

# VALUE INVESTING

CEYLON INVESTMENT PLC



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# Value investing

Ceylon Investment PLC has consistently focused on value investing and wealth creation, with opportunities for intelligent, high quality investments that promise growing and consistent returns in the medium to long term. Our equity selections are done with a long term horizon.

The year under review in this report has been a complex one, yet your company has succeeded in expanding our existing portfolio, working through an uncertain business environment to deliver good results yet again. We are pleased to report a strong balance sheet in this review with a 10.78% growth in our actively managed portfolio, as we steadily add to the value we create for our shareholders whose loyalty and confidence lies at the core of our success.

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Ceylon Investment PLC is a part of the Ceylon Guardian Group. It is focused on investing in listed equity investment portfolios to create long term value to shareholders. The Company hold a total investment portfolio of Rs. 8.7 Bn as at 31st March 2017.

# Performance Highlights

In Rupees Thousands



For the year ended / as at 31st March	2017	2016	Change (%)
Revenue	297,938	322,032	(7)
Profit from operations	149,706	131,859	14
Share of profit of equity accounted investee net of tax	510,433	162,922	213
Profit before taxation	660,068	294,763	124
Profit for the year	652,814	287,215	127
Other comprehensive expense for the year	(1,032,420)	(4,090,419)	(75)
Total comprehensive expense for the year	(379,606)	(3,803,204)	(90)
Net cash used in operating activities	(179,000)	(52,634)	240
Net decrease in cash and cash equivalents during the year	(222,192)	(216,279)	3
Total assets	8,755,877	9,290,708	(6)
Total equity	8,553,140	9,103,653	(6)
Return on ordinary shareholders' funds (%)	7.63	3.16	142
Earnings per share (Rs)	6.56	2.89	127
Dividend per share (Rs) *	1.75	1.50	17
Net assets value per share (Rs.)	86.00	91.54	(6)
Ceylon Investment actively managed portfolio **	4,358,886	4,066,809	7
Ceylon Investment fund total value **	8,727,181	9,278,745	(6)
Price to book value ratio (times)	0.47	0.58	(19)
<b>Stock market data</b>			
All share price index (points)	6,061.94	6,071.88	(0)
S&P SL 20 Index (points)	3,438.88	3,204.44	7
Market capitalisation	3,978,042	5,241,071	(24)
Share price (Rs.)			
- Year end	40.00	52.70	(24)
- High	69.90	99.00	(29)
- Low	39.10	44.00	(11)

\* Based on final / interim dividends

\*\* Based on the fair value of portfolio after adjusting for cash and cash equivalents and including share of associate under total value.

# Chairperson's Statement

It is with pleasure that I welcome you to the 65th Annual General Meeting of Ceylon Investment PLC and present to you the Annual Report of the company for the financial year ended 31 March 2017.

You would be pleased that Ceylon Investment has performed well reporting a 127% growth in profit which is Rs. 652.81 Mn for the year ended 31st March 2017, compared to Rs. 287.21 Mn for the previous year. This was largely on account of realization of capital gains in the Associate company. The company has performed exceptionally well in the turbulent environment with the discretionary portfolio outperforming the ASPI significantly over a 3 year period by a 7.44% CAGR. Ceylon investment's philosophy and disciplined investment process continues to add value to its stakeholders. The discretionary portfolio provided a 10.78% return for the financial year in a flat market environment.

## Economy

The year ended March 2017 was a challenging year. The economy which recorded a GDP growth of 4.4% for the year 2016 witnessed a notable drop in growth during the first quarter of 2017. The Extended Fund Facility of the IMF which required the government to undertake a series of reforms, saw the introduction of several measures aimed at augmenting revenue and fiscal consolidation. Aiming at correcting a few imbalances in the economy, tightened monetary policy adopted during 2016 was further tightened during the first quarter of 2017. A renewed effort, aimed at achieving sustainable economic development including reforms, structural changes and improving international relationships was put in place. However the high debt burden and adverse weather conditions created a negative impact on the Government's development efforts. With a view to addressing existing structural deficiencies in the economy paving the way for sustainable development, it is imperative that the Government implements a well-structured and co-ordinated coherent set of policies creating a conducive environment for this purpose, through an efficient implementation mechanism.

## Business Environment

Sri Lankan capital markets which have experienced limited development in the past are now undergoing a number of structural changes to pave a more diverse pathway. Some of the changes are in the form of a much needed Securities Exchange Commission Act which lays a foundation for new product development such as Real Estate Investment Trusts

(REITs), derivatives and also strengthen the much needed regulatory aspects of the market.

Unclear tax policies led to investors holding back investments in capital markets with concerns on implementations of capital gains taxes, changes to corporate taxes and treatment of withholding and notional taxes. The uncertainty also led to the group protecting its investment returns by realizing large capital gains both in the company and associate company given the prospect of potential future tax implications. Though it was not the best of times to sell out, lack of confidence in the direction of capital market taxes forced us to realize gains at a sub-optimal point of time to protect shareholder returns.

The overall performance and trends of Colombo Stock Exchange (CSE) are important indicators of the general business environment to prospective foreign investors interested in bringing capital to the country. Therefore, clear and coherent policy decisions, especially those affecting the operating environment of the CSE directly and indirectly, have to be taken after careful consideration of the implications on various sub sectors of the economy as well as focusing on attracting much wanted capital into the country

Performance of your company against this background has been commendable.

I thank the staff for their commitment, enthusiasm and striving hard to bring in good results operating in a volatile environment, our intermediaries and service providers for their support, and the regulators in taking the industry forward. I thank our shareholders who continue to believe in our ability to deliver. 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.)  
**M. A. R. C. Cooray (Mrs.)**  
Chairperson

Colombo  
21st June 2017

# Management Discussion and Analysis

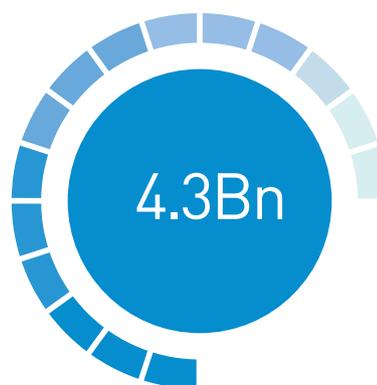
Ceylon Investment holds a portfolio of Rs. 8.7 billion as at 31st March 2017 consisting of a strategic holding of Rs. 4.4 billion and a discretionary holding of Rs. 4.3 billion. The discretionary component is actively managed using a bottom up stock selection process where the fund management team select investments utilizing fundamental research and the widespread experience of the team. The discretionary component performed exceptionally well for the financial year ending

31st March 2017 with the portfolio providing a return of 10.78% outperforming the All Share Price Index by 10.94%. The portfolio has outperformed the ASPI significantly over a 3 year period, whereby the discretionary portfolio performance has been 7.96% compared to the flat ASPI of CAGR 0.52%. The total portfolio declined from Rs. 9.28 billion in 31st March 2016 to Rs. 8.73 billion largely on account of the strategic holding value reducing.

	As at		Change %	As at	
	31-Mar-17	31-Mar-16		31-Mar-17 (Dividend adjusted)	Dividend adjusted performance
Discretionary portfolio (Rs. '000) *	4,358,886	4,066,809	7.18%	4,505,198	10.78%
Strategic investment	4,368,295	5,211,936	-16.19%	4,368,295	-16.19%
Total Portfolio (Rs. '000)*	8,727,181	9,278,745	-5.94%	8,873,493	-4.37%
ASPI (Points)	6,061.94	6,071.88	-0.16%		-0.16%
S&P 20 (Points)	3,438.88	3,204.44	7.32%		7.32%

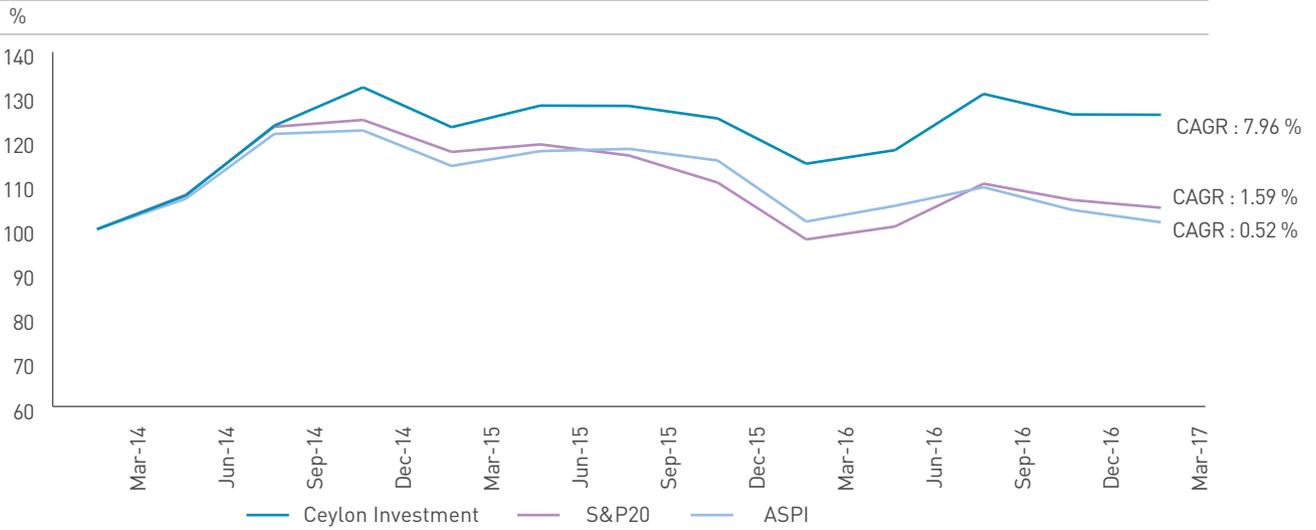
\*After adding back the total cash outflow from the distribution of dividend by the Company, which was Rs. 146.31 Mn during the period.

The Ceylon Investment portfolio has outperformed the ASPI significantly for the financial year, whereby the discretionary portfolio performance has been 10.78% compared to the flat ASPI of - 0.16%.

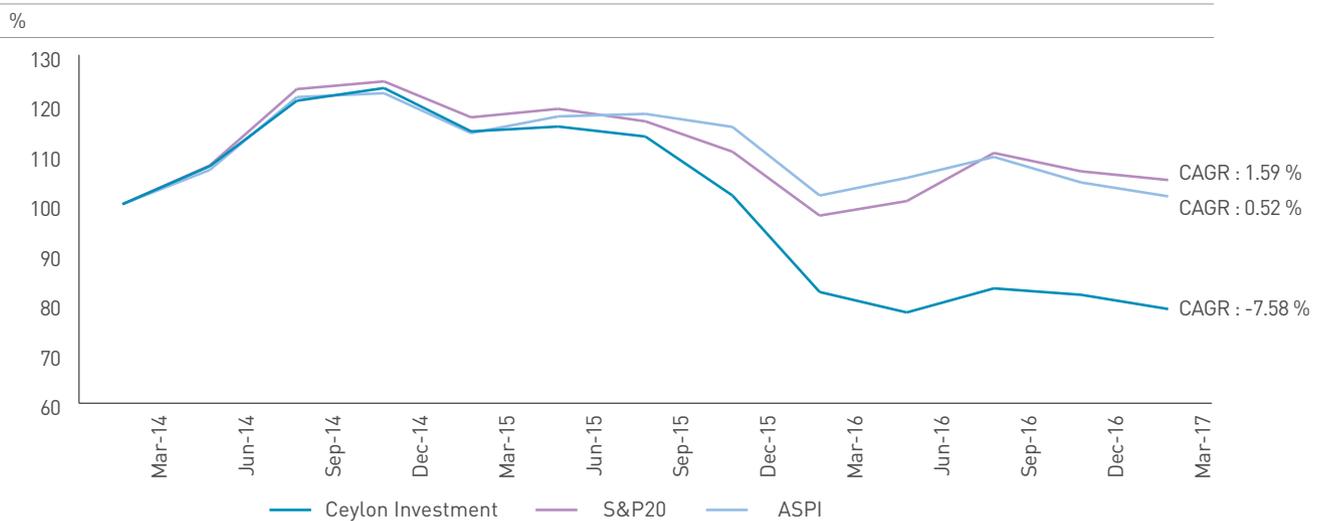


**Discretionary portfolio**  
Actively managed component of the Company portfolio

### Three year track record - Ceylon Investment discretionary portfolio



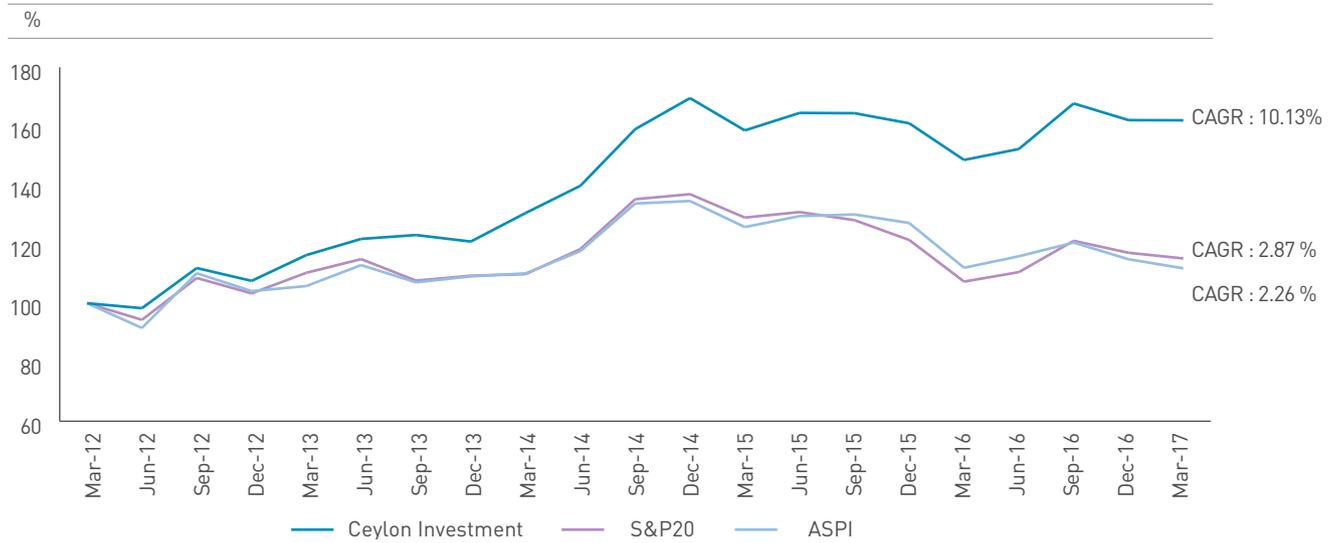
### Three year track record - Ceylon Investment total portfolio



# Management Discussion and Analysis

On a long horizon, supporting Ceylon Investment’s aim of owning high quality businesses within its portfolio, our performance has been 10.13%, which is 7.87% above the benchmark for the last five years.

**Five year track record -Ceylon Investment discretionary portfolio**



**Five year track record - Ceylon Investment total portfolio**



The local equity market provided a dampened return of -0.16% for the year with economic concerns such as fiscal consolidation, higher interest rates and excessive external debt repayment at the forefront. Higher interest rates in particular hampered domestic participation resulting in lacklustre turnover levels and subdued price levels. Encouraging signs for the economy began to emerge despite the poor performance of the market by way of the country securing the IMF Extended Fund Facility, Fitch sovereign rating outlook improving to stable and renewed foreign interest in the Colombo Stock Exchange in the latter months. On the global front, stocks rallied in a year of volatility and political upheaval. It was a year of surprises with Donald Trump’s surprising victory and the UK referendum leading to Brexit. Improving US economic growth and central bank stimulus led to improved returns from developed markets. Emerging markets saw strong inflows leading to improved performances largely due to rising commodity prices and political reform efforts.

We invested Rs. 211 million in a cement manufacturing company which supplies to 35% of Sri Lankan demand. We are very excited with the prospects of Tokyo Cement which stands to gain from the ongoing construction boom in both the retail and large scale categories. The

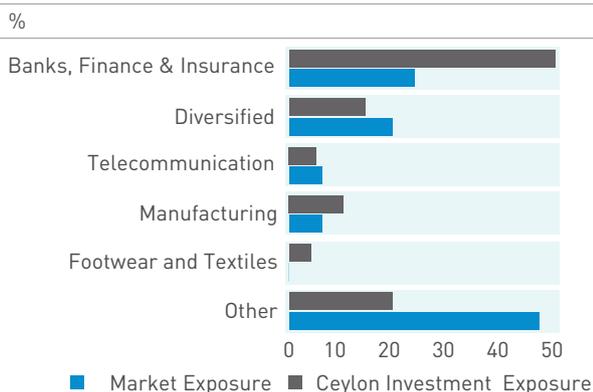
## Encouraging signs for the economy began to emerge despite the poor performance of the market by way of the country securing the IMF Extended Fund Facility, Fitch sovereign rating outlook improving to stable and renewed foreign interest in the CSE in the latter months.

softer input commodity prices and revenue growth led to a phenomenal increase of 72% in its bottom line. Since we acquired the position in Tokyo Cement this financial year, the stock has been a top contributor to the portfolio providing a return of 64%. We are watchful of the fact that the cement prices are regulated prices and that its largest competitor Holcim recently sold out to Siam City Cement Public Company Limited Thailand.

We invested a Rs. 61 million in Cargills which is one of the leading food and beverage companies in Sri Lanka has over 315 supermarket outlets spread across the country making it the largest privately owned supermarket. The company has started showing strong profit growth since the removal of deemed VAT in 2016 where they were obligated to pay VAT on 75% of the revenue regardless of VAT liability products. We are the 5th largest shareholder in the company with a 2% stake and look forward to the company’s rapid growth supported by increased consumption patterns in the medium term with improving GDP per capita.

We maintain significant exposure to HNB which is one of the largest private banks in the country and have monitored the large strides it has made in improving profitability through cost management whilst maintaining high quality lending. The banks strong presence in SME lending differentiates it from its peers. However, the banking space in Sri Lanka is very competitive and we see mid-sized banks increasing their presence. We have invested in one such institution being Sampath Bank which grew rapidly after investing in a heavy branch expansion. Sampath Bank too has grown its loan book and is focused on cost reductions whilst maintaining asset quality. However, it has one of the lowest capital adequacy ratios in the sector and with BASEL

### Sector Exposure



Sri Lankan economy which is entering the next phase of its development drive will be spearheaded by numerous public and private large scale construction projects. With increasing demand for cement consumption the company has invested in increasing its manufacturing capacity to 2.8Mn MT from prior 1.8 Mn MT. A combination of

## Management Discussion and Analysis

III requirements expected to be adopted in 2019, capital calls are expected across the sector of which HNB and Commercial Bank have already made announcements.

### Top five holdings

Company	Market value of the holding('000)	Holding as a % of discretionary portfolio
Hatton National Bank PLC	504,252	11.57%
Commercial Bank of Ceylon PLC	477,783	10.96%
Sampath Bank PLC	453,837	10.41%
Melstacorp PLC	344,652	7.91%
Tokyo Cement Company (Lanka) PLC	327,645	7.52%
Total	2,108,169	48.36%

Our holdings in the insurance sector reflect potential growth of the sector due to under-penetration of insurance and profitability in the life segment of the business. The general insurance holdings are more selective as a result of intense competition and unique business models such as Peoples Insurance that caters to the brand loyalty of its parent company. The cyclical nature of the leasing sector poses opportunity for increasing positions due to underpricing of some businesses.

A significant detractor for the portfolio this year was Hayleys Fabrics which experienced a 66% decline in net profit for the nine months ending Dec-16. The fabric manufacturer which is one of the largest knitting mills in the country was unable to obtain higher margin orders with uncertainty surrounding end –markets. The company came out of its financial troubles in 2010 and successfully turned the business around. The next phase of growth for the company is to shift its buyers to higher value added outputs which has proved challenging. We expect the company to pursue more lucrative segments which will add to bottom line growth in the future.

Another significant underperformer was Aitken Spence Hotel Holdings with recently opened associate properties in Sri Lanka performing poorly as well as the Indian property also falling below expectations. Despite tourist arrivals in Sri Lanka growing, the attraction to 4 and 5 star properties

remains sluggish. The Maldivian sector which had been a key contributor in the past was also performing poorly with occupancies declining as completion intensifies. We expect a medium term recovery with demand for local star class properties eventually returning and other South Asian investments also recovering over time.

Ceylon Investment's approach to value driven long term investing has resulted in significant capital gains made over a period of time. New legislation to be introduced brought about an uncertainty on introduction of taxes on Ceylon Investment's unrealized gains. In order to protect shareholder returns we realized profit on investments that had made significant gains over the years. As a result we divested significant positions in Commercial Bank, Sampath Bank and Tokyo Cement to secure gains to shareholders under the present tax regime. The total gains realised thereby amount to Rs. 108.78 Mn. The divestment was prompted by an anticipated tax on share trading as a business. It is of significant concern that tax issues have caused us to sell out at an unsuitable time. Never the less, as a cautionary measure, we decided to realise the higher accumulated gains.

### Financial Review and Shareholder Returns

Ceylon Investment together with its share of profit of equity accounted investee, reported a profit after tax of Rs. 652.81 Mn for the year ended 31st March 2017 compared to Rs. 287.21 Mn of the previous year. The increase of Company profit by 127.3% is due to increase in Share of net profit of equity accounted investee "Rubber Investment Trust Limited, resulting from substantial realized gains recorded when compared with last year.

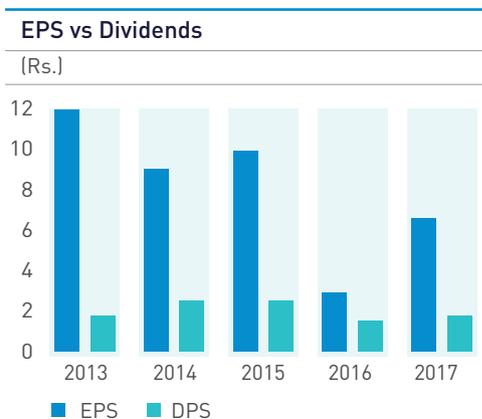
The net fair value losses on Instruments held as "fair value through profit or loss financial assets" amounts to Rs. 2.78 Mn for the current year, due to the fall market prices of shares, as opposed to the net fair value losses of Rs. 89.87 Mn for last year. The impairment loss on account of fall in fair value of Instruments held as "available for sale financial assets" which is either significant or prolonged, amounts to Rs. 95.21 Mn (2016 - Rs. 45.66 Mn) for the period under review on account of investments in Aitken Spence PLC and Aitken Spence Hotel Holding PLC.

Share of other comprehensive income / (expense) of equity accounted investee net of tax, which is the main component of other comprehensive Income, amounts to negative Rs. 1.24 Bn compared to negative of Rs. 3.57 Bn recorded in the previous year. This is mainly due to fair value losses recognised in other comprehensive income of the associate

company, resulting from the negative fair value change of the Strategic Investment which experienced a share price drop of 26% (2016: 48%).

The Company's earnings per share (EPS) increased to Rs. 6.56 from Rs. 2.89, a growth of 127.3%.

The Company declared a first interim dividend of Rs. 1.75/- per share as final. The Company has been maintaining a consistent dividend to match shareholder expectations and this year sees an increase of 17%.



The net asset value per share (NAV) amounted to Rs. 86.00 which is based on fair value of its portfolio.

As at 31st March	2017	2016	Change %
ASPI	6,061.94	6,071.88	(0.16)
NAV per share (Rs.)	86.00	91.54	(6.05)
Market price per share (Rs.)	40.00	52.70	(24.10)
Discount of NAV to market price per share	53.49%	42.43%	

The Company's share has been trading at a discount in the CSE over the past years. As of 31st March 2017, the market price of the Company was at Rs. 40.00 recording a drop of 24.10% for the year, and still trades at a discount of 53.49% to the NAV. Shareholder wealth depreciation during the year was 20.78 % taking into account both share price movement and dividend for the year.

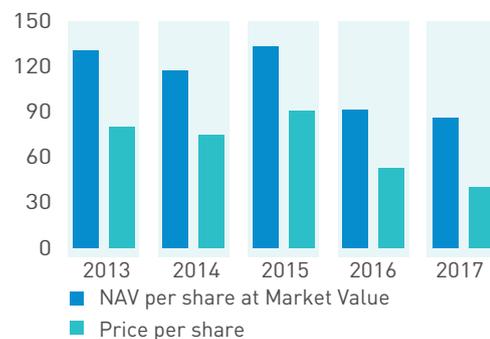
## ECONOMY AND MARKET

### ECONOMY

The year 2016 saw the economy grow by 4.4% compared to 4.8% in the previous year which remained relatively low on account of higher interest rates and a general slowdown along with construction activity. The economy going forward is expected to gradually accelerate led by service sector and construction activity. Large scale infrastructure projects

### NAV per share (Market value)

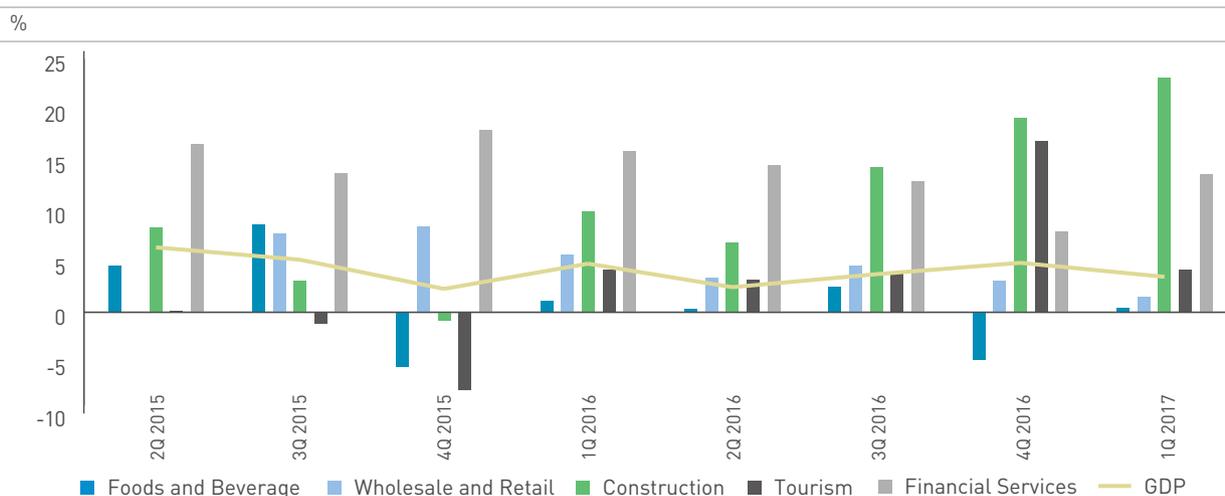
vs Share price (Rs.)



and private sector constructions are expected to drive the manufacturing sectors contribution to the overall economy. Although within the service sector consumption is slowing as a result of higher interest rates and inflation, financial services should continue to expand ensuring growth in the service sector. Meanwhile a major foreign relations effort by the present administration has improved perception of Sri Lanka amongst the international community and trade agreements are being explored providing future opportunity for economic growth.

## Management Discussion and Analysis

### GDP and Sector Growth Rates



An overheating economy saw Central Bank increasing policy rates in July 2016 and Mar 2017 in an attempt to stem credit growth and curtail the trade deficit. As a result, interest rates remain elevated with the 1 year Treasury bill auction at 10.98% and 5 year Treasury bond trading at 12.55% as at 31st March 2017. We expect interest rates to trend down towards the second half of CY 2017 with lower external repayments falling in this time period and fiscal consolidation measures to take place increasing confidence in the economy. However, risks still persist on the inflation side with increasing commodity prices and weather patterns. Also, external risks can impact the rupee and domestic interest rates such as investor reactions to Fed rate hikes and geo-political tensions.

Sri Lanka's economy continues to grapple with a high debt burden, at 79% of GDP, which dampens growth prospects and creates pressure on the Balance of Payments. The country must take steps to attract the much elusive foreign direct investment which is required to get out of this debt trap. To attract capital, structural reforms are required of which part has been addressed through the IMF programme which is currently underway. The IMF programme also addresses the key area of fiscal consolidation through the implementation of a new Inland Revenue Act and promoting a more equitable, efficient and predictable tax structure. The IMF program also addresses public financial management reform, state enterprise

reform, flexible exchange rate, inflation targeting and reforms in trade and investment. Once these reforms are successfully implemented, we expect the Sri Lankan economy to be on a much better footing.

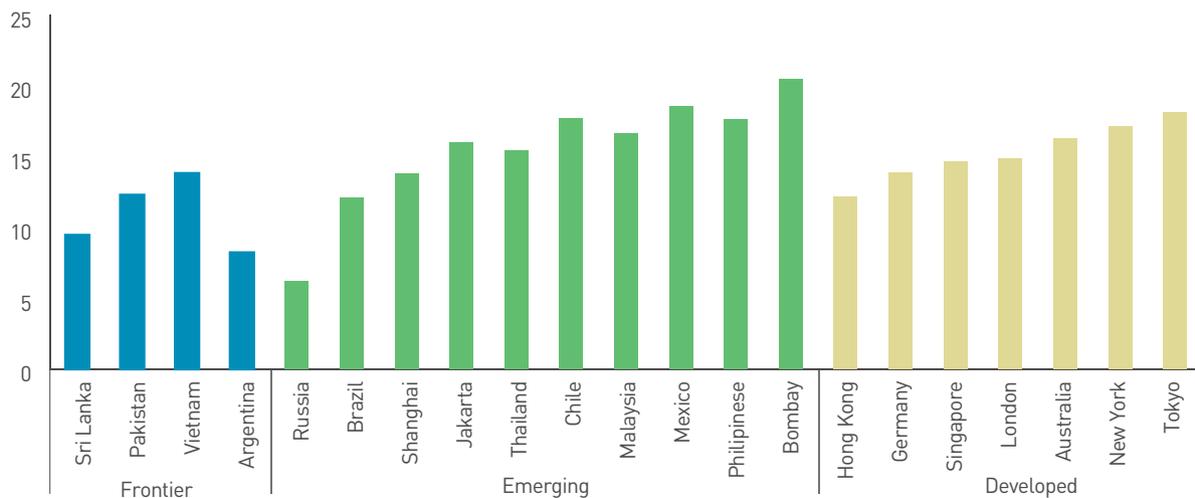
### EQUITY MARKET REVIEW

Economic concerns loomed over the Colombo Stock Exchange like a dark cloud as the country continued to grapple with its excessive debt burden resulting in higher interest rates and slower economic activity. The financial year ending March 2017 saw the All Share Price Index give a dismal -0.16% return. It was natural for domestic retail and institutional investors to take a back seat and allocate their funds to more attractive fixed income investments. However, opportunities were available for experienced bottom up stock pickers such as Ceylon Investment whose discretionary portfolio provided a return of 10.78%.

The staff level agreement announced in April 2016 for USD 1.5 Bn, with the IMF brought about a level of confidence that steps are being taken to get the economy back on track with the guidance of the IMF. This brought about a sense of optimism at the start of the financial year with the ASPI providing a return of 7.3% for the month of April 2016. However, net foreign selling along with the dawning in domestic investors' minds that fiscal consolidation, a pillar of the IMF program, will result in increases in effective

## Peer Market PE

(Forward PE)



taxation saw them adopting a 'wait and see' approach. ASPI returns from May to Dec 2016 saw the market decline by 4.4%.

Geopolitical uncertainty and a wave of nationalism sweeping across the globe, saw unforeseen changes taking place such as Brexit and the rise to presidency of Donald Trump. Brexit continues to apply pressure to the idealism of an integrated Europe and negotiations will be ongoing to determine the fate of Britain and its trading partners. However, a wave of optimism across markets emanating from Trump's policies and US economic recovery has seen global investors utilizing a more 'risk-on' approach. The past few months have seen equities across developed economies showing strong returns and a renewed interest in emerging and frontier markets. Foreign inflows for the 6 months preceding March 2017 has been a total of Rs. 10.5 billion and have dominated market participation with interest centred around liquid blue chip stocks.

Sectors that performed well for the financial year included Manufacturing (+10.5%), Healthcare (+9.48%) and beverage food and tobacco (+6.14%). Manufacturing did well on account of softer commodity prices for part of the year and volume growth for construction related companies.

Consumption related stocks in the beverage food and tobacco also did well with major slowdown from higher interest rates yet to take full effect. Sectors that didn't

perform included Hotels (-3.98%) which continue to struggle as tourists demand for lower and unrated accommodation demand grows. Banks Finance and Insurance sector return (-1.65%) is largely account of poor market participation in these liquid stocks and capital raising requirements coming up. However, underlying fundamentals in banking stocks continues to improve and leasing companies continue to be challenged with higher interest rates and economic conditions.

Market capitalization as at 31st March 2017 was Rs. 2.66 trillion compares with Rs. 2.58 trillion a year ago. This can increase in the near term with the CSE's move to include non-voting shares in the overall market capitalization. The All Share Price Index remains attractive at current levels with a 1 year and 2 year forward PER of 11.8X and 11.2x based on our coverage which accounts for 72% of the market capitalization. Earnings growth is expected to be 10.1% and 8.4% as the economy continues to slow-down with higher interest rates and balance of payment concerns. Based on our universe of stocks which we track, earnings growth over the last five years has outpaced market price growth. Relative to peer regional markets, the CSE looks attractive and shows strong return potential over the medium term. Efforts to list even small stakes of key state-owned enterprises will give a boost to market size, liquidity and trading opportunities.

# Risk Management

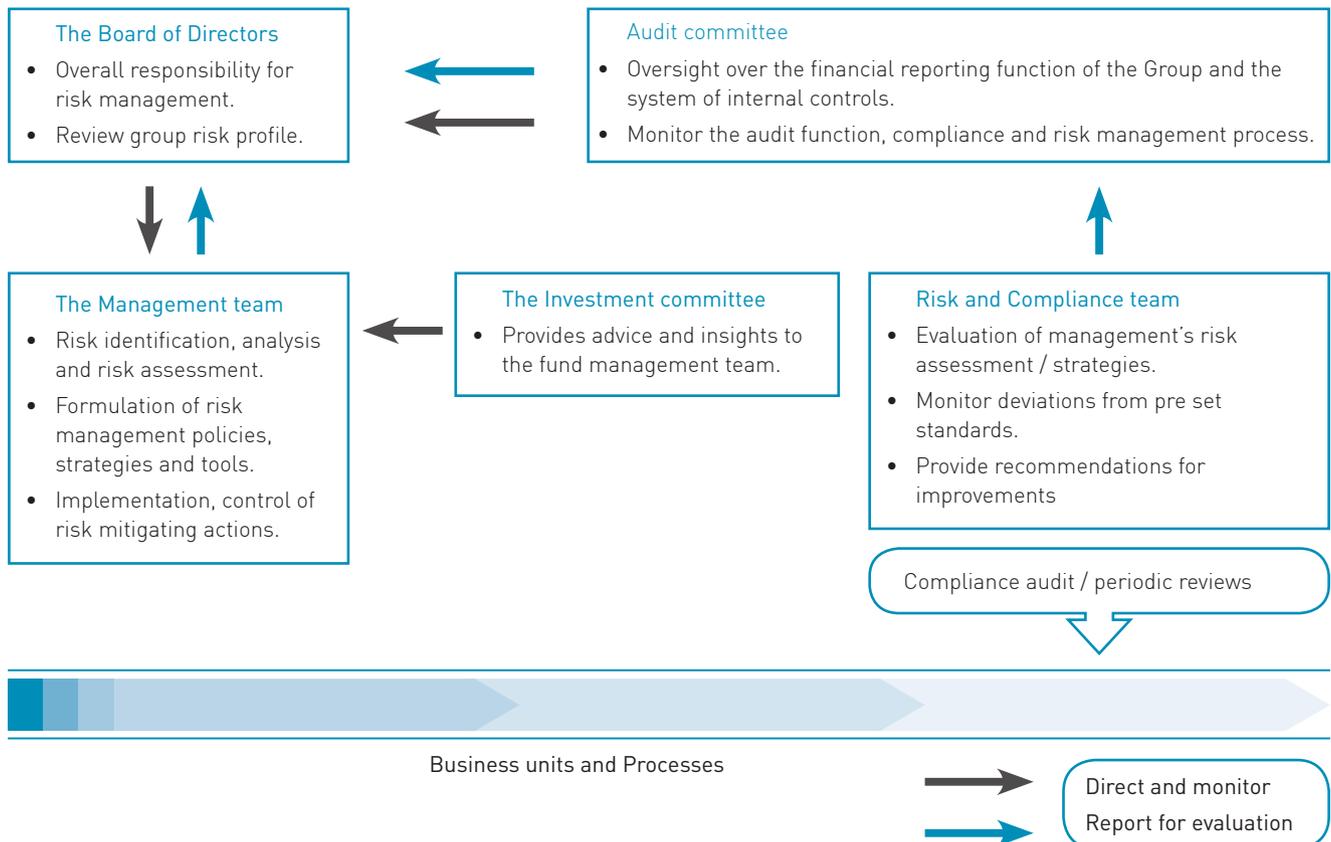
## Overview of Risk Management

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 Investment

The Risk Management structure established at Ceylon Guardian Group is applicable across the parent company and all other entities of the Group which includes Ceylon Investment PLC. 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 (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.



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. Group Internal Audit conducts periodic compliance audits / review and reports to the Audit Committee. 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 Investments PLC is within the Ceylon Guardian Group which operates the portfolio and asset management

sector of the Carson's Group. The Company's business operations include holding an investment portfolio which consist of listed equity securities and fixed income securities. The Company faces various types of risk, some of which are applicable across all the assets classes under management while some are applicable to specific asset category.

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

Risk Category	Impact and mitigating strategies
<p><b>Macro environmental risks:</b> 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.</p>	
<p><b>Country risks</b> 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>• Company has invested in The Sri Lanka Fund, which is domiciled in Cayman Island, is subject to 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>

## Risk Management

Risk Category	Impact and mitigating strategies
<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 macro variables such as interest rates, currency, 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 sectoral 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>
<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 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>

Risk Category	Impact and mitigating strategies
<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 optimise 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> </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 in 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>
<p><b>Liquidity risk</b></p> <p>Liquidity is the tradability of the securities in the market or the ability 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> </ul>

## Risk Management

Risk Category	Impact and mitigating strategies
<p><b>Operational Risks :</b> Guardian Fund Management Limited (GFM), the Investment managers is responsible for the Company's investment management operations, hence the operational risk arises within the process and systems of GFM. 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 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 in 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 Carson's 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 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 outsourced auditors BDO Partners.</li> <li>• A code of ethics signed by all staff and constant education and awareness.</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>

# Annual Report of the Board of Directors on the affairs of the Company

The Board of Directors of Ceylon Investment PLC have pleasure in presenting to the shareholders their Report, together with the Audited Financial Statements for the year ended 31st March 2017.

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 21st June 2017.

## 1. GENERAL

Ceylon Investment PLC (the "Company") is a public limited liability Company incorporated in Sri Lanka in 1919. The shares of the Company have a primary listing on the Colombo Stock Exchange.

## 2. PRINCIPAL ACTIVITY OF THE COMPANY

The principal activities of the Company and its associate company are to act as specialised investment vehicle focusing on listed equity investments.

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

## 3. REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Chairperson's Statement and the Management Discussion and Analysis on pages 03 to 11 provide an overall assessment of the business performance of the Company and its future developments. These reports, together with the audited Financial Statements reflect the state of affairs of the Company.

## 4. FINANCIAL STATEMENTS

The Financial Statements which include the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement

of Cash Flow, Statement of Changes in Equity and Notes to the Financial Statements of the Company for the year ended 31st March 2017 are set out on pages 40 to 87 of this Report. These Financial Statements do comply with the requirements of the Companies Act, No. 07 of 2007.

### 4.1. REVENUE

The Company generated a revenue of Rs. 298 Mn (2016 – Rs. 322 Mn). A detailed analysis of revenue for the period is given in note 11 to the financial statements.

### 4.2. Financial results and appropriations

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

(In Rupees Thousands)

For the year ended 31st March	2017	2016
Retained earnings brought forward from previous year	2,634,502	2,648,757
Super Gain Tax for the year of Assessment 2013/14	-	(26,856)
Adjusted retained earnings brought forward from previous year	2,634,502	2,621,901
Profit for the year	142,381	124,293
Dividend received from associate company	108,584	79,957
Forfeiture of unclaimed dividends	3,132	4,214
Scrip Dividend	-	(98,514)
Dividend	(174,039)	(149,177)
Transfers	-	51,828
	2,714,560	2,634,502

### 4.3. Significant accounting policies

The accounting policies adopted in the preparation of these financial statements are given on pages 44 to 53.

#### 4.4. Investment in Financial Instruments

##### Available for sale financial assets / fair value through profit or loss financial assets.

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

- Fair value hierarchy Level 1 - quoted securities / unit trusts
- Fair value hierarchy Level 3 – unlisted equity

The details of financial instruments categorised in to levels in the fair value hierarchy are given in note 27.5 to the financial statements.

#### 4.5. Reserves.

As at 31st March 2017, the total reserves of the Company stood at Rs. 7,789.6 Mn (2016 - Rs. 8,340.2 Mn).

The movements and the details are set out in the Statement of Changes in Equity and in note 24 to the financial statements.

#### 4.6. Available for sale financial assets reserve

During the year, the net positive movement of 'available for sale financial assets reserve' amounted to Rs. 213 Mn (2016 - net negative movement of Rs. 519.9 Mn) arising out of transfer of realised gains and adjustment on fair valuation of investments in 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 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 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 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 information required by and otherwise comply with the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Directors are responsible for ensuring that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company in order to ensure that its Financial Statements have been prepared and presented in accordance with the 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 in this regard to give proper consideration to the establishment and effective operation of appropriate

## Annual Report of the Board of Directors on the affairs of the Company

systems of internal control with a view to prevent, detect and rectify frauds 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 are no litigations currently pending against the Company.

### 7. INTERESTS REGISTER

The Company maintains the 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. No. 07 of 2007.

#### 7.1. Remuneration of Directors

Directors' remuneration for the financial year ended 31st March 2017 is given in note 12 to the financial statements.

#### 7.2. Directors' Interest in contracts and shares

Directors' interests in contracts of the Company 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 except for the following;

Name of the Company	Common directors	Nature of transactions	Value of the transactions
Ceylon Guardian Investment Trust PLC	D. C. R. Gunawardena Mrs. M. A. R. C. Cooray V. M. Fernando K. Selvanathan T. C. M. Chia Mrs. W. Y. R. Fernando	Dividend paid	112,019
Rubber Investment Trust Limited	D. C. R. Gunawardena A. P. Weeratunge	Dividends received	103,191
Guardian Fund Management Limited (GFM)	K. Selvanathan A. P. Weeratunge Mrs. W. Y. R. Fernando	Portfolio management fees paid	19,398
Carsons Management Services (Private) Limited	K. Selvanathan A. P. Weeratunge	Support service fees paid Computer fees paid Secretarial fees paid	10,791 420 403
Hatton National Bank PLC	Mrs. M. A. R. C. Cooray	Interest income received Placement in demand deposits Bank charges paid	636 80 2

The Directors 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 2017	31st March 2016
Mrs. M. A. R. C. Cooray (Chairperson)	-	-
Mr. D. C. R. Gunawardena	257	257
Mr. A. P. Weeratunge	-	-
Mr. V. M. Fernando	-	-
Mr. K. Selvanathan	-	-
Mr. T. C. M. Chia	-	-
Mrs. W. Y. R. Fernando*	-	-
Mr. I. Paulraj**	257	257

\*Appointed to the Board with effect from 15th August 2016.

\*\*Resigned with effect from 15th August 2016.

## 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. Changes in the Directorate

Mr. I Paulraj Chairman / Non-Executive Director resigned from the Board with effect from 15th August 2016. Pursuant to his resignation Mrs. M. A. R. C. Cooray was appointed as the Chairperson of the Board with effect from 1st September 2016.

Mrs. W. Y. R. Fernando was appointed as an Executive Director to the Board with effect from 15th August 2016.

### 8.2. 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, Mr. V. M. Fernando and Mr. T. C. M. Chia retires by rotation and being eligible offer themselves for re-election.

### 8.3. Retirement at the First Annual General Meeting following the appointment as a Director

In terms of Articles 88 and 95 of the Articles of Association of the Company Mrs. W. Y. R. Fernando retires from the Board and being eligible offers herself for re-election.

## 9. CORPORATE GOVERNANCE

The Board has ensured that the Company has complied with the Corporate Governance Rules as per the Listing Rules of the Colombo Stock Exchange.

### 9.1. 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 (CSE)
- 3) Rules of the Securities and Exchange Commission of Sri Lanka (SEC)
- 4) Central Bank of Sri Lanka (CBSL)

Ceylon Investment PLC has been registered as an Underwriter with the Securities and Exchange Commission of Sri Lanka (SEC).

The above registration is renewed on an annual basis and the Company has to fulfil the criteria stipulated by the SEC for such renewal. These include, amongst many other provisions, maintenance of a minimum capital, employment of qualified staff, setting in place clear systems and procedures for handling investor and regular reporting and filings with the Regulator.

## Annual Report of the Board of Directors on the affairs of the Company

### 9.2. Board of Directors

The following Directors held office during the period under review and their brief profiles are given on pages 30 to 33 of the Annual Report:

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

*Mr. I. Paulraj Chairman / Non-Executive Director resigned from the Board with effect from 15th August 2016. Mrs. W. Y. R. Fernando was appointed to the Board with effect from 15th August 2016.*

Each of the Non-Executive Directors of the Company has submitted a signed declaration on Independence/ Non-Independence as per Rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange (CSE). The said declarations were tabled at a Meeting of the Board of Directors of the Company held on 21st June 2017, 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 Rules of the CSE.

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

Board are also Directors and which has a substantial shareholding in the Company, since she is not directly involved in the management of the Company.

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

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

### 9.3. Directors' Meetings Attendance

Four (04) Board Meetings were convened during the financial year and the attendance of the Directors was as follows:

Directors	Meetings attended
Mrs. M. A. R. C. Cooray (Chairperson)	4/4
Mr. D. C. R. Gunawardena	4/4
Mr. A. P. Weeratunge	2/4
Mr. V. M. Fernando	3/4
Mr. K. Selvanathan	4/4
Mr. T. C. M. Chia	3/4
Mrs. W. Y. R. Fernando*	2/2
Mr. I. Paulraj **	2/2

\*Appointed with effect from 15th August 2016.

\*\* Resigned with effect from 15th August 2016.

#### 9.4. 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.

#### 9.5. Audit Committee

The Parent Company of the Company is Ceylon Guardian Investment Trust PLC (CGIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of CGIT. As per Rule 7.10.6 of the Listing Rules of the Colombo Stock Exchange, the Audit Committee of CCPLC 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. F. Mohideen	Non-Executive/ Independent Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC

The Audit Committee Report is given on pages 34 to 35 of this Annual Report.

#### 9.6. Remuneration Committee

The Parent Company of the Company is Ceylon Guardian Investment Trust PLC (CGIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of CGIT.

As per Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange, the Remuneration Committee of CCPLC 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

#### 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.

A remuneration policy has been formulated based on market and industry factors and individual performance for all group Companies.

#### 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.

## Annual Report of the Board of Directors on the affairs of the Company

The Chief Executive Officer, Director-in-charge and other members of the 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 and the attendance of the Members was as follows:-

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

### 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.

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under note 12 to the financial statements. Executive Directors are not compensated for their role on the Board.

### 9.7. Nomination Committee

The Nomination Committee of Ceylon Guardian Investment Trust PLC (CGIT), the Parent Company functions as the Nomination Committee of

the Company and comprises of the following Members:-

Nomination Committee Members	Executive / Non-Executive / Independent
Mr. I. Paulraj *	Non-Executive Director of CGIT
Mrs. M. A.R. C. Cooray (Chairperson) **	Non-Executive/ Independent Director of CGIT
Mr. D. C. R. Gunawardena	Non-Executive Director of CGIT
Mr. V. M. Fernando ***	Non-Executive/ Independent Director of CGIT

\* Pursuant to his resignation from the Board of CGIT, Mr. I. Paulraj resigned from the Nomination Committee with effect from 15th August 2016.

\*\* Mrs. M. A. R. C. Cooray was appointed as Chairperson to the Nomination Committee with effect from 1st September 2016.

\*\*\* Mr. V. M. Fernando was appointed to the Nomination Committee with effect from 1st September 2016.

### Scope and Objective

The primary objective of the Nomination Committee is to lead the process for Board appointments of new Directors to the Board and the nomination 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 the 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.

Nomination Committee Members	Attended Meetings (Out of two)
Mr. I. Paulraj*	1/2
Mrs. M.A.R.C. Cooray** (Chairperson)	2/2
Mr. D.C.R. Gunawardena	2/2
Mr. V. M. Fernando***	1/1

\* Pursuant to his resignation from the Board of CGIT, Mr. I. Paulraj resigned from the Nomination Committee with effect from 15th August 2016.

\*\* Mrs. M. A. R. C. Cooray was appointed as Chairperson to the Nomination Committee with effect from 1st September 2016.

\*\*\* Mr. V. M. Fernando was appointed to the Nomination Committee with effect from 1st September 2016.

## 9.8. Related Party Transactions Review Committee

The Parent Company of the Company is Ceylon Guardian Investment Trust PLC (CGIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of CGIT.

As per Rule 9.2.3 of the Listing Rules of the Colombo Stock Exchange, the Related Party Transactions Review Committee of CCPLC functions as the Related Party Transactions Review Committee of the Company and comprises of the following Members:

Related Party Transactions Review Committee 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 pages 36 to 37 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 Related Party Transactions Review Committee Meetings.

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.

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

In terms of the requirements of the Listing Rules of the Colombo Stock Exchange, the transactions carried out by the Company with its Related Parties during the year ended 31st March 2017, did not exceed 10% of Equity or 5% of the Total Assets of the Company as at 31st March 2017. The details of the Related Party Transactions are given in note 26 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

# Annual Report of the Board of Directors on the affairs of the Company

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 2017.

## 2. Recurrent Related Party Transactions

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

## 10. 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 component of the internal control system would be based on the weight of the element 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, risk identification and mitigation is handed down to the respective members of the 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 the grading of the risk involved will be monitoring and providing the feedback to the management and the respective 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 health 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 more detailed description of the risk management strategies of the Company's given on pages 12 to 17.

## 11. INDEPENDENT AUDITORS

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

A sum of Rs. 365,000/- was paid to them by the Company as audit fees for the year ended 31st March 2017 (2016 – Rs. 365,000/-). In addition to the above, the Auditors were paid Rs. 150,000/- (2016 – Rs. 170,000/-) as professional fees for audit related services.

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 their relationship with the Company, including the level of audit and non-audit fees paid to the Auditors.

### 11.1. 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 did not have any interest with the Company that would impair their independence.

## 12. INDEPENDENT AUDITORS' REPORT

The Independent Auditors' Report on the financial statements is given on page 39 of the Annual Report.

## 13. SIGNIFICANT EVENTS DURING THE YEAR

There were no significant events during the year.

#### 14. HUMAN RESOURCES

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

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 Company and to ensure that its employees are developing the skills and knowledge required for the future success of the Company, centered around the core competencies required by an investment house.

#### 15. EQUITABLE TREATMENT TO SHAREHOLDERS

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

#### 16. DIVIDENDS

The Company paid a First Interim Dividend of Rs.1/75 per Ordinary Share for the year ended 31st March 2017, amounting to Rs. 174,039,353/25 on 6th April 2017.

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

#### 17. SOLVENCY TEST

Taking into account the said distribution, the Directors were satisfied that the Company met the Solvency Test requirement under Section 56 (2) of the Companies Act No.07 of 2007 immediately after the distribution. The Company's Auditors, Messrs. KPMG, Chartered Accountants have issued a Certificate of Solvency confirming same.

#### 18. STATED CAPITAL

The Stated Capital of the Company as at 31st March 2017 was Rs.763.5 Mn comprising of 99,451,059 Ordinary Shares. The movement in Stated Capital of the Company is given in Note 23 to the Financial Statements.

#### 19. INVESTMENTS

Investments represent, investments in associates, investments in available for sale financial assets and

investments in fair value through profit or loss financial assets.

- Details on investment in associate company is given in note 18.
- Details on available for sale financial assets are disclosed in note 19 comprising those investments which are held for a longer tenure, usually over 3-5 years. The fair value of the said investment portfolio stood at Rs. 3,276.1 Mn (2016 - Rs. 2,937.1 Mn) at the end of the financial year.
- Details on fair value through profit or loss financial assets are disclosed in note 21 comprising those investments which are held for short term gains. The carrying value of the fair value through profit or loss financial assets of the Company as at 31st March 2017 was Rs. 968.7 Mn (2016 - Rs. 793.4 Mn).

#### 20. CAPITAL EXPENDITURE

The Company has not incurred any capital nature expenditure during the year under review (2016 - Nil).

#### 21. STATUTORY PAYMENTS

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

#### 22. 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 a Going Concern concept.

#### 23. 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 29 to the financial statements, if any.

#### 24. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities and commitments made on account of capital expenditure as at 31st March 2017 are given in note 30 to the financial statements, if any.

## Annual Report of the Board of Directors on the affairs of the Company

### 25. EXPENSES ON CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

The Company incurred Rs. 2.5 Mn (2016 - Rs. 2.7 Mn) 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.

### 26. SHARE INFORMATION

The details relating to earnings, net assets, market value per share and information on share trading is given on pages 88 to 92 of the Annual Report.

### 27. TWENTY MAJOR SHAREHOLDERS

The Parent Company, Ceylon Guardian Investment Trust PLC holds 64.36% of the total Ordinary Shares in issue of the Company.

As at 31st March		2017		2016	
		No. of shares	%	No. of shares	%
Name of Shareholder					
1.	Ceylon Guardian Investment Trust PLC A/C No 3	64,010,916	64.36	64,010,916	64.36
2.	Associated Electrical Corporation LTD	1,345,000	1.35	1,306,500	1.31
3.	Mrs. M.I. De Silva	1,317,802	1.33	1,317,802	1.33
4.	Mr. K.C. Vignarajah	1,309,295	1.32	1,297,320	1.30
5.	Miss G.I.A. De Silva	1,289,578	1.30	1,289,578	1.30
6.	Mellon Bank N.A.-Commonwealth of Massachusetts	1,169,046	1.18	1,169,046	1.18
7.	Thurston Investments Limited	1,062,031	1.07	1,062,031	1.07
8.	Mr. Y.H. Abdulhussein	966,170	0.97	966,170	0.97
9.	Mr. G.J.W. De Silva	862,126	0.87	862,126	0.87
10.	Oakley Investments Limited	803,171	0.81	803,171	0.81
11.	Mrs. S.E. Lokhandwalla	576,558	0.58	576,558	0.58
12.	Waldock Mackenzie LTD/Mr. H.M. Abdulhussein	552,673	0.56	537,177	0.54
13.	Waldock Mackenzie LTD/Mr. M.A.N. Yoosufali	503,000	0.51	464,244	0.47
14.	Commercial Bank of Ceylon LTD/K.C. Vignarajah	500,843	0.50	500,843	0.50
15.	Bank of Ceylon No. 1 Account	446,206	0.45	446,206	0.45
16.	Mercantile Bank (Agency) Private Limited	412,937	0.42	412,937	0.42
17.	Mellon Bank N.A.-The Frontier Emerging Markets Fund	397,090	0.40	397,090	0.40
18.	Miss N.K.R.H. De Silva	387,941	0.39	387,941	0.39
19.	Mr. H.A. Van Starrex	386,378	0.39	538,729	0.54
20.	Miss G.N.A. De Silva	384,652	0.39	384,652	0.39

## 28. 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 21st June 2017. 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.

## 29. ANNUAL GENERAL MEETING

The 71st Annual General Meeting of the Company will be held on Wednesday, the 26th day of July 2017 at 2.00 p.m. at the "Auditorium", The Institute of Chartered Accountants of Sri Lanka, Ground Floor, 30A, Malalasekera Mawatha, Colombo 07, Sri Lanka.

The Notice of the Annual General Meeting setting out the business which will be transacted thereat is on page 93 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)

**M. A. R. C. Cooray (Mrs.)**

Chairperson

(Sgd.)

**D. C. R. Gunawardena**

Director

(Sgd.)

**K. D. De Silva (Mrs.)**

Director

**Carsons Management Services (Private) Limited**

Secretaries

21st June 2017

# Profiles of the Directors

## ROSE COORAY

Rose Cooray is the Chairperson of Ceylon Investment PLC, Ceylon Guardian Investment PLC, HNB Assurance PLC, HNBGI LTD. and Sithma Development (PVT) LTD. She is a Director of Hatton National Bank PLC HNB Grameen Finance Limited and Guardian Capital Partners PLC. 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 of companies where she holds the position of Director. She is a retired Deputy Governor of the Central Bank of Sri Lanka where she served for 35 years and counts over 40 years of experience in working in the financial sector.

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 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.

## CHANDIMA 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.

## AJITH WEERATUNGE

Ajith Weeratunge is a Director of the Carson Cumberbatch Group's Management Company, Carsons Management Services (Private) Limited and holds the position of Head of Finance.

He is also a Director of Group's Real Estate Sector-Equity One Limited and Equity Two PLC and the Group's Investment Holding Sector-Ceylon Investment PLC, Rubber Investment Trust Limited and Guardian Fund Management Limited and Leisure Sector-Equity Hotels Limited. He carries more than 35 years of finance related experience in several leading companies in the mercantile sector.

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

### MANILAL FERNANDO

Manilal Fernando is a Director of Ceylon Investment PLC, Ceylon Guardian Investment Trust 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 Eco Corp Asia Private Limited and 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.

### 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.

### 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.

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 of the Singapore Management University. He is currently a member of its Audit Committee 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.

## Profiles of the Directors

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.

### **RUVINI FERNANDO**

(Appointed with effect from 15th August 2016)

Ruvini Fernando is a Director and CEO of Guardian Fund Management Limited, investment managers of the Ceylon Guardian Investment Trust PLC Group and a Director of Guardian Acuity Asset Management Limited, the Group's licensed Joint Venture for unit trust management. She was appointed to the Ceylon Guardian Group listed company boards as an executive director in 2016. She is a Director of The Sri Lanka Fund, a country fund dedicated to Sri Lankan equities.

The Ceylon Guardian Group presently has business interests in listed and private equity as well as managing mutual funds and institutional client portfolios, a collective portfolio of assets under management of over Rs.35bn, in diverse asset classes. She counts approximately 25 years' experience in management accounting, finance, strategic planning and investment management, of which 10 years have been with the Ceylon Guardian Group and 23 years with Carson Cumberbatch 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 Finance and Capital of the Ceylon Chamber of Commerce.

### **ISRAEL PAULRAJ**

(Resigned from the Board with effect from 15th August 2016)

Israel Paulraj is the Chairman of 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

# Management Team Profile

## **Ruvini Fernando (MBA, FCCA, FCMA)**

Director / CEO of Guardian Fund Management Limited. She is also a Director of Ceylon Guardian Investment Trust PLC. Refer page 32 for her detailed profile.

## **Tharinda Jayawardena (CFA,ACMA,B.Sc Finance (Hons))**

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.

## **Sumith Perera (B.Sc (Hons), ACMA)**

Head of Portfolio Management, Guardian Fund Management Ltd. Has over 12 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.

## **Asanka Jayasekera (B.Sc.Finance (Hons), ACMA)**

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.

## **Lakmal Wickramaarachchi (B.Sc. Finance (Special),ACA)**

Accountant, Guardian Fund Management Limited. Commenced career at KPMG, Chartered Accountants, prior to joining the Carsons Group. Counts over 10 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.

# Audit Committee Report

The Parent Company of Ceylon Investment PLC is Ceylon Guardian Investment Trust PLC (CGIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of CGIT. As provided by the Colombo Stock Exchange Listing Rules, the Audit Committee of CCPLC functions as the Audit Committee of the Company.

The Audit Committee consists of the following Members :

Audit Committee Members	Executive/Non-Executive/ Independent
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 organization 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 Investment PLC are conducted within the Agenda of CCPLC-Audit Committee.

CCPLC-Audit Committee held five (05) 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 05)

Mr.Vijaya Malalasekera (Chairman)	05
Mr.Chandima Gunawardena	04
Mr.Faiz Mohideen	05

Director-Guardian Fund Management Limited-Investment Managers, 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 2016/2017 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.

The IT consultancy division of Messrs.KPMG, has during the year completed a comprehensive external IT security and process audit covering the IT environment of Carsons Management Services (Private) Limited (Managers to the Company) which covers the centralized IT services provided to the Investment Sector, as well. This exercise facilitated Carsons Management Services (Private) Limited to obtain IA0/IEC 27001:2013 certification in November 2016.

The interim financial statements of Ceylon Investment 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 Investment PLC for the year ended 31st March 2017 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 2018, subject to the approval of the shareholders of Ceylon Investment PLC at the Annual General Meeting.

(Sgd.)  
**V.P. Malalasekera**  
Chairman – Audit Committee  
**Carson Cumberbatch PLC**

Colombo  
21st June 2017

# Related Party Transactions Review Committee Report

The Parent Company of Ceylon Investment PLC is Ceylon Guardian Investment Trust PLC (CGIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of CGIT. As provided by the Colombo Stock Exchange Listing Rules, the Related Party Transactions Review Committee (RPTRC) of CCPLC 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

## Meetings of the Related Party Transactions Review Committee

CCPLC-RPTRC held Three (03) Meetings during the financial year to discuss matters relating to the Company.

The attendance of the Members of the Committee was as follows:

### Meetings attended (out of 03)

Mr.V.P. Malalasekera	03
Mr.F. Mohideen	03
Mr.D.C.R. Gunawardena	03
Mr.H. Selvanathan	02
Mr.M. Selvanathan	02
Mr.S.K. Shah	03

## 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' (RPT 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) and the KMPs so designated are required to provide quarterly disclosures.

The Related Party Transactions of the Company for the period 1st April 2016 to 31st March 2017 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

21st June 2017

# Financial Calendar

Financial year end 31st March 2017

71st Annual General Meeting to be held on 26th July 2017

## **ANNOUNCEMENT OF RESULTS**

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

1st Quarter ended 30th June 2016 : 12th August 2016

2nd Quarter ended 30th September 2016 : 15th November 2016

3rd Quarter ended 31st December 2016 : 14th February 2017

4th Quarter ended 31st March 2017 : 31st May 2017

# Independent Auditors' Report



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

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+94 - 11 254 1249  
Internet : [www.kpmg.com/lk](http://www.kpmg.com/lk)

## TO THE SHAREHOLDERS OF CEYLON INVESTMENT PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of Ceylon Investment PLC, ("the Company"), which comprise the statement of financial position as at March 31, 2017, 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 40 to 87.

### 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 financial statements give a true and fair view of the financial position of the Company as at March 31, 2017, 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 and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act No 07 of 2007.

CHARTERED ACCOUNTANTS  
Colombo  
21st June 2017

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. Abeyratne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan ACA		
<b>Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA</b>		
Ms. C.T.K.N. Perera ACA		

# Statement of Profit or Loss and Other Comprehensive Income

In Rupees Thousands

For the year ended 31st March	Note	2017	2016
<b>Revenue</b>	11	297,938	322,032
Impairment loss on available for sale financial assets		(95,215)	(45,661)
Net change in fair value of fair value through profit or loss financial assets		(2,782)	(89,878)
<b>Profit on investment activities</b>		199,941	186,493
Other operating income		-	99
Administrative and other operating expenses		(50,235)	(54,733)
<b>Profit from operations</b>	12	149,706	131,859
Finance expense	13	(71)	(18)
<b>Profit from operations after finance expense</b>		149,635	131,841
Share of profit of equity accounted investee net of tax	14	510,433	162,922
<b>Profit before taxation</b>		660,068	294,763
Income tax expense	15	(7,254)	(7,548)
<b>Profit for the year</b>		652,814	287,215
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Share of other comprehensive expense of equity accounted investee net of tax	14	(1,245,490)	(3,570,466)
Net change in fair value of available for sale financial assets		200,791	(360,276)
Transfer of realised (gains) / losses on disposal of available for sale financial assets		4,835	(173,444)
Foreign currency differences arising on translation of available for sale financial assets		7,444	13,767
<b>Other comprehensive expense for the year</b>		(1,032,420)	(4,090,419)
<b>Total comprehensive expense for the year</b>		(379,606)	(3,803,204)
<b>Earnings per share (Rs.)</b>	16	6.56	2.89

The notes to the financial statements from pages 44 to 87 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	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in equity accounted investee	18	4,368,295	5,211,936
Available for sale financial assets	19	3,276,179	2,937,166
<b>Total non-current assets</b>		<b>7,644,474</b>	<b>8,149,102</b>
<b>Current assets</b>			
Trade and other receivables	20	22,733	10,138
Fair value through profit or loss financial assets	21	968,707	793,451
Current tax assets		3,315	-
Cash and cash equivalents	22	116,648	338,017
<b>Total current assets</b>		<b>1,111,403</b>	<b>1,141,606</b>
<b>Total assets</b>		<b>8,755,877</b>	<b>9,290,708</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	23	763,497	763,497
Capital reserves	24.1	187,141	187,141
Revenue reserves	24.2	7,602,502	8,153,015
<b>Total equity</b>		<b>8,553,140</b>	<b>9,103,653</b>
<b>Current liabilities</b>			
Trade and other payables	25	200,089	183,841
Current tax liabilities		-	1,389
Bank overdraft	22	2,648	1,825
<b>Total current liabilities</b>		<b>202,737</b>	<b>187,055</b>
<b>Total liabilities</b>		<b>202,737</b>	<b>187,055</b>
<b>Total equity and liabilities</b>		<b>8,755,877</b>	<b>9,290,708</b>
<b>Net assets value per share (Rs.)</b>		<b>86.00</b>	<b>91.54</b>

The notes to the financial statements from pages 44 to 87 form an integral part of these financial statements.

I certify that these financial statements have been prepared in compliance 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 and signed on behalf of the Investment Managers,      Approved and signed on behalf of the Board,

(Sgd.)

**W.Y.R. Fernando (Mrs.)**

Director

**Guardian Fund Management Limited**

Colombo

21st June 2017

(Sgd.)

**M. A. R. C. Cooray (Mrs.)**

Chairperson

(Sgd.)

**D.C.R. Gunawardena**

Director

# Statement of Changes In Equity

In Rupees Thousands

	Stated capital	Capital reserves			Revenue reserves			Retained earnings	Total equity
		Investment reserve	Other capital reserve	Associate company's reserve	Fair value through profit or loss financial assets reserve	Available for sale financial asset reserve	General reserve		
<b>Balance as at 1st April 2015</b>	673,530	8,401	178,740	8,714,088	51,828	799,609	27,217	2,648,757	13,102,170
Super Gain Tax for the year of Assessment 2013/14 *	-	-	-	(14,947)	-	-	-	(26,856)	(41,803)
Adjusted balance as at 1st April 2015	673,530	8,401	178,740	8,699,141	51,828	799,609	27,217	2,621,901	13,060,367
Profit for the year	-	-	-	162,922	-	-	-	124,293	287,215
Other comprehensive expense for the year	-	-	-	(3,570,466)	-	(519,953)	-	-	(4,090,419)
Total comprehensive income / (expense) for the year	-	-	-	(3,407,544)	-	(519,953)	-	124,293	(3,803,204)
Dividend received from associate company (gross)	-	-	-	(79,957)	-	-	-	79,957	-
Forfeiture of unclaimed dividends	-	-	-	-	-	-	-	4,214	4,214
Scrip Dividend	89,967	-	-	-	-	-	-	(98,514)	(8,547)
Dividend	-	-	-	-	-	-	-	(149,177)	(149,177)
Transfers	-	-	-	-	(51,828)	-	-	51,828	-
<b>Balance as at 31st March 2016</b>	<b>763,497</b>	<b>8,401</b>	<b>178,740</b>	<b>5,211,640</b>	<b>-</b>	<b>279,656</b>	<b>27,217</b>	<b>2,634,502</b>	<b>9,103,653</b>
<b>Balance as at 1st April 2016</b>	<b>763,497</b>	<b>8,401</b>	<b>178,740</b>	<b>5,211,640</b>	<b>-</b>	<b>279,656</b>	<b>27,217</b>	<b>2,634,502</b>	<b>9,103,653</b>
Profit for the year	-	-	-	510,433	-	-	-	142,381	652,814
Other comprehensive income / (expense) for the year	-	-	-	(1,245,490)	-	213,070	-	-	(1,032,420)
Total comprehensive income / (expense) for the year	-	-	-	(735,057)	-	213,070	-	142,381	(379,606)
Dividend received from associate company (gross)	-	-	-	(108,584)	-	-	-	108,584	-
Forfeiture of unclaimed dividends	-	-	-	-	-	-	-	3,132	3,132
Dividend	-	-	-	-	-	-	-	(174,039)	(174,039)
<b>Balance as at 31st March 2017</b>	<b>763,497</b>	<b>8,401</b>	<b>178,740</b>	<b>4,367,999</b>	<b>-</b>	<b>492,726</b>	<b>27,217</b>	<b>2,714,560</b>	<b>8,553,140</b>

The notes to the financial statements from pages 44 to 87 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 Company did not become liable to pay Super Gain Tax as a stand-alone entity, Rs. 26,856,393/- has been 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 as stipulated in the aforesaid Act. Further on the same basis, the Super Gain Tax applicable for Associate Company, Rubber Investment Trust Limited, on equity method of accounting amounted to Rs. 14,947,832/-. 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 24th November 2015.

# Statement of Cash Flows

In Rupees Thousands

For the year ended 31st March	Note	2017	2016
<b>Cash flows from operating activities</b>			
Profit before taxation		660,068	294,763
<b>Adjustments for:</b>			
Impairment loss on available for sale financial assets		95,215	45,661
Net change in fair value of fair value through profit or loss financial assets		2,782	89,878
Finance expense	13	71	18
Share of profit of equity accounted investee net of tax	14	(510,433)	(162,922)
<b>Operating profit before changes in working capital</b>		247,703	267,398
(Increase) / decrease in trade and other receivables		(12,595)	6,088
Net increase in investments		(399,196)	(301,847)
Increase / (decrease) in trade and other payables		(8,347)	8,479
<b>Cash used in operations</b>		(172,435)	(19,882)
Super gain tax paid		-	(26,856)
Income tax paid		(6,565)	(5,896)
<b>Net cash used in operating activities</b>		(179,000)	(52,634)
<b>Cash flows from investing activities</b>			
Dividend received from equity accounted investee	11	103,191	79,195
<b>Net cash generated from investing activities</b>		103,191	79,195
<b>Cash flows from financing activities</b>			
Finance expense paid		(71)	(18)
Dividend paid		(146,312)	(242,822)
<b>Net cash used in financing activities</b>		(146,383)	(242,840)
<b>Net decrease in cash and cash equivalents during the year</b>		(222,192)	(216,279)
Cash and cash equivalents at the beginning of the year		336,192	552,471
<b>Cash and cash equivalents at the end of the year</b>	22	114,000	336,192

The notes to the financial statements from pages 44 to 87 form an integral part of these financial statements. Figures in brackets indicate deductions.

# Notes to the Financial Statements

In Rupees Thousands

## 1. REPORTING ENTITY

### (a) Domicile and legal form

Ceylon Investment 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, Colombo 1.

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

The principal activities of the Company is to act as a specialised investment vehicle to undertake listed equity and fixed income investments.

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

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

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

Ceylon Guardian Investment Trust PLC is the immediate Parent Company of Ceylon Investment PLC. 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 Investment PLC.

### (d) Number of Employees

The Company had no employees as at the reporting date (2016 - Nil).

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

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

The 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 the Companies Act, No. 7 of 2007.

The financial statements were authorised for issue by the Board of Directors on 21st June 2017.

### (b) Basis of measurement

The 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;

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

### (c) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The 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 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 Company 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 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.

##### **ii. Current taxation**

Current tax liabilities arise to the Company 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 Company 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 the entity.

##### **iii. Measurement of fair values - 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.

# Notes to the Financial Statements

In Rupees Thousands

## (a) Investments in associates (equity-accounted investees)

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity.

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

The financial statements include the Company'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 Company, from the date that significant influence commences until the date that significant influence ceases.

When the Company'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 Company has an obligation or has made payments on behalf of the investee.

## (b) Foreign currency

### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of entity 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 a 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);

## (c) Financial instruments

### (i) Non-derivative financial assets

The Company 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 Company becomes a party to the contractual provisions of the instrument.

The Company 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 Company 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 Company 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 Company 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.

#### 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 Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company'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 are recognised in profit or loss.

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, Securities purchased under resale agreements 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 Company in the management of its short-term commitments.

##### 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 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.

# Notes to the Financial Statements

In Rupees Thousands

## (ii) Non-derivative financial liabilities

The Company 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 Company becomes a party to the contractual provisions of the instrument.

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

The Company 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 overdrafts and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Company'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 from equity.

## (d) 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 Company on terms that the Company 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 Company 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 Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) 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 Company 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. 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 Company's non-financial 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. Impairment losses are recognised in profit or loss. 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.

#### (e) Provisions

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

# Notes to the Financial Statements

In Rupees Thousands

## (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 Company 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 Company 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 Company. The Company does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

## (f) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company, 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.

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 Company'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 profit or loss on the basis of realised net profit.

### (iii) 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.

### (iv) Other income

On accrual basis.

## (g) Expenditure recognition

### (i) Operating expenses

All expenses incurred in day-to-day operations of the business has been charged to revenue in arriving at the profit or loss for the year. Provision has also been made for impaired receivables and all known liabilities.

### (ii) Finance income and finance expense

Finance expense 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.

### (h) Fee and commission expenses

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

### (i) Income tax expense

Income tax expense comprises current tax and deferred tax. Current tax is recognised in profit or loss.

### (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.

### (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.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company 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 Company 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.

### (j) 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 Company 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

# Notes to the Financial Statements

In Rupees Thousands

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. SEGMENT REPORTING

Segment results that are reported to the Board of directors include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## 8. PRESENTATION

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

### (i) Off setting income and expenses

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

### (ii) Off setting 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

## 9. STATEMENT OF CASH FLOWS

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

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

## 10. DETERMINATION OF FAIR VALUES

A number of the company'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 Company 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- Input 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 market-related discount rate.

#### **(b) Trade and other receivables**

The fair values of trade and other receivables 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.

#### **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.

#### **NEW ACCOUNTING STANDARDS**

Standards issued but not effective as at the reporting date

A number of new standards and amendments to standards which have been issued but not yet effective as at the reporting date have not been applied in preparing these Financial Statements. Accordingly, these Accounting Standards 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 derecognition of financial instruments from LKAS 39.

Effective date of IFRS 9 is 01st January 2018.

The Company 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 January 2018.

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

#### **SLFRS 16 LEASES**

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off Balance Sheet operating leases. Instead, there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.

SLFRS 16 is effective for reporting periods beginning on or after 01 January 2019.

The above new standard (SLFRS 16) is not expected to have a significant impact of the Company's financial statements.

# Notes to the Financial Statements

In Rupees Thousands

For the year ended 31st March		2017	2016
<b>11</b>	<b>REVENUE</b>		
	Net gain from disposal of fair value through profit or loss financial assets	44,948	19,095
	Net gain from disposal of available for sale financial assets (note 11.1)	63,835	177,775
	Dividend income	284,674	176,425
	Interest income on financial assets carried at amortised cost (note 11.2)	7,672	27,932
		401,129	401,227
	Dividend received from equity accounted investee	(103,191)	(79,195)
		297,938	322,032
<b>11.1</b>	<b>Net gain from disposal of available for sale financial assets</b>		
	Proceeds from disposal of available for sale financial assets	558,083	581,614
	Carrying value of available for sale financial assets disposed	(489,413)	(577,283)
	Transfer of realised gains / (losses) on disposal of available for sale financial assets	(4,835)	173,444
		63,835	177,775
<b>11.2</b>	<b>Interest income on financial assets carried at amortised cost</b>		
	Cash at bank	411	498
	Securities purchased under resale agreements	6,625	19,180
	Placements with banking institutions	636	8,254
		7,672	27,932
<b>12</b>	<b>PROFIT FROM OPERATIONS</b>		
	Profit from operations is stated after charging all expenses including the following :		
	Auditors' remuneration and expenses		
	- Audit and related fees	515	535
	Directors' fees (note 26.3)	6,102	6,149
	Personnel cost (note 12.a)	-	-
	Professional services cost	253	-
	Expenses on CSR activities	2,500	2,750
	Support service fees (note 12.b)	10,791	11,222

**12.a** The Company had no employees of its own during the financial year under review (2016 - nil).

**12.b** Support service fee refers to the fees paid to Carsons Management Services (Private) Limited, a related company, the Managers and Secretaries of the Company.

### 13 FINANCE EXPENSE

For the year ended 31st March	2017	2016
Interest on bank overdraft	71	18
	71	18

### 14 SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEE NET OF TAX

For the year ended 31st March	Company's share of profit net of tax		Company's share of other comprehensive expense net of tax	
	2017	2016	2017	2016
Rubber Investment Trust Limited	510,433	162,922	(1,245,490)	(3,570,466)
	510,433	162,922	(1,245,490)	(3,570,466)

### 15 INCOME TAX EXPENSE

For the year ended 31st March	2017	2016
Provision for the year (note 15.1)	1,884	6,803
Dividend tax on dividend received from equity accounted investee	5,393	762
Over provision for previous years	(23)	(17)
Total tax expense for the year	7,254	7,548

# Notes to the Financial Statements

In Rupees Thousands

## 15. INCOME TAX EXPENSE CONTD.

For the year ended 31st March	2017	2016
<b>15.1 Reconciliation between accounting profit and taxable profits</b>		
Accounting profit before taxation	660,068	294,763
Less: share of profit of equity accounted investee net of tax	(510,433)	(162,922)
Dividend income (excluding dividend received from the associate company)	(181,483)	(97,230)
Exempt profits on sale of shares / unit trusts (note 15.2 (ii))	(108,783)	(196,870)
Net change in fair value of fair value through profit or loss financial assets	2,782	89,878
Impairment loss on available for sale financial assets	95,215	45,661
Disallowed expenses	3,231	4,262
Expenses attributable to exempt profits	46,133	46,753
Taxable profit for the year	6,730	24,295
Current taxation thereon (note 15.2 (i))	1,884	6,803

## 15.2 Current taxation on profits

- i) In accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and amendments thereto, the Company is liable to income tax at 28% (2016 - 28%).
- ii) In terms of Section 13 (t) and Section 13 (tt) of The Inland Revenue Act, No. 10 of 2006 and amendments thereto, profits derived on the sale of shares on which Share Transaction Levy (STL) has been paid and profit derived on the redemption of units of unit trust are exempted from income tax.

## 16 EARNINGS PER SHARE

The Company's basic earnings per share is calculated on the profit attributable to the shareholders of Ceylon Investment PLC over the weighted average number of ordinary shares outstanding during the year, as required by Sri Lanka Accounting Standard (LKAS 33) - "Earnings per share".

The following reflects the earning and share data used for the computation of earnings per share:

For the year ended 31st March	2017	2016
<b>Amount used as the numerator</b>		
Profit for the year (Rs'000)	652,814	287,215
<b>Amount used as the denominator</b>		
<b>Weighted average number of ordinary shares outstanding during the year</b>		
No of shares as at the beginning of the year	99,451,059	98,514,874
Issue of ordinary shares as scrip dividends	-	936,185
	99,451,059	99,451,059
Earnings per share (Rs.)	6.56	2.89
<b>17 DIVIDENDS</b>		
<b>17.1 Dividends paid during the year</b>		
Interim dividend - scrip	-	98,514
Interim dividend - cash	174,039	149,177
<b>17.2 Dividends proposed during the year</b>		
<b>First interim dividend - cash</b>		
Total dividend paid	174,039	149,177
Dividend per share (Rs.)	1.75	1.50

# Notes to the Financial Statements

In Rupees Thousands

## 18 INVESTMENT IN EQUITY ACCOUNTED INVESTEE

### 18.a Investment in associate

As at 31st March	2017			2016		
	No. of shares	Cost	Carrying value	No. of shares	Cost	Carrying value
Rubber Investment Trust Limited	3,948,445	296	4,368,295	3,948,445	296	5,211,936
		296	4,368,295		296	5,211,936

### 18.b Movement of investment in associate

For the year ended 31st March	2017		2016	
	Holding %	Carrying value	Holding %	Carrying value
<b>Investment at cost</b>		296		296
<b>Investors' share of reserves</b>				
At the beginning of the year	49.95	5,211,640	49.95	8,714,088
Share of Super Gain Tax for the year of Assessment 2013/14		-		(14,947)
Adjusted investors' share of reserves at the beginning of the year		5,211,640		8,699,141
Share of profit of equity accounted investee net of tax		510,433		162,922
Share of other comprehensive expense of equity accounted investee net of tax		(1,245,490)		(3,570,466)
Dividend received from equity accounted investee (gross)		(108,584)		(79,957)
At the end of the year		4,367,999		5,211,640
<b>The carrying value of investment in associate on equity method of accounting</b>		4,368,295		5,211,936

18.c Summarised financial information of the Associate Company - Rubber Investment Trust Limited

For the year ended/as at 31st March	2017	2016
Revenue	1,077,417	437,049
Profit for the year	1,021,916	326,179
Other comprehensive expense for the year	(2,493,542)	(7,148,265)
Total comprehensive expense for the year	(1,471,626)	(6,822,086)
Current assets	2,178,996	1,151,203
Non - current assets	6,580,811	9,351,020
Current liabilities	14,241	67,643
Total equity	8,745,566	10,434,580

- 18.d The deferred tax effect on undistributed reserves of the associate company has not been recognised since the Company and the parent entity of the Company, Ceylon Guardian Investment Trust PLC, can control the timing of the reversal of these temporary differences.

# Notes to the Financial Statements

In Rupees Thousands

## 19 AVAILABLE FOR SALE FINANCIAL ASSETS

### 19.a Summary

As at 31st March	Note	2017		2016	
		Cost	Fair value	Cost	Fair value
<b>Investments in equity securities</b>					
Quoted	19.1	2,935,896	3,098,302	2,686,080	2,718,648
Unquoted	19.2	10	10	10	10
<b>Total investment in equity securities</b>		<b>2,935,906</b>	<b>3,098,312</b>	<b>2,686,090</b>	<b>2,718,658</b>
<b>Investments in unit trusts</b>					
Unquoted	19.3	124,780	177,866	166,105	218,507
<b>Total investment in unit trusts</b>		<b>124,780</b>	<b>177,866</b>	<b>166,105</b>	<b>218,507</b>
<b>Investments in debentures</b>					
Unquoted	19.4	1	1	1	1
<b>Total investment in debentures</b>		<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Total investment in available for sale financial assets</b>		<b>3,060,687</b>	<b>3,276,179</b>	<b>2,852,196</b>	<b>2,937,166</b>

- The fair values of the quoted investments in equity securities are based on the volume weighted average prices as at 31st March, published by the Colombo Stock Exchange.
- The fair values of the unquoted investments in equity securities are arrived based on valuation techniques such as discounted cash flow method, net asset valuation, earnings based valuation or expected realisable values in an arm's length transaction, as appropriate.
- The fair values of the unquoted investments in unit trusts are based on the "redemption unit prices" published by the respective Unit Trust Managers / Fund Managers as at 31st March.

**19.b Movement in available for sale financial assets**

For the year ended 31st March 2017	Fair Value as at 1st April 2016	Additions	Disposals	Change in fair value	Fair value as at 31st March 2017
Investments in equity securities	2,718,658	715,406	(459,144)	123,392	3,098,312
Investments in unit trusts	218,507	-	(30,269)	(10,372)	177,866
Investments in debentures	1	-	-	-	1
	2,937,166	715,406	(489,413)	113,020	3,276,179

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	3,188,607	486,458	(577,283)	(379,124)	2,718,658
Investments in unit trusts	230,166	1,387	-	(13,046)	218,507
Investments in debentures	1	-	-	-	1
	3,418,774	487,845	(577,283)	(392,170)	2,937,166

The change in fair value represents 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 which amounted to Rs. 95.21 Mn has been recognised in profit or loss for the year (2016 – Rs. 45.66 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 gain of Rs. 200.79 Mn and loss of Rs. 360.28 Mn have been recognised in financial years ended 31st March 2017 and 2016 respectively.

# Notes to the Financial Statements

In Rupees Thousands

## 19 AVAILABLE FOR SALE FINANCIAL ASSETS CONTD.

### 19.1 Investments in equity securities - quoted

As at 31st March	2017			2016		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
<b>Banks, Finance &amp; Insurance</b>						
Central Finance Company PLC	2,410,136	235,798	207,754	1,166,195	235,798	244,901
Ceylinco Insurance PLC - Non voting	126,010	85,300	103,328	126,010	85,300	98,540
Commercial Bank of Ceylon PLC	3,305,927	343,112	431,093	3,355,121	345,516	421,068
Hatton National Bank PLC	1,747,128	356,916	393,628	1,723,625	351,487	343,518
Hatton National Bank PLC - Non voting	623,901	111,027	115,422	614,227	109,092	105,033
Peoples' Insurance PLC	1,765,200	26,478	32,303	1,765,200	26,478	29,832
Peoples' Leasing & Finance PLC	6,288,036	111,938	98,093	5,050,536	88,807	80,809
Sampath Bank PLC	1,752,267	403,196	453,837	1,489,627	344,120	336,656
		1,673,765	1,835,458		1,586,598	1,660,357
<b>Beverage, Food &amp; Tobacco</b>						
Distilleries Company of Sri Lanka PLC	-	-	-	1,345,061	316,857	277,352
Cargils (Ceylon) PLC	350,250	61,666	65,742	-	-	-
		61,666	65,742		316,857	277,352
<b>Constructions &amp; Engineering</b>						
Access Engineering PLC	2,000,000	73,225	47,600	2,000,000	73,225	41,600
		73,225	47,600		73,225	41,600

As at 31st March	2017			2016		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
<b>Diversified</b>						
Aitken Spence PLC	1,674,000	168,425	94,079	1,674,000	168,425	123,039
John Keells Holdings PLC	183,693	8,466	25,332	160,732	8,466	23,788
Melstacorp PLC	4,980,244	295,204	294,830	-	-	-
		472,095	414,241		176,891	146,827
<b>Footwear &amp; Textiles</b>						
Hayleys Fabric PLC	11,265,372	132,437	153,209	11,265,372	132,437	202,777
		132,437	153,209		132,437	202,777
<b>Health Care</b>						
Ceylon Hospitals PLC	-	-	-	313,378	17,623	28,204
		-	-		17,623	28,204
<b>Hotels &amp; Travels</b>						
Aitken Spence Hotel Holdings PLC	2,269,575	146,144	79,889	2,269,575	146,144	120,286
Serendib Hotels PLC	-	-	-	549,890	19,462	15,122
		146,144	79,889		165,606	135,408
<b>Motors</b>						
Diesel & Motor Engineering PLC	-	-	-	62,556	31,443	34,387
		-	-		31,443	34,387
<b>Manufacturing</b>						
Tokyo Cement Company (Lanka) PLC	4,750,000	191,164	289,750	-	-	-
		191,164	289,750		-	-
<b>Telecommunication</b>						
Dialog Axiata PLC	18,797,647	185,400	212,413	18,797,647	185,400	191,736
		185,400	212,413		185,400	191,736
<b>Total investment in equity securities - quoted</b>		<b>2,935,896</b>	<b>3,098,302</b>		<b>2,686,080</b>	<b>2,718,648</b>

# Notes to the Financial Statements

In Rupees Thousands

## 19 AVAILABLE FOR SALE FINANCIAL ASSETS CONTD.

### 19.2 Investments in equity securities - unquoted

As at 31st March	2017			2016		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
Guardian Fund Management Limited	7	-	-	7	-	-
Kandy Private Hospitals Limited	600	10	10	600	10	10
<b>Total investment in equity securities - unquoted</b>		10	10		10	10

### 19.3 Investments in unit trusts - unquoted

As at 31st March	2017			2016		
	No. of units	Cost	Fair value	No. of units	Cost	Fair value
The Sri Lanka Fund	1,265,823	112,280	157,455	1,265,823	112,280	147,543
Guardian Acuity Equity Fund	1,250,000	12,500	20,411	1,250,000	12,500	19,138
Guardian Acuity Money Market Fund	-	-	-	4,080,788	41,325	51,826
<b>Total investment in unit trusts - unquoted</b>		124,780	177,866		166,105	218,507

### 19.4 Investments in debentures - unquoted

As at 31st March	2017			2016		
	No. of debentures	Cost	Fair value	No. of debentures	Cost	Fair value
<b>Redeemable unsecured debentures</b>						
Ocean View Limited - 6%	120	1	1	120	1	1
<b>Total investment in debentures - unquoted</b>		1	1		1	1

**20 TRADE AND OTHER RECEIVABLES**

As at 31st March	2017	2016
<b>Financial</b>		
Trade receivable	5,240	-
Dividend receivable	17,299	9,836
	22,539	9,836
<b>Non financial</b>		
Prepaid expenses	194	302
	194	302
	22,733	10,138

**21 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS**

## 21.a. Summary

	Note	Fair value	
As at 31st March		2017	2016
<b>Investments in equity securities</b>			
Quoted	21.1	712,372	639,092
<b>Total investment in equity securities</b>		712,372	639,092
<b>Investments in unit trusts</b>			
Unquoted	21.2	256,335	154,359
<b>Total investment in unit trusts</b>		256,335	154,359
<b>Total investment in fair value through profit or loss financial assets</b>		968,707	793,451

- The fair value of the Company's quoted equity portfolio is based on the volume weighted average price as at 31st March, published by the Colombo Stock Exchange.
- The fair values of the unquoted investments in unit trusts are based on the "redemption unit prices" published by the respective Unit Trust Managers as at 31st March.

# Notes to the Financial Statements

In Rupees Thousands

## 21 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS CONTD.

### 21.b. Movement in fair value through profit or loss financial assets

For the year ended 31st March 2017	Fair Value as at 1st April 2016	Additions	Disposals	Change in fair value	Fair value as at 31st March 2017
Investments in equity securities	639,092	340,259	(263,862)	(3,117)	712,372
Investments in unit trust	154,359	296,000	(194,359)	335	256,335
	793,451	636,259	(458,221)	(2,782)	968,707

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	665,488	314,374	(246,533)	(94,237)	639,092
Investments in unit trust	-	150,000	-	4,359	154,359
	665,488	464,374	(246,533)	(89,878)	793,451

The change in fair value represent unrealised gains / (losses) on fair value adjustment of fair value through profit or loss financial assets.

## 21.1 Investments in equity securities - quoted

As at 31st March	2017		2016	
	No. of shares	Fair value	No. of shares	Fair value
<b>Banks, Finance &amp; Insurance</b>				
Commercial Bank of Ceylon PLC	358,054	46,690	250,000	31,375
DFCC Bank PLC	157,616	17,968	157,616	21,594
Hatton National Bank PLC	214,414	48,307	356,530	71,056
Hatton National Bank PLC- Non voting	336,848	62,317	331,625	56,708
Janashakthi Insurance Company PLC	1,350,000	20,385	1,500,000	24,000
Seylan Bank PLC	400,000	34,800	400,000	34,400
Seylan Bank PLC - Non voting	393,000	21,497	393,000	24,759
Singer Finance (Lanka) PLC	500,000	8,550	500,000	9,050
Softlogic Capital PLC	-	-	600,000	3,600
Union Bank of Colombo PLC	1,940,775	27,559	1,940,775	32,217
		288,073		308,759
<b>Beverage, Food &amp; Tobacco</b>				
Distilleries Company of Sri Lanka PLC	-	-	310,396	64,004
		-		64,004
<b>Construction &amp; Engineering</b>				
Access Engineering PLC	1,309,609	31,169	409,609	8,520
MTD Walkers PLC	320,104	11,204	320,104	10,659
		42,373		19,179
<b>Diversified</b>				
Aitken Spence PLC	410,000	23,042	410,000	30,135
Hemas Holdings PLC	-	-	654,000	52,712
John Keells Holdings PLC	523,571	72,200	100,000	14,800
Melstacorp PLC	841,584	49,822	-	-
Softlogic Holdings PLC	3,671,578	43,692	3,671,578	48,832
		188,756		146,479

# Notes to the Financial Statements

In Rupees Thousands

## 21 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS CONTD.

### 21.1 Investments in equity securities - quoted

As at 31st March	2017		2016	
	No. of shares	Fair value	No. of shares	Fair value
<b>Health Care</b>				
The Lanka Hospital Corporation PLC	448,000	27,552	448,000	22,848
		27,552		22,848
<b>Hotels &amp; Travels</b>				
Serendib Hotels PLC - Non voting	266,296	5,326	266,296	4,660
		5,326		4,660
<b>Land &amp; Property</b>				
Overseas Realty (Ceylon) PLC	700,000	14,140	2,090,859	48,926
		14,140		48,926
<b>Manufacturing</b>				
ACL Cables PLC	725,842	39,558	-	-
Alumex PLC	2,260,000	42,940	-	-
Kelani Tyres PLC	249,432	13,719	249,432	15,964
Tokyo Cement Company (Lanka) PLC - Non Voting	715,000	37,895	-	-
		134,112		15,964
<b>Power &amp; Energy</b>				
Lanka IOC PLC	415,163	12,040	-	-
Vallibel Power Erathna PLC	-	-	1,034,117	8,273
		12,040		8,273
<b>Total investment in equity securities - quoted</b>		<b>712,372</b>		<b>639,092</b>

**21.2 Investments in unit trusts - unquoted**

As at 31st March	2017		2016	
	No. of units	Fair value	No. of units	Fair value
Guardian Acuity Money Market Fund	7,535,565	106,225	3,990,423	50,678
Guardian Acuity Money Market Gilt Fund	1,288,115	150,110	973,805	103,681
<b>Total investment in unit trusts - unquoted</b>		<b>256,335</b>		<b>154,359</b>

**22 CASH AND CASH EQUIVALENTS**

As at 31st March	2017	2016
Cash at bank	539	600
Placements with banking institutions	-	155,381
Securities purchased under resale agreements	116,109	182,036
<b>Total cash and cash equivalents</b>	<b>116,648</b>	<b>338,017</b>
Bank overdraft	(2,648)	(1,825)
<b>Total bank overdrafts</b>	<b>(2,648)</b>	<b>(1,825)</b>
<b>Net cash and cash equivalents for the cash flow statement purpose</b>	<b>114,000</b>	<b>336,192</b>

# Notes to the Financial Statements

In Rupees Thousands

## 23 STATED CAPITAL

As at 31st March	Note	2017		2016	
		No. of shares	Value	No. of shares	Value
<b>Ordinary shares</b>					
Issued and fully paid	23.1	99,451,059	763,497	99,451,059	763,497
			763,497		763,497
<b>23.1 Ordinary share - Issued and fully paid</b>					
Balance as at the beginning of the year		99,451,059	763,497	98,514,874	673,530
Issue of shares - scrip dividend		-	-	936,185	89,967
Balance as at the end of the year		99,451,059	763,497	99,451,059	763,497

## 24 CAPITAL AND REVENUE RESERVES

### 24.1 Capital reserves

As at 31st March	Note	2017	2016
Investment reserve	24.1.1	8,401	8,401
Other capital reserve	24.1.1	178,740	178,740
		187,141	187,141

#### 24.1.1 Investment reserve and other capital reserve

These represent the amounts set aside to meet any contingencies.

### 24.2 Revenue reserves

As at 31st March	Note	2017	2016
Available for sale financial assets reserve	24.2.1	492,726	279,656
General reserve	24.2.2	27,217	27,217
Retained earnings		2,714,560	2,634,502
Associate Company's reserve	24.2.3	4,367,999	5,211,640
		7,602,502	8,153,015

**24.2.1 Available for sale financial assets reserve**

This consists of accumulated net unrealised gains arising from fair valuation of available for sale financial assets, excluding the impact arising from impairment of such assets. The movement of this reserve is given in the statement of changes in equity.

**24.2.2 General reserve**

This represents the amounts set aside to meet any contingencies.

**24.2.3 Associate Company's reserve**

This represents the Company's share of net assets of the equity accounted investee. The movement of this reserve is given in the statement of changes in equity.

**25 TRADE AND OTHER PAYABLES**

As at 31st March	2017	2016
<b>Financial</b>		
Trade payables	359	8,544
Dividend payable (note 25.1)	174,039	149,177
Other payables	23,572	24,048
	197,970	181,769
<b>Non Financial</b>		
Provisions and accrued expenses	2,119	2,072
	2,119	2,072
	200,089	183,841

**25.1 Dividend payable**

Dividend payable includes dividend payable to parent Company Ceylon Guardian Investment Trust PLC, amounting to Rs. 112 Mn (2016 - Rs. 96 Mn).

# Notes to the Financial Statements

In Rupees Thousands

## 26 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.

### 26.1 Parent and ultimate controlling entity

Ceylon Guardian Investment Trust PLC is the immediate Parent Company of Ceylon Investment PLC. 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 Investment PLC.

### 26.2 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, the Directors of the parent Company, Ceylon Guardian Investment Trust PLC, have been classified as Key Management Personnel of the Company.

Mrs. W. Y. R. Fernando was appointed to the Board on 15th August 2016. Accordingly, she has been classified as KMP from the date of her appointment to the Board.

Mr. I. Paulraj has resigned from the Board with effect from 15th August 2016. Accordingly, he has ceased to be a KMP from the date of his resignation from the Board.

### 26.3 Compensation paid to the Key management personnel of the company comprised the following;

For the year ended 31st March	2017	2016
Short-term employee benefits	6,102	6,149
Post-employment benefits	-	-
Termination benefits	-	-
Other long-term benefits	-	-
Non cash benefits	-	-
	6,102	6,149

## 26.4 Transactions with the Related Companies

Name of the related company	Relationship	Nature of transactions	Value of transactions	
			2017	2016
Ceylon Guardian Investment Trust PLC	Parent company	Dividend paid	112,019	154,003
Rubber Investment Trust Limited	Associate	Dividends received	103,191	79,195
Guardian Fund Management Limited (GFM)	Fellow subsidiary	Portfolio management fees paid*	19,398	19,835
Carsons Management Services (Private) Limited (CMSL)	Fellow subsidiary	Support service fees paid**	10,791	11,222
		Computer fees paid	420	420
		Secretarial fees paid	403	403
Hatton National Bank PLC	Other entity	Interest income received	636	11,618
		Placement in demand deposits	80	82
		Placements with banking institutions	-	150,000
		Bank charges paid	2	213

Amounts due to related entities are disclosed in note 25.1.

\*Portfolio management fee is based on portfolio value of the Company.

\*\*Support service fee is based on the services provided by CMSL.

## 26.5 Significant Holdings

	Holding %	
	2017	2016
<b>Associate</b>		
Rubber Investment Trust Limited	49.95%	49.95%

# Notes to the Financial Statements

In Rupees Thousands

## 27 FINANCIAL INSTRUMENTS

### Financial risk management - Overview

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

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing such risks, and the Company's management of capital. Pages 12 to 17 also carry a review of risks faced by the Company and the approach of managing such risks.

### Risk management framework

The Company's Board of Directors has the 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 Investment Managers, and Carsons Management Services (Private) Limited, the Managers; who are responsible for developing and monitoring the Company's risk management policies and reports regularly to the Board of Directors on its activities.

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

The Company's investment portfolio comprises of investments in listed / unlisted equity securities and fixed income securities. The Company's investment manager has been given discretionary authority to manage the assets, in line with the Company'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 Company's risk management framework and promotes a culture of risk awareness and balanced risk-taking within the Company.

### 27.1 Credit risk

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

### 27.1.1 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	
		2017	2016
Available for sale financial assets - Investment in unit trusts	19.3	177,866	218,507
Available for sale financial assets - Investment in debentures	19.4	1	1
Fair value through profit or loss financial assets - Investment in unit trusts	21.2	256,335	154,359
Trade and other receivables*	20	22,539	9,836
Cash and cash equivalents - Cash at bank	22	539	600
Cash and cash equivalents - Placements with banking institutions	22	-	155,381
Cash and cash equivalents - Securities purchased under resale agreements	22	116,109	182,036
		573,389	720,720

\* Prepaid expenses which are non financial assets are excluded.

#### Investment in corporate debt securities

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

# Notes to the Financial Statements

In Rupees Thousands

## 27 FINANCIAL INSTRUMENTS CONTD.

### Investment in unit trusts

The Company has invested in following unit trusts;

Name of the fund	Fund category	Fund's investment instruments
The Sri Lanka Fund	Equity fund	Listed equity securities
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

The investment manager of "The Sri Lanka Fund" is Guardian Fund Management Limited which is also the Investment manager of the Company. Guardian Acuity Asset Management Limited, a joint venture company of Ceylon Guardian Investment Trust PLC (the parent entity of the Company) and Acuity Partners Limited, is the Investment Manager of the other unit trust funds that the Company has invested in. The Company 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 and dividends receivable.

Settlement procedures surrounding the listed equity market in Sri Lanka 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.

### Age profile of trade and other receivables

The aging of trade and other receivables at the end of the reporting period that were not impaired was as follows,

As at 31st March	2017	2016
Less than 30 days	22,539	9,836
	22,539	9,836

The Company has neither recognised an impairment loss nor an allowance for impairment of its trade and other receivables over the past 5 years period.

### Cash and cash equivalents

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

The Company minimises credit risk by monitoring the creditworthiness of the underlined counter-parties 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	2017	2016
<b>Credit rating</b>		
AAA	152	152
AA	116,109	182,036
AA-	81	155,464
Unrated	306	365
	116,648	338,017

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

# Notes to the Financial Statements

In Rupees Thousands

## 27 FINANCIAL INSTRUMENTS CONTD.

### 27.2 Liquidity risk

Liquidity risk is the risk that the Company 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.

#### 27.2.1 Exposure to liquidity risk

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

As at 31st March 2017	Carrying amount	Contractual cash flows			
		Total	Up to 3 months	3-12 months	More than a year
<b>Non derivative financial liabilities</b>					
Trade and other payables*	197,970	197,970	197,970	-	-
Bank overdraft	2,648	2,648	2,648	-	-
	200,618	200,618	200,618	-	-

As at 31st March 2016	Carrying amount	Contractual cash flows			
		Total	Up to 3 months	3-12 months	More than a year
<b>Non derivative financial liabilities</b>					
Trade and other payables*	181,769	181,769	181,769	-	-
Bank overdraft	1,825	1,825	1,825	-	-
	183,594	183,594	183,594	-	-

\* Provisions and accrued expenses which are not 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	2017	2016
Fair value through profit or loss financial assets - Investment in unit trusts	256,335	154,359
Cash and cash equivalents	116,648	338,017
Total liquid assets	372,983	492,376
Liquid assets as a % of total net assets	4.4%	5.4%

#### 27.2.2 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking the Company's reputation.

The Company 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 investments 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 Company's investment portfolio comprises of listed equity investments which provides the Company 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 Company has access to approved financing arrangements in the form of an interchangeable overdraft facility with Ceylon Guardian Investment Trust PLC, the parent company, an analysis of which is given below as at each of the reporting dates.

As at 31st March	2017	2016
Unutilised overdraft facilities	1,050,000	1,050,000
	1,050,000	1,050,000

# Notes to the Financial Statements

In Rupees Thousands

## 27 FINANCIAL INSTRUMENTS CONTD.

### 27.3 Market risk

The market risk is the 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.

#### 27.3.1 Interest rate risk

The Company 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.

#### Exposure and management of interest rate risk

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

As at 31st March	Carrying Amount	
	2017	2016
<b>Financial assets</b>		
Placements with banking institutions	-	155,381
Securities purchased under resale agreements	116,109	182,036
	116,109	337,417
<b>Financial liabilities</b>		
Bank overdraft	2,648	1,825
	2,648	1,825

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

As at 31st March	2017	2016
Commercial Banks Averaged Weighted Prime Lending Rate ( AWPLR) *	11.56%	8.87%
Commercial Banks Averaged Weighted Fixed Deposit Rate ( AWFDR) *	11.38%	7.92%

\* Monthly average rate as at reporting date.

### 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 by 1%	Decrease by 1%
<b>As at 31st March 2017</b>		
- On interest earning assets	1,161	(1,161)
- On interest bearing liabilities	(26)	26
	1,135	(1,135)
<b>As at 31 March 2016</b>		
- On interest earning assets	3,374	(3,374)
- On interest bearing liabilities	(18)	18
	3,356	(3,356)

# Notes to the Financial Statements

In Rupees Thousands

## 27 FINANCIAL INSTRUMENTS CONTD.

### 27.3.2 Exposure and management other market price risks

#### Equity price risk

The Company is holding an investment portfolio which includes listed equity securities.

Having 87% (2016 - 83%) 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.

The Company monitors 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.

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

As at 31st March	Note	Carrying Amount	
		2017	2016
Available for sale financial assets - investment in equity securities	19.1/19.2	3,098,312	2,718,658
Available for sale financial assets - investment in unit trusts	19.3		
- Guardian Acuity Equity Fund		20,411	19,138
- The Sri Lanka Fund		157,455	147,543
Fair value through profit or loss financial assets - investment in equity securities	21.1	712,372	639,092
		<b>3,988,550</b>	<b>3,524,431</b>

An analysis of the investments in equity securities made by the Company, based on the industry / sector is given in notes 19.1 and 21.1.

### 27.3.3 Currency risk

The Company is exposed to currency risk on its investments made that are denominated in a currency other than the respective functional currency of the Company, which is Sri Lankan Rupees. Accordingly, the Company is exposed to currency risk primarily arising from its investment in 'The Sri Lanka Fund' – a country fund incorporated in Cayman Islands, to which the Company has infused promoters capital.

The net exposure to currency risk, as at the reporting date is as follows.

As at 31st March	Currency	Carrying Amount	
		2017	2016
Investments in Unit Trusts - The Sri Lanka Fund	LKR (000')	157,455	147,543
	USD	1,037,978	1,019,718
Exchange rates applied as at the reporting dates - USD / LKR		151.69	144.69

#### Sensitivity Analysis

A strengthening / (weakening) of the USD against the Sri Lanka Rupee would have increased / (decreased) the investment as at the end of the periods by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of further investments or withdrawals.

Movement in exchange rate	Equity	
	Strengthening	Weakening
As at 31 March 2017		
- United State Dollars ( 1% movement)	1,575	(1,575)
	1,575	(1,575)
As at 31st March 2016		
- United State Dollars ( 1% movement)	1,475	(1,475)
	1,475	(1,475)

No impact to profit or loss arises from a movement in foreign exchange rates, provided such movements are related to equity instruments classified under 'Available for sale financial assets' and are recognised in other comprehensive income, as required by the Sri Lanka Accounting Standard (LKAS - 39) "Financial Instruments; Recognition and measurement".

# Notes to the Financial Statements

In Rupees Thousands

## 27 FINANCIAL INSTRUMENTS CONTD. 27.4 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 2017	Fair value through profit or loss	Held to maturity	Loans and receivables	Available for sale financial assets	Other financial liabilities	Total carrying amount	Fair value
<b>Financial assets measured at fair value</b>							
Available for sale financial assets	-	-	-	3,276,179	-	3,276,179	3,276,179
Fair value through profit or loss financial assets	968,707	-	-	-	-	968,707	968,707
<b>Financial assets not measured at fair value</b>							
Trade and other receivables	-	-	22,539	-	-	22,539	-
Cash and cash equivalents	-	-	116,648	-	-	116,648	-
<b>Total financial assets</b>	<b>968,707</b>	<b>-</b>	<b>139,187</b>	<b>3,276,179</b>	<b>-</b>	<b>4,384,073</b>	<b>4,244,886</b>
<b>Financial liabilities not measured at fair value</b>							
Trade and other payables	-	-	-	-	197,970	197,970	-
Bank overdraft	-	-	-	-	2,648	2,648	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,618</b>	<b>200,618</b>	<b>-</b>

As at 31st March 2016	Fair value through profit or loss	Held to maturity	Loans and receivables	Available for sale financial assets	Other financial liabilities	Total carrying amount	Fair value
<b>Financial assets measured at fair value</b>							
Available-for-sale financial assets	-	-	-	2,937,166	-	2,937,166	2,937,166
Fair value through profit or loss financial assets	793,451	-	-	-	-	793,451	793,451
<b>Financial assets not measured at fair value</b>							
Trade and other receivables	-	-	9,836	-	-	9,836	
Cash and cash equivalents	-	-	338,017	-	-	338,017	
<b>Total financial assets</b>	<b>793,451</b>	<b>-</b>	<b>347,853</b>	<b>2,937,166</b>	<b>-</b>	<b>4,078,470</b>	
<b>Financial liabilities not measured at fair value</b>							
Trade and other payables	-	-	-	-	181,769	181,769	
Bank overdraft	-	-	-	-	1,825	1,825	
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>183,594</b>	<b>183,594</b>	

## 27 FINANCIAL INSTRUMENTS CONTD.

### 27.5 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 31 March 2017</b>				
Available for sale financial assets	3,276,168	-	11	3,276,179
Fair value through profit or loss financial assets	968,707	-	-	968,707
	4,244,875	-	11	4,244,886
<b>As at 31 March 2016</b>				
Available for sale financial assets	2,937,155	-	11	2,937,166
Fair value through profit or loss financial assets	793,451	-	-	793,451
	3,730,606	-	11	3,730,617

During the year no movements have occurred in the fair value measurements in Level 3 financial instruments of the fair value hierarchy.

## 28 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 (Investments holding) for the purpose of making decisions about the resource allocation and performance. Therefore no disclosure is made on operating segments.

## 29 EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date, which would require adjustments to or disclosures in the financial statements.

## 30 COMMITMENTS AND CONTINGENT LIABILITIES

### 30.1 Capital expenditure commitments

There were no material capital commitments as at the reporting date.

### 30.2 Contingent liabilities

There were no material contingent liabilities as at the reporting date.

## 31 COMPARATIVE FIGURES

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

## 32 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	2017	2016	2015	2014	2013
<b>Financial highlights</b>					
<b>Revenue</b>					
Net gain on disposal of investments	108,783	196,870	585,055	323,900	282,639
Dividend income	284,674	176,425	183,292	252,761	134,591
Interest income	7,672	27,932	54,125	115,046	72,180
	401,129	401,227	822,472	691,707	489,410
Less :					
Dividend received from associate company	(103,191)	(79,195)	(83,235)	(194,928)	(43,433)
	297,938	322,032	739,237	496,779	445,977
Net fair value adjustment - unrealised	(97,997)	(135,539)	11,440	303	52,667
Profit on investment activities	199,941	186,493	750,677	497,082	498,644
Profit before taxation	660,068	294,763	1,001,114	919,541	1,200,571
Income tax expense	(7,254)	(7,548)	(14,252)	(30,059)	(18,603)
Profit for the year	652,814	287,215	986,862	889,482	1,181,968
Dividend paid	174,039	247,691	246,287	418,688	123,144
<b>Statement of Financial Position</b>					
<b>Capital employed</b>					
Stated capital	763,497	763,497	673,530	673,530	673,530
Reserves	7,789,643	8,340,156	12,428,640	10,906,886	8,050,259
Total equity	8,553,140	9,103,653	13,102,170	11,580,416	8,723,789
<b>Assets employed</b>					
Non current assets	7,644,474	8,149,102	12,133,158	10,414,267	7,234,368
Current assets	1,111,403	1,141,606	1,243,829	1,461,023	1,515,020
Total assets	8,755,877	9,290,708	13,376,987	11,875,290	8,749,388
Current liabilities	(202,737)	(187,055)	(274,817)	(294,874)	(25,599)
Net assets	8,553,140	9,103,653	13,102,170	11,580,416	8,723,789
<b>Cash Flow Statements</b>					
Net cash generated from / (used in) operating activities	(179,000)	(52,634)	(87,556)	(178,891)	449,453
Net cash generated from investing activities	103,191	79,195	83,235	194,928	43,433
Net cash used in financing activities	(146,383)	(242,840)	(249,705)	(171,515)	(122,305)
Net (decrease) / increase in cash & cash equivalents	(222,192)	(216,279)	(254,026)	(155,478)	370,581

For the year ended / As at 31st March	2017	2016	2015	2014	2013
<b>Ratios &amp; statistics</b>					
<b>Operational ratio</b>					
Return on ordinary shareholders funds (%)	7.63	3.15	7.53	7.68	13.55
<b>Liquidity ratio</b>					
Current ratio (times)	5.48	6.10	4.53	4.95	59.18
<b>Investor ratio</b>					
Earnings per share (Rs.)	6.56	2.89	9.92	9.03	12.00
Dividend per share final/ Interim (Rs.)*	1.75	1.50	3.50	2.50	1.75
Dividend cover (times)	3.75	1.93	2.83	3.61	6.84
Dividend growth (%)	17	(57)	40	43	40
Dividend yield (%)	4.38	2.85	3.85	3.36	2.19
Dividend payout ratio (%)	26.68	51.90	35.28	27.69	14.62
Net assets value per share (Rs.)	86.00	91.54	133.00	117.55	130.74
Market value per share (Rs.)**	40.00	52.70	91.00	74.50	80.00
Price earning ratio (times)	6.10	18.24	9.17	8.25	6.67
Price to book value ratio (times)	0.47	0.58	0.68	0.63	0.61
Fair value of investments portfolio	8,727,181	9,278,745	13,351,117	11,865,566	12,855,629
Market capitalisation	3,978,042	5,241,071	8,964,854	7,339,358	7,881,190
All Share Price Index (points)	6,062	6,072	6,820	5,968	5,736
S&P SL 20 Index (points)	3,439	3,204	3,852	3,280	3,294

\* Based on final / interim dividends

\*\*As at 31st March.

# Information to Shareholders and Investors

## 1. Stock Exchange Listing

Ceylon Investment 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 Investment PLC shares is "CINV".

## 2. Share Valuation

The market price of the Company's shares as at 31st March 2017 was Rs.40/- per share (2016 – Rs.52/70/-).

## 3. Ordinary Shareholders

As at 31st March	2017	2016
Number of Shareholders	2,641	2,625

The number of ordinary shares held by non-residents as at 31st March, 2017 was 4,654,012 which amounts to 4.67% (2016 – 4,637,767/ 4.66%), of the total number of ordinary shares in issue.

### Frequency Distribution of shareholdings as at 31st March 2017

Distribution of Shares	Residents			Non - Residents			Total		
	No. of share-holders	No. of Shares	%	No. of share-holders	No. of Shares	%	No. of share-holders	No. of Shares	%
1 - 1,000	1,466	341,184	0.34	5	572	0	1,471	341,756	0.34
1001 - 10,000	813	2,606,927	2.62	25	109,873	0.11	838	2,716,800	2.73
10,001 - 100,000	237	7,236,536	7.27	30	816,616	0.82	267	8,053,152	8.10
100,001 - 1,000,000	52	15,339,809	15.42	6	1,495,874	1.5	58	16,835,683	16.93
Above 1,000,000	5	69,272,591	69.65	2	2,231,077	2.24	7	71,503,668	71.90
Total	2,573	94,797,047	95.32	68	4,654,012	4.68	2,641	99,451,059	100.00

Categories of Shareholders As at 31st March 2017	No. of Shareholders	No. of Shares	%
Individuals	2,404	21,486,119	21.60
Institutions	237	77,964,940	78.40
Total	2,641	99,451,059	100.00

### Public Shareholding

Percentage of ordinary shares held by the public as at 31st March 2017 was 35.63% and the number of public shareholders were 2,628 (2016 – 35.19%).

#### 4. Market performance - Ordinary shares

For the year ended 31st March	2017	2016
Share price as at 31 March (Rs.)	40.00	52.70
Highest (Rs.)	69.90	99.00
Lowest (Rs.)	39.10	44.00
Value of the shares traded (Rs.000)	89,503	157,616
No. of shares traded	1,686,633	1,937,082
Volume of transactions (Nos.)	2,847	2,752

#### 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 3,978,042,360/- as at 31st March 2017 (as at 31st March 2016 – Rs. 5,241,070,809/-).

## Information to Shareholders and Investors

### 6 Record of Bonus Issues, Rights Issues, Repurchase and Subdivision of shares

The undermentioned share issues/repurchase have been made by the Company to date, in relation to its ordinary shares.

Year ended 31st March	Month	Issue	Basis	No. of shares	Cumulative No. of shares
1919		Initial Capital	-	547,343	547,343
1954		Bonus	1:10	54,734	602,077
1956		Bonus	1:10	60,208	662,285
1988		Bonus	1:1	662,285	1,324,570
1991		Bonus	1:5	264,914	1,589,484
1999		Bonus	1:4	397,371	1,986,855
2000		Bonus	1:4	496,714	2,483,569
2002	April	Rights	1:4	620,892	3,104,461
	May	Bonus	1:4	776,115	3,880,576
2003	June	Rights	1:3	1,293,525	5,174,101
	August	Bonus	1:6	862,350	6,036,451
2004	July	Rights	1:2	3,018,225	9,054,676
	September	Bonus	1:2	4,527,338	13,582,014
2005	March	Rights	1:3	4,527,338	18,109,352
	June	Bonus	1:3	6,036,451	24,145,803
2009	October	Repurchase	1:5	(4,829,161)	19,316,642
2010	October	Subdivision	5:1	77,266,568	96,583,210
	October	Capitalisation of reserves	1:50	1,931,664	98,514,874
2015	August	Scrip Dividend	1:105.083934	936,185	99,451,059

### 7 Dividends

For the financial year ended 31st March 2017, a First Interim Dividend of Rs.1/75 per Ordinary Share amounting to Rs. 174,039,353/25 was declared and paid on 6th April 2017.

### 8 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 28.

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the 71st Annual General Meeting of CEYLON INVESTMENT PLC will be held on Wednesday, the 26th day of July 2017 at 2.00 p.m. at the "Auditorium", The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 07, Sri Lanka 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 2017, together with the Independent Auditors' Report thereon.
2. 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.
3. To re-elect Mr. T. C. M. Chia who retires by rotation in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.
4. To re-elect Mr. V. M. Fernando who retires by rotation in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.
5. To re-elect Mrs. W. Y. R. Fernando as a Director in terms of Articles 88 and 95 of the Articles of Association of the Company.
6. 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 authorize the Directors to determine their remuneration.

By Order of the Board

(Sgd)

**K. D. De Silva (Mrs.)**

Director

**CARSONS MANAGEMENT SERVICES (PRIVATE) LIMITED**  
Secretaries

Colombo,  
21st June 2017

## Notes

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a Shareholder 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 2017.
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.  
Security Check
5. 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 Shareholder/Shareholders of Ceylon Investment PLC  
hereby appoint.....  
of.....  
bearing NIC No./ Passport No..... or failing him/her

Mirihana Arachchige Rose Chandralatha Cooray	or failing her,
Don Chandima Rajakaruna Gunawardena	or failing him,
Ajith Prashantha Weeratunge	or failing him,
Vernon Manilal Fernando	or failing him,
Krishna Selvanathan	or failing him,
Timothy Chee Ming Chia	or failing him,
Wedage Yasanthi Ruvini Fernando	

as \*my/our proxy to attend at the 71st Annual General Meeting of the Company to be held on Wednesday, the 26th day of July 2017 at 2.00 p.m. at the "Auditorium", The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 07, Sri Lanka 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 2017, together with the Independent Auditors' Report thereon.	<input type="checkbox"/>	<input type="checkbox"/>
(2) 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"/>
(3) To re-elect Mr. T. C. M. Chia 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 Mr. V. M. Fernando 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-elect Mrs. W. Y. R. Fernando as a Director in terms of Articles 88 and 95 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(6) 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 authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this.....day of ..... Two Thousand and Seventeen.

.....  
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, and sign 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 the 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 2017.

Please fill in the following details

Name	:.....
Address	:..... :.....
Jointly with	:.....
Share folio no.	:.....

# Corporate Information

## NAME OF COMPANY

Ceylon Investment PLC  
(A Carson Cumberbatch Company)

## COMPANY REGISTRATION NO.

PQ 68

## DOMICILE AND LEGAL FORM

Ceylon Investment PLC, is a Public Quoted Company with limited liability domiciled in Sri Lanka.  
The Company was incorporated in Sri Lanka in 1919.

## PRINCIPAL ACTIVITY AND NATURE OF OPERATIONS

During the year, the principal activity of the Company was holding and managing of an investment portfolio.

## PARENT ENTERPRISE

Ceylon Guardian Investment Trust PLC is the immediate Parent Company of Ceylon Investment PLC. 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

Mrs. M.A.R.C. Cooray (Chairperson)  
Mr. D.C.R. Gunawardena  
Mr. A.P. Weeratunge  
Mr. V.M. Fernando  
Mr. K. Selvanathan  
Mr. T.C.M. Chia  
Mrs. W.Y.R. Fernando  
Mr. I. Paulraj (Resigned w.e.f. 15th August 2016)

## BANKERS

Standard Chartered Bank  
HSBC  
Commercial Bank of Ceylon PLC  
Deutsche Bank AG

## AUDITORS

Messrs. KPMG  
Chartered Accountants,  
No. 32A, Sir Mohamed Macan Markar Mawatha,  
Colombo 3,  
Sri Lanka.

## MANAGERS & SECRETARIES

Carsons Management Services (Private) Limited  
No. 61, Janadhipathi Mawatha,  
Colombo 1.  
Sri Lanka  
Telephone No.: +94-11-2039200  
Fax No.: +94-11-2039300

## INVESTMENT MANAGERS

Guardian Fund Management Limited  
No. 61, Janadhipathi Mawatha,  
Colombo 1,  
Sri Lanka.  
Telephone No.: +94-11-2039200  
Fax No.: +94-11-2039385

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

No. 61, Janadhipathi Mawatha,  
Colombo 1,  
Sri Lanka  
Telephone No.: +94-11-2039200  
Fax No.: +94-11-2039300

## CORPORATE WEBSITE

[www.carsoncumberbatch.com](http://www.carsoncumberbatch.com)

Designed & produced by

**emagewise**

Printed by Printage (Pvt) Ltd



[www.carsoncumberbatch.com](http://www.carsoncumberbatch.com)

ADDITIONAL INFORMATION TO SHAREHOLDERS

We are herewith circulating the portfolio of the company's associate company, Rubber Investment Trust Limited.

INVESTMENT PORTFOLIO OF RUBBER INVESTMENT TRUST LIMITED

(In Rupee thousands)

Summary

As at 31st March	Note	2017 Fair value	2016 Fair value
Available for sale financial assets	1	6,580,811	9,351,020
Fair value through profit or loss financial assets	2	1,020,898	946,602
		7,601,709	10,297,622

1 Available for sale financial assets

1.1 Investment in equity securities - quoted

As at 31st March	2017			2016		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
<b>Banks, Finance &amp; Insurance</b>						
Hatton National Bank PLC -Non voting	1,202,994	214,583	222,553	1,184,341	210,853	202,522
Hatton National Bank PLC	277,714	60,570	62,569	123,977	28,613	24,709
People's Insurance PLC	2,689,400	40,341	49,216	2,689,400	40,341	45,451
Peoples' Leasing & Finance PLC	2,424,533	42,297	37,823	-	-	-
Sampath Bank PLC	589,891	138,098	152,782	545,924	127,569	123,379
Seylan Bank PLC	-	-	-	703,790	63,582	60,526
Seylan Bank PLC-Non voting	423,314	27,541	23,155	355,035	23,273	22,367
Commercial Bank of Ceylon PLC	314,521	44,688	41,014	306,200	43,578	38,428
		568,118	589,112		537,809	517,382
<b>Beverage, Food &amp; Tobacco</b>						
Cargils (Ceylon) PLC	250,000	49,802	46,925	-	-	-
Distilleries Company of Sri Lanka PLC	-	-	-	889,027	214,276	183,317
		49,802	46,925		214,276	183,317
<b>Diversified</b>						
John Keells Holdings PLC	-	-	-	7,083,485	308,418	1,048,355
Hemas Holdings PLC	-	-	-	1,138,685	89,590	91,778
Melstacorp PLC	2,176,108	128,989	128,826	-	-	-
Softlogic Holdings PLC	13,021,300	191,598	154,953	5,144,707	79,405	68,425
		320,587	283,779		477,413	1,208,558
<b>Manufacturing</b>						
Tokyo Cement Company (Lanka) PLC	550,400	18,590	29,171	552,166	20,496	20,430
		18,590	29,171		20,496	20,430
<b>Oil Palms</b>						
Bukit Darah PLC	20,438,250	1,928	5,318,033	20,438,250	1,928	7,153,388
		1,928	5,318,033		1,928	7,153,388
<b>Telecommunication</b>						
Dialog Axiata PLC	27,768,830	288,329	313,788	26,268,830	272,100	267,942
		288,329	313,788		272,100	267,942
<b>Total investment in equity securities - quoted</b>		1,247,354	6,580,808		1,524,022	9,351,017

## INVESTMENT PORTFOLIO OF RUBBER INVESTMENT TRUST LIMITED (Continued)

(In Rupee thousands)

### 1.2 Investments in debentures

As at 31st March	2017			2016		
	No. of debentures	Cost	Fair value	No. of debentures	Cost	Fair value
Riverina Hotels Limited	56	1	1	56	1	1
Ocean View Limited - 6%	120	1	1	120	1	1
<b>Total investment in debentures</b>		2	2		2	2

### 1.3 Preference Shares

As at 31st March	2017			2016		
	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>		1	1	31,875	1	1
<b>Total investment in available for sale financial assets</b>		1,247,357	6,580,811		1,524,025	9,351,020

## INVESTMENT PORTFOLIO OF RUBBER INVESTMENT TRUST LIMITED (Continued)

(In Rupee thousands)

### 2 Fair value through profit or loss financial assets

#### 2.1 Investment in equity securities-quoted

As at 31st March	2017		2016	
	No. of shares	Fair value	No. of shares	Fair value
<b>Banks, Finance &amp; Insurance</b>				
DFCC Bank PLC	139,699	15,926	139,699	19,139
Hatton National Bank PLC	293,569	66,141	289,620	57,721
National Development Bank PLC	337,189	47,072	-	-
Peoples' Leasing & Finance PLC	137,500	2,145	-	-
Seylan Bank PLC	73,790	6,420	370,000	31,820
Seylan Bank PLC - Non voting	198,755	10,872	198,755	12,522
Sinhaputhra Finance PLC	-	-	100,000	1,670
Union Bank of Colombo PLC	443,345	6,295	1,832,145	30,414
		154,871		153,286
<b>Beverage, Food &amp; Tobacco</b>				
Distilleries Company of Sri Lanka PLC	-	-	201,278	41,504
		-		41,504
<b>Construction &amp; Engineering</b>				
Access Engineering PLC	1,700,000	40,460	1,700,000	35,360
MTD Walkers PLC	238,013	8,330	428,242	14,260
		48,790		49,620
<b>Diversified</b>				
Aitken Spence PLC	370,218	20,806	370,218	27,211
Expolanka Holdings PLC	4,373,348	26,240	-	-
Hemas Holdings PLC	-	-	604,986	48,762
Hayleys PLC	-	-	12,457	3,061
Melstacorp PLC	125,112	7,407	-	-
Softlogic Holdings PLC	2,835,888	33,747	2,656,410	35,330
		88,200		114,364
<b>Hotels &amp; Travels</b>				
Aitken Spence Hotel Holdings PLC	792,093	27,882	792,093	41,981
Serendib Hotels PLC	-	-	270,067	7,427
		27,882		49,408
<b>Land &amp; Property</b>				
Overseas Reality (Ceylon) PLC	-	-	400,000	9,360
		-		9,360

## INVESTMENT PORTFOLIO OF RUBBER INVESTMENT TRUST LIMITED (Continued)

(In Rupee thousands)

As at 31st March	2017		2016	
	No. of shares	Fair value	No. of shares	Fair value
<b>Manufacturing</b>				
Kelani Tyres PLC	267,316	14,702	267,316	17,108
Lanka Tiles PLC	-	-	-	-
Chevron Lubricants Lanka PLC	354,746	60,307	75,381	22,991
Swisstek (Ceylon) PLC	240,000	15,744	-	-
Tokyo Cement Company (Lanka) PLC	374,674	22,855	-	-
		113,608		40,099
<b>Telecommunications</b>				
Dialog Axiata PLC	4,400,000	49,720	3,400,000	34,680
		49,720		34,680
<b>Total investment in equity securities - quoted</b>		483,071		492,321

### 2.2 Investments in unit trusts - unquoted

As at 31st March	2017		2016	
	No of units	Fair value	No of units	Fair value
Guardian Acuity Money Market Fund	21,308,180	300,371	26,205,435	332,809
Guardian Acuity Money Market GILT Fund	2,037,642	237,456	1,140,906	121,472
<b>Total investment in unit trusts - unquoted</b>		537,827		454,281
<b>Total investment in equity securities - quoted</b>		1,020,898		946,602