

Building on our strengths...

Guardian Capital Partners PLC

ANNUAL REPORT 2011-12

Guardian Capital Partners PLC

Guardian Capital Partners PLC is the private equity investment arm of Ceylon Guardian Group. The company's investment portfolio is managed by Guardian Fund Management Limited.

Contents

Company at a glance	1
Chairman's Statement.....	2
Operational Review.....	4
Risk Management.....	7
Annual Report of the Board of Directors on the affairs of the Company.....	8
Profiles of the Directors	14
Audit Committee Report.....	15
Statement of Directors' Responsibilities	17
Financial Calendar.....	18
Independent Auditor's Report.....	19
Income Statement.....	20
Balance Sheet	21
Statement of Changes in Equity.....	22
Cash Flow Statement	23
Notes to the Financial Statements	24
Five Year Summary	37
Information to Shareholders and Investors	38
Notice of Meeting	40
Form of Proxy	41

Company at a Glance

<i>For the year ended / As at 31st March</i>	2012 Rs. '000	2011 Rs. '000	% Change
Revenue	13,834	2,991	363
Profit/(loss) from operations	(20,678)	(3,192)	548
Profit/(loss) before taxation	(21,283)	(8,910)	139
Profit/(loss) for the year	(21,481)	(9,004)	139
Net cash used in operating activities	(197,175)	(337,842)	(42)
Retained earnings/(accumulated losses)	(27,549)	(6,068)	354
Shareholders' funds	505,724	508,207	(0.5)
Total assets	527,950	513,635	3
Earnings/(loss) per share (Rs.)	(0.83)	(0.37)	124
Net assets per share - book value (Rs.)	19.58	19.67	(0.5)
Return on ordinary shareholders' funds (%)	(4.25)	(1.77)	140
Market capitalization	1,813,533	7,507,305	(76)
Market value of investment portfolio*	510,758	473,213	8

* Based on market value of portfolio after adjusting for cash and cash equivalents. Unlisted investments are stated at cost.

Chairman's Statement

I welcome you to the 92nd Annual General Meeting of the Company and on behalf of the Board of Directors, take pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended 31st March 2012.

Guardian Capital Partners PLC (GCP) completed the first full year of operations as a specialized private equity investment vehicle. During the year GCP invested a sum of Rs. 240.3 mn in two companies taking the total portfolio value up to Rs. 522.2 million from the Rs. 287.4 million recorded last year. The new investments, coupled with the fact that we did not exit any of the existing positions resulted in the company utilizing all cash raised in the rights issue in the prior year. Hence GCP resources are now fully invested.

The Sri Lankan private equity market witnessed a sharp slowdown, with capital raised dropping to Rs. 9.5bn, from the Rs. 13.1bn recorded in the last year as per the deals seen by GCP. The number of companies raising capital however increased from 6 to 8 companies resulting in the average deal size also decreasing sharply from Rs. 2.2bn to Rs. 1.2bn. Most of the private equity deals in the latter part of the FY 2011 and FY 2012 were pre IPO placements; hence decline in the sentiment at the Colombo Stock Exchange resulted in a drop in capital raising in the second quarter of FY 2012.

Private sector business growth is essential if the Sri Lankan economy is to grow and realize its true potential. We strongly believe that Private Equity (PE) could play an important role in helping promising businesses achieve rapid growth, both with the help of new capital, as well as gaining access to wider management expertise. However the growth of the private equity market could be hindered due to the following challenges that are faced by genuine investors in this market;

- **Reluctance of entrepreneurs to dilute their stakes:** Raising private equity will require the owner of a business to reduce his/her ownership to 70-80%, and yet continue to retain full control of the business. It is fair for entrepreneurs, who have put in many years of hard work to bring their ventures to where it is now, to be averse to diluting their ownership marginally. However it has been proven that by gaining more equity capital and growing

the business, the growth in value of their holding will more than compensate for the reduction in ownership stake.

- **Unrealistic valuations:** Many companies that were looking to raise private equity were valued at high multiples, taking their cue from the valuations seen in the Colombo Stock Exchange for similar companies. However given the higher risk associated with unlisted companies due to lack of liquidity and smaller scale, we believe that such premium valuations prevent private equity investors from earning a sufficient return for the risk they take.
- **Banking sector not considering private equity as a source of supplementary capital:** Many companies in a traditional commercial sense are used to resorting to bank borrowing as a source of capital for expansion. However, such over leveraging can strain the balance sheet and limit the avenues of growth for an entrepreneurial company. In such instances, the banking sector should ideally engage with the private equity and venture capital industry to supplement capital infusions to such promising ventures, which would enable them to pursue growth plans with a balanced capital structure.
- **Regulations:** During the year certain amendments to the listing rules were made with the objective of regulating the private equity market. These were primarily targeted at companies that launch IPOs within a few months of placing shares privately at a discount to the IPO price. As it stands now, private equity investors would be locked in for a period of 9 months after an IPO; and where the placement has been done within the 12 months prior to the IPO, the lock in would be extended up to 1 year. We strongly believe that while regulations are needed to protect investors and the integrity of the market, over regulations is also harmful.

Whilst the above regulation will be effective in preventing private equity investors profiting at the expense of new investors on the CSE when it comes to pre IPO placements, this also penalizes genuine private equity investor that provide growth capital to companies, from exiting their positions once the company goes

public. Typically in a PE investment, at least a 3-5 year gestation period is needed by the companies from the time of capital infusion to achieve the targeted growth. Requiring PE investors who have already taken a substantial risk during the initial growth period to be locked in for a further year reduces the attractiveness of the industry for those who participate in supplying this emerging source of risk capital to the local landscape. We would also like to note that in other emerging markets, such lock-in periods commence from the date of the allotment of private placement shares, in line with the regulation that was in force previously in Sri Lanka, where PE investors were locked in for a year from the share allotment date.

Nevertheless, with the promising commercial opportunities that will come up in post war Sri Lanka, GCP together with the Guardian Group will forge ahead with its plans of growing this asset class, and becoming a leading player in the industry. Our main focus for the year is to improve our deal pipeline as well as develop and improve our expertise on deal evaluation and structuring. Another important aspect that is being worked on, is to explore the opportunity of tying up with foreign private equity firms and foreign funding partners to expand our assets under management.

Given the lackluster performance of the CSE, we are doubtful as to whether we would have any exits within the year, despite three of our positions being listed. Further certain companies also experienced dips in their performance due to the volatilities and downturns seen in the global and local economy. We will exit if we believe we are getting the right value for the business, which at current prices is far from realized, or where our criteria for investment are not continued to be met. Hence in the near future we are unlikely to see a significant appreciation in the NAV of the company. Further as we hope to increase the deal flow and increase the diversity of our portfolio, we could require more capital since we are fully invested at present.

We continue to note a considerable discrepancy between the actual net worth of the company and the price at which the share trades in the market, the former being Rs. 20.10 and the latter Rs. 70.20 per share. The payment of a dividend

this year is also not recommended due to the growth plans previously spelt out. Further we would like to stress again to our shareholders the fact that private equity investments are riskier, relatively illiquid by nature, carry a longer gestation period, and therefore carry a higher risk weight than listed equity. Income stream to shareholders will be irregular, with zero income distributions in certain years followed by a relatively large payout when the portfolio matures.

In conclusion, I would like to thank the shareholders for the confidence and trust placed in the management over the years. We thank the audit committee, remuneration committee, the regulators and our business associates for their continued support. I also like to thank the members of our staff for their contribution, and to my colleagues on the Board for their inputs.

(Sgd.)

Israel Paulraj

Chairman

Colombo

2nd May 2012

Operational Review

Our Philosophy

Guardian Capital Partners PLC over the past year focused on crafting and fine tuning its approach to private equity. The cornerstone of the approach is to build & realize value to our shareholders, focusing on the pillars of search, invest, protect and build. Going forward all strategies of the company would be focused on building and strengthening these pillars, which in the long run would lead to enhancement in shareholder value.

The search for value

In the private equity business (PE), the generation of value starts from building a broad, diverse and effective deal pipeline. Unlike in listed equity, where your potential investments are clearly laid out within the confines of a regulated stock exchange, in PE you have to create your own set of opportunities or in the lingo of the PE business, a deal pipeline. This is a significant source of higher relative returns for a PE fund, and GCP is in the process of establishing and strengthening tie ups with key intermediaries in the capital markets to ensure that we have broad and deep deal pipeline to work on.

Investment in value

We have developed an extensive deal evaluation process to identify the most promising businesses from the deal pipeline to commit our capital to. Extensive analysis on the target would be done from the macro, micro, risk, financial and valuation perspectives as set out in figure 1. Further we

are also looking to strengthen our knowledge on the aspects of deal structuring to ensure that the deal is structured in a manner that would optimize the value generated to both GCP and the owners of our portfolio companies.

Protect and build

At present we primarily depend on share holder agreements as well as periodic management discussions, and board representations to ensure that the target company performance is on track. Further we are in the process of actively seeking ways we could add value to our target companies by introducing best practices and operational improvements, by leveraging on the knowledge base of the Carson Cumberbatch Group. Going forward, we would look to add value to our investee companies to strengthen their business models, enter new markets or synergise commercial benefits through introductions and initiatives promoted by us.

Our Portfolio

Composition of the total portfolio as at 31st March 2012

Figure 2: Portfolio Composition	Rs. Mn	%
Expolanka Holdings PLC	251	48%
Access Engineering PLC	214	41%
hSenid Business Solutions (Pvt) Ltd	40	8%
Textured Jersey Lanka PLC	17	3%
Total	522	100%

As at 31st March 2012 our portfolio consists of 4 companies (Figure 2 & 3). Our largest position is Expolanka Holdings PLC, followed by Access Engineering PLC.

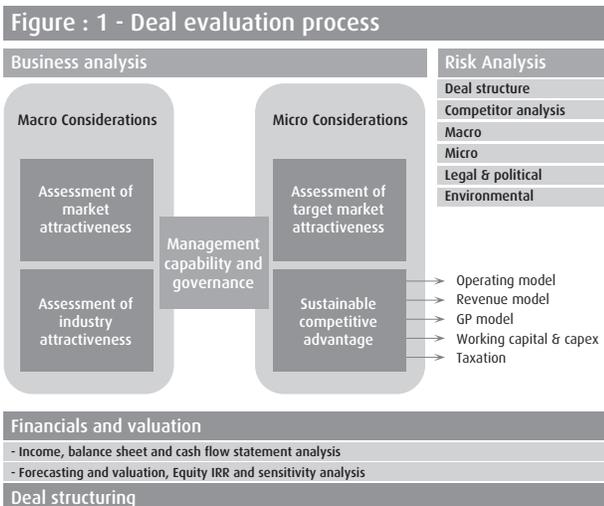


Figure 3: Portfolio companies- Key facts		
Company name	Business activity	Markets served
Expolanka Holdings PLC	Transportation, Manufacturing, International Trading, Strategic Investments	Export and local
Access Engineering PLC	Construction	Local
hSenid Business Solutions (Pvt) Ltd	Development and marketing human resource management software	Export and local
Textured Jersey Lanka PLC	Manufacturing and selling weft knit fabrics	Export and local

Consolidated performance of the portfolio companies

Figure 4: Investee Company Performance				
Rs. Mn	Annual		9 months	
	Mar-10	Mar-11	Dec-11	Dec-12
Revenue	35,351	45,609	30,254	32,109
Net profit	1,961	3,047	1,765	2,153
Growth				
Revenue		29.0%		6.1%
Profit		55.4%		22.0%

The investee companies recorded a consolidated revenue and profit growth of 6% and 22% respectively (Figure 4). The growth rates for the companies dropped during the current financial year, primarily due to Expolanka Holdings PLC and Textured Jersey Lanka PLC recording a slower growth on account of the slowdown in the global economy and adverse movements in commodity markets. The fundamental strengths of these businesses still remain intact and the managements of these companies are continuing with their business expansion plans as envisaged at the time of our investment. Hence we strongly believe that as the global economic situation stabilizes, these companies would post strong growth numbers in the medium to long term.

Movements in the portfolio

Figure 5: Movement in Portfolio		Rs. Mn
Portfolio value as at 31st March 2011		287
New investments		
Access Engineering PLC	200	
hSenid Business Solutions (Pvt) Ltd	40	240
Mark to market adjustment		
Gain	19	
Losses	-18	1
Disposals		
Expolanka Holdings PLC		-6
Portfolio value as at 31st March 2012		522

The portfolio value of GCP as at 31st March 2012 stood at Rs. 522.2 mn, up 82%, primarily due to new investments. As shown in figure 5, we invested Rs. 240.3 mn in two companies, Access Engineering PLC and hSenid Business Solutions (Pvt) Ltd.

Since three of our holdings are listed, these are recorded at market values. As the market value of Textured Jersey Lanka PLC was below the cost as at 31st March 2012 a provision of Rs. 18.5 mn was made, whilst a mark to market gain of Rs. 19.0 million was made on Expolanka Holdings PLC and Access Engineering PLC.

Financial performance

During the financial year the company generated revenue of Rs. 13.8 mn, whilst losses of the company increased to Rs. 21.5 mn from the Rs. 9.0 mn recorded last year.

Revenue grew by 360% during the year, driven by capital gains realized and dividends received. A sale of Expolanka shares generated a capital gain of Rs. 0.9 mn. A further capital gain of Rs. 3.7 mn was generated by the write back and sale of Softlogic Capital PLC, which was written off previously as part of the business re-organization. Dividends paid out by Expolanka Holdings PLC and Textured Jersey Lanka PLC generated Rs. 5.3 mn in dividend income. Excess cash held during the 1st half of the financial year resulted in the company making Rs. 4.0 mn in interest income.

Despite the jump in revenue, losses increased primarily due to the provision made against the drop in value of Textured

Operational Review

Jersey Lanka PLC as explained before, as well as an increase in expenses. The increase in costs was driven by an increase in administration costs due to resumption of business activities.

Financial position

As at 31st March 2012, as GCP is fully invested, we could see the need to raise new funds in the future with new investments coming in. As explained in the Chairman's review, we do not expect to make any exits during the next financial year, unless of course, conditions at the CSE improve substantially to justify exiting at optimum value. At present our gearing is very low, with over drafts standing at Rs. 16.2 mn relative to an equity base of Rs. 505.7 mn. We would look to fund additional deals via temporary loan financing but would look to replace such funding with equity capital in the medium term. Given the higher risk associated with private equity as well to be in line with overall Guardian Group Policy, we would strive to keep debt funding at very low levels.

Profile of the Managers

The funds are managed by Guardian Fund Management Ltd (GFM) which is a fully owned subsidiary of the Ceylon Guardian Investment Trust PLC. Guardian Fund Management is registered with the Securities and Exchange Commission of Sri Lanka as an Investment Manager, thus being compliant with all regulatory requirements. At present, GFM manages the largest listed equity fund in Sri Lanka and has built up its competencies in the field of portfolio management, research and support services. GFM is in the process of investing in knowledge, networks and talent to facilitate the growth of the PE business, focusing on deal flow generation and research & structuring capabilities.

As explained previously our management philosophy on private equity is built around forging meaningful partnerships with our investee companies and close engagement to track progress and add value to their operations. Our contribution would not just focus on productivity and operational improvements at the investee company but also in introducing good governance and sound management practices that would facilitate their eventual listing.

(Sgd).

Guardian Fund Management Limited

Investment Managers

Colombo

2nd May 2012

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.

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 realization 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.

Liquidity risk

Private equity investments by nature are highly illiquid, preventing the investor from realizing cash quickly or easily. The virtual non existence 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. 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. The initial pricing of the PE investment, as well as our view on the eventual IPO price would be key determinants of our entry and exit strategy, since the company would have been carrying the higher risk of an unlisted investment in its books, unlike an investor who enters at the IPO stage.

Operational risk

Operational risk is the possibility of incurring a loss due to failure of systems, people and processes. 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 quarterly & yearly basis as is mandatory for listed securities. However we request the investee companies through our shareholder agreement to provide us quarterly & annual financial statements along with relevant management information & 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.

Governance risk

Since unlisted companies don't have a large minority shareholder base, it is difficult to set in place governance practices and also to enforce them since there is no regulatory framework governing investor interests. However, we request investee companies through the shareholder agreement to get our approval for critical decisions such as divestment of major assets, acquisitions etc. We also require appointment of audit committees and adherence to disclosure requirements of listed companies, so that they may prepare themselves for eventual listing requirements. Where our stake in a company exceeds a particular threshold, we may request board representation to safeguard our interests as investors.

Regulatory risk

Changes in regulation relating to listing rules and related lock-in periods have posed additional risks to private equity. We attempt to have a constant dialog with regulators and provide relevant feed back wherever possible on proposed regulatory changes that are relevant to this asset class.

Annual Report of the Board of Directors on the Affairs of the Company

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 recommended best accounting practices. The Annual Report was approved by the Board of Directors on 2nd May 2012.

1. GENERAL

The Directors have pleasure in presenting to the shareholders their report together with the audited financial statements for the year ended 31st March 2012 of Guardian Capital Partners PLC (the "Company"), a public limited liability company incorporated in Sri Lanka in 1920.

2. THE PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activity of the Company is to serve as a specialised investment vehicle within the Ceylon Guardian Group, 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 Operational Review on pages 2 to 6 provide an overall assessment of the business performance of the Company and its future developments.

These reports together with the audited financial statements reflect the state of affairs of the Company.

4. FINANCIAL STATEMENTS

The financial statements which comprise the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and Notes to the financial statements of the Company for the year ended 31st March 2012 are set out on pages 20 to 36. These financial statements comply with the requirements of the Companies Act, No 7 of 2007.

4.1. Financial results and appropriations

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

<i>For the year ended 31st March</i>	2012	2011
	Rs. '000	Rs. '000
Retained profit / (accumulated loss)		
brought forward from previous year	(6,068)	91,509
Dividend paid	-	(88,573)
	(6,068)	2,936
Loss for the year	(21,481)	(9,004)
Accumulated loss carried forward	(27,549)	(6,068)

4.2. Significant accounting policies

The accounting policies adopted in the preparation of these financial statements are given on pages 24 to 29. There have been no changes in the accounting policies adopted by the Company during the year under review.

4.3. Investment in equity securities

Investment in equity securities represent investments in unlisted private equity and quoted securities. The latter investments were previously held under the category of private equity and subsequently classified as long-term investments, upon their listing on the Colombo Stock Exchange.

- Investment in private equity, as at the balance sheet date, carried a value of Rs. 40.0mn (2011 – Rs. 287.4mn) and are stated at the lower of cost and Directors' valuation as disclosed in note 16.2.
- Investment in quoted securities, as at the balance sheet date, had a market value of Rs. 482.2mn (2011 – Nil) and disclosed in note 16.1.

4.4. Reserves

As at 31st March 2012, the total reserves of the Company stood at a negative Rs 7.9mn (2011 – negative Rs 5.4mn).

The movements are set out in the Statement of Changes in Equity and note 19 to the financial statements.

4.4.1. Long-term investment re-valuation reserve

During the year, the net movement reflected in the 'Long-term investment re-valuation reserve' of the Company was Rs. 19.0mn (2011 - Nil) arising out of adjustment on mark to market value of long-term investments.

5. INDEPENDENT AUDITORS REPORT

The Independent Auditors' Report on the financial statements is given on page 19 of the Annual Report.

6. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Statement of Directors' Responsibilities for the financial statement is given on page 17 of this Annual Report

7. DIRECTORS

The names of the Directors who served during the year are given under corporate information provided in the inner back cover.

7.1. Directors to Retire by Rotation

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

7.2. Appointment of Director who is over 70 years of age

Upon the recommendation of the Nomination Committee of Ceylon Guardian Investment Trust PLC (the parent company), which act as the Nomination Committee of the Company and the Board, it is recommended that Mr. I. Paulraj, who is over seventy years of age, to be re-appointed as a Director of the Company for a further period of one year from the conclusion of Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act, No. 7 of 2007 shall not be applicable.

7.3. Directors' Interest in contracts and shares

Directors' interests in transactions of the Company are disclosed in note 24 to these financial statements and have been declared at meetings of the Directors. The Directors have had no direct or indirect interest in contracts or proposed contracts in relation to the business of the Company, while they had the following interests in ordinary shares of the Company.

Directors	No of shares as at 31st March 2012	No of shares as at 01st April 2011
Mr. I. Paulraj (Chairman)	200	200
Mr. D.C.R. Gunawardena	25	25
Mr. S. Mahendrarajah	25	25

8. INTERESTS REGISTER

The Company maintains an Interests Register conforming to the provisions of the Companies Act, No. 07 of 2007. All Directors have made declarations as provided for in Section 192(2) of the Companies Act aforesaid.

The relevant details as required by the Companies Act, No. 7 of 2007 have been entered in the Interest Register during the year under review.

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

9. REMUNERATION OF DIRECTORS

Directors' remuneration for the financial year ended 31st March 2012 is given in note 12 to the financial statements on page 30.

No directors' fees or remuneration was paid during the year.

10. CORPORATE GOVERNANCE

Given below is the status of compliance of Corporate Governance Rules as per the Listing Rules of the Colombo Stock Exchange (CSE).

10.1. Board of Directors

The following Directors held office as at the balance sheet date and their brief profiles are given on page 14 of the Annual Report.

Name of the Director	Executive/Non Executive/Independent
Mr. I. Paulraj (Chairman)	Non-Executive/ Independent *
Mr. S. Mahendrarajah	Non-Executive/ Independent **
Mr. D.C.R. Gunawardena	Non-Executive

Annual Report of the Board of Directors on the Affairs of the Company

* The Board has determined that Mr. I. Paulraj is an Independent Non Executive Director in spite of being on the Board for more than 9 years and being a Director of many other companies within the Carson Cumberbatch group, in which majority of the other Directors of the Board are also Directors and being a Director of Ceylon Guardian Investment Trust PLC and Carson Cumberbatch PLC which has a significant shareholding in the Company, since he is not directly involved in the management of the Company.

** The Board has determined that Mr. S. Mahendrarajah is an Independent Non Executive Director in spite of being on the Board for more than 9 years and being a Director of Mylands Investments Limited and Weniwella Investments Limited in which majority of the other Directors of the Board are also Directors, since he is not directly involved in the management of the Company.

10.2. Remuneration Committee

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

Remuneration Committee members	Executive/Non Executive/Independent
Mr. I. Paulraj (Chairman)	Non Executive/ Independent Director of CCPLC
Mr. M. Moonesinghe	Non Executive/ Independent Director of CCPLC
Mr. D.C.R. Gunawardena	Non Executive Director of CCPLC

The committee has formulated a remuneration policy based on market and industry factors and individual performance for all Group companies.

Executive Directors and Non-Executive Directors are not compensated for their role on the Board.

10.3. Audit Committee

As per the Rule 7.10.6 of the Listing Rules of the Colombo Stock Exchange, the Audit Committee of Carson Cumberbatch

PLC (CCPLC), the ultimate parent Company, functions as the Audit Committee of the Company and comprises of the following members.

Audit Committee members	Executive/Non executive/Independent
Mr. Vijaya Malalasekera (Chairman)	Non Executive/ Independent Director of CCPLC
Mr. Chandima Gunawardena	Non Executive Director of CCPLC
Mr. Faiz Mohideen	Non Executive/Independent Director of CCPLC

In May 2012, Mr. Tennyson Rodrigo stepped down from the position of Expert Advisor to the Audit Committee for the Investment Sector.

The Audit Committee Report is given on pages 15 to 16 of this Annual Report.

10.4. Directors Meeting Attendance

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

Director	Meetings attended (out of 4)
Mr. I. Paulraj (Chairman)	04
Mr. S. Mahendrarajah	04
Mr. D.C.R. Gunawardena	04

11. NOMINATION COMMITTEE

The Nomination Committee of Ceylon Guardian Investment Trust PLC (CGIT), the parent Company, functions as the Nomination Committee of the Company with effect from 01st April 2012 and comprises of the following Members.

Nominations Committee members	Executive/Non Executive/Independent
Mr. I. Paulraj (Chairman)	Non Executive/Independent Director of CGIT
Mrs. R. Cooray	Non Executive/Independent Director of CGIT
Mr. D.C.R. Gunawardena	Non Executive Director of CGIT

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.

12. INTERNAL CONTROL AND RISK MANAGEMENT

The ultimate responsibility to establish, monitor and review a company-wide internal control system rests with the Board of Directors. The intensity, depth and the tolerance limits for each 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 crystallization 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 fulfillment 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 page 7.

13. INDEPENDENT AUDITORS

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

A sum of Rs. 105,000/- (2011 - Rs. 95,000/-) was paid to them by the Company as audit fees for the year ended 31st March 2012. No professional fees for non-audit services were

paid by the Company to the auditors during the year (2011 - Rs. 112,000/-).

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

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

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. SIGNIFICANT EVENTS DURING THE YEAR

There were no significant events during the year

15. RELATED PARTY TRANSACTIONS EXCEEDING 10% OF THE EQUITY OR 5% OF THE TOTAL ASSETS OF THE COMPANY

There were no transactions during the year ended 31st March 2012 that exceeded 10% of the shareholder's equity or 5% of the total assets of the company during the year.

16. 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).

17. EQUITABLE TREATMENT TO SHAREHOLDERS

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

18. DIVIDENDS

The Directors do not recommend a dividend for the current financial year (2011 - Nil).

Annual Report of the Board of Directors on the Affairs of the Company

19. SOLVENCY TEST

The Company did not make any distributions during the year which necessitated the measurement of the Solvency Test requirement under section 56 (2) of the companies Act No. 07 of 2007

20. STATED CAPITAL

The stated capital of the Company as at 31st March 2012 was Rs. 513,655,750/- consisting of 25,833,808 ordinary shares.

There was no change in the stated capital of the company during the year.

21. STATUTORY PAYMENTS

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

22. GOING CONCERN

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

23. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, no circumstances have arisen, which would require adjustments to or disclosures in the financial statements, other than those disclosed in note 21 to the financial statements.

24. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The contingent liabilities and commitments as at 31st March 2012 are given in note 22 and note 23 to the financial statements.

25. CORPORATE DONATIONS

There were no donations granted during the year.

26. SHARE INFORMATION

The details relating to earnings, net assets, market value per share and information on share trading is given on pages 37 to 39 of the Annual Report.

27. TWENTY MAJOR SHAREHOLDERS WITH COMPARATIVES

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

As at 31st March Name of Shareholders	2012		2011	
	No. of shares	%	No. of shares	%
Ceylon Guardian Investment Trust PLC	21,692,800	83.97	21,692,800	83.97
Lake View Investments Limited	652,397	2.53	882,898	3.42
Carson Cumberbatch PLC	581,950	2.25	581,950	2.25
Merchant Bank of Sri Lanka Limited / Union Investment Limited	98,000	0.38	84,700	0.33
Mr. M. W. De Silva	62,058	0.24	51,280	0.20
Dr. C.E.G. Abayasekera	47,600	0.18	65,600	0.25
First Capital Markets Limited / Mr. M.A.U. Gnanathi	47,342	0.18	45,342	0.18
Mrs. J.R. Kelaart	44,237	0.17	27,537	0.11
DPMC Assetline Holdings (Pvt) Limited - A/C No. 02	36,400	0.14	-	-
Mr. D. Ganeshamoorthy	36,400	0.14	-	-
Mr. S.N.C.W.M.B.C. Kandededara	34,900	0.14	22,000	0.09
Mr. W. Dharmawardana	24,500	0.09	10,000	0.04
Mr. I.H. Usoof	22,300	0.09	10,600	0.04
Mr. M.A.U. Gnanatilake	21,600	0.08	26,400	0.10
Mr. S.D. Divakarage	18,500	0.07	1,800	0.01
Mr. K.K.P. Kodikara	16,300	0.06	-	-
Mrs S. C. Samarasinghe	15,400	0.06	15,400	0.06
Mr. M.S.F. Haqqe	15,300	0.06	-	-
Mr. M.S. Mohamed Subair	14,600	0.06	3,800	0.01
Mr. T. Rajasekaran	14,000	0.05	14,000	0.05

28. ANNUAL REPORT

The Board of Directors approved the financial statements together with the reviews which form part of the Annual Report on 2nd May 2012.

Signed on behalf of the Board,

The appropriate number of copies of the Report would be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standard Monitoring Board and the Registrar of Companies within the given time frames.

(Sgd.)
I. Paulraj
Chairman

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

Colombo.
2nd May 2012

29. ANNUAL GENERAL MEETING

92nd Annual General Meeting of the Company will be held on Thursday, the 7th day of June 2012 at 3.00 pm at 65C, Dharmapala Mawatha, Colombo 7.

The notice of the Annual General Meeting is on page 40 of the Annual Report.

Profiles of the Directors

Israel Paulraj

Israel Paulraj is the Chairman of Ceylon Guardian Investment Trust PLC, Ceylon Investment PLC and Rubber Investment Trust Limited. He serves as a Director of Carson Cumberbatch PLC and of several other subsidiary companies within the Carsons Group. He is the Chairman of the Incorporated Trustees of the Church of Ceylon.

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

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

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

Chandima Gunawardena

Chandima Gunawardena is a Director of Carson Cumberbatch PLC. He serves as a Director in most of the Carsons Group Companies in Sri Lanka and overseas. Since assuming Non Executive status in the group he currently serves as an advisor to the group's strategic planning and management forums and serves on Board Committees including its Audit Committees of the Group.

Mr. Gunawardena has over four decades of experience in varied fields of business and commercial activities and has held senior positions in the 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

Subramaniam Mahendrarajah is a Director of Equity One PLC, Weniwella Investments Limited, Leechman & Company (Private) Limited and Mylands Investments Limited. He is the Group Finance Director of Sri Krishna Group of Companies. He has wide experience in manufacturing, trading, financial services and management. Past President of the Rotary Club of Colombo Down Town. Recipient of the prestigious "Service above Self" award from Rotary International.

Audit committee report

As provided by the Colombo Stock Exchange Listing Rules, the Audit Committee of Carson Cumberbatch PLC (CCPLC), the ultimate parent company is the Audit Committee of the Company.

The members of the Audit Committee are as follows :

Audit Committee members	Executive/Non-Executive/ Independent
Mr.Vijaya Malalasekera (Chairman)	Non-Executive, Independent (CCPLC)
Mr.Chandima Gunawardena	Non-Executive (CCPLC)
Mr. Faiz Mohideen	Non-Executive, Independent (CCPLC)

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

Mr.Chandima Gunawardena is a Non-Executive Director of CCPLC and in most of its Group Companies.

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

The audit aspects of Guardian Capital Partners PLC are conducted within the Agenda of CCPLC-Audit Committee and the Committee was advised by Mr.Tennyson Rodrigo as a member of the Panel of Expert Advisors to the Audit Committee of CCPLC, for the Investment Sector, Property Sector and the Leisure Sector of the Group. Mr.Rodrigo is a Director of Good Hope PLC and Indo-Malay PLC and was the former Managing Director and Chief Executive of Capital Development and Investment Company PLC and was the former Chairman of the Audit Committee of Eagle Insurance Company Limited.

In May 2012, Mr. Tennyson Rodrigo stepped down from the position of Expert Advisor to the Audit Committee for the Investment Sector.

CCPLC-Audit Committee held 04 Meetings during the financial year to discuss matters relating to the Company and the attendance of the Members of the Audit Committee was as follows :

Meetings attended (out of four)	
Mr.Vijaya Malalasekera (Chairman)	04
Mr.Chandima Gunawardena	03
Mr.Faiz Mohideen	04

Mr.Tennyson Rodrigo, the Expert Advisor attended all 04 Audit Committee Meetings.

The Audit Committee Meetings were also attended by the internal auditors and senior management staff members.

The Committee met the external auditors twice during the year, i.e. to discuss the audit scope and to deliberate the draft Financial Report and Accounts. The Audit Committee also met the external auditors, Messrs.KPMG, Chartered Accountants and discussed the draft Financial Report and Accounts, without the management being present.

In accordance with the audit plan formulated and approved by the Audit Committee for the financial year 2011/2012, the Group Internal Audit (GIA) carried out six detailed audits on the Investment Sector companies.

The findings and contents of the Group Internal Audit reports have been discussed with the management and subsequently the audit reports were circulated to the Audit Committee and to the 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. The draft financial statements of Guardian Capital Partners PLC for the year ended 31st March 2012 were also reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs. KPMG, Chartered Accountants prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations

Audit committee report

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, the Auditors are independent on the basis that they do 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 2013, subject to the approval of the shareholders of Guardian Capital Partners PLC at the Annual General Meeting.

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.

(Sgd.)

V.P. Malalasekera

Chairman – Audit Committee

Carson Cumberbatch PLC
2nd May 2012

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 Independent Auditors' Report.

According to the Companies Act, No. 7 of 2007 and Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, Directors are required to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the performance for the said period.

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.

The Directors are responsible for ensuring that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company, and for ensuring that the financial statements have been prepared and presented in accordance with Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, and meet with the requirements of the Companies Act, No. 7 of 2007.

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

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

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

By Order of the Board,

(Sgd.)

K.D. de Silva (Mrs.)

Director

**Carsons Management Services (Private) Limited
Secretaries**

Colombo.

2nd May 2012

Financial Calendar

Financial year end	31st March 2012
92nd Annual General Meeting	7th June 2012

ANNOUNCEMENT OF RESULTS

Interim financial statements published in terms of the listing rules of the Colombo Stock Exchange

• Six months ended 30th September 2011 14th November 2011

In addition,

• Three months ended 30th June 2011	12th August 2011
• Nine months ended 31st December 2011	14th February 2012

were released to the Colombo Stock Exchange

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
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF GUARDIAN CAPITAL PARTNERS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Guardian Capital Partners PLC, which comprise the balance sheet as at March 31, 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2012 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2012 and its loss and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo
02 May 2012

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

M.R. Mihular FCA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. M. P. Perera FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
R.M.D.B. Rajapakse ACA
Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

Income Statement

<i>For the year ended 31st March</i>	Note	2012 Rs '000	2011 Rs '000
Revenue	11	13,834	2,991
Unrealised loss on mark to market value adjustment of long-term investments		(18,453)	-
Profit/(loss) on investment activities		(4,619)	2,991
Administrative and other operating expenses		(16,059)	(6,183)
Loss from operations	12	(20,678)	(3,192)
Finance expenses	13	(605)	(5,718)
Loss before taxation		(21,283)	(8,910)
Income tax expenses	14	(198)	(94)
Loss for the year		(21,481)	(9,004)
Loss per share (Rs.)	15	(0.83)	(0.37)

The notes on pages 24 to 36 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Balance Sheet

<i>As at 31st March</i>	Note	2012 Rs '000	2011 Rs '000
ASSETS			
Non-current assets			
Long-term investments	16	522,197	287,427
Total non-current assets		522,197	287,427
Current assets			
Trade and other receivables	17	92	39,715
Current tax receivable		903	707
Short-term deposits		-	176,573
Cash at bank		4,758	9,213
Total current assets		5,753	226,208
Total assets		527,950	513,635
EQUITY AND LIABILITIES			
Equity			
Stated capital	18	513,656	513,656
Revenue reserves	19	(7,932)	(5,449)
Total equity		505,724	508,207
Current liabilities			
Other payables	20	6,029	5,428
Bank overdraft		16,197	-
Total current liabilities		22,226	5,428
Total equity & liabilities		527,950	513,635
Net assets per share (Rs.)		19.58	19.67

The notes on pages 24 to 36 form an integral part of these financial statements.

I certify that these financial statements are in compliance with the requirements of the Companies Act, No. 7 of 2007.

(Sgd.)

V. R. Wijesinghe

Financial Controller

Carsons Management Services (Private) Limited

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed on behalf of the Investment Managers,

Approved and signed on behalf of the Board,

(Sgd.)

W. Y. R. Fernando

Director

Guardian Fund Management Limited

(Sgd.)

I. Paulraj

Chairman

(Sgd.)

D. C. R. Gunawardena

Director

Colombo

2nd May 2012

Statement of Changes in Equity

<i>(In Rs '000)</i>					
	Stated capital	Revenue reserves			Total equity
		Long-term investment revaluation reserve	General reserve	Retained earnings/ (accumulated losses)	
Balance as at 1st April 2010	10,400	-	619	91,509	102,528
Dividend paid	-	-	-	(88,573)	(88,573)
Rights issue of shares	503,256	-	-	-	503,256
Loss for the year	-	-	-	(9,004)	(9,004)
Balance as at 31st March 2011	513,656	-	619	(6,068)	508,207
Balance as at 1st April 2011	513,656	-	619	(6,068)	508,207
Mark to market value adjustment on long-term investments (Note 16.4)	-	18,998	-	-	18,998
Loss for the year	-	-	-	(21,481)	(21,481)
Balance as at 31st March 2012	513,656	18,998	619	(27,549)	505,724

The notes on pages 24 to 36 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Cash Flow Statement

<i>For the year ended 31st March</i>	2012 Rs '000	2011 Rs '000
Cash flows from operating activities		
Loss before taxation	(21,283)	(8,910)
Finance expenses	605	5,718
Mark to market value adjustment on long-term investments - unrealised	18,453	-
Operating loss before working capital changes	(2,225)	(3,192)
Net increase in long-term investments	(234,225)	(287,427)
(Increase)/decrease in trade and other receivables	39,623	(39,645)
Increase in other payables	651	321
Cash used in operating activities	(196,176)	(329,943)
Finance expenses paid	(605)	(5,718)
Income tax paid	(394)	(2,181)
Net cash used in operating activities	(197,175)	(337,842)
Cash flows from financing activities		
Proceeds from rights issue of shares	-	503,256
Dividend paid	(50)	(85,113)
Net cash generated from / (used in) financing activities	(50)	418,143
Net increase / (decrease) in cash & cash equivalents during the year	(197,225)	80,301
Cash & cash equivalents at the beginning of the year	185,786	105,485
Cash & cash equivalents at the end of the year	(11,439)	185,786
Cash & cash equivalents		
Cash at bank	4,758	9,213
Short-term deposits	-	176,573
Bank overdraft	(16,197)	-
	(11,439)	185,786

The notes on pages 24 to 36 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

1. REPORTING ENTITY

Guardian Capital Partners PLC (the “Company”) is a limited liability company which is incorporated and domiciled in Sri Lanka. The shares of the Company have a primary listing on the Colombo Stock Exchange.

The registered office and principal place of business of the Company is located at No. 61, Janadhipathi Mawatha, Colombo 1.

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

Ceylon Guardian Investment Trust PLC is the parent company of Guardian Capital Partners PLC. In the opinion of the Directors, Carson Cumberbatch PLC is the ultimate parent company of Guardian Capital Partners PLC.

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

The Company had no employees of its own during the year (2011 – Nil).

2. STATEMENT OF COMPLIANCE

The financial statements of the Company comprise the Balance Sheet, Statements of Income, Changes in Equity and Cash Flows together with notes to the financial statements.

These statements are prepared in accordance with the accounting standards laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act, No. 7 of 2007.

The financial statements for the year ended 31st March 2012 were authorized for issue by the Board of Directors on 2nd May 2012.

3. BASIS OF PREPARATION

3.1. Basis of measurement

The financial statements have been prepared on historical cost basis and applied consistently, except for the market value adjustment of investment portfolios as stated in paragraph 5.1.3.

3.2. Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’), which is Sri Lankan Rupees.

All foreign currency transactions are converted into functional currency at the rates of exchange prevailing at the time the transactions are effected.

At each balance sheet date, foreign currency monetary items are translated using closing rate, non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rate at the date when the fair values were determined.

The financial statements are presented in Sri Lankan Rupees thousands (Rs. ‘000) unless otherwise stated, which is the Company’s presentation currency.

Figures in brackets indicate deductions / negative changes.

3.3. Materiality and aggregation

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

4. USES OF ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation and uncertainty that have the most significant effect on the amounts recognised in the financial statements are described below.

Estimates

4.1. Assessment of impairment

The Company assesses at each balance sheet date whether there is objective evidence that an asset or portfolio of assets is impaired. In determining whether an asset is impaired or not, the Company compares the carrying amount of such an asset against the recoverable amount; being 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.

Fair value less cost to sell will be based on the available market information as at the date of assessment.

4.2. Current taxation

Current tax liabilities are provided for in the financial statements applying the relevant tax statutes and regulations which the management believes reflect

actual liability. There can be instances where the stand taken by the Company on transactions is contested by revenue authorities.

Any additional costs on account of these issues are accounted for as a tax expense at the point liability is confirmed.

4.3. Value of unquoted investments

The carrying value of the unquoted equity investments are determined based on the Directors' valuations. Such valuations of Directors are based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. These valuations require the Company to make estimates about expected future cash flows and discount rates, and hence are subject to uncertainty.

However, unquoted investments are stated in the financial statements at cost or Directors valuation whichever is lower, on a more conservative basis.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently for all the periods presented in these financial statements and deviations if any, have been disclosed.

Assets and bases of their valuation

Assets classified as current assets in the Balance Sheet are cash and those which are expected to realise in cash, during the normal operating cycle of the Company's business, or within one year from the balance sheet date, whichever is shorter. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the balance sheet date.

Notes to the Financial Statements

5.1. Investments

5.1.1. Classification

Investments held for yield or capital appreciation are classified as 'Long-term investments'.

- Investments deriving from the private placement of unlisted securities where the Company has participated in and held for yield or capital appreciation are classified as 'Investment in equity securities – private equity' (unlisted). Such investments are initially categorized under non-current assets.
- Subsequently, upon obtaining the listing in the stock exchange, such investments will be classified as 'Investment in equity securities – quoted'.

5.1.2. Cost

Cost of investments is the cost of acquisition including brokerage, commission and such other fees directly attributable to the acquisition.

5.1.3. Valuation

- Quoted investments

Quoted investments are initially recognised at cost and subsequently measured at revalued amounts, based on the published market prices at quarterly intervals. Any gains are recognized in equity as revaluation surplus. A subsequent decline will be offset against a previous increase for the same investment, which was credited to the revaluation surplus. A further decline in the carrying amount in excess of the initial cost of such investment is recognized as an expense in the Income Statement.

An increase on revaluation relating to a previous decrease in carrying amount recognized as an expense, is credited to income, to the extent it offsets the previously recorded expense in the Income Statement.

On disposal, the amount of gains applicable to that investment previously credited to the revaluation reserve is transferred from revaluation reserve to the Income Statement.

- Unquoted investments

All unquoted investments including private equity investments, are carried at lower of cost and Directors' valuation. Provision is made for any permanent diminution in value.

5.1.4. Market value of the investment portfolio

The market value of the investment portfolio is stated at the values published in the official valuation list of the Colombo Stock Exchange, as of a given date. Where the official valuation is not available, the market value is stated at the last transacted price.

5.2. Trade and other receivables

Trade and other receivables are carried at original invoice amount less provision for impairment of trade receivables, when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

The carrying amount of the asset is reduced and the amount of the loss is recognised, if any, in the Income Statement under 'Administration and other operating expenses'. When a trade receivable is uncollectible, it is written off against the provision for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Administration and other operating expenses' in the Income Statement.

5.3. Cash & cash equivalents

Cash & cash equivalents are defined as cash in hand and bank, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of the Cash Flow Statement, cash & cash equivalents comprise cash in hand, bank deposits held in banks and investments in money market instruments, net of short term loans and bank overdraft.

5.4. Impairment of assets

The Company assesses assets or groups of assets for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying value of assets may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount.

Where the carrying amount of an asset or a group of assets exceeds its recoverable amount, the asset or the group of asset is considered to be impaired and is written down to its recoverable amount. The impairment loss is charged to the Income Statement.

Assets with indefinite useful lives are not subject to amortisation and are tested on an annual basis for impairment and additionally whenever an indication of impairment exists.

Previously recognised impairment losses are assessed at each balance sheet date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed, if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent of the asset's carrying amount, which would have been determined, had no impairment losses been recognized previously.

Liabilities and provisions

5.5. Liabilities

Liabilities classified as current liabilities in the Balance Sheet are those obligations payable on demand or within one year from the balance sheet date. Items classified as non-current liabilities are those obligations which expire beyond a period of one year from the balance sheet date.

All known liabilities have been accounted for in preparing these financial statements. 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.

5.6. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

5.7. Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events the existence of which 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 recognized because it cannot be measured reliably.

The Company does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Notes to the Financial Statements

Income statement

5.8. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue:

5.8.1. Gains / (losses) from disposal of investments

On the date of the transaction (trade date) (accrual basis)

5.8.2. Dividend income

At the point where the shareholders' right to receive dividend is established.

5.8.3. Interest income

On accrual basis.

5.8.4. Other income

On accrual basis.

5.9. Expenditure recognition

5.9.1. Operating expenses

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

5.9.2. Finance expenses

Interest expenses are recognized on an accrual basis.

5.9.3. Income tax expenses

The provision for current tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act.

Income tax expenses are recognized in the Income Statement except to the extent that it relates to the items recognised directly in equity, in which case it is recognized in the Statement of Changes in Equity.

The relevant details are disclosed in respective notes to the financial statements.

5.9.4. Economic Service Charge (ESC)

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

5.9.5. Social Responsibility Levy (SRL)

As per the provisions of Finance Act, No. 5 of 2005, and amendments thereto, SRL was introduced with effect from 1st January 2005 and was abolished with effect from 1st April 2011.

SRL was payable at the rate of 1.5% on all taxes and levies chargeable as specified in the first schedule of the Act, until the year 2011.

Earnings / (loss) per share

The Company presents basic earnings/ (loss) per share (EPS/LPS) data, considering the ordinary shares in issue. Basic EPS/LPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

Cash flow

Interest paid, interest received and dividend received are classified as operating cash flows, while dividend paid is classified as financing cash flows for the purpose of presentation of Cash Flow Statement which has been prepared using the “indirect method”.

Related party transactions

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

Events after the balance sheet date

All material and significant events which occur after the balance sheet date have been considered and disclosed in note 21.

6. DIVIDENDS ON ORDINARY SHARES

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

7. PRESENTATION

7.1. Offsetting income and expenses

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

7.2. Offsetting assets and liabilities

Assets and liabilities are offset and the net amount reported in the Balance Sheet only where there is:

- a current enforceable legal right to offset the asset and liability; and
- an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

8. DIRECTORS’ RESPONSIBILITY

The Board of Directors is responsible for the preparation and presentation of the financial statements.

This is more fully described under the relevant clause in the Directors’ Report.

9. COMPARATIVE FIGURES

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

10. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT BALANCE SHEET DATE

The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1 January 2012. Accordingly, these Standards have not been applied in preparing these financial statements as they were not effective for the period ended 31 March 2012.

These Sri Lanka Accounting Standards comprise Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS). Application of Sri Lanka Accounting Standards prefixed SLFRS and LKAS for the first time shall be deemed to be an adoption of SLFRSs.

The Company is currently in the process of evaluating the potential effects of these Standards on its financial statements, and based on the management’s assessment the impact on the financial statements on the adoption of these Standards will not be material, except fair value adjustment on private equity (unlisted) investments.

Notes to the Financial Statements

<i>For the year ended 31st March</i>		2012	2011
		Rs '000	Rs '000
11	REVENUE		
	Realised gain from disposal of long-term investments	860	-
	Realised gain from disposal of short-term investments	3,700	2
	Dividend income	5,318	20
	Interest income	3,956	2,969
		13,834	2,991
12	LOSS FROM OPERATIONS		
12.1	Loss from operations is stated after charging all expenses including the following:		
	Auditors' remuneration & expenses		
	- Audit fees	105	95
	- Audit related fees	-	-
	- Non-audit fees	-	112
	Directors' fees & emoluments	-	-
	Management & secretarial fees	9,633	323
12.2	The Company did not have any employees of its own during the financial year under review.		
13	FINANCE COST		
	- banking institutions	605	-
	- related companies	-	5,718
		605	5,718
14	INCOME TAX EXPENSE		
	Provision for the year (note 14.1)	-	37
	Under provision for previous years	198	57
	Total tax expense for the year	198	94
14.1	Reconciliation between accounting profit / (loss) and taxable profit / (loss)		
	Accounting loss before taxation	(21,283)	(8,910)
	Less: Exempt profits on share trading activities	(9,878)	(15)
	Add: Disallowed expenses	11,153	4,205
	Unrealised Mark to market value adjustment	18,453	-
	Taxable loss for the year	(1,555)	(4,720)
	Accumulation of tax losses (note 14.2)	1,555	4,720
	Taxable income	-	-
	Taxation thereon @ 28% (2011 - 35%)	-	-
	Social Responsibility Levy (SRL) on income tax @ 1.5% (note 14.6)	-	-
	Social Responsibility Levy (SRL) on dividend tax	-	37
	Provision for the year	-	37

<i>For the year ended 31st March</i>		2012	2011
		Rs '000	Rs '000
14.2	Movement in tax losses		
	Tax losses at the beginning of the year	4,720	-
	Adjustment on loss brought forward	7	-
	Tax losses incurred during the year	1,555	4,720
	Tax losses at the end of the year	6,282	4,720

14.3 In accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and amendments thereto, the Company is liable to income tax at 28% (2011 - 35%).

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

14.5 Utilization of tax losses are restricted to 35% of the Statutory Income. Any part of unutilized tax losses can be carried forward indefinitely.

14.6 The Social Responsibility Levy (SRL) was abolished with effect from 1st April 2011, hence no SRL is applicable for the current year (2011 - 1.5% of income tax expense).

15 EARNINGS/(LOSS) PER SHARE

The Company's earnings/(loss) per share is calculated on the profit/(loss) attributable to the shareholders over the weighted average number of ordinary shares in issue during the year, as required by Sri Lanka Accounting Standard 34 (Revised 2005) - "Earnings per share".

The Company raised a sum of Rs. 513,656,000/- during the financial year 2010/11 by means of a right issue of ordinary shares, which resulted in the number of shares in issue to increase by 25,162,800 shares. The impact of the bonus element included within the price of the rights issue has been adjusted in arriving at the number of ordinary shares used as the denominator in the computation of loss per share for the financial year 2010/11.

The following reflects the earning and share data used for the computation of 'Earnings/(loss) per share'.

<i>For the year ended 31st March</i>		2012	2011
Amount used as the numerator			
	<i>Profit/(loss) for the year (Rs '000)</i>	(21,481)	(9,004)
Amount used as the denominator			
	<i>Weighted average number of ordinary shares in issue during the year</i>	25,833,808	24,066,193
	Earnings/(loss) per share (Rs.)	(0.83)	(0.37)

Notes to the Financial Statements

16 LONG-TERM INVESTMENTS Summary

	Note	Cost as at 31st March 2012 Rs '000	Market value / Director's valuation as at 31st March 2012 Rs '000	Cost as at 31st March 2011 Rs '000	Market value / Director's valuation as at 31st March 2011 Rs '000
Investment in equity securities					
Quoted	16.1	481,647	482,192	-	-
Private equity (unlisted)	16.2	40,005	40,005	287,427	287,427
Total investment in equity securities		521,652	522,197	287,427	287,427

Note: Investment portfolio excludes cash and cash equivalents

16A Movement in long-term investments

Year 2011/12 <i>In Rs. '000s</i>	As at 1st April 2011	Additions	Disposals	Mark to market value adjustment	As at 31st March 2012
Investment in equity securities	287,427	240,285	(6,060)	545	522,197
	287,427	240,285	(6,060)	545	522,197

Year 2010/11 <i>In Rs. '000s</i>	As at 1st April 2010	Additions	Disposals	Mark to market value adjustment	As at 31st March 2011
Investment in equity securities	-	287,427	-	-	287,427
	-	287,427	-	-	287,427

The mark to market value adjustment includes; realised and unrealized gains/(losses) arising from investment portfolio.

16.1 Investment in equity securities - Quoted

	No. of shares	Cost as at 31st March 2012 Rs. '000	Market value as at 31st March 2012 Rs. '000	No. of shares	Cost as at 31st March 2011 Rs. '000	Market value as at 31st March 2011 Rs. '000
Construction & Engineering						
Access Engineering PLC	8,000,000	200,280	213,600	-	-	-
		200,280	213,600	-	-	-
Diversified						
Expolanka Holdings PLC	40,600,000	246,042	251,720	-	-	-
		246,042	251,720	-	-	-
Manufacturing						
Textured Jersey Lanka PLC	2,343,300	35,325	16,872	-	-	-
		35,325	16,872	-	-	-
Total investments in equity securities - quoted		481,647	482,192	-	-	-

The market value of the Company's investment portfolio is based on the official valuation list as at 31st March, published by the Colombo Stock Exchange.

16.2 Investment in equity securities - Private equity (unlisted)

	No. of shares	Cost as at 31st March 2012 Rs. '000	Director's valuation as at 31st March 2012 Rs. '000	No. of shares	Cost as at 31st March 2011 Rs. '000	Director's valuation as at 31st March 2011 Rs. '000
Diversified						
Expolanka Holdings Limited	-	-	-	41,600,000	252,102	252,102
		-	-		252,102	252,102
Information technology						
Hsenid Business Solutions (Pvt) Ltd.	163,419	40,005	40,005	-	-	-
		40,005	40,005		-	-
Manufacturing						
Textured Jersey Lanka (Pvt) Ltd.	-	-	-	2,343,300	35,325	35,325
		-	-		35,325	35,325
Total investment in equity securities - Private equity (unlisted)		40,005	40,005		287,427	287,427

16.3 An amount of Rs. 18.45mn has been charged to Income Statement in accordance with note 5.1.3, being the decline in the carrying amount of long-term investments below their initial cost.

16.4 In accordance with note 5.1.3, an amount of Rs. 18.99mn was recognized in the Statement of Changes in Equity, as re-valuation surplus on long-term investments.

Notes to the Financial Statements

<i>As at 31st March</i>		2012	2011
		Rs '000	Rs '000
17	TRADE AND OTHER RECEIVABLES		
	Refunds due on unallotted shares (note 17.1)	-	39,675
	Other receivables	92	40
		92	39,715

17.1 Refunds due on unallotted shares for the year 2011 represented the amount due on unallotted shares in Textured Jersey Lanka (Pvt) Limited as at 31st March 2011.

18	STATED CAPITAL		
	As at the beginning of the year	513,656	10,400
	Rights issue of shares (note 18.2)	-	503,256
	As at the end of the year	513,656	513,656

18.1	Movement in the number of shares		
	As at the beginning of the year	25,833,808	671,008
	Rights issue of shares (note 18.2)	-	25,162,800
	As at the end of the year	25,833,808	25,833,808

18.2 During the financial year 2010/11, the Company raised a sum of Rs. 503,256,000/- via a right issue of ordinary shares. This resulted in 25,162,800 new shares being issued at a ratio of 75 new shares for every 02 shares held at a price of Rs. 20/- per share. These funds were raised for expanding the capital base of the Company to undertake new investment projects in the stream of private equity.

<i>As at 31st March</i>		2012	2011
		Rs '000	Rs '000
19	REVENUE RESERVES		
	General reserve	619	619
	Long-term investment revaluation reserve	18,998	-
	Accumulated losses	(27,549)	(6,068)
		(7,932)	(5,449)

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

19.2 Long-term investments revaluation reserve
This consists of unrealised surplus on revaluation of long-term investments.
The movement of the revenue reserves are given in the Statement of Change in Equity.

20	OTHER PAYABLES		
	Unclaimed dividends	4,835	4,885
	Accruals and other payables	1,194	543
		6,029	5,428

21 EVENTS AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the balance sheet date, which would require adjustments to or disclosure in the financial statements.

22 CONTINGENT LIABILITIES

There were no contingent liabilities as at the balance sheet date.

23 CAPITAL COMMITMENTS

There were no commitments of a material amount or nature as at the balance sheet date.

24 RELATED PARTY TRANSACTION

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 30 (Revised 2005) - "Related party disclosures", the details of which are reported below.

24.1 Parent company and ultimate controlling party

Ceylon Guardian Investment Trust PLC is the parent company of Guardian Capital Partners PLC.

In the opinion of the Directors, Carson Cumberbatch PLC is the ultimate parent company of Guardian Capital Partners PLC.

24.2 Transactions with related companies

Name of the company	Nature of the relationship	Name/s of common Director/s	Nature of transactions	2012 Rs '000	2011 Rs '000
Carson Cumberbatch PLC	Ultimate parent	I. Paulraj D.C.R. Gunawardena	Interest income on short-term advances	-	2,179
Ceylon Guardian Investment Trust PLC	Parent	I. Paulraj D.C.R. Gunawardena	Subscription received for the rights issue of shares	-	433,856
Ceylon Investment PLC	Affiliate	I. Paulraj D.C.R. Gunawardena	Investments transferred Interest paid	- -	250,848 5,718
Guardian Fund Management Limited (GFM)	Affiliate	I. Paulraj (Resigned from GFM w.e.f. 19.04.2011) D.C.R. Gunawardena (Resigned from GFM w.e.f. 15.04.2011)	Portfolio management fees paid Reimbursement of Professional fees	7,000 1,500	- -

Notes to the Financial Statements

24.2 Transactions with related companies (Contd.)

Name of the company	Nature of the relationship	Name/s of common Director/s	Nature of transactions	2012 Rs '000	2011 Rs '000
Carsons Management Services (Private) Limited (CMSL)	Affiliate	D.C.R. Gunawardena <i>(Resigned from CMSL w.e.f. 15.04.2011)</i>	Management fees paid Secretarial fees paid Computer charges paid	2,333 300 30	308 15 31

24.3 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard 30 (Revised 2006) "Related Party Disclosures" Key Management personnel (KMP) are those having authority and responsibility for planning and controlling the activities of the entity. Accordingly, the Directors of the Company and its parent Company (including executive and non executive directors) and their immediate family members have been classified as Key Management Personnel of the Company.

The Compensation to KMP and other short-term employment benefits has been disclosed in Note 12. No other payments such as post employment benefits, termination benefits and share based payments have been paid to KMP during the year.

Five year financial summary

<i>For the year ended 31st March</i>		2012	2011	2010	2009	2008
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Operating results						
Revenue		13,834	2,991	20,191	55,045	831
Mark to market value adjustment - Unrealised		(18,453)	-	-	(6,149)	(6,459)
Profit/(loss) on investment activities		(4,619)	2,991	20,191	48,896	(5,628)
Profit / (loss) before taxation		(21,283)	(8,910)	18,086	47,151	(7,800)
Income tax expense		(198)	(94)	(2,317)	(582)	-
Profit / (loss) after taxation		(21,481)	(9,004)	15,769	46,569	(7,800)
Balance Sheet						
Stated capital		513,656	513,656	10,400	10,400	10,400
Reserves		(7,932)	(5,449)	92,128	88,102	51,598
Total equity		505,724	508,207	102,528	98,502	61,998
Assets employed						
Current assets		5,753	226,208	105,555	99,822	62,405
Current liabilities		(22,226)	(5,428)	(3,027)	(1,320)	(882)
Net current assets		(16,473)	220,780	102,528	98,502	61,523
Long-term investments		522,197	287,427	-	-	475
Net assets		505,724	508,207	102,528	98,502	61,998
Cash Flow Statements						
Net cash generated from / (used in) operating activities		(197,175)	(337,842)	38,441	70,676	24,416
Net cash generated from / (used in) financing activities		(50)	418,143	(11,418)	(9,676)	(6,456)
Net increase / (decrease) in cash and cash equivalents		(197,225)	80,301	27,023	61,000	17,960
Ratios & statistics						
Earnings / (loss) per share *	(Rs.)	(0.83)	(0.37)	0.66	69.40	(11.62)
Dividend per share **	(Rs.)	-	-	132.00	17.50	15.00
Dividend growth	(%)	-	-	654.3%	16.7%	50.0%
Dividend yield	(%)	-	-	13.2%	3.5%	3.7%
Dividend payout ratio	(%)	-	-	56.17	25.22	-
Net assets per share	(Rs.)	20.10	19.67	152.80	146.80	92.40
Market price per share **	(Rs.)	70.20	290.60	1,000.00	500.00	400.25
Price to book value	(times)	3.49	14.77	6.54	3.41	4.33
Market value of investment portfolio***	(Rs.'000)	510,758	473,213	105,485	98,950	146,983
Market capitalization	(Rs.'000)	1,813,533	7,507,305	671,008	335,504	268,571
All share price index	(points)	5,420.2	7,226.1	3,724.6	1,638.1	2,550.5
Milanka price index	(points)	4,891.6	6,874.7	4,270.7	1,736.2	3,181.3

* The earnings per share and the market price per share reflects values adjusted due to the rights issue of shares, since 2011.

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

*** Based on market value of portfolio after adjusting for cash & 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.

Stock Exchange code for Guardian Capital Partners PLC is 'WAPO'.

2 Ordinary shareholders

As at 31st March	2012	2011
Number of shareholders	3,189	2,668

The number of shares held by non-residents as at 31st March, 2012 was 76,827 (2011- 35,587) which amounts to 0.3% (2011 - 0.14%) of the total ordinary shares in issue.

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	2,649	762,747	2.95	30	8,164	0.03	2,679	770,911	2.98
1,001-10,000	463	1,341,228	5.19	11	39,763	0.15	474	1,380,991	5.35
10,001-100,000	31	725,859	2.81	2	28,900	0.11	33	754,759	2.92
100,001-1,000,000	2	1,234,347	4.78	-	-	-	2	1,234,347	4.78
Above 1,000,000	1	21,692,800	83.97	-	-	-	1	21,692,800	83.97
Grand total	3,146	25,756,981	99.70	43	76,827	0.30	3,189	25,833,808	100.00

Categories of shareholders	No. of share-holders	No. of shares	%
Individuals	3,090	2,524,950	9.77
Institutions	99	23,308,858	90.23
Total	3,189	25,833,808	100.00

3 Market performance - ordinary shares

For the year	2012	2011
Share price as at 31 March	70.20	290.60
Highest (Rs.)	344.90	10,012.50
Lowest (Rs.)	65.00	196.00
Value of shares traded (Rs. '000)	1,724,130	881,426
No. of shares traded	8,192,593	2,724,000
Volume of transactions (Nos.)	30,530	8,501
Market capitalization (Rs '000)	1,813,533	7,507,305

4 Public holding

The percentage shares held by public as at 31st March 2012 was 13.77% (2011 - 13.77%).

5 Dividend

The Directors do not recommend a dividend for the year ended 31st March 2012 (2011 - Nil).

6 Number of employees

There were no employees of the Company as at the end of the period (2011 - Nil).

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Ninety Second Annual General Meeting of Guardian Capital Partners PLC will be held on Thursday, the 7th day of June 2012 at 3.00 p.m. at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 7 for the following purposes :

1. To receive and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2012, together with the report of the Auditors thereon.
2. To re-elect Mr. S. Mahendrarajah who retires by rotation in terms of Articles 72, 73 & 74 of the Articles of Association of the Company.
3. To Re-appoint Mr. I. Paulraj as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following resolution:

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not be applicable to Mr. I. Paulraj who is 75 years of age and that he be re-appointed a Director of the Company from the conclusion of the Annual General meeting for a further period of one year."

4. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154(1) of the Companies Act No. 07 of 2007 and to authorise the Directors to determine their remuneration.

By Order of the Board

CARSONS MANAGEMENT SERVICES (PRIVATE) LIMITED

Secretaries

Colombo

2nd May 2012

Notes :

1. 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.
2. The completed Form of Proxy must be deposited at the Registered Office, No. 61, Janadhipathi Mawatha, Colombo 1, not later than 3.00 p.m. on 05th June 2012.
3. A person representing a Corporation is required to carry a certified copy of the resolution authorizing him/her to act as the representative of the Corporation. A representative need not be a member.
4. The transfer books of the Company will remain open.
5. Security Check -
We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the security personnel stationed at the entrance lobby.

Form of Proxy

*I/ We.....
of
being *a Member/Members of 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

as *my/our proxy to attend at the 92nd Annual General Meeting of the Company to be held on Thursday, the 7th day of June 2012 at 3.00 p.m., at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 07 and any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
(i)	To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2012, together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
(ii)	To re-elect Mr. S. Mahendrarajah who retires in terms of Article 72, 73 & 74 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(iii)	To re-appoint Mr. I. Paulraj who is over seventy years of age as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
(iv)	To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act. No. 07 of 2007 and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....
Signature /s

- Note:**
- (a) * Please delete the inappropriate words.
 - (b) A shareholder entitled to attend and vote at a General meeting of the company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the company. A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the general meeting of the shareholders.
 - (c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
 - (d) Instructions are noted on the reverse hereof.

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 deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1 not later than 3.00 p.m. on 05th June 2012.

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

PQ-49

Legal Form

A Public Quoted Company (Quoted 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 serve as a specialised investment vehicle, to undertake private equity investments.

Parent Enterprise

The Company's holding Company and Controlling Entity is Ceylon Guardian Investment Trust PLC, which is incorporated in Sri Lanka

Ultimate Parent Company

Carson Cumberbatch PLC

Directors

I. Paulraj (Chairman)
D. C. R. Gunawardena
S. Mahendrarajah

Alternate Director

S. Mahendrarajah (for I.Paulraj)

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: +94-11-4739200
Fax No: +94-11-4739300

Investment Manager

Guardian Fund Management Limited
No. 61, Janadhipathi Mawatha
Colombo 01
Sri Lanka.
Telephone No: +94-11-4739200
Fax No: +94-11-4739385

Registered Office & Principal Place of Business

No. 61, Janadhipathi Mawatha
Colombo 01
Sri Lanka.
Telephone No: +94-11-4739200
Fax No: +94-11-4739300

Corporate Website

www.carsoncumberbatch.com

This report has been produced by Emagewise (Pvt) Limited, a Certified Carbon Neutral Company



Designed & produced by emagewise
Digital Plates by Imageline (Pvt) Ltd
Printed by Gunaratne Offset Ltd

