# POSITIVE MOMENTUM

Ceylon Guardian Investment Trust PLC . Annual Report 2013/14

# **POSITIVE MOMENTUM**

We are an experienced and innovative investment company with a high quality diversified portfolio of equity stakes in some of Sri Lanka's most successful companies. We primarily take long term positions in our portfolio, but also have an actively traded portfolio capitalizing on short term market movements. Driven by a team of dedicated investment professionals, we take pride in our fundamental approach to stock selection and believe our market expertise and local knowledge is unparalleled, giving us positive momentum in Sri Lankan capital markets.

The Guardian Group has three companies listed on the Colombo Stock Exchange. Of these, Ceylon Guardian Investment Trust PLC (GUAR) is the holding company of the investment sector, engaged in listed and private equity, client portfolio management and mutual fund management. Ceylon Investment PLC (CINV) invests in listed equity and Guardian Capital Partners PLC is a specialised private equity company.

#### Contents

Financial Highlights 1 • Chairman's Statement 2 • Managers' Commentary 4 • Risk Management 15 • Sustainability Report 20 • Annual Report of the Board of Directors on the Affairs of the Company 23 • Profiles of the Directors 30 • Management Team Profile 32 • Audit Committee Report 34 • Financial Information 36 • Independent Auditors' Report 37 • Statement of Comprehensive Income 38 • Statement of Financial Position 39 • Statement of Changes In Equity 40 • Statement of Cash Flow 42 • Notes to the Financial Statements 43 • Five year summary 88 • US \$ Financials 90 • Information to Shareholders and Investors 97 • Notice of Meeting 99 • Form of Proxy 101

## Financial Highlights ⊙

For the year ended / As at 31st March	2014	2013	Change %
Revenue	1,813,045	1,642,599	10
Profit from operations	1,668,941	1,560,928	7
Share of profit of equity accounted investees net of tax	566,157	761,121	(26)
Profit before taxation	2,232,685	2,321,078	(4)
Profit for the year	2,123,074	2,297,499	(8)
Profit attributable to equity holders of the parent	1,716,270	1,886,108	(9)
Other comprehensive expense for the year	(1,878,604)	(447,020)	320
Total comprehensive income for the year	244,470	1,850,479	(87)
Total comprehensive income attributable to equity holders of the parent	191,010	1,470,912	(87)
Net cash generated from operating activities	394,657	1,634,668	(76)
Total equity attributable to equity holders of the parent	14,662,109	14,690,690	-
Total equity	17,705,378	17,829,752	(1)
Total assets	17,928,297	17,922,674	-
	11.71	12.04	(0)
Return on ordinary shareholders' funds (%)	11.71	12.84	(9)
Earnings per share (Rs)	19.54	21.47	(9)
Dividend per share (Rs) *	5.00		100
Net assets per ordinary/deferred share - Book value (Rs)	166.93	167.25 247.48	-
Net assets per ordinary/deferred share - Market value (Rs) Guardian fund value **	228.70 24,198,351	26,029,738	(8) (7)
Stock market data			
All Share Price Index (points)	5,968	5,736	4
S&P SL 20 Index (points)	3,280	3,294	-
Market capitalisation (Company)	14,605,006	13,135,475	11
Share price (Rs.)			
Year end	177.90	160.00	11
High	211.50	231.00	(8)
Low	149.90	144.00	4

\* Based on proposed dividends and subject to approval at the Annual General Meeting

 $\odot$ 

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

# Chairman's Statement

I welcome you to the 62nd 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 2014.

The year under review has been a quiet one with the Colombo stock market recording marginal positive growth during the period under review. Global equity markets have been challenged with the announcement of the quantitative easing tapering and the uncertainties thereby were impacting emerging markets like the Colombo Bourse. However on the domestic front we saw an ideal environment being mapped for a buoyant equity market with interest rates steadily coming down and the Central Bank setting the direction with policy rates. Economic fundamentals also improved setting the foundation for solid economic growth, with a steady interest and exchange rate regime. However investor confidence remained cautious and we saw local participation at a low, preferring a wait and see approach and opting for fixed income instruments such as debentures that offered attractive lower risk returns. However foreign funds were net buyers during the period of review and were seen collecting fundamentally strong stocks at low valuations. We at Guardian being long term investors embraced this opportunity to grow the portfolio by transforming from fully valued to undervalued enterprises. Market volatility during the year under review increased thus presenting opportunities for both buying and selling of securities. The Colombo Bourse flagged a positive return of 4.06% for the period March 2013/14.

Despite the volatile effects of both local and overseas macro factors, at Ceylon Guardian we still remain confident of the long term potential of Sri Lankan equities and the sustainability of the economic development plans set in place. We believe that the long term development potential of Sri Lanka will flow through to its equity markets and indicators such as market capitalisation to GDP (currently 29%) will improve over time. For this to happen, we need a greater depth of companies to invest in, growth in good quality corporate earnings and strong foreign inflows. Needless to say serious investor confidence will improve when policy makers as well as corporates take action to demonstrate sustainable growth in the economy and business environment. At national level, we reckon this would envisage stable macroeconomic indicators and a consistent policy framework governing private sector investments. At corporate level, aggressive growth strategies, investment into profitable expansion and good governance and management structures would warrant serious long term investor consideration and commitment.

We are encouraged by the rapid developments in capital markets with the influx of listed debenture issues which will help open up an active debt market; as well as the concept of unit trust investing gaining popularity and momentum. Furthermore, the entry of new institutional private equity investors to the unlisted market is an encouraging sign that this space too would improve in discipline and professionalism over time. We recognise the efforts that policy makers and regulators have made to spur capital market development over time and hope that future enactments would further strengthen the steps already taken.

The Company recorded a profit after tax of Rs. 2.12 bn despite volatile conditions. A marginal upside of 4.06% was recorded for the benchmark All Share Price Index and the more select Standard & Poor SL 20 recorded a negative 0.41%. Our portfolio value decreased to Rs. 24.20 bn, from Rs. 26.03 bn a year earlier; recording a depreciation of 7.04% vis-à-vis the index growth given above. The actively managed portfolios grew 4.40% vis-à-vis the market performance of 4.06% on the ASPI. Our performance was attributed to booking of profits on selected overvalued stocks, capturing market anomaly and booking substantial capital gains despite subdued market conditions.

On evaluating the medium term performance, five year compounded portfolio growth rate was 35.8% p.a. on market value basis and 49.2% p.a. on market capitalisation, vis-à-vis an All Share Index growth of 29.5% p.a for the same period. This highlights the long term track record of Ceylon Guardian. The buildup of cash by the portfolio is now evident with the intention of investing only when fundamentals justify acquisition. Sizeable cash yields a return to the investors by way of interest income, adding to the total return of Guardian.

The management of the active portfolio of the Guardian Group has been entrusted to Guardian Fund Management Limited, the asset management company of the Carson Cumberbatch Group. It is registered with and regulated by the Securities and Exchange Commission of Sri Lanka. Guardian's positioning as a fully fledged investment company in the Sri Lankan market supported by its own capital, will be reinforced with the key focus areas being identified as customised institutional portfolio management, unit trust management and private equity management. Core competencies in each area have been strengthened through core teams who have chosen each aspect of the business as their desired career path.

Group company assets have been modelled to represent divergent risk classes whereby Ceylon Guardian & Ceylon Investment represents the listed equity risk category and Guardian Capital Partners represent the private equity risk category, hence giving an opportunity to shareholders to identify their own risk and invest accordingly. The corporate structure has been formulated to leverage on potential strategic alliances that the Guardian Group may want to create for shareholder benefit in each asset class.

Taking a long term view of Sri Lanka's capital market we maintain our positive stance and see much opportunity in investing in different aspects of the investment business. Our joint venture with Acuity Partners (Private) Limited (the investment banking arm of HNB and DFCC

 $\bigcirc$ 

Bank) to promote unit trusts to exploit the retail spectrum of the business has performed to expectations and we see further growth going forward. Also our team will look to add more variety by structuring new investment schemes to suit differing investor profiles. The Company was awarded the status of Sri Lanka's Best New Asset Management Company in 2014 by Global Trade and Finance Magazine, a recognition that will enhance our marketing effort. On the international front the only country fund - "The Sri Lanka Fund" managed by us has not raised new funding. The attractiveness of a single country fund is hence being evaluated and we need to modify this product to be more appealing to international investors. Currently it is marketed internationally and accredited as a restricted scheme in Singapore.

On the country perspective, visible infrastructure development is taking place in terms of road network, ports and airports, which have been funded by the public sector. This no doubt would add to economic growth in the years ahead. Also many strategic projects have been approved by the Government showing its commitment in attracting foreign direct investments by offering many concessions to attract these investors. The large scale development projects will add to the impetus of the country's growth going forward. We remain excited about Sri Lanka's growth prospects. We will look to embrace this opportunity by buying into attractively valued companies at opportune times exploiting vagaries of the markets. In the global context, Sri Lanka is no longer shielded from international upheavals and hence new risks have been added to the local investor.

The current challenges faced by Sri Lanka on its international standing will have to be managed to attract global companies to set up operations and commit direct investments. On the aspect of regaining confidence, the country could offer a better business friendly and transparent environment by positive reinforcement of private sector enterprise, a speedy and efficient legal process and essentially gaining higher ranking in terms of the ease of doing business. The importance of supporting foreign exchange earning industries cannot be over emphasised given Sri Lanka's current state of dependence on imports to fuel its drive towards growth.

In conclusion, I would like to thank the shareholders for the confidence placed in the management over the years and to the regulators for supporting our businesses. I would also like to thank the members of our staff for their untiring contribution; the Audit Committee, the Remuneration Committee and Nomination Committee for their guidance and lastly my colleagues on the Board for their input. We believe that all our stakeholders would benefit and be a part of the identified growth path of the Company and urge the investors to have confidence going forward.

(Sgd.) **Israel Paulraj** Chairman

25th June 2014

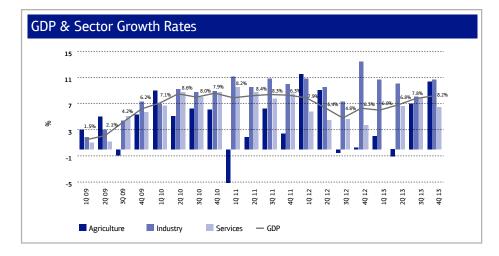
 $\odot$ 

# Managers' Commentary

#### **Economy in Perspective**

The Sri Lankan economy recorded a GDP growth of 7.3% in 2013, up from 6.3% recorded in year 2012. GDP growth was driven by the industry and service sectors. The economy rebounded in the second half of the year with the agriculture sector coming on stream with favourable weather conditions. The industries sector which accounts for 31% of GDP contributed 9.9% to GDP growth during the year. The services sector, which accounts for 58% contributed 6.4% and agriculture sector which accounts for 11% contributed 4.7%. continued to record a surplus as a result of buoyancy in tourism, transport and information services. For the year, earnings from tourism (up 35% yoy) and workers remittances (up 13% yoy) cushioned the current account of the Balance of Payments.

Exports for 2013 grew by 6.3% to reach US\$ 10.39 bn. Rapid growth was experienced towards the end of 2013 in apparel exports to Sri Lanka's key markets of USA and EU. Imports declined in 2013 by 6% to US\$ 18.0 bn on account of a decline in intermediate goods and investment goods by 8.9% and 7.3% respectively. The overall trade deficit



The country's GDP per capita at market prices improved to US\$ 3,280 in 2013 from US\$ 2,922 in 2012 on track in achieving the long term goal of US\$ 4,000 per capita by 2016. Total Gross Domestic Product (GDP) of the country now is at US\$ 67 bn at current market prices. For the year Jan - Dec 2012, Sri Lanka posted a Balance of Trade deficit of US\$ 7,609 mn. a reduction from US\$ 9.417 mn recorded last year. The contraction in the trade account was due to the pickup in exports together with the continued decline in imports. Also higher gross earnings on account of export of services and remittances from workers contributed to narrowing the external current account deficit significantly during 2013. The services account

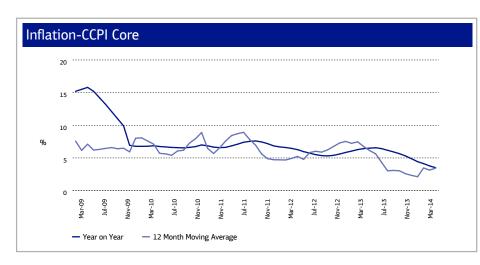
narrowed by US\$ 1.8 bn which is a decline of 19.2% compared to the deficit in 2012. Thus the external current account deficit narrowed to 3.9% of GDP in 2013 from 6.7% in the previous year as a result of improved earnings from merchandise exports, service exports and worker remittances.

Inflows in the form of foreign direct investment (FDI) amounted to US\$ 1,421 mn with infrastructure and manufacturing sectors attracting the highest inflows. Foreign investments in government securities via issuance from state institutions such as National Savings Bank (NSB), Bank of Ceylon (BOC) and Development Finance Corporation of Ceylon (DFCC) raised US\$ 1,350 mn and financial inflows in the form of foreign loans were also significant totaling US\$ 2,900 mn which resulted in the BOP recording a surplus of US\$ 985 mn. During the same period, gross official reserves by end December 2013 amounted to US\$ 7,495 mn, whereas total international reserves (gross official reserves and foreign assets of commercial banks) amounted to US\$ 8,574 mn equivalent to 5.0 months and 5.7 months of imports respectively.

Inflation, as measured by the CCPI, eased to 4.7% on a year on year basis for December 2013 from a year to date high of 9.9% in February 2013. A positive trend is demonstrated with consumer price inflation (year-on-year) being at single digit levels for the fifth consecutive year, continuing the declining trend in 2013.

In line with the easing of monetary policy, liquidity in the domestic money market rose significantly and remained in excess throughout 2013 with excess rupee liquidity averaging around Rs. 23 bn. Also additional liquidity was released to the market with the reduction of Statutory Reserve Ratio (SRR) in July 2013.

The Central Bank reduced policy rates throughout 2013 resulting in significant declines in the overall interest rate structure. The Standing Deposit Facility Rate and Standing Lending Facility Rate were reduced by 1.0% and 1.5% respectively to 6.5% and 8.0% with announcements in May 13, Oct 13 and Jan 14. The Statutory Reserve Ratio was reduced by 2.0% in July 13 to increase liquidity in the financial system. The benchmark 364 day T-bill and 91 day T-bill fell by 340 basis points and 246 basis points respectively reacting aggressively to policy rate reductions. Fixed deposit rates which are also anchored to the T-bill rates fell sharply with bank fixed deposit rates providing net returns similar to T-bill after deducting withholding tax towards the start of 2014.



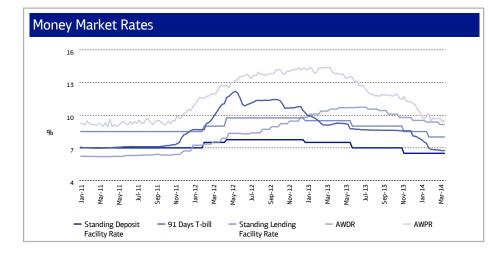
	Dec	Mar	Jun	Sept	Dec	Mar
	12	13	13	13	13	14
Treasury Bill 3M (%)	10.00	9.26	8.66	8.60	7.54	6.65
12M (%)	11.69	11.35	10.66	10.57	8.29	7.05
Call Money (%)	9.85	9.49	8.55	8.43	7.73	6.94
Prime Lending (%)	14.40	13.77	12.09	11.94	9.88	8.57

Net credit to the private sector slowed down to single digit levels of 7.3% as at November 2013 compared to 31.6% in July 13. Despite low rates, sluggish lending by banks also resulted in increasing liquidity levels in the banking system further depressing deposit rates. The yield curve which had a flat structure at the start of 2013

 $(\mathcal{S})$ 

saw a decline of approximately 340 basis points in the shorter tenures and 225 basis points on the longer 5 year tenures. This has resulted in a more normalised upward sloping curve as at year end. The announcements of tapering quantitative easing in the USA may bring about upward pressure in government security yields

 $\bigcirc$ 



depending on how foreign investors react. Thus far the reaction of foreign government security holders has been mild. However, significant selling of government securities by foreign holders and remitting such proceeds back to their respective countries can cause sharp movements in interest rates and the exchange rate.

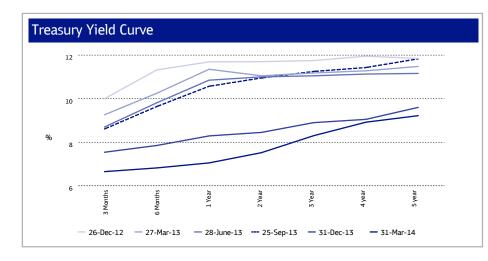
Additionally, a critical factor to watch in terms of maintaining strong economic fundamentals would be the sustainability of export growth and the ability to control the trade deficit, if imports do pick up. This would have a trickle down impact on the currency as well as interest rates and inflation. Sri Lanka's debt to GDP ratio now stands at 78.3% and debt servicing costs would impact the fiscal position significantly if the currency were to depreciate. The fiscal deficit at 5.9% of GDP is vulnerable to both recurrent and capital expenditure and debt servicing costs.

As capital market participants, we are encouraged by the positive effect that currency stability, low interest rates and benign inflation would have on corporates. A pick up in credit growth would be essential to bring about the next wave of economic activity but the resulting impact on interest rates and imports need to be watched.

We believe that the economic fundamentals are conducive to positive capital market performance. The key indicators are improving and likely to add to the impetus of the country's growth momentum. However in the short term global shocks could adversely impact us and challenge the status quo. But in the long term we count on all the important indicators trending positively towards greater investment, growth and stability. Policy makers' proactive stance on some of these issues is evident with the Central Bank unveiling the Master Plan for consolidation in the financial sector, with the aim of building a strong, dynamic and internationally competitive financial sector.

### **Managers' Commentary**

ര



	SLRs. Per unit as at 31/12/12	SLRs. Per unit as at 31/12/13	SLRs. Per unit as at 31/03/14	App./(Dep) for calendar year 2013	App. /(Dep.) for calendar year 2014 to date
US \$	127.2	130.7	130.6	-2.7%	0.1%
STG	205.5	215.6	217.1	-4.7%	-0.7%
Euro	168.1	180.4	179.5	-6.8%	0.5%
Yen	1.5	1.2	1.3	18.8%	-2.4%

#### **Equity Markets**

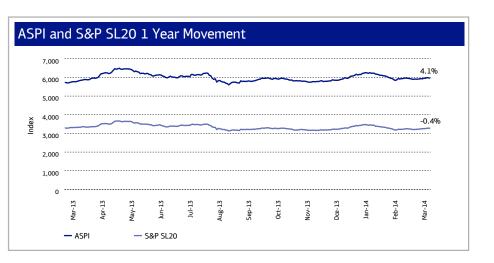
The All Share Price Index (ASPI) increased marginally by 4.78% for the calendar year 2013. For the financial year April 2013 to March 2014 the ASPI increased by 4.06%. The market was buoyant in the first half of 2013 where it reached a high of 15% in May 2013. However, after August the market weakened significantly on account of volatility in large capitalised counters such as John Keells Holdings and Ceylon Tobacco caused by foreign investors reacting to international developments on QE tapering. However, trading picked up in the New Year of 2014 with investors refocusing on equities. Net foreign inflows to the Colombo Stock Exchange amounted to Rs. 22.7 bn and were focused mostly on banks, conglomerates and multinationals. The positive mood however was short lived with market enthusiasm tapering off during the months of February and March to

close the All Share Price Index at 5968 levels. During the period of review, market traded between a low of ASPI 5800 index level and high of ASPI 6400 index level, giving a trading band of 600 basis points. Since then, a resurgence of activity has been recorded in the new financial year in the first month (Jan 2014) recorded an appreciation of 5.67% and marginally appreciated 0.94% for the three month period (Jan to March 2014).

Daily average turnover levels for the first half of 2013 was a healthy Rs.1.02 bn, however, the second half of the year saw a decline to Rs.646 mn indicating lower participation in the latter half of the year. Also daily average turnover ranging from Rs. 500 mn to Rs. 1,000 mn was evident in the first guarter of 2014.

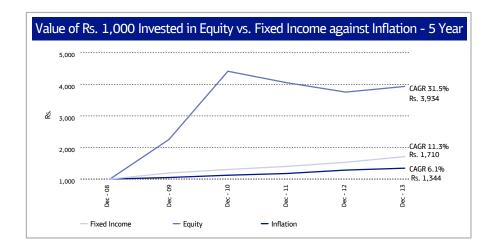
Taking into account a more longer term perspective, the market has given a compound annual negative growth (CAGR) of 6.18% p.a in the last three years and a positive 29.51% p.a taking a five year period, demonstrating that market cycles and volatility do persist for a long time and in this instance, the prolonged correction may be a response to the exuberant highs that were recorded after the war ended. However what is observed is that on long cycles equity markets continue to offer above average returns in comparison to fixed income yields and is a better hedge for inflation.

Much of the market activity has been from the foreign side. A net foreign outflow of approximately over Rs. 6,848 mn has been recorded in the New Year (for the period Jan to



 $\mathfrak{D}$ 

	31st Dec 12	31st Mar 13	31st Dec 13	31st Mar 14	Movement for 2013	Movement for 2014 to date	Movement for F/Y 2013/14
ASPI	5643.0	5735.6	5912.7	5968.3	4.8%	0.9%	4.1%
Avg.T/0 Rs.mn	649	909	641	594	-1.2%	-7.3%	-34.6%
Mkt Cap Rs. bn	2,167.5	2,205.0	2,459.9	2,498.0	13.4%	1.5%	13.2%
Mkt P/E ratio	15.9	15.5	15.9	15.9	-0.1%	0.1%	2.7%



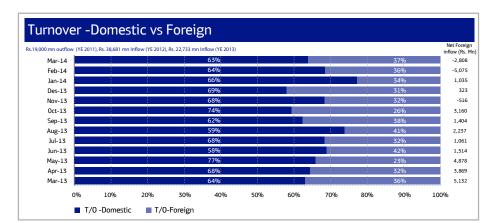
Mar 2014). This is against a total net inflow of Rs.22.7 bn recorded in 2013. Foreign interest or activity was evident on counters such as Commercial Bank, John Keells Holdings, Hatton National Bank, Aitken Spence, Ceylon Tobacco and Chevron Lubricants. However mixed sentiment was evident on the counters with both selling and buying from foreign fund managers. The outflow in the current calendar year is due to flight of capital from emerging markets with funds selling out due to redemptions and transforming to developed markets. Also foreign investors in such funds have been shifting from equities to fixed income asset class putting pressure on over valued or fairly valued markets. On the other hand frontier markets have been spared. The positive factor was on the domestic participation increasing with both institutional and retail activity being evident, posing a healthy outlook to the market in the future.

Market capitalisation of the CSE remained above the Rs. 2 tn mark at Rs. 2.48 tn, with domestic participation at 63% and foreign participation at 37% as at end March 2014 in comparison to a domestic mix of 64% and foreign participation

 $\bigcirc$ 

at 36% end March 2013. Retail interest was limited due to low investor confidence. However institutional activity has been encouraging. Also during the period of review, investors were seen shifting funds to listed debentures at attractive yields, raising funds to the value of Rs. 68.2 bn in year 2013. Demand by both corporate and retail investor category was evident due to tax advantage and in the backdrop of declining interest rate scenario. Thus capital raising via the IPO route was minimal with limited public offerings raising Rs. 2 bn in value. Rights issues raised Rs. 25.6 bn during the calendar year 2013 in contrast to Rs. 13.3 bn raised through in 2012. Dividend yield of the market increased to 2.9% in 2013 from 2.4% in 2012.

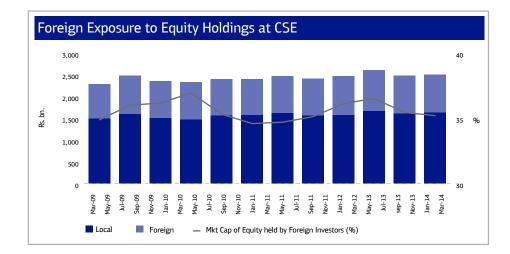
The CSE is currently trading at a 15.93 times PE ratio based on last year's earnings, down from an all time high of 25 times recorded in Feb 2011. The average PE band we have witnessed at the Colombo Stock market has been 14 times taking a long cycle. On a 1 year forward earnings 2014/15 the market is trading at 11.5 times and 2 year forward earnings 2015/16 the market comes down to 10.2 times. However the CSE remains fairly valued vis-à-vis other regional markets. The performance of the Sri Lankan stock market in relation to other regional peers has been poor. The developed markets have been showing attractive gains due to the turnaround of their economies. The US has shown improvements in their economic indicators such as unemployment, housing and

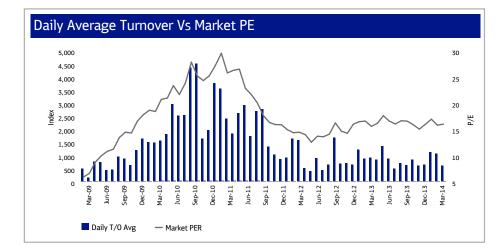


 $\bigcirc$ 

## Managers' Commentary

 $\bigcirc$ 





confidence levels. Also Euro zone has shown a turnaround from the brink of collapse and much is expected in the year ahead. Taking a cue from these factors, markets in these regions have done spectacularly well. Thus markets like the Colombo Bourse has under performed. During the period of review, the market cap to GDP declined marginally to 29% with the country's GDP growing at a faster pace than the market capitalisation.



Sector	Mar-14	Mar-13	Performance
Bank finance	13,288.1	13,227.3	0.5%
Bev food tobacco	19,273.0	16,057.6	20.0%
Chemicals	5,900.7	6,667.4	-11.5%
Construction	2,734.1	2,695.8	1.4%
Diversified	1,780.1	1,888.9	-5.8%
Footwear textile	728.8	780.4	-6.6%
Health care	820.9	581.6	41.1%
Hotels travels	3,152.0	3,306.2	-4.7%
Investment trust	17,039.2	17,569.6	-3.0%
IT	81.0	80.0	1.2%
Land property	578.5	476.1	21.5%
Manufacturing	2,843.4	2,590.0	9.8%
Motors	14,898.2	14,584.6	2.2%
Oil palms	96,882.1	97,201.2	-0.3%
Plantations	717.1	788.7	-9.1%
Power & energy	139.6	102.3	36.5%
Services	21,209.6	20,229.7	4.8%
Stores supplies	18,600.8	21,584.4	-13.8%
Telecom	175.0	169.7	3.1%
Trading	13,664.4	15,891.2	-14.0%
ASPI			4.1%



8 | Ceylon Guardian Investment Trust PLC | Annual Report 2013/14

 $\odot$ 

#### $\odot$

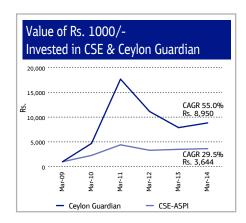
#### **Comparative Price Earnings Ratios**

1 0			
INDEX	MARKET	CURRENT YR	1 YR FORWARD
ASPI	Colombo	12.39	10.82
Sensex	Bombay	16.61	14.19
Dow Jones Industrials	New York	14.84	13.60
FTSE 100	London	13.34	12.29
Hang Seng	Hong Kong	10.25	9.43
JCI Composite	Jakarta	15.20	12.92
Nikkei 225	Tokyo	19.22	16.41
SSE Composite	Shanghai	7.87	6.86
ST Times	Singapore	14.32	12.96
Bursa Malay	Malaysia	16.33	14.91
Set	Thailand	13.13	11.6
Karachi 100	Pakistan	8.02	7.13
IBOV	Brazil	10.17	9.00
IPSA	Chile	15.32	13.22
RTS I\$	Russia	5.07	5.00
MSCI Frontier mkts (MXFM)		11.93	10.57
MSCI Emerging Index (MXEF)		10.35	9.35

#### Financial Review and Shareholder Returns

Ceylon Guardian Investment Trust PLC and its subsidiaries, Ceylon Investment PLC, Guardian Capital Partners PLC and Rubber Investment Trust Limited, and associate company Bukit Darah PLC reported a consolidated profit after tax of Rs. 2,123.1 mn for the year ended 31st March 2014, on consolidated revenue of Rs. 1,813.0 mn. The consolidated profit after tax and revenue recorded a decrease of 8% and an increase of 10% respectively. Also an annual portfolio depreciation of Rs. Rs.1.83 bn was recorded for the period under review (2013 depreciation of Rs. 2.02 bn)

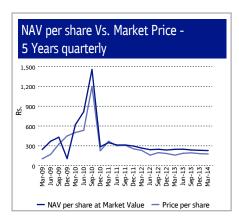
The Company's EPS decreased to Rs. 19.54 from Rs.21.47, a decrease of 9%. The value per share of the Company amounted to Rs. 228.70 on a market price based net asset valuation. However the market price of the Company traded at a discount of 22.2% as at 31st March 2014. The Company proposes a first and final dividend of Rs. 5.00 per share an improvement on the dividend of Rs. 2.50 paid for 2012/13. The Company has been maintaining a consistent dividend policy to match shareholder expectations despite the vagaries of the stock market. The dividend yield of the Company has increased to 2.8% (2013 - 1.56%). Shareholder wealth gain during the year was 13.6%.





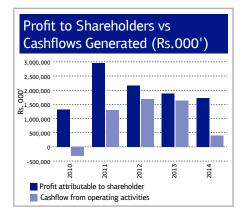
Cash generated from operations amounted to Rs. 394.7 mn as at end March 2013, thus strengthening the cash position to Rs. 2.78 bn. This is an increase of Rs. 85.4 mn from last financial year of Rs. 2.69 bn.

Total shareholder return for the year 2013/14 was 13.6% taking into account both share price appreciation and cash dividend received for the year. Taking a more longer term horizon, the shareholders of Ceylon Guardian got a return of 55% as depicted in table "Shareholder returns" given in the next page. In comparison to market benchmark performance your investment has grown above the market average.



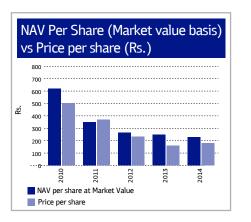
### Managers' Commentary

 $\bigcirc$ 



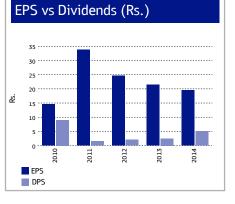
Shareholder Retu	ms	31-3-2009	31-3-2010	31-3-2011	31-3-2012	31-3-2013	31-3-2014
ASPI		1,638	3,725	7,226	5,420	5,736	5,968
ASPI gain		-35.8%	127.4%	94.0%	-25.0%	5.8%	4.06%
Start of the year	- Quantity	1,000	1,000	850	4,337	4,337	4,337
	- MPS	165.00	104.25	501.50	369.50	231.00	161.00
	- Wealth	165,000	104,250	426,275	1,602,423	1,001,786	698,214
Dividends	- DPS	11.50	9.00	1.50	2.00	2.50	5.00
	- Value	11,500	62,850	1,275	8,673	10,842	21.684
End of the year	- Quantity	1,000	850	4,337	4,337	4,337	4,337
	- MPS	104.25	501.50	370	231	161	177.90
	- Wealth	115,750	489,125	1,603,698	1,010,459	709,056	793,189
Annual Shareholde	er wealth gain %	-29.8%	369.2%	276.2%	-36.9%	-29.2%	13.6%
Total return to sha	reholders - 5Y						55.01%

#### Investment Performance



The Ceylon Guardian portfolio is segmented into discretionary and non-discretionary components based on ability to influence decision making on purchases and disposals. The discretionary component of the portfolio is further made up of the trading portfolio and long term portfolio to reflect different approaches to management. The total portfolio on market value basis is valued at Rs. 24.20 bn at the year end from Rs. 26.03 bn as at 31st March 2013, a depreciation of 7.04% against the benchmark the All Share Index appreciation of 4.06% and Standard & Poor SL 20 Index depreciation of 0.41% for the same period. The composite performance is detailed below. management capability and expansion possibilities. However, when investing, we tend to look at the macro level picture as well to determine the attractiveness of the environment when making investment decisions. This is more as a guide to determining the environment when investing than forming an opinion on investment picks. We regularly balance our existing portfolio and transform from overvalued to undervalued stocks. Similarly, we make calls when we totally get out of a stock and remain in cash until such time as we discover a potential undervalued company that fits our investment profile.

As at 31st March	2014	2013	Change %
Discretionary portfolio ('000)	12,121,388	11,610,552	4.4
Total portfolio ('000)	24,198,351	26,029,738	(7.0)
Benchmark – ASPI (Points)	5,968.3	5,735.7	4.0

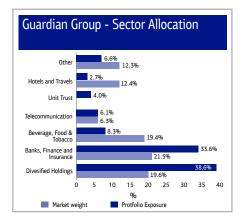


#### Listed Equity Strategy

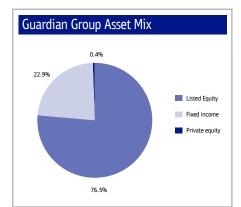
Our investment strategy is based on a fundamental bottom up approach to investing which is very much research based. Our research models place an intrinsic value on companies we track and our decisions to buy/ sell would be based on whether share price is under/overvalued to the determined intrinsic value. Our decisions are driven by a qualitative evaluation of the investee's business model, competitive positioning, financial strength,

 $(\mathcal{S})$ 

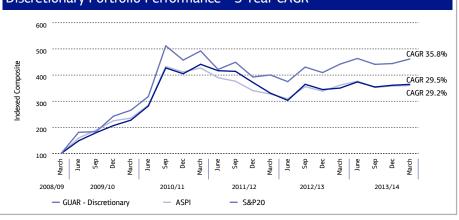
Top 5 Holdings		
Company	Market value (Rs. '000)	% of discretionary portfolio (MV)
John Keells		
Holdings PLC	2,698,870	30.3
Commercial Bank		
of Ceylon PLC	1,313,706	14.7
Cargills (Ceylon)		
PLC	630,261	7.1
Dialog Axiata PLC	568,280	6.4
Sampath Bank PLC	545,088	6.1



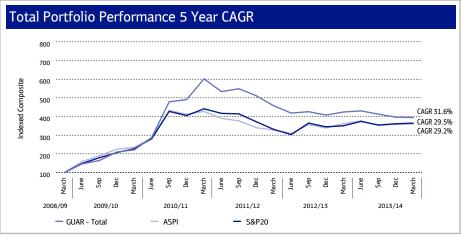
Our portfolio continues to lean heavily on the diversified sector, which is a proxy for tourism, bank & finance, food & beverages and the palm oil sectors. This sector covers a broad spectrum of businesses from which we get indirect exposure being in this sector. We built exposure to Aitken Spence PLC but were limited in accumulating Hemas Holding before the share



## Discretionary Portfolio Performance - 5 Year CAGR



Performance	1 Year	3 Year	5 Year
Discretionary Portfolio	4.4%	-2.1%	35.8%
ASPI	4.1%	-6.2%	29.5%
S&P SL 20	-0.4%	-5.5%	29.2%



Performance	1 Year	3 Year	5 Year
Total Portfolio	-7.0%	-13.1%	31.6%
ASPI	4.1%	-6.2%	29.5%
S&P SL20	-0.4%	-5.5%	29.2%

over shot our buy price range. We continue to hold a reduced exposure to John Keells Holdings the most liquid foreign driven stock on the CSE. We also are bullish on the banking & finance sector, which we believe will yield good medium to long term returns with the announcement of proposed consolidation and resulting synergies, thus holding an over weight to the sector, which mainly constitutes Sampath Bank, Nations Trust Bank and Commercial Bank of Ceylon. The mix of banks in our portfolio ranges from higher risk balance sheets to conservative ones, and from



### Managers' Commentary

ര

large size to medium size commanding varying market shares. All are currently undervalued in terms of forecast valuations. We remain under weight to beverages, food & tobacco sector which is the largest sector at the CSE due to our portfolio's stance on the multinational companies represented in the sector, which were perceive to be over valued. The minimal exposure in the sector has negatively impacted the portfolio in the year under review. Also our underweight continues on health care and telecommunication sectors, due to selling of our holding in Asiri Hospitals. However on the reversal we accumulated Dialog our only exposure to the telco sector at good prices. Our portfolio concentration on a few sectors supports our philosophy of stock picking and we are not overly worried of the mismatches between ourselves and the index. However, our conviction in investing in what we know in terms of industry potential, growth, risk factors and competition would determine future selection of potential stocks.

During the year ended 31st March 2014, the Ceylon Guardian Group made Rs. 3.16 bn of new investments and Rs. 3.04 bn of divestments. Hence, Ceylon Guardian has been a net buyer in the market, whereby a cumulative cash position of Rs. 2.78 bn was built in keeping with our strategy of divesting when investee companies, share prices go beyond intrinsic prices. Till such time of identifying undervalued stocks we would look to earn interest income on excess cash.

The task of identifying good investments at undervalued prices has been a challenge in the year under review. Our research team has looked at some interesting companies with unique business models, where we met with management and formed our views. It has been an interesting journey evaluating prospective and current investee companies and meeting with the management to base our opinions. Our quantitative research findings have been enhanced with the qualitative findings on corporate governance, compliance and human resource management. Our learning has been extensive from experiences from companies we have invested in and will continue our best practice of looking for the best match that fit our criteria.

#### **Private Equity Strategy**

The private equity asset class did not contribute significantly to Ceylon Guardian total portfolio performance. We have highlighted before in our reviews that PE investing is a riskier option thus posing many hurdles to companies such as Guardian Capital Partners in monitoring investments and forging relationships with our investment partners. Hence our style of PE investing is to be prudent since exit options are limited. However, we continue to see value in the asset class given its potential in the long term as a source of risk capital for entrepreneurial companies.

Deal flow improved during the year; however no new capital was committed as none of the deals met the investment criteria set by us. We are encouraged by the improvement in the deal flow seen and we will continue to be on the lookout for promising businesses to infuse capital into. As in any other assets class, private equity in Sri Lanka will also take time to grow and mature and we are confident that deal flow will improve in terms of both quality and quantity as this happens. We are committed to growing the private equity business under Guardian Capital Partners and we are in the process of actively seeking opportunities to tie up with foreign private equity players and funding partners to facilitate this.

Profitability in the private equity business improved significantly relative to last year and was primarily driven by improved conditions at the CSE. We fully exited Textured Jersey Lanka PLC during the year for Rs. 20 mn, netting a gain of Rs. 3.8 mn. Although last year's performance was significantly affected by impairment losses made against some of our PE investments that were listed, the recovery seen in the CSE during the financial year was reflected in the trading prices of Access and Expolanka, resulting in a partial reversal in the impairment charge made against Access and a fair value gain on Expolanka totaling Rs. 88.6mn.

#### Profile of the Fund Managers

The Guardian Group funds are managed by Guardian Fund Management Ltd (GFM), which is a fully owned subsidiary of the Company and is registered with the Securities and Exchange Commission of Sri Lanka. It 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. The Company has extended its business model to capture retail funds by managing unit trust funds via a joint venture partnership with Acuity Partners (Private) Limited. We recognise the growth potential of the mutual fund industry in Sri Lanka and yet feel it is at an infancy stage, and therefore foresee increasing saving habits to drive investments amongst Sri Lankans. We will look to add to the spectrum of products under our retail brand. Our competencies in fixed income (FI) asset class are being built with the increase in assets under management (AUM) under this asset class.

The fund management company, with a total asset base under management of over Rs. 15 bn has a professional outfit set up with effective compliance process, code of ethics & standards of professional conduct for employees. Guardian Fund Management has expanded its operation by extending its fund management capabilities to companies outside the Group and built a portfolio of external clients consisting of provident funds, pension funds, corporate clients and a country fund. To enable the management of external client funds we have an independent compliance officer to monitor client interest and ensure objectives are being met with risk profile of the client. The AUM under this category has grown to a sizeable amount. The fund management company also built its capabilities in becoming a specialist in private equity, perfecting the style of evaluating, managing and structuring private equity deals. This is a long term business and very different to

 $\odot$ 

(>)

Our Top Holdings as at 31st March 2014	Value of the holding ('000)	Portfolio Weight	Price movement
Group Holdings			
<b>Bukit Darah</b> - An investment holding company with a 46% stake in Carson Cumberbatch PLC and exposure to oil palm plantations in Central Kalimantan, Indonesia	12,076,963	49.9%	-16%
Group Holdings total value	12,076,963	49.9%	
Non Group Holdings			
John Keells Holdings - A diversified company with interests in ports & related activities, transportation, property development, tourism, financial services and consumer products.	2,698,869	11.2%	6%
<b>Commercial Bank</b> - One of the largest commercial banks in Sri Lanka with a wide branch network of over 200 branches spread island wide	1,313,706	5.4%	11%
<b>Cargills (Ceylon) Ltd.</b> - Leading player in the retail super market trade, commanding 50% of modern retail market share. Also has manufacturing operations in the food sector and operates the KFC franchise in Sri Lanka	630,261	2.6%	-10%
<b>Dialog Axiata PLC</b> - Subsidiary of Axiata Group Berhad, operates Sri Lanka's largest and fastest growing mobile telecommunications network. The Group delivers advanced mobile telephony, high speed broadband and digital pay-TV services to a subscriber base in excess of 9m Sri Lankans.	568,280	2.3%	0%
Sampath Bank - Fastest growing private commercial bank in terms of assets and reach with over 200 branches. Aggressively repositioned itself to capture the growth opportunities	545,088	2.3%	-17%
Aitken Spence Hotel Holding - In the leisure business with exposure to both Sri Lanka & Maldives. The group owns 1,234 rooms and further manages another 864 rooms.	413,943	1.7%	-5%
<b>Expolanka Holdings</b> - One of the leading freight forwarders in the South Asian region, specialised in the garments/apparel vertical. In addition to freight forwarding the Company has also diversified into air line GSA, travel agency, export of agro commodities, pharmaceutical and paper manufacturing and also holds strategic investments in BPO and education sectors	347,259	1.4%	28%
Nations Trust Bank - One of the fastest growing mid sized banks offering a wide range of products in the retail and corporate banking space.	331,361	1.4%	6%
<b>Central Finance</b> - One of the oldest finance and leasing companies in Sri Lanka with a strong balance sheet. Mostly concentrated on the vehicle leasing segment of the business	307,799	1.3%	1%
Non Group Holdings total	7,156,566	29.6%	
Top Holdings	19,233,529	79.5%	
Other holdings	4,964,821	20.5%	
Total Portfolio	24,198,351	100.0%	
All Share index movement 31st Mar 13 to 31st Mar 14			4.1%

 $(\mathcal{S})$ 

the investment expertise built in terms of listed investments.

Thus Guardian is now focusing on developing its three key business units - namely institutional client management, unit trust management and PE management by enhancing the depth of AUM and competencies under each asset category. Internal systems, processes, reporting and compliance frameworks are being built under each category, supported by core teams identified to grow each business.

#### Our Future View

Going forward, the equity market is expected to perform well in the medium to long term as Sri Lanka delivers on its growth potential while also benefiting from the rapid development of capital markets. Investor concerns with regard to the impact of the US Federal Reserve tapering and its impact on emerging markets may result in significant market and currency volatility depending on how foreign investors react. Other shorter term influences such as elections and international developments may result in significant market volatility.

In our view, investor sentiment at the Colombo Bourse should become buoyant with interest rates at an all time low. We feel that investors should converge to equity asset class matching risk return with expected returns. The discovery of such opportunity might take time but as institutional investors we believe that much opportunity awaits on the equity front and we would not hesitate to build positions in identified companies at our price targets. The long term sustainability of interest rates is likely to have an impact on transforming the mind set of investors. We believe it would do so in the future.

Contrary to the above, in the current year we have seen net foreign selling at the CSE due to global pull out of funds from emerging and frontier markets impacting the Colombo Bourse. Therefore we are hopeful of seeing portfolio investments in the second half of the year to select heavyweight liquid counters. Further,

## Managers' Commentary

 $\bigcirc$ 

retail interest is likely to be drawn to the second tier or mid cap stocks thus invigorating the Colombo Bourse across the board. Thus we foresee both local and foreign buying to maintain the stock market in the coming year and a momentum driven rally is likely in the new financial year.

We believe the catalyst to market performance would be the underlying corporate earnings of the companies. Unless corporate earnings deliver on expected growth the sustainability of the market we bailout is short lived. We remain confident that it could do so given the country's GDP growth targets and listed companies being the proxy to the growth envisaged. Corporates also would benefit by the low interest rate scenario where project IRR would be attainable given lowering of rates across the board. This would make leveraged companies save interest costs.

Despite uncertainties clouding the Colombo Bourse, we remain confident in the long term on the potential of equities. We at Ceylon Guardian do believe that equities offer above average returns in long cycles and hence are not afraid to commit long term capital to good companies at attractive price levels. At present, the CSE is trading at 14.4 times, relatively valued in comparison to other Asian markets and frontier markets. However, on a 1 year forward earnings, the market is at PE ratio of 11.5 times and 2 year forward earnings at a PE of 10.2 times. Hence, we feel that the market offers value in the medium term.

#### Guardian Fund Management Limited Investment Managers

Colombo 25th June 2014

# Risk Management

Risk management is an integral part of our business, particularly since balancing risks against returns is a critical trade off decision we have to make every day when it comes to making investment decisions. We recognise the importance of risk management and have built a comprehensive risk management structure that focuses on continuous identification and management of business risks. We have in place several measures to strengthen our risk management processes which are linked to our daily investment decisions. These include policies to mitigate business risks along with the upgrading of the support systems that enable easy monitoring and management of risks.

We believe that risk management is of paramount importance in safeguarding the interest of all stakeholders and have undertaken a comprehensive review to enhance the risk mitigating processes set in place by Guardian Fund Management Limited, the investment managers of the Company.

We see risk management not as an effort to eliminate risk, but as managing risk within certain risk tolerance levels set by the Company. Risks appropriate for a particular portfolio will be assessed against the risk preferences of the investor and overall portfolio strategy. Thus different portfolios within the Ceylon Guardian Group would have differing risk profiles. In the light of new asset classes being added with the consolidation of Guardian Capital Partners PLC, we have extended our risk management process to cover our business in private equity investments as well. Furthermore, risk management also covers managing retail regulated unit trust funds marketed by our joint venture Company Guardian Acuity Asset Management Limited.

# The Risk Management Structure in Place

Guardian Fund Management (GFM) has been set up as an independent fund management company and the management of the portfolios of the Ceylon Guardian Group has been delegated to this company. The Board of Directors has formulated and approved an investment framework and control limits for GFM's fund management operation. GFM's management team is responsible for the recommendation and execution of investment decisions, during the course of which oversight and management of the business, financial and operational risks of the Company come into play. A comprehensive risk identification and management framework is in place and is monitored consistently.

GFM has been registered as an Investment Manager with the Securities and Exchange Commission of Sri Lanka since 2006 while Ceylon Guardian Investment Trust PLC and its subsidiary Ceylon Investment PLC have been registered as underwriters since 2009. GFM as well as the Company therefore, come under the purview of the capital market regulator and hence internal monitoring is done on a quarterly basis to ensure that the set regulations are adhered to. Audits by the Securities and Exchange Commission (SEC) is carried out as required. Furthermore, as a listed company the Ceylon Guardian Investment Trust PLC and its listed subsidiary Ceylon Investment PLC & Guardian Capital Partners PLC conform to the listing rules and guidelines of the Colombo Stock Exchange.

Ceylon Guardian Group's joint venture with Acuity Partners (Private) Limited to manage and market unit trusts was established with the launch of two mutual funds schemes approved by the SEC in year 2011. Hence the Group's initiative to reach the retail segment and offer products via local and international markets has added a new kind of risk to the business. These new risks have been recognised and incorporated into the risk management process.

The Board of Directors of the above Companies have ultimate responsibility for risk management. Hence the Boards are supported by an organisation structure that covers the

entire risk management framework through an independent Compliance Officer drawn from Group level, as well as the internal audit function of the Carson Cumberbatch Group to which the Ceylon Guardian Group Companies belong. The Audit Committee of the Company has oversight over the financial reporting function of the Company, the system of internal controls as well as the audit, compliance and risk management processes. Further, an Investment Committee drawn from across the Carsons Group directorate provide advice and insights to the fund management team to further sharpen and refine their decision making process. This organisation structure determines the objectives and policies of our risk management framework and promotes a culture of risk awareness and balanced risk-taking within the Company.

#### **Risk Categories**

Ceylon Guardian has identified and categorised its risks into four categories marked, namely macro environmental risks, portfolio risks, compliance risks and operational risks.

Given below is its approach in managing these key risk areas.

#### Macro Environmental Risks Country risks

Country risk is applicable for investments made in a security issued by an entity subject to foreign laws or if transactions are entered into in markets in other jurisdictions. The sums invested and profits or returns accruing are subject to exchange control regulations, currency fluctuations, transaction costs & taxes and other actions that may be imposed by the government or policy making bodies of the said countries. Since the capital account has now been liberalised to the extent of permitting approved overseas investments upto a certain value by listed companies, this is a new risk area that we are looking to build a framework as Guardian intends to exploit new markets in the future.



### **Risk Management**

#### **Currency risk**

ര

Where investments are denominated in currencies other than our primary reference currency which is the Sri Lanka Rupee and where the company is required to convert funds from one currency to another upon making investments, as well as in receiving the returns from those investments, the Company is exposed to the risk of the foreign exchange parities moving against one's investment.

This risk is not currently applicable to the Guardian Group as the current exposure of the Guardian Group to investments denominated in foreign currencies is nil. Looking ahead we would address currency risks on our investments on a global context, when we invest overseas.

The risk exposure exists with managing the Sri Lanka Fund and portfolios of foreign investors. Here we take care to ensure that benchmark returns on such foreign currency dependent portfolios are met after currency conversions are executed. Our economic research gives us an understanding of the expectations on future currency movements.

#### Market risk - domestic

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

Market risks are inherent in every security and are thus collectively considered at the portfolio level to take into account the asset allocation decisions of the portfolio. Thus market risks affecting a particular class of security are mitigated by switching to asset classes that are assessed to be less risky in a particular scenario.

All market participants such as Ceylon Guardian develop its business model taking into account exposure limits and parameters to sustain itself when faced with market risks that can affect portfolio values. The mitigating process has been to develop a sound research base to determine changing economic fundamentals of the country, determine the impact on equity vs fixed income investments and the prompt shifting of funds between asset classes. This is of vital importance in trading portfolio decisions where quick encashment of equities is carried out if macro indicators move adversely leading to a slow down in stock market activity.

The process of assessing market risks on investee companies also forms a vital part of our research process, where sensitivity of stock valuations to changes in economic indicators are continuously monitored.

#### Market risk - international and external

These risks cannot be diversified or mitigated by the Company. There is an indirect impact of risks of other markets to our domestic market as clearly seen in the past. In the global world of cross border trade and cross border investment flows, the impact of changing economic indicators and policy is high for the domestic economy, especially in a country such as ours which is import dependent for vital commodities.

Hence in determining fund strategy we monitor key economic indicators such as interest rates, exchange rates, inflation, budget deficits, as well as global commodity prices since Sri Lanka is a net importer of essential commodities. This enables the fund team to get a feel of changing international market dynamics and in turn relate that to local developments. The entry and exit of foreign investor interest on the local market is also determined by the macro economic trends prevailing in foreign markets and relative valuations of our market vis-a-vis developed and other comparative Asian markets. Information to monitor and interpret global developments in capital markets is vital to assess and mitigate this risk.

We would build expertise in foreign markets going forward, as we would look to invest overseas gradually. In mitigating the risk we would tie up or collaborate with foreign entities that have expertise in such markets in order to gain knowledge.

#### Market risk - private equity

As an asset class, private equity is not closely correlated with the public equity markets and, therefore, helps diversify market risk from a traditional investment portfolio consisting of publicly traded stocks and bonds. Private equity risks cannot be diversified or mitigated by the Company. There are several mitigation strategies that can be followed – correlation measures, stop loss limits, concentration limits, asset allocation limits, non liquid stocks limits etc.

#### (a) Liquidity and valuation risk

Since private equity investments are unlisted, there is no official market price available for valuing the investment. However, we monitor secondary market trades to track prices. This is not an accurate guide as the volume of trades is a key factor in determining fair price. As we take fairly significant positions in private equity investee companies divestment of our stakes is more difficult, bringing a further element of illiquidity to our investments. Also liquidity risk is relatively higher given the longer holding period. It has been further restricted with a minimum lock in period being imposed at the time of the Company going for listing via the IPO route, extending the private equity investors' holding period.

#### (b) Exit risk

The exit from private equity investments can pose a risk whereby Company cashflows are tied up due to limited exit options. Finding ready

 $\bigcirc$ 

#### $\odot$

buyers at fair valuation or even at a discount might be a challenge. However, risk mitigating strategies are adopted by way of covenants to create multiple options of exit in the shareholder agreement. These take various forms including listing, buy back and sale to a third party.

Also further guidelines have been imposed by the SEC restricting private equity investors selling at the initial listing in order to protect minority investors. This limits the sale of stakes held by private equity investors who take higher risks in funding at the restructuring and growth stage of the investee companies.

#### (c) Monitoring risk

No regular performance reporting requirements are there for unlisted companies and hence private equity investors face the risk of not getting financial statements on a quarterly and 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 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 on a case by case basis.

#### (d) Governance risk

Since unlisted companies don't have a large minority shareholder base, there are no specified governance practices and a mechanism to enforce them since there is no regulatory framework governing investor interests.

However, we request investee companies through the shareholder agreement to adhere certain pre-requisites to be met, i.e. approval for critical decisions such as divestment of major assets, acquisitions, appointment of audit committees and adherence to disclosure requirements of listed companies. Where our stake in an investee company exceeds a particular threshold, we may request Board representation to safeguard our interests as investors. Our risk mitigating strategy for private equity is set in place via a shareholder agreement that is signed at the onset and the close relationship we build with investee companies from the time of investment. The performance monitoring of the investment is done by way of quarterly review meetings with the management of investee companies whereby financials and strategy are discussed. Also covenants are built into the shareholder agreement to protect investor interest in terms of clauses undertaking to list within a certain time period, buy back options, borrowing limits and sale of major assets etc.

#### **Portfolio Risks**

#### General securities risk

Any trading in securities carries inherent investment risks associated with the entity issuing those securities. In particular the price or value of any security can and does fluctuate and may even become valueless, resulting in possible loss not only of returns and profits, but even all or part of the principal sums invested in the case of a fixed income instrument. These risks arise as a result of the overall risks faced by the issuing entity which affects its ability to provide a return to the investors holding the securities issued by it. Particularly in the case of equities, past performance of any investment is not necessarily indicative of future performance. Our approach focuses on the fact that there is no substitute for fundamental security assessment. Our portfolio management and investment selection process is designed to maximise the risk/return tradeoff to our shareholders and we employ a bottom up investment selection process.

Our risk mitigating methodology is based on our internal research process that has added value over time to our choice of investments. Prospective investments are selected from fundamental analysis and contact with corporate management of the issuing company through Company visits. Once an investment is made, a continuous process of monitoring the performance of that investment is adopted. We manage the concentration risk arising from over exposure to one security by monitoring sector exposure and single company exposure as mitigation strategies. Further, equity exposure limits at Company and Group level are monitored as another measure of managing risk. Loss limits are set to monitor stocks performing below their cost of acquisition to determine whether temporary capital erosion is a concern. This helps us mitigate the downside risk of any security in the portfolio.

In the case of private equity, Board representation in proportion to the investment for stakes over 10% is considered necessary while for smaller stakes, monitoring mechanisms to facilitate constant evaluation of the investment are built into the shareholder agreements.

#### Liquidity risk

Under certain market conditions, an investor may find it difficult or impossible to liquidate a position. This can occur when trading is suspended by the exchange on which a security is listed or when poor market sentiment dries up investor interest in a security. In addition, there may not be a ready market for certain investments due to low levels of publicly traded quantities. Some investments will have to be held to maturity. Proper information for determining the value of certain investments may also not be available under such circumstances of low liquidity. However the strategy of holding big stakes might be a limiting factor when selling, if the stock is illiquid or in the case of a change in fundamentals.

We mitigate this risk by investing in companies with a reasonable free float and where securities are heavily traded. Also by limiting the portfolio's buy list to highly traded stocks, the risk of illiquidity is mitigated. Good research enable the fund team to identify changes in fundamentals and be proactive in investment decision making.



### **Risk Management**

 $\bigcirc$ 

In instances where we are presented with a promising investment opportunity, being short of funds to pursue that opportunity is also an extension of liquidity risk. To guard against this risk, we have arranged several overdraft facilities to draw into if and when opportunities arise.

#### Performance volatility risks

The composition of the portfolio will determine the portfolio's ability to outperform the market. If more volatile stocks that respond more than proportionately to market movements are selected, there is a likelihood that the portfolio will outperform the benchmark All Share Price Index in a growing market, while in a downturn it can under-perform the market. It is once again an attempt at balancing good performance with a certain risk tolerance in a volatile environment.

Measuring portfolio volatility through calculation of a portfolio beta is one method of keeping ourselves aware of the sensitivities of the portfolio. In the case of the long term portfolio, we would not attempt to handle market volatility by encashing stocks, but would rather attempt to hold into fundamentally strong stocks and ride out low performing cycles. For this, we ensure adequate cash generation by way of dividend and other income flows to keep our daily operations running smoothly while we ride out low market periods. On the other hand, in the case of the trading portfolio, it is necessary to keep an even closer tab on market volatility, since it needs to regularly encash its profitable positions to remain a high performing portfolio.

#### Investment performance risk

This is the risk that the portfolio will not meet the investment objectives by over-performing the benchmark indices. This can adversely affect the reputation of the Company and have impact in the future in terms of proven track record and confidence when raising money on future capital calls. We mitigate this risk by setting a process which seeks to meet investment targets within stated risk parameters. Portfolio performance, valuations and risks are monitored by fund managers and managed on a regular basis. Regular meetings amongst the fund management team as well as regular review of the portfolio at board meetings are part of this process.

#### **Compliance Risks**

The legal support services to Guardian Fund Management comes through the management services company of the Carson Cumberbatch Group, which ensures that the Guardian Group companies comply with all legal and regulatory provisions applicable to it. The legal function proactively identifies and advices GFM to set up appropriate systems and processes for legal and regulatory compliance in respect of all our investments and regulated activities. We also ensure legal and regulatory compliance in any foreign country that we operate in and in such instances through legal counsel retained in those jurisdictions.

Proactive monitoring of the compliance process is followed and we see that our investments are made and trades are executed in keeping with the Companies Act, SEC regulations, tax regulations, exchange control regulations and other applicable guidelines. The legal advisors of the Company also carry out periodic awareness programmes to educate all staff members on a regular basis.

The operations of the Guardian Group come within the rules and regulations applicable to all market participants operating in the equity (listed and unlisted) and debt markets of Sri Lanka, as well as the regulatory provisions applicable to companies listed on the CSE and regulations applicable to securities trading set by the Securities and Exchange Commission of Sri Lanka. Our systems and processes are structured to satisfy the criteria set by these regulations, and staff is constantly kept aware of the compliance needs imposed by these regulations. An independent compliance officer undertakes responsibility for maintaining a check on the overall compliance process and is supported by the internal audit function of the Carsons Group. GFM, as an Investment Manager registered with the SEC, is also subject to further regulation by the capital markets regulator.

#### **Operational Risks**

#### Professionalism in operational dealings

The fund management team at GFM has signed a Code of Ethics which lays down professional standards of conduct and dealing that is expected of staff. Structures to avoid conflicts of interest and compromising of best practices are set up as part of our process. Staff education covers areas of such practice and declarations by the staff members on compliance in personal equity trading are mandatory.

Compliance with SEC trading rules on insider trading, front running, market manipulation etc are checked by comparing trading statistics between portfolios and pre-approved personal transaction of employees, by the Compliance Officer.

The compliance with the Code of Ethics ensures that the conduct of fund managers and other staff members do not violate the code of ethics for which employees are signatories. Some of the pertinent areas covered include conflict of interest between portfolios, coordination of trades between portfolio managers within the Company, levels of authority when approving trades etc. Internal controls and audits are also done to ensure monitoring and compliance.

 $\odot$ 

#### Systems and process risks

 $(\mathcal{S})$ 

We manage operational risks by identifying risks and formulating plans for their management, promoting best practices, implementing internal controls and systems and monitoring compliance with these internal guidelines for managing operational risks. Operational risks mainly cover the areas of system failure to ensure continuity of decision making to deal with contingencies, ensuring efficiency in operations and correct application of recommended management practices where back up procedures are followed on a routine basis. Our accounting systems and portfolio management systems are regularly backed up to prevent loss of data.

Systems support for the portfolio management software is made available through an annual maintenance agreement with the software vendor which ensures on line support for system issues and queries. At the same time the financial transaction processing and reporting system are based on an ERP system in use at Carsons Group level and as such back up support services for this system are available through the parent company's management services company.

Also in order to deal with unexpected contingencies, we have developed and implemented a business continuity plan, which looks after aspects such as staff deployment and systems backup in case of an unexpected disruption to the business.

This business continuity plan forms a part of the Carsons Group's business continuity plan, which is regularly tested and upgraded to meet changing needs.

The internal audit function of the Carsons Group, ensures the safeguarding of Company assets and recommends process improvements in areas where process control failures are noted. Compliance with the investment objectives of each portfolio involves checking whether fund managers have adhered to the investment guidelines for each portfolio operating within set limits and not falling to prohibited investments; as well as monitoring portfolio performance against the benchmarks set. Further compliance with the operating process manual involves checking the application of proper internal controls such as segregation of duties, authority limits, approvals and that cash management processes are in order.

#### Staff risks

A fund management operational unit requires qualified professionals with experience in the fund management industry. Knowledge of the operating mechanism of the market as well as its norms and ethics is of importance. We attempt to pass on this valuable local knowledge to our staff at all levels. Having diversity in the team, developing a strong second level, training and development opportunities, are standard practices of the industry, with which we benchmark ourselves. A performance related incentive scheme for the staff is in place and is being reviewed. The networking ability of key staff to source deals is important in running a successful fund management operation by being shown both important buy side and sell side deals by brokers.

The staff of GFM are all professionally qualified with a track record of experience in the industry.

A strong research team has been developed to complement the fund management operation and raise the standard of the investment decision making process. Staff training and development is identified as an important area of concern, while retention is managed through a comprehensive reward structure and incentive scheme, opportunities for career progression and a culture of being HR oriented. Collectively these steps help us to work towards having an effective succession plan in place.

#### **Reputation risk**

As a Company which carries out a role of trust between itself and a client, it is vital to safeguard the good name and reputation of the business. Further, now being in the public domain through unit trusts, safeguarding reputation risk is of utmost importance.

Employees are communicated the right values from the inception both by formal communication and by example. Our screening process at interviews, attempts to select people of the right calibre, while training them for higher responsibility is ongoing. The extensive compliance process also ensures that the Company does not take the risk of process failure that will lead to reputation risk. Maintaining good relationships with all industry and government stakeholders further helps manage any crisis situations that can damage reputation.

#### Guardian Fund Management Limited Investment Managers

Colombo 25th June 2014



# Sustainability Report

# Corporate Social Responsibility (CSR)

"Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of shareholders and stakeholders"

- United Nations Industrial Development Organization -

At Ceylon Guardian Investment Trust PLC we believe that CSR is an endeavour that should be deeply rooted in our group values so that the benefits created via our efforts will have a resounding impact across society. Nurturing the idea of CSR that is supportive of an investment culture, we set out to identify economic clusters which will have a sequential impact in realising our ultimate goal, which is to uplift quality of life within our communities.

In our quest we were convinced, that by enriching the concept of entrepreneurship among the Sri Lankan youth we would be able to achieve our goal. We also found a need in supporting the young entrepreneurs, not just with capital but in arming them with the necessary knowledge and skills to accelerate their business concepts to the next level. This initiative aligned well as it created an ideal platform for us as business managers to share our competencies and experiences with these emerging entrepreneurs and support the creation of thriving, economically viable enterprises of high investment quality.

#### **Our Initiative**

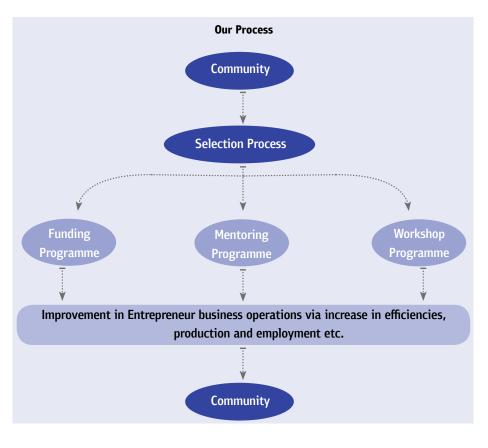
With the vision "To build a nation of self-reliant, motivated youth who will add value to, rather than be dependent on society" the "Youth to Nation Foundation" took form during the financial year under review. Going forward Youth to Nation Foundation will act as our Group's identity in all its CSR activities which would be mostly centric upon the concept of the young entrepreneur.

The Youth to Nation Foundation would mainly undertake a long term approach to develop the right skills and persona to prepare youth for the emerging world of work and also embark on creating a conducive environment for young entrepreneurs to accelerate their business plan by providing capital and mentoring, in business management and technical skill enhancement.

#### **Our Affiliates**

Although a simple idea, in order to build a sustainable model we identified the importance of affiliates who had prior experience and who continue to support young entrepreneurs in our Island. We are honoured to have the Ceylon Chamber of Commerce and its regional Chambers (Hambantota, Galle, Matara and Sabaragamuwa) SEEDS (Guarantee) Ltd. (Sarvodaya Economic Enterprises Development Services), Industrial Development Board CEFE Net Sri Lanka (Competency-based Economies through Formation of Enterprise), SLFPA (Sri Lanka Food Processors Association), Cathy Rich Memorial Food Processing Training Centre, SABAH Sri Lanka (SAARC Business Association For Home-Based Workers), Local Universities, Prominent Business Personalities and Industry Experts who volunteered their time and effort to make this endeavour a success.

These institutional bodies and individuals support us in introducing and evaluating potential entrepreneurs who require funding to accelerate their business goals and more importantly they assist us in the mentoring process within which the entrepreneur will enhance technical, financial and business



management competencies, to develop sustainable businesses that would benefit the country in a macro context.

 $(\mathcal{S})$ 

Apart from identifying potential entrepreneurs with funding requirements, our affiliates also aid us in identifying a wider spectrum of entrepreneurs who require the skills and attitude to be a successful entrepreneur. After identifying these groups our affiliates also join hands in facilitating these needs in workshop programs which are held across the Island.

#### **Evaluation Committee**

- 1. Rose Cooray Director, Ceylon Guardian Investment Trust PLC.
- 2. Ruvini Fernando Director, Guardian Fund Management Limited.
- Vibath Wijesinghe Financial Controller, Carsons Management Services (Private) Ltd.
- 4. Krishanthi Weerasinghe CEO, District Chamber of Commerce, Hambantota
- 5. Vartharajah Kumaraguru National Programme Manager, Ceylon Chamber of Commerce
- 6. Shantha Jayasuriya Senior Manager, SEEDS

#### **Monitoring Team**

- 1. Bennett Patternott Head of HR, Carsons Management Services (Private) Limited
- Cheryl de Jonk CSR Officer, Carsons Management Services (Private) Limited

#### **Our Success**

Within a limited time frame, Youth to Nation Foundation successfully concluded its inaugural workshop programme during October 2013 at the Nagarodaya Centre, Colombo. The workshop was tailor made for the shortlisted

candidates of our initial phase of the funding programme. Candidates who mostly represented the southern region were given transportation and accommodation facilities in Colombo to participate in the full day workshop. The highlight of the workshop was that all resource persons involved in it were Group employees. The workshop provided necessary guidance to the candidates to develop their individual 3 year business plan as well as an overall introduction to the important aspects of running a Small and Medium Enterprise (SME). The success of the inaugural programme motivated us to organise another workshop program. During March 2014 we initiated our second work shop at the District Chamber of Commerce, Hambantota. The full day programme attracted a diverse set of entrepreneurs from Hambantota, Galle and Matara districts. Here our Group employees, together with experts in the fields of entrepreneur development, volunteered their time and effort to share knowledge with these young entrepreneurs in the areas of business development, financial management, marketing, human resource management and taxation.

Youth to Nation Foundation, during the financial year under review, embarked in financially supporting three young entrepreneurs who we believe will be a part of our nation's next breed of upcoming entrepreneurs. The programme identifies young entrepreneurs below 40 years of age through a selection process to ensure economic value creation through usage of local raw materials, provision of employment to skilled youth, integration with other SMEs in further value creation by either earning or saving foreign exchange.

Apart from the financial assistance these entrepreneurs are given individualised assistance by our dedicated team at Youth to Nation Foundation who set KPI's for these entrepreneurs with the assistance of the selection panel. Our team periodically monitors their progress against the set KPI's and identify any shortcomings or challenges faced by these entrepreneurs. After identification of such

deficits in the set expectations our team guides these entrepreneurs to a mentor who would be an industry specialist devoted into addressing their issues in an interactive manner. This process aims to ensure that within a time span of 3-5 years these entrepreneurs would have improved their business practices, compliance, market access, access to technology and better financial management, thus ensuring a well rounded enhancement in their business capability. The mentoring programme which is being developed with the partnership of leading institutes, professional bodies, industry specialists and veteran entrepreneurs creates a platform which shares knowledge; provides access to mentors and technical assistance to young entrepreneurs.

As a pilot program all our CSR activities were focused in the Southern part of the country. However, with the knowledge and experience accumulated we are planning to expand our focus to other regions in the near future.

#### **Our Entrepreneurs**

#### Nimali Gunawardena

Nimali Gunawardena was recently adjudged Start-Up Entrepreneur of the Year 2013 by UK's Youth Business International. Nimali is a proud owner of a coir mill which produces coir and coco peat to the local market and coconut husk chips for the export market. The facility is located in the Ambalantota area in the southern region of the country. Youth to Nation Foundation initially provided her with Rs. 400,000/- to fund the purchase of machinery to increase capacity and productivity in the business. Apart from the funding our dedicated team gave her individualised attention in improving best business practices and governance via promoting the payment of EPF and ETF to employees, identifying and taking corrective action to mitigate fire hazard, improving safety and health at work for employees.



### **Sustainability Report**



Nimali's factory premises

 $\bigcirc$ 

#### Devananda Wijenayake

Devananda Wijenayake is a self-taught innovative entrepreneur from the Ambalantota area in the southern region of the country. Wijenayake is a proud owner of a large scale manufacturing facility which manufactures string hoppers. Youth to Nation Foundation has initially provided him with Rs. 1,000,000/to fund the purchase of new equipment to be set up in his new production facility at Midigama, Galle. Our funding has already made tangible improvements as he has recruited three more employees to his work force which now amounts to 11. He has also increased his production capacity by 50% and entered in



Devananda's factory premises

to new geographies such as Sooriyawewa and Tissamaharama in the southern part of the island.

#### A.L. Lakshmi

A.L. Lakshmi is a young entrepreneur in the Ambalantota area in the southern region of the country. Lakshmi is an owner of a small scale manufacturing facility which manufactures bites. Youth to Nation Foundation has initially provided her with Rs. 500,000 to fund the construction of a new production facility,



*Lakshimi in the construction site of her new factory premises* 

her earlier production facility was destroyed due to the tsunami devastation. Her small manufacturing facility provides livelihood for several women in her village.

#### Future

With the success of our workshops held in Colombo and Hambantota we are motivated as the Youth to Nation Foundation to reach out to more clusters of entrepreneurs who are in need of assistance to accelerate their businesses to the next level. With our affiliates we seek such clusters and are planning to organize similar workshop programs in different areas of the island in near future.

The incubator program will continue to strengthen its resource base by inviting prominent institutions, bodies of knowledge, industry specialists and business personalities to guide young entrepreneurs of our country.

The funding program has already started its second phase as it is presently short listing potential young entrepreneurs for the program. Within a short period of time we have witnessed notable improvements in our selected entrepreneurs under the initial phase of the program.

The Youth to Nation Foundation will continue to seek young entrepreneurs of our nation and will assist them to be Sri Lanka's future business leaders and ultimately uplifting the quality of life within our communities.

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

The Board of Directors of Ceylon Guardian Investment Trust PLC have pleasure in presenting to the shareholders their Report together with the Audited Financial Statements for the year ended 31st March 2014.

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 25th June 2014.

#### 1. GENERAL

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

#### 2. THE PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activities of the Company and its subsidiaries are to act as specialised investment vehicles within the investment business to undertake listed, private equity and fixed income investments and engage in fund management activities. This will give the investors an opportunity to select an investment company to suit their risk appetite. Ceylon Guardian Investment Trust PLC would, as the parent entity, take-up diverse risks of all sub-segments of the investment business. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

A list of subsidiaries and associate companies are provided in notes 20 and 21 to these financial statements.

#### 3. REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Chairman's Statement and Managers' Commentary on pages 2 to 14 provide an overall assessment of the business performance of the Company and the Group and its future developments. These reports together with the audited consolidated financial statements reflect the state of affairs of the Company and the Group.

#### 4. FINANCIAL STATEMENTS

The consolidated financial statements which comprise the Statement of Comprehensive Income, Statement of Financial Position, Cash Flow Statement, Statement of Changes in Equity and Notes to the financial statements of the Company and the Group for the year ended 31st March 2014 are set out on pages 38 to 87. These financial statements do comply with the requirements of the Companies Act, No. 07 of 2007.

#### 4.1 Revenue

The Company and the Group generated revenue of Rs. 814.9 mn and Rs. 1,813 mn (2013 –

(In Rupees thousands)	Group		Company	
For the year ended 31st March	2014	2013	2014	2013
Profit for the year	1,716,270	1,886,108	731,193	597,595
Other comprehensive expense	(42)	(170)	-	-
Retained profit brought forward from previous year	8,834,904	7,179,079	3,397,003	2,984,476
Profit available for appropriations	10,551,132	9,065,017	4,128,196	3,582,071
From which the following appropriations / distributions have been made:				
Dividend paid	(219,591)	(175,673)	(219,591)	(175,673)
Transfers – Market value adjustment reserve	30,226	(54,440)	8,230	(9,395)
Retained profit carried forward	10,361,767	8,834,904	3,916,835	3,397,003

Rs. 624.4 mn and Rs. 1,642.6 mn) for which a detailed analysis is given in note 11 to the Financial Statements.

#### 4.2 Financial results and appropriation

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

#### 4.3 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are given on pages 43 to 53.

As explained in note 10 to the financial statements, the management is in the process of assessing the impact, if any, on adoption of the new standards which have become effective from 1st April 2014.

#### 4.4 Investment in Financial Instruments – Available for Sale Financial

## Assets

Investments in financial instruments of the Group represents investments available for sale financial assets, categorised into,

Fair value hierarchy Level 1 - quoted securities

Fair value hierarchy Level 2 and Level 3 – unquoted and private equity (unlisted equity investments).

Investments placed at fair value hierarchy Level 1 – quoted securities, as at the reporting date, carried a fair value of Rs. 8,073.7 mn (2013 – Rs. 7,535.1 mn) in Group and Rs. 2,929.5 mn (2013 – Rs. 2,329.2 mn) in Company as disclosed in note 22. 1. a/e and 22.2. a/e respectively. Investments placed at fair value hierarchy Level 2 and 3 – unquoted / private equity (unlisted) investments, as at the reporting date, carried a fair value of Rs. 58.6 mn in Group (2013 – Rs. 458.4.Mn) and Rs. 16.7 mn in Company (2013 – Rs. 226.4mn) as disclosed in note 22. 1. b/c/d and 22.2. b/c/d respectively.



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

#### 4.5 Reserves

ര

As at 31st March 2014, the total reserves stood at Rs. 5,001.5 mn and Rs. 13,708.9 mn (2013 - Rs. 4,609.8 mn and Rs. 13,737.5 mn ) for the Company and the Group respectively.

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

# 4.6 Fair value through profit or loss financial assets reserve

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

Accordingly, an amount of Rs. 30.2 mn and Rs. 8.2 mn were transferred from (2013 – Rs. 54.4 mn and Rs. 9.4 mn were transferred to) "Fair value through profit or loss financial assets reserve" resulting from the movements in fair value for the Group and Company respectively as shown in the Statement of Changes in Equity.

## 4.7 Available for sales financial assets reserve

During the year, the movement from Available for sale financial assets reserve for the Company and the Group amounted to Rs.119.9 mn and Rs. 805.1 mn (2013 movement from available for sale financial assets reserve amounted to – Rs. 208.9 mn and Rs. 187.0 mn) respectively arising out of transfer of realized gains and adjustment on fair valuation of investments in Available for sale financial assets.

#### 5. STATEMENTS 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. 07 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 and the Group as at the end of the financial year and of the performance for the said period.

The financial statements comprise of inter alia:

- a Statement of financial position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year:
- a Statement of comprehensive income of the Company and its subsidiaries, which presents a true and fair view of the profit and loss and other comprehensive income/expense of the Company and its subsidiaries for the financial year.

In preparing these financial statements, the Directors are required to ensure that:

- appropriate accounting policies have been selected and applied consistently, while material departures, if any, have been disclosed and explained;
- all applicable accounting standards have been complied with;
- reasonable and prudent judgments and estimates have been made; and
- provides the information required by and otherwise comply with the Colombo Stock Exchange.

The Directors are responsible for ensuring that the Company and the Group maintain sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and the Group and for ensuring that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and meet with the requirements of the Companies Act, No. 07 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the Company and the Group and in this regard to give proper consideration to the establishment and effective operation of appropriate systems of internal control with a view to prevent, detect and rectify fraud and other irregularities.

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

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

#### 6. OUTSTANDING LITIGATION

There is no litigation currently pending against the Company.

#### 7. INDEPENDENT AUDITORS' REPORT

The Independent Auditors' Report on the financial statements is given on page 37 of the Annual Report.

#### 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. 07 of 2007 have been entered in the Interests Register during the year under review.

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

 $\bigcirc$ 

#### 8.1 Remuneration of Directors

 $(\mathcal{S})$ 

Directors' Remuneration for the financial year ended 31st March 2014 is given in note 12 to the financial statements on page 55 of the Annual Report.

# 8.2 Directors' Interest in Contracts and Shares

The Related Party Transactions of the Company as required by the Sri Lanka Accounting Standard LKAS 24 Related Party Disclosures are disclosed in note 35 to the Financial Statements and have been declared at Meetings of the Board of Directors. The Directors have had no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the Company, while they had the following interests in the ordinary shares of the Company as shown in the table below.

Directors	No of Shares as at	
	31st	01st
	March	April
	2014	2013
Mr. I. Paulraj(Chairman)	255	255
Mr. D.C.R. Gunawardena	255	255
Mr. A. de Z. Gunasekera	255	255
Mr. V.M. Fernando	-	-
Mrs. M.A.R.C. Cooray	-	-
Mr. K. Selvanathan	-	-
Mr. C.W. Knight	-	-

#### 9. DIRECTORS

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

#### 9.1 Directors to retire by rotation

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

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

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

#### 10. AUDITORS

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

A sum of Rs. 368,000/- and Rs. 1,187,000/was paid to them by the Company and the Group respectively as audit fees for the year ended 31st March 2014 (2013 - Rs. 330,000/- and Rs. 1,065,000/-). In addition to the above, the auditors were paid Rs. 65,000/- and Rs. 215,000/- (2013 - Rs. 250,000/- and Rs. 785,000/-) as audit related fees for the Company and the Group respectively during the year.

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

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

# 10.1 Auditors' relationship or any interest with the Company

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

#### 11. SIGNIFICANT EVENTS DURING THE YEAR

#### 11.1 Company

There were no significant events during the year.

#### 11.2 Significant events during the year – Subsidiaries

There were no significant events during the year.

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

There were no transactions entered in to by the Company and its subsidiaries the value of which exceeded 10% of the shareholders' equity or 5% of the total assets of the respective companies during the year.

The details of the Related Party Transactions are given in note 35 on pages 77 to 79 of the Financial Statements.

#### **13. CORPORATE GOVERNANCE**

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

#### 13.1 Board of Directors

The following Directors held office as at the reporting date and their brief profiles are given on pages 30 to 31 of the Annual Report.



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

Directors	Executive	Non Executive	Independent
Mr. I. Paulraj (Chairman)*	-	$\checkmark$	V
Mr. D.C.R. Gunawardena	-	V	-
Mr. A. de Z. Gunasekera **	-	V	V
Mr. V.M. Fernando ***	-	V	V
Mrs. M.A.R.C. Cooray ****	-	V	V
Mr. K. Selvanathan	V	-	-
Mr. C.W. Knight	-	V	V

 $\bigcirc$ 

Each of the Non-Executive Directors of the Company has submitted a signed declaration on Independence/Non-Independence as per Rule 7.10.2.(b) of the Listing Rules of the Colombo Stock Exchange(CSE). The said declarations were tabled at a Board Meeting of the Board of Directors of the Company held on 25th June 2014, in order to enable the Board of Directors to determine the Independence/Non-Independence of each of the Non-Executive Directors, in terms of Rule 7.10.3.(a) of the Listing Rules of the CSE.

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

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

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

#### 13.2 Remuneration Committee

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

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

\* Resigned from the CCPLC Board with effect from 31st March 2014 and accordingly from the Remuneration Committee with effect from 31st March 2014

\*\* Appointed to the Remuneration Committee with effect from 1st April 2014

#### Scope and Objective

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

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

#### **Functions and Proceedings**

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

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

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

The Remuneration Committee meets at least twice a year.

During the period under review the Committee had two meetings.

Remuneration Committee Members	Meetings attended (out of 2)
Mr. I. Paulraj (Chairman)	2
Mr. M. Moonesinghe*	-
Mr. D.C.R. Gunawardena	2
Mr. R. Theagarajah**	

\* Resigned from the CCPLC Board with effect from 31st March 2014 and accordingly from the Remuneration Committee with effect from 31st March 2014

\*\* Appointed to the Remuneration Committee with effect from 1st April 2014

#### **Reporting and Responsibilities**

The Committee Chairman reports formally to the Board on its proceedings on all matters within its duties and responsibilities. The Committee makes recommendations to the Board as

 $\mathfrak{D}$ 

#### $\odot$

deemed appropriate on any area within its limit where action or improvements are needed.

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under note 12 on pages 54 to 55 of the Annual Report. Executive Directors are not compensated for their role on the Board.

#### 13.3 Audit Committee

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

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

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

#### 13.4 Directors' Meetings Attendance

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

Directors	Meetings attended (out of 4)
Mr. I. Paulraj (Chairman)	4
Mr. D.C.R. Gunawardena	3
Mr. A. de Z. Gunasekera	4
Mr. V.M. Fernando	3
Mrs. M.A.R.C. Cooray	3
Mr. K. Selvanathan	4
Mr. C.W. Knight	3

#### 14. NOMINATION COMMITTEE

The Company formed a Nomination Committee which also functions as the Nomination Committee for some of its Subsidiaries.

The said Nomination Committee comprises of the following members;

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

#### Scope and Objective

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

#### **Functions and Proceedings**

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

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

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

The Nomination Committee meets at least twice a year.

During the period under review the Committee had two meetings.

-
 ( )
Ś

Nomination Committee Members	Meetings attended (out of 2)
Mr. I. Paulraj(Chairman)	2
Mrs. M.A.R.C. Cooray	1
Mr. D.C.R. Gunawardena	2

#### 15. INTERNAL CONTROL AND RISK MANAGEMENT

The ultimate responsibility to establish, monitor and review a Group-wide internal control system rests with the Board of Directors. The intensity, depth and the tolerance limits for each component of the internal control system would be based on the weight of the element of risk imposed on the sustenance of the business by the respective area of operation. Whilst a strong internal control system would mitigate the crystallisation of risk elements to a greater extent, employment of external support structures would also be necessary based on the risk assessments made thereon. Effective maintenance of internal controls, risk identification and mitigation is handed down to the respective members of senior management within the guidelines of benchmark policies, procedures and authority limits clearly laid down.

Group Internal Audit, whose scope of scrutiny is entirely driven by the grading of the risk involved will be monitoring and providing the feedback to the management and the respective Audit Committees.

Regular submission of compliance and internal solvency certificates vouched by the heads of the respective divisions as a mandatory agenda item keeps the Directors abreast of the health of the Company and the Group 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 pages 15 to 19.

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

#### 16. HUMAN RESOURCES

ര

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

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

The number of persons employed by GFM as at 31st March 2014 was 17 (31st March 2013 – 16).

#### 17. EQUITABLE TREATMENT TO SHAREHOLDERS

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

#### 18. DIVIDENDS

Subject to the approval of the shareholders at the Annual General Meeting, the Board of Directors recommend, a first & final dividend of Rs. 5/- per ordinary share and deferred share for the year ended 31st March 2014.

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

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

#### 19. SOLVENCY TEST

Taking into account the said distribution, the Directors are satisfied that the Company would meet the Solvency Test requirement under Section 56(2) of the Companies Act, No.07 of 2007 immediately after the distribution. The Company's Auditors, Messrs. KPMG, Chartered Accountants have audited the statement of solvency duly signed by the directors.

#### 20. STATED CAPITAL

The Stated Capital of the Company as at 31st March 2014 was Rs. 953,166,933/- comprising of 82,096,719 ordinary shares and 5,739,770 deferred shares. The movement in Stated Capital of the Company is given in Note 26 to the Financial Statements.

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

#### 21. INVESTMENTS

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

Investment in subsidiaries are detailed in note 20 on page 59.

Investment in associate company is explained in detail through note 21.1 on page 60.

Investment in jointly controlled entity is explained in detail through note 21.2 on page 61.

Investments in Available for sale financial assets are disclosed in note 22, comprises those investments which are held for a longer tenure, usually over 3-5 years. The fair value of investment in Available for sale financial assets as at 31st March 2014 is Rs.8,132.4 mn and Rs.2,946.3 mn (2013 – Rs. 7,993.6 mn and Rs.2,556.6 mn) for the Group and the Company respectively, as given in page 62.

The investment portfolio of fair value through profit or loss financial assets engaged in active trading to realize benefits of the short term movements in the stock market and is carried in the Statement of financial position at fair value, details of which are given in note 24 in page 68. The carrying value of the portfolio as at 31st March 2014 is Rs.1,212.4 mn and Rs. 162.6 mn (2013 – Rs. 947.6mn and Rs.147.5mn) for Group and the Company respectively.

#### 22. CAPITAL EXPENDITURE

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

In Rupees thousands	Group	
	2014	2013
Property plant & equipment	9,832	1,448
Intangible assets	-	-

#### 23. 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.

#### 24. 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.

#### 25. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, no circumstances have arisen, which would require adjustments to or disclosures in the financial statements, other than those disclosed in note 33 to the Financial Statements.

#### 26. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The contingent liabilities and commitments made on account of capital expenditure as at 31st March 2014 are given in note 34 to the Financial Statements.

#### 27. CORPORATE DONATIONS

There were no donations granted during the year.

 $\bigcirc$ 

#### 28. SHARE INFORMATION

 $\bigcirc$ 

The details relating to earnings, net assets, market value per share and information on share trading are given on pages 88 to 89 and 97 to 98 of the Annual Report.

#### 29. TWENTY MAJOR SHAREHOLDERS

 $\bigcirc$ 

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

Twenty Major Shareholders with comparatives

	As at 31st March			
Name of Shareholders	2014 No. of ordinary shares	%	2013 No. of ordinary shares	%
Carson Cumberbatch PLC A/C No.2	55,130,831	67.15	55,130,831	67.15
Thurston Investments Limited	5,278,174	6.43	5,278,174	6.43
Employees Provident Fund	2,173,634	2.65	-	-
Est. of Late Mr. M. Radhakrishnan(Deceased)	2,033,186	2.48	2,033,186	2.48
GF Capital Global Limited	1,572,962	1.92	1,572,962	1.92
Employees Trust Fund Board	1,260,750	1.54	1,260,750	1.54
Miss. G.I.A. De Silva	868,275	1.06	868,275	1.06
Mr. G.J.W. De Silva	867,900	1.06	867,900	1.06
Mrs. M.L. De Silva	857,616	1.04	857,616	1.04
Mr. K.C. Vignarajah	609,473	0.74	609,473	0.74
Miss. R.E.W. Jayasuriya	441,425	0.54	264,894	0.32
The Ceylon Desiccated Coconut and Oil Company (Pvt) Ltd.	382,438	0.47	382,438	0.47
Mrs. S.E. Lokhandwalla	354,689	0.43	-	-
Miss. G.N.A. De Silva	349,493	0.43	360,493	0.44
Waldock Mackenzie Ltd/ Mr. M.A.N. Yoosufali	345,331	0.42	362,040	0.44
DFCC Bank A/C 1	277,000	0.34	275,000	0.33
Mr. O.D. Liyanage	263,609	0.32	263,609	0.32
Mrs. S. Vignarajah	249,233	0.30	249,233	0.30
Mr. G.N. Russel	232,396	0.28	232,396	0.28
J.B. Cocoshell (Pvt) Ltd.	201,562	0.25	259,687	0.32

#### 30. ANNUAL REPORT

The Board of Directors on 25th June 2014 approved the consolidated financial statements together with the reviews which forms part of the Annual Report. The appropriate number of copies of the Annual Report will be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standard Monitoring Board and the Registrar General of Companies within the applicable time frames.

#### 31. ANNUAL GENERAL MEETING

62nd Annual General Meeting of the Company will be held on Wednesday the 30th day of July 2014 at 11.00 a.m. at Hilton Colombo, "Grand Ballroom", No.2, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.

The Notice of the Annual General Meeting, setting out the business which will be transacted thereat is on page 99 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)	(Sgd.)
I. Paulraj	D.C.R. Gunawardena
Chairman	Director

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

25th June 2014

# Profiles of the Directors

#### **ISRAEL PAULRAJ**

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

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

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

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

#### CHANDIMA GUNAWARDENA

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

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

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

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

#### ASOKA DE. Z. GUNASEKERA

Asoka Gunasekera is a Director of Cevlon Investment PLC. Also serves as Alternate Director to Mr.I.W Senanayake (Chairman) of IWS Holdings (Pvt) Ltd. and in most Group companies. Past Chairman of the National Chamber of Commerce of Sri Lanka and Past President of the Ceylon National Chamber of Industries. He is a Past International Director and a Board Appointee of Lions Clubs International and was also a Member of the National Police Commission of Sri Lanka. He served as Legal Advisor and Secretary to the Ministry of Posts and Telecommunications; Co-ordinating Secretary to the Ministry of Power and Energy and Ministry of Highways and was the Acting Secretary to the Ministry of Policy Planning.

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

#### MANILAL FERNANDO

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

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

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

()

#### $\odot$

#### **ROSE COORAY**

Rose Cooray is a Director of Ceylon Investment PLC and Hatton National Bank PLC. She functions as the Chairperson of the Board Integrated Risk Committee and as a Member of the Board Audit Committee of the Hatton National Bank PLC. She is a retired Deputy Governor of the Central Bank of Sri Lanka where she served for over 35 years.

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

She has functioned as the Vice Chairperson of the Institute of Bankers of Sri Lanka for 5 years and has served on a number of Committees at national level covering a variety of subjects representing the Ministry of Finance and the Central Bank. She has also represented the Central Bank and the Ministry of Finance at various international meetings/seminars.

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

#### **KRISHNA SELVANATHAN**

Krishna Selvanathan is a Director of Carsons Management Services (Private) Limited, Lion Brewery (Ceylon) PLC and the Investment Sector Companies of the Carsons Group. He is also a Director of Carlsberg India (Pvt) Ltd.

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

#### WILLIAM KNIGHT

William Knight is the Chairman of China Chaintek United Limited, a Chinese domestic logistics company and Myanmar Investments International Ltd, specialist investors in Myanmar, both of which are companies listed on AIM. He is also Chairman of the JP Morgan Chinese Investment Trust Plc, a London listed investment trust specialising in greater China and MCS Apparel (HK) Ltd, owners of branded consumer products being marketed in China. His current board positions include the Fidelity Asian Values Trust Plc, Axis Fiduciary, Smith Tan Phoenix Asia Fund and Lloyd George India Fund Ltd. In recent years he has served as a board member of specialist funds investing in: India, Korea, Mauritius, Portugal, Russia, Thailand and Vietnam respectively, as well as for an Aim listed private equity fund of funds for India.

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



# Management Team Profile

#### **RUVINI FERNANDO**

Ruvini Fernando is the Director and CEO of Guardian Fund Management Limited, the investment management company of the Carsons Group and a Director of Guardian Acuity Asset Management Limited, a joint venture company of the Guardian Group, responsible for operating and managing licensed unit trusts. Director of the Sri Lanka Fund - a foreign incorporated country fund managed by Guardian Fund Management Limited.

Counts over 24 years work experience in the fields of Management Accounting, Finance, Research Analysis, Strategic Planning and Investments, within the Hayleys Group and Carson Cumberbatch Group. Member of the Finance, Banking and Capital Markets Committee of the Ceylon Chamber of Commerce.

Was a former visiting faculty member of the Postgraduate Institute of Management in the MBA programme. Member of the Regaining Sri Lanka Tourism Steering Committee, a key policy making forum of the government from January 2002 to January 2004. Fellow of the Chartered Institute of Management Accountants, UK and the Association of Chartered Certified Accountants, UK. Has a Masters Degree in Business Administration from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, Sri Lanka.

#### NILOO JAYATILAKE

Niloo Jayatilake is a Director of Guardian Fund Management Limited and heads the portfolio management division of the management company. Alternate Director of Guardian Acuity Asset Management Limited and represents the company on the Unit Trust Association of Sri Lanka. Counts 20 years of experience in the investments and portfolio management field. Prior to joining the Carsons Group worked as Fund Manager at The Unit Trust Management Company Limited, managers of Ceybank Unit Trust Funds in Sri Lanka. Fellow Member of the Chartered Institute of Management Accountants, UK and Associate Member of the Institute of Chartered Secretaries and Administrators, UK.

#### THARINDA JAYAWARDANA

Head of Research of Guardian Fund Management Ltd. He has over 6 years experience in investment research. Prior to joining the Carson Cumberbatch Group he worked as a financial analyst at JB Securities Ltd. He is a CFA Charter Holder and an Associate Member of the Chartered Institute of Management Accountants (UK). He also has a first class B.Sc (Hons) in Finance from the University of Sri Jayewardenepura.

#### SUMITH PERERA

Fund Manager, Guardian Fund Management Ltd. Has over 7 years of experience in the field of Asset Management working as a Fund Manager for CAAM Saudi Fransi LLC (Kingdom of Saudi Arabia), Investment Analyst for Eagle NDB Fund Management (Sri Lanka) and as a Financial Analyst for John Keells Stockbrokers (Sri Lanka). He holds a Bsc (Hons) in Economics and Business Finance from Brunel University, UK and is an Associate Member of the Chartered Institute of Management Accountants.

#### VIBATH WIJESINGHE

Financial Controller of Carsons Management Services (Private) Limited the management support service provider to the Carson Cumberbatch Group. He began his career at M/s. KPMG, Sri Lanka and has over ten years of experience in the fields of finance, corporate finance and auditing. He joined Carson Cumberbatch Group in 2004. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants (UK) and of the Society of Certified Management Accountants of Sri Lanka. He also holds a Masters degree in Business Administration from Postgraduate Institute of Management - University of Sri Jayewardenepura.

#### SISIRA WICKRAMASINGHE

 $\bigcirc$ 

Sector Accountant for the Investment, Real Estate and Leisure sectors. Commenced career at KPMG, Chartered Accountants, prior to joining Carsons Group. Counts over seven years of experience in auditing, accounting and financial reporting. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka. He also holds a B.Sc. Accounting (Special) degree from the University of Sri Jayewardenepura, Sri Lanka.

#### LAKMAL WICKRAMAARACHCHI

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

#### ASANKA JAYASEKERA

Manager Research, Guardian Fund Management Ltd. He has over 6 years of experience in investment research. Prior to joining the Carson Cumberbatch Group, he worked as a financial analyst at JB Securities Ltd. He is an associate member of the Chartered Institute of Management Accountants (UK) and holds a B.Sc degree from the University of Sri Jayewardenepura specializing in Finance.



# Audit Committee Report

As provided by the Colombo Stock Exchange Listing Rules, the Audit Committee of Carson Cumberbatch PLC (CCPLC)-the 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. He is a Fellow of the Chartered Institute of Management Accountants, U.K.

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 purpose of the Audit Committee of CCPLC is as follows :

To assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process and the Company's process for monitoring compliance with laws and regulations, Company policies and procedures and the code of conduct. To ensure that the internal audit activity is well managed, so that it adds value to the organization by being objective in providing relevant assurance, contributing to the effectiveness and efficiency of governance, risk management and control processes.

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

CCPLC-Audit Committee held 05 Meetings during the financial year to discuss matters relating to the Company and the attendance of the Members of the Audit Committee was as follows :

Meetings attended (out of five)	
Mr.Vijaya Malalasekera (Chairman)	05
Mr.Chandima Gunawardena	05
Mr.Faiz Mohideen	05

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

The Committee met the External Auditors, Messrs.KPMG 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 and discussed the draft Financial Report and Accounts, without the management being present.

The Audit Committee approved the audit plan for the financial year 2013/2014 and the Group Internal Audit (GIA) carried out 06 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 Ceylon Guardian Investment Trust PLC have been reviewed by the Audit Committee Members at Audit Committee Meetings.

The draft financial statements of Ceylon Guardian Investment Trust PLC for the year ended 31st March 2014 were reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs. KPMG, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required, by the Managers, Carsons Management Services (Private) Limited that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 07 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 Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which have become applicable for the financial period beginning on or after 1st January 2014/2015.

However, these standards have not been applied when preparing the current year financial statements.

 $\bigcirc$ 

- $\odot$
- Sri Lanka Accounting Standards- SLFRS 10 "Consolidated financial statements"
- Sri Lanka Accounting Standards- SLFRS 11 "Joint Arrangements "
- Sri Lanka Accounting Standards- SLFRS 12 "Disclosure of Interest in Other Entities"
- Sri Lanka Accounting Standards- SLFRS 13 "Fair Value Measurement"

As explained in note 10 to the financial statements, the assessment of impact on the group on adoption of SLFRS 10 is being carried out by the management.

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

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors for the financial year ending 31st March 2015, subject to the approval of the shareholders of Ceylon Guardian Investment Trust PLC at the Annual General Meeting.

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

Colombo 25th June 2014

-())

# **Financial Information** ⊘

FINANCIAL CALENDAR		
Financial year end	31st March 2014	
62nd Annual General Meeting to be held on	30th July 2014	
ANNOUNCEMENT OF RESULTS		
Interim Financial Statements published in terms	of the Listing Rules of	
the Colombo Stock Exchange		
1st Quarter ended 30th June 2013	13th August 2013	
2nd Quarter ended 30th September 2013	14th November 2013	
3rd Quarter ended 31st December 2013	13th February 2014	
4th Quarter ended 31st March 2013	30th May 2014	

Independent Auditors' Report	37	
Statement of Comprehensive Income	38	
Statement of Financial Position	39	
Statement of Changes in Equity	40	
Statement of Cash Flow	42	
Notes to the Financial Statements	43	
Five Year Summary	88	
Information to Shareholders and Investors	97	
Notice of Meeting	99	
Form of Proxy	101	

# Independent Auditors' Report



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

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 CEYLON GUARDIAN INVESTMENT TRUST PLC

## **Report on the Financial Statements**

We have audited the accompanying financial statements of Ceylon Guardian Investment Trust PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 38 to 87 of the annual report.

# 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, 2014 and the financial statements give a true and fair view of the financial position of the Company as at March 31, 2014, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at March 31, 2014, and of its financial performance and its 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 153(2) to 153(7) of the Companies Act No. 07 of 2007.

Kpmb

CHARTERED ACCOUNTANTS Colombo.

25th June 2014

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity. M.R. Mihular FCA P.Y.S. Perera FCA C.P. Jayatilake FCA T.J.S. Rajakarier FCA W.W.J.C. Perera FCA Ms. S. Joseph FCA Ms. S.M.B. Jayasekara ACA W.K.D.C Abeyrathne ACA S.T.D.L. Perera FCA G.A.U. Karunaratne ACA R.M.D.B. Rajapakse ACA Ms. B.K.D.T.N. Rodrigo ACA Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

# **Statement of Comprehensive Income**

In Rupees Thousands

		G	roup	Co	mpany
For the year ended 31st March	Note	2014	2013 Restated	2014	2013
Revenue	11	1,813,045	1,642,599	814,897	624,423
Impairment of available for sale financial assets		-	(53,440)	-	(10,760)
Net change in fair value of fair value through profit or loss financial assets		5,921	91,450	(1,592)	10,562
Profit on investment activities		1,818,966	1,680,609	813,305	624,225
Other operating income - Gain on disposal of property plant and equipment		2,567	-	-	-
Administrative and other operating expenses		(152,592)	(119,681)	(55,926)	(27,715)
Profit from operations	12	1,668,941	1,560,928	757,379	596,510
Net finance expense	13	(2,413)	(971)	(2,221)	(541)
Profit from operations after finance cost		1,666,528	1,559,957	755,158	595,969
Share of profit of equity accounted investees net of tax	14	566,157	761,121	-	-
Profit before taxation		2,232,685	2,321,078	755,158	595,969
Income tax (expenses)/reversal	15	(109,611)	(23,579)	(23,965)	1,626
Profit for the year		2,123,074	2,297,499	731,193	597,595
Other comprehensive income					
Net change in fair value of available for sale financial assets		105,745	843,083	6,477	96,980
Foreign currency differences arising from the translation of			<u> </u>		· ·
available for sale financial assets		10,976	(5,580)	5,488	(2,790)
Transfer of realized gains on available for sale financial assets		(1,118,900)	(1,006,826)	(131,866)	(303,143)
Actuarial loss on employee benefit obligation		(42)	(170)	-	-
Share of other comprehensive expense of		. ,			
equity accounted investees net of tax	21	(876,383)	(277,527)	-	-
Other comprehensive expense for the year		(1,878,604)	(447,020)	(119,901)	(208,953)
Total comprehensive income for the year		244,470	1,850,479	611,292	388,642
Profit attributable to:					
Equity holders of the parent		1,716,270	1,886,108	-	-
Non controlling interest		406,804	411,391	-	-
<u> </u>		2,123,074	2,297,499	-	-
Total comprehensive income attributable to:					
Equity holders of the parent		191,010	1,470,912		-
Non controlling interest		53,460	379,567	-	-
		244,470	1,850,479	-	-
Earnings per share (Rs.)	16	19.54	21.47	8.32	6.80
Dividend per share (Rs.)*	17	5.00	2.50	5.00	2.50

The notes to the financial statements from pages 43 to 87 form an integral part of these financial statements.

\* Dividend per share is based on the proposed/ interim dividends.

Figures in brackets indicate deductions

# **Statement of Financial Position** $\odot$

In Rupees Thousands

		(	Group	C	ompany
As at 31st March	Note	2014	2013 Restated	2014	2013
ASSETS					
Non-current assets					
Property, plant & equipment	18	10,087	3,203	-	-
Intangible assets	19	233,744	236,562	-	-
Investments in subsidiaries	20	-	-	1,971,532	1,971,532
Investment in equity accounted investees	21	5,501,187	5,869,805	35,000	35,000
Available for sale financial assets	22	8,132,362	7,993,560	2,946,264	2,555,610
Deferred tax assets	30	2,016	10,404	2,016	10,404
Total non-current assets		13,879,396	14,113,534	4,954,812	4,572,546
Current assets					
Trade and other receivables	23	42,283	149,351	170,938	41,202
Current tax assets		11,335	14,724	10,646	13,349
Fair value through profit or loss financial assets	24	1,212,370	947,594	162,643	147,453
Cash and cash equivalents	25	2,782,913	2,697,471	689,149	830,362
Total current assets		4,048,901	3,809,140	1,033,376	1,032,366
Total assets		17,928,297	17,922,674	5,988,188	5,604,912
EQUITY AND LIABILITIES					
Equity					
Stated capital	26	953,167	953,167	953,167	953,167
Capital reserves	27	769,726	1,489,793	208,660	208,660
Revenue reserves	28	12,939,216	12,247,730	4,792,868	4,401,167
Total equity attributable to equity holders of the parent		14,662,109	14,690,690	5,954,695	5,562,994
Non controlling interest		3,043,269	3,139,062	-	-
Total equity		17,705,378	17,829,752	5,954,695	5,562,994
Non-current liabilities					
Employee benefits	29	7,609	5,425	-	-
Total non-current liabilities		7,609	5,425	-	-
Current liabilities					
Trade & other payables	31	171,498	48,240	29,933	14,291
Current tax liabilities		37,555	11,184	-	-
Bank overdraft	25	6,257	28,073	3,560	27,627
Total current liabilities		215,310	87,497	33,493	41,918
Total liabilities		222,919	92,922		41,918
Total equity and liabilities		17,928,297	17,922,674	5,988,188	5,604,912
Net assets per ordinary/deferred share - Book value - Rs.		166.93	167.25	67.79	63.33
Net assets per ordinary/deferred share - Market value - Rs.		228.70	247.48	196.24	213.71

t assets per ordinary/de

The notes from pages 43 to 87 form an integral part of these financial statements. I certify that these Financial Statements comply with the requirements of the Companies Act No. 07 of 2007.

(Sgd.) V.R. Wijesinghe Financial Controller Carsons Management Services (Private) Limited.

Approved & Signed on behalf of Investment Managers,

(Sgd.) W.Y.R. Fernando Director Guardian Fund Management Limited

Colombo 25th June 2014

Approved & Signed on behalf of the Board,

(Sgd.) I. Paulraj Chairman

 $\bigcirc$ 

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

# **Statement of Changes In Equity**

In Rupees Thousands

	Stated		Capital reserves	eserves			Revenue reserves	erves				Total
Group	capital	Investment reserve	Other capital reserve	Jointly controlled entity's capital reserve	Fair value Fair value Associate profit or loss company's financial capital assets reserve reserve (Restated)	Fair value through offt or loss financial assets reserve	Available for sale financial assets reserve	General reserve	Retained earnings (Restated)	Attributable to equity holders of parent	Non controlling interest (Restated)	equity
Balance as at 1st April 2012	953,167	7,805	316,741		1,393,229		3,512,762	32,668	7,179,079 13,395,451	13,395,451	2,803,388 16,198,839	6,198,839
Profit for the year		•			•	•	•	•	1,886,108	1,886,108 1,886,108	411,391	2,297,499
Total other comprehensive income/(expense) for the year				637	(228,619)		(187,044)	ı	(170)	(170) (415,196)	(31,824)	(31,824) (447,020)
Total comprehensive income/(expense) for the year			·	637	(228,619)		(187,044)		1,885,938 1,470,912	1,470,912	379,567 1,850,479	1,850,479
Dividend paid for 2012		•	·	·	·	•	·	·	(175,673)	(175,673)	(43,893)	(219,566)
Transfers (Note 28.1)					I	54,440			(54,440)			I
Balance as at 31st March 2013	953,167	7,805	316,741	637	1,164,610	54,440	3,325,718	32,668	8,834,904 14,690,690	14,690,690	3,139,062 17,829,752	7,829,752
Balance as at 1st April 2013	953,167	7,805	316,741	637	1,164,610	54,440	3,325,718	32,668	8,834,904	8,834,904 14,690,690	3,139,062 17,829,752	7,829,752
Profit for the year		•		•	•	•	•	1	1,716,270 1,716,270	1,716,270	406,804 2,123,074	2,123,074
Total other comprehensive income/(expense) for the year				1,217	(721,284)	·	(805,151)	ı	(42)	(1,525,260)	(42) (1,525,260) (353,344) (1,878,604)	1,878,604)
Total comprehensive income/(expense) for the year				1,217	(721,284)		(805,151)	ı	1,716,228	191,010	53,460	244,470
Dividend paid for 2012/13			ı			•		ı	(219,591)	(219,591)	(149,253)	(368,844)
Transfers (Note 28.1)		•		•	•	(30,226)	•	•	30,226			•
Balance as at 31st March 2014	953,167	7,805	316,741	1,854	443,326	24,214	2,520,567	32,668 1	0,361,767	32,668 10,361,767 14,662,109	3,043,269 17,705,378	7,705,378
* Droft for the order include the		anoft of the accordate commany which can not be distributed	1 /////////////////////////////////////	thich can	ot he dictri	Pot 1						

Profit for the year includes share of profit of the associate company, which can not be distributed.

The notes from pages 43 to 87 form an integral part of these financial statements.

Restatement of comparative figures Information on restatement of comparative figures is given in note 32 to the financial statements.

Figures in brackets indicate deductions.

 $\odot$ 

	Stated	Capital	Capital reserves		Revenue Reserves	Serves		
Company	capital	Investment reserve	Other capital reserve	Fair value through profit or loss financial assets reserve	Available for sale financial assets reserve	General reserve	Retained earnings	Total equity
Balance as at 1st April 2012	953,167	7,805	200,855	•	1,188,761	14,961	2,984,476	5,350,025
Profit for the year	•		•			•	597,595	597,595
Total other comprehensive expense		ı	·		(208,953)	I	I	(208,953)
Total comprehensive income/(expense) for the year		·	ı		(208,953)	ı	597,595	388,642
Dividend paid for 2011/12		·					(175,673)	(175,673)
Transfers (Note 28.1)		ı	I	9,395		I	(9,395)	I
Balance as at 31st March, 2013	953,167	7,805	200,855	9,395	979,808	14,961	3,397,003	5,562,994
Balance as at 1st April 2013	953, 167	7,805	200,855	9,395	979,808	14,961	3,397,003	5,562,994
Profit for the year				1			731.193	731.193

 $\odot$ 

CTU2 IIIYA IST A BAIAINE DAIAINE DAIAINE	10T,CCE	CN0'/		כינכ,ינ	212,000	T0, 4'70T	c00,160,0	+66,200,C
Profit for the year							731,193	731,193
Total other comprehensive expense		•		•	(119,901)		•	(119,901)
Total comprehensive income/(expense) for the year	ı		ı		(119,901)		731,193	611,292
Dividend paid for 2012/13	I				ı		(219,591)	(219,591)
Transfers (Note 28.1)	•	•		(8,230)			8,230	
Balance as at 31st March 2014	953,167	7,805	200,855	1,165	859,907	14,961	3,916,835	5,954,695

 $\odot$ 

The notes from pages 43 to 87 form an integral part of these financial statements. Figures in brackets indicate deductions.

# **Statement of Cash Flow**

In Rupees Thousands

		G	roup	Co	mpany
For the year ended 31 March	Note	2014	2013 (Restated)	2014	2013
Cash flows from operating activities					
Profit before taxation		2,232,685	2,321,078	755,158	595,969
Adjustments for:					
Share of profit of equity accounted investees net of tax		(566,157)	(761,121)	-	-
Depreciation on property, plant & equipment	18	2,948	2,887	-	-
Amortization of intangible assets	19	2,818	2,632	-	-
Loss on write off of property, plant & equipment		-	25	-	-
Gain on disposal of property, plant & equipment		(2,567)	-	-	
Provision for employee benefit	29.1	2,142	1,691	-	-
Net finance expense	13	2,413	971	2,221	541
Dividend received from associate company	21.1	58,392	61,315	-	-
Impairment of available for sale financial assets		-	53,440	-	10,760
Net charge in fair value of fair value through profit or loss financial assets		(5,921)	(91,450)	1,592	(10,562)
Operating profit before working capital changes		1,726,753	1,591,468	758,971	596,708
(Increase)/decrease in trade and other receivables		107,068	(117,260)	(129,736)	(24,252)
Net (increase)/decrease in investments		(1,399,836)	175,433	(527,337)	68,955
Increase/(decrease) in trade and other payables		32,135	2,568	14,309	(302)
Cash generated from operations		466,120	1,652,209	116,207	641,109
Income tax paid		(71,463)	(17,541)	(12,874)	(7,246)
Net cash generated from operating activities		394,657	1,634,668	103,333	633,863
Cash flows from investing activities					
Acquisition of property, plant & equipment	18	(9,832)	(1,448)	-	-
Proceeds from disposal of property, plant & equipment		2,567	-	-	-
Investment in subsidiaries		-	-	-	(45,091)
Investment in jointly controlled entity		-	(15,000)	-	(15,000)
Net cash used in investing activities		(7,265)	(16,448)	-	(60,091)
Cash flows from financing activities					
Dividend paid		(218,258)	(173,568)	(218,258)	(173,568)
Dividend paid to non controlling interest		(59,463)	(46,504)	-	-
Finance expense paid		(2,413)	(971)	(2,221)	(541)
Net cash used in financing activities		(280,134)	(221,043)	(220,479)	(174,109)
Net increase / (decrease) in cash & cash equivalents		107,258	1,397,177	(117,146)	399,663
Cash & cash equivalents at the beginning of the year		2,669,398	1,272,221	802,735	403,072
Cash & cash equivalents at the end of the year	25	2,776,656	2,669,398	685,589	802,735

The notes from pages 43 to 87 form an integral part of these financial statements. Figures in brackets indicate deductions.

## 1. Reporting Entity

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

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

The consolidated financial statements of the Company as at and for the year ended 31 March 2014 comprise the financial information of Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in associate and jointly controlled entity.

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

The Group has two listed subsidiaries, listed on the Colombo Stock Exchange, out of the four subsidiaries set out in the note 20 in page 59 to the financial statements. The associate company and the jointly controlled entity are set out in notes 21.1 and 21.2 pages 60 and 61 to the financial statements.

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

The Group had 17 (2013 – 16) employees at the end of the financial year. The Company had no employees as at the reporting date (2013 - Nil).

## 2. Basis of Preparation

## (a) Statement of compliance

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

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

The consolidated financial statements were authorised for issue by the Board of Directors on 25th June 2014.

## (b) Basis of measurement

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

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

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

## (c) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). The consolidated financial statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency.

(d) Use of estimates and judgments

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

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

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

Assumptions and estimation uncertainties:

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

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

# i. Deferred taxation - utilization of tax losses

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

#### ii. Defined benefit plans

 $(\mathcal{D})$ 

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

## iii. Current taxation

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

## Measurement of Fair values

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

## 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.

## 3. Significant Accounting Policies

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

## (a) Basis of consolidation

## (i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any noncontrolling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less

 The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

#### (ii) Non-controlling interests

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

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to no controlling interests are based on a proportionate amount of the net assets of the subsidiary.

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

 $\bigcirc$ 

#### (iii) Subsidiaries

 $(\mathcal{S})$ 

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

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

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

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

#### (iv) Loss of control

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

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

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

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 percent and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

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

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

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

# (vi) Transactions eliminated on consolidation

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

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

#### (vii) Financial year end

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

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

## (b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates as at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate as at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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

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

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

#### (c) Financial instruments

 $(\mathcal{D})$ 

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

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

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

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

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

# Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss (FVTPL)

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

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

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

#### Loans and receivables

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

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

#### Specific instruments

#### Cash and cash equivalents

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

# Investment in reverse repurchase agreement

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

#### Available-for-sale financial assets

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

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

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

(ii)

Non-derivative financial liabilities

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

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

 $\mathfrak{D}$ 

## $\odot$

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

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

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

## (iii) Stated capital

## Ordinary shares

Ordinary shares are classified as equity. Costs attributable to the issue of ordinary shares are recognised as an expense

## (d) Property, plant and equipment

#### (i) Recognition and measurement

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

Subsequent to the initial recognition property, plant & equipment are carried at cost less accumulated depreciation thereon and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the

site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and

capitalised borrowing costs.

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

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

## (ii) Subsequent costs

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

## (iii) Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of selfconstructed assets, from the date that the asset is completed and ready for use.

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

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

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

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

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

## (iv) Disposal

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

## (e) Intangible assets and goodwill

(i) Recognition and measurement

## Goodwill

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

## Subsequent measurement

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



#### Software

 $\bigcirc$ 

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

#### (ii) Subsequent expenditure

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

#### (iii) Impairment

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

### (f) Impairment

#### (i) Non derivative financial assets

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

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

# Financial assets measured at amortised cost

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

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-tomaturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### Available-for-sale financial assets

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

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

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 21.

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

#### (ii) Non-financial assets

 $\bigcirc$ 

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

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

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

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

#### (g) Employee benefits

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

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### (ii) Defined contribution plans

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

#### (iii) Defined benefit plans

A defined benefit plan is a postemployment benefit plan other than a defined contribution plan.

The discount rate is the yield at the reporting date on high quality corporate bonds, that have maturity dates

approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

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

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

#### (h) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized 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 Group does not recognize a contingent liability but discloses its existence in the financial statements.

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

## (i) Revenue

 $(\mathcal{D})$ 

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

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

#### (i) Dividend Income

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

 Gain on disposal of financial assets (categorized as available for sale / fair value through profit or loss) Profits or losses on disposal of investments are accounted for in the Statement of Income on the basis of realized net profit.

## (iii) Management fee income Management fee income is recognised on accrual basis.

#### (iv) Interest income

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

#### (v) Other income

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

## (j) Expenditure Recognition

## (i) Operating Expenses

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

## (ii) Finance income and finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, dividends on preference shares classified as liabilities, contingent consideration, losses on hedging instruments that are recognised in profit or loss and reclassifications of net losses previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a

qualifying asset are recognised in profit or loss using the effective interest method.

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

#### (iii) Fee and commission expenses

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

#### (k) Income tax expense

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

#### (i) Current taxation

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

#### (ii) Deferred taxation

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

Deferred tax is not recognised for:

 temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

 $\bigcirc$ 

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, based on the level of future taxable profit forecasts and tax planning strategies.

## (iii) Tax exposures

In determining the amount of current and deferred tax, the Group takes

into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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

## 4. Earnings Per Share

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

## 5. Related Party Transactions

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

# 6. Events after the Reporting Period

All material and important events which occur after the reporting date have been considered and disclosed in Note 33.

## 7. Dividends on Ordinary Shares

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

## 8. Presentation

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

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

(i) Offsetting Income and Expenses

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

(ii) Offsetting Assets and Liabilities Assets and liabilities are offset and the net amount reported in the statement of financial position only where there is;

- a current enforceable legal right to offset the asset and the liability; and
- an intention to settle the liability simultaneously
- 9. Determination of Fair Values

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



When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows;

 $(\mathcal{D})$ 

- Level 1- In put that are quoted market prices (unadjusted) in active markets for identifiable assets and liabilities
- Level 2- Inputs other than quoted prices included in Level 1 that are observable from the asset or liability either directly ( as prices ) or indirectly ( derived prices)
- Level 3 Inputs from the asset or liability that are not based on observable market data (unobservable inputs) This category includes all financial instruments for which the valuation techniques include inputs not based on observable data and unobservable inputs have significant effect on the instrument's valuation.

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

## (a) Equity and debt securities

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

Subsequent to initial recognition, the fair values of held-to-maturity investments are determined for disclosure purposes only.

## (b) Trade and other receivables

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

# (c) Other non-derivative financial liabilities

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

## Directors' responsibility

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

# 10. New Accounting Standards issued but not effective as at reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which have become applicable for financial periods beginning on or after 1st January 2014.

Accordingly, these Standards have not been applied in preparing these financial statements.

 Sri Lanka Accounting Standards -SLFRS 10 "Consolidated financial statements"

The objective of this SLFRS is to establish principles for the presentation and preparation of consolidated

financial statements when an entity controls one or more other entities.

An investor is expected to control an investee if and only if the investor has all the following;

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect the amount of the investor's returns

This Standard requires the Company to review the group structure in the context of the new Standard and its requirements. This may require reclassification of some group entities. Accordingly adoption of this standard is expected to have an impact on the Group structure, and consolidated reporting.

The management is in the process of assessing the impact on the consolidated financial statements on adoptation of SLFRS 10.

SLFRS 10 has become effective from 1 April 2014

 Sri Lanka Accounting Standards – SLFRS 11 "Joint Arrangements"

The objective of this SLFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (ie joint arrangements).

SLFRS 11 has become effective from 1 April 2014. However, this standard will not be applicable to the Group, unless there is a change to the structure.

 Sri Lanka Accounting Standard-SLFRS 12 "Disclosure of Interests in Other Entities"

The objective of this SLFRS is to require an entity to disclose information that enables users of its Financial Statements to evaluate the nature of, and risks associated with its interests in other entities of those interests in other entities; and the effect of those interests on its financial position, financial performance and cash flows.

 $(\mathcal{D})$ 

SLFRS 12 has become effective from 1 April 2014.

 Sri Lanka Accounting Standard
SLFRS 13, "Fair Value Measurement"

This SLFRS defines fair value, sets out in a single SLFRS a framework for measuring fair value; and requires disclosures about fair value measurements.

This SLFRS has become effective for the Group from 1 April 2014.

 Sri Lanka Accounting Standard – SLFRS 9 "Financial Instruments"

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement.

The effective date of this standard has been deferred.

 $\bigcirc$ 

Ceylon Guardian Investment Trust PLC | Annual Report 2013/14 | 53

In Rupees Thousands

## 11. Revenue

11.1

	G	iroup	C	Company	
For the year ended 31st March	2014	2013	2014	2013	
Dividend income	898,188	471,025	523,123	208,133	
Interest income	337,443	154,853	94,337	51,731	
Net gain from disposal of fair value through profit or loss financial assets	34,271	27,748	3,946	6,571	
Net gain from disposal of available for sale financial assets (note 11.1)	1,249,633	1,207,950	193,491	357,988	
Management fees	70,746	43,755	-	-	
	2,590,281	1,905,331	814,897	624,423	
Intra-group transactions	(777,236)	(262,732)	-	-	
	1,813,045	1,642,599	814,897	624,423	
Net gain from disposal of available for sale financial assets					
Proceeds from disposal of available for sale financial assets	2,105,219	1,983,585	532,011	665,989	
Carrying value of available for sale financial assets disposed	(1,974,486)	(1,782,461)	(470,386)	(611,144)	
Transfer of realized gains on available for sale financial assets	1,118,900	1,006,826	131,866	303,143	
	1,249,633	1,207,950	193,491	357,988	

## 12. Profit from operations

		Group		(	Company	
	For the year ended 31st March	2014	2013	2014	2013	
	Profit from operations is stated after charging all related expenses which include the following:					
	Directors' fees	8,751	8,633	6,651	6,533	
	Support service fee expenses	30,466	18,786	9,026	5,100	
	Auditors' remuneration & expenses					
	- Audit fees	1,187	1,065	368	330	
	- Audit related fees	215	225	65	63	
	- Non audit services	-	560	-	187	
	Depreciation and amortization (Note 12.a)	5,766	5,519	-	-	
	Professional Services (12.b)	408	990	-	519	
	Personnel cost (Note 12.c)	57,514	50,662	-	-	
12.a	Depreciation and Amortization					
	Depreciation of property, plant and equipment	2,948	2,887	-	-	
	Amortization of intangible assets	2,818	2,632	-	-	
	Total depreciation and amortization expense	5,766	5,519	-	-	

1	5	`
L	>	21
N	-	,

## 12 Profit from operation (cont.)

		Group		(	Company	
	For the year ended 31st March	2014	2013	2014	2013	
12.b	Professional Services					
	Legal services	252	350	-	-	
	Valuation services	6	190	-	182	
	Other professional service	150	450	-	337	
		408	990	-	519	
12.c	Personnel cost					
	Salaries, wages and other related expenses	50,603	44,971	-	-	
	Defined benefit plan cost (Note 29)	2,142	1,691	-	-	
	Defined contribution plan cost	4,769	4,000	-	-	
		57,514	50,662	-	-	
	The above include					
	Directors' emoluments	20,068	17,866	-	-	
		20,068	17,866	-	-	

## 13. Net finance expense

	Group		(	Company	
For the year ended 31st March	2014	2013	2014	2013	
Finance income					
Interest income	1,534	527	-	-	
Exchange gain	40	140	-	-	
	1,574	667	-	-	
Finance expense					
Interest on debts and borrowings	3,838	1,616	2,208	519	
Exchange loss	149	22	13	22	
	3,987	1,638	2,221	541	
Net finance expense	(2,413)	(971)	(2,221)	(541)	

## 14. Share of profit of equity accounted investees net of tax

	Revenue		Net profit/(	loss) for the year		or's share of ss) net off tax
For the year ended 31st March	2014	2013	2014	2013	2014	2013
Bukit Darah PLC	76,542,788	76,160,413	7,873,501	9,644,591	566,997	768,953
Guardian Acuity Asset Management Limited	13,007	2,828	(1,678)	(15,664)	(840)	(7,832)
	76,555,795	76,163,241	7,871,823	9,628,927	566,157	761,121

In Rupees Thousands

 $\odot$ 

## **15.** Income tax expense/(reversal)

		Group		Company	
	For the year ended 31st March	2014	2013	2014	2013
15 1					
15.1	Income tax expense/(reversal)	00 477	75 707	15 627	0.756
	Provision for the year (Note 15.2)	80,473	35,387	15,627	8,756
	(Over) / under provision for previous year	(92)	(611)	(50)	22
	Dividend tax	20,842	-	-	-
		101,223	34,776	15,577	8,778
	Deferred tax	0.700	(11.107)	0.700	(10.404)
	Origination and reversal of temporary differences	8,388	(11,197)	8,388	(10,404)
		8,388	(11,197)	8,388	(10,404)
	Income tax expense/(reversal) for the year	109,611	23,579	23,965	(1,626)
15.2	Descentilization of a second in a weaft and to valid much for the second				
15.2	Reconciliation of accounting profit and taxable profit for the year				
	Profit before taxation	2,232,685	2,321,078	755,158	595,969
	Adjustments :				
	Exempt profits on sale of quoted public shares	(1,283,904)	(1,235,698)	(197,437)	(364,559)
	Dividend income	(898,188)	(471,025)	(523,123)	(208,133)
	Allowable claims	(4,622)	(2,483)	-	-
	Impairment of available for sale financial assets	-	53,440	-	10,760
	Net change in fair value of fair value through profit or loss financial assets	(5,921)	(91,450)	1,592	(10,562)
	Expenses attributable to exempt profits	110,795	60,323	44,386	20,986
	Disallowable expenses	19,051	26,837	5,289	3,648
		169,896	661,022	85,865	48,109
	Transactions eliminated on consolidation	716,077	227,516	-	-
	Share of profit of equity accounted investees net of tax	(566,157)	(761,121)	-	-
	Adjustments on losses	-	15,981	-	-
	Utilisation of tax losses (Note 15.3)	(32,411)	(17,022)	(30,053)	(16,838)
	Tax adjusted profit	287,405	126,376	55,812	31,271
	Current tax liability for the year				
	Current tax expense of the Company (Note 15.4 (a))	15,627	8,756	15,627	8,756
	Current tax expense of subsidiaries (Note 15.4 (a))	64,846	26,631	-	-
		80,473	35,387	15,627	8,756

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

 $\odot$ 

## 15 Income tax expense/(reversal) (cont.)

#### 15.3 Analysis of tax losses

	Group		Company	
For the year ended 31st March	2014	2013	2014	2013
Tax losses brought forward	60,082	60,324	37,159	54,042
Adjustment on finalization of income tax liability	2,448	799	97	(45)
Tax losses incurred during the year	-	15,981	-	-
Utilization of tax losses during the year	(32,411)	(17,022)	(30,053)	(16,838)
Tax losses carried forward	30,119	60,082	7,203	37,159

Utilization of tax losses is restricted to 35% of Statutory Income. Unabsorbed tax losses can be carried forward indefinitely.

## 15.4 Summary of provision applicable under relevant tax legislation

- (a) In accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto, the Company and all other companies of the Group other than those disclosed in note 15.4 (b) are liable to income tax at the standard rate of 28% (2013 28%).
- (b) In terms of Section 13 (t) of the Inland Revenue Act, No.10 of 2006 and amendments thereto, profits derived on sale of shares on which Share Transaction Levy (STL) has been paid is exempt from income tax.
- (c) Economic Service Charge (ESC) paid by the Company and it's subsidiaries are available as income tax credit over a period of four subsequent years. In instances where recoverability is not possible due to tax status, sums paid are written-off against profit/loss.

## 16. Earnings per share

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

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

	Group		(	Company	
For the year ended 31st March	2014	2013	2014	2013	
Amount used as the numerator					
Profit for the year attributable to the shareholders of Ceylon Guardian Investment Trust PLC	1,716,270	1,886,108	731,193	597,595	
Amount used as denominator (in thousands)					
"Weighted average number of ordinary shares/ deferred shares outstanding					
used as the denominator * ('000)"	87,836	87,836	87,836	87,836	
Earnings per share (Rs.)	19.54	21.47	8.32	6.80	

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

In Rupees Thousands

## 17. Dividend

 $\odot$ 

	(	Company
For the year ended 31 st March	2014	2013
Dividend paid		
On ordinary shares	205,242	164,193
On deferred shares	14,349	11,480
	219,591	175,673
Dividend proposed *		
On ordinary shares	410,484	205,242
On deferred shares	28,699	14,349
	439,182	219,591
Dividend per share	5.00	2.50

\* The proposed dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and according to the Sri Lanka Accounting Standard (LKAS 11) - "Events after the reporting period ", the liability has not been provided for in the financial statements.

## 18. Property, plant & equipment - Group

	• Office equipment	Computer equipments	Furniture & fittings	Motor vehicle	Total 2014	Total 2013
Balance as at the beginning of the period	186	2,756	2,861	9,675	15,478	14,114
Additions	-	365	2,001	9,445	9,832	1,448
Disposals/write off	-	-	-	(9,675)	(9,675)	(84)
Balance as at the end of the period	186	3,121	2,883	9,445	15,635	15,478
Balance as at the beginning of the period	66	1,543	1,474	9,192	12,275	9,447
Charge for the year	27	735	286	1,900	2,948	2,887
Disposals/write off	-	-	-	(9,675)	(9,675)	(59)
Balance as at the end of the period	93	2,278	1,760	1,417	5,548	12,275
Net book value as at the end of the period	93	843	1,123	8,028	10,087	3,203

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

As at 31 st March	2014	2013
Office equipment	53	53
Computer equipment	920	568
	973	621

 $\bigcirc$ 

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

18.3 No borrowing costs were capitalized during the year (2013 - Nil).

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

## 19. Intangible assets - Group

	Goodwill on consolidation	Computer software	Total 2014	Total 2013
Balance as at the beginning of the period	231,917	15,350	247,267	247,267
Additions	-	-	-	-
Balance as at the end of the period	231,917	15,350	247,267	247,267
Balance as at the beginning of the period	-	10,705	10,705	8,073
Charge for the year	-	2,818	2,818	2,632
Balance as at the end of the period	-	13,523	13,523	10,705
Net book value as at the end of the period	231,917	1,827	233,744	236,562

#### **19.1** Intangible assets do not include fully amortized assets as at the reporting date.

19.2	Analysis of Computer software		
	As at 31st March	2014	2013
	Purchased software	15,350	15,350
		15,350	15,350

## 19.3 Impairment assessment on goodwill

Goodwill arising on business combinations - Guardian Capital Partners PLC

Based on the forecasted growth of its current investment portfolio and potantial market value of the investment, the Board of Directors is confident that the recoverable amount of goodwill arising on consolidation of Guardian Capital Partners PLC is higher than its corresponding carrying amount as at the reporting date.

## 20. Investment in subsidiaries - Company

		No. of shares	Cost as at 31st March 2014	Fair value as at 31st March 2014	No. of shares	Cost as at 31st March 2013	Fair value as at 31st March 2013
(a)	Quoted investments						
	Ceylon Investment PLC	63,407,518	1,239,234	4,723,860	63,407,518	1,239,234	5,072,602
	Guardian Capital Partners PLC	21,692,800	658,661	548,828	21,692,800	658,661	837,342
			1,897,895	5,272,688		1,897,895	5,909,944
(b)	Unquoted investments						
	Rubber Investment Trust Limited	3,955,609	316	7,908,252	3,955,609	316	9,196,405
	Guardian Fund Management Limited	2,848,678	73,321	73,321	2,848,678	73,321	73,321
			73,637	7,981,573		73,637	9,269,726
	Total investment in subsidiaries		1,971,532	13,254,261		1,971,532	15,179,670

The fair value of quoted investments are based on the volume weighted average price as at 31st March, published by the Colombo Stock Exchange, whilst the fair value of Rubber Investment Trust Limited is calculated based on the fair value of Its' investment portfolio.

In Rupees Thousands

## 21. Investment in equity accounted investees

## 21.a Group

 $\odot$ 

	Cost as at 31st March 2014	Carrying value as at 31st March 2014	Fair value as at 31st March 2014	Cost as at 31st March 2013	Carrying value as at 31st March 2013	Fair value as at 31st March 2013
Investment in associate (Note 21.1.)	1,928	5,475,394	12,076,963	1,928	5,844,389	14,419,186
Investment in jointly controlled entity (Note 21.2)	35,000	25,793	25,793	35,000	25,416	25,416
	36,928	5,501,187	12,102,756	36,928	5,869,805	14,444,602

## 21.b Company

	No. of shares	Cost as at 31st March 2014	No. of shares	Cost as at 31st March 2013
Investment in jointly controlled entity				
Guardian Acuity Asset Management Limited	3,500,000	35,000	3,500,000	35,000
		35,000		35,000

## 21.1 Investment in associate

	No. of shares	Cost as at 31st March 2014	Fair value as at 31st March 2014	No. of shares	Cost as at 31st March 2013	Fair value as at 31st March 2013
Quoted						
On ordinary shares - Bukit Darah PLC	20,438,250	1,927	12,076,962	20,438,250	1,927	14,419,185
Unquoted						
On preference shares - Bukit Darah PLC						
(8% participative cumulative preference shares)	31,875	1	1	31,875	1	1
		1,928	12,076,963		1,928	14,419,186

	% Holding	Carrying value as at 31st March 2014	Fair value as at 31st March 2014	% Holding	Carrying value as at 31st March 2013	Fair value as at 31st March 2013
Investors' share of net assets						
At the beginning of the year	20.04%	5,842,461	-	20.04%	5,412,987	-
Share of profit of equity accounted						
investees net of tax		566,997	-		768,953	-
Share of other comprehensive expense						
of equity accounted investees net tax		(877,600)	-		(278,164)	-
Dividend		(58,392)	-		(61,315)	-
At the end of the year		5,473,466	-		5,842,461	-
Total investment in associate company on						
equity method		5,475,394	12,076,963		5,844,389	14,419,186

\* The fair value of the investment in associate is based on the volume weighted average price as at 31st March published by the Colombo Stock Exchange.

1	5	
	⊳	≻
~		2

#### 21.1(a) Summarized financial information of the associate company

	Total assets		Tota	al liabilities
As at 31st March	2014	2013	2014	2013
Bukit Darah PLC	157,985,175	139,309,791	91,527,355	72,446,472
	157,985,175	139,309,791	91,527,355	72,446,472

## 21.2 Investment in jointly controlled entity

investment in jointly controlled entity						
	No. of shares	Cost as at 31st March 2014	Fair value as at 31st March 2014	No. of shares	Cost as at 31st March 2013	Fair value as at 31st March 2013
Unquoted						
Guardian Acuity Asset Management Limited	3,500,000	35,000	25,793	3,500,000	35,000	25,416
		35,000	25,793		35,000	25,416
	% Holding	Carrying value as at 31st March 2014	Fair value as at 31st March 2014	% Holding	Carrying value as at 31st March 2013	Fair value as at 31st March 2013
Investors' share of net assets						
At the beginning of the year	50%	(9,584)	-	50%	(2,389)	-
Share of jointly controlled entity's loss net of taxation		(840)	-		(7,832)	-
Share of other comprehensive income net of tax		1,217	-		637	-
At the end of the year		(9,207)	-		(9,584)	-
Total investment in jointly controlled						
entity on equity method		25,793	25,793		25,416	25,416

#### 21.2(a) Summarized financial information of the jointly controlled entity

	Tot	al assets	Tot	al liabilities
As at 31st March	2014	2013	2014	2013
Guardian Acuity Asset Management Limited	53,962	52,708	2,375	1,877
	53,962	52,708	2,375	1,877

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



In Rupees Thousands

 ${\mathfrak O}$ 

## 22. Available for sale financial assets

22.a Summary - Group

		Cost as at 31st March 2014	Fair value as at 31st March 2014	Cost as at 31st March 2013	Fair value as at 31st March 2013
Investment in equity securi	ties				
Quoted	22.1(a)	4,775,585	7,701,851	3,436,807	7,167,421
Unquoted	22.1(b)	18,624	18,624	17,334	17,334
Private equity	22.1(c)	40,005	40,005	320,802	441,148
Total investment in equity se	curities	4,834,214	7,760,480	3,774,943	7,625,903
Investment in debentures					
Unquoted	22.1(d)	5	5	5	5
Total investment in debentur	es	5	5	5	5
Investment in unit trusts					
Unquoted	22.1(e)	324,560	371,877	324,560	367,652
Total investment in units trus	sts	324,560	371,877	324,560	367,652
Total investments in available	e for sale financial assets	5,158,779	8,132,362	4,099,508	7,993,560

Note

- Fair values of quoted investments are based on the closing traded prices published by the Colombo Stock Exchange as at 31st March.

 The fair values of investment in unit trusts are based on 'net assets values' published by the custodian bank and the management company as at 31st March.

- The fair values of investment in private equity are arrived at based on valuation techniques; including forecasted cash flow projections, net asset valuation, earnings based valuation or expected realizable values in an arm's length transaction as appropriate.

## 22.b Movement in Available for sale financial assets - Group

Year 2013/14	Fair value as at 1st April 2013	Additions	Disposals	Fair value adjustment	Fair value as at 31st March 2014
Investment in equity securities	7,625,903	1,996,567	(1,974,486)	112,496	7,760,480
Investment in debentures	5	-	-	-	5
Investment in unit trusts	367,652	-	-	4,225	371,877
	7,993,560	1,996,567	(1,974,486)	116,721	8,132,362
Year 2012/13	Fair value as at 1st April 2012	Additions	Disposals	Fair value adjustment	Fair value as at 31st March 2013
Investment in equity securities	8,137,224	526,479	(1,782,461)	744,661	7,625,903
Investment in debentures	5	-	-	-	5
Investment in unit trusts	328,250	-	-	39,402	367,652
	8,465,479	526,479	(1,782,461)	784,063	7,993,560

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

Since there is no significant/prolonged decline in fair value of investment in equity securities below its cost, no impairment loss has been recognised in the statement of comprehensive income for the year (2013 – Rs. 53.4 mn) as required by LKAS – 39 "Financial Instruments; recognition and measurement". LKAS – 39 also requires to recognise fair value gains and losses arising from assets classified as available for sale, other than impairment losses, in other comprehensive income. Accordingly, gains of Rs. 105.7 mn and Rs. 843.1 mn have been recognised in financial years 2014 and 2013 respectively.

## 22 Available for sale financial assets (cont.)

22.1 Available for sale financial assets - Group

(a) Investment in equity securities - Quoted

investment in equity securities - Quoteu						
	No. of shares	Cost as at 31st March 2014	Fair value as at 31st March 2014	No. of shares	Cost as at 31st March 2013	Fair value as at 31st March 2013
Banks, Finance & Insurance						
Central Finance Company PLC	1,700,548	301,041	307,799	1,327,575	231,809	238,964
Commercial Bank of Ceylon PLC	10,000,000	703,934	1,230,000	13,025,350	912,988	1,471,863
HNB Assurance PLC	2,000,000	106,360	130,600	2,000,000	106,360	95,600
Nations Trust Bank PLC	5,005,718	306,527	324,871	2,000,000	- 100,500	
People's Leasing and Finance Company PLC	13,745,240	235,691	196,557	10,595,691	190,722	138,804
Sampath Bank PLC	2,993,345	692,193	545,088	1,449,593	427,752	326,013
	2,555,545	2,345,746	2,734,915	1,449,395	1,869,631	2,271,244
Beverage, Food & Tobacco						
Cargills (Ceylon) PLC	4,617,300	137,035	630,261	4,650,300	138,015	705,916
		137,035	630,261		138,015	705,916
Construction & Engineering						
Access Engineering PLC	8,000,000	200,280	180,000	8,000,000	200,280	157,600
		200,280	180,000		200,280	157,600
Diversified						
Aitken Spence PLC	3,348,000	336,851	327,769	-	-	-
Expolanka Holdings PLC	37,942,150	252,806	330,097	44,845,150	345,618	304,947
John Keells Holdings PLC	10,489,710	536,232	2,381,163	12,851,170	406,063	3,174,239
John Keells Holdings PLC Warrants 2015	586,306	-	40,221	-	-	-
John Keells Holdings PLC Warrants 2016	586,306	-	42,155	-	-	-
Hemas Holdings PLC	1,834,420	60,686	69,158	-	-	-
		1,186,575	3,190,563		751,681	3,479,186
Hotels & Travel						
Aitken Spence Hotel Holdings PLC	3,296,388	216,926	230,747	3,199,908	210,468	236,793
		216,926	230,747		210,468	236,793
HealthCare						
Asiri Surgical Hospital PLC	-	-	-	14,890,872	151,390	169,756
Ceylon Hospitals PLC	1,331,749	93,285	153,151	1,307,509	90,712	130,751
		93,285	153,151		242,102	300,507
Manufacturing						
Textured Jersey Lanka PLC	-	-	-	1,633,844	24,630	16,175
		-	-		24,630	16,175
Motors						
Diesel and Motor Engineering PLC	140,429	70,187	70,917	-	-	-
		70,187	70,917	-	-	-
Telecommunication	FC 010 017		F11 207			
Dialog Axiata PLC	56,810,817	525,551	511,297	-	-	-
Total Investment in equity securities - Quoted		525,551	511,297		-	-
iotal investment in equity securities - Quoted		4,775,585	7,701,851		3,436,807	7,167,421

 $\odot$ 

**)**-

In Rupees Thousands

## 22 Available for sale financial assets (cont.)

## 22.1 Available for sale financial assets - Group (cont.)

(b) Investment in equity securities - Unquoted

	No. of shares	Cost as at 31st March 2014	Fair value as at 31st March 2014	No. of shares	Cost as at 1st April 2013	Fair value as at 1st April 2013
DFCC Vardhana Bank Limited	165,759	2,890	2,890	128,925	1,600	1,600
Equity Investments Lanka (Private) Limited	11,250	2	2	11,250	2	2
Kandy Private Hospitals Limited	1,200	18	18	1,200	18	18
Lanka Communications Limited	1,428,496	15,714	15,714	1,428,496	15,714	15,714
Total investment in equity securities - Unquoted		18,624	18,624		17,334	17,334

## (c) Investment in equity securities - Private equity (unlisted)

	No. of shares	Cost as at 31st March 2014	Fair value as at 31st March 2014	No. of shares	Cost as at 31st March 2013	Fair value as at 31st March 2013
Durdans Medical & Surgical Hospital (Private) Limited	-	-	-	22,285,715	280,797	401,143
hSenid Business Solutions (Private) Ltd.	163,419	40,005	40,005	163,419	40,005	40,005
Total investment equity securities - Private equity	-	40,005	40,005		320,802	441,148
Total investment equity securities		4,834,214	7,760,480		3,774,943	7,625,903

## (d) Investments in debentures - Unquoted

	No. of shares	Cost as at 31st March 2014	Fair value as at 31st March 2014	No. of shares	Cost as at 31st March 2013	Fair value as at 31st March 2013
Redeemable unsecured						
Riverina Hotels Limited - Zero Coupon	56	1	1	56	1	1
Ocean View Limited - 6%	360	4	4	360	4	4
Total investment in debentures		5	5		5	5

## (e) Investments in unit trusts - Unquoted

	No. of shares	Cost as at 31st March 2014	Fair value as at 31st March 2014	No. of shares	Cost as at 31st March 2013	Fair value as at 31st March 2013
Guardian Acuity Equity Fund	2,500,000	25,000	30,875	2,500,000	25,000	28,700
Guardian Acuity Fixed Income Fund	7,500,000	75,000	89,625	7,500,000	75,000	85,200
The Sri Lanka Fund	2,531,646	224,560	251,377	2,531,646	224,560	253,752
Total investment in unit trusts		324,560	371,877		324,560	367,652

## 22. Available for sale financial assets

## 22.c Summary - Company

 $\bigcirc$ 

		Cost as at 31st March 2014	Fair value as at 31st March 2014	Cost as at 31st March 2013	Fair value as at 31st March 2013
Investment in equity securit	ies				
Quoted	22.2(a)	2,047,804	2,743,637	1,449,554	2,145,415
Unquoted	22.2(b)	16,687	16,687	16,257	16,257
Private equity	22.2(c)	-	-	146,919	210,111
Total investment in equity sec	urities	2,064,491	2,760,324	1,612,730	2,371,783
Investment in debentures					
Unquoted	22.2(d)	1	1	1	1
Total investment in debenture	95	1	1	1	1
Investment in unit trusts					
Unquoted	22.2(e)	162,280	185,939	162,280	183,826
Total investment in units trust	ts	162,280	185,939	162,280	183,826
Total investments in availab	le for sale financial assets	2,226,772	2,946,264	1,775,011	2,555,610

#### Note

Fair value of quoted investments are based on the closing traded prices published by the Colombo Stock Exchange as at 31st March.

- The fair values of investment in unit trusts are based on 'net assets values' published by the custodian bank and the management company as at 31st March.

- The fair values of investment in private equity are arrived at based on valuation techniques; including forecasted cash flow projections, net asset valuaton, earnings based valuation or expected realizable values in an arm's length transaction as appropriate.

#### 22.d Movement in Available for sale financial assets- Company

Year 2013/14	Fair value as at 1st April 2013	Additions	Disposals	Fair value adjustment	Fair value as at 31st March 2014
Investment in equity securities	2,371,783	849,075	(470,386)	9,852	2,760,324
Investment in debentures	1	-	-	-	1
Investment in unit trusts	183,826	-	-	2,113	185,939
	2,555,610	849,075	(470,386)	11,965	2,946,264
Year 2012/13	Fair value as at 1st April 2012	Additions	Disposals	Fair value adjustment	Fair value as at 31st March 2013
Investment in equity securities	2,667,965	251,233	(611,144)	63,729	2,371,783
Investment in debentures	1	-	-	-	1
Investment in unit trusts	164,125	-	-	19,701	183,826
	2,832,091	251,233	(611,144)	83,430	2,555,610

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

Since there is no significant/prolonged decline in fair value of investment in equity securities below its cost, no impairment loss has been recognised in the statement of comprehensive income for the year (2013 – Rs. 10.8 mn) as required by LKAS – 39 "Financial Instruments; recognition and measurement". LKAS – 39 also requires to recognise fair value gains and losses arising from assets classified as available for sale, other than impairment losses, in other comprehensive income. Accordingly, gains of Rs. 6.5 mn and Rs. 96.9 mn have been recognised in financial years 2014 and 2013 respectively.



In Rupees Thousands

## 22. Available for sale financial assets (cont.)

## 22.2 Available for sale financial assets - Company

(a) Investment in equity securities - Quoted

	No. of shares	Cost as at 31st March 2014	Fair value as at 31st March 2014	No. of shares	Cost as at 31st March 2013	Fair value as at 31st March 2013
Banks, Finance & Insurance						
Central Finance Company PLC	784,579	138,461	142,009	658,877	115,129	118,598
Commercial Bank of Ceylon PLC	5,248,514	389,229	645,566	6,342,954	470,395	716,754
HNB Assurance PLC	2,000,000	106,360	130,600	2,000,000	106,360	95,600
Nations Trust Bank PLC	2,463,350	151,198	159,871	-	-	-
People's Leasing and finance PLC	5,843,195	96,745	83,558	3,640,800	65,534	47,694
Sampath Bank PLC	1,514,978	349,743	275,877	742,570	217,427	167,004
·		1,231,736	1,437,481		974,845	1,145,650
Beverage, Food & Tobacco						
Cargills (Ceylon) PLC	4,617,300	137,035	630,261	4,650,300	138,015	705,916
		137,035	630,261		138,015	705,916
Diversified						
Aitken Spence PLC	1,674,000	168,425	163,885	-	-	-
Expolanka Holdings PLC	3,097,000	41,640	26,944	10,000,000	134,451	68,000
Hemas Holdings PLC	1,032,304	33,617	38,918	-	-	-
		243,682	229,747		134,451	68,000
HealthCare						
Asiri Surgical Hospital PLC	-	-	-	7,425,582	75,439	84,652
Ceylon Hospitals PLC	518,371	47,544	59,613	494,131	44,970	49,413
		47,544	59,613		120,409	134,065
Hotels & Travels						
Aitken Spence Hotel Holdings PLC	1,336,813	88,292	93,577	1,240,333	81,834	91,784
		88,292	93,577		81,834	91,784
Motors						
Diesel & Motor Engineering PLC	77,873	38,745	39,326	-	-	
		38,745	39,326		-	-
Telecommunication						
Dialog Axiata PLC	28,181,303	260,770	253,632	-	-	
		260,770	253,632		-	_
Total investment in equity securities - Quoted		2,047,804	2,743,637		1,449,554	2,145,415

## 22. Available for sale financial assets (cont.)

 $\bigcirc$ 

## 22.2 Available for sale financial assets - Company (contd.)

(b) Investment in equity securities - Unquoted

	No. of	Cost	Fair value	No. of	Cost	Fair value
	shares	as at	as at	shares	as at	as at
		31st March	31st March		31st March	31st March
		2014	2014		2013	2013
DFCC Vardhana Bank limited	55,253	963	963	42,975	533	533
Equity Investments Lanka (Private) Limited	1	1	1	1	1	1
Kandy Private Hospitals Limited	600	9	9	600	9	9
Lanka Communications Limited	1,428,496	15,714	15,714	1,428,496	15,714	15,714
Total investment in equity securities - unquoted		16,687	16,687		16,257	16,257

## (c) Investment in equity securities - Private equity (unlisted)

	No. of	Cost	Fair value	No. of	Cost	Fair value
	shares	as at	as at	shares	as at	as at
		31st March	31st March		31st March	31st March
		2014	2014		2013	2013
Durdans Medical & Surgical Hospital (Private) Limited	-	-	-	11,672,857	146,919	210,111
Total investment in equity securities - Private equity		-	-	-	146,919	210,111
Total investment in equity securities		2,064,491	2,760,324		1,612,730	2,371,783

## (d) Investments in debentures - Unquoted

	No. of	Cost	Fair value	No. of	Cost	Fair value
	shares	as at	as at	shares	as at	as at
		31st March	31st March		31st March	31st March
		2014	2014		2013	2013
Redeemable unsecured						
Ocean View Limited - 6%	120	1	1	120	1	1
Total investment in debentures		1	1		1	1

## (e) Investments in unit trusts - Unquoted

	No. of	Cost	Fair value	No. of	Cost	Fair value
	shares	as at	as at	shares	as at	as at
		31st March	31st March		31st March	31st March
		2014	2014		2013	2013
Guardian Acuity Equity Fund	1,250,000	12,500	15,438	1,250,000	12,500	14,350
Guardian Acuity Fixed Income Fund	3,750,000	37,500	44,813	3,750,000	37,500	42,600
The Sri Lanka Fund	1,265,823	112,280	125,688	1,265,823	112,280	126,876
Total investment in unit trusts		162,280	185,939		162,280	183,826

Ceylon Guardian Investment Trust PLC | Annual Report 2013/14 | 67



In Rupees Thousands

 $\odot$ 

## 23. Trade and other receivables

	Group			Company	
As at 31st March	2014	2013	2014	2013	
Financial					
Trade receivables	23,407	95,230	5,140	16,782	
Dividend receivable (note 23.1)	18,696	48,114	165,748	24,030	
Other receivable	-	1,082	-	-	
	42,103	144,426	170,888	40,812	
Non financial					
Prepaid expenses	180	4,925	50	390	
	180	4,925	50	390	
	42,283	149,351	170,938	41,202	

## 23.1 Due from related entities

Dividend receivable by the Company includes dividend receivable from related entity Ceylon Investment PLC amounting to Rs. 158.5 mn (2013-Nil)

## 24. Fair value through profit or loss financial assets

## 24.a Summary

	0	Group		Company	
As at 31st March	2014	2013	2014	2013	
Investment in Equity securities					
Quoted	1,212,370	947,594	162,643	147,453	
Total Investment in fair value through profit or loss financial assets	1,212,370	947,594	162,643	147,453	

## 24.b Movement in fair value through profit or loss financial assets - Group

Provement in rail value through pront of 1035 manetal asses	Gioup				
Year 2013/14	Fair value as at 1st April 2013	Additions	Disposals	Changes in Fair value	Fair value as at 31st March 2014
Investments in equity securities					
Quoted	947,594	1,160,212	(901,357)	5,921	1,212,370
	947,594	1,160,212	(901,357)	5,921	1,212,370
Year 2012/13	Fair value as at 1st April 2012	Additions	Disposals	Changes in Fair value	Fair value as at 31st March 2013
Investments in equity securities					
Quoted	782,421	1,047,995	(974,272)	91,450	947,594
	782,421	1,047,995	(974,272)	91,450	947,594

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

## 24 Fair value through profit or loss financial assets (cont.)

- 24.1 Fair value through profit or loss financial assets Group
- (a) Investment in equity securities Quoted

 $\bigcirc$ 

<u> </u>	No. of	Fair value	No. of	Fair value
	shares	as at 31st March	shares	as at 31st March
		2014		2013
Bank, Finance and Insurance				
Commercial Bank of Ceylon PLC	680,537	83,706	1,668,660	188,558
DFCC Bank PLC	213,324	30,697	-	-
Hatton National Bank PLC	712,189	106,828	1,085,000	181,521
Hatton National Bank PLC- Non Voting	100,000	12,000	-	-
Nations Trust Bank PLC	100,000	6,490	-	-
National Development Bank PLC	811,603	144,952	-	-
People's Leasing & Finance PLC	-	-	180,688	2,367
Trade Finance and Investment PLC	136,600	2,554	-	-
		387,227		372,446
Beverage, Food & Tobacco				
Ceylon Tobacco Company PLC	54,167	57,200	64,167	50,095
Distilleries Company of Sri Lanka PLC	399,174	81,032	1,419,646	236,371
		138,232		286,466
Construction and Engineering				
Access Engineering PLC	350,000	7,875	-	-
		7,875	-	
Diversified				
Aitken Spence PLC	880,218	86,173	-	-
Expolanka Holdings PLC	1,972,669	17,162	-	-
John Keells Holdings PLC	665,152	150,992	889,422	219,687
John Keells Holdings PLC Warrants 2015	333,300	22,864	-	-
John Keells Holdings PLC Warrants 2016	855,000	61,475	-	-
Hemas Holdings PLC	1,551,934	58,508	-	-
		397,174		219,687
Health Care				
The Lanka Hospitals Corporation PLC	783,000	32,573	-	-
		32,573	-	
Hotels & Travels				
Aitken Spence Hotel Holdings PLC	200,577	14,040	200,577	14,843
Asian Hotels and Properties PLC	97,000	5,704	-	-
Serendib Hotels PLC	167,336	3,129	-	-
		22,873		14,843

In Rupees Thousands

## 24 Fair value through profit or loss financial assets (cont.)

## 24.1 Fair value through profit or loss financial assets - Group (cont.)

(a) Investment in equity securities - Quoted (Cont.)

	No. of shares	Fair value as at 31st March 2014	No. of shares	Fair value as at 31st March 2013
Land & Property				
Colombo Land and Development Company PLC	-	-	518,093	15,802
Overseas Reality (Ceylon) PLC	989,643	20,288	-	-
		20,288		15,802
Manufacturing				
Kelani Tyres PLC	479,849	25,048	-	-
Piramal Lanka Glass Company PLC	-	-	4,000,000	24,400
Royal Ceramics Lanka PLC	450,000	35,685	-	-
		60,733		24,400
Power and Energy				
Lanka IOC PLC	2,033,905	78,305	-	-
Laughfs GAS PLC	310,975	10,107	-	-
		88,412		-
Telecommunications				
Dialog Axiata PLC	6,331,448	56,983	1,550,000	13,950
		56,983		13,950
Total investment in equity securities - Quoted		1,212,370		947,594

The fair value of quoted investments are based on the volume weighted average price as at 31st March, published by the Colombo Stock Exchange.

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

assets company	'y			
Fair value as at 1st April 2013	Additions	Disposals	Changes in Fair value	Fair value as at 31st March 2014
147,453	192,214	(175,432)	(1,592)	162,643
147,453	192,214	(175,432)	(1,592)	162,643
Fair value as at 1st April 2012	Additions	Disposals	Changes in Fair value	Fair value as at 31st March 2013
149,078	149,872	(162,059)	10,562	147,453
			10,562	
	Fair value as at 1st April 2013 147,453 147,453 Fair value as at 1st April 2012	as at 1st April 2013 147,453 192,214 147,453 192,214 147,453 192,214 Fair value as at 1st April 2012	Fair value as at 1st April 2013AdditionsDisposals1st April 201300147,453192,214(175,432)147,453192,214(175,432)Fair value as at 1st April 2012AdditionsDisposals	Fair value as at 1st April 2013AdditionsDisposalsChanges in Fair value147,453192,214(175,432)(1,592)147,453192,214(175,432)(1,592)147,453192,214(175,432)(1,592)Fair value as at 1st April 2012AdditionsDisposalsChanges in Fair value

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

#### 24 Fair value through profit or loss financial assets (cont.)

- 24.2 Fair value through profit or loss financial assets Company
- (a) Investment in equity securities Quoted

 $\bigcirc$ 

investment in equity securities - quoteu				
	No. of shares	Fair value as at 31st March 2014	No. of shares	Fair value as at 31st March 2013
Banks Finance & Insurance				
Commercial Bank of Ceylon PLC	100,000	12,300	521,336	58,910
Hatton National Bank PLC	162,189	24,328	345,000	57,719
		36,628		116,629
Beverage Food & Tobacco				
Ceylon Tobacco Company PLC	13,000	13,728	15,000	11,711
		13,728		11,711
Diversified				
John Keells Holdings PLC	189,692	43,061	-	-
Hemas Holdings PLC	283,846	10,701	-	-
		53,762		-
Health Care				
The Lanka Hospital Corporation PLC	250,000	10,400	-	-
		10,400		-
Hotel and Travels				
Serendib Hotels PLC- Non Voting	101,040	1,889	-	-
		1,889		-
Land & Property				
Colombo Land and Development Company PLC			226,670	6,913
Overseas Realty (Ceylon) PLC	389,643	7,988		
		7,988		6,913
Manufacturing				
Piramal Lanka Glass Company PLC	-	-	2,000,000	12,200
Royal Ceramics Lanka PLC	200,000	15,860	-	-
		15,860		12,200
Power and Energy				
Lanka IOC PLC	323,905	12,470	-	-
		12,470		-
Telecommunication				
Dialog Axiata PLC	1,102,000	9,918	-	-
Total investment in equity securities - Quoted		9,918 162,643		- 147,453
יטעני וואינטנוונווי ווי נקעונץ טננעוונונט - עעטנכע		102,040		1,400

The fair value of quoted investments are based on the volume weighted average price as at 31st March, published by the Colombo Stock Exchange.

In Rupees Thousands

 $\bigcirc$ 

#### 25. Cash and cash equivalents

	Group		Company	
As at 31st March	2014	2013	2014	2013
Cash at bank and cash in hand	19,331	67,591	1,869	14,516
Placements with banking institutions	2,194,437	2,059,218	524,167	743,377
Investments under repurchase agreements	569,145	570,662	163,113	72,469
Total cash and cash equivalents	2,782,913	2,697,471	689,149	830,362
Bank overdraft	(6,257)	(28,073)	(3,560)	(27,627)
	(6,257)	(28,073)	(3,560)	(27,627)
Net cash and cash equivalents for the purpose of cash flow statement	2,776,656	2,669,398	685,589	802,735

#### 26. Stated capital

As at 31st March		2014		2013
	Number of shares	Value	Number of shares	Value
Ordinary shares				
Issued and fully paid	82,096,719	879,607	82,096,719	879,607
Deferred shares				
Issued and fully paid (note 26.1)	5,739,770	73,560	5,739,770	73,560
	87,836,489	953,167	87,836,489	953,167

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

The Company has in issue 5,739,770 shares titled "Deferred shares". The deferred shares are subordinated to the ordinary shares in respect of dividend entitlement and right to a dividend does not arise unless and until the ordinary shareholders have been paid a dividend. The deferred shares confer on the holders present in person, by proxy or by attorney the right to as many votes as the number of votes conferred by all other shares for the time being issued and each holder as aforesaid present in person, proxy or attorney at any such meeting shall be entitled to such proportion of the votes conferred by the deferred shares collectively as the number of his deferred shares bears to the full number of the deferred shares. The deferred shares rank pari passu for all other purposes including capitalization of reserves with the ordinary shares of the Company, except for voting rights and dividend rights.

#### 27. Capital reserves

		Group	(	Company
As at 31st March	2014	2013	2014	2013
Investment reserve (Note 27.1)	7,805	7,805	7,805	7,805
Other capital reserve (Note 27.1)	316,741	316,741	200,855	200,855
Associate company's capital reserve (Note 27.2)	443,326	1,164,610	-	-
Jointly controlled entity's capital reserve (Note 27.2)	1,854	637	-	-
	769,726	1,489,793	208,660	208,660

#### 27.1 Investment reserve and other capital reserve

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

#### 27.2 Associate company's capital reserve/Jointly controlled entity's capital reserve

Associate company's capital reserve / jointly controlled entity's capital reserve recognises the investor's share of the other comprehensive income of the associate company / jointly controlled entity after the date of acquisition/incorporation.

(>)

 $\odot$ 

#### 28. Revenue reserves

	Group		Company	
As at 31st March	2014	2013	2014	2013
Fair value through profit or loss financial assets reserve (Note 28.1)	24,214	54,440	1,165	9,395
Available for sale financial assets reserve (Note 28.2)	2,520,567	3,325,718	859,907	979,808
General reserve (Note 28.3)	32,668	32,668	14,961	14,961
Retained earnings	10,361,767	8,834,904	3,916,835	3,397,003
	12,939,216	12,247,730	4,792,868	4,401,167

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

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

Accordingly an amount of Rs. 30.2 mn and Rs. 8.2 mn was transferred from (2013 - Rs.54.4 mn and Rs.9.4 mn was transferred to) "Fair value through profit or loss financial assets reserve" to retained earnings as shown in the Statement of Changes in Equity.

#### 28.2 Available for sale financial assets reserve

This consists of net unrealised gains/losses arising from change in the fair value of available for sale financial assets excluding cumulative impairments losses incurred as at the reporting date.

#### 28.3 General reserve

These represents the amounts set aside to meet any contingencies.



In Rupees Thousands

 $\odot$ 

#### 29. Employee benefits

	(	Group		Company
As at 31st March	2014	2013	2014	2013
Balance at the beginning of the year	5,425	3,564	-	-
Provision for the year (Note 29.1)	2,184	1,861	-	-
Payments made during the year	-	-	-	-
Balance as at the end of the year	7,609	5,425	-	-

#### 29.1 The amounts recognised in the Profit/Loss are as follows;

		(	Group		Company
	For the year ended 31st March	2014	2013	2014	2013
	Interest cost	542	357	-	-
	Current service cost	1,600	1,334	-	-
	Charge for the year	2,142	1,691	-	-
29.2	The amounts recognised in other comprehensive income are as follows;				
	Actuarial losses	42	170	-	-
	Charge for the year	42	170	-	-
	Amount recognised in the Statement of comprehensive income	2,184	1,861	-	-

The gratuity liability as at 31st March 2014 amounting to Rs. 7,609,035 (2013 - Rs.5,425,732) for Group is made based on an actuarial valuation carried out by Mr. M. Poopalanathan (AIA) of Messrs Actuarial & Management Consultants (Pvt) Ltd. As recommended by the Sri Lanka Accounting Standards (LKAS - 19)- "Employee benefits", the "Projected Unit Credit (PUC)" method has been used in this valuation.

 $\bigcirc$ 

The principal assumptions made are given below :

-	Rate of discount	10% p.a.
-	Rate of pay increase	12% p.a.
-	Retirement age	55 years
-	Mortality	A 67/70 mortality table, issued by the Institute of Actuaries, London was used.
-	Withdrawal rate	5% for age up to 49 and Zero thereafter.
-	The company is a going concern.	

The above liability is not externally funded.

_		•
	~	ć
ι.		,
· •	•	

#### 30. Deferred tax liabilities / (assets)

		G	iroup	C	ompany
	As at 31st March	2014	2013	2014	2013
	Balance as at the beginning of the year	(10,404)	793	(10,404)	-
	On origination and reversal of temporary difference	8,388	(11,197)	8,388	(10,404)
	Balance as at the end of the year	(2,016)	(10,404)	(2,016)	(10,404)
30.1	Movement in deferred taxation during the year				
	Employee benefit	216	376	-	-
	Property plant and equipment	(216)	(1,168)	-	
	Tax losses carried forward	(8,388)	(10,404)	(8,388)	(10,404)
	Net deferred tax charged/(reversed) for the year	(8,388)	(11,196)	(8,388)	(10,404)
30.2	Deferred tax liabilities				
	Tax effect on property, plant and equipment	406	692	-	-
	Total deferred tax liabilities	406	622	-	-
30.3	Deferred tax assets				
	Tax effect on employee benefits	406	622	-	
	Tax effect on tax losses carried forward	2,016	10,404	2,016	10,404
	Total deferred tax assets	2,422	11,026	2,016	10,404
	Net deferred tax liabilities/(assets)	(2,016)	(10,404)	(2,016)	(10,404)

#### Unrecognised Deferred tax asset

Deferred tax assets on tax losses amounted to Rs. 8,460,855 (2013 - Rs. 7,315,322) has not been fully recognised due to the uncertainty regarding the availability of future taxable profits against which the deferred tax asset could be utilized.

#### 30.4 Impact due to corporate income tax rate change

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

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

As at	Income tax rate
2013	28%
2014	28%



In Rupees Thousands

 $(\mathcal{D})$ 

#### 31. Trade and other payables

	G	iroup	C	Company
As at 31st March	2014	2013	2014	2013
Financial				
Trade payables	9,000	-	-	-
Dividend payables	87,268	-	-	-
Other payables	59,783	35,209	13,926	12,593
Amounts due to related entities (Note 31.1)	-	-	14,000	-
	156,051	35,209	27,926	12,593
Non financial				
Accruals and provisions	15,447	13,031	2,007	1,698
	15,447	13,031	2,007	1,698
	171,498	48,240	29,933	14,291

#### 31.1 Amounts due to related entities

	(	Group	Company		
As at 31st March	2014	2013	2014	2013	
Amounts due to related entities					
Guardian Fund Management Limited	-	-	14,000	-	
	-	-	14,000	-	

#### 32. Comparative figures

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

Changes in accounting policies and methods of computation - Equity accounted investees

The associate company Bukit Darah PLC's financial statements have been restated due to amendments to SLFRS 19 which removes the corridor mechanism for defined benefit plans and no longer allows actuarial gains and losses to be recognized in profit or loss. The distinction between short-term and long-term employee benefits is based on expected timing of settlement rather than employee entitlement. Accordingly, the share of profit and the share other comprehensive expense of equity accounted investees for the financial year ended 31st March 2013 have been re-stated as given below.

For the year ended	31st March 2	2013
Statement of comprehensive income	Previously reported	Restated
Share of profit of equity accounted investees net of tax	755,198	761,121
Share of other comprehensive expenses of equity accounted investees net of tax	(232,604)	(277,527)
	522,594	483,594
As at	31st March 2	2013

no uc	JESCHARCH	2013
Statement of financial position	Previously reported	Restated
Investment in equity accounted investees	5,908,805	5,869,805
	5,908,805	5,869,805

#### 33. Events after the reporting period

After satisfying the solvency test in accordance with Section 57 of the Company's Act, No. 7 of 2007, the Directors have recommended a payment of first and final dividend of Rs. 5 /- (2013 - Rs. 2/50) per ordinary share deferred share for the year ended 31st March 2014 amounting to Rs.439,182,445/- (2013 - Rs. 219,591,222/50) which is to be approved at the forthcoming Annual General Meeting. In accordance with Sri Lanka Accounting Standard (LKAS 10) - "Events after the reporting period" this proposed first and final dividend has not been recognised as a liability as at 31st March 2014.

Subsequent to the reporting period, no circumstances have arisen which would require adjustments to or disclosure in the financial statements other than the above.

(>)

#### 34. Commitments and contingencies

#### 34.1 Capital expenditure commitments

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

#### 34.2 Contingencies

 $\bigcirc$ 

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

#### 35. Related party transactions

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

#### 35.1 Parent and ultimate controlling party

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

#### 35.2 Group entities

Ownership interest %		
As at 31 st March	2014	2013
Subsidiaries		
Ceylon Investment PLC	64	64
Rubber Investment Trust Limited	82	82
Guardian Capital Partners PLC	84	84
Guardian Fund Management Limited	100	100
Equity Accounted Investees		
Associate Company		
Bukit Darah PLC	20	20
Jointly controlled entity		
Guardian Acuity Asset Management Limited	50	50

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

According to Sri Lanka Accounting Standard (LKAS 24) - "Related Party Disclosures", Key Management Personnel (KMP) are those having authority and responsibility for planning and controlling the activities of the entity. 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.

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

		Group		Company		
For the year ended 31st March	2014	2013	2014	2013		
Short-term employee benefits	28,150	25,973	6,651	6,533		
Post-employment benefits	557	506	-	-		
Termination benefits	-	-	-	-		
Other long-term benefits	-	-	-	-		
Non cash benefits	82	20	-	-		
	28,789	26,499	6,651	6,533		

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

In Rupees Thousands

 $\odot$ 

#### 35 Related party transactions (cont.)

#### 35.4 Transactions with related companies

Name and the nature of relationship	Names of the common Directors/ KMP			Group		Company	
			2014	2013	2014	2013	
Parent Company							
Carson Cumberbatch PLC	I. Paulraj	Dividends paid	152,177	121,741	152,177	121,741	
	D.C.R. Gunawardena						
	K. Selvanathan (Alternate to M.Selvanathan)						
Subsidiaries							
Ceylon Investment PLC	I. Paulraj	Dividends received	-	-	267,474	79,260	
	D.C.R. Gunawardena						
	A. de Z.Gunasekera						
	V. M. Fernando						
	Mrs. M. A. R. C. Cooray						
	K. Selvanathan						
Guardian Fund Management Limited (GFM)	K. Selvanathan	Portfolio management fees paid	-	-	11,119	6,704	
		Incentive paid	-	-	12,250		
		Short-term advances provided	-	-	-	6,00	
		Settlement received on short- term advance provided	-	-	-	6,000	
		Subscription to the rights issue of shares	-	-	-	45,092	
Rubber Investment Trust	I. Paulraj	Dividends received	-	-	195,277	43,51	
Limited	D.C.R. Gunawardena						
Associate Company							
Bukit Darah PLC	I. Paulraj D.C.R. Gunawardena	Dividend received on ordinary shares		61,315	-		
	K. Selvanathan (Alternate to M.Selvanathan)	Dividend received on 8% participative cumulative preference shares	729	765	-		

Ò

#### 35 Related party transactions (cont.)

#### 35.4 Transactions with related companies (cont.)

Name and the nature of relationship	Names of the common Directors/ KMP	Nature of transactions	Group		Company	
	·		2014	2013	2014	2013
Jointly controlled entity						
Guardian Acuity Asset Management Limited	D.C.R. Gunawardena K. Selvanathan	Portfolio management fees received	3,340	3,140	-	-
		Subscription to the rights issue of shares	-	15,000	-	15,000
Fellow subsidiaries						
Carsons Management Services	K. Selvanathan	Support service fees paid	30,466	18,786	9,026	5,100
(Private) Limited		Computer fees paid	1,320	1,320	420	420
		Secretarial fees paid	1,140	1,140	300	300
Equity Two PLC	D.C.R.Gunawardena	Rental charges paid	2,465	2,465	-	-
Other entities						
Sri Lanka Fund	D.C.R.Gunawardena	Portfolio management fees received	3,796	3,520	-	-
Hatton National Bank PLC	Mrs.M.A.R.C.Cooray	Interest income received	388	57,643	388	36,547
	R.Theagarajah *	Balances held in demand deposits	1,569	1,569	738	738

The Bank has provided to the Company inter-changeable short-term borrowing facility with Ceylon Investment PLC, the subsidiary, to the value of Rs. 300/- mn (2013 - Rs. 300/- mn) on commercial terms.

\* Mr.R.Theagarajah is a director of Carson Cumberbatch PLC, the parent entity of Ceylon Guardian Investment Trust PLC, was the CEO/MD of Hatton National Bank PLC during the financial year.

Amounts due from/due to related entities are disclosed in notes 23.1 and 31.1 respectively.

<u> (>)</u>

 $\odot$ 

In Rupees Thousands

 $\mathcal{O}$ 

#### 36. Financial instruments

#### Financial risk management - Overview

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

Credit risk

Liquidity risk

Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Page 15 also carry a review of risks faced by the Company and the approach of managing such risks.

#### **Risk management framework**

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

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

The company's investment portfolio comprises listed and unlisted equity securities. The company's investment manager has been given discretionary authority to manage the asset in line with the company's investment objectives.

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

#### 36.1 Credit risk

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

#### 36.1.1 Credit risk exposure and managing the risk

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

	Note	Carry	Carrying Amount	
		2014	2013	
Available for sale financial assets - Corporate debt securities	22.1.d	5	5	
Available for sale financial assets - Investment in unit trusts	22.1.e	371,877	367,652	
Trade and other receivables (Financial)	23	42,103	144,426	
Cash and cash equivalents - Cash in hand and at bank	25	19,331	67,591	
Cash and cash equivalents - Placements with banking institutions	25	2,194,437	2,059,218	
Cash and cash equivalents - Investments under repurchases agreements	25	569,145	570,662	
		3,196,898	3,209,554	

36 Financial instruments (cont.) Available for sale financial assets

 $(\mathcal{S})$ 

#### Investment in corporate debt securities

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

#### Investment in unit trusts

The Group has invested in three unit trusts; The Sri Lanka Fund, Guardian Acuity Equity Fund and Guardian Acuity Fixed Income Fund. The Group has infused promoters capital to each of these funds and the management of the underlying funds rests with the Group's investment management arm; Guardian Fund Management Limited.

Each of these investments are carried at their fair values; being the net asset value of the fund at each reporting date. The funds carry a mix of equity and fixed income earning instruments at a given point in time, with due consideration on liquidity, which will enable to realize its carrying values with a minimum loss in value. Further, these funds are regulated in such a way that the fund carry adequate assets in highly liquid form, generally 5% of the net assets value, which will ensure customer withdrawals are settled promptly.

A due evaluation process has been carried out by the Group prior to these investments, which included an assessment in to their ability to repay, in the event the Group wishes to withdraw, within the existing regulatory framework.

#### Trade and other receivables

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

Settlement procedures surrounding the equity markets are highly structured and regulated. A T+3 settlement cycle is in place with the involvement of a custodian bank, which is being duly monitored by the regulator, hence provides assurance on the realization of underlying balances. Further, a due evaluation process, including a continuous assessment mechanism is in place, in ascertaining 'market intermediaries' that the Group transacts with, and requires the approval of the Board of Directors.

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

The management fee receivable from clients external to the group are generally invoiced once in every three months and an approved credit period of 30 days prevails for settlement. The terms in determining the fees have been agreed with the parties, in the form of a bi-lateral agreement, such that the risk of a dispute is minimum. The Group has not encounted defaults to date on these customers.

#### Age analysis of trade and other receivables

As at 31 st March	2014	2013
Less than 30 days	38,982	143,201
30 – 60 days	588	508
61 – 90 days	594	590
91 – 120 days	794	43
More than 120 days	1,145	84
	42,103	144,426

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

-⊘

In Rupees Thousands

 $\bigcirc$ 

#### 36 Financial instruments (cont.)

#### Cash and cash equivalents

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

The Group minimize the credit risk by monitoring the credit worthiness of the underlying counterparties periodically.

An analysis of banking / financial institutional counterparties with whom the balances were held at each reporting period end is presented below.

Credit rating	2014	2013
ААА	7,272	28,649
AA	1,364,475	2,632,796
AA-	1,408,252	1,569
Unrated	2,914	34,457
	2,782,913	2,697,471

#### 36.2 Liquidity risk

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

#### 36.2.1 Exposure to credit risk

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

				Contractual cash flows			
As at 31 March 2014	Carrying amount	Total	up to 3 months	3-12 months	More than a year		
Non derivative financial liabilities							
Trade and other payables	156,051	156,051	156,051	-	-		
Bank overdrafts	6,257	6,257	6,257	-	-		
	162,308	162,308	162,308	-	-		

			(	Contractual cash flows			
As at 31 March 2013	Carrying amount	Total	up to 3 months	3-12 months	More than a year		
Non derivative financial liabilities							
Trade and other payables	35,209	35,209	35,209	-	-		
Bank overdrafts	28,073	28,073	28,073	-	-		
	63,282	63,282	63,282	-	-		

 $\odot$ 

#### 36 Financial instruments (cont.)

The ratio of net assets with a very shorter expected liquidation period (liquid assets) to total net assets is set out below

As at 31st March	2014	2013
Total liquid assets	588,476	638,253
Liquid assets as % of total net assets	3%	4%

#### 36.2.2 Management of liquidity risk

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

The Group maintains a portion of its assets in highly liquid form, demand deposits with commercial banks, placements with banking institutions and investments under repurchase agreements, in order to capitalized on the opportunities arising in volatile market conditions and to meet its contractual obligations during the normal course of its operations.

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

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

As at 31st March	2014	2013
Unutilised overdraft facilities	1,600,000	1,600,000
	1,600,000	1,600,000

#### 36.3 Market risk

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

#### 36.3.1 Interest rate risk

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

#### Profile

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

	Carı	ying Amount
As at 31st March		2013
Financial assets		
Placements with banking institutions	2,194,437	2,059,218
Investments under repurchases agreements	569,145	570,662
	2,763,582	2,629,880
Financial liabilities		
Bank overdrafts	6,257	28,073
	6,257	28,073

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

In Rupees Thousands

 $\mathcal{O}$ 

#### 36 Financial instruments (cont.)

	2014	2013
Commercial Banks Averaged Weighted Prime Lending Rate ( AWPLR) *	8.81%	13.86%
Commercial Banks Averaged Weighted Fixed Deposit Rate (AWFDR) *	10.47%	13.94%

\* Monthly averaged rate

#### Sensitivity Analysis

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

#### Profit or loss

Movement in exchange rate	Increase in 1%	Decrease in 1%
As at 31 March 2014		
- On interest earning assets	27,636	(27,636)
- On interest bearing liabilities	(63)	63
	27,573	(27,573)
As at 31 March 2013		
- On interest earning assets	26,299	(26,299)
- On interest bearing liabilities	(281)	281
	26,018	(26,018)

#### 36.3.2 Other market price risks

#### Equity price risk

The Group operate as an investment house, where the principal activity of each of the companies within the Group being to act as specialized investment vehicle to undertake, among others; listed and private equity investments, accordingly the Group is exposed to equity price risk. Having a substantial portion of 77% (2013 – 77%) of its investment portfolio designated as listed investments in the Colombo Stock Exchange and private equity investments, market volatilities bring in substantial volatility to the Groups earnings and value of its asset base as at the reporting date.

#### Management of market price risk

#### Listed equity investments

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

#### Private equity investments

Due evaluations are carried out before-hand, extending to both financial and operational feasibility of the private equity projects that the Group ventures into, with a view to ascertain the Company's investment decision and the risks involved. Continuous monitoring of the operations against the budgets and the industry standards ensure that the projects meet the desired outcome, and thereby the returns. Further, the Group generally carries investment agreements with the parties concerned, which carry specific 'exit clauses' to private equity projects - typically an 'Initial Public Offering' or a 'Buy-out' at a specified price formulae, which provides cover to a certain extent against movements in market conditions.

 $(\mathcal{S})$ 

 $\odot$ 

#### 36 Financial instruments (cont.)

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

As at 31st March	Note	Carrying amount	
		2014 201	
Available for sale financial assets	22	8,132,362	7,993,560
Fair value through profit or loss financial assets	24	1,212,370	947,594
		9,344,732	8,941,154

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

#### **Currency risk**

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate, due to changes in foreign exchange rates. The Group is exposed to currency risk on its investments that are denominated in a currency other than the functional currency. The Group's investment in 'The Sri Lanka Fund', a country fund domiciled in Cayman Islands to which the Group has infused promoters capital, remains the prime factor that exposes the Group in to currency risk.

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

		Carrying Amount	
As at 31st March	Currency	2014 2013	
Investments in Unit Trusts - The Sri Lanka Fund	LKR('000)	251,377	253,752
Investments in Unit Trusts - The Sri Lanka Fund	USD	1,922,872	2,024,994
The following exchange rates applied during the year.			
USD/LKR			

#### Sensitivity Analysis

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

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

	Equ	iity
Movement in exchange rate	Strengthening	Weakening
As at 31 March 2014		
- United State Dollars ( 1% movement)	(2,514)	2,514
As at 31 March 2013		
- United State Dollars ( 1% movement)	(2,538)	2,538



-())

In Rupees Thousands

#### 36 Financial instruments (cont.)

#### 36.4 Accounting classification and fair values

The fair values of financial assets ad liabilities together with the respective carrying amounts as shown in the statement of financial position are as follows.

As at 31st March 2014 p	Fair value through rofit or loss	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total carrying amount	Fair value
Assets							
Available-for-sale financial assets	-	-	-	8,132,362	-	8,132,362	8,132,362
Trade and other receivables	-	-	42,103	-	-	42,103	42,103
Fair value through profit or loss financial assets	1,212,370	-	-	-	-	1,212,370	1,212,370
Cash and cash equivalents	-	-	2,782,913	-	-	2,782,913	2,782,913
Total financial assets	1,212,370	-	2,825,016	8,132,362	-	12,169,748	12,169,748
Liabilities							
Trade and other payables	-	-	-	-	156,051	156,051	156,051
Bank overdraft	-	-	-	-	6,257	6,257	6,257
Total financial liabilities	-	-	-	-	162,308	162,308	162,308

As at 31st March 2013	Fair value through profit or loss	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total carrying amount	Fair value
Assets							
Available-for-sale financial asse	ts -	-	-	7,993,560	-	7,993,560	7,993,560
Trade and other receivables	-	-	144,426	-	-	144,426	144,426
Fair value through profit or loss financial assets	947,594	_	_	-	-	947,594	947,594
Cash and cash equivalents	-	-	2,697,471	-	-	2,697,471	2,697,471
Total financial assets	947,594	-	2,841,897	7,993,560	-	11,783,051	11,783,051
Liabilities							
Trade and other payables	-	-	-	-	35,209	35,209	35,209
Bank overdraft	-	-	-	-	28,073	28,073	28,073

63,282

63,282

Total financial liabilities

 $\odot$ 

63,282

#### 36 Financial instruments (cont.)

#### 36.5 Fair value hierarchy

 $\bigcirc$ 

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows.

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

	Level 1	Level 2	Level 3	Total
As at 31st March 2014				
Equity securities - available for sale financial assets	8,073,728	-	58,634	8,132,362
Equity securities - Fair value through profit or loss financial assets	1,212,370	-	-	1,212,370
	9,286,098	-	58,634	9,344,732
As at 31st March 2013				
Equity securities - available for sale financial assets	7,535,073	401,143	57,344	7,993,560
Equity securities - Fair value through profit or loss financial assets	947,594	-	-	947,594
	8,482,667	401,143	57,344	8,941,154

Addition of investments in unquoted equity securities amounting to Rs. 1.3 mn were categorized in to level 3 of fair value hierarchy during the financial year under review.

#### 37. Segmental Reporting

"The company's Chief Operating Decision Maker (CODM) monitors the operating results of the entity as a whole considering the operations as a single segment Investment holding and asset management for the purpose of making decisions about resource allocation and performance. Therefore no disclosure is made on operating segments."

#### **38.** Responsibility for Financial Statements

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

 $\bigcirc$ 

# Five year summary

In Rupees Thousands

Revenue     Profile       Dividend income     898,188     471,025     410,896     293,890     399,324       Net gain on disposal of investments     1,283,904     1,235,698     1,763,145     2,373,482     2,012,807       Management fee     70,746     43,755     44,487     37,218     115,981       Fair value adjustment - unrealized     70,746     (262,732)     (232,898)     (194,354)     (1,463,679       Fair value adjustment - unrealized     1,612,599     2081,300     2,752,522     1,906,915       Fair value adjustment - unrealized     1,818,966     1,680,609     1,403,979     2,725,270     1,401,254       Profit before taxation     2,232,685     2,321,078     2,554,255     3,528,480     1,714,685       Income tax expenses     (109,611)     (22,579)     (1,56,966)     (4,532)     (35,106       Profit for thy year     2,123,074     2,297,499     2,538,559     3,523,484     6,795,797       Non controlling interest     (406,804)     (411,391)     (371,609)     (43,520,700       Stated capital     953,167     953,167 <th></th> <th></th> <th>SLFRS/LKA</th> <th>S</th> <th></th> <th>SLAS</th>			SLFRS/LKA	S		SLAS
Dividend income     898,188     471,025     410,896     293,890     398,324       Net gain on disposal of investments     1,283,904     1,235,698     1,755,145     2,373,462     2,012,807       Interest income     337,443     154,843     95,670     15,356     135,482       Management fee     70,746     43,755     44,487     37,218     13,981       Less: Inter-group transactions     (777,236)     (262,722)     (232,898)     (194,354)     (1,465,679)       Fair value adjustment - unrealized     5,921     38,010     (677,321)     199,678     304,339       Profit on investment activities     1,813,965     1,680,609     1,403,979     2,725,270     1,402,549       Profit on investment activities     1,813,966     1,680,609     1,403,979     2,753,202     1,402,549       Profit on investment activities     1,813,966     1,680,609     1,403,979     2,538,589     3,528,488     1,679,579       Non controlling interest     (406,804)     (411,319)     (371,609)     (361,088)     (559,206       Profit atheyear     2,123,070     2,1	For the year ended/As at 31st March	2014	2013	2012	2011	2010
Net gain on disposal of investments   1,283,904   1,285,608   1,763,145   2,373,482   2,012,807     Interest income   337,443   134,853   995,670   15,356   135,482     Management fee   70,746   43,755   44,487   37,218   13,981     Less: Inter-group transactions   (777,236)   (262,722)   (232,898)   (194,354)   (1,463,679     Less: Inter-group transactions   1,813,045   1,642,599   2,081,300   2,525,220   1,909,578   304,339     Profit on investment activities   1,818,966   1,680,609   1,403,979   2,725,270   1,401,254     Profit for the xaation   2,232,685   2,321,078   2,554,255   3,328,380   1,716,675,579     Non controlling interest   (109,611)   (23,579)   (15,696)   (4,532)   (351,065     Profit for the year   2,123,074   2,297,499   2,356,559   3,328,480   1,679,579     Non controlling interest   (406,804)   (411,3191)   (371,609)   (361,088)   (359,020     Profit attributable to the equity holders of   C   1,746,573   (1,145,573)   (13,157,55)   (1,467,798)	Revenue					
Net gain on disposal of investments   1,283,904   1,285,608   1,763,145   2,373,482   2,012,807     Interest income   337,443   134,853   995,670   15,356   135,482     Management fee   70,746   43,755   44,487   37,218   13,981     Less: Inter-group transactions   (777,236)   (262,722)   (232,898)   (194,354)   (1,463,679     Less: Inter-group transactions   1,813,045   1,642,599   2,081,300   2,525,220   1,909,578   304,339     Profit on investment activities   1,818,966   1,680,609   1,403,979   2,725,270   1,401,254     Profit for the xaation   2,232,685   2,321,078   2,554,255   3,328,380   1,716,675,579     Non controlling interest   (109,611)   (23,579)   (15,696)   (4,532)   (351,065     Profit for the year   2,123,074   2,297,499   2,356,559   3,328,480   1,679,579     Non controlling interest   (406,804)   (411,3191)   (371,609)   (361,088)   (359,020     Profit attributable to the equity holders of   C   1,746,573   (1,145,573)   (13,157,55)   (1,467,798)	Dividend income	898,188	471,025	410,896	293,890	398,324
Interest income     337,443     154,853     95,670     15,356     135,482       Management fee     70,746     43,755     44,487     37,218     13,948       Less: Inter-group transactions     (777,236)     (262,732)     (232,898)     (194,354)     (1,463,679       Fair value adjustment - unrealized     5,521     38,010     (677,321)     199,678     304,339       Profit on investment activities     1,818,966     1,680,609     1,403,979     2,725,270     1,401,254       Profit before taxation     2,232,685     2,321,078     2,554,355     3,323,848     1,679,579       Non controlling interest     (406,804)     (411,391)     (371,609)     (361,068)     (359,206       Profit of the equity holders of     (299,7499     2,538,559     3,232,848     1,679,579       Cayload and investment Trust PLC     1,716,700     1,886,108     2,166,950     2,962,760     1,320,373       Dividends paid     (219,591)     (175,673)     (131,755)     (154,798)     (232,702       Stateed capital employed     13,708,942     13,737,523     12,442,284						
Management fee     70,746     43,755     44,487     37,218     13,981       2,590,281     1,905,331     2,314,198     2,719,946     2,560,594     1,642,599     2,081,300     2,525,592     1,096,915       Fair value adjustment - unrealized     1,813,045     1,642,599     2,081,300     2,525,592     1,096,915       Fair value adjustment - unrealized     1,818,966     1,680,609     1,403,979     2,725,270     1,401,254       Profit for th vestment activities     1,818,966     1,680,609     1,403,979     2,725,270     1,401,254       Profit for the year     2,123,074     2,521,078     2,554,255     3,323,840     1,714,685       Non controlling interest     (406,804)     (411,391)     (371,609)     (361,088)     (359,206       Profit dributable to the equity holders of     C     1,716,270     1,886,108     2,166,950     2,962,760     1,320,373       Dividends paid     (219,591)     (175,673)     (131,755)     (154,788)     (63,64,438       Total equity thributable to equity holders of     C     C     2,2803,388     2,154,118     1,566,272 </td <td>Interest income</td> <td></td> <td></td> <td></td> <td></td> <td></td>	Interest income					
2,590,281   1,905,331   2,314,198   2,719,946   2,560,594     Less: Inter-group transactions   (277,236   (262,732)   (22,2898)   (194,354)   (1,463,679)     Fair value adjustment - unrealized   5,921   38,010   (677,321)   199,678   304,339     Profit on investment activities   1,818,966   1,680,600   1,403,979   2,725,270   1,401,254     Profit before taxation   2,232,685   2,321,078   2,554,255   3,28,380   1,714,685     Profit before taxation   (23,579)   (15,696)   (4,552)   (35,106     Profit tor the year   2,123,074   2,297,499   2,538,559   3,23,848   1,679,579     Non controlling interest   (406,804)   (411,391)   (371,609)   (561,088)   (359,206     Profit atributable to the equity holders of   1,716,270   1,886,108   2,166,950   2,962,760   1,320,373     Dividends paid   (219,591)   (175,673)   (131,755)   (154,798)   (232,702     State capital   p953,167   953,167   953,167   953,167   953,167   672,811     Reserves   13,708,942	Management fee					
Less: Inter-group transactions   (777,236)   (262,732)   (232,898)   (194,354)   (1,463,679     Fair value adjustment - unrealized   5,921   38,010   (677,731)   199,678   304,339     Profit on investment activities   1,818,966   1,680,609   1,403,979   2,725,270   1,401,254     Profit before taxation   2,232,685   2,321,078   2,554,255   3,328,480   1,714,685     Income tax expenses   (109,611)   (25,779)   (15,696)   (4,552)   (551,026)     Profit the year   2,123,074   2,297,499   2,538,559   3,328,488   1,679,579     Non controlling interest   (406,804)   (411,391)   (511,609)   (561,088)   (552,206)     Profit tributable to the equity holders of   1,716,270   1,886,108   2,166,950   2,962,760   1,320,373     Stated capital   953,167						
1,813,045   1,642,599   2,081,300   2,525,592   1,096,915     Fair value adjustment - unrealized   5,921   38,010   (677,321)   199,678   304,339     Profit on investment activities   1,818,966   1,680,609   1,403,979   2,725,270   1,401,254     Profit before taxation   2,232,685   2,321,078   2,554,255   3,523,848   1,679,579     Non controlling interest   (406,804)   (411,391)   (371,609)   (361,088)   (359,206     Profit atributable to the equity holders of   1,716,270   1,886,108   2,166,950   2,962,760   1,320,373     Dividends paid   (219,591)   (175,673)   (131,755)   (154,798)   (232,702     Statement of financial position   2   13,708,942   13,737,523   12,442,284   12,178,591   6,964,438     Total equity attributable to equity holders of   953,167 <td< td=""><td>Less: Inter-group transactions</td><td></td><td></td><td></td><td></td><td></td></td<>	Less: Inter-group transactions					
Fair value adjustment - unrealized   5,921   38,010   (677,321)   199,678   304,339     Profit on investment activities   1,818,966   1,680,609   1,403,979   2,725,270   1,401,254     Profit for the varat expenses   (109,611)   (23,579)   (15,696)   (4,532)   (35,106     Profit for the year   2,123,074   2,297,499   2,538,559   3,328,848   1,679,579     Non controlling interest   (406,804)   (411,391)   (371,609)   (361,088)   (359,206     Profit attributable to the equity holders of   (219,591)   (175,673)   (131,755)   (154,798)   (232,702     Statement of financial position   (219,591)   (175,673)   (131,755)   (154,798)   (232,702     Stated capital   953,167   953,167   953,167   953,167   953,167   672,811     Reserves   15,708,942   13,737,523   12,442,284   12,178,591   6,964,438     Total equity attributable to equity holders of   2,803,788   2,154,418   1,566,729     Caylon Guardian Investment Trust PLC   14,662,109   14,690,690   13,395,451   13,131,758   7,637,249 <tr< td=""><td></td><td></td><td></td><td></td><td></td><td></td></tr<>						
Profit on investment activities   1,818,966   1,680,609   1,403,979   2,725,270   1,401,254     Profit before taxation   2,232,685   2,321,078   2,554,255   3,328,380   1,714,685     Income tax expenses   (109,611)   (23,579)   (15,696)   (4,532)   (351,106)     Profit for the year   2,123,074   2,297,499   2,538,559   3,323,848   1,679,579     Non controlling interest   (406,804)   (411,391)   (371,609)   (361,088)   (359,206)     Profit attributable to the equity holders of   (219,591)   (175,673)   (131,755)   (154,798)   (232,702)     Statement of financial position   Capital employed   15,708,942   15,737,523   12,442,284   12,178,591   6,964,438     Total equity attributable to equity holders of   Ceylon Guardian Investment Trust PLC   14,662,109   14,690,690   13,395,451   13,11,758   7,637,249     Non controlling interest   3,043,269   3,139,062   2,803,388   2,154,418   1,566,029     Total equity   17,705,378   17,829,752   16,198,839   15,266,176   9,203,278     Assets employed   2   2 <td>Fair value adiustment - unrealized</td> <td></td> <td></td> <td></td> <td></td> <td></td>	Fair value adiustment - unrealized					
Income tax expenses   (109,611)   (23,579)   (15,696)   (4,532)   (35,106     Profit for the year   2,123,074   2,297,499   2,538,559   3,333,848   1,679,579     Non controlling interest   (406,804)   (411,391)   (371,609)   (361,088)   (359,206)     Profit attributable to the equity holders of   (219,591)   (175,673)   (131,755)   (154,798)   (232,702)     Statement of financial position   (219,591)   (175,673)   (131,755)   (154,798)   (232,702)     Stated capital   953,167   953,167   953,167   953,167   953,167   695,167   695,167   695,167   695,167   953,167   953,167   953,167   953,167   953,167   6,964,438   72,811     Reserves   13,708,942   13,737,523   12,442,284   12,178,591   6,964,438     Total equity attributable to equity holders of	· · · · · · · · · · · · · · · · · · ·			· · ·		1,401,254
Profit for the year   2,123,074   2,297,499   2,538,559   3,323,848   1,679,579     Non controlling interest   (406,804)   (411,391)   (371,609)   (361,088)   (359,206     Profit attributable to the equity holders of   (219,591)   (175,673)   (131,755)   (154,798)   (232,702     Statement of financial position   (219,591)   (175,673)   (131,755)   (154,798)   (232,702     Stated capital employed   953,167   953,167   953,167   953,167   953,167   672,811     Reserves   13,708,942   13,737,523   12,442,284   12,178,591   6,964,438     Total equity attributable to equity holders of   Ceylon Guardian Investment Trust PLC   14,662,109   14,690,690   13,395,451   13,131,758   7,637,249     Non controlling interest   3,043,269   3,139,062   2,803,388   2,154,418   1,566,029     Total equity   17,705,378   17,829,752   16,198,839   15,286,176   9,203,278     Assets employed   1   1,079,578   17,829,752   16,198,839   15,286,176   9,203,278     Non controlling interest   3,043,269   3,139,062<	Profit before taxation	2,232,685	2,321,078	2,554,255	3,328,380	1,714,685
Profit for the year   2,123,074   2,297,499   2,538,559   3,323,848   1,679,579     Non controlling interest   (406,804)   (411,391)   (371,609)   (361,088)   (359,206     Profit attributable to the equity holders of   (219,591)   (175,673)   (131,755)   (154,798)   (232,702     Statement of financial position   (219,591)   (175,673)   (131,755)   (154,798)   (232,702     Stated capital employed   953,167   953,167   953,167   953,167   953,167   672,811     Reserves   13,708,942   13,737,523   12,442,284   12,178,591   6,964,438     Total equity attributable to equity holders of   Ceylon Guardian Investment Trust PLC   14,662,109   14,690,690   13,395,451   13,131,758   7,637,249     Non controlling interest   3,043,269   3,139,062   2,803,388   2,154,418   1,566,029     Total equity   17,705,378   17,829,752   16,198,839   15,286,176   9,203,278     Assets employed   1   1,079,578   17,829,752   16,198,839   15,286,176   9,203,278     Non controlling interest   3,043,269   3,139,062<	Income tax expenses					
Non controlling interest     (406,804)     (411,391)     (371,609)     (361,088)     (359,206       Profit attributable to the equity holders of     1,716,270     1,886,108     2,166,950     2,962,760     1,320,373       Dividends paid     (219,591)     (175,673)     (131,755)     (154,798)     (232,702       Statement of financial position     Capital employed     (154,798)     (232,702       Stated capital     953,167     953,167     953,167     953,167     953,167     672,811       Reserves     13,708,942     13,737,523     12,442,284     12,178,591     6,964,438       Total equity attributable to equity holders of	•		· · /			
Profit attributable to the equity holders of   1,716,270   1,886,108   2,166,950   2,962,760   1,320,373     Dividends paid   (219,591)   (175,673)   (131,755)   (154,798)   (232,702)     Statement of financial position   (219,591)   (175,673)   (131,755)   (154,798)   (232,702)     Stated capital employed   953,167   953,167   953,167   953,167   672,811     Reserves   13,708,942   13,737,523   12,442,284   12,178,591   6,964,438     Total equity attributable to equity holders of						
Ceylon Guardian Investment Trust PLC     1,716,270     1,886,108     2,166,950     2,962,760     1,320,373       Dividends paid     (219,591)     (175,673)     (131,755)     (154,798)     (232,702       Statement of financial position Capital employed      953,167     953,167     953,167     953,167     672,811       Reserves     13,708,942     13,737,523     12,442,284     12,178,591     6,964,438       Total equity attributable to equity holders of     -     -     -     -       Ceylon Guardian Investment Trust PLC     14,662,109     14,690,690     13,395,451     13,131,758     7,637,249       Non controlling interest     3,043,269     3,139,062     2,803,388     2,154,418     1,566,029       Total equity     17,705,378     17,829,752     16,198,839     15,286,176     9,203,278       Assets employed     -						
Dividends paid   (219,591)   (175,673)   (131,755)   (154,798)   (232,702)     Statement of financial position   Capital employed </td <td>• •</td> <td>1,716,270</td> <td>1,886,108</td> <td>2,166,950</td> <td>2,962,760</td> <td>1,320,373</td>	• •	1,716,270	1,886,108	2,166,950	2,962,760	1,320,373
Capital employed     Image: Capital employed     Stated capital     953,167     695,167     6964,438       Total equity attributable to equity holders of       13,737,523     12,442,284     12,178,591     6,964,438       Non controlling interest     3,043,269     3,139,062     2,803,388     2,154,418     1,566,029       Total equity     17,705,378     17,829,752     16,198,839     15,286,176     9,203,278       Assets employed        9,203,278      4,048,901     3,809,140     2,123,566     1,556,258     746,646       Current assets     4,048,901     3,809,140     2,123,566     1,556,258     746,646       Current assets     2,212,316     3,212,335     3,721,643     2,061,329     981,477     400,104       Non-current assets     13,879,396	Dividends paid					(232,702)
Capital employed     Image: Capital employed     Stated capital     953,167     695,167     6964,438       Total equity attributable to equity holders of       13,737,523     12,442,284     12,178,591     6,964,438       Non controlling interest     3,043,269     3,139,062     2,803,388     2,154,418     1,566,029       Total equity     17,705,378     17,829,752     16,198,839     15,286,176     9,203,278       Assets employed        9,203,278      4,048,901     3,809,140     2,123,566     1,556,258     746,646       Current assets     4,048,901     3,809,140     2,123,566     1,556,258     746,646       Current assets     2,212,316     3,212,335     3,721,643     2,061,329     981,477     400,104       Non-current assets     13,879,396	Statement of financial position					
Stated capital   953,167   953,167   953,167   953,167   953,167   672,811     Reserves   13,708,942   13,737,523   12,442,284   12,178,591   6,964,438     Total equity attributable to equity holders of	-					
Reserves   13,708,942   13,737,523   12,442,284   12,178,591   6,964,438     Total equity attributable to equity holders of   14,690,690   13,395,451   13,131,758   7,637,249     Non controlling interest   3,043,269   3,139,062   2,803,388   2,154,418   1,566,029     Total equity   17,705,378   17,829,752   16,198,839   15,286,176   9,203,278     Assets employed   2   2   2,123,566   1,556,258   746,646     Current assets   4,048,901   3,809,140   2,123,566   1,556,258   746,646     Current assets   (215,310)   (87,497)   (62,237)   (574,781)   (346,542     Non-current assets   3,833,591   3,721,643   2,061,329   981,477   400,104     Non-current liabilities   (7,609)   (5,425)   (4,356)   (3,616)   (561     Non-current liabilities   17,705,378   17,829,752   16,198,839   15,286,176   9,203,278     Non-current liabilities   (7,609)   (5,425)   (4,356)   (3,616)   (561     Net assets   13,879,396   14,1113,534   14,141,866		953 167	953 167	953 167	953 167	672 811
Total equity attributable to equity holders of     Image: constraint of the second se	•					
Ceylon Guardian Investment Trust PLC   14,662,109   14,690,690   13,395,451   13,131,758   7,637,249     Non controlling interest   3,043,269   3,139,062   2,803,388   2,154,418   1,566,029     Total equity   17,705,378   17,829,752   16,198,839   15,286,176   9,203,278     Assets employed           Current assets   4,048,901   3,809,140   2,123,566   1,556,258   746,646     Current liabilities   (215,310)   (87,497)   (62,237)   (574,781)   (346,542     Non-current assets   3,833,591   3,721,643   2,061,329   981,477   400,104     Non-current liabilities   (7,609)   (5,425)   (4,356)   (3,616)   (561)     Net assets   (7,609)   (5,425)   (4,356)   (3,616)   (561)     Net cash generated from/(used in) operating activities   394,657   1,634,668   1,678,344   1,295,516   (321,393)     Net cash used in investing activities   (7,265)   (16,448)   (25,728)   (1,108,829)   (291)     Net cash used in financing activities   (2		13,700,542	13,737,323	12,442,204	12,170,391	0,504,450
Non controlling interest   3,043,269   3,139,062   2,803,388   2,154,418   1,566,029     Total equity   17,705,378   17,829,752   16,198,839   15,286,176   9,203,278     Assets employed           Current assets   4,048,901   3,809,140   2,123,566   1,556,258   746,666     Current liabilities   (215,310)   (87,497)   (62,237)   (574,781)   (346,542)     Net current assets   3,833,591   3,721,643   2,061,329   981,477   400,104     Non-current liabilities   (7,609)   (5,425)   (4,356)   (3,616)   (561)     Net cassets   17,705,378   17,829,752   16,198,839   15,286,176   9,203,278     Cash Flow Statements   (7,609)   (5,425)   (4,356)   (3,616)   (561)     Net cash generated from/(used in) operating activities   394,657   1,634,668   1,678,344   1,295,516   (321,393)     Net cash used in investing activities   (7,265)   (16,448)   (25,728)   (1,108,829)   (291)     Net cash used in financing activities   (280,134)		14 662 109	14 690 690	13 395 451	13 131 758	7 637 249
Total equity   17,705,378   17,829,752   16,198,839   15,286,176   9,203,278     Assets employed	•					
Assets employed   4,048,901   3,809,140   2,123,566   1,556,258   746,646     Current assets   (215,310)   (87,497)   (62,237)   (574,781)   (346,542     Net current assets   3,833,591   3,721,643   2,061,329   981,477   400,104     Non-current assets   13,879,396   14,113,534   14,141,866   14,308,315   8,803,735     Non-current liabilities   (7,609)   (5,425)   (4,356)   (3,616)   (561)     Net assets   17,705,378   17,829,752   16,198,839   15,286,176   9,203,278     Cash Flow Statements   394,657   1,634,668   1,678,344   1,295,516   (321,393)     Net cash generated from/(used in) operating activities   394,657   1,634,668   1,678,344   1,295,516   (321,393)     Net cash used in investing activities   (7,265)   (16,448)   (25,728)   (1,108,829)   (291)     Net cash used in financing activities   (280,134)   (221,043)   (161,244)   (205,508)   (1,856,358)	· · · · · · · · · · · · · · · · · · ·					
Current assets4,048,9013,809,1402,123,5661,556,258746,646Current liabilities(215,310)(87,497)(62,237)(574,781)(346,542Net current assets3,833,5913,721,6432,061,329981,477400,104Non-current assets13,879,39614,113,53414,141,86614,308,3158,803,735Non-current liabilities(7,609)(5,425)(4,356)(3,616)(561Net assets17,705,37817,829,75216,198,83915,286,1769,203,278Cash Flow Statements394,6571,634,6681,678,3441,295,516(321,393Net cash generated from/(used in) operating activities394,6571,634,6681,678,3441,295,516(321,393Net cash used in investing activities(7,265)(16,448)(25,728)(1,108,829)(291Net cash used in financing activities(280,134)(221,043)(161,244)(205,508)(1,856,358		1,,,00,0,0	1,023,732	10,190,009	10,200,170	3,203,270
Current liabilities   (215,310)   (87,497)   (62,237)   (574,781)   (346,542)     Net current assets   3,833,591   3,721,643   2,061,329   981,477   400,104     Non-current assets   13,879,396   14,113,534   14,141,866   14,308,315   8,803,735     Non-current liabilities   (7,609)   (5,425)   (4,356)   (3,616)   (561)     Net assets   17,705,378   17,829,752   16,198,839   15,286,176   9,203,278     Cash Flow Statements   394,657   1,634,668   1,678,344   1,295,516   (321,393)     Net cash generated from/(used in) operating activities   (7,265)   (16,448)   (25,728)   (1,108,829)   (291)     Net cash used in investing activities   (280,134)   (221,043)   (161,244)   (205,508)   (1,856,358)		4.049.001	7 900 140	2 127 566	1 556 259	746 646
Net current assets   3,833,591   3,721,643   2,061,329   981,477   400,104     Non-current assets   13,879,396   14,113,534   14,141,866   14,308,315   8,803,735     Non-current liabilities   (7,609)   (5,425)   (4,356)   (3,616)   (561)     Net assets   17,705,378   17,829,752   16,198,839   15,286,176   9,203,278     Cash Flow Statements   394,657   1,634,668   1,678,344   1,295,516   (321,393)     Net cash generated from/(used in) operating activities   394,657   16,448)   (25,728)   (1,108,829)   (291)     Net cash used in investing activities   (280,134)   (221,043)   (161,244)   (205,508)   (1,856,358)						
Non-current assets     13,879,396     14,113,534     14,141,866     14,308,315     8,803,735       Non-current liabilities     (7,609)     (5,425)     (4,356)     (3,616)     (561)       Net assets     17,705,378     17,829,752     16,198,839     15,286,176     9,203,278       Cash Flow Statements     394,657     1,634,668     1,678,344     1,295,516     (321,393)       Net cash generated from/(used in) operating activities     (7,265)     (16,448)     (25,728)     (1,108,829)     (291)       Net cash used in investing activities     (280,134)     (221,043)     (161,244)     (205,508)     (1,856,358)						
Non-current liabilities     (7,609)     (5,425)     (4,356)     (3,616)     (561       Net assets     17,705,378     17,829,752     16,198,839     15,286,176     9,203,278       Cash Flow Statements     Image: Cash generated from/(used in) operating activities     394,657     1,634,668     1,678,344     1,295,516     (321,393)       Net cash used in investing activities     (7,265)     (16,448)     (25,728)     (1,108,829)     (291)       Net cash used in financing activities     (280,134)     (221,043)     (161,244)     (205,508)     (1,856,358)	Net current assets	5,855,591	5,/21,645	2,061,329	981,477	400,104
Non-current liabilities     (7,609)     (5,425)     (4,356)     (3,616)     (561       Net assets     17,705,378     17,829,752     16,198,839     15,286,176     9,203,278       Cash Flow Statements     Image: Cash generated from/(used in) operating activities     394,657     1,634,668     1,678,344     1,295,516     (321,393)       Net cash used in investing activities     (7,265)     (16,448)     (25,728)     (1,108,829)     (291)       Net cash used in financing activities     (280,134)     (221,043)     (161,244)     (205,508)     (1,856,358)	Non-current assets	13,879,396	14,113,534	14,141,866	14,308,315	8,803,735
Net assets     17,705,378     17,829,752     16,198,839     15,286,176     9,203,278       Cash Flow Statements                9,203,278        Cash Flow Statements	Non-current liabilities					(561)
Net cash generated from/(used in) operating activities     394,657     1,634,668     1,678,344     1,295,516     (321,393)       Net cash used in investing activities     (7,265)     (16,448)     (25,728)     (1,108,829)     (291)       Net cash used in financing activities     (280,134)     (221,043)     (161,244)     (205,508)     (1,856,358)	Net assets					9,203,278
Net cash generated from/(used in) operating activities     394,657     1,634,668     1,678,344     1,295,516     (321,393)       Net cash used in investing activities     (7,265)     (16,448)     (25,728)     (1,108,829)     (291)       Net cash used in financing activities     (280,134)     (221,043)     (161,244)     (205,508)     (1,856,358)	Cash Flow Statements					
Net cash used in investing activities     (7,265)     (16,448)     (25,728)     (1,108,829)     (291       Net cash used in financing activities     (280,134)     (221,043)     (161,244)     (205,508)     (1,856,358)		394,657	1,634,668	1,678,344	1,295,516	(321,393)
Net cash used in financing activities     (280,134)     (221,043)     (161,244)     (205,508)     (1,856,358)						(291)
			<u> </u>		· · ·	· · ·
	Net (decrease)/increase in cash & cash equivalents	107,258	1,397,177	1,491,372	(18,821)	(2,178,042)

1 Financial information for the periods 2010 - 2011 were not adjusted to reflect the transition to new/revised Sri Lanka Accounting Standards (LKAS/SLFRS) applicable for financial periods beginning on or after 1st January 2012.

2 Fair value adjustment - unrealized comprises of unrealized gains/(losses) on the distinctive categories of financial assets, under the previous and revised accounting framework.

 $\odot$ 

		SLFRS/LKA	IS		SLAS
For the year ended/As at 31st March	2014	2013	2012	2011	2010
Ratios & statistics					
Operational ratio					
Return on ordinary shareholders funds (%)	11.71	12.84	16.18	22.56	17.29
Liquidity ratio					
Current ratio (Times)	18.80	43.53	34.12	2.71	2.15
Investor ratio					
Earnings per share (adjusted) (Rs.)	19.54	21.47	24.67	33.73	14.52
Dividend per share proposed (Rs.) *	5.00	2.50	2.00	1.50	9.00
Dividend cover (times)	3.91	8.57	12.34	22.49	1.61
Dividend growth (%)	100	25	33	(15)	(33)
Dividend yield (%)	2.81	1.56	0.87	0.41	1.79
Dividend payout ratio (%)	25.59	11.67	8.11	4.45	61.98
Net assets per share - Book value (Rs.)	166.93	167.25	152.50	149.50	444.03
Net assets per share - Market value (Rs.)	228.70	247.48	265.88	354.68	620.33
Market value per share (Rs.) **	177.90	160.00	231.00	369.50	501.50
Price earning ratio (times)	9.10	7.47	9.36	10.95	34.54
Price to book value ratio (times)	1.07	0.95	1.51	2.47	1.13
Market capitalisation ('000)	14,605,006	13,135,475	18,964,342	30,334,738	8,072,844
Fair value of investments ('000)	24,198,351	26,029,738	28,052,053	36,282,044	13,583,583
All Share Price Index (points)	5,968	5,736	5,420	7,226	3,725
S&P SL 20 Index (points)	3,280	3,294	2,986	3,893	2,142

\* Proposed dividends of Rs. 5/- for the current year is not provided for in the financial statements.

\*\* As at 31st March.

 $\bigcirc$ 



**US\$** Financials

## Preparation of US Dollar Financial Statements

The Financial Statements of the Company are stated in Sri Lankan Rupees. The translation of Sri Lankan Rupee amounts into US Dollar amounts is included solely for the convenience of Shareholders, Investors, Bankers and other users of Financial Statements. US Dollar Financials do not form part of the audited Financial Statements of the Company.

(>)

 $\bigcirc$ 

# **Financial Highlights**

In United State Dollars

 $\odot$ 

For the year ended / As a 31st March	2014	2013 %	Change
Revenue	13,934,709	12,676,331	10
Profit from operations	12,827,154	12,046,057	6
Share of profit of equity accounted investees net of tax	4,351,372	5,873,754	(26)
Profit before taxation	17,159,980	17,912,318	(4)
Profit for the year	16,317,531	17,730,353	(8)
Other comprehensive expense for the year	(14,438,583)	(3,449,761)	319
Total comprehensive income for the year	1,878,948	14,280,592	(87)
Net cash generated from operating activities	3,033,256	12,615,126	(76)
Total equity attributable to equity holders of the parent	111,696,196	116,083,011	(4)
Return on ordinary shareholders' funds (%)	14.61	15.27	(4)
Earnings per share USD	0.15	0.17	(9)
Dividend per share USD *	0.04	0.02	100
Net assets per share - Book value - USD	1.28	1.32	(3)
Net assets per share - Market value - USD	1.75	1.95	(10)
Ceylon Guardian - Fund value **	185,101,744	205,200,930	(10)

\* Based on proposed dividends and subject to approval at the Annual General Meeting

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



# **Statement of Comprehensive Income**

O In United States Dollars

		Group
For the year ended 31st March	2014	2013
Revenue	13,934,709	12,676,331
Impairment of available for sale financial assets	-	(412,409
Net change in fair value of fair value through profit or loss financial assets	45,508	705,742
Profit on investment activities	13,980,217	12,969,664
Other operating income - Gain on disposal of property plant and equipments	19,729	-
Administrative and other operating expenses	(1,172,792)	(923,607
Profit from operations	12,827,154	12,046,057
Net finance expense	(18,546)	(7,493
Profit from operations after finance cost	12,808,608	12,038,564
Share of profit of equity accounted investees net of tax	4,351,372	5,873,754
Profit before taxation	17,159,980	17,912,318
Income tax expense	(842,449)	(181,965
Profit for the year	16,317,531	17,730,353
Other comprehensive income		
Net change in fair value of available for sale financial assets	812,735	6,506,274
Foreign currency differences arising from the translation of available for sale financial assets	84,359	(43,062
Transfer of realized gains on available for sale financial assets	(8,599,646)	(7,769,918
Actuarial loss on employee benefit obligation	(323)	(1,312
Share of other comprehensive expense of equity accounted investees net of tax	(6,735,708)	(2,141,743
Other comprehensive expense for the year	(14,438,583)	(3,449,761
Total comprehensive income for the year	1,878,948	14,280,592
Profit attributable to:		
Equity holders of the parent	13,190,915	14,555,550
Non controlling interest	3,126,616	3,174,803
	16,317,531	17,730,353
Total comprehensive income attributable to:		
Equity holders of the parent	1,468,065	11,351,382
Non controlling interest	410,883	2,929,210
	1,878,948	14,280,592
Earnings per share - USD	0.15	0.17
Dividend per share - USD	0.04	0.02

Ò

\* Dividend per share is based on the proposed/ interim dividends.

# **Statement of Financial Position**

In United States Dollars

s at 31st March SSETS on-current assets operty, plant & equipment tangible assets vestment in equity accounted investees railable for sale financial assets	2014 2014 77,159 1,787,991 42,080,525 62,207,313	2013 25,250 1,864,896
operty, plant & equipment tangible assets vestment in equity accounted investees	1,787,991 42,080,525	
operty, plant & equipment tangible assets vestment in equity accounted investees	1,787,991 42,080,525	
vestment in equity accounted investees	1,787,991 42,080,525	
vestment in equity accounted investees	42,080,525	1,864,896
ailable for sale financial assets	62,207,313	46,273,591
anasie for suie infutieur asses		63,015,845
ffered tax assets	15,421	82,018
tal non-current assets	106,168,409	111,261,600
rrent assets		
ade and other receivables	323,438	1,177,383
irrent tax assets	86,705	116,074
ir value through profit or loss financial assets	9,273,847	7,470,193
sh and cash equivalents	21,287,486	21,265,045
tal current assets	30,971,476	30,028,695
tal assets	137,139,885	141,290,295
OUITY AND LIABILITIES		
uity		
ated capital	8,834,775	8,834,775
pital reserves	4,959,936	10,494,230
venue reserves	97,901,485	96,754,006
tal equity attributable to equity holders of the parent	111,696,196	116,083,011
on controlling interest	23,738,503	24,474,749
tal equity	135,434,699	140,557,760
on-current liabilities		
nployee benefits	58,204	42,767
tal non-current liabilities	58,204	42,76
rrent liabilities		
ade & other payables	1,311,849	380,292
rrent tax liabilities	287,271	88,16
ink overdraft	47,862	221,30
tal current liabilities	1,646,982	689,768
tal liabilities	1,705,186	732,53
tal equity and liabilities	137,139,885	141,290,29
et assets per ordinary/deferred share - Book value - USD	1.28	1.32
et assets per ordinary/deferred share - Book value - USD	1.28	1.95

-(2)

# ► Five Year Summary

		SLFR/LKA	S		SLAS
For the year ended/As at 31st March	2014	2013	2012	2011	2010
Financial highlights - Group					
Statement of income					
Revenue					
Dividend income	6,903,297	3,635,013	3,662,828	2,620,976	3,467,003
Net gain on disposal of investments	9,867,835	9,536,178	15,717,106	21,167,234	17,519,427
Interest income	2,593,521	1,195,038	852,826	136,948	1,179,232
Management fee	543,740	337,668	396,568	331,918	121,682
	19,908,393	14,703,897	20,629,328	24,257,076	22,287,344
Less: Inter-group transactions	(5,973,684)	(2,027,566)	(2,076,110)	(1,733,291)	(12,739,829)
	13,934,709	12,676,331	18,553,218	22,523,785	9,547,515
Profit before taxation	17,159,980	17,912,318	22,769,254	29,683,225	14,924,580
Income tax expenses	(842,449)	(181,965)	(139,918)	(40,417)	(305,558)
Profit for the year	16,317,531	17,730,353	22,629,336	29,642,808	14,619,022
Non controlling interest	(3,126,616)	(3,174,803)	(3,312,613)	(3,220,263)	(3,126,522)
Profit attributable to the equity holders of					
Ceylon Guardian Investment Trust PLC	13,190,915	14,555,550	19,316,723	26,422,545	11,492,500
Dividends paid	(1,687,733)	(1,355,707)	(1,175,020)	(1,379,907)	(1,261,002)
Statement of Financial position					
Capital employed					
Stated capital	8,834,775	8,834,775	8,834,775	8,834,775	6,334,507
Reserves	102,861,421	107,248,236	95,735,490	110,112,457	60,611,923
Total equity attributable to equity holders of	111,696,196	116,083,011	104,570,265	118,947,232	66,946,430
Non controlling interest	23,738,503	24,474,749	21,884,372	19,514,498	13,727,464
Total equity	135,434,699	140,557,760	126,454,637	138,461,730	80,673,894
Assets employed					
Current assets	30,971,476	30,028,695	16,577,408	14,096,540	6,547,121
Current liabilities	(1,646,982)	(689,768)	(485,846)	(5,206,350)	(3,037,710
Net current assets	29,324,494	29,338,927	16,091,562	8,890,190	3,509,411
Non-current assets	106,168,409	111,261,600	110,397,080	129,604,303	77,169,401
Non-current liabilities	(58,204)	(42,767)	(34,005)	(32,763)	(4,918
Net assets	135,434,699	140,557,760	126,454,637	138,461,730	80,673,894

-(2)

# ► Five Year Summary

		SLFR/LKAS	j		SLAS
For the year ended/As at 31st March	2014	2013	2012	2011	2010
Cash Flow Statements					
Net cash generated from/(used in) operating activities	3,033,365	12,615,087	14,968,447	11,553,696	(2,797,398)
Net cash used in investing activities	(55,839)	(126,933)	(229,279)	(9,888,781)	(2,533)
Net cash used in financing activities	(2,153,132)	(1,705,837)	(1,438,776)	(1,832,766)	(16,157,699)
Net (decrease)/increase in cash & cash equivalents	824,394	10,782,317	13,300,392	(167,851)	(18,957,630)
RATIOS & STATISTICS					
Year ended 31st March	2014	2013	2012	2011	2010
Operating ratio					
Return on ordinary shareholders' funds (%)	11.81	12.54	15.33	22.21	21.84
Liquidity ratio					
Current ratio (times)	18.80	34.12	34.12	2.71	2.16
Investor ratios					
Earnings per share (US\$)	0.15	0.17	0.22	0.30	0.13



(All figures are in United states Dollars)

#### 1 Basis of conversion

 $\odot$ 

The translation of Sri Lankan Rupee amounts in to US Dollar amounts is solely for the convenience of the shareholders, investors, bankers and other users of financial statements.

The translation of the financial statements in to US Dollar were effected based on the following exchange rates.

	2014	2013
Income statement - average rate	130.11	129.58
Monetary assets and liabilities - closing rate	130.73	126.85
Non-monetary assets and liabilities - closing rate	130.73	126.85
Ordinary share capital - historical rate		

Gains or losses on conversion are accounted for in the revenue reserve

#### 2 Revenue reserve

		Group	
For the year ended 31st March	2014	2013	
	US \$	US \$	
Beginning of the year	96,754,006	79,781,575	
Net movement during the year	5,314,626	11,755,063	
	102,068,632	91,536,638	
Currency fluctuations	(4,167,147)	5,217,368	
As at the end of the year	97,901,485	96,754,006	

 $\odot$ 

# Information to Shareholders and Investors

#### 1 Stock Exchange Listing

Ceylon Guardian Investment Trust PLC is a public listed company, the Ordinary Shares of which are listed on the main board of the Colombo Stock Exchange.

Stock Exchange code for Ceylon Guardian Investment Trust PLC shares is "GUAR".

#### 2 Share Valuation

The market price of the Company's shares as at 31st March 2014 was Rs 177.90 per share (2013 - Rs160/-).

#### **3** Ordinary Shareholders

As at 31st March	2014	2013
Number of Shareholders	1,516	1,682

The number of ordinary shares held by non-residents as at 31st March, 2014 was 8,279,129.(2013 – 8,285,134) which amounts to 10.09% (2013 – 10.10%).

Distribution of Shares		Residents		1	Ion-Residents			Total	
	No. of share- holders	No. of shares	%	No. of share- holders	No. of shares	%	No. of share- holders	No. of shares	%
1 - 1,000	1,011	222,106	0.27	14	5,951	0.01	1,025	228,057	0.28
1,001 - 10,000	298	1,006,150	1.23	19	75,078	0.09	317	1,081,228	1.32
10,001 - 100,000	111	3,393,840	4.13	22	672,134	0.82	133	4,065,974	4.95
100,001 - 1,000,000	31	8,597,093	10.47	4	674,830	0.82	35	9,271,923	11.29
Above 1,000,000	4	60,598,401	73.81	2	6,851,136	8.35	6	67,449,537	82.16
Total	1,455	73,817,590	89.91	61	8,279,129	10.09	1,516	82,096,719	100.00

Categories of shareholders	No. of	No. of shares	%
	shareholders		
Individuals	1,351	12,388,628	15.09
Institutions	165	69,708,091	84.91
Total	1,516	82,096,719	100.00

#### 4 Market performance - ordinary shares

For the year	2014	2013
As at 31st March	177.90	160.00
Highest (Rs.)	211.50	231.00
Lowest (Rs.)	149.90	144.00
Value of the shares traded (Rs.)	593,555,381	225,871,683
No. of shares traded	3,165,731	1,288,133
Volume of transactions (Nos.)	1,712	1,845

 $\bigcirc$ 

### Information to Shareholders and Investors

#### 5 Market capitalization

 $\bigcirc$ 

Market capitalisation of the Company which is the number of ordinary shares in issue multiplied by the market value of an ordinary share was Rs. 14, 605,006,310/- as at 31st March 2014 (2013 - Rs.13,135,475,040/-).

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

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

Year e	nded	Issue	Basis	No. of shares	Cumulative No. of shares
1951	-	Initial Capital	-	757,525	757,525
1990	-	Bonus	01:01	757,525	1,515,050
1992	-	Bonus	01:08	189,381	1,704,431
1999	-	Bonus	01:04	426,108	2,130,539
2000	-	Bonus	01:04	532,634	2,663,173
2002	- April	Rights	01:07	380,453	3,043,626
	- May	Bonus	01:04	760,906	3,804,532
2003	- July	Rights	01:05	760,906	4,565,438
	- August	Bonus	01:06	760,906	5,326,344
2004	- July	Rights	01:02	2,663,172	7,989,516
2004	- September	Bonus	01:03	2,663,172	10,652,688
2005	- March	Rights	01:03	3,550,896	14,203,584
	- June	Bonus	01:03	4,734,528	18,938,112
2009	- October	Repurchase	03.20	(2,840,716)	16,097,396
2010	- November	Subdivision	05:01	64,389,584	80,486,980
		Capitalisation of Reserves	01:50	1,609,739	82,096,719

#### 7 Public Holding

The percentage of ordinary shares held by the public as at 31st March 2014 was 32.51% (2013 - 32.84%)

#### 8 Dividend

The Directors have recommended a first and final dividend of Rs. 5/- per Ordinary share and Deferred share for the year ended 31st March 2014 (2013 - Rs.2/50).

#### 9 Number of employees

The Company had no employees at the balance sheet date (2013 - Nil). The Group has 17 (2013 - 16) employees as at the balance sheet date.

#### 10 Major shareholders

A list of major shareholders of the Company as at the balance sheet date is provided in the Annual Report of the Board of Directors, on page 29

 $\bigcirc$ 

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the SIXTY SECOND Annual General Meeting of **CEYLON GUARDIAN INVESTMENT TRUST PLC** will be held on Wednesday, the 30th day of July 2014 at 11.00 a.m. at Hilton Colombo, "Grand Ballroom", No.2, Sir Chittampalam A. Gardiner Mawatha, Colombo 2 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 2014, together with the Independent Auditors' Report thereon.
- 2. To declare a dividend as recommended by the Directors.
- 3. To re-elect Mr. D.C.R. Gunawardena who retires by rotation in terms of Articles 89,90 and 91 of the Articles of Association of the Company.
- 4. To re-elect Mrs. M.A.R.C. Cooray who retires by rotation in terms of Articles 89,90 and 91 of the Articles of Association of the Company.
- 5. To re-appoint Mr. I. Paulraj 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. 07 of 2007 shall not be applicable to Mr. I. Paulraj who is 77 years of age and that he be re-appointed a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

6. To re-appoint Mr. A. de Z. Gunasekera 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. 07 of 2007 shall not be applicable to Mr. A. de Z. Gunasekera who is 74 years of age and that he be re-appointed a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

7. To re-appoint Mr. C.W. Knight 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. 07 of 2007 shall not be applicable to Mr. C.W. Knight who is 71 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."

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

By Order of the Board

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

Colombo, 25th June 2014

#### Notes

- 1. A member is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A Form of Proxy accompanies this notice.
- 2. The completed Form of Proxy must be deposited at the Registered Office, No.61, Janadhipathi Mawatha, Colombo 1, not later than 11.00 a.m. on 28th July 2014.
- 3. A person representing a Corporation is required to carry a certified copy of the resolution authorising him/ her to act as the representative of the Corporation. A representative need not be a member.
- 4. The transfer books of the Company will remain open.
- 5. Security Check

We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the security personnel stationed at the entrance lobby.


# Sector Form of Proxy

*I/ W	le			•••••
of				
being	*a Member/Members of CEYLON GUARDIAN INVESTMENT TRU	ST PLC		
hereb	y appoint			
of				
bearir	ng NIC No./ Passport No or	failing him/her		
Israel	Paulraj	or failing him,		
Don C	Chandima Rajakaruna Gunawardena	or failing him,		
Asoka	a De Z. Gunasekera	or failing him,		
Verno	n Manilal Fernando	or failing him,		
Miriha	ana Arachchige Rose Chandralatha Cooray	or failing her,		
Krishr	na Selvanathan	or failing him,		
Christ	topher William Knight			
Colon	ny/our proxy to attend the Annual General Meeting of the Compa nbo, "Grand Ballroom", No.2, Sir Chittampalam A. Gardiner Maw nsequence thereof.			
			For	Against
(i)	To adopt the Annual Report of the Board of Directors and the F March 2014, together with the Independent Auditors' Report th			
(ii)	To declare Rs. 5/- per Ordinary share and Deferred share as a R ended 31st March 2014 as recommended by the Directors.	First & Final dividend for the financial year		
(iii)	To re-elect Mr. D.C.R. Gunawardena who retires by rotation in t Articles of Association of the Company.	terms of Articles 89,90 and 91 of the		
(iv)	To re-elect Mrs. M.A.R.C. Cooray who retires by rotation in term Association of the Company.	ns of Articles 89,90 and 91 of the Articles of		
(v)	To re-appoint Mr. I. Paulraj who is over Seventy years of age as	a Director of the Company.		
(vi)	To re-appoint Mr. A. de Z. Gunasekera who is over Seventy yea	rs of age as a Director of the Company.		
(vii)	To re-appoint Mr. C.W. Knight who is over Seventy years of age	e as a Director of the Company.		
(viii)	To re-appoint Messrs. KPMG, Chartered Accountants as Auditor (1) of the Companies Act, No. 07 of 2007 and to authorize the			
Signe	d this day of	Two Thousand and F	ourteen.	
N		Signature /s		
Note: (a) (b)	: Please delete the inappropriate words. A shareholder entitled to attend and vote at a General meeting and the proxy need not be a shareholder of the company. A pro			

- speak at the general meeting of the shareholders.
- (c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- (d) Instructions are noted on the reverse hereof.

-(>)

#### INSTRUCTIONS AS TO COMPLETION

 $\bigcirc$ 

- 1. Kindly perfect the form of proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.
- 2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
- 3. In terms of Article 71 of the Articles of Association of the Company: The instrument appointing a proxy shall be in writing and :
  - (i) in the case of an individual shall be signed by the appointor or by his attorney; and
  - (ii) in the case of a corporation shall be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.

The Company may, but shall not be bound to, require evidence of the authority of any such attorney or officer. A proxy need not be a member of the company.

4. In terms of Article 66 of the Articles of Association of the Company:

In the case of joint-holders of a share, the senior who tenders a vote, whether in person or by proxy or by attorney or by representative, shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stands in the Register of Members in respect of the joint holding.

5. To be valid the completed form of proxy should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1 not later than 11.00 a.m. on 28th July 2014.

Please fill in the fo	ollowi	ng details
Name	:	
Address	:	
Jointly with	:	
Share folio no.	:.	

 $\bigcirc$ 

# **Corporate Information**

#### Name of Company

Ceylon Guardian Investment Trust PLC (A Carson Cumberbatch Company)

#### **Company Registration No.**

PQ 52

#### **Domicile and Legal Form**

Ceylon Guardian Investment Trust PLC, is a Public Quoted Company with limited liability domiciled in Sri Lanka.

The Company was incorporated in Sri Lanka in 1951.

# Principal Activity and Nature of Operations

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

#### **Parent Company**

The Company's parent Company and controlling entity is Carson Cumberbatch PLC, which is incorporated in Sri Lanka.

#### Directors

Mr. I. Paulraj (Chairman) Mr. D.C.R. Gunawardena Mr. A. de. Z. Gunasekera Mr. V.M. Fernando Mrs. M.A.R.C. Cooray Mr. K. Selvanathan Mr. C.W. Knight

#### Number of Employees

The Company did not have any employees of its own as at the end of the year

#### **Bankers**

Standard Chartered Bank HSBC Commercial Bank of Ceylon PLC Deutsche Bank A.G.

#### Auditors

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

#### **Investment Managers**

Guardian Fund Management Limited No. 61, Janadhipathi Mawatha, Colombo 1, Sri Lanka. Tele: +94-11-2039200 Fax: +94-11-2439777

#### Managers & Secretaries

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

# Registered Office and Principal Place of Business

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

#### **Corporate Website**

www.carsoncumberbatch.com

The Company is a member of the Carson Cumberbatch Group of companies

Designed & produced by



Digital Plates & Printing by Aitken Spence Printing & Packaging (Pvt) Ltd

#### ADDITIONAL INFORMATION TO SHAREHOLDERS

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

#### INVESTMENT PORTFOLIO OF RUBBER INVESTMENT TRUST LIMITED

(Amounts expressed in Sri Lankan Rupee thousands)

1.

2.

		2	014		20	)13
		Cost	Fair Value		Cost	Fair Valu
		as at	as at		as at	as a
	Note	Note	31st March		31st March	31st Marcl
Investment in equity accounted investees	1	1,927	12,076,963		1,927	14,419,18
Available for sale financial assets	2	454,921	2,142,615		338,099	2,776,94
Fair value through profit or loss financial assets	3	-	404,923		-	296,13
		456,848	14,624,501		340,026	17,492,27
Investment in equity accounted investees	%	Cost	Fair value	%	Cost	Fair valu
	Holding	as at	as at	Holding	as at	as a
		31st March	31st March		31st March	31st Marc
		2014	2014		2013	201
Quoted						
Bukit Darah PLC	20.04%	1,927	12,076,963	20.04%	1,927	14,419,18
		1,927	12,076,963		1,927	14,419,18
Available for sale financial assets		2014			2013	
	No. of	Cost	Fair value	No. of	Cost	Fair valı
	Shares	as at	as at	Shares	as at	as a
		31st March	31st March		31st March	31st Marc
(A) Quoted						
Diversified						
John Keells Holdings PLC	9,122,814	453,955	2,070,879	11,240,529	337,563	2,776,41
John Keells Holdings Warrants - 2015	503,706	-	34,554	-	-	
John Keells Holdings Warrants - 2016	503,706	-	36,216	-	-	
		453,955	2,141,649		337,563	2,776,41
Total investment in available for						

 $\odot$ 

## Ceylon Guardian Investment Trust PLC - PQ 52

 $\bigcirc$ 

Available for sale financial assets (cont.)		2	014		20	)13
	No. of	Cost	Fair value	No. of	Cost	Fair value
	Shares	as at	as at	Shares	as at	as at
		31st March	31st March		31st March	31st March
(B) Unquoted						
DFCC Vardhana Bank	55,253	963	963	42,975	533	533
		963	963		533	533
Total investment in available						
for sale financial assets - Unquoted		963	963		533	533
(C) Investments in Debentures						
Redeemable unsecured						
Riverina Hotels Limited	56	1	1	56	1	1
Ocean View Limited - 6%	120	1	1	120	1	1
Total Investment in Debentures		2	2		2	2
(D) Preference Shares						
Bukit Darah PLC - 8%	31,875	1	1	31,875	1	1
Total Investment in Preference Shares		1	1		1	1
Total investment in available						
for sale financial assets		454,921	2,142,615		338,099	2,776,948

-())

## Ceylon Guardian Investment Trust PLC - PQ 52

1	0
L	ッ

Fair value through profit or loss financial assets	No. of	Fair value	No. of	Fair valu
	Shares	as at	Shares	as a
		31st March		31st Marc
		2014		201
Banks, Finance & Insurance				
Commercial Bank of Ceylon PLC	310,537	38,196	441,040	49,83
DFCC Bank PLC	113,124	16,278	-	
Hatton National Bank PLC	285,000	42,750	390,000	65,24
National Development Bank PLC	416,525	74,391	-	
Nations Trust Bank PLC	100,000	6,490	-	
People's Leasing & Finance PLC	-	-	180,688	2,36
		178,105		117,45
Beverage, Food & Tobacco				
Ceylon Tobacco Company PLC	18,340	19,367	24,340	19,00
Distilleries Company of Sri Lanka PLC	121,278	24,619	393,644	65,54
		43,986		84,54
Diversified				
Aitken Spence PLC	370,218	36,244	-	
Expolanka Holdings PLC	200,000	1,740	-	
Hemas Holdings PLC	634,488	23,920	-	
John Keells Holdings PLC	189,239	42,957	295,234	72,92
John Keells Holdings PLC - Warrants 2016	100,000	7,190	-	
		112,051		72,92
Healthcare				
The Lanka Hospital Corporation PLC	60,000	2,496	-	
		2,496		
Hotels & Travels				
Aitken Spence Hotel Holdings PLC	200,577	14,040	200,577	14,84
Asian Hotels Botets & Travel Properties PLC	97,000	5,704	-	
		19,744		14,84
Manufacturing				
Kelani Tyres PLC	179,849	9,388		
		9,388		

-())

### Ceylon Guardian Investment Trust PLC - PQ 52

 $\odot$ 

#### 3. Fair value through profit or loss financial assets (Cont.) No. of No. of Fair value Fair value Shares as at Shares as at 31st March 31st March 2014 2013 Power and Energy Lanka IOC PLC 600,000 23,100 --Laugfs Gas PLC 125,775 4,088 --27,188 -Telecommunications Dialog Axiata PLC 1,329,448 11,965 750,000 6,375 11,965 6,375 Total investment in fair value through profit or loss financial assets 404,923 296,136