2016			2015		
	no. of shares	Cost	Fair value	No. of shares	Cost	Fair value
DFCC Vardhana Bank PLC - unlisted ordinary shares	-	-	-	55,253	963	963
<b>Total investment in equity securities - unquoted</b>					<b>963</b>	<b>963</b>

##### 1.3 Investments in debentures

As at 31st March	2016			2015		
	no. of shares	Cost	Fair value	No. of shares	Cost	Fair value
Riverina Hotels Limited	56	1	1	56	1	1
Ocean View Limited - 6%	120	1	1	120	1	1
<b>Total investments in debentures</b>		<b>2</b>	<b>2</b>		<b>2</b>	<b>2</b>

# CEYLON GUARDIAN INVESTMENT TRUST PLC - PQ 52

In Rupees Thousands

## 1.4 Investments in preference shares

As at 31st March	2016			2015		
	no. of shares	Cost	Fair value	No. of shares	Cost	Fair value
Bukit Darah PLC - 8% participative cumulative	31,875	1	1	31,875	1	1
<b>Total investment in preference shares</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>31,875</b>	<b>1</b>	<b>1</b>
<b>Total investment in available for sale financial assets</b>	<b>1,524,025</b>	<b>9,351,020</b>		<b>454,725</b>	<b>15,433,890</b>	

## 2 Fair value through profit or loss financial assets

### 2.1 Investment in equity securities - quoted

As at 31st March	2016		2015	
	no. of shares	Fair value	No. of shares	Fair value
<b>Banks, Finance &amp; Insurance</b>				
Commercial Bank of Ceylon PLC	-	-	40,418	6,685
DFCC Bank PLC	139,699	19,139	39,699	8,051
Hatton National Bank PLC	289,620	57,721	285,000	63,270
Seylan Bank PLC	370,000	31,820	400,000	40,000
Seylan Bank PLC - Non voting	198,755	12,522	-	-
Sinhaputhra Finance PLC	100,000	1,670	20,000	3,598
Union Bank of Colombo PLC	1,832,145	30,414	1,178,975	28,413
		153,286		150,017
<b>Beverage, Food &amp; Tobacco</b>				
Distilleries Company of Sri Lanka PLC	201,278	41,504	201,278	48,407
		41,504		48,407
<b>Construction and Engineering</b>				
Access Engineering PLC	1,700,000	35,360	1,750,000	33,600
MTD Walkers PLC	428,242	14,260	-	-
		49,620		33,600
<b>Diversified</b>				
Aitken Spence PLC	370,218	27,211	370,218	36,837
Hemas Holdings PLC	604,986	48,762	634,488	46,762
Hayleys PLC	12,457	3,061	-	-
Softlogic Holdings PLC	2,656,410	35,330	2,406,410	31,765
		114,364		115,364
<b>Hotels &amp; Travels</b>				
Aitken Spence Hotel Holdings PLC	792,093	41,981	229,193	15,356
Serendib Hotels PLC	270,067	7,427	270,067	7,562
		49,408		22,918
<b>Land &amp; Property</b>				
Overseas Reality (Ceylon) PLC	400,000	9,360	-	-
		9,360		-
<b>Manufacturing</b>				
Kelani Tyres PLC	267,316	17,108	211,816	16,522
Lanka Tiles PLC	-	-	259,765	27,535
Chevron Lubricants Lanka PLC	75,381	22,991	-	-
		40,099		44,057
<b>Power and Energy</b>				
Lanka IOC PLC	-	-	131,862	5,314
		-		5,314
<b>Telecommunications</b>				
Dialog Axiata PLC	3,400,000	34,680	1,629,448	16,946
		34,680		16,946
<b>Total investment in equity securities - quoted</b>		<b>492,321</b>		<b>436,623</b>

### 2.2 Investment in unit trusts - unquoted

As at 31st March	2016		2015	
	no. of shares	Fair value	No. of shares	Fair value
Guardian Acuity Money Market Fund	26,205,435	332,809	42,517,007	517,432
Guardian Acuity Money Market GILT Fund	1,140,906	121,472	4,000,000	400,520
<b>Total investment in unit trusts - unquoted</b>		<b>454,281</b>		<b>917,952</b>
<b>Total investment in fair value through profit or loss financial assets</b>		<b>946,602</b>		<b>1,354,575</b>