

GUARDIAN CAPITAL PARTNERS PLC

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The report can be accessed online at
<http://www.carsoncumberbatch.com>

GUARDIAN CAPITAL PARTNERS PLC

Guardian Capital Partners PLC is focused on investing in private equity and venture capital opportunities in identified growth sectors in the country.

We are pleased to set out the review and performance of the business during the year.

FINANCIAL HIGHLIGHTS

In Rupees Thousands

For the year ended / as at 31st March	2020	2019	Change (%)
Revenue	58,259	45,988	27
Profit from operations	7,238	25,597	(72)
Profit / (loss) for the year	(2,816)	14,369	(120)
Other comprehensive income / (expense) for the year	-	-	-
Total comprehensive income / (expense) for the year	(2,816)	14,369	(120)
Net cash generated from operating activities	82,866	170,899	(52)
Net increase in cash & cash equivalents during the year	81,333	162,221	(50)
Total equity	692,342	695,158	0
Fair value of investment portfolio *	697,958	705,347	0
Total assets	698,039	705,989	0
Earnings / (loss) per share (Rs.)	(0.11)	0.56	(120)
Dividend per share (Rs.) **	-	0.40	(100)
Net assets per share - Book value (Rs.)	26.80	26.91	0
Stock Market data			
All Share Price Index (points)	4,572	5,557	(18)
S&P SL 20 Index (points)	1,947	2,739	(29)
Market capitalization	483,092	524,426	(8)
Share price (Rs.)			
Year end	18.70	20.30	(8)
High	37.00	30.50	21
Low	16.70	17.50	(5)

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

** Based on interim / proposed dividends

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I take pleasure in welcoming you to the 100th Annual General Meeting of the company and presenting to you the Annual Report and Audited Accounts of the Company for the year ended 31st March 2020.

The current financial year presented the company with one of the most challenging business environments experienced during the recent past. The first three quarters were severely impacted by the Easter Sunday Attacks and the resultant slowdown in the economy and dampened consumer & business confidence. Whilst a recovery was seen in the fourth quarter, the emergence of the Covid-19 virus and containment measures taken locally and globally resulted in daily life coming to a virtual standstill, adding further downward pressure on the economy and business activity.

These conditions have impacted the activities of the businesses that the company has invested in and as a result the value of the portfolio came down during the year. The sharp drop in market prices led to the value of listed investments dropping significantly relative to last year. The unlisted investment in the Online Travel Agency space also had to be revalued down significantly due to the Covid-19 led disruption of the travel industry and the current financial position of the company. The resulting revaluation losses lead to the company generating a loss of Rs. 2.8 Mn for the year.

Further, as in previous years, we would like to stress once again to our shareholders the fact that private equity investments are riskier, relatively illiquid in nature, carry a longer gestation period, and therefore carry a higher risk weight than listed equity.

In conclusion, I thank the shareholders for the confidence and trust placed in the management over the years. We thank the members of the Audit Committee, Remuneration Committee, Related Party Transactions Review Committee and Nomination Committee, the Regulators and our business associates for their continued support. I also thank the members of our staff for their contribution, and my colleagues on the Board for their inputs.

(Sgd.)

I. Paulraj

Chairman

Colombo

10th August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Composition of the Portfolio

Total portfolio of the company as at 31st March 2020 stood at Rs. 698 Mn; of the portfolio 26% has been deployed into investments, whilst the balance is held in short term investments and cash. The largest holding in the portfolio is Hsenid Business Solutions (Pvt) Ltd followed by LVL Energy Fund PLC and Findmyfare (Pvt) Ltd.

Figure 1: Portfolio Composition & Cash Balance	Rs. '000	%
Hsenid Business Solutions (Pvt) Ltd	106,472	15%
LVL Energy Fund Limited	43,313	6%
Findmyfare (Pvt) Ltd	33,179	5%
	182,964	26%
Cash and short term investments	514,994	74%
	697,958	

LVL Energy Fund Limited

LVL Energy Fund is an energy focused investment vehicle and a subsidiary of Lanka Ventures PLC. The company invests in renewable and non-renewable energy projects in partnership with industry leaders in the power generation and engineering, procurement & construction (EPC) contracting segments. At present the company has invested in a total capacity of 250.7 Mw, of which 218.4 Mw is accounted for by thermal plants located in Bangladesh. The balance capacity is located in Sri Lanka of which 14.6 Mw is in wind and the balance is in hydro power plants. The company is in the process of constructing the 10 MW hydro power plant in Nepal for which funds were raised via the IPO. The company has also commenced construction of a 1 MW solar power project and is in the process of obtaining approval for a further 5 MW of solar power.

Hsenid Business Solutions (Pvt) Ltd

Hsenid develops and markets human resource management software, delivering solutions via on-premise and software as a service (SaaS) platforms. The company also offers HR outsourcing services. Whilst being the market leader in Sri Lanka, the company also derives over 40% of its revenue from overseas markets, mainly from the African region, Asia Pacific Region and India. Hsenid counts many of the largest Sri Lankan

companies as its client. Similarly Hsenid works with some of the largest and reputed companies in the overseas markets it operates, where due to its superior product and service offering, the company has been able to compete against both local as well as international players. However competition is increasing in the space, with companies like Oracle and SAP showing keenness to grow in the HRIS segment. Further there are many new entrants entering the market offering products with less functionality but at low prices.

Findmyfare (Pvt) Ltd

Findmyfare is Sri Lanka's first and largest online travel agent. The company has built up a strong presence in the sale of air tickets, and is looking to further penetrate into the air tickets market whilst also building other allied verticals in the travel market. The company successfully concluded its second fund raise in September 2018. However due to continued investment into the technology platform as well as marketing expenditure incurred to build market share the company is in the process of looking at raising another round of equity funding.

Movement in the portfolio

The invested value of the portfolio of GCP as at 31st March 2020 stood at Rs. 183 Mn. During the financial year the portfolio declined by Rs. 78.4 Mn. Majority of this drop was due to the downward adjustment to valuations of Findmyfare (Pvt) Ltd and the share price drop in LVL Energy Fund PLC.

Figure 2: Movement in Portfolio	Rs. Mn
31st March 2019	261,353
Mark to market and fair value adjustments	
Hsenid Business Solutions	26,472
Findmyfare	(39,510)
Listed investments	<u>(38,156)</u> (51,194)
New investments net of impairment	2,928
Divestments	(30,123)
31st March 2020	182,964
Cash and short term investments	514,994

As part of the annual valuation assessment done on the unlisted investments, the valuation at which Findmyfare and Hsenid are held was reviewed. Upon factoring in the current financial years performance, strengthened balance sheet as well as new plans of the management, the valuation review of Hsenid Business Solutions (Pvt) Ltd indicated that the value at which the stake is held should be marked up and hence it was revalued up by Rs. 26.5 Mn. Whilst recognizing the improved performance of the company, we need to be cognizant of the heightened risks the business will face due to the Covid 19 virus led slowdown which will impact growth, profitability and cash flows negatively in the short term.

However with respect to Findmyfare (Pvt) Ltd the review indicated that the value of the holding should be revalued downwards significantly. The airline and travel industry was the sector most impacted by the spread of Covid 19, and as it stands now, it is expected that it would take significant more time for this sector to recover relative to other industries, unless a vaccine is developed. As a result the online travel agency (OTA) businesses across the world have been severely disrupted, and Findmyfare being the largest OTA in Sri Lanka has been similarly affected. Further due to the company making significant investments into building its technology platform and gaining market share its funding position is relatively weak, whilst the environment for new fund raising into early stage companies has weakened and could be expected to be so for some time. These factors required a high level of caution to be exercised in the valuation assessment done, hence given due consideration to all these factors and the current information available on the business and the online travel agency sector, it was deemed appropriate to mark the value of the investment down. However given that Findmyfare is a startup and the fact that Covid 19 has disproportionately impacted the travel and online travel agency sector in an unprecedented manner, the valuation assessment made is subject to a high level of uncertainty and could vary substantially upward or downwards over the very short term.

We would like to reiterate that the valuation assessment done on the unlisted investments have been done based on the information available at the time and are subject to a high degree of uncertainty given the disruption caused by Covid 19. Please refer the notes in the financial statement for further details and sensitivities associated with the valuation of the unlisted investments.

The share price of LVL Energy Fund PLC dropped from Rs. 7.90 to Rs. 4.20 resulting in a Rs. 38 Mn drop in the value of the stake. The other listed investments, Access Engineering PLC and Expolanka Holdings PLC held as at 31st March 2019, were divested fully during the year.

Financial performance

During the financial year the company generated a loss of Rs. 2.8 Mn vs the profit of Rs. 14.4 Mn recorded last year. The reversal in performance is primarily due to the net fair value losses totaling Rs 55 Mn recorded on both listed and unlisted equity holdings of the company as detailed above. The income generated on existing fixed income unit trust investments of Rs. 10.7 Mn off-set fair value losses generated on equity bringing down the total fair value loss to Rs. 44.3 Mn. The profit of Rs. 12.2 Mn netted on the sale of listed equities mentioned before enabled revenue to grow by 27% to reach Rs. 58.2 Mn. Absence of one-off costs recorded last year resulted in costs dropping substantially during the year and this cushioned the impact of the fair value losses on the bottom line further.

Financial position

As at 31st March 2020, the cash holding and short term investments stood at Rs. 515 Mn, accounting for 74% of total assets. We will continue look for and evaluate opportunities to deploy this cash into new investments. We could be required to raise funds if opportunities presented require a larger commitment than that can be met with existing cash balances and proceeds from disposals. There are no existing commitments as of now.

Guardian Fund Management Limited

Investment Managers

Colombo
10th August 2020

RISK MANAGEMENT

Risk management forms an integral and important part of operational and strategic management functions of GCP. The critical risks we monitor and manage are market risk, liquidity risk, operational risk, monitoring risk, governance risk and regulatory risk.

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Easter Sunday attack had negative impact to operations of the company. This was further worsened by Covid 19. The COVID 19 pandemic has caused disruption to many local and global business and economic activities as it forced to close country borders, lockdown cities and implement social distancing to ensure health and safety of citizens. The Company has been closely monitoring the impact of the pandemic on the operations as at year end and in the immediate future.

Company took immediate steps to implement actions in the Business Continuity Plan and put in to action the alternate working arrangements with due consideration to health and safety of employees.

We are closely monitoring the economic cost of the pandemic and will be continually assessing the financial impact to private investments and draft proactive business responses accordingly.

Market risk

Whilst it is traditionally believed that market risk, defined as exposure to adverse movements in the securities market, does not affect private equity, it does have a direct bearing on the return generated on this asset class. This is due to the fact that when it comes to exits, the value realisation is directly linked to the performance of the overall market as well as price to earnings multiples of peer companies on the stock exchange. Hence towards the end of our holding period we

would actively monitor market movements to ensure that exits are timed to derive the maximum benefit. Upon listing of our positions we are directly exposed to market risk in the event we do not divest at the time of listing. Movements in prices are monitored and analysed to understand the reasoning behind such movement and these are assessed against our view and understanding of the company's fundamentals (Please refer note 24, 'Financial instruments' in the financial statements for further details).

Liquidity risk

Private equity investments by nature are highly illiquid, preventing the investor from realising cash quickly or easily. The virtual nonexistence of a secondary market and restrictions imposed by way of lock in periods, further impact the ability to cut loss and liquidate positions in an eventuality. As per current lock-in rules, shares acquired via an allotment during a period of 12 months immediately preceding the date of an Initial Listing Application shall be dealt with by discretion of the Securities and Exchange Commission. Shares acquired via a transfer during the same period will be locked in for a minimum of 6 months from the date of listing or 12 months from the date of acquisition of those shares, whichever is longer. This is part and parcel of this business, which is mitigated by factoring in a liquidity risk premium when setting a minimum hurdle rate of return, at the point of filtering prospective investments. Sufficient liquidity is maintained to meet obligations entered into (Please refer the note 24, 'Financial instruments' in the financial statements for further details).

Operational risk

Operational risk is the possibility of incurring a loss due to failure of systems, people and processes of GCP. Detailed

policy manuals and checklists covering investment analysis, governance & legal aspects, covenants and shareholder agreements have been developed to manage and reduce this risk. These would cover key risks such as sell outs by promoters, retention of key staff and protection of important tangible and intangible assets.

Monitoring risk

No regular performance reporting requirements are there for unlisted companies and hence private equity investors face the risk of not getting financial statements on a quarterly & yearly basis as is mandatory for listed securities. However, through our shareholder agreement we request the investee companies to provide us quarterly & annual financial statements along with relevant MIS & market data, and we also schedule review meetings with management on a regular basis. A rapport with the management is built through time, along with a monitoring process.

Credit risk

Credit risk or default risk is the risk of potential loss arising from an external party we deal with failing to meet its obligations in accordance with agreed terms and conditions. The company is exposed to credit risk in dealing with counterparties such as investment banks, stock brokers, placement agents etc. and also when investing excess cash temporarily in fixed income securities. The risk arising from counterparties is managed by being selective in the counterparties we deal with. An internal rating framework has been formulated focusing on criteria such as reputation, operating history, external ratings etc. Dealings are carried out with counterparties who meet these criteria. Further an age analysis is carried out with respect to all outstanding amounts from counterparties. With respect to investment of excess cash we limit our investments to financial instruments/institutions with credit rating of 'A' and above. (Please refer the note 24, 'Financial instruments' in the financial statements for further details).

Regulatory risk

We attempt to have a constant dialogue with regulators and provide relevant feedback wherever possible on proposed regulatory changes that are relevant to this asset class. All facets of our business continuously focus on compliance with all relevant laws and regulations. Compliance with relevant rules and regulations is a key requirement to be met by all companies that we invest in, and we monitor to ensure compliance on a continuing basis via periodical reviews.

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

The Board of Directors of Guardian Capital Partners PLC have pleasure in presenting to the shareholders their Report together with the Audited Financial Statements for the year ended 31st March 2020.

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 10th August 2020.

1. GENERAL

Guardian Capital Partners PLC (“the Company”) is a public quoted Company with limited liability incorporated in Sri Lanka in 1920.

2. THE PRINCIPAL ACTIVITY OF THE COMPANY

The principal activity of the Company is to act as a specialised investment vehicle to undertake private 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 Chairman’s Statement and the Management Discussion & Analysis describe in detail, the performance during the year together with comments on the financial results and future developments of the Company

4. FINANCIAL STATEMENTS

The financial statements which comprise of the Statement of Financial Position as at March 31, 2020, Statement of Profit or Loss and Other Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 30 to 61. These financial statements comply with the requirements of the Section 151 of the Companies Act, No.07 of 2007.

4.1 Revenue

A detailed analysis of revenue 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.

For the year ended 31st March	2020	2019
Retained earnings brought forward from previous year	180,883	130,800
Impact of adopting SLFRS 9 as at 1st April 2018	-	44,666
Adjusted balance as at 1st April	-	175,466
Profit / (loss) for the year	(2,816)	14,369
Dividend	-	(10,334)
Transfers	-	1,382
Retained earnings carried forward as at 31st March	178,067	180,883

4.3 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are given on pages 34 to 43.

4.4 Investment

Investments represents investment in fair value through profit or loss financial assets, and investments in unit trusts.

- Details of investment in fair value through profit or loss financial assets are given in Note 16.
- Details of investments in unit trust are given in Note 18.

4.5 Reserves

The details and movements of the reserves are set out in the Statement of Changes in Equity and in note 21 to the financial statements.

5. STATEMENT OF DIRECTORS’ RESPONSIBILITIES

The responsibilities of the Directors in relation to the financial statements are detailed in the following paragraphs, while the responsibilities of the Auditors are set out in the Report of the Auditors.

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 results 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 and,
- Reasonable and prudent judgments and estimates have been made.
- Provides the information required by and otherwise comply with the Companies Act, No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

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 meet with the requirements of Companies Act, No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

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 of appropriate 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 operations for the foreseeable future from the date of signing these Financial Statements.

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

The Directors confirm that to the best of their knowledge,

- all taxes, duties and levies payable to the statutory bodies,
- all contributions, levies and taxes payable on behalf of and in respect of the employees and,
- all other known statutory dues as were due and payable by the Company as at the reporting date have been paid, or where relevant provided for in these financial statements.

6. INDEPENDENT AUDITORS' REPORT

The Independent Auditors' Report on the Financial Statements is given on pages 26 to 29 of this Report.

7. INTERESTS REGISTER

The Company maintains an Interests Register conforming to the provisions of the Companies Act, No.7 of 2007.

All Directors have made declarations as provided for in Section 192(2) of the Companies Act aforesaid. The relevant details as required by the Companies Act, No. 07 of 2007 have been entered in the Interests Register during the year under review.

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

7.1 Remuneration of Directors

Directors' remuneration, for the financial year ended 31st March 2020 is given in Note 12 to the Financial Statements, on page 44.

7.2 Directors' interest in Contracts and Shares

Directors' interest 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;

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

Name of the Company	Common directors	Nature of transactions	Value of the transactions ('000)
Carsons Management Services (Private) Limited	Mr. K. Selvanathan	Support service fees paid	393
		Secretarial fees paid	444
		Computer charges paid	30

The Directors had the following interests in the ordinary shares of the Company as shown in the below table.

Directors	No. of shares as at	
	31st March 2020	31st March 2019
Mr. I. Paulraj (Chairman) [Vacated office w.e.f. 31/05/2020 / appointed w.e.f. 17/07/2020]	200	200
Mr. D.C.R. Gunawardena [Chairman w.e.f. 31/05/2020 / Ceased to be the Chairman w.e.f. 18/07/2020]	25	25
Mr. S. Mahendrarajah [Director / Ceased to be an Alternate Director to Mr. I. Paulraj w.e.f. 31/05/2020]	25	25
Mrs. M. A. R. C. Cooray [Vacated office w.e.f. 31/05/2020 / appointed w.e.f. 17/07/2020]	-	-
Mr. K. Selvanathan	-	-

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 Director to retire by rotation

In terms of Articles 72, 73 and 74 of the Articles of Association of the Company, Mr. K. Selvanathan retires by rotation and being eligible offers himself for re-election.

8.2 Appointment of Directors who are over 70 years of age

The following Directors who were over 70 years of age were re-appointed as Directors of the Company at the Annual General Meeting (AGM) held on 31st May 2019 for a further period of one year commencing from the conclusion of the said AGM, i.e. till 31st May 2020.

- Mr. I. Paulraj (Chairman) - Non-Executive
- Mrs. M. A. R. C. Cooray - Non-Executive/ Independent

Due to the COVID-19 pandemic situation in the Country, the AGM of the Company could not be held on or before 31st May 2020 and therefore, Mr. I. Paulraj and Mrs. M. A. R. C. Cooray ceased to be Directors of the Company with effect from 31st May 2020.

In terms of Section 211 of the Companies Act, No.07 of 2007, it was necessary to obtain the approval of the Shareholders to appoint Mr. Israel Paulraj and Mrs. Mirihana Arachchige Rose Chandralatha Cooray who are over 70 years of age to the Board of Guardian Capital Partners PLC, with immediate effect for a period of one year pursuant to Article 68 of the Articles of Association of the Company.

For this purpose, an Extraordinary General Meeting was convened on 17th July 2020 on a virtual mode and the Shareholders approved that Mr. Israel Paulraj and Mrs. Mirihana Arachchige Rose Chandralatha Cooray be appointed as Directors of the Company and that the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007, shall not be applicable to them. The appointment of Mr. Israel Paulraj and Mrs. Mirihana Arachchige Rose Chandralatha Cooray was effective for a period of one year from 17th July 2020.

8.3 Changes to the Board

Mr. S. Mahendrarajah ceased to be an Alternate Director to Mr. I. Paulraj with effect from 31/05/2020.

Mr. I. Paulraj vacated office and ceased to be the Chairman of the Board with effect from 31st May 2020. Mr. D.C.R. Gunawardena was appointed as the Chairman of the Board with effect from 31st May 2020. Following the appointment of Mr. I. Paulraj to the Board on 17th July 2020, Mr. D.C.R. Gunawardena ceased to be the Chairman and Mr. I. Paulraj was appointed as the Chairman with effect from 18th July 2020.

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 (CSE).

9.1 Regulatory Benchmarks

The Company's activities are regulated and are governed by the relevant provisions and regulations of the;

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

9.2 Board of Directors

The following Directors held office as at the reporting date and their brief profiles are given on pages 18 to 19 of the Annual Report.

Directors	Executive / Non-Executive / Independent
Mr. I. Paulraj (Chairman) [Vacated office w.e.f. 31/05/2020 / appointed w.e.f. 17/07/2020]	Non-Executive
Mr. D. C. R. Gunawardena [Chairman w.e.f. 31/05/2020 / Ceased to be the Chairman w.e.f. 18/07/2020]	Non-Executive
Mr. S. Mahendrarajah * [Director / Ceased to be an Alternate Director to Mr. I. Paulraj w.e.f. 31/05/2020]	Non-Executive/ Independent

Directors	Executive / Non-Executive / Independent
Mrs. M. A. R. C. Cooray ** [Vacated office w.e.f. 31/05/2020 / appointed w.e.f. 17/07/2020]	Non-Executive/ Independent
Mr. K. Selvanathan	Executive

Each of the Non-Executive Directors of the Company have submitted a signed declaration on Independence/ Non-Independence as per Rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange (CSE). The said declarations were tabled at a Board Meeting of the Board of Directors of the Company held on 10th August 2020, 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 Mr. S. Mahendrarajah is an Independent/ Non-Executive Director in spite of being on the Board for more than nine years, since he is not directly involved in the management of the Company.

** The Board has determined that Mrs. M. A. R. C. Cooray is an Independent/Non-Executive Director in spite of being a Director of Ceylon Guardian Investment Trust PLC, which holds a substantial shareholding of the Company, since she is not directly involved in the management of the Company.

9.3 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.

Remuneration Committee Members	Executive / Non-Executive / Independent
Mr. T. de Zoysa (Chairman)	Non-Executive / Independent Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive of CCPLC

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

Remuneration Committee Members	Executive / Non-Executive / Independent
Mr. R. Theagarajah	Non-Executive/Independent Director of CCPLC
Mr. W.M.R.S. Dias	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 Non-Executive Directors. Based on the recommendation of the Remuneration Committee, the Board approves remuneration to the respective Directors.

The members of senior management may be invited to attend meetings to discuss the performance of the Executive Directors and make proposals as necessary. Neither Executive nor Non-Executive Directors are involved in Remuneration Committee meetings when determinations are made in relation to the remuneration of the respective Directors.

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

The Remuneration Committee meets at least twice a year.

During the financial year, the Committee had only one (01) Meeting as a Remuneration Committee Meeting scheduled for March 2020 could not be held due to the COVID-19 pandemic situation in the country.

Remuneration Committee Members	Attended Meetings
Mr. T. de Zoysa (Chairman)	1/1
Mr. D.C.R. Gunawardena	1/1
Mr. R. Theagarajah	-/1
Mr. W.M.R.S. Dias	1/1

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 on page 44 of the Annual Report.

9.4 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.

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
Mr. A. S. Amaratunga	Non-Executive/Independent Director of CCPLC

The Audit Committee Report is given on pages 20 to 21 of this Annual Report.

9.5 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.

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 22 to 23 of this Annual Report.

Declaration

The Directors have made self-declarations for the purpose of identifying parties related to them. The said declarations were noted at the 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.

9.51 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 2020, did not exceed 10% of Equity or 5% of the Total Assets of the Company as at 31st March 2020.

The details of the Related Party Transactions are given in note 23 to the Financial Statements.

1. Non-Recurrent Related Party Transactions

There were no Non-recurrent related party transactions entered into by the Company, where the aggregate value of the Non-Recurrent Related Party Transactions exceeds 10%

of the Shareholders' equity or 5% of the total assets of the Company, whichever is lower, as at 31st March 2020.

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.

9.6 Directors' Meetings Attendance

During the financial year, the Board of Directors had only three (03) Meetings as the Board Meeting scheduled for March 2020 could not be held due to the COVID-19 pandemic situation in the country.

The attendance of the Directors were as follows;

Board Members	Attended Meetings
Mr. I. Paulraj (Chairman) [Vacated office w.e.f. 31/05/2020 / appointed w.e.f. 17/07/2020]	3/3
Mr. D.C.R. Gunawardena [Chairman w.e.f. 31/05/2020 / Ceased to be the Chairman w.e.f. 18/07/2020]	2/3

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

Board Members	Attended Meetings
Mr. S. Mahendrarajah [Director / Ceased to be an Alternate Director to Mr. I. Paulraj w.e.f. 31/05/2020]	2/3
Mrs. M. A. R. C. Cooray [Vacated office w.e.f. 31/05/2020 / appointed w.e.f. 17/07/2020]	2/3
Mr. K. Selvanathan	2/3

10. 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
Mrs. M.A.R.C. Cooray (Chairperson)	Non-Executive/Independent Director, CGIT
Mr. D.C.R. Gunawardena	Non-Executive Director, CGIT
Mr. V. M. Fernando	Non-Executive/Independent Director, CGIT

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 nominations of members to represent the Company in group companies/ investee companies.

Functions and Proceedings

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

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

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

The Nomination Committee meets at least twice a year.

During the financial year, the Committee had only one (01) Meeting as a Nomination Committee Meeting scheduled for March 2020 could not be held due to the COVID-19 pandemic situation in the country.

Nomination Committee Members	Attended Meetings
Mrs. M.A.R.C. Cooray (Chairperson)	1/1
Mr. D.C.R. Gunawardena	1/1
Mr. V. M. Fernando	-/1

11. BOARD EVALUATION

The 'Board Evaluation Form' of the Company focuses 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 reviewed and implemented by the Company.

12. INTEGRATED RISK COMMITTEE

The Parent Company of the Company is Ceylon Guardian Investment Trust PLC (CGIT). CGIT has formed an Integrated Risk Committee to oversee the overall risk management of the investment sector.

Composition

Integrated Risk Committee Members	Executive / Non-Executive / Independent
Mrs. M.A.R.C. Cooray (Chairperson)	Non-Executive/ Independent Director of CGIT, Ceylon Investment PLC (CINV)
Mr. A. P. Weeratunge	Executive Director of CINV

Scope and Objective

To assist the Company in its oversight of risk identification, risk assessment and risk management and the continuous monitoring of the adequacy and the effectiveness of risk management process.

The Integrated Risk Committee would meet at least four times a year.

During the financial year, the Committee had only three (03) Meetings as an Integrated Risk Committee Meeting scheduled for March 2020 could not be held due to the COVID-19 pandemic situation in the country.

Integrated Risk Committee Members	Meetings Attended
Mrs. M.A.R.C. Cooray (Chairperson)	3/3
Mr. A. P. Weeratunge	3/3

Reporting and Responsibilities

- To advise the Board on the Company's overall risk exposure and effectiveness of mitigation measures taking account of the current and prospective macroeconomic and financial environment.
- Review and assess adequacy of risk mitigation practices and procedures of the Company.
- Review the Investment Sector risk matrix to oversee and advice the Board, on the current risk exposures and future risk strategy.
- Set standards, assess and monitor the principle risks faced by the Company.

- Monitor operational risks from failed or inadequate processes relating to portfolio operations, client servicing and on-boarding, launching of new products and services, investment research, third party vendor relationships.
- Review the sector capability to identify and manage new risk types in conjunction with the Audit Committee.
- The Committee Chairman reports to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- The Committee makes recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is needed.
- To develop a robust process to update the knowledge of new risks continuously in the industry and understand how such risk is applicable to the Company.

13. INDEPENDENT AUDITORS

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

A sum of Rs 189,180/- was paid to them by the Company as audit fees for the year ended 31st March 2020 (2019 - Rs. 180,000/-). No Further amounts were paid to the auditors as professional fees for audit related services (2019-100,000/-) and professional fees for non-audit services (2019-nil) during the year.

The retiring auditors have expressed their willingness to continue in office. A resolution to re-appoint them as Independent 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.

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

13.1 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.

14. 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 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 Committees. 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. More detailed description of the risk management strategies of the Company is given on pages 06 to 07.

15. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no significant events during the year

16. DIVIDENDS

There were no dividend payments made during the financial year.

17. SOLVENCY TEST

Since there is no recommendation for a payment of a Dividend for the year ended 31st March 2020, it is not required to prepare a solvency statement in accordance with section 56 of the Companies Act, No. 07 of 2007.

18. STATED CAPITAL

The stated capital of the Company as at 31st March 2020 was Rs.513.7 million consisting of 25,833,808 ordinary shares. There was no change in the Stated Capital of the Company during the year.

19. STATUTORY PAYMENTS

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

20. GOING CONCERN

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, these Financial Statements are prepared based on the Going Concern concept.

21. DONATIONS

There were no donations made during the year ended 31st March 2020. (2019 - Nil).

22. IMPACT OF COVID-19 PANDEMIC

The business impact of the COVID Pandemic to the company is given in Note 28.

23. 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 (CMSL).

24. EQUITABLE TREATMENT TO SHAREHOLDERS

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

25. EVENTS OCCURRING 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 27 to the financial statements, if any.

26. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Contingent liabilities and commitments as at 31st March 2020 are given in Note 29 to the financial statements, if any.

27. SHARE INFORMATION

Information relating to share trading are given on pages 63 to 64 of this Report.

28. TWENTY MAJOR SHAREHOLDERS

The Parent Company, Ceylon Guardian Investment Trust PLC holds 83.97% of the total ordinary shares in issue of the Company.

No.	Twenty Major Shareholders as at 31st March	2020 No. of shares	%	2019 No. of shares	%
1	CEYLON GUARDIAN INVESTMENT TRUST PLC A/C NO. 3	21,692,800	83.97	21,692,800	83.97
2	CARSON CUMBERBATCH PLC A/C NO. 2	581,950	2.25	581,950	2.25
3	UNION INVESTMENTS PRIVATE LTD	111,000	0.43	111,000	0.43
4	MR. V. NATARAJ	99,532	0.39	99,532	0.39
5	MRS. V. NATARAJ	99,532	0.39	99,532	0.39
6	BANSEI SECURITIES CAPITAL (PVT) LTD/ S.M.T.B.SAMARAKOON	93,401	0.36	93,401	0.36
7	NATWEST NOMINEES (PVT) LIMITED.	84,858	0.33	84,858	0.33
8	WARDLEY INVESTMENTS (PVT) LIMITED	84,858	0.33	84,858	0.33
9	GOODHOPE HOLDINGS(PVT) LIMITED	76,940	0.30	76,940	0.30
10	MR. M. SELVANATHAN	63,409	0.25	63,409	0.25
11	MRS. H.R.P. SANJEEVANI	58,000	0.22	55,850	0.22
12	MR. J.P. PAUL	54,485	0.21	85,853	0.33
13	SKAN INVESTMENTS (PVT) LIMITED	51,774	0.20	51,774	0.20
14	MR. S.P. JAYAKUMAR	50,139	0.19	50,139	0.19
15	MERCHANT BANK OF SRI LANKA & FINANCE PLC/W B R SOMAWEERA	49,700	0.19	35,210	0.14

No.	Twenty Major Shareholders as at 31st March	2020 No. of shares	%	2019 No. of shares	%
16	MR. M.W. DE SILVA	49,291	0.19	49,291	0.19
17	MR. B.S. GOONESEKERA	49,090	0.19	49,090	0.19
18	MR. M.S. HIRIPITIYA	42,696	0.17	42,196	0.16
19	DR. R.M.N.K. RANASINGHA	38,672	0.15	5,950	0.02
20	MR. K.S.H. MAWELLAGE	35,882	0.14	35,882	0.14

29. ANNUAL REPORT

The Board of Directors on 10th August 2020 approved the Company's Financial Statements together with the reviews which forms part of the Annual Report. The appropriate number of copies of the Report would be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar of Companies within the applicable time frames.

30. ANNUAL GENERAL MEETING

The 100th Annual General Meeting of the Company will be held on Monday, 14th September 2020 at 9.30 a.m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7, Sri Lanka by means of audio or audio and visual technology.

The Notice of the Annual General Meeting is on page 65 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)
I. Paulraj
Chairman

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

(Sgd.)
K. D. De Silva (Mrs.)
Director

Carsons Management Services (Private) Limited
Secretaries

10th August 2020

PROFILES OF THE DIRECTORS

ISRAEL PAULRAJ

[Vacated office w.e.f. 31/05/2020 / appointed w.e.f. 17/07/2020]

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

He served as the 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 also served as the 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 the 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 the late President R. Premadasa. He served as the 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's Degree in Law and an Executive Diploma in Business Administration.

CHANDIMA GUNAWARDENA

[Chairman w.e.f. 31/05/2020 / Ceased to be the Chairman w.e.f. 18/07/2020]

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.

Chandima 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.

SUBRAMANIAM MAHENDRARAJAH

[Director / Ceased to be an Alternate Director to Mr. Israel Paulraj w.e.f. 31/05/2020]

Subramaniam Mahendrarajah is a Director of Indo-Malay PLC, Selinsing PLC, Shalimar (Malay) PLC, Guardian Capital Partners PLC, Equity One Limited and Leechman & Company (Private) Ltd. He is also the Group Finance Director of Sri Krishna Group of Companies. He has over 40 years experience in the fields of manufacturing, trading, financial services and management. He is also the Past President of the Rotary Club of Colombo Down Town and is the recipient of the prestigious 'Service above Self' award from Rotary International.

ROSE COORAY (MRS)

[Vacated office w.e.f. 31/05/2020 / appointed w.e.f. 17/07/2020]

Rose Cooray is the Chairperson of Ceylon Investment PLC, Ceylon Guardian Investment PLC, HNB Assurance PLC and HNB General Insurance Limited. She functions as the Chairperson of the Integrated Risk Committee of the Guardian Group of companies and other Board sub-committees in companies where she is a Director.

She is a retired Deputy Governor of the Central Bank of Sri Lanka where she served for over 35 years. She counts over 46 years of experience in working in the financial sector holding a number of positions.

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.

KRISHNA SELVANATHAN

Krishna Selvanathan - Director, Carsons Management Services (Private) Limited, is the CEO of Guardian Fund Management Limited and serves as a Board Member of other investment sector companies within the Ceylon Guardian Group. He also serves as a Director of Lion Brewery (Ceylon) PLC and Pegasus Hotels of Ceylon PLC. He holds a BA Degree in Accounting & Finance and Business Administration from the University of Kent, U.K.

AUDIT COMMITTEE REPORT

The Parent Company of Guardian Capital Partners 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.V.P. Malalasekera (Chairman)	Non-Executive, Independent (CCPLC)
Mr.D.C.R. Gunawardena	Non-Executive (CCPLC)
Mr.F. Mohideen	Non-Executive, Independent (CCPLC)
Mr.A.S. Amaratunga	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.

Mr.Saktha Amaratunga, a Non-Executive, Independent Director of CCPLC, is also a Director of Hemas Holdings PLC, Chairman of Hemas Holdings PLC-Audit Committee and a Commissioner of PT Agro Indomas, Indonesia, a subsidiary of Carson Cumberbatch PLC.

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 Guardian Capital Partners 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 were as follows :

Meetings attended (out of 05)

Mr.V.P. Malalasekera (Chairman)	4/5
Mr.D.C.R. Gunawardena	5/5
Mr.F. Mohideen	4/5
Mr.A.S. Amaratunga	5/5

Director-Finance-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 Audit Committee met the External Auditors, Messrs. KPMG, twice during the year to discuss the audit scope, including Key Audit Matters and to deliberate the draft Financial Report and Accounts at the completion stage of the audit. The 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 2019/2020 and the Group Internal Audit (GIA) carried out 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 interim financial statements of Guardian Capital Partners 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.

Based on the audit reporting requirements, the Audit Committee continued the process to discuss the areas which are identified as Key Audit Matters by Messrs. KPMG for reporting in the audit report at the audit planning and completion stages.

The financial statements of Guardian Capital Partners PLC for the year ended 31st March 2020 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 2021, subject to the approval of the shareholders of Guardian Capital Partners PLC at the Annual General Meeting.

(Sgd.)

V.P. Malalasekera

Chairman – Audit Committee
Carson Cumberbatch PLC

Colombo
10th August 2020

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Parent Company of Guardian Capital Partners 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 and where necessary the approval of the Members were also sought via circulation of papers.

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

Meetings attended (out of 03)

Mr.V.P. Malalasekera (Chairman)	2/3
Mr.F. Mohideen	3/3
Mr.D.C.R. Gunawardena	3/3
Mr.H. Selvanathan	3/3
Mr.M. Selvanathan	3/3
Mr.S.K. Shah	3/3

A Meeting of the RPTRC was scheduled for March 2020 and could not be held due to the COVID-19 pandemic situation in the country.

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 the relevant 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 are 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 it is 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 endeavours to ensure that :

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

The Committee has a set of a criteria for designating Carsons Group Key Management Personnel (KMP) and quarterly disclosures are made by KMPs so designated, as relevant.

The Related Party Transactions of the Company for the period 1st April 2019 to 31st March 2020 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
10th August 2020

FINANCIAL CALENDAR

Financial Year	31st March 2020
Announcement of Results	
1st Quarter	30th June 2019
Issued to Colombo Stock Exchange	13th August 2019
2nd Quarter	30th September 2019
Issued to Colombo Stock Exchange	14th November 2019
3rd Quarter	31st December 2019
Issued to Colombo Stock Exchange	14th February 2020
4th Quarter	31st March 2020
Issued to Colombo Stock Exchange	29th May 2020
Meetings	
99th Annual General Meeting	31st May 2019
100th Annual General Meeting	14th September 2020

INDEPENDENT AUDITORS' REPORT



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

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

TO THE SHAREHOLDERS OF GUARDIAN CAPITAL PARTNERS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Guardian Capital Partners PLC (the "Company"), which comprise the statement of financial position as at March 31, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 30 to 61.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

M.R. Mithular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyratne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA,
Ms. P.M.K. Sumanasekara FCA



Valuation of financial investments classified as Fair Value through Profit or Loss (FVTPL)

Refer Note 3.1, 16, 18, 25 and 28 (Page 36,46,50,58 and 61) to these financial statements

Risk Description	Our Response
<p>The financial investments of the Company as at 31st March 2020 comprises FVTPL financial assets amounting to Rs. 440 Mn which represents 63% of the total assets. As at the reporting date, the Company's FVTPL portfolio is made up of listed equity investments amounting to Rs. 43.3 Mn, unlisted equity investments amounting to Rs. 139.7 Mn and unit trust investments amounting to Rs. 257 Mn.</p> <p>Investment in equity and unit trust investments are measured based on quoted market prices. Unlisted equity instruments require the exercise of judgment and the use of estimates and assumptions as observable market prices or market parameters are not available. For such instruments, the fair value is determined through the use of valuation techniques or models applied by the Company.</p> <p>As a result of the COVID-19 pandemic, volatility in the financial markets has increased. There have been a sharp decline in market yields, greater illiquidity of financial assets due to low trading, all of which have diminished the observability of the market data needed to measure these financial instruments, making their measurement more complex. Notes 16 and 28 to these financial statements describes impact of COVID -19 outbreak on the valuation of FVTPL financial statements, judgments and assumptions used by the Company in particular due to the impact of COVID-19 pandemic.</p> <p>Due to the materiality of the FVTPL financial instruments in the context of the financial statements, degree of judgement involved in making assumptions in arriving at valuations and measurement uncertainty created due to COVID-19 outbreak, we considered valuation of FVTPL financial instruments as a Key Audit Matter.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> • Documenting and testing the design and implementation and operating effectiveness of the investment valuation process and key controls in place; • Checking the CDS confirmation to verify the existence, completeness and accuracy of the number of quoted shares and agreeing the market price as of 20th March 2020 with the CSE prices. • Checking the number of units and the unit price as at 31st March 2020 with the external confirmations received from the Unit Trust Management Company to verify the existence, accuracy and completeness. • Assessing the appropriateness of the valuation techniques used by the Company in valuing the unquoted equity instruments as at 31st March 2020. • Assessing and challenging the key assumptions, inputs and judgments used in the valuation of the unquoted equity instruments by; <ul style="list-style-type: none"> - Comparing the assumptions to expectations based on current trends and investee industry knowledge. - Challenging the management on key assumptions used to generate forward looking cash flow and revenue estimates and other key assumptions used in the valuation process such discount rates, liquidity adjustments etc. • Checking whether the fair value of the financial investments has been measured considering the COVID-19 Pandemic; Guidance notes on the Implications on Financial Reporting issued by the Institute of Chartered Accountants of Sri Lanka (CASL) and whether impacts of the pandemic have been considered in measuring the fair value as at 31st March 2020. • Assessing the adequacy of disclosure in the financial statements in relation to the fair valuation of the financial investments as required by the accounting standards and the impact of COVID-19.

INDEPENDENT AUDITORS' REPORT



Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor’s report is FCA 3272.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka
10th August 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In Rupees Thousands

For the year ended 31st March	Note	2020	2019
Revenue	11	58,259	45,988
Net change in fair value of fair value through profit or loss financial assets		(44,318)	(9)
Profit on investment activities		13,941	45,979
Administrative and other operating expenses		(6,703)	(20,382)
Profit from operations	12	7,238	25,597
Income tax expense	13	(10,054)	(11,228)
Profit / (loss) for the year		(2,816)	14,369
Other comprehensive income			
Items that are or may be reclassified to profit or loss		-	-
Other comprehensive income / (expense) for the year		-	-
Total comprehensive income / (expense) for the year		(2,816)	14,369
Earnings / (loss) per share (Rs.)	14	(0.11)	0.56

The notes to the financial statements from pages 34 to 61 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	2020	2019
ASSETS			
Current assets			
Fair value through profit or loss finance assets	16	182,964	261,353
Other receivables	17	81	642
Investment in unit trusts	18	257,058	52,289
Investment in fixed deposits		-	215,102
Cash and cash equivalents	19	257,936	176,603
Total current assets		698,039	705,989
Total assets		698,039	705,989
EQUITY AND LIABILITIES			
Equity			
Stated capital	20	513,656	513,656
Revenue reserves	21	178,686	181,502
Total equity		692,342	695,158
Current liabilities			
Other payables	22	4,944	5,560
Current tax payable		753	5,271
Total current liabilities		5,697	10,831
Total equity and liabilities		698,039	705,989
Net assets per share (Rs.)		26.80	26.91

The notes to the financial statements from pages 34 to 61 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. 7 of 2007.

(sgd.)

V. R. Wijesinghe

Director - Finance

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.)

K. Selvanathan

Director

Guardian Fund Management Limited

Colombo

10th August 2020

(sgd.)

I Paulraj

Chairman

(sgd.)

D. C. R. Gunawardena

Director

STATEMENT OF CHANGES IN EQUITY

In Rupees Thousands

	Stated capital	Revenue reserves			Retained earnings	Total equity
		Available for sale financial assets reserve	Fair value through profit or loss financial assets reserve	General reserve		
Balance as at 1st April 2018	513,656	44,666	1,382	619	130,800	691,123
Impact of adopting SLFRS 9 as at 1st April 2018 (Note 21.2)	-	(44,666)	-	-	44,666	-
Adjusted balance as at 1st April 2018	513,656	-	1,382	619	175,466	691,123
Profit for the year	-	-	-	-	14,369	14,369
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	14,369	14,369
Transfers	-	-	(1,382)	-	1,382	-
Dividend 2018/19	-	-	-	-	(10,334)	(10,334)
Balance as at 31st March 2019	513,656	-	-	619	180,883	695,158
Balance as at 1st April 2019	513,656	-	-	619	180,883	695,158
Loss for the year	-	-	-	-	(2,816)	(2,816)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	-	(2,816)	(2,816)
Balance as at 31st March 2020	513,656	-	-	619	178,067	692,342

The notes to the financial statements from pages 34 to 61 form an integral part of these financial statements. Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

In Rupees Thousands

For the year ended 31st March	Note	2020	2019
Cash flows from operating activities			
Profit from operations		7,238	25,597
Net change in fair value of fair value through profit or loss financial assets		44,318	9
Operating profit before changes in working capital		51,556	25,606
(Increase) / decrease in investments	16	(170,698)	358,519
Decrease in other receivables	17	561	3,651
(Increase) / decrease in investment in fixed deposits		215,102	(215,102)
Increase in other payables	22	917	1,065
Cash generated from operating activities		97,438	173,739
Income tax paid		(14,572)	(2,840)
Net cash generated from operations		82,866	170,899
Cash flows from financing activities			
Dividend paid		(1,533)	(8,678)
Net cash used in financing activities		(1,533)	(8,678)
Net increase in cash & cash equivalents during the year		81,333	162,221
Cash & cash equivalents at the beginning of the year		176,603	14,382
Cash & cash equivalents at the end of the year	19	257,936	176,603

The notes to the financial statements from pages 34 to 61 from an integral part of these financial statements. Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

(a) Domicile and Legal form

Guardian Capital Partners PLC (the "Company") is a limited liability company which is incorporated in Sri Lanka. The shares of the Company are listed on the 'Diri Savi' board of the Colombo Stock Exchange of Sri Lanka.

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 activity of the Company is to act as a specialised investment vehicle to undertake private equity investments.

There were no significant changes in the nature of the principal activity 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 functions 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 Guardian Capital Partners 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.

(d) Number of employees

The Company had no employees as at the reporting date (2019 - Nil).

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company comprise of the statement of financial position, statements of profit or loss and other comprehensive income, statement of changes in equity and statement 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 Companies Act, No. 7 of 2007.

The financial statements were authorised for issue by the Board of Directors on 10th August 2020.

(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 Non-derivative financial instruments classified as fair value through profit or loss which are measured at fair value;

(c) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entities operate (the 'functional currency'). The financial statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency. All amounts in the Financial Statements have been rounded to the nearest thousand, unless otherwise indicated.

(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 prospectively.

Assumptions and estimation uncertainties:

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the next financial year are as follows:

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 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 Inland 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

A number Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or a liability, the Company uses observable market 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: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the Note 25.

(e) Materiality and aggregation

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

(f) Going concern

The Directors have made an assessment of the company's ability to continue as a going concern in the foreseeable future, and they do not intend either to liquidate or cease trading.

(g) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

The Company has initially applied SLFRS 16 Leases, and IFRIC 23 interpretation; Uncertainty over Income tax treatment from 1st April 2019. A number of other new standards are also effective from 1st April 2019, but they do not have a material effect on the Company's financial statements.

Except for the above, the following accounting policies have been applied consistently to all periods presented in these Financial Statements of the Company unless otherwise indicated.

3.1 Financial Instruments

(a) Financial assets

• Recognition and initial measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

Receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

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

• Classification and subsequent measurement of financial assets

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

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial

assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

Company financial assets classified and measured at amortized cost are limited to its other receivables, securities purchased under the resale agreements and cash and cash equivalents.

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

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

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

Company's investment in equity investments are classified as fair value through profit or loss.

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

• Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is

managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

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

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

- **Financial assets - Subsequent measurement and gains and losses**

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in statement of profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of profit or loss. Any gain or loss on derecognition is recognised in statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(b) Financial liabilities

Classification, subsequent measurement and gain and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held – for – trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and gains and losses, including any interest expense, are recognised in statement of profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit or loss. Any gain or loss on derecognition is also recognised in statement of profit or loss.

(c) Derecognition

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 or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

3.1.1 Impairment

(a) Financial assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

• Measurement of ECLs

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

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

- **Credit-impaired financial assets**

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.
- Presentation of allowance for ECL in the statement of financial position

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

For debt securities at FVOCI, the loss allowance is charged to statement profit or loss and is recognised in statement of profit or loss and other comprehensive income.

- **Write-off**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 360 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is

a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recover the amounts due.

- (b) **Non- financial assets**

At each reporting date, the Group reviews the carrying amounts of its non financial assets (other than biological assets, investment property, inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.2 Liabilities and Provisions

3.2.1 Liabilities

Liabilities classified as Current Liabilities in the statement of financial position are those obligations payable on demand or within one year from the reporting date. Items classified as non-current liabilities are those obligations, which expire beyond a period of one year from the reporting date.

All known liabilities have been accounted for in preparing the Financial Statements. Provision and liabilities are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.2.2 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.

3.2.3 Contingent liabilities and contingent assets

3.2.3.1 Contingent Liabilities

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 in the statement of financial position but discloses its existence in the financial statements unless its occurrence is remote.

3.2.3.2 Contingent Assets

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 recognize contingent assets in the statement of financial position but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

3.3 Dividend income, interest income, gain/loss on disposal of financial instruments, gain/loss on redemption of units, gain/loss on fair valuation of financial instruments.

(i) Interest Income and expense

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

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

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

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

(iii) Gain/ (loss) on Redemption of Units

Gain/ (loss) on Redemption of units comprises realised trading gain/ (loss) on disposal of investment in unit trust, is presented in direct income as sale of financial investments at

fair value through profit or loss in the statement of profit or loss and other comprehensive income.

(iv) Gain/ (loss) on Disposal of Financial Investments – Fair Value through Other Comprehensive Income

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

(v) Gain/ (Loss) on Fair Valuation of Financial Investments – Fair Value through Profit or Loss

Gain/(loss) on Fair Valuation of Financial Investments is the unrealised gain/ (loss) on fair valuation (marked to market valuation) of government securities, quoted shares, investment in units and listed debentures. The fair valuation gain/ (loss) is presented in profit or loss in the statement of profit or loss and other comprehensive income.

(vi) Dividend Income

Dividend income from financial investments held for trading is recognised in profit or loss on an accrual basis when the Company's right to receive the dividend is established. This is usually on the ex-dividend date for equity securities. Dividends are presented in net trading income or net gain / (loss) from financial investments based on the underlying classification of the equity investment.

3.4 Expenditure recognition

(i) Operating expenses

All expenses incurred in day-to-day operations of the business have been charged to revenue in arriving at the profit or loss for the year. A provision has also been made for impaired receivables and depreciation on property, plant & equipment.

(ii) Fee and commission expenses

Fee and commission expenses are recognized in statement of profit or loss when the related services are performed.

3.5 Income tax expense

Income tax expense comprises of current and deferred tax. Current tax and deferred tax is recognised in the statement of

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

(i) Current taxation

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

With the introduction of the Inland Revenue Act of No. 24 of 2017, the company was liable to income tax at 28% up to the period ended 31st December 2019. Subsequently, the Finance Ministry had revised income tax rates to 24% on 31st January 2020 and 05th March 2020. Accordingly, the company is liable to pay income tax at the rate of 24% with effect from 1st January 2020. The company's management is in a position that the proposed amendment to IRA is more likely to be enacted in the near future and therefore, income tax rates and proposed basis of quantifying current income tax stipulated in the notice issued by Department of Inland Revenue to be effective from 1 January 2020 have been used to calculate the last quarter income tax provision of the 2019/20 financial year of the company.

(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

NOTES TO THE FINANCIAL STATEMENTS

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.

However, with the enacted new provisions in relation to the ESC, it has been abolished with effect from 1st January 2020

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. DIVIDENDS ON ORDINARY SHARES

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted

from equity when they are declared and are no longer at the discretion of the Company.

6. 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.

7. PRESENTATION

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

(i) Offsetting income and expenses

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

(ii) Offsetting assets and liabilities

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

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

(a) Equity securities

The fair values of investments in equity 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) Other receivables

The fair values of 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. Fair value is calculated based on

the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

8. STATEMENT OF CASH FLOWS

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

Cash and cash equivalents as referred to in the statement of cash flows are comprised of those items as explained in notes to the financial statements.

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

9. STATED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. The holders of ordinary shares are entitled to receive dividends as declared from time to time and on a poll are entitled to one vote per share at General Meetings of the Company.

10. NEW ACCOUNTING STANDARDS ISSUED

10.1 Changes in accounting policy

Company adopted SLFRS 16 and IFRIC 23 initially from 1st April 2019. But they do not have material effect on these financial statements.

(a) SLFRS 16 Leases

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, in accordance with SLFRS 16.

The Company does not have any lease arrangements as of the adoption date and the reporting date and accordingly, there is no impact on the Company financial statements on the adoption of SLFRS 16.

(b) IFRIC 23 Interpretation Uncertainty over Income Tax Treatment

IFRIC 23 applies for annual periods beginning on after 1 January 2019. The interpretation addresses the accounting for income taxes when there is uncertainty over tax treatments. It clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination. In such a case, the income taxes shall be determined in line with the income tax filings. The Group reviewed its income tax treatments in order to determine whether IFRIC 23 interpretation could have an impact on the financial statements. Accordingly, concluded that the Group's existing accounting policy for uncertain tax treatments is consistent the requirements in IFRIC 23 uncertainty Tax Treatments.

10.2 New accounting standards issued but not effective as at reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly, these standards have not been applied in preparing these financial statements. The Company will be adopting these standards when they become effective.

a) Forthcoming effective standards

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

Effective Date – 1st January 2020

- Amendments to References to Conceptual Framework in SLFRS standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

Effective Date – 1st January 2021

- SLFRS 17 Insurance Contracts

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March		2020	2019
11.	REVENUE		
	Net gain from disposal of investments in unit trusts	23,333	10,190
	Interest income on financial assets carried at amortized cost (note 11.1)	17,154	34,079
	Net gain / (loss) from disposal of investment in equity securities	12,202	(6,958)
	Dividend income	5,570	8,677
		58,259	45,988
11.1	Interest income on financial assets carried at amortized cost		
	Fixed deposits	16,627	33,213
	Securities purchased under resale agreements	390	573
	Saving deposits	137	293
		17,154	34,079
12.	PROFIT FROM OPERATIONS		
12.1	Profit from operations is stated after charging all expenses including the following:		
	Auditors' remuneration & expenses		
	- Audit and related fees	189	280
	- Non-audit fees	-	-
	Directors' fees & emoluments (note 23.2)	-	-
	Legal and professional services (note 12.2)	643	358
	Personnel cost (note 12.3)	-	-
	Support service fees (note 12.4)	393	466
12.2	Legal and professional services		
	Legal expenses	622	323
	Professional services	21	35
		643	358

12.3 The Company had no employees of its own during the financial year under review (2019 - nil).

12.4 Support service fees refers to the fees paid to Carsons Management Services (Private) Limited, a related company, which function as the Managers and Secretaries of the Company on receiving of respective services.

For the year ended 31st March		2020	2019
13.	INCOME TAX EXPENSE		
	Provision for the year (note 13.1)	12,836	11,257
	Over provision for previous years	(2,782)	(29)
	Total tax expense for the year	10,054	11,228
13.1	Reconciliation between accounting profit / (loss) and taxable profit		
	Accounting profit before taxation	7,238	25,597
	Dividend income (Final withholding payments)	(5,570)	(8,677)
	Exempt profits / (loss) on disposal of equity securities (note 13.3)	(12,202)	6,958
	Net change in fair value of fair value through profit or loss financial assets	44,318	9
	Unit Trust - interest income - unrealised (note 13.4)	10,698	1,382
	Disallowed expenses	3,059	14,936
	Taxable profit for the year	47,541	40,205
	Tax at 28 %	9,984	11,257
	Tax at 24 %	2,852	-
	Current taxation thereon (note 13.2)	12,836	11,257

13.2 The income tax provision for Guardian Capital Partners PLC is calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the notice issued by the Department of Inland Revenue on the instruction of the Ministry of Finance on 12th February 2020 (No. PN/IT/2020-03) on the subject "Implementation of Proposed Changes to the Inland Revenue Act, No. 24 of 2017" and further amended by the notice No. PN/IT/2020-03 (Revised) issued by the Department of Inland Revenue dated on 8th April 2020.

As the proposed changes are effective from 01st January 2020, the Department of Inland Revenue has issued a notice No. PN/IT/2020-06 dated 06th May 2020, providing instructions on the subject "Computation of Income Tax Payable and Payments for the Year of Assessment 2019/2020". As per instructions issued, taxable income computed for the full year needs to be apportioned over the two periods by applying the pro rata basis based on the time (i.e. 9 months and 3 months) and the relevant tax rates for two periods should be applied. The Company has computed the current tax based on above instructions and remitted the tax payments on the same basis. The Company has adopted the above on the basis that formal amendments to the Inland Revenue Act No. 24 of 2017 would be made in the near future.

In terms of above, the income tax provision of the company has been calculated on adjusted profit at the standard rate of 28% up to 31st December 2019 and 24% thereafter.

13.3 In terms of item (h) of third schedule of the Inland Revenue Act, No. 24 of 2017, gains made on the realisation of an asset consisting of shares quoted in any official list published by any stock exchange licensed by the Securities and Exchange Commission of Sri Lanka are exempt from income tax.

13.4 As per the directive issued by the Ministry of Finance in accordance to the section 57 & 59, unit trusts are considered as pass-through vehicles. Accordingly, income derived from a unit trust is identified in the company accounts using the same source and character as identified by the unit trust. As it is a beneficiary, a company is therefore required to pay tax on standard rate interest income derived through Fixed Income Unit Trusts.

NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

14. EARNINGS / (LOSS) PER SHARE

The Company's basic earnings / (loss) per share is calculated on the profit / (loss) attributable to the shareholders of Guardian Capital Partners 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 / (loss) per share'.

For the year ended 31st March	2020	2019
Amount used as the numerator		
Profit / (loss) for the year (Rs '000)	(2,816)	14,369
Amount used as the denominator		
Weighted average number of ordinary shares outstanding during the year	25,833,808	25,833,808
Earnings / (loss) per share (Rs.)	(0.11)	0.56

15. DIVIDEND PER SHARE

Dividend paid during the year

First interim dividend	-	10,334
Dividend per share (Rs.)	-	0.40

Dividend proposed during the year

Interim dividends	-	10,334
Dividend per share (Rs.)	-	0.40

16. FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

16.A Summary

As at 31st March		2020	2019
	Note	Fair value	Fair value
Investment in Equity Securities - Quoted Shares	16.1	43,313	111,592
Investment in Equity Securities - Private Equity	16.2	139,651	149,761
		182,964	261,353

Information about the Company's exposure to credit and market risks and fair value measurement is included in Note 24 & 25.

16.B Movement of Investment in Equity Securities- 2020

	Note	Fair Value as at 1st April 2019	Additions	Disposals	Change in fair value*	Fair Value as at 31st March 2020
Investment in Equity Securities - Quoted Shares	16.1	111,592	-	(30,123)	(38,156)	43,313
Investment in Equity Securities - Private Equity	16.2	149,761	6,751	-	(16,861)	139,651
		261,353	6,751	(30,123)	(55,017)	182,964

Movement of Investment in Equity Securities- 2019

	Note	Fair Value as at 1st April 2018	Additions	Disposals	Transfers	Change in fair value*	Fair Value as at 31st March 2019
Investment in Equity Securities - Quoted Shares	16.1	-	-	(33,517)	183,105	(37,996)	111,592
Investment in Equity Securities- Private Equity	16.2	-	-	-	115,009	34,752	149,761
		-	-	(33,517)	298,114	(3,244)	261,353

* The change in fair value represents net unrealised gains / (losses) on fair value adjustment of investment portfolios.

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16.1 Investment in equity securities- Quoted Shares

As at 31st March	2020			2019		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
Capital Goods						
Access Engineering PLC	-	-	-	2,315,619	57,972	30,103
					57,972	30,103
Diversified Holdings						
Expolanka Holdings PLC	-	-	-	5,000	30	20
					30	20
Utilities						
LVL Energy Fund PLC	10,312,500	82,500	43,313	10,312,500	82,500	81,469
		82,500	43,313		82,500	81,469
Total investments in equity securities - Quoted Shares		82,500	43,313		140,502	111,592

Valuation of Listed Equity Investments

Considering the impact of Covid 19 Pandemic has created, the Institute of Chartered Accountants of Sri Lanka has issued guidelines recommending the entities to evaluate whether the quoted prices of an asset represent fair value taking in to consideration the decline in volume/activity in the market.

As per the said guidelines if a transaction or a quoted price does not represent the fair value and if an adjustment is required, entity has the option to value its quoted equity investment based on a valuation, subject to the said valuation price not exceeding the closing market price of the investment as at 31st December 2019. However, due to subjectivity of such assessment and uncertainty of the timing of the full recovery, the Company has valued its listed equity investment portfolio based on the last market prices available as at 20th March 2020.

The fair value of the Company's listed investment portfolio is based on the last traded volume weighted average price as at 20th March, published by the Colombo Stock Exchange.

16.2 Investment in equity securities - Private equity (unlisted)

As at 31st March	2020			2019		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
Education						
Swiss Institute For Service Industry Development (Private) Limited						
- Ordinary shares	847	16,827	-	847	16,827	-
- 10% cumulative preference shares	1,273	25,291	-	1,273	25,291	-
		42,118	-		42,118	-
Travel						
Findmyfare (Pvt) Ltd	302,791	51,751	33,179	276,074	45,000	69,761
		51,751	33,179		45,000	69,761
Information Technology						
hSenid Business Solutions (Pvt) Ltd	163,419	40,005	106,472	163,419	40,005	80,000
		40,005	106,472		40,005	80,000
Total investment in equity securities - Private equity (unlisted)		133,874	139,651		127,123	149,761

Valuation of Private Equity Investments

The fair value of the Company's unlisted investment portfolio is based on the valuations carried out by the investment manager, Guardian Fund Managers Limited. Information about the valuation techniques and significant unobservable inputs used in the said valuations are given in note 25.2.

Valuation of Findmyfare (Pvt) Ltd (FMF)

FMF is a startup and its business is at a phase exploring various growth avenues and strategies. Further, given that it is an online business the company is also incurring losses due to significant investments that it has to make into building its technology platform and gaining market share. The disruption caused by Covid 19 has made this endeavor that much more challenging to FMF. Travel industry is the worst affected industry from the pandemic. Hence given due consideration to all these factors and the current information available on the business and the online travel agency sector, it was deemed appropriate to mark the value of the investment down. Accordingly, as per the valuation, value of the investment in FMF stands at Rs. 33.2Mn as at 31st March 2020 recording a fair value change (loss) of Rs. 43.3Mn from previous valuation (December 2019) of Rs. 76.6Mn. The cost of the investment was Rs. 51.7 Mn.

However, given that Findmyfare is a startup and the fact that Covid 19 has disproportionately impacted the travel and online travel agency sector in an unprecedented manner, the valuation assessment made is subject to a high level of uncertainty and could vary substantially upward or downwards over a very short term. Some of the key variables that could impact the valuation and could vary substantially upward or downwards over a very short term are Findmyfare's ability to raise funds due to substantial accumulated losses and high gearing, development of vaccine or a treatment for Covid 19, recovery in the local economy & income level, merger & acquisition opportunities pursued by management being successful etc.

Valuation of hSenid Business Solutions (Pvt) Ltd (hSenid)

Upon factoring in the current financial year's performance of hSenid, strengthened balance sheet together with new plans of the management, the valuation review of hSenid indicated that the value at which the stake is held should be marked up and hence it was revalued up by Rs. 26.5 Mn to Rs. 106.5Mn from the previous valuation amount of Rs 80Mn. Whilst the Covid 19 virus and the associated slowdown will impact the business in the short term, we believe that in the medium to long term, hSenid is positioned well in the market and will continue to grow.

Swiss Institute for Service Industry

During the financial year 2017/18, a provision of Rs. 42.1 Mn was made against the entire investment in Swiss Institute for Service Industry Development (Pvt) Ltd ("the Swiss Institute"), due to the discontinuation of operations arising from the conduct of the Managing Director / Promoter of the Swiss Institute. Further, during the financial year 2018/19 the Company and the other co-investors incurred Rs. 28 Mn to settle an overdraft obtained by the Swiss Institute, of which the Company's share of Rs 12.7 Mn was charged to the profit or loss in the corresponding financial year. The Criminal Investigations Department has instituted action in the Colombo Magistrates Court (Case No. B 74469/1/17) against the alleged criminal misappropriation of funds and criminal breach of trust by the said Managing Director / Promoter, based on a complaint made by two directors of the Swiss Institute. The case is presently ongoing.

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As at 31st March		2020	2019
17.	OTHER RECEIVABLES		
	Financial		
	Other receivable	-	554
		-	554
	Non financial		
	Prepayments and advances	81	88
		81	88
		81	642
18.	INVESTMENT IN UNIT TRUSTS		
18.1	Movement in investment in unit trusts		
	Balance as at the beginning of the year	52,289	374,056
	Investments during the year	795,200	287,600
	Disposals during the year	(600,016)	(612,603)
	Fair value adjustment	9,585	3,236
	Balance as at the end of the year	257,058	52,289

18.2 Investment in unit trusts - unquoted

As at 31st March	2020			2019		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
Guardian Acuity Money Market Fund	13,229,019	247,019	257,058	2,973,207	49,054	52,289
Total investment in unit trusts - unquoted		247,019	257,058		49,054	52,289

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

As at 31st March		2020	2019
19.	CASH AND CASH EQUIVALENTS		
	Cash at bank	1,868	3,317
	Placements with banking institutions	250,223	167,507
	Securities purchased under resale agreements	5,845	5,779
	Net cash and cash equivalents for the cash flow statement purpose	257,936	176,603
20.	STATED CAPITAL		
	Ordinary shares - Issued and fully paid	513,656	513,656
		513,656	513,656
20.1	Number of shares		
	Ordinary shares - Issued and fully paid	25,833,808	25,833,808
		25,833,808	25,833,808
21.	REVENUE RESERVES		
	General reserve (note 21.1)	619	619
	Retained earnings	178,067	180,883
		178,686	181,502

The movement in above reserves are given in the statement in changes in equity.

21.1 General reserve represents the amounts set aside by the Directors to meet any contingencies.

21.2 Impact of adopting SLFRS 9 as at 1st April 2018

With the adoption of SLFRS 9, on 1 April 2018, the Company classified its Investment in equity securities under fair value through profit or loss category. These investments were earlier classified as "available for sale" under LKAS 39. Accordingly, the accumulated fair value gain amounting to Rs. 44.7 Mn included in the available for sale financial assets reserve in equity was reclassified to the retained earnings on 1 April 2018.

NOTES TO THE FINANCIAL STATEMENTS

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As at 31st March		2020	2019
22.	OTHER PAYABLES		
	Financial		
	Dividend payable	-	1,656
	Unclaimed dividends	1,150	1,027
	Other payables	1,685	889
		2,835	3,572
	Non Financial		
	Accruals and provisions	2,109	1,988
		2,109	1,988
		4,944	5,560

23. 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.

23.1 Parent and ultimate controlling entity

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

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

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

For the year ended 31st March	2020	2019
Short-term employee benefits	-	-
Post-employment benefits	-	-
Termination benefits	-	-
Other long-term benefits	-	-
Non cash benefits	-	-
	-	-

23.3 Transactions with related companies

Name of the company	Relationship	Nature of the transactions	Value of the transactions	
			2020	2019
Carson Cumberbatch PLC	Parent Company	Dividend paid	-	233
Ceylon Guardian Investment Trust PLC	Parent Company	Dividend paid	-	8,677
Guardian Fund Management Limited (GFM)	Fellow Subsidiary	Portfolio management fees paid	-	1,838
Carsons Management Services (Private) Limited (CMSL)	Fellow Subsidiary	Support service fees paid	393	466
		Secretarial fees paid	444	444
		Computer charges paid	30	30

24. 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 risk, and the Company's management of capital. Pages 06 to 07 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 monitoring 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 risk 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, unit trust 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.

24.1 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.

NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

24.1.1 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	
		2020	2019
Investment in fixed deposits		-	215,102
Cash and cash equivalents - Placements with banking institutions	19	250,223	167,507
Cash and cash equivalents - Securities purchased under resale agreements	19	5,845	5,779
Investments in unit trusts	18	257,058	52,289
Other receivable - Financial	17	-	554
Cash and cash equivalents - Cash at bank	19	1,868	3,317
		514,994	444,548

Investment in unit trusts

The Company has invested in following unit trusts;

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

Guardian Acuity Asset Management Limited, a joint venture company of Ceylon Guardian Investment Trust PLC and Acuity Partners Limited is the Investment Manager of the unit trust funds that the 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.

Investment in fixed deposit

The Company has invested in fixed deposits with banking institutions. The Company continuously monitors the stability and credit worthiness including credit ratings of these financial institutions in order to assess and mitigate the credit risk.

Cash and cash equivalents

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

The Company minimises credit risk by monitoring the creditworthiness of the underlined counterparties periodically.

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

As at 31st March	2020	2019
Credit rating		
AAA	247	244
AA+	257,184	-
AA	-	6,676
AA-	-	167,507
A+	-	215,102
BBB-	505	-
Unrated	-	2,176
	257,936	391,705

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

24.2 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.

24.2.1 Exposure to liquidity risk

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

As at 31st March 2020	Carrying amount	Contractual cash flows			
		Total	Up to 3 months	3-12 months	More than a year
Non derivative financial liabilities					
Other payables *	2,835	2,835	2,835	-	-
	2,835	2,835	2,835	-	-

As at 31st March 2019	Carrying amount	Contractual cash flows			
		Total	Up to 3 months	3-12 months	More than a year
Non derivative financial liabilities					
Other payables*	3,572	3,572	3,572	-	-
	3,572	3,572	3,572	-	-

* 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	2020	2019
Cash and cash equivalents	257,936	176,603
Investments in unit trusts	257,058	52,289
Total liquid assets	514,994	228,892
Liquid assets as a % of total net assets	74%	33%

NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

24.2.2 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, securities purchased under resale agreements and short term investment in money market funds, in order to capitalise the market opportunities and to meet its contractual obligations during the normal course of its operations.

In addition, the Company has access to approved financing arrangements, an analysis of which as at each of the reporting dates are given below.

As at 31st March	2020	2019
Unutilised overdraft facilities	350,000	350,000
	350,000	350,000

24.3 Market risk

The market risk is exposure to adverse movements in the security markets for both equity and fixed income investments, which can result in 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 etc. which have an impact on systematic risk factors such as interest rates, currency parity, inflation and availability of credit etc.

24.3.1 Interest rate risk

The Company is exposed to interest rate risk, arising from its securities purchased under resale agreements and short term loan 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 was as follows.

As at 31st March	Note	Carrying Amount	
		2020	2019
Variable rate instruments			
Financial assets - Cash at bank	19	1,868	3,317
- Securities purchased under resale agreements	19	5,845	5,779
- Investments in unit trusts	18	257,058	52,289
		264,771	61,385
Fixed rate instruments			
Financial assets - Placements with banking institutions	19	250,223	167,507
- Investment in fixed deposits		-	215,102
		250,223	382,609

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

As at 31st March	2020	2019
Commercial Banks Averaged Weighted Prime Lending Rate (AWPLR) *	9.29%	12.23%
Commercial Banks Averaged Weighted Deposit Rate (AWFDR) *	7.90%	8.98%

* Monthly averaged 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	Increase in 1%	Decrease in 1%
As at 31st March 2020		
- On interest earning assets	2,648	(2,648)
	2,648	(2,648)
As at 31st March 2019		
- On interest earning assets	614	(614)
	614	(614)

24.3.2 Exposure and management of other market price risks

Equity price risk

The Company is holding an investment portfolio which includes both private equity (unlisted) investments and listed equity investments (initially undertaken as private equity investments which were listed subsequently).

Listed equity investments

Having a 24% (2019- 43%) of its equity investments designated as listed investments in the Colombo Stock Exchange, market volatilities bring in substantial variations to the Company's earnings and value of its asset base at the reporting date. The Company monitors its investment portfolio based on market indices and performance of the respective companies, where decisions concerned with the timing of buy / sell decisions are well supported with structured in-house research recommendations. Transactions of a major magnitude within the portfolio are subject to review and approval by the Investment Committee.

Private equity investments

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

Continuous monitoring of the financial and operational results against the investee's business plans and the industry standards ensure that the projects meet the desired outcome and thereby the expected returns. Further, the Company generally enters in to investment agreements with the parties concerned, which carry specific 'exit clauses' to private equity projects such as 'Initial Public Offering', 'Buyout' etc.

A broad analysis of the investments made by the Company, based on the industry / sector is given in note 16.

NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

25. ACCOUNTING CLASSIFICATION AND FAIR VALUES

The following table shows the carrying amounts and 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 2020	Mandatory FVTPL and other	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Fair value
Financial assets measured at fair value					
Quoted shares - Fair value through profit or loss financial assets	43,313	-	-	43,313	43,313
Private equity - Unlisted - Fair value through profit or loss financial assets	139,651	-	-	139,651	139,651
Investment in Unit trusts	257,058	-	-	257,058	257,058
Financial assets not measured at fair value					
Cash and cash equivalents	-	257,936	-	257,936	
Total financial assets	440,022	257,936	-	697,958	
Financial liabilities not measured at fair value					
Other payables	-	-	2,835	2,835	
Total financial liabilities	-	-	2,835	2,835	

As at 31st March 2019	Mandatory FVTPL and other	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Fair value
Financial assets measured at fair value					
Quoted shares - Fair value through profit or loss financial assets	111,592	-	-	111,592	111,592
Private equity - Unlisted - Fair value through profit or loss financial assets	149,761	-	-	149,761	149,761
Investment in Unit trusts	52,289	-	-	52,289	52,289
Financial assets not measured at fair value					
Investment in fixed deposits	-	215,102	-	215,102	
Other receivable	-	554	-	554	
Cash and cash equivalents	-	176,603	-	176,603	
Total financial assets	313,642	392,259	-	705,901	
Financial liabilities not measured at fair value					
Other payables	-	-	3,572	3,572	
Total financial liabilities	-	-	3,572	3,572	

25.1 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
As at 31st March 2020				
Fair value through profit or loss financial assets	43,313	-	139,651	182,964
Investments in unit trusts	-	257,058	-	257,058
	43,313	257,058	139,651	440,022
As at 31st March 2019				
Fair value through profit or loss financial assets	111,592	-	149,761	261,353
Investment in unit trusts	-	52,289	-	52,289
	111,592	52,289	149,761	313,642

NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

Reconciliation of Level 3 - Investment in equity securities - private equity - unlisted

For the year ended 31st March	2020	2019
Balance as at the beginning of the year	149,761	115,009
Additions	6,751	-
Change in fair value	(16,861)	34,752
Balance as at end of the year	139,651	149,761

25.2 Valuation techniques and significant unobservable inputs

The following table depicts the valuation techniques used in measuring fair value of Level 3 investments, as well as the significant unobservable inputs used:

Company	Valuation Technique	Assumptions/ Unobservable inputs	Values/ Percentages	Inter-relationship between significant Unobservable inputs and fair value measurement
Findmyfare (Pvt) Ltd*	Enterprise Value(EV) to Gross Booking Value(GBV) Multiple	GBV Growth rate	CAGR-16-17%	The estimated fair value would increase / (decrease) if: - the growth rate was higher / (lower)
		Discount Rate	22%	- the discount rate was lower / (higher)
hSenid Business Solutions (Pvt) Ltd	Free cash flow valuation using Adjusted Present Value Method (APV)	Discount Rate	20%	The estimated fair value would increase / (decrease) if: - the discount rate was lower / (higher)
		Revenue growth rate	CAGR 13-14%	- the growth rates of products were higher / (lower)
		Operating Margin	Range - 14%-19%, average - 17%	- the operating margin was higher / (lower)

26. 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 (Private Equity Investments) for the purpose of making decisions about resource allocation and performance. Therefore no disclosure is made on operating segments.

27. EVENTS AFTER THE REPORTING PERIOD

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

28. IMPACT OF COVID-19

On the 20th of March 2020, the Government imposed an island wide curfew aimed at controlling the spread of COVID-19 in the country. Accordingly, the Colombo Stock Exchange was closed for trading activities from 21st March 2020 for nearly two months. With the relaxation of curfew to recommence business activities, the Colombo bourse resumed trading activities on 11th May 2020. After closing at 4,571.63 points on the last trading day in March, the ASPI has recovered to 5,176.85 points by 6th August 2020. Accordingly, as of the date of approval of these financial statements, the market has experienced partial recovery to pre-COVID levels when compared with the 31st December 2019 ASPI of 6,129.21. However, as at 31st March 2020 the Company maintained 74% of its assets in cash and cash equivalents, and investment in unit trusts. Further, the Company has valued its private equity investments as at 31st March 2020 taking into consideration the estimated impact of COVID-19 on respective private equity investee companies.

The management will continue to monitor new developments and events in the present market dynamics and take appropriate and timely actions as and when required.

The Board of Directors is satisfied that the Company has adequate liquidity and business plans to continue to operate the business and mitigate the risks for the next 12 months from the date of approval of these financial statements.

In preparing the Annual Financial Statements, the Company has considered the "Guidance Notes on Accounting Considerations of the COVID 19 Outbreak (updated on 11th May 2020)" issued by The Institute of Chartered Accountants of Sri Lanka.

29. COMMITMENTS AND CONTINGENT LIABILITIES

29.1 Commitments

There were no commitments or contracts for capital expenditure of a material amount as at the reporting date.

29.2 Contingent liabilities

There were no contingent liabilities as at the reporting date.

29.2.1 Litigation and claims

There have been no material litigation and claims against the company that require adjustments or disclosures in the financial statements.

30. RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and presentation of the financial statements. This is further described under the relevant clause in the Director's report.

FIVE YEAR SUMMARY

In Rupees Thousands

For the year ended / As at 31st March	2020	2019	2018	2017	2016	
Operating results						
Revenue	58,259	45,988	42,383	48,342	25,852	
Impairment loss on available for sale equity securities	-	-	(52,374)	-	-	
Net change in fair value of fair value through profit or loss financial assets	(44,318)	(9)	1,381	839	11,831	
Profit / (loss) on investment activities	13,941	45,979	(8,610)	49,181	37,683	
Profit from operations	7,238	25,597	(22,347)	35,960	25,051	
Income tax (expense) / reversal	(10,054)	(11,228)	(299)	172	(3,228)	
Profit / (loss) for the year	(2,816)	14,369	(22,646)	36,132	21,823	
Statement of financial position						
Stated capital	513,656	513,656	513,656	513,656	513,656	
Reserves	178,686	181,502	177,467	219,873	133,010	
Total equity	692,342	695,158	691,123	733,529	646,666	
Assets Employed						
Current assets	698,039	705,989	395,902	372,180	437,305	
Current liabilities	(5,697)	(10,831)	(2,893)	(5,342)	(11,981)	
Net current assets	692,342	695,158	393,009	366,838	425,324	
Available for sale financial assets	-	-	298,114	366,691	221,342	
Net assets	692,342	695,158	691,123	733,529	646,666	
Cash Flow Statements						
Net cash generated from / (used in) operating activities	82,866	170,899	10,163	(157,520)	(150,606)	
Net cash used in financing activities	(1,533)	(8,678)	(6,398)	(6,407)	(19,282)	
Net increase / (decrease) in cash & cash equivalents	81,333	162,221	3,765	(163,927)	(169,888)	
Ratios & statistics						
Earnings / (loss) per share	(Rs.)	(0.11)	0.56	(0.88)	1.40	0.84
Dividend per share*	(Rs.)	-	0.40	-	0.25	0.25
Dividend growth	(%)	(100)	100	(100)	-	(80)
Dividend yield	(%)	-	1.97	-	0.91	0.89
Dividend payout ratio	(%)	-	71.43	-	17.86	29.76
Net assets per share	(Rs.)	26.80	26.91	26.75	28.39	25.03
Market price per share **	(Rs.)	18.70	20.30	27.90	27.50	28.10
Price to book value	(times)	0.70	0.75	1.04	0.97	1.12
Fair value of investment portfolio***	(Rs.'000)	697,958	705,347	686,552	738,147	657,847
Market capitalisation	(Rs.'000)	483,092	524,426	720,763	710,430	725,930
All Share Price Index (points)	(points)	4,572	5,557	6,477	6,062	6,072
S&P SL 20 (points)	(points)	1,947	2,739	3,650	3,439	3,204

* Dividend per share is based on proposed final dividends and interim dividends for the year.

** As at 31st March

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

INFORMATION TO SHAREHOLDERS AND INVESTORS

1. STOCK EXCHANGE LISTING

Guardian Capital Partners PLC is a public quoted company, the ordinary shares of which are listed on the Diri Savi Board of the Colombo Stock Exchange.

The Stock Exchange code for Guardian Capital Partners PLC shares is "WAPO".

2. ORDINARY SHAREHOLDERS

As at 31st March	2020	2019
Number of Shareholders	2,112	2,153

3. Frequency distribution of shareholdings as at 31st March 2020

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	1,671	409,921	1.59	25	6,426	0.02	1,696	416,347	1.61
1001 - 10,000	339	1,091,481	4.23	9	32,863	0.13	348	1,124,344	4.35
10,001 - 100,000	61	1,638,418	6.34	4	268,949	1.04	65	1,907,367	7.38
100,001 - 1,000,000	2	692,950	2.68	-	-	-	2	692,950	2.68
Above 1,000,000	1	21,692,800	83.97	-	-	-	1	21,692,800	83.97
Grand Total	2,074	25,525,570	98.81	38	308,238	1.19	2,112	25,833,808	100

4. Categories of Shareholders

As at 31st March 2020	No. of Shareholders	No. of Shares	%
Individuals	2,014	2,619,689	10.14
Institutions	98	23,214,119	89.86
Total	2,112	25,833,808	100.00

5. The number of shares held by non-residents as at 31st March 2020 was 308,238 (2019 - 339,606) which amounts to 1.19% (2019 - 1.31%) of the total number of shares in issue.

INFORMATION TO SHAREHOLDERS AND INVESTORS

6. MARKET PERFORMANCE - ORDINARY SHARES

For the year ended 31st March	2020	2019
Share price as at 31 March (Rs.)	18.70	20.30
Highest (Rs.)	37.00	30.50
Lowest (Rs.)	16.70	17.50
Value of shares traded (Rs.000)	12,818	8,917
No. of shares traded	463,415	390,500
Volume of transactions (Nos.)	1,664	1,404
Market capitalization (Rs. 000)	483,092	524,426

7. Public Holding

The Company is in compliance with the Minimum Public Holding requirements for Companies listed on the Diri Savi Board as per Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange, under Option 2, i.e. Float-Adjusted Market Capitalization of less than Rs.1 Billion with 200 Public Shareholders and a Public Holding percentage of 10%.

The Company's Public Holding as at 31st March 2020

Market Capitalization of the Public Holding	Rs.62.38 million
Percentage of ordinary shares held by the public	12.91%
Number of Public Shareholders	2,102

8. Dividends

There were no distributions made during the financial year.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 100th Annual General Meeting of **Guardian Capital Partners PLC** will be held on Monday, 14th September 2020 at 9.30 a.m. at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka by means of audio or audio and visual technology for the following purposes :

1. To consider the Annual Report of the Board of Directors including the Financial Statements of the Company for the financial year ended 31st March 2020, together with the report of the Auditors thereon.
2. To re-elect Mr. K. Selvanathan who retires by rotation in term of Articles 72, 73 & 74 of the Articles of Association of the Company.
3. 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.

By Order of the Board

(Sgd)

K. D. De Silva (Mrs.)

Director

CARSONS MANAGEMENT SERVICES (PRIVATE) LIMITED

Secretaries

Colombo

10th August 2020

Notes:

1. This Notice and the submission of the Form of Proxy should be read in conjunction with the '**Procedure to be followed at the Annual General Meeting of the Company scheduled for 14th September 2020**', which is enclosed with the Notice convening the AGM.
2. The notice convening the AGM together with the procedure to be followed at the AGM will be posted to the Shareholders. The documents will also be made available on the Colombo Stock Exchange website www.cse.lk and on the Group's website www.carsoncumberbatch.com and you may access same directly through the URL link http://www.carsoncumberbatch.com/investor_information/annual_reports_2019_2020/guardian-capital-partners-plc-annual-report-2019-20.pdf
3. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company.

A Form of Proxy accompanies this Notice.
4. The completed Form of Proxy must be submitted to the Company **not later than 4.45 p.m. on 12th September 2020** or via email to GCPAGM2020@carcumb.com or by fax to +94 11-2337671 or handed over or posted to the Registered Office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
5. A person representing a Corporation is required to submit a certified copy of the resolution authorizing him/her to act as the representative of the Corporation. A representative need not be a member.
6. The transfer books of the Company will remain open.

FORM OF PROXY

*I/We.....of

being *a Shareholder / Shareholders of **GUARDIAN CAPITAL PARTNERS PLC**

hereby appoint
of.....

bearing NIC No./ Passport No..... or failing him/her.

Israel Paulraj	or failing him,
Don Chandima Rajakaruna Gunawardena	or failing him,
Subramaniam Mahendrarajah	or failing him,
Mrs. Mirihana Arachchige Rose Chandralatha Cooray	or failing her
Krishna Selvanathan	

as *my/our proxy to attend at the 100th Annual General Meeting of the Company to be held on Monday, 14th September 2020 at 9.30 a.m., at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 07, Sri Lanka by means of audio or audio and visual technology and at any adjournment thereof and at every poll which may be taken in consequence thereof.

For **Against**

- | | | |
|--|--------------------------|--------------------------|
| (i) To re-elect Mr. K. Selvanathan who retires by rotation in terms of Articles 72, 73 & 74 of the Articles of Association of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) 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 Twenty.

.....
Signature /s

Note:

1. * Please delete the inappropriate words.
2. 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.
3. A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
4. Instructions are noted on the reverse hereof.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 54 of the Articles of Association of the Company:
 - (1) Any Shareholder entitled to attend and vote at a meeting shall be entitled to appoint another person (whether a Shareholder or not) as his proxy to attend and vote instead of him. A proxy so appointed shall have the same right as the Shareholder to vote on a show of hands or on a poll and to speak at the meeting.
 - (2) An 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 Directors may, but shall not be bound to, require evidence of the authority of any such attorney or officer.

4. In terms of Article 50 of the Articles of Association of the Company:

Where there are joint registered holders of any Share any one (01) of such persons may vote and be reckoned in a quorum at any meeting either personally or by proxy as if he were solely entitled thereto and if more than one (01) of such joint holders be so present at any meeting one (01) of such persons so present whose name stands first in the Register in respect of such Share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Shareholder in whose name any Share stands shall for the purpose of this Article be deemed joint holders thereof.
5. To be valid the completed Form of Proxy should be submitted to the Company **not later than 4.45 p.m. on 12th September 2020** or via email to **GCPAGM2020@carcumb.com** or by fax to +94 11-2337671 or handed over or posted to the Registered Office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
6. Shareholders who are unable to participate at the meeting through the online meeting platform (i.e. Zoom platform) may appoint a proxy as his/her/its proxy by forwarding the duly completed Form of Proxy **not later than 4.45 p.m. on 12th September 2020**, clearly indicating their vote under each matter set out in the Form of Proxy as per the instructions set out in the 'Procedure to be followed at the Annual General Meeting of the Company scheduled for 14th September 2020', attached with this Notice.
7. Shareholders could also appoint a member of the Board to act as their proxy if they so choose. The Shareholders who wish to appoint a Director as his/her/its proxy must forward the duly completed Form of Proxy clearly indicating their vote under each matter set out in the **Form of Proxy and forward same together with the Registration Form (Annexure 1)**, attached herewith to the Company.

Please fill in the following details

Name :

Address :

Jointly with :

Share folio no :

CORPORATE INFORMATION

NAME OF THE COMPANY

Guardian Capital Partners PLC
(A Carson Cumberbatch Company)

COMPANY REGISTRATION NO

PQ49

LEGAL FORM

A Public Quoted Company (Listed on the Diri Savi Board of the Colombo Stock Exchange) with Limited Liability, incorporated in Sri Lanka in 1920.

PRINCIPAL ACTIVITY AND NATURE OF OPERATIONS

The principal activity of the Company is to hold and manage a portfolio of private equity investments.

PARENT ENTERPRISE

Ceylon Guardian Investment Trust PLC is the immediate Parent Company of Guardian Capital Partners 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

Mr. I. Paulraj (Chairman) [vacated office w.e.f. 31/05/2020 / appointed w.e.f. 17/07/2020]

Mr. D. C. R. Gunawardena

Mr. S. Mahendrarajah [Director / ceased to be an Alternate Director to Mr. I. Paulraj w.e.f. 31/05/2020]

Mrs. M.A.R.C. Cooray [vacated office w.e.f. 31/05/2020 / appointed w.e.f. 17/07/2020]

Mr. K. Selvanathan

BANKERS

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

AUDITORS

Messrs. KPMG
Chartered Accountants
No 32A, Sir Mohamed Macan Marker Mawatha
Colombo 03
Sri Lanka.

MANAGERS & SECRETARIES

Carsons Management Services (Private) Limited
No. 61, Janadhipathi Mawatha,
Colombo 01, Sri Lanka
Telephone No: +94-11-2039200
Fax No: +94-11-2039300

INVESTMENT MANAGER

Guardian Fund Management Limited
No. 61, Janadhipathi Mawatha,
Colombo 01, Sri Lanka
Telephone No: +94-11-2039200
Fax No: +94-11-2039385

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

No. 61, Janadhipathi Mawatha,
Colombo 01, Sri Lanka
Telephone No: +94-11-2039200
Fax No: +94-11-2039300
Corporate Website
www.carsoncumberbatch.com

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