

# VALUE INVESTING

CEYLON GUARDIAN  
INVESTMENT TRUST PLC



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# Value Investing

Ceylon Guardian Investment Trust PLC has grown to become a leading name in investment and wealth creation, serving a diversity of corporate and individual clients with opportunities for intelligent, high quality investments that promise growing value and consistent returns in the medium to long term.

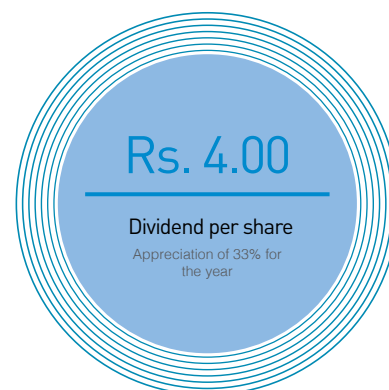
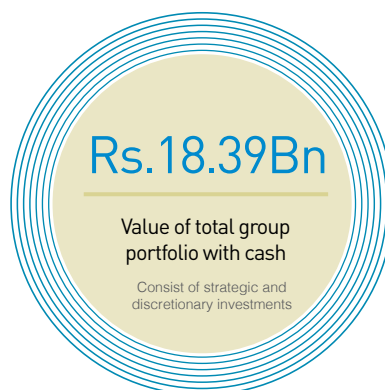
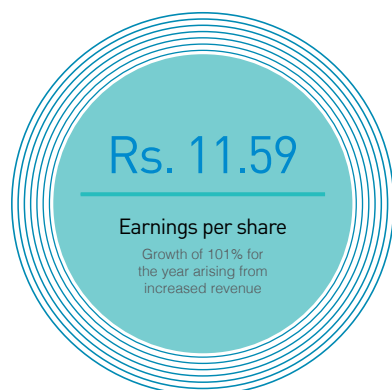
The year under review in this report has been a complex one, yet your company has succeeded in expanding our existing portfolio, working through an uncertain business environment to deliver good results yet again. We are pleased to report a strong balance sheet in this review with a 9.10% growth in our actively managed portfolios for the year in a market that remained flat, as we steadily add to the value we create with the thousands of investors, business partners and other stakeholders whose loyalty and confidence lies at the core of our success.

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Ceylon Guardian Investment Trust PLC is the holding company of the investment business of the Carson Cumberbatch Group. As an investment house it is engaged in managing portfolios of multiple asset classes for varied groups of investors, thus providing valued investment solutions to suit their risk appetite. The Guardian Group holds an investment portfolio worth approximately Rs. 18.7 billion as at the end of March 2017. This portfolio comprises equity stakes in some of Sri Lanka's most successfully run blue chip companies that have been built up for future value creation; as well as an actively traded portfolio to capitalize on short term market movements.

# Key Highlights

In Rupees Thousands



For the year ended / As at 31st March	2017	2016	Change %
Revenue	1,742,298	1,176,326	48
Profit from operations	1,274,540	637,645	100
Share of profit of equity accounted investee net of tax	2,747	4,809	(43)
Profit before taxation	1,277,460	642,073	99
Profit for the year	1,256,334	611,200	106
Profit attributable to equity holders of the parent company	1,028,750	512,879	101
Other comprehensive expense for the year	(1,857,885)	(8,136,749)	(77)
Total comprehensive expense for the year	(601,551)	(7,525,549)	(92)
Total comprehensive expense attributable to equity holders of the parent	(469,811)	(6,179,746)	(92)
Net cash generated from / (used in) operating activities	698,375	(402,412)	(274)
Total equity attributable to equity holders of the parent	15,405,749	16,137,296	(5)
Total equity	18,620,605	19,551,988	(5)
Total assets	18,802,188	19,783,461	(5)
Return on ordinary shareholders funds (%)	6.68	3.18	110
Earnings per share (Rs)	11.59	5.78	101
Dividend per share (Rs) *	4.00	3.00	33
Net assets per ordinary / deferred share (Rs)	173.53	181.77	(5)
Guardian actively managed Portfolio**	13,078,794	12,274,728	7
Guardian fund value **	18,396,828	19,428,117	(5)
<b>Stock market data</b>			
All Share Price Index (points)	6,061.94	6,071.88	(0)
S&P SL 20 Index (points)	3,438.88	3,204.44	7
Market capitalisation	7,476,396	9,932,570	(25)
Share price (Rs.)			
Year end	90.10	119.70	(25)
High	175.00	200.00	(13)
Low	89.00	118.50	(25)

\* Based on proposed / interim dividends

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



# Chairperson's Message

**You would be pleased that the Ceylon Guardian Group has performed well reporting a 106% growth in post-tax profit of Rs. 1,256.3 Mn for the year ended 31st March 2017 compared to Rs. 611.2 Mn the previous year.**

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

You would be pleased that the Ceylon Guardian Group has performed well reporting a 106% growth in post-tax profit of Rs. 1,256.3 Mn for the year ended 31st March 2017 compared to Rs. 611.2 Mn the previous year. This was largely on account of realization of capital gains. The group has performed exceptionally well in the turbulent environment with the discretionary portfolio outperforming the ASPI significantly over a 3 year period by a 4.37% CAGR. Guardian's investment philosophy and disciplined investment process continues to add value to its stakeholders. The discretionary portfolio provided a 9.10% return for the financial year in a flat market environment.

## Economy

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

a conducive environment for this purpose, through an efficient implementation mechanism.

## Business Environment

Sri Lankan capital markets which have experienced limited development in the past are now undergoing a number of structural changes to pave a more diverse pathway. Some of the changes are in the form of a much needed Securities Exchange Commission Act which lays a foundation for new product development such as Real Estate Investment Trusts (REITs), derivatives and also strengthen the much needed regulatory aspects of the market. The Guardian Group remains poised to capitalize on such market developments and thereby strengthened its Private Equity business and unit trusts through its joint venture with Acuity Partners. We retain our presence in these business segments due to the future potential we see as capital markets become broad based. Guardian Capital Partners PLC (GCP), the Private Equity investment arm of the Guardian Group, made investments of Rs.366.7 Mn in equities consisting of a private equity portfolio of 7 companies. The Private Equity business will provide Guardian the opportunity to benefit from the growth and potential in unlisted SME space. The unit trust business will help Guardian to benefit from increased retail participation in capital markets.

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

## Chairperson's Message

The overall performance and trends of Colombo Stock Exchange (CSE) are important indicators of the general business environment to prospective foreign investors interested in bringing capital to the country. Therefore, clear and coherent policy decisions, especially those affecting the operating environment of the CSE directly and indirectly, have to be taken after careful consideration of the implications on various sub sectors of the economy as well as focusing on attracting much wanted capital into the country. The assets under management of the unit trust business grew to a new high in December 2016 of Rs. 6.0 billion displaying the confidence investors have placed in Guardian Acuity Asset Management, our JV company. However, the assets under management took a sharp decline to Rs. 4 billion after budget announcements indicated that the tax exemption status will be withdrawn for unit trusts. We are still awaiting clarity on tax treatment after this announcement was made and the resulting uncertainty has resulted in investors shying away from unit trusts.

Performance of your company against this background has been commendable.

I thank the staff for their commitment, enthusiasm and striving hard to bring in good results operating in a volatile environment, our intermediaries and service providers for their support, and the regulators in taking the industry forward. I thank our clients and investors who continue to place their trust in Guardian; and our shareholders who continue to believe in our ability to deliver. I convey my appreciation to my board members and the members of the Audit Committee, Remuneration Committee, Nomination Committee and Related Party Transactions Review Committee for their diligence. We will continue to build our business for long term opportunities whilst managing the volatilities of the short term with care

[Sgd.]

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

Chairperson

Colombo  
21st June 2017

# Investing with Ceylon Guardian

No. of Investors  
Over 500



## Unit Trust

- Money Market Fund
- Money Market Gilt Fund
- Equity Fund

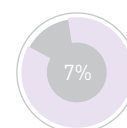


## Group discretionary portfolio

Equity focused, bottom up stock selection process with high valued stakes in good companies.

**Rs.13Bn**

## Performance



5 Year  
CAGR

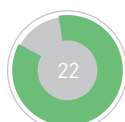
Guardian



## Corporate social responsibility

YNF-Development of young entrepreneurs

No. of Beneficiaries



Rs. 18.8 Mn  
of loans disbursed

**CEYLON  
GUARDIAN**  
A CARSON CUMBERBATCH COMPANY

An Investment house managing multiple asset classes

## Asset Management Strengths

- Strong team with diverse skills
- Offering valued investment solutions.
- Structured investment process with risk monitoring.
- Investment infrastructure and systems.
- Compliance with regulatory benchmarks.
- CFA silver award – Best unit trust fund category 2016.

No. of Portfolios  
Over 15



## Customised Portfolio Management

customised portfolio management solutions on both fixed income and equity asset classes



## Private Equity

Partnering with small and medium scale enterprise for growth

No. of Projects **7**

## Sectors

- Education
- Travel
- Power & Energy
- IT

# Management Discussion and Analysis



The Ceylon Guardian portfolio has outperformed the ASPI significantly for the financial year, whereby the discretionary portfolio performance has been 9.10% compared to the flat ASPI of - 0.16%.



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



The discretionary component is actively managed using a bottom up stock selection process where the fund management team select investments utilizing fundamental research and the widespread experience of the team.

Ceylon Guardian holds a portfolio of Rs. 18.4 billion as at 31st March 2017 consisting of a strategic holding of Rs. 5.3 billion and a discretionary holding of Rs. 13.1 billion. The discretionary component is actively managed using a bottom up stock selection process where the fund management team select investments utilizing fundamental research and the widespread experience of the team. The discretionary component performed exceptionally well for the

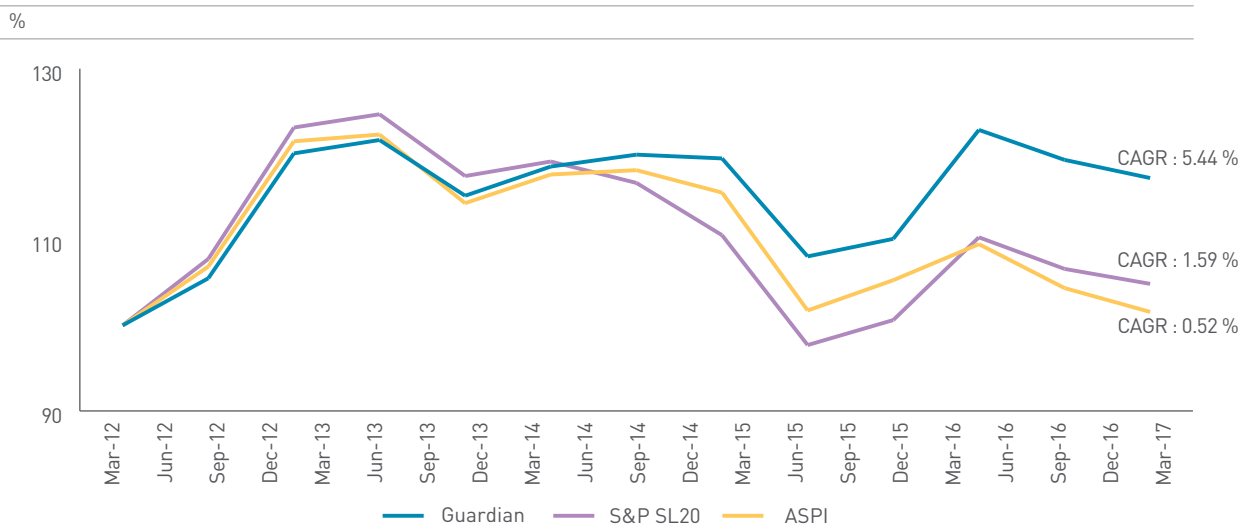
financial year ending 31st March 2017 with the portfolio providing a return of 9.10% outperforming the All Share Price Index by 9.26%. The portfolio has outperformed the ASPI significantly over a 3 year period, whereby the discretionary portfolio performance has been 5.44% compared to the flat ASPI of CAGR 0.52%. The total portfolio declined from Rs. 19.4 billion in 31st March 2016 to Rs. 18.4 billion largely on account of the strategic holding value reducing.

#### Guardian group portfolio performance

As at 31st March	31/03/2017	31/03/2016	Change %	As at 31-Mar-2017 (Dividend adjusted)	Dividend adjusted performance
Discretionary portfolio (Rs. '000) *	13,078,794	12,274,728	6.55%	13,392,054	9.10%
Total Portfolio (Rs. '000)*	18,396,828	19,428,117	-5.31%	18,710,088	-3.70%
ASPI (Points)	6,061.94	6,071.88	-0.16%		-0.16%
S&P SL20 (Points)	3,438.88	3,204.44	7.32%		7.32%

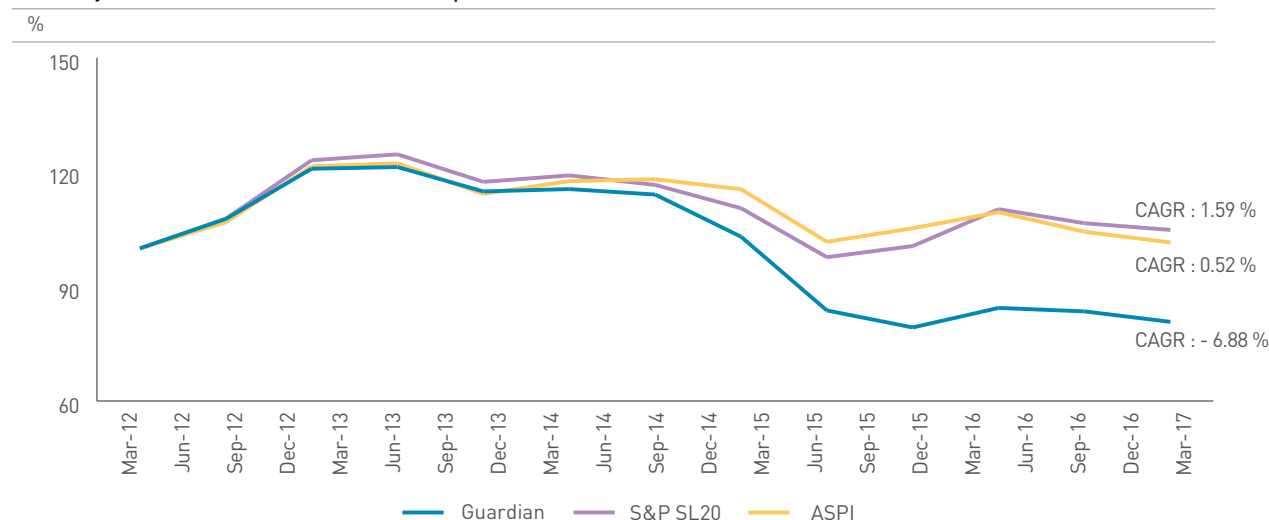
\*After adding back the total cash outflow from the distribution of dividend by the Group, which was Rs. 313.26 Mn during the period.

#### Three year track record - Guardian discretionary portfolio



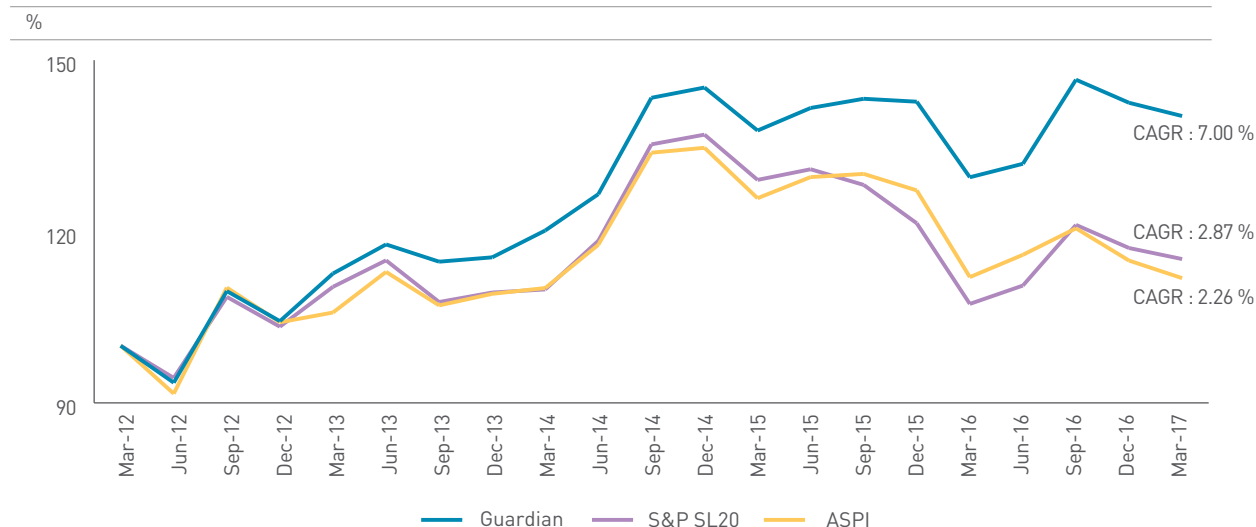
## Management Discussion and Analysis

### Three year track record - Guardian total portfolio



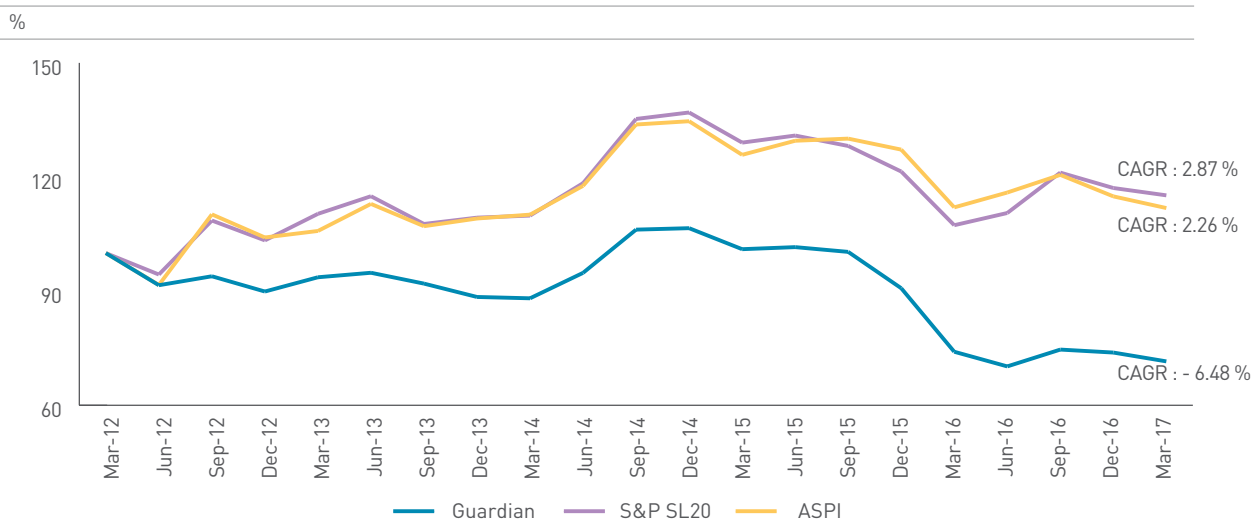
On a long horizon, supporting Guardian's aim of owning high quality businesses within its portfolio, our discretionary performance has been 7.00% for the last five years, outperforming the market by approximately 5%.

### Five year track record - Guardian discretionary portfolio



Since we acquired the position in Tokyo Cement this financial year, the stock has been a top contributor to Guardian providing a return of 64%.

#### Five year track record - Guardian total portfolio



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

We invested Rs. 540 million in a cement manufacturing company which supplies to 35% of Sri Lankan demand. We are very excited with the prospects of Tokyo Cement which stands to gain from the ongoing construction boom in both the retail and large scale categories. The Sri Lankan economy which is entering the next

phase of its development drive will be spearheaded by numerous public and private large scale construction projects. With increasing demand for cement consumption the company has invested in increasing its manufacturing capacity to 2.8mn MT from prior 1.8 mn MT. A combination of softer input commodity prices and revenue growth led to a phenomenal increase of 72% in its bottom line. Since we acquired the position in Tokyo Cement this financial year, the stock has been a top contributor to Guardian providing a return of 64%. We are watchful of the fact that the cement prices are regulated prices and that its largest competitor Holcim recently sold out to Siam City Cement Public Company Limited Thailand.

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

## Management Discussion and Analysis

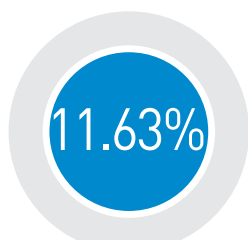
### Top Five holdings

Company	Market value of the holding('000)	Holding as a % of discretionary portfolio	Ownership stake
Hatton National Bank PLC	1,520,478	11.63%	1.74%
Sampath Bank PLC	1,048,829	8.02%	2.17%
Cargills (Ceylon) PLC	1,002,312	7.66%	2.38%
Commercial Bank of Ceylon PLC	901,392	6.89%	0.82%
Dialog Axiata PLC	779,410	5.96%	0.85%
<b>Total</b>	<b>5,252,421</b>	<b>40.16%</b>	

We invested a further Rs. 178 million in Cargills taking our investment in the company to Rs. 982 million as at end of the FY2017. The company which is one of the leading food and beverage companies in Sri Lanka has over 315 supermarket outlets spread across the country making it the largest privately owned supermarket chain. The company has started showing strong profit growth since the removal of deemed VAT in 2016 where they were obligated to pay VAT on 75% of the revenue regardless of VAT liability products. We are the 5th largest shareholder in Cargills with a 2.3% stake and look forward to the company's rapid growth supported by increased consumption patterns in the medium term with improving GDP per capita.

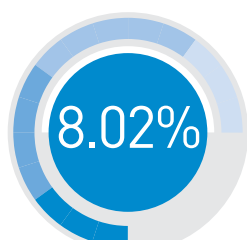
**We are the 5th largest shareholder in Cargills with a 2.3% stake and look forward to the company's rapid growth supported by increased consumption patterns in the medium term with improving GDP per capita.**

#### Exposure to Hatton National Bank PLC



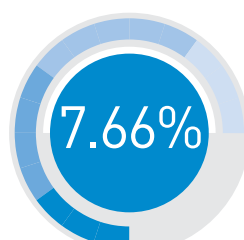
Rs.1.52 Bn

#### Exposure to Sampath Bank PLC



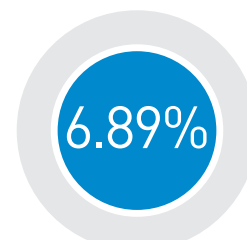
Rs.1.05 Bn

#### Exposure to Cargills (Ceylon) PLC



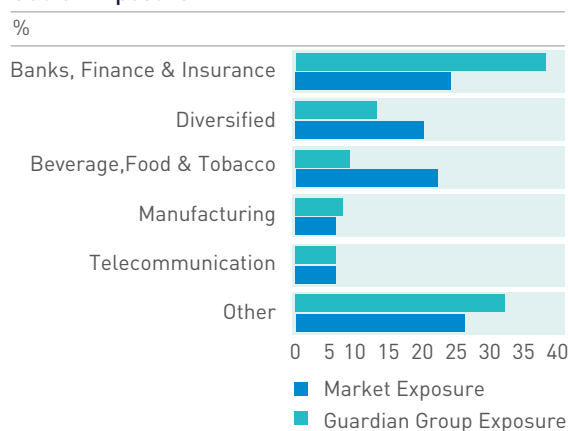
Rs.1Bn

#### Exposure to Commercial Bank of Ceylon PLC



Rs.0.9 Bn

### Sector Exposure



We maintain our largest exposure of Rs. 1.5 billion to HNB which is one of the largest private banks in the country and have monitored the large strides it has made in improving profitability through cost management whilst maintaining high quality lending. The banks strong presence in SME lending differentiates it from its peers. However, the banking space in Sri Lanka is very competitive and we see mid-sized banks increasing their presence. We have invested Rs. 1.08 billion in one such institution being Sampath Bank which grew rapidly after investing in a heavy branch expansion. Sampath Bank too has grown its loan book and is focused on cost reductions whilst maintaining asset quality. However, it has one of the lowest capital adequacy ratios in the sector and with BASEL III requirements expected to be adopted in 2019, capital calls are expected across the sector of which HNB and Commercial Bank have already made announcements.

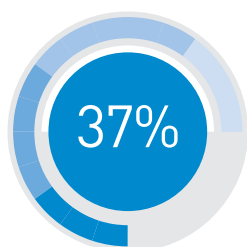


As an emerging economy we see growth opportunities flowing through to the financial sector of the country, which explains our 37% exposure to this sector. However, we are cautious of its cyclical nature and the potential stress that comes about with non-performing assets when the cycle is on a downward trend.

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

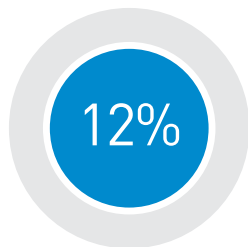
Another significant underperformer was Aitken Spence Hotel Holdings with recently opened associate properties in Sri Lanka performing poorly as well as the Indian property also falling below expectations. Despite tourist arrivals in Sri Lanka growing, the attraction to 4 and 5 star properties remains sluggish. The Maldivian sector which had been a key contributor in the past was also performing poorly with occupancies declining as competition intensifies. We expect a medium term recovery with demand for local star class properties eventually returning and other South Asian investments also recovering over time.

#### Exposure to Banks, Finance & Insurance



Rs. 4.8 Bn

#### Exposure to Diversified Sector



Rs.1.5 Bn

term potential. We continue to maintain our exposure to Dialog Axiata PLC which is a subsidiary of the Malaysian Axiata Group. Aside from being a leading mobile telecom provider in Sri Lanka, Dialog is set to experience further growth through an anticipated surge in data usage by consumers.

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

Guardian's approach to value driven long term investing has resulted in significant capital gains made over a period of time. New tax legislation to be introduced brought about an uncertainty on introduction of taxes on Guardian's unrealized gains. In order to protect shareholder returns we realized profit on investments that had made significant gains over the years. As a result we divested significant positions in John Keells Holdings, Commercial Bank, Sampath Bank and Tokyo Cement to secure gains to shareholders under the present tax regime.

This divestment was prompted by an anticipated tax on share trading as a business. It is of significant concern that tax issues have caused us to sell out at an unsuitable time. Nevertheless, as a cautionary measure, we decided to realise the higher accumulated gains.

#### Financial Review and Shareholder Returns

Ceylon Guardian Group reported a profit after tax of Rs. 1,256.3 Mn for the year ended 31st March 2017 compared to Rs. 611.2 Mn the previous year. The increase of group profit by 105.6 % is due to substantial realized gains recorded when compared with last year. The realisation of capital gains on disposal of stocks in the group portfolio is the key contributor towards the group profit. During the period under review, it was Rs. 983.7 Mn recorded as "net gain from disposal of available for sale financial assets" whereas, it was Rs. 621.4 Mn in previous financial year.

## Management Discussion and Analysis

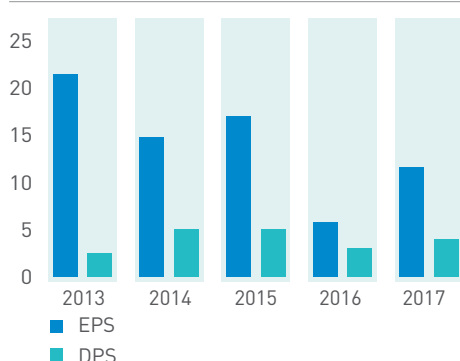
The net fair value losses on instruments held as “fair value through profit or loss financial assets” amounts to Rs. 51.2 Mn for the current year compared to the net fair value loss of Rs.211.6 Mn for the previous year, due to the fall in market prices of shares. The impairment loss on account of fall in fair value of instruments held as “available for sale financial assets” which is either significant or prolonged, amounts to Rs. 198.8 Mn (2016 : Rs. 95.2 Mn) for the period under review, on account of Aitken Spence PLC and Aitken Spence Hotel Holdings PLC.

Net change in fair value of available for sale financial assets, which is the main component of other comprehensive Income, amounts to negative Rs. 1.18 Bn compared to negative of Rs. 7.59 Bn recorded in the previous year. A significant contributor to the negative fair value change is the Strategic Investment which experienced a share price drop of 26% (2016 : 48%) and is the single long term non-discretionary holding by the Group.

The Company proposes a dividend of Rs. 4/- per share as final, which is to be approved by the Shareholders at the Annual General Meeting. The Company has been maintaining a consistent dividend to match shareholder expectations, and this year sees an increase of 33%.

### EPS vs Dividends

(Rs.)



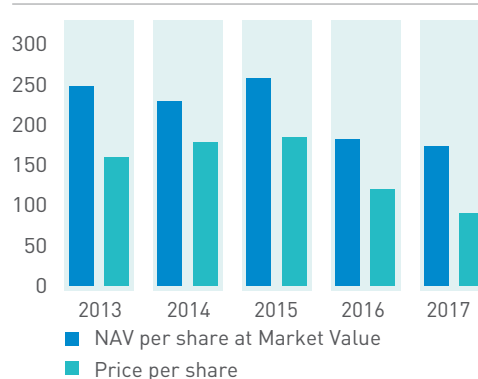
The net asset value per share (NAV) amounted to Rs. 173.53 as at the reporting date, after depreciation of 5% from the NAV reported beginning of the financial year, which was Rs. 181.77. NAV is based on fair value of the Group's total portfolio.

### Market price and NAV per share

As at 31st March	2017	2016	Change %
ASPI	6,061.94	6,071.88	[0.16]
NAV per share (Rs.)	173.53	181.77	[4.53]
Market price per share (Rs.)	90.10	119.70	[24.72]
Discount of NAV to market price per share	48.08%	34.15%	

### NAV per share (Market value) vs Share price

(Rs.)

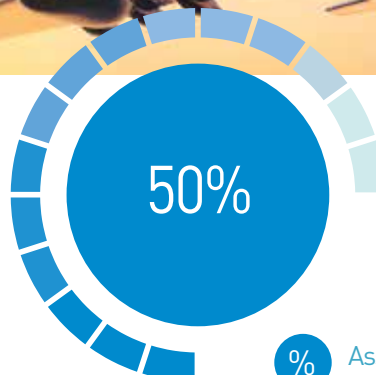


The Company's share has been trading at a discount in the CSE over the past years. As of 31st March 2017, the market price of the Company was at Rs. 90.10 recording a drop of 24.72% for the year, and still trades at a discount of 48.08% to the NAV. Shareholder wealth depreciation during the year was 21.39% taking into account both share price movement and dividend for the year.

## Private Equity Business



During the year Rs. 87 Mn was deployed into two new ventures, Rs. 45 Mn into Findmyfare (Pvt) Ltd and Rs. 42 Mn into Swiss Institute for Service Industry Development (Pvt) Ltd.



% Assets Invested  
Rs. 367 Mn  
Invested across 7 companies

Capital Deployed  
Rs. 94.5 Mn

Rs. 87 Mn into two new investments, Rs. 7.5 Mn into existing investment

## Management Discussion and Analysis

The portfolio value of Guardian Capital Partners PLC (GCP), the Private Equity investment arm of the Guardian Group, stood at Rs. 366.7 Mn in equities consisting of 7 companies. We made two new investments during the year, Rs. 45 Mn was invested into Findmyfare (Pvt) Ltd and Rs. 42 Mn into Swiss Institute for Service Industry Development (Pvt) Ltd. Rs. 7.5 Mn was invested into LVL Energy Fund Limited via a rights issue. LVL remains our largest holding followed by Hsenid Business Solutions (Pvt) Ltd.

### Private Equity Portfolio Composition

Company	Rs. Mn	Composition
LVL Energy Fund Limited	103.1	28%
Hsenid Business Solutions (Pvt) Ltd	70.0	19%
Access Engineering PLC	55.1	15%
Findmyfare (Pvt) Ltd	45.0	12%
Swiss Institute for Service Industry Development (Pvt) Ltd	42.1	11%
Expolanka Holdings PLC	41.1	11%
Kashmi Singapore PTE Ltd	10.3	3%
	366.7	100%

### Largest Investment

%



### LVL Energy Fund Limited

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

### Deployed During the Year

Rs. Mn



### Hsenid Business Solutions (Pvt) Ltd

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

### Findmyfare (Pvt) Ltd

Findmyfare is Sri Lanka's first and largest online travel agent. The company has built up a strong presence in the sale of air tickets, and is looking to further penetrate into the air tickets market whilst also building other allied verticals in the travel market. The key areas the company is looking to move into are areas such as hotel bookings, tour packages, corporate travel and the sub agent business. Guardian Capital Partners has a board seat in the company and is actively involved in the activities of the company at a strategic and where required at operational level as well.

### Swiss Institute for Service Industry Development (Pvt) Ltd

Swiss Institute is a startup venture focused on providing vocational training to the hospitality and banking sector. The institute has entered into partnerships with the Swiss Hotel Management Academy of Lucern and the Swiss Banking Consulting and Training Academy, which will provide certification and curriculum. The company is looking to capitalize on the growth in the tourism sector in Sri Lanka and resultant shortage for suitably trained staff.

### Kashmi Singapore Pte Ltd

A company based in Singapore, Kashmi has developed a Peer to Peer mobile payment solution with embedded social media functionality, which enables cash transfers between individuals and vendors through a mobile app. The company was founded by a group of young Sri Lankan entrepreneurs, operating out of Singapore and Sri Lanka. The company initially launched the product in Singapore and then it hopes to expand into other ASEAN countries like Malaysia and Indonesia. The promoters were funded by 'Turn 8', which is an incubator based in Dubai, and 'Startupbootcamp Fintech Singapore' a financial innovation focused accelerator in Singapore, during the product development stage.



### Access Engineering PLC

Invested at the pre-IPO stage, Access Engineering PLC (AEL) is engaged in construction and real estate businesses. AEL is one of the leading C1 contractors in the country. Given the infrastructure development thrust in Sri Lanka, exposure to AEL would enable us to benefit from the growth trends in this sector.

### Expolanka Holdings PLC

Invested at the pre-IPO stage, Expolanka is one of the leading freight forwarders in the South Asian region, specialized in the garments/apparel vertical. The exposure to the regional apparel industry through valuable international partnerships, though sensitive to global economic forces, provides exposure to a competitive and scalable business model.

### Consolidated performance of the portfolio companies

The portfolio companies generated consolidated revenues of Rs. 64.3 Bn for the 9 months ending December 2016, an increase of 15.3%. Consolidated net profit decreased by 3.9%, to Rs. 2.9 Bn.

#### Private Equity Portfolio Company Performance

For the period ended	Annual		9 months	
	2015M	2016M	Dec-15	Dec-16
Revenue (Rs. Mn)	69,813	74,405	55,742	64,298
Net profit (Rs. Mn)	3,614	3,887	3,003	2,886
Revenue growth		6.6%		15.3%
Profit growth		7.6%		-3.9%

Except for LVL Energy fund, all companies in the portfolio contributed to the consolidated topline growth. Expolanka and Access Engineering were the largest contributors to the growth, whilst relative to last year Hsenid posted the strongest growth in top line for the 9 months, recording a 32% growth. The decline in profits for the 9 months was driven by the decline in profits of Expolanka which in turn was due to one off losses recorded by the company, adjusted for this consolidated profits of the portfolio comes in flat. All the other companies improved their bottom lines during the 9 months. Access Engineering the largest contributor to the consolidated bottom line however only recorded a marginal growth in profit. Hsenid returned to profitability during the 9 months, whilst LVL Energy also posted a strong growth in bottom line. The results of Swiss Institute and Kashmi have not

been included in the above figures due to the startup nature of operations.

### Progress on Joint Venture with Small Enterprise Assistance Funds

Upon Guardian Capital Partners PLC entering into the JV with Small Enterprise Assistance Funds (SEAF) in April 2016, focus was shifted to the first initiative under the venture, the fund raising and launch of a Sri Lanka focused private equity fund. Marketing activities commenced in October/November 2016 with the finalization of required marketing and other documentation. Several international and local institutional investors have shown interest in the fund.

As the enterprises in our economy grows we believe the opportunity to share in financing the next stage of growth of SME businesses will become available to institutional investors, as the promoters of such businesses gain the maturity and discipline to accommodate external investors.

## Management Discussion and Analysis



### Capital Markets Business

Leveraging off Ceylon Guardian's core competencies of portfolio management, our customised client portfolios have achieved strong performances for all client with returns well above the respective benchmarks.



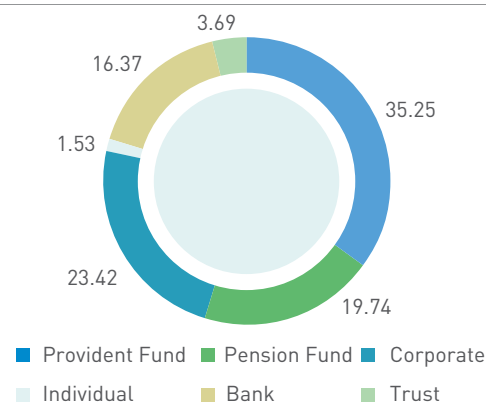
External funds under  
Management

## Discretionary Portfolio Management Solutions

Ceylon Guardian provides customised portfolio management solutions on both fixed income and equity asset classes. Leveraging off Ceylon Guardian's core competencies of portfolio management, customised client portfolios have achieved strong performances for all client with returns above the respective benchmarks. The AUM (assets under management) from the discretionary client portfolio business grew to Rs.3.9 billion as at 31st March 2017. The fee income generated from this business segment is a growing component for Ceylon Guardian, which adds to synergies in building industry networks and clients.

**Discretionary Portfolios Break UP**

%



## Unit Trusts

Guardian Acuity Asset Management (GAAM) our joint venture company set up with Acuity Partners with the objective of marketing unit trusts to the general public has completed its 5th successful year. Acuity Partners which brings its marketing and distribution expertise is the investment banking arm of HNB and DFCC Bank.

The year has been very challenging for promoting unit trusts with weak economic conditions not being conducive for capital markets in general. Higher interest rates and balance of payment concerns continues to deter investors from investing in equity markets while announcements made on unit trust taxation also unnerved unit

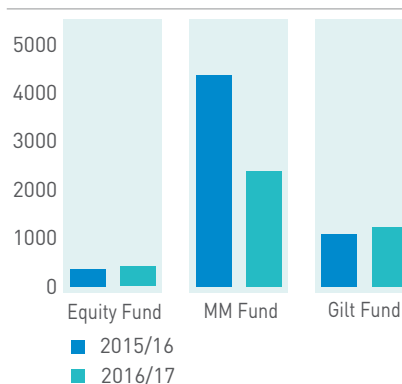
holders and potential investors. GAAM offers three unit trusts strategies which include Money Market Fund that invests in short term debt, Money Market Gilt Fund which invest in short term government securities and an Equity Growth Fund which focuses on fundamentally strong stocks.

The assets under management of the unit trust business reached a new high in December 2016 of Rs. 6 billion as a result of confidence investors have placed in GAAM's customer experience and performance. However, the assets under management took a

**The assets under management of the unit trust business reached a new high in December 2016 of Rs. 6 billion as a result of confidence investors have placed in GAAM's customer experience and performance. However, the assets under management took a sharp decline to Rs. 4 billion after budget announcements that the tax exemption status will be withdrawn for unit trusts.**

**Assets Under Management**

(Rs. Mn)



sharp decline to Rs. 4 billion after budget announcements that the tax exemption status will be withdrawn for unit trusts. However, no further announcements have been made on this matter since but the industry is in limbo as investors are fearful of participating due to lack of clarity. Taxation policy should be expressed clearly and precisely by the authorities so that investors can make decisions on their investments with the necessary information at hand. However,

## Management Discussion and Analysis

We yet firmly believe that unit trusts have a key role to play in enabling individual investors to access capital markets and hence tax benefits should be made available to this segment of investors until awareness and savings levels improve.

### Returns from our range of Unit Trusts

Period	FY 2016/17		Since inception 31st March 2017 (Cumulated)		Since inception 31st March 2017 (CAGR)	
	Fund Return	Benchmark Return	Fund Return	Benchmark Return	Fund Return	Benchmark Return
Equity Fund	6.65%	-0.16%	63.29%	10.69%	10.11%	2.01%
Money Market Fund	11.00%	8.87%	62.33%	50.54%	12.24%	9.92%
Money Market Gilt Fund	9.45%	8.87%	16.53%	15.70%	8.18%	7.77%

nearly 6 months have passed since the initial announcement but there remains confusion on what will be implemented. Unit trusts are an important tool in developing the economy and channelling funds towards efficient investments thereby strengthening capital markets. Indecisive policy making can only weaken overall capital markets and we recommend taxation policies that will encourage individual investors to use unit trusts to access capital markets.

All three unit trust funds outperformed their respective benchmarks providing investors superior actively managed returns. The Guardian Acuity Equity fund provided investors 10.1% CAGR return since inception while the money market and money market gilt funds which are more short term oriented provided annual returns of 11.0% and 9.5% for the 12 months ending 31st March 2017.

We yet firmly believe that unit trusts have a key role to play in enabling individual investors to access capital markets and hence tax benefits should be made available to this segment of investors until awareness and savings levels improve.

The strength of our banking partners provides a competitive edge in terms of branding and distribution. The acceptance of unit trusts within the banking network is yet to gain traction but as markets develop we are confident unit trust funds will also fall within the bank customer networks. GAAM voluntarily claims adherence to the Asset Managers Code of Conduct, CFA Institute USA. Last year

our JV company was awarded silver under the best unit trust funds category at the capital markets award 2016 organized the CFA Sri Lanka society. Unit holders also enjoy state of the art services such as online account visibility, market updates and other communications.



### Management Competency Development

The Ceylon Guardian Group continues to be a leading portfolio management and capital markets group within Sri Lanka due to its strong asset management capability and supporting systems and frameworks. The core capabilities in asset management are built up and used to service a diverse clientele ranging from institutional clients within customized mandates to individual retail investors who can choose from across our simple to understand unit trust products offered through our JV company. Our fund management and research team comprise the backbone of our decision making process and they invest time and effort in studying economic and key industry sensitivities of business segments. A well configured succession plan ensures that key functional areas are staffed continuously by high quality senior and second level management. This process assures us of a continuous flow of experienced talent through the organisation, and progression opportunity for high performers for whom career paths are provided along with organisational growth.

Our new portfolio administration system sourced from Credence Analytics India, will enable real time reporting on all key areas of our business including monitoring portfolio holdings, risk exposures, compliance limits and client information. It is presently being tested and will be on line shortly. Our compliance and risk management frameworks are being continually enhanced to take account of new and emerging challenges posed by market changes. Particularly in private equity, we see the need for stronger monitoring as our staff take on board responsibilities.

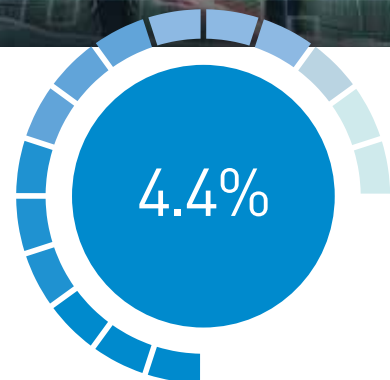
Our focus on business development and marketing was strengthened with the addition of new staff and continued search for avenues to build the external funds under management in both our institutional and unit trust portfolios. This entailed supporting our marketing team with technical input from the fund management side. The importance of scaling up the funds under management has become critical in view of the slow growth in our core equity portfolio.

The core capabilities in asset management are built up and used to service a diverse clientele ranging from institutional clients within customized mandates to individual retail investors who can choose from across our simple to understand unit trust products offered through our JV company.

## Management Discussion and Analysis



Meanwhile a major foreign relations effort by the present administration has improved perception of Sri Lanka amongst by the international community and trade agreements are being explored providing future opportunity for economic growth.



Economic growth  
2016

## Economy

The year 2016 saw the economy grow by 4.4% compared to 4.8% in the previous year which remained relatively low on account of higher interest rates and a general slowdown along with construction activity. The economy going forward is expected to gradually accelerate led by service sector and construction activity. Large scale infrastructure projects and private sector constructions are expected to drive the manufacturing sectors contribution to the overall economy. Although within the service sector consumption is slowing as a result of higher interest rates and inflation, financial services should continue to expand ensuring growth in the service sector. Meanwhile a major foreign relations effort by the present administration has improved perception of Sri Lanka amongst the international community and trade agreements are being explored providing future opportunity for economic growth.

increasing commodity prices and weather patterns. Also, external risks can impact the rupee and domestic interest rates such as investor reactions to Fed rate hikes and geo-political tensions.

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

**GDP and Sector Growth Rates**



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

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

# Management Discussion and Analysis

## Equity Market Review

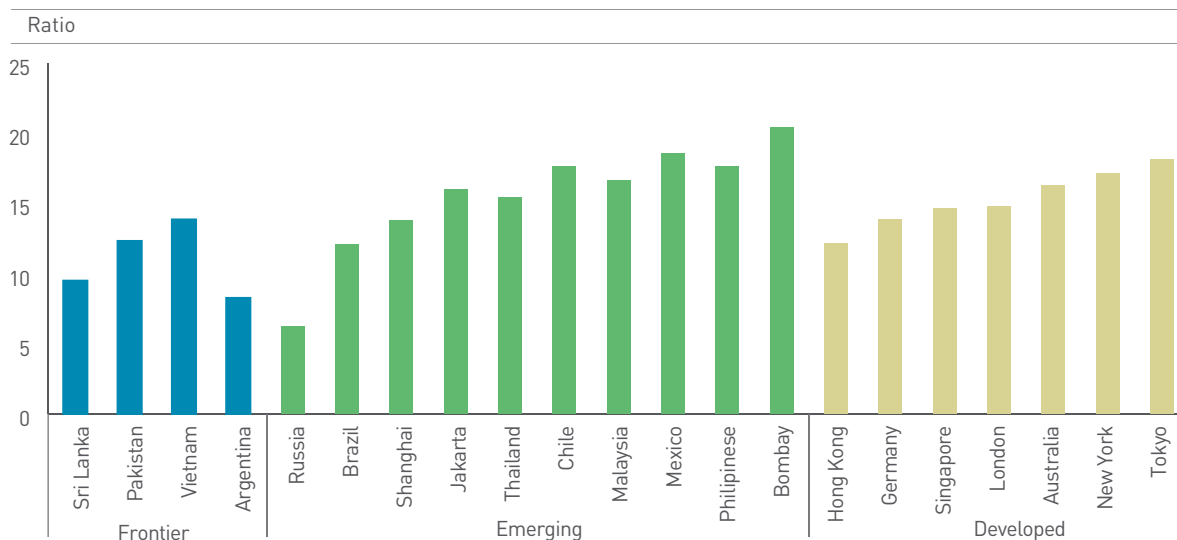
Economic concerns loomed over the Colombo Stock Exchange like a dark cloud as the country continued to grapple with its excessive debt burden resulting in higher interest rates and slower economic activity. The financial year ending March 2017 saw the All Share Price Index give a dismal -0.16% return. It was natural for domestic retail and institutional investors to take a back seat and allocate their funds to more attractive fixed income investments. However, opportunities were available for experienced bottom up stock pickers such as Guardian whose discretionary portfolio provided a return of 9.10%.

The staff level agreement announced in April 2016 for USD 1.5 bn, with the IMF brought about a level of confidence that steps are being taken to get the economy back on track with the guidance of the IMF. This brought about a sense of optimism at the start of the financial year with the ASPI providing a return of 7.3% for the month of April 2016. However, net foreign selling along with the dawning in domestic investors' minds that fiscal consolidation, a pillar of the IMF program, will result in increases in effective taxation saw them adopting a 'wait and see' approach. ASPI returns from May to Dec 2016 saw the market decline by 4.4%.

The past few months have seen equities across developed economies showing strong returns and a renewed interest in emerging and frontier markets.

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

### Peer Market PE (Forward PE)



Source: Bloomberg



Sectors that performed well for the financial year included Manufacturing (+10.5%), Healthcare (+9.48%) and beverage food and tobacco (+6.14%). Manufacturing did well on account of softer commodity prices for part of the year and volume growth for construction related companies. Consumption related stocks in the beverage food and tobacco also did well with major slowdown from higher interest rates yet to take full effect. Sectors that didn't perform included Hotels (-3.98%) which continue to struggle as tourists demand for lower and unrated accommodation demand grows. Banks Finance and Insurance sector return (-1.65%) is largely account of poor market participation in these liquid stocks and capital raising requirements coming up. However, underlying fundamentals in banking stocks continues to improve and leasing companies continue to be challenged with higher interest rates and economic conditions.

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

#### 1 Year Forward PER

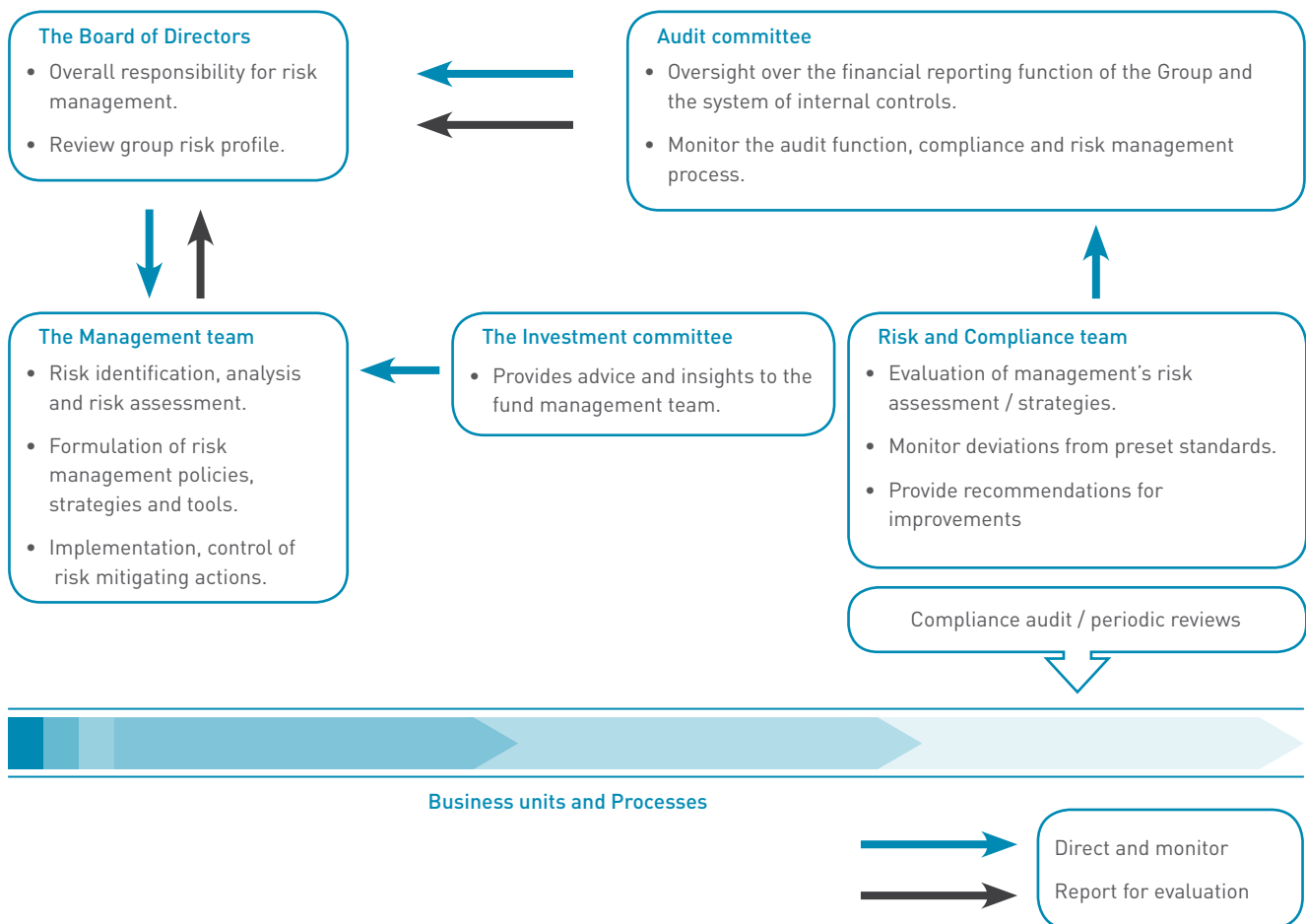
Times



#### 1 Year Forecast Earnings

%





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

The Audit Committee of the Company has oversight over the financial reporting function of the Company, the system of internal controls as well as the audit, compliance and risk management processes. Group Internal Audit conducts periodic compliance audits / review and reports to the Audit Committee. Further, an Investment Committee provides advice and insights to the fund management team to further sharpen and refine their decision making process. This organisation structure determines the objectives and policies of our risk management framework and

promotes a culture of risk awareness and balanced risk-taking within the Company.

### Risk categories

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

Risk Category	Impact and mitigating strategies
<b>Macro environmental risks:</b>	
Overall macro-economic conditions and political factors affect the risk profile of the Company. The variations of macro-economic variables like Gross Domestic Product (GDP), interest rate, inflation, exchange rates and changes in the political environment and government policies affect the achievement of Company business and financial objectives.	
<b>Country risks</b>	
The risk associated with operations which are subject to various exchange control regulations, currency fluctuations, transaction costs & taxes and other actions that may be imposed by the government or policy making bodies of the particular foreign country or Sri Lanka.	<ul style="list-style-type: none"> <li>• This is a new risk area for which we are looking to build a framework as the Group intends to exploit new markets in the future, when regulations permit.</li> <li>• The Sri Lanka Fund, a subsidiary company which is domiciled in Cayman Island, is subject laws and regulations imposed by regulatory authorities there. Changes in Cayman Island regulatory environment, in the context of The Sri Lanka Fund is continuously monitored with the assistance of the Fund's, Lawyers who have the necessary expertise</li> </ul>
<b>Currency risks</b>	
The risk associated with any fluctuations of foreign exchanges rates against Sri Lanka Rupee.	<ul style="list-style-type: none"> <li>• The Sri Lanka Fund, of which the reporting currency is US dollars, is exposed to risk of currency impact on translation</li> </ul>

## Risk Management

Risk Category	Impact and mitigating strategies
<p><b>Market risk - domestic</b></p> <p>The exposure to adverse movements in both equity / fixed income securities market, which can result in value loss as well as variations in the anticipated returns from those securities. This is mainly caused by systematic risk factors such as interest rates, currency parity, inflation and availability of credit which affect both capital and money markets, and the value of securities.</p>	<ul style="list-style-type: none"> <li>• Market risks are inherent in every security and are thus collectively considered at the portfolio level to take into account the asset allocation decisions of the portfolio. The risks affecting a particular class of security are mitigated by switching to asset classes that are assessed to be less risky in a particular scenario. The sectoral and security exposure is continuously monitored.</li> <li>• A sound research base to determine changing economic fundamentals of the country, determine the impact on equity vs fixed income investments and the prompt shifting of funds between asset classes. The sensitivity of stock valuations to changes in economic indicators are continuously monitored.</li> <li>• The returns of money market funds the Company has invested in, is sensitive to changes in the financial sector. Hence the behaviour of interest rate determinants are monitored, and anticipated interest rate trends are considered in pursuing investment strategy.</li> </ul>
<p><b>Market risk - international and external</b></p> <p>The risk that the domestic market will have an indirect impact from other markets, international trade and capital inflows / outflows, changing economic indicators and policies in the global context. The entry and exit of foreign investors from the local market is also determined by the macro economic trends prevailing in foreign markets and relative valuations of our market vis-a-vis developed and other comparative Asian markets.</p>	<ul style="list-style-type: none"> <li>• Commodity risk is somewhat high for the domestic economy, since Sri Lanka is an import dependent for vital commodities. We continuously monitor global developments in capital markets which is vital to assess and mitigate this risk.</li> <li>• Building of expertise in foreign markets will take place going forward, as we would look to invest overseas gradually. In mitigating the risk we would tie up or collaborate with foreign entities that have expertise in such markets in order to gain knowledge.</li> </ul>

## Risk Category

## Impact and mitigating strategies

**Portfolio Risks:**

The risk arising due to investment strategy, factors inherent to investment instruments and composition of the portfolio which affect the return of the portfolio.

**General securities risk**

Inherent investment risks associated with the particular investment instrument or issuing entity of the security. The price or value of any security may fluctuate, resulting in possible loss not only of returns and profits, but even all or part of the principal sums.

- General securities risk is applicable, regardless of whether the instrument is equity listed / unlisted or fixed income, but the magnitude of risk will vary with the type of the instrument.
- Portfolio management and investment selection process which is a bottom up approach, is designed to optimise the risk/return trade off. Risk mitigating methodology is based on the internal research process, and prospective investments are selected from fundamental analysis and contact with corporate management of the issuing company through company visits. A continuous process of monitoring the performance of investee companies is adopted, after the investment is made.
- In the case of private equity since there are no regulatory disclosure requirements we require the investee company to disclose financial information on a regular basis.

**Concentration risk**

This is the risk that the portfolio is over exposed to a particular sector / sectors or a security / securities resulting in the risk and return of the portfolio being over dependent on the performances / risk profiles of those sectors or securities.

- Monitoring sector exposure and single company / group exposure of the portfolio as a diversification and a mitigation strategy.
- Loss limits are set to monitor stocks performing below their cost of acquisition to determine whether temporary capital erosion is a concern.
- Monitoring by the compliance team takes place as a routine process.

## Risk Management

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



## Risk Category

## Impact and mitigating strategies

**Operational Risks :**

This is the risk of losses being incurred resulting from disruptions, disturbance of business operations caused by events due to inadequate or failed internal processes, people and systems within the organisation. The management of operational risk is a continuous process which includes identification, assessment of risk and implementation of measures to address such risk, which specifically covers following key areas which are significant in the context of investment and asset management operations.

**Systems and process risks**

The Company's business operations are structured in a way that, those are performed as interconnected / interdependent processes. The divisions of the company, either separately or collectively are responsible for the functions of these process which utilise human / physical resources and information systems

- The management of systems and process risk consist of identifying risks and formulating plans promoting best practices, implementing internal controls / systems and monitoring compliance with these internal guidelines.
- The processes are continuously monitored to identify the areas of weakness and to implement improvements.
- Correct application of recommended practices where back up procedures are followed on a routine basis to ensure data and Information security. Our accounting systems and portfolio management systems are regularly backed up to prevent loss of data.
- Business continuity plan which describes how to resume business after a disruption occurs in business process, location and the system. A Disaster Recovery Plan is available at the Carson's Group level which deals with recovering Information Technology infrastructure, facilitating of critical operations to be active in an alternate location etc. after a disastrous interruption.
- Systems support and the maintenance agreements with for the portfolio management software is made available through an annual maintenance agreement with the software vendor which ensures on line support for system issues and queries.
- The internal audit function of the Carsons Group ensures the safeguarding of Company assets, recommends process improvements in areas where process control failures are noted and compliance with regulatory requirements etc.

## Risk Management

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

# Profiles of the Directors

## ROSE COORAY

### [Appointed as Chairperson with effect from 01.09.2016]

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

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

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

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

## CHANDIMA GUNAWARDENA

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

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

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

## MANILAL FERNANDO

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

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

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

## Profiles of the Directors

### KRISHNA SELVANATHAN

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

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

### TIMOTHY CHEE MING CHIA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## WILLIAM KNIGHT

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

His current board positions include Smith Tan Phoenix Asia Fund and GNET Group PLC. In recent years he has served as a board member of specialist funds investing in India, Korea,

Mauritius, Portugal, Russia, Thailand and Vietnam, as well as for an AIM listed private equity fund of funds for India and China.

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

## RUVINI FERNANDO

(Appointed with effect from 15th August 2016)

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

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

with Carson Cumberbatch Group. She was a former visiting faculty member of the MBA programme of the Postgraduate Institute of Management (PIM). She is a Fellow of the Chartered Association of Certified Accountants (ACCA), UK and the Chartered Institute of Management Accountants (CIMA), UK and holds a Masters in Business Administration from the PIM, University of Sri Jayewardenepura. She currently serves as member of the National Agenda Committee on Finance and Capital of the Ceylon Chamber of Commerce.

## ISRAEL PAULRAJ

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

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

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

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

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

# Management Team



**Ruvini Fernando**

(MBA, FCCA, FCMA)

Director / CEO of Guardian Fund Management Limited. She is also a Director of Ceylon Guardian Investment Trust PLC. Refer page 33 for her detailed profile.

**Tharinda Jayawardena**

(CFA, ACMA, B.Sc Finance (Hons))

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



**Sumith Perera**

(B.Sc (Hons), ACMA)

Head of Portfolio Management, Guardian Fund Management Ltd. Has over 12 years' experience in the field of Asset Management working as a Fund Manager for CAAM Saudi Fransi LLC (Kingdom of Saudi Arabia), Investment Analyst for Eagle NDB Fund Management (Sri Lanka) and as a Financial Analyst for John Keells Stockbrokers. He holds a BSc (Hons) in Economics and Business Finance from Brunel University, UK and is an Associate Member of the Chartered Institute of Management Accountants.







### Asanka Jayasekera

(B.Sc.Finance (Hons), ACMA)

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

### Lakmal Wickramaarachchi

(B.Sc. Finance (Special), ACA)

Accountant, Guardian Fund Management Limited. Commenced career at KPMG, Chartered Accountants, prior to joining the Carsons Group. Counts over 10 years of experience in auditing and accounting. Associate Member of the Institute of Chartered Accountants of Sri Lanka. Holds a B.Sc. Finance (Special) Degree from the University of Sri Jayewardenepura, Sri Lanka.



### Fund Management Team

Sashika Wickramaratne  
Crishani Perera

### Portfolio Operations Team

Priyan De Mel  
Indramali Samarasinghe  
Deemantha Kaushika  
Shewantha Peiris  
Thisaru Kavinda

### Finance Team

Omesha Piyumi  
Prabhath Dissanayake

### Research Team

Harindi Hettigamage  
Kasun Gunawardhana  
Avin Fernando  
Ruwani Rajapakse

# Sustainability Report

## Our Philosophy :

As a socially responsible corporate we, Ceylon Guardian, go the extra mile to add lasting value to the communities of our business presence.

### The Youth To Nation Foundation

As a socially responsible corporate we, Ceylon Guardian, go the extra mile to add lasting value to the communities of our business presence – and we believe that fostering the sustainable growth of Small and Medium Enterprises (SMEs) in Sri Lanka, is one of the most effective ways to achieve this.

In the year under review, we continued our efforts under the Youth to Nation Foundation (YNF), focusing our energies to uplift selected SMEs that create significant positive social impact. Currently in its fourth year, YNF was founded in 2013 with the vision to build a nation of self-reliant, motivated youth who will add value to, rather than be dependent on society.

#### Young Entrepreneurs Development Programme

The Young Entrepreneurs Development Programme (YEDP) was launched with a view to enhance the technical and business management skills of young entrepreneurs towards their success, which would promote sustainable socioeconomic development in Sri Lanka.

Entrepreneurs are selected to the programme by a multi-functional team, based on the extent to which they contribute to the economy. This may be for instance through utilization of local raw materials, providing direct and indirect employment opportunities, and earning or saving of foreign exchange.

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

In the year under review, we continued operating within our focal districts of Hambantota, Matara, Ratnapura and Colombo, and also selected eight new beneficiaries to the programme.

### Our Growing Funding Portfolio

Year	No. of Beneficiaries			Total value of funds disbursed (Rs.)	
	New	Exiting	Cumulative	New Loans	Cumulative Value
2013	3	-	3	1,900,000	1,900,000
2014	5	-	8	4,055,790	5,955,790
2015	7	-	15	7,118,000	13,073,790
2016	8	1	22	5,807,870	18,881,660

## Key Performance Indicators

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

PRIMARY FACTORS	SECONDARY FACTORS	GROWTH FACTORS
Sales volumes/ Revenue	Customer satisfaction	Market development
Production volumes/ Production efficiency/ Capacity utilization	Product quality/ Design	New product development
Cash/ Working capital management	Accounting/ Record-keeping	Technical improvement
Labour management	Work conditions/ Health & safety	Environmental impact

## Project Impact To-Date



### Direct employment

Secured employment and improved work conditions for approximately 300 direct employees, majority of whom are rural women



### Community livelihoods

Improved livelihoods for approximately 150 indirect beneficiaries including outsourced workers, raw material suppliers, distributors and sales agents



### Job creation

Approximately 70 jobs created following YNF intervention



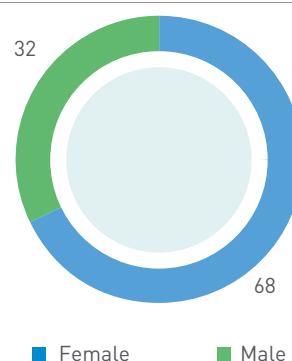
### Workshops

12 competency development workshops for 425 entrepreneurs in Matara, Hambantota, Ratnapura and Monaragala districts

## YEDP Beneficiaries

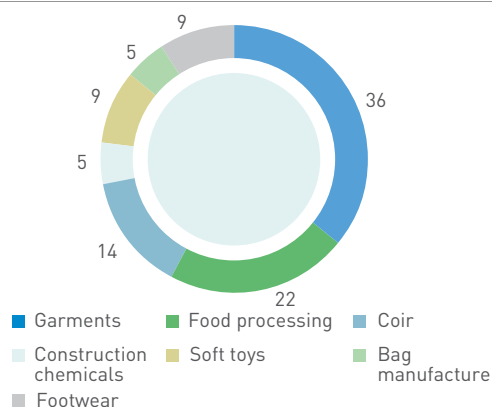
### By gender

%



### By Industry

%



## Competency Development Workshops

We continue to conduct competency development workshops within our project focal districts, catering to a wider range of SME entrepreneurs to improve their business acumen. Such workshops are conducted based on the Training Need Assessment of the target audience, and we engage the services of both internal staff as well as external experts in their respective fields.

While continuing to collaborate with the respective regional Chambers of Commerce towards this purpose, in the year under review we also partnered with the Small Enterprises Development Division (SEDD) under the Ministry of National Policies and Economic Affairs, to extend our support to their members.

## Sustainability Report

In the year under review, two workshops were conducted in Matara for approximately 115 entrepreneurs, covering areas such as financial management, marketing, taxation and investment appraisal.

### Our Impact – A Few Success Stories

#### Keerthi Siriwardhana

Keerthi is a manufacturer of construction chemicals from Walasmulla in the Hambantota District. His main product is “putty”, which is used as a high quality, low-cost and less labour-intensive alternative to wall plastering. The primary raw material used in the manufacture of putty is locally sourced calcite. He provides employment to rural youth in the area.

In 2014, YNF provided him a soft loan to invest in technically advanced machinery. This enabled him to increase volumes and efficiency, manufacture new products and be more competitive in the market. The new production process is also more environment-friendly.

Over the past two years, YNF has supported him towards marketing and promotion, better financial management and accounting techniques, and improving worker health & safety. Keerthi’s business has grown in terms of higher production capacity, increased employment from 14 to 27 workers, greater revenue and profitability, new markets and new products such as wall filler, tile grout, tile mortar and emulsion paint.



*A trade promotion conducted in Embilipitiya for masons and building contractors in the locality, organized by YNF*

#### Manjula Janaki

A manufacturer of gingelly rolls from Suriyakanda in the Ratnapura District, Manjula provides employment to rural women, as well as supporting the livelihoods of local gingelly farmers and kithul treacle tappers.

YNF provided a soft loan to her in 2015, to construct a new production facility and invest in technically advanced machinery, enabling her to expand production capacity and productive efficiency. In addition, YNF has supported her towards better financial management, stock management, workplace hygiene, employee motivation and productivity and formalization of employment.

Over the past year, Manjula has increased volumes, revenue and profitability, increased her workforce from 15 to 35, improved their working conditions and captured new markets.



*Manjula won the Silver Award for Woman’s Entrepreneur of the Year 2015 (Small Category), organized by the Women’s Chamber of Industry & Commerce*

#### Subadra Sanjeewani

Subadra is a designer and manufacturer of ladies footwear from Akuressa in the Matara District. She offers unique, quality footwear at affordable prices to her customers. Her business provides employment to local youth, most of whom are women, as well as a commercial opportunity for the traditional craft of shoe-making in the area. Subadra also manufactures a range of eco-friendly footwear, utilizing natural and recyclable raw materials.

In 2015, YNF provided her a soft loan to upgrade her production facility, enabling her to expand capacity, increase volumes and

capture new markets. YNF further supported her in areas such as branding, improving employee motivation and productivity, safety at work and formalization of employment.

Over the past year, she has increased revenue and profitability, invested in technically advanced machinery and introduced several new designs to the market. Her workforce has expanded



*Eco-friendly jute shoes*

from 3 to 6, and working conditions have significantly improved at the upgraded production facility. Subadra won "Best Woman Entrepreneur of the Year 2017 – Matara District" at the International Women's Day felicitation ceremony organized by the Ministry of Women & Child Affairs.



*Subadra and her husband display their products at a trade fair*

## Enhancing Employability Of University Students

We continued our commitment towards enhancing soft skills and employability of students of national universities in Sri Lanka. In the year under review, we co-sponsored the "J'Pura Employability Skills Award Ceremony 2016", and the "Touch the Peak – Annual Career Fair & Skills Development Workshop 2016/2017", organized by the Career Guidance Unit of the University of Sri Jayawardenapura, held on 4th October 2016 and 2nd January 2017, respectively.



*Partnering career guidance for University of Sri Jayawardenapura*

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

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

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

The Annual Report was approved by the Board of Directors on 21st June 2017.

## 1. GENERAL

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

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

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

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

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

## 3. REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Chairman's Statement and Management Discussion & Analysis on pages 3 to 23 provide an overall assessment of the business performance of the Company and the Group and its future developments. These reports together with the audited consolidated financial statements reflect the state of affairs of the Company and the Group.

## 4. FINANCIAL STATEMENTS

The consolidated financial statements which comprise the Statement of Profit or Loss and other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and Notes to the financial statements of the Company and the Group for the year ended 31st March 2017 are set out on pages 60 to 117. 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. 510.2 Mn and Rs. 1,742.3 Mn (2016 – Rs. 601.6 Mn and Rs. 1,176.3 Mn) for which a detailed analysis is given in note 11 to the Financial Statements.

### 4.2. Financial results and appropriation

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

#### In Rupees Thousands

#### For the year ended 31st March

	Group		Company	
	2017	2016	2017	2016
Retained earnings brought forward from previous year	7,402,499	7,303,903	4,059,375	4,075,797
Super Gain Tax for the year of Assessment 2013/14	-	(56,595)	-	(13,919)
Adjusted retained earnings brought forward from previous year	7,402,499	7,247,308	4,059,375	4,061,878
Profit for the year	1,028,750	512,879	313,972	420,902
Other comprehensive income for the year	1,520	93	-	-
Cash dividend	(266,341)	(263,509)	(266,341)	(263,509)
Scrip dividend	-	(175,673)	-	(175,673)
Effect due to change in share holdings	347	176	-	-
Forfeiture of unclaimed dividends	4,258	6,240	2,241	2,557
Transfers	9,340	74,985	-	13,220
Retained earnings carried forward	8,180,373	7,402,499	4,109,247	4,059,375



#### 4.3. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are given on pages 65 to 78.

#### 4.4. Investment in Financial Instruments

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

Fair value hierarchy Level 1 - quoted securities, unit trusts

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

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

Further, the note 32.5 provides an analysis of these financial instruments which are carried at fair value, by the levels in the fair value hierarchy.

#### 4.5. Reserve

As at 31st March 2017, the total reserves stood at Rs. 5,492.5 mn and Rs. 14,277 mn (2016 - Rs. 5,079.8 mn and Rs. 15,008.6 mn ) for the Company and the Group respectively.

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

### 5. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

According to the Companies Act, No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, the Directors are required to prepare financial statements for each financial year, giving a true and fair

view of the state of affairs of the Company and the Group as at the end of the financial year and of the performance for the said period.

The financial statements comprise of inter alia:

- a Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year,
- a Statement of Profit or Loss and Other Comprehensive Income of the Company, which presents a true and fair view of the Profit and Loss and Other Comprehensive Income of the Company and the Group for the financial year.

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

- appropriate accounting policies have been selected and applied consistently, while material departures, if any, have been disclosed and explained;
- all applicable Accounting Standards have been complied with;
- reasonable and prudent judgments and estimates have been made; and
- provides the information required by and otherwise comply with the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

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

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

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

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

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

### 6. OUTSTANDING LITIGATION

There is no litigation currently pending against the Company.

### 7. INTERESTS REGISTER

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

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

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

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

#### 7.1. Remuneration of Directors

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

#### 7.2. Directors' Interest in Contracts and Shares

Directors' interests in contracts of the Company have been declared at Meetings of the Directors. The Directors have had no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the Company except for the following;

Name of the Company	Common directors	Nature of the transactions	Value of the transactions
Carson Cumberbatch PLC	D. C. R. Gunawardena K. Selvanathan	Dividend paid	184,575
Ceylon Investment PLC	D. C. R. Gunawardena Mrs. M. A. R. C. Cooray V. M. Fernando K. Selvanathan T. C. M. Chia Mrs. W. Y. R. Fernando	Dividends received	112,019
Guardian Fund Management Limited (GFM)	K. Selvanathan Mrs. W. Y. R. Fernando	Portfolio management fees paid Business development fees paid	13,732 21,500
Rubber Investment Trust Limited	D. C. R. Gunawardena	Dividends received	103,377
Carsons Management Services (Private) Limited	K. Selvanathan	Support service fees paid Computer fees paid Secretarial fees paid	13,183 420 403
Hatton National Bank PLC	Mrs. M. A. R. C. Cooray	Interest income received Balances held in demand deposits Bank charges paid	5,979 626 5

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

Directors	No. of shares as at	
	31st March 2017	31st March 2016
Mrs. M. A. R. C. Cooray (Chairperson) *	-	-
Mr. D. C. R. Gunawardena	257	257
Mr. V. M. Fernando	-	-
Mr. K. Selvanathan	-	-
Mr. C. W. Knight	-	-
Mr. T. C. M. Chia	-	-
Mrs. W. Y. R. Fernando **	-	-
Mr. I. Paulraj ***	257	257

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

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

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

## 8. DIRECTORS

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

### 8.1. Changes in Directorate

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

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

### 8.2. Directors to Retire by Rotation

In terms of Articles 89, 90 and 91 of the Articles of Association of the Company, Mr. K. Selvanathan and Mr. V. M. Fernando retires by rotation and being eligible offer themselves for re-election.

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

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

### 8.4. Appointment of Director who is over 70 years of age

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

## 9. AUDITORS

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

A sum of Rs. 438,000/- and Rs. 3,090,000/- was paid to them by the Company and the Group respectively as audit fees for the year ended 31st March 2017 (2016 - Rs. 438,000/- and Rs. 2,977,000/-). In addition to the above, the auditors were paid Rs. 70,000/- and Rs. 350,000/- (2016 - Rs. 70,000/- and Rs. 510,000/-) as audit related fees for the Company and the Group respectively during the year. Also the auditors were paid Rs. 400,000/- (2016 - 2,310,000) as professional fees for non-audit services during the year.

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

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

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

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

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

## 9.2. Independent Auditors' Report

The Independent Auditors' Report on the financial statements is given on page 59 of the Annual Report.

## 10. SIGNIFICANT EVENTS DURING THE YEAR

### 10.1. Company

There were no significant events during the year.

### 10.2. Subsidiaries

There were no significant events during the year.

## 11. COMPLIANCE WITH RULES OF THE COLOMBO STOCK EXCHANGE

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

### 11.1. Regulatory Benchmarks

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

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

Ceylon Guardian Investment Trust PLC and its subsidiary Ceylon Investment PLC are registered as an Underwriter with the Securities and Exchange Commission of

Sri Lanka (SEC), whilst Guardian Fund Management Limited, subsidiary of the Company, is registered with SEC as an Investment Manager.

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

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

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

### 11.2. Board of Directors

The following Directors held office during the period under review and their brief profiles are given on pages 31 to 33 of the Annual Report.

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

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

Each of the Non-Executive Directors of the Company have submitted a signed declaration on Independence/ Non-Independence as per Rule 7.10.2.(b) of the Listings Rules of the Colombo Stock Exchange (CSE). The said declarations were tabled at a Board Meeting held on 21st June 2017 in order to enable the Board of Directors to determine the Independence/Non-Independence of each of the Non-Executive Directors, in terms of Rule 7.10.3.(a) of the Listing Rule of the CSE.

\* The Board has determined that Mrs. M.A.R.C. Cooray is an Independent Director in spite of being a Director of Ceylon Investment PLC, in which a majority of the other Directors of the Board are also Directors, since she is not directly involved in the management of the Company.

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

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

### 11.3. Directors' Meetings Attendance

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

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

\*Appointed with effect from 15th August 2016.

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

### 11.4. Board Evaluation

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

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

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

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

## 11.5. Audit Committee

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

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

The Audit Committee Report is given on pages 53 to 54 of this Annual Report.

## 11.6. Remuneration Committee

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

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

## 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 is considered necessary.

The Remuneration Committee meets at least twice a year. During the period under review the Committee had two meetings.

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



### Reporting and Responsibilities

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

Aggregated remuneration paid to the Non-Executive Directors of the Company are disclosed under note 12 on page 79 of the Annual Report. Executive Directors are not compensated for their role on the Board.

### 11.7. Nomination Committee

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

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

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

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

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

### Scope and Objective

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

### Functions and Proceedings

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

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

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

The Nomination Committee meets at least twice a year.

During the period under review, the Committee had two meetings.

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

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

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

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

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

## 11.8. Related Party Transactions Review Committee

As per the Rule 9.2.3 of the Listing Rules of the Colombo Stock Exchange, the Related Party Transactions Review Committee of Carson Cumberbatch PLC (CCPLC), the parent Company, functions as the Related Party Transactions Review Committee (RPTRC) of the Company.

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

The Related Party Transactions Review Committee Report is given on pages 55 and 56 of this Annual Report.

## Declaration

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

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

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

The Directors declare in terms of the requirements of the Listing Rules of the Colombo Stock Exchange that the transactions carried out by the Company with its Related Parties during the year ended 31st March 2017, did not exceed 10% of Equity or 5% of the Total Assets of the Company as at 31st March 2017.

The details of the Related Party Transactions are given in Note 31 to the Financial Statements.

### 1. Non-Recurrent Related Party Transactions

There were no Non-Recurrent Related Party Transactions entered into by the Company, where the aggregate value of the Non-Recurrent Related Party Transactions exceeds 10% of the Shareholders' equity or 5% of the total assets, whichever is lower, of the Company as at 31st March 2017.

### 2. Recurrent Related Party Transactions

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

## 12. INTERNAL CONTROL AND RISK MANAGEMENT

The ultimate responsibility to establish, monitor and review a company-wide internal control system rests with the Board of Directors. The intensity, depth and the tolerance limits for each components of the internal control system would be based on the weight of the elements of risk imposed on the sustenance of the business by the respective area of operation. Whilst a strong internal control

system would mitigate the crystallisation of risk elements to a greater extent, employment of external support structures would also be necessary based on the risk assessments made thereon.

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

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

This allows the Board to have total control of the fulfilment of governance requirements by providing opportunity to take timely preventive action in case of potential deterioration of status quo. A comprehensive description of the risk management strategies of the Company are given on pages 24 to 30 in the Annual Report.

### 13. HUMAN RESOURCES

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

GFM continued to invest in human capital development and implement effective human resource practices and policies to develop and build an efficient and effective workforce aligned around new business priorities of the Group and to ensure that its employees are developing the skills and

knowledge required for the future success of the Group, centered around the core competencies required by an investment house.

The number of persons employed by GFM as at 31st March 2017 was 20 (31st March 2016 –20).

### 14. EQUITABLE TREATMENT TO SHAREHOLDERS

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

### 15. DIVIDENDS

#### 15.1. PROPOSED DIVIDEND FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

Subject to the approval of the Shareholders at the Annual General Meeting, the Board of Directors have recommended a First & Final dividend of Rs. 4/- per Ordinary share and Deferred share for the year ended 31st March 2017.

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.

#### 15.2. DIVIDENDS PAID DURING THE FINANCIAL YEAR

A Final Dividend of Rs.3/- per Ordinary Share and Deferred Share for the Financial Year ended 31st March 2016 was paid on 04th August 2016.

### 16. SOLVENCY TEST

Taking into account the said distribution referred to under item 15.1 above, the Directors were 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 said distribution. The Company's Auditors, Messrs. KPMG, Chartered Accountants have issued a Certificate of Solvency conforming the same.

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

### 17. STATED CAPITAL

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

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

### 18. INVESTMENTS

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

Investment in subsidiaries are detailed in note 20.

Investment in equity accounted investee is given in note 21.

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

The investments in of fair value through profit or loss financial assets which comprise those investments held for short term gains are disclosed in note 24.

### 19. CAPITAL EXPENDITURE

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

In Rupees Thousands	Group	
	2017	2016
Property plant & equipment	421	3,394
Intangible assets	-	-

### 20. STATUTORY PAYMENTS

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

### 21. GOING CONCERN

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

### 22. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, no circumstances have arisen, which would require adjustments to or disclosures in the financial statements, other than those disclosed in note 34 to the Financial Statements if any.

### 23. CONTINGENT LIABILITIES AND COMMITMENTS

The contingent liabilities and commitments as at 31st March 2017 are given in note 35 to the Financial Statements if any.

### 24. EXPENSES ON CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

The Group and the Company incurred Rs. 5 Mn (2016 – Rs. 5.5 Mn) and Rs. 2.5 Mn (2016 – Rs. 2.75 Mn) respectively as CSR related expenses by contributing to “Youth to Nation Foundation”, a Company limited by guarantee of which the main objective is to enhance the entrepreneurial, technical and business management skills of young entrepreneurs that would promote the socio economic development of Sri Lanka in a sustainable manner. The members of the said Company are Ceylon Guardian Investment Trust PLC and Ceylon Investment PLC.

**25. SHARE INFORMATION**

The details relating to earnings, net assets, market value per share and information on share trading are given on pages 118 to 119 and 126 to 127 of the Annual Report.

**26. TWENTY MAJOR SHAREHOLDERS WITH COMPARATIVES**

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

Name of shareholder		2017		2016	
As at 31st March		No. of shares	%	No. of shares	%
1.	Carson Cumberbatch Plc A/C No.2	55,723,635	67.15	55,723,635	67.15
2.	Thurston Investments Limited	3,099,814	3.74	3,139,814	3.78
3.	Employees Provident Fund	2,969,515	3.58	2,969,515	3.58
4.	GF Capital Global Limited	1,617,666	1.95	1,599,983	1.93
5.	Mellon Bank N.A.-Commonwealth Of Massachusetts	1,374,657	1.66	1,374,657	1.66
6.	Miss G.I.A. De Silva	877,611	1.06	877,611	1.06
7.	Mr. G.J.W. De Silva	877,232	1.06	877,232	1.06
8.	Mrs. M.L. De Silva	866,837	1.04	866,837	1.04
9.	Miss M.P. Radhakrishnan	686,026	0.83	1,010	0.00
10.	Miss A. Radhakrishnan	686,026	0.83	1,010	0.00
11.	Mr. R. Maheswaran	685,016	0.83	-	0.00
12.	Mr. K.C. Vignarajah	623,408	0.75	621,958	0.75
13.	Mr. H.A. Van Starrex	585,491	0.71	587,991	0.71
14.	Employees Trust Fund Board	490,998	0.59	490,998	0.59
15.	The Ceylon Desiccated Coconut And Oil Company Pvt	386,550	0.47	386,550	0.47
16.	Waldock Mackenzie Ltd/Mr. M.A.N. Yoosufali	373,700	0.45	354,100	0.43
17.	Mrs. S.E. Lokhandwalla	358,502	0.43	358,502	0.43
18.	Miss G.N.A. De Silva	353,250	0.43	353,250	0.43
19.	Mr. O.D. Liyanage	266,443	0.32	266,443	0.32
20.	Timex Garments (Pvt) Ltd	252,689	0.30	252,689	0.30

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

### 27. ANNUAL REPORT

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

The Board of Directors have approved the Financial Statements of the Company together with the Reviews which form part of the Annual Report on 21st June 2017.

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

### 28. ANNUAL GENERAL MEETING

The 65th Annual General Meeting of the Company will be held on Wednesday the 26th day of July 2017 at 3.30 p.m. at the Auditorium, The Institute of Chartered Accountants of Sri Lanka, Ground Floor, 30A, Malalasekera Mawatha, Colombo 07, Sri Lanka. The Notice of the Annual General Meeting, setting out the business which will be transacted thereat is on page 128 of the Annual Report.

Signed on behalf of the Board,

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

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

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

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

21st June 2017

# Audit Committee Report

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

The Audit Committee consists of the following Members :

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

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

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

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

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

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

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

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

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

## Meetings attended (out of 05)

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

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

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

The Audit Committee approved the audit plan for the financial year 2016/2017 and the Group Internal Audit (GIA) carried out 05 audits on the Investment Sector companies based on the plan.

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

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

The IT consultancy division of Messrs.KPMG, has during the year completed a comprehensive external IT security and process audit covering the IT environment of Carsons Management Services (Private) Limited (Managers to the Company), which covers the



## Audit Committee Report

centralized IT services provided to the Investment Sector, as well. This exercise facilitated Carsons Management Services (Private) Limited to obtain ISO/IEC 27001:2013 certification in November 2016.

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

The draft financial statements of Ceylon Guardian Investment Trust PLC for the year ended 31st March 2017 were reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs. KPMG, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required, by the Managers, Carsons Management Services (Private) Limited that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

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

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors for the financial year ending 31st March 2018, subject to the approval of the shareholders of Ceylon Guardian Investment Trust PLC at the Annual General Meeting.

[Sgd.]

**V.P. Malalasekera**

Chairman – Audit Committee

**Carson Cumberbatch PLC**

Colombo

21st June 2017

# Related Party Transactions Review Committee Report

As provided by the Colombo Stock Exchange Listing Rules, the Related Party Transactions Review Committee (RPTRC) of Carson Cumberbatch PLC (CCPLC), the Parent Company functions as the RPTRC of the Company.

## Composition of the Committee

The Members of the RPTRC are as follows :

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

## Meetings of the Related Party Transactions Review Committee

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

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

### Meetings attended (out of 03)

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

## Purpose of the Committee

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

## Policies and procedures

- The RPTRC reviews all the Related Party Transactions of the Listed Companies of the Carsons Group and where the Committee decides that the approval of the Board of Directors of the respective Companies is necessary to approve a Related Party Transaction, such Board approval is obtained prior to entering into the relevant Related Party Transaction.
- When reviewing a transaction, the RPTRC would decide whether the proposed transaction is carried out on an arm's length basis irrespective of whether recurrent or non-recurrent in nature.
- Reviewing and approval would be either by meeting of members (subject to quorum being present) or by circulation.
- In determining whether to obtain the approval of the Board of Directors for a Related Party Transaction, the RPTRC will take into account, among other factors it deems appropriate, whether the proposed RPTs pose a conflict of interest to the Directors.

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

## Related Party Transactions Review Committee Report

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

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

The Committee has a criteria for designating Carsons Group Key Management Personnel (KMP) and the KMPs so designated are required to provide quarterly disclosures.

The Related Party Transactions of the Company for the period 1st April 2016 to 31st March 2017 have been reviewed by the Members of the RPTRC and the comments and observations of the Committee have been communicated to the Board of Directors of the Company.

(Sgd.)

**V.P. Malalasekera**

Chairman – Related Party Transactions Review Committee

**Carson Cumberbatch PLC**

Colombo

21st June 2017



# Financial Statements

# Financial Calendar

Financial year end: 31st March 2017

65th Annual General Meeting to be held on 26th July 2017

## ANNOUNCEMENT OF RESULTS

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

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

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

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

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

# Independent Auditors' Report



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

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
Internet : [www.kpmg.com/lk](http://www.kpmg.com/lk)

## 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, 2017, and the statements of profit or loss and other comprehensive income, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 60 to 117.

### Board's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
  - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
  - the financial statements of the Company give a true and fair view of its financial position as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - the financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo

21st June 2017

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

# Statement of Profit or Loss and Other Comprehensive Income

In Rupees Thousands

For the year ended 31st March	Note	Group		Company	
		2017	2016	2017	2016
<b>Revenue</b>	11	1,742,298	1,176,326	510,249	601,591
Impairment loss on available for sale financial assets		(198,826)	(95,232)	(103,611)	(45,667)
Net change in fair value of fair value through profit or loss financial assets		(51,206)	(211,643)	1,870	(19,614)
<b>Profit on investment activities</b>		1,492,266	869,451	408,508	536,310
Other operating income		-	198	-	99
Administrative and other operating expenses		(217,726)	(232,004)	(90,802)	(109,200)
<b>Profit from operations</b>	12	1,274,540	637,645	317,706	427,209
Net finance income / (expense)	13	173	(381)	(56)	(93)
<b>Profit from operations after net finance income / (expense)</b>		1,274,713	637,264	317,650	427,116
Share of profit of equity accounted investee, net of tax	14	2,747	4,809	-	-
<b>Profit before taxation</b>		1,277,460	642,073	317,650	427,116
Income tax expense	15	(21,126)	(30,873)	(3,678)	(6,214)
<b>Profit for the year</b>		1,256,334	611,200	313,972	420,902
<b>Other comprehensive income</b>					
<b>Items that will never be reclassified to profit or loss</b>					
Actuarial gain on employee benefit obligation	29	1,520	93	-	-
<b>Items that are or may be reclassified to profit or loss</b>					
Net change in fair value of available for sale financial assets		(1,180,280)	(7,592,354)	356,164	(306,415)
Transfer of realised (gains) / loss on disposal of available for sale financial assets		(696,487)	(580,138)	6,722	(205,251)
Share of other comprehensive income of equity accounted investee net of tax	14	2,505	955	-	-
Net exchange differences on translation of foreign operations		14,857	34,695	-	-
<b>Other comprehensive income / (expense) for the year</b>		(1,857,885)	(8,136,749)	362,886	(511,666)
<b>Total comprehensive income / (expense) for the year</b>		(601,551)	(7,525,549)	676,858	(90,764)
<b>Profit attributable to:</b>					
Equity holders of the parent		1,028,750	512,879	-	-
Non controlling interest		227,584	98,321	-	-
		1,256,334	611,200	-	-
<b>Total comprehensive expense attributable to:</b>					
Equity holders of the parent		(469,811)	(6,179,746)	-	-
Non controlling interest		(131,740)	(1,345,803)	-	-
		(601,551)	(7,525,549)	-	-
<b>Earnings per share (Rs.)</b>	16	11.59	5.78	3.54	4.74

The notes to the financial statements from pages 65 to 117 form an integral part of these financial statements.  
Figures in brackets indicate deductions.



# Statement of Financial Position

In Rupees Thousands

		Group		Company	
As at 31st March	Note	2017	2016	2017	2016
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	18	6,011	8,814	-	-
Intangible assets	19	231,917	231,917	-	-
Investments in subsidiaries	20	-	-	2,141,799	2,141,799
Investment in equity accounted investee	21	36,929	31,677	35,000	35,000
Available for sale financial assets	22	13,821,686	15,721,149	3,755,459	3,359,164
<b>Total non-current assets</b>		<b>14,096,543</b>	<b>15,993,557</b>	<b>5,932,258</b>	<b>5,535,963</b>
<b>Current assets</b>					
Trade and other receivables	23	94,182	55,700	145,276	113,087
Current tax assets		19,269	11,501	14,303	11,443
Fair value through profit or loss financial assets	24	3,136,896	2,661,626	438,399	285,555
Cash and cash equivalents	25	1,455,298	1,061,077	130,153	298,358
<b>Total current assets</b>		<b>4,705,645</b>	<b>3,789,904</b>	<b>728,131</b>	<b>708,443</b>
<b>Total assets</b>		<b>18,802,188</b>	<b>19,783,461</b>	<b>6,660,389</b>	<b>6,244,406</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated capital	26	1,128,726	1,128,726	1,128,726	1,128,726
Capital reserves	27	330,441	327,936	208,660	208,660
Revenue reserves	28	13,946,582	14,680,634	5,283,876	4,871,118
<b>Total equity attributable to equity holders of the parent</b>		<b>15,405,749</b>	<b>16,137,296</b>	<b>6,621,262</b>	<b>6,208,504</b>
Non controlling interest		3,214,856	3,414,692	-	-
<b>Total equity</b>		<b>18,620,605</b>	<b>19,551,988</b>	<b>6,621,262</b>	<b>6,208,504</b>
<b>Non-current liabilities</b>					
Employee benefits	29	10,479	9,528	-	-
<b>Total non-current liabilities</b>		<b>10,479</b>	<b>9,528</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>					
Trade and other payables	30	153,994	203,970	26,867	24,368
Current tax liabilities		58	2,240	-	-
Bank overdraft	25	17,052	15,735	12,260	11,534
<b>Total current liabilities</b>		<b>171,104</b>	<b>221,945</b>	<b>39,127</b>	<b>35,902</b>
<b>Total liabilities</b>		<b>181,583</b>	<b>231,473</b>	<b>39,127</b>	<b>35,902</b>
<b>Total equity and liabilities</b>		<b>18,802,188</b>	<b>19,783,461</b>	<b>6,660,389</b>	<b>6,244,406</b>
Net assets per ordinary / deferred share (Rs.)		173.53	181.77	74.58	69.93

The notes to the financial statements from pages 65 to 117 form an integral part of these financial statements.  
I certify that these Financial Statements comply with the requirements of the Companies Act No. 07 of 2007.

(Sgd).

V.R. Wijesinghe

Financial Controller

Carsons Management Services (Private) Limited.

The board of directors is responsible for the preparation and presentation of these financial statements.

Approved &amp; Signed on behalf of Investment Managers,

Approved &amp; Signed on behalf of the Board,

(Sgd).

W.Y.R. Fernando (Mrs.)

Director

Guardian Fund Management Limited.

Colombo

21st June 2017

(Sgd).

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

Chairperson

(Sgd).

D.C.R. Gunawardena

Director

# Statement of Changes In Equity

In Rupees Thousands

	Stated capital	Capital reserves			Revenue reserves					Attributable to equity holders of parent	Non controlling interest	Total equity
		Investment reserve	Other capital reserve	Jointly controlled entity's capital reserve	Currency translation reserve	Fair value through profit or loss financial assets reserve	General reserve	Available for sale financial assets reserve	Retained earnings			
<b>Group</b>												
<b>Balance as at 1st April 2015</b>	953,167	7,805	316,741	2,435	35,577	85,028	32,668	13,893,520	7,303,903	22,630,844	4,827,637	27,458,481
Super Gain Tax for the year of Assessment 2013/14*	-	-	-	-	-	-	-	-	[56,595]	[56,595]	[14,945]	[71,540]
Adjusted balance as at 1st April 2015	953,167	7,805	316,741	2,435	35,577	85,028	32,668	13,893,520	7,247,308	22,574,249	4,812,692	27,386,941
Profit for the year	-	-	-	-	-	-	-	-	512,879	512,879	98,321	611,200
Other comprehensive income / (expense) for the year	-	-	-	955	24,262	-	-	(6,717,935)	93	(6,692,625)	(1,444,124)	(8,136,749)
Total comprehensive income / (expense) for the year	-	-	-	955	24,262	-	-	(6,717,935)	512,972	(6,179,746)	(1,345,803)	(7,525,549)
Cash dividend	-	-	-	-	-	-	-	-	(263,509)	(263,509)	(57,319)	(320,828)
Script dividend	175,559	-	-	-	-	-	-	-	(175,673)	(114)	(3,127)	(3,241)
Effect due to change in share holdings	-	-	-	-	-	-	-	-	176	176	6,561	6,737
Forfeiture of unclaimed dividends	-	-	-	-	-	-	-	-	6,240	6,240	1,688	7,928
Transfers (note 28.2)	-	-	-	-	-	(74,985)	-	-	74,985	-	-	-
<b>Balance as at 31st March 2016</b>	1,128,726	7,805	316,741	3,390	59,839	10,043	32,668	7,175,585	7,402,499	16,137,296	3,414,692	19,551,988
<b>Balance as at 1st April 2016</b>	1,128,726	7,805	316,741	3,390	59,839	10,043	32,668	7,175,585	7,402,499	16,137,296	3,414,692	19,551,988
Profit for the year	-	-	-	-	-	-	-	-	1,028,750	1,028,750	227,584	1,256,334
Other comprehensive income / (expense) for the year	-	-	-	2,505	10,582	-	-	(1,513,168)	1,520	(1,498,561)	(359,324)	(1,857,885)
Total comprehensive income / (expense) for the year	-	-	-	2,505	10,582	-	-	(1,513,168)	1,030,270	(469,811)	(131,740)	(601,551)
Cash dividend	-	-	-	-	-	-	-	-	(266,341)	(266,341)	(62,045)	(328,386)
Effect due to change in share holdings	-	-	-	-	-	-	-	-	347	347	(7,167)	(6,820)
Forfeiture of unclaimed dividends	-	-	-	-	-	-	-	-	4,258	4,258	1,116	5,374
Transfers (note 28.2)	-	-	-	-	-	(9,340)	-	-	9,340	-	-	-
<b>Balance as at 31st March 2017</b>	1,128,726	7,805	316,741	5,895	70,421	703	32,668	5,662,417	8,180,373	15,405,749	3,214,856	18,620,605

The notes from pages 65 to 117 form an integral part of these financial statements.

Figures in brackets indicate deductions.

\*As per the provisions of Part III of the Finance Act, No. 10 of 2015, although the Companies in the Group did not become liable to pay Super Gain Tax as stand-alone entities, Rs. 71.54 Mn was paid as Super Gain Tax on the basis that the Group is part of the Bukit Darah PLC group, of which the consolidated profit before tax exceeded the threshold stipulated in the aforesaid Act. According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2014. The Act supersedes the requirements of the Sri Lanka Accounting Standards and hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

	Stated capital	Capital reserves		Revenue Reserves			Total equity	
		Investment reserve	Other capital reserve	Fair value through profit or loss financial assets reserve	Available for sale financial assets reserve	General reserve		Retained earnings
Company								
Balance as at 1st April 2015	953,167	7,805	200,855	13,220	1,308,448	14,961	4,075,797	6,574,253
Super Gain Tax for the year of Assessment 2013/14*	-	-	-	-	-	-	(13,919)	(13,919)
Adjusted balance as at 1st April 2015	953,167	7,805	200,855	13,220	1,308,448	14,961	4,061,878	6,560,334
Profit for the year	-	-	-	-	-	-	420,902	420,902
Other comprehensive expense for the year	-	-	-	-	(511,666)	-	-	(511,666)
Total comprehensive income / (expense) for the year	-	-	-	-	(511,666)	-	420,902	(90,764)
Cash dividend	-	-	-	-	-	-	(263,509)	(263,509)
Scrip dividend	175,559	-	-	-	-	-	(175,673)	(114)
Forfeiture of unclaimed dividends	-	-	-	-	-	-	2,557	2,557
Transfers (note 28.2)	-	-	-	(13,220)	-	-	13,220	-
Balance as at 31st March 2016	1,128,726	7,805	200,855	-	796,782	14,961	4,059,375	6,208,504
Balance as at 1st April 2016	1,128,726	7,805	200,855	-	796,782	14,961	4,059,375	6,208,504
Profit for the year	-	-	-	-	-	-	313,972	313,972
Other comprehensive income for the year	-	-	-	-	362,886	-	-	362,886
Total comprehensive income for the year	-	-	-	-	362,886	-	313,972	676,858
Cash dividend	-	-	-	-	-	-	(266,341)	(266,341)
Forfeiture of unclaimed dividends	-	-	-	-	-	-	2,241	2,241
Balance as at 31st March 2017	1,128,726	7,805	200,855	-	1,159,668	14,961	4,109,247	6,621,262

\* As per the provisions of Part III of the Finance Act, No. 10 of 2015, although the Company did not become liable to pay Super Gain Tax as stand-alone entity, Rs. 13.92 Mn was paid as Super Gain Tax on the basis that the Company is part of the Bukit Darah PLC group, of which the consolidated profit before tax exceeded the threshold stipulated in the aforesaid Act. According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2014. The Act supersedes the requirements of the Sri Lanka Accounting Standards and hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

The notes from pages 65 to 117 form an integral part of these financial statements.

Figures in brackets indicate deductions.

# Statement of Cash Flows

In Rupees Thousands

		Group		Company	
For the year ended 31st March	Note	2017	2016	2017	2016
<b>Cash flows from operating activities</b>					
Profit before taxation		1,277,460	642,073	317,650	427,116
<b>Adjustments for:</b>					
Share of profit of equity accounted investee net of tax		(2,747)	(4,809)	-	-
Depreciation on property, plant and equipment	18	3,224	3,097	-	-
Scrip dividend from subsidiary		-	-	-	(57,987)
Provision for employee benefit	29	2,471	2,637	-	-
Net finance (income) / expense	13	(173)	381	56	93
Impairment loss on available for sale financial assets		198,826	95,232	103,611	45,667
Net charge in fair value of fair value through profit or loss financial assets		51,206	211,643	(1,870)	19,614
<b>Operating profit before working capital changes</b>		1,530,267	950,254	419,447	434,503
(Increase) / decrease in trade and other receivables		(38,482)	6,920	(32,189)	62,372
Net increase in investments		(702,606)	(1,279,188)	(287,994)	(27,552)
Increase / (decrease) in trade and other payables		(59,728)	26,496	357	(12,983)
<b>Cash generated from / (used in) operations</b>		729,451	(295,518)	99,621	456,340
Employee benefit paid		-	(3,050)	-	-
Super gain tax paid		-	(71,540)	-	(13,919)
Current tax paid		(31,076)	(32,304)	(6,538)	(5,408)
<b>Net cash generated from / (used in) operating activities</b>		698,375	(402,412)	93,083	437,013
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	18	(421)	(3,394)	-	-
Finance income		641	628	-	-
<b>Net cash used in investing activities</b>		220	(2,766)	-	-
<b>Cash flows from financing activities</b>					
Dividend paid		(261,958)	(258,884)	(261,958)	(258,884)
Dividend paid to non controlling interest		(51,302)	(86,816)	-	-
(Redemptions of ) / Subscriptions for units		(6,820)	6,737	-	-
Finance expense paid		(468)	(1,009)	(56)	(93)
<b>Net cash used in financing activities</b>		(320,548)	(339,972)	(262,014)	(258,977)
<b>Net increase / (decrease) in cash and cash equivalents</b>					
Cash and cash equivalents at the beginning of the year		1,045,342	1,755,797	286,824	108,788
Net exchange differences on translation of foreign operations		14,857	34,695	-	-
<b>Cash and cash equivalents at the end of the year</b>	25	1,438,246	1,045,342	117,893	286,824

The notes from pages 65 to 117 form an integral part of these financial statements.

Figures in brackets indicate deductions.

# Notes to the Financial Statements

## 1. REPORTING ENTITY

### (a) Domicile and Legal Form

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

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

The consolidated financial statements of the Company as at and for the year ended 31 March 2017 comprise the financial information of Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in jointly controlled entity.

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

### (b) Principal Activities and Nature of Operations

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

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

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

### (c) Parent Entity and Ultimate Parent Entity

In the opinion of the Director's Carson Cumberbatch PLC is the Parent Company of Ceylon Guardian Investment

Trust PLC and Bukit Darah PLC is the Ultimate Parent and Controlling entity of Ceylon Guardian Investment Trust PLC

### (d) Number of Employees

The Group had 20 (2016 – 20) employees at the end of the financial year. The Company had no employees as at the reporting date (2015 – Nil).

## 2.

## BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Company and the Group comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and 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 21st June 2017.

### (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.

## Notes to the Financial Statements

### (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

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.

#### iv. Measurement of Fair values - Fair value of financial instruments

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

**(e) Materiality and aggregation**

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

**(f) Comparative figures**

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2017. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Group controls an investee if and only if the investor has all the following:

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

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

- Contractual arrangement with the other vote holders of the investee
- Rights arising from other contracts and arrangements

- The Group's voting rights and potential voting rights

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

**(i) Business combinations**

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

The Group measures goodwill at the acquisition date as:

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

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

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

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



## Notes to the Financial Statements

equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

### (ii) Non-controlling interests

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

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

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

### (iii) Subsidiaries

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

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

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

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

### (iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of

control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

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

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

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

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

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

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

### (vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any 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);

#### (ii) Foreign operations

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

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

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

## Notes to the Financial Statements

### (c) Financial instruments

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

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

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to 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 fair value through profit or loss (FVTPL) or is designated as such on initial recognition if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented investment or risk management strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

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

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

#### Loans and receivables

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

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

#### Specific instruments

##### *Cash and cash equivalents*

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

#### Available-for-sale financial assets

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

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the available for sale financial assets reserve

in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

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

#### (ii) Non-derivative financial liabilities

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

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

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

Other financial liabilities comprise 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 a deduction against equity.

### (d) Property, plant and equipment

#### (i) Recognition and measurement

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

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

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

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

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

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

#### (ii) Subsequent costs

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

#### (iii) Depreciation

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

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

## Notes to the Financial Statements

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
Motor vehicles	4-5
Furniture and Fittings	5-10
Computer equipment	3-5
Office equipment	5-10

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 Profit or Loss.

### (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

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.

#### (iii) Subsequent expenditure

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

#### (iii) Impairment

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

#### (f) Impairment

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

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

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the

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

#### Financial assets measured at amortised cost

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

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

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

#### Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the 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 available-for-sale equity security is recognised in other comprehensive income.

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

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

#### (ii) Non-financial assets

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

## Notes to the Financial Statements

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

#### (iii) Defined benefit plans

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

The 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

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.

#### (ii) 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 Profit of Loss.

### (j) Expenditure Recognition

#### (i) Operating Expenses

All expenses incurred in day-to-day operations of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit or loss for the year. Provision has also been made for impaired receivables. 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.

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.

## Notes to the Financial Statements

### (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.

#### (ii) Deferred taxation

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

#### Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

### (iii) Tax exposures

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

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

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

#### 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 Notes to the financial statements.

#### 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.

##### (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;

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

If the inputs used to measure the fair value of an asset or a liability might be 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

## Notes to the Financial Statements

discounted cash flow analysis using expected future cash flows and a market-related discount rate.

### (b) Trade and other receivables

The fair values of trade and other receivables, 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.

### Statement of cash flows

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

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

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

### Directors' responsibility

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

## 10. NEW ACCOUNTING STANDARDS

Standards issued but not effective as at the reporting date

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

Standards have not been applied in preparing these financial statements.

### SLFRS 9 Financial Instruments

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

Effective date of IFRS 9 is 01st April 2018.

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

### SLFRS 15 Revenue from Contracts with Customers

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

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

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

### SLFRS 16 Leases

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

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

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

In Rupees Thousands

		Group		Company	
For the year ended 31st March		2017	2016	2017	2016
<b>11.</b>	<b>REVENUE</b>				
	Net gain from disposal of fair value through profit or loss financial assets	174,061	82,332	20,479	4,290
	Net gain from disposal of available for sale financial assets (note 11.1)	983,722	621,412	69,641	221,191
	Dividend income	846,248	695,279	404,065	349,280
	Interest income on financial assets carried at amortised cost (note 11.2)	43,815	101,293	16,064	26,830
	Management fees	91,724	103,405	-	-
		2,139,570	1,603,721	510,249	601,591
	Intra-group transactions	(397,272)	(427,395)	-	-
		1,742,298	1,176,326	510,249	601,591
<b>11.1</b>	<b>Net gain from disposal of available for sale financial assets</b>				
	Proceeds from disposal of available for sale financial assets	2,729,761	1,571,177	595,929	699,168
	Carrying value of available for sale financial assets disposed	(2,442,526)	(1,529,903)	(519,566)	(683,228)
	Transfer of realised gains on disposal of available for sale financial assets	696,487	580,138	(6,722)	205,251
		983,722	621,412	69,641	221,191
<b>11.2</b>	<b>Interest income on financial assets carried at amortised cost</b>				
	Cash at bank	1,202	1,249	451	362
	Securities purchased under resale agreements	32,472	66,156	9,634	17,236
	Placements with banking institutions	10,141	33,888	5,979	9,232
		43,815	101,293	16,064	26,830
<b>12.</b>	<b>PROFIT FROM OPERATIONS</b>				
	Profit from operations is stated after charging all expenses include the following:				
	Auditors' remuneration & expenses				
	- Audit and audit related fees	3,440	3,487	508	508
	- Non audit services	400	2,310	-	-
	Directors' fees	21,048	22,508	14,016	14,478
	Support service fees*	34,732	33,202	13,183	11,515
	Depreciation	3,224	3,097	-	-
	Professional services (note 12.a)	1,898	1,466	743	714
	Personnel cost (note 12.b)	72,407	79,553	-	-
	Expenses on CSR activities	5,000	5,500	2,500	2,750

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

# Notes to the Financial Statements

In Rupees Thousands

		Group		Company	
For the year ended 31st March		2017	2016	2017	2016
12.a	<b>Professional services</b>				
	Legal services	726	101	-	40
	Valuation services	9	26	-	-
	Other professional services	1,163	1,339	743	674
		1,898	1,466	743	714
12.b	<b>Personnel cost</b>				
	Salaries, wages and other related expenses	63,737	70,930	-	-
	Defined benefit plan cost (note 29)	2,471	2,637	-	-
	Defined contribution plan cost	6,199	5,986	-	-
		72,407	79,553	-	-
	<b>The above include</b>				
	Directors' emoluments	22,633	22,354	-	-
		22,633	22,354	-	-
13.	<b>NET FINANCE INCOME / (EXPENSE)</b>				
	<b>Finance income</b>				
	Interest income	584	539	-	-
	Exchange gain	57	89	-	-
		641	628	-	-
	<b>Finance expense</b>				
	Interest on overdraft	133	147	56	93
	Exchange losses	335	862	-	-
		468	1,009	56	93
	<b>Net finance income / (expense)</b>	173	(381)	(56)	(93)

**14. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEE NET OF TAX**

	Investor's share of profit net of tax		Investor's share of other comprehensive income net of tax	
For the year ended 31st March	2017	2016	2017	2016
Guardian Acuity Asset Management Limited	2,747	4,809	2,505	955
	2,747	4,809	2,505	955

**15. INCOME TAX EXPENSE****15.1 Income tax expense**

	Group		Company	
For the year ended 31st March	2017	2016	2017	2016
Provision for the year (note 15.2)	11,538	24,240	3,790	6,308
Over provision for previous year	(1,207)	(314)	(112)	(94)
Dividend tax on intercompany dividends	10,795	6,947	-	-
<b>Income tax expense for the year</b>	<b>21,126</b>	<b>30,873</b>	<b>3,678</b>	<b>6,214</b>

**15.2 Reconciliation between accounting profit and taxable profit**

Accounting profit before taxation	1,277,460	642,073	317,650	427,116
<b>Adjustments :</b>				
Exempt profits on sale of quoted public shares / Unit trusts	(1,157,783)	(703,744)	(90,120)	(225,481)
Dividend income	(846,248)	(695,279)	(404,065)	(349,280)
Allowable claims	(2,539)	(5,769)	-	(99)
Impairment loss on available for sale financial assets	198,826	95,232	103,611	45,667
Net change in fair value of fair value through profit or loss financial assets	51,206	211,643	(1,870)	19,614
Expenses attributable to exempt profits	160,095	183,136	74,673	90,223
Disallowable expenses	28,527	30,477	13,655	14,770
Transactions adjusted on consolidation	335,588	334,893	-	-
Share of profit of equity accounted investees net of tax	(2,747)	(4,809)	-	-
Utilisation of tax losses (note 15.3)	(1,178)	(1,280)	-	-
<b>Adjusted profit for taxation</b>	<b>41,207</b>	<b>86,573</b>	<b>13,534</b>	<b>22,530</b>
<b>Current tax liability for the year</b>				
Current tax expense of the Company (note 15.4 (a))	3,790	6,308	3,790	6,308
Current tax expense of subsidiaries (note 15.4 (a))	7,748	17,932	-	-
	11,538	24,240	3,790	6,308

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



# Notes to the Financial Statements

In Rupees Thousands

## 15.3 Movement in tax losses

	Group		Company	
For the year ended 31st March	2017	2016	2017	2016
Tax losses brought forward	14,022	14,319	-	-
Adjustment on finalisation of income tax liability	893	983	-	-
Utilisation of tax losses during the year	[1,178]	[1,280]	-	-
<b>Tax losses carried forward</b>	<b>13,737</b>	<b>14,022</b>	<b>-</b>	<b>-</b>

## 15.4 Summary of provision applicable under relevant tax legislation

- (a) In accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto, the Company and all other companies of the Group are liable to income tax at the standard rate of 28% (2016 - 28%) subject to exemptions disclosed in note 15.4 (b).
- (b) In terms of section 13 (t) & Section 13 (tt) 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 and profit derived on the redemption of Units of unit trust are 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.

## 15.5 Unrecognised deferred tax assets

Deferred tax assets have not been recognised for following items:

	Group		Company	
As at 31st March	2017	2016	2017	2016
Property plant and equipment	[1,580]	[1,359]	-	-
Employee benefits	10,479	9,527	-	-
Tax losses carried forward	13,737	14,022	-	-
Total deductible temporary differences	22,636	22,190	-	-
<b>Unrecognised deferred tax assets</b>	<b>6,338</b>	<b>6,213</b>	<b>-</b>	<b>-</b>

The Group has not recognised the above deferred tax asset as at the reporting date due to the uncertainty regarding the availability of future taxable profits of the respective subsidiary company against which the benefit can be utilised.

## 16. 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	2017	2016	2017	2016
<b>Amount used as the numerator</b>				
Profit for the year attributable to the shareholders of the parent	1,028,750	512,879	313,972	420,902
<b>Amount used as denominator (in thousands)</b>				
<b>Weighted average number of ordinary shares outstanding during the year *</b>				
No. of shares as at beginning of the year	88,780	87,836	88,780	87,836
Adjustment on issue of ordinary shares as scrip dividends	-	944	-	944
<b>Weighted average number of ordinary shares outstanding during the year</b>	<b>88,780</b>	<b>88,780</b>	<b>88,780</b>	<b>88,780</b>
<b>Earnings per share (Rs.)</b>	<b>11.59</b>	<b>5.78</b>	<b>3.54</b>	<b>4.74</b>

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

		Company	
For the year ended 31st March		2017	2016
17.	<b>DIVIDEND PER SHARE</b>		
17.1	<b>Dividend paid during the year</b>		
	Scrip dividend - ordinary / deferred shares	-	175,673
	Cash dividend - ordinary / deferred shares	266,341	263,509
	Total dividend - ordinary / deferred shares	266,341	439,182
17.2	<b>Dividend proposed during the year</b>		
	<b>First and final dividend - cash</b>		
	-On ordinary shares	331,915	248,937
	-On deferred shares	23,206	17,404
	Total proposed dividend	355,121	266,341
	<b>Dividend per share (Rs.)</b>	4.00	3.00

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

## 18. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Office equipment	Computer equipment	Furniture and fittings	Motor vehicle	Total 2017	Total 2016
<b>Cost</b>						
Balance as at the beginning of the year	186	5,664	5,008	9,445	20,303	16,909
Additions	72	263	86	-	421	3,394
Balance as at the end of the year	258	5,927	5,094	9,445	20,724	20,303
<b>Accumulated depreciation</b>						
Balance as at the beginning of the year	147	3,704	2,444	5,194	11,489	8,392
Charge for the year	36	979	320	1,889	3,224	3,097
Balance as at the end of the year	183	4,683	2,764	7,083	14,713	11,489
<b>Carrying value as at end of the year</b>	75	1,244	2,330	2,362	6,011	8,814

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

		Company	
As at 31st March		2017	2016
	Office equipment	53	53
	Furniture and fittings	1,889	1,889
	Computer equipment	3,012	2,756
		4,954	4,698

# Notes to the Financial Statements

In Rupees Thousands

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

18.3 No borrowing costs were capitalized during the year (2016 - Nil).

18.4 Fixed assets were not pledged as security as at the reporting date.

## 19. INTANGIBLE ASSETS - GROUP

	Goodwill on consolidation	Computer Software	Total 2017	Total 2016
<b>Cost</b>				
Balance as at the beginning of the year	231,917	15,350	247,267	247,267
<b>Balance as at the end of the year</b>	231,917	15,350	247,267	247,267
<b>Amortisation</b>				
Balance as at the beginning of the year	-	15,350	15,350	15,350
Charge for the year	-	-	-	-
<b>Balance as at the end of the year</b>	-	15,350	15,350	15,350
<b>Net book value as at the end of the year</b>	231,917	-	231,917	231,917

	2017	2016
<b>As at 31st March</b>		
19.1 Details of fully amortised intangible assets are as follows;		
Computer software	15,350	15,350
	15,350	15,350

## 19.2 Impairment assessment on goodwill

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

Taking in to consideration the prevailing published market prices, net asset value of the company and the forecasted growth of its current investment portfolio, the Board of Directors is confident that no adjustment is required on impairment of Goodwill on acquisition of Guardian Capital Partners PLC.

**20. INVESTMENT IN SUBSIDIARIES - COMPANY****As at 31st March**

		2017			2016		
		No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
<b>20.1 Quoted investments</b>							
Ceylon Investment PLC		64,010,916	1,297,221	2,560,437	64,010,916	1,297,221	3,373,375
Guardian Capital Partners PLC		21,692,800	658,661	596,552	21,692,800	658,661	609,568
			1,955,882	3,156,989		1,955,882	3,982,943
<b>20.2 Unquoted investments</b>							
Rubber Investment Trust Limited		3,955,609	316	4,376,221	3,955,609	316	5,221,404
Guardian Fund Management Limited		2,848,678	73,321	73,321	2,848,678	73,321	73,321
The Sri Lanka Fund		1,265,823	112,280	157,455	1,265,823	112,280	147,543
			185,917	4,606,997		185,917	5,442,268
<b>Total investment in subsidiaries</b>			2,141,799	7,763,986		2,141,799	9,425,211

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

# Notes to the Financial Statements

In Rupees Thousands

## 20.3 Non-controlling interests

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

As at 31st March	Nature of the business	Ownership interest held by NCI %	
		2017	2016
Ceylon Investment PLC	Investment holding	35.64	35.64
Rubber Investment Trust Limited	Investment holding	17.81	17.81

Given below are the summarised financial information of these subsidiaries.

For the year ended / as at 31st March	Ceylon Investment PLC		Rubber Investment Trust Limited	
	2017	2016	2017	2016
Revenue	297,938	322,032	1,077,417	437,049
Profit for the year	652,814	287,215	1,021,916	326,179
Total other comprehensive expense for the year	(1,032,420)	(4,090,419)	(2,493,542)	(7,148,265)
<b>Total comprehensive expense for the year</b>	<b>(379,606)</b>	<b>(3,803,204)</b>	<b>(1,471,626)</b>	<b>(6,822,086)</b>
Current assets	1,111,403	1,141,606	2,178,996	1,151,203
Non current assets	7,644,474	8,149,102	6,580,811	9,351,020
<b>Total assets</b>	<b>8,755,877</b>	<b>9,290,708</b>	<b>8,759,807</b>	<b>10,502,223</b>
Current liabilities	(202,737)	(187,055)	(14,241)	(67,643)
<b>Net assets</b>	<b>8,553,140</b>	<b>9,103,653</b>	<b>8,745,566</b>	<b>10,434,580</b>
Net cash used in operating activities	(179,000)	(52,634)	1,168,184	(335,898)
Net cash generated from investing activities	103,191	79,195	-	-
Net cash used in financing activities	(146,383)	(242,840)	(217,388)	(160,076)
<b>Net decrease in cash and cash equivalents</b>	<b>(222,192)</b>	<b>(216,279)</b>	<b>950,796</b>	<b>(495,974)</b>

**21. INVESTMENT IN EQUITY ACCOUNTED INVESTEE****21.1 Group**

As at 31st March	2017		2016	
	Cost	Carrying value	Cost	Carrying value
Investment in jointly controlled entity ( note 21.3)	35,000	36,929	35,000	31,677
	35,000	36,929	35,000	31,677

**21.2 Company**

As at 31st March	2017		2016	
	No of shares	Cost	No of shares	Cost
<b>Investment in jointly controlled entity</b>				
Guardian Acuity Asset Management Limited	3,500,000	35,000	3,500,000	35,000
		35,000		35,000

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

**21.3 Movement of investment in jointly controlled entity**

For the year ended 31st March	2017		2016	
	% Holding	Carrying value	% Holding	Carrying value
Investment at cost	50%	35,000	50%	35,000
<b>Investors' share of net assets</b>				
As at the beginning of the year		(3,323)		(9,087)
Share of jointly controlled entity's profit net of taxation		2,747		4,809
Share of other comprehensive income net of taxation		2,505		955
As at the end of the year		1,929		(3,323)
<b>Carrying value of total investment in jointly controlled entity on equity method</b>		36,929		31,677

**21.4 Summarised financial information of the jointly controlled entity**

For the year ended / as at 31st March	2017	2016
Revenue	41,940	33,549
Profit for the year	5,494	9,618
Total other comprehensive income for the year	5,009	1,910
Total comprehensive income for the year	10,503	11,528
Total non-current assets	54,854	49,221
Total current assets	25,275	19,221
Total assets	80,129	68,442
Total non-current liabilities	(751)	(643)
Total current liabilities	(5,521)	(4,445)
Net assets	73,857	63,354

# Notes to the Financial Statements

In Rupees Thousands

## 22. AVAILABLE FOR SALE FINANCIAL ASSETS

### 22.1 Summary - Group

As at 31st March

As at 31st March		2017		2016	
	Note	Cost	Fair value	Cost	Fair value
Investment in equity securities					
Quoted	22.3(a)	7,122,811	13,479,928	7,001,690	15,448,327
Unquoted	22.3(b)	15,734	30,423	15,734	27,186
Private equity	22.3(c)	219,879	270,508	125,261	125,261
Total investment in equity securities		7,358,424	13,780,859	7,142,685	15,600,774
Investments in debentures					
Unquoted	22.3(d)	5	5	5	5
Total investment in debentures		5	5	5	5
Investments in unit trusts					
Unquoted	22.3(e)	25,000	40,822	90,461	120,370
Total investment in units trusts		25,000	40,822	90,461	120,370
Total investment in available for sale financial assets		7,383,429	13,821,686	7,233,151	15,721,149

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

For the year ended 31st March 2017

	Fair value as at 1st April 2016	Additions	Disposals	Fair value adjustment	Fair value as at 31st March 2017
Investment in equity securities	15,600,774	1,922,169	(2,360,431)	(1,381,653)	13,780,859
Investment in debentures	5	-	-	-	5
Investment in unit trusts	120,370	-	(82,095)	2,547	40,822
	<b>15,721,149</b>	<b>1,922,169</b>	<b>(2,442,526)</b>	<b>(1,379,106)</b>	<b>13,821,686</b>

For the year ended 31st March 2016

	Fair value as at 1st April 2015	Additions	Disposals	Fair value adjustment	Fair value as at 31st March 2016
Investment in equity securities	22,780,984	2,038,183	(1,529,903)	(7,688,490)	15,600,774
Investment in debentures	5	-	-	-	5
Investment in unit trusts	117,268	2,198	-	904	120,370
	<b>22,898,257</b>	<b>2,040,381</b>	<b>(1,529,903)</b>	<b>(7,687,586)</b>	<b>15,721,149</b>

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

Due to significant / prolonged decline in fair value of identified equity securities in available for sale financial assets below their cost, an impairment loss amounting to Rs. 198.8 Mn has been recognised in profit or loss for the year (2016 - 95.2 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, net losses of Rs. 1,180.3 Mn and Rs. 7,592.4 Mn have been recognised in financial years 2017 and 2016 respectively.



## 22.3 Available for sale financial assets - Group

## (a) Investment in equity securities - quoted

As at 31st March	2017			2016		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
<b>Banks, Finance &amp; Insurance</b>						
Central Finance Company PLC	4,423,243	431,231	381,284	2,140,279	431,231	449,459
Commercial Bank of Ceylon PLC	6,385,229	612,375	832,634	6,648,695	627,512	834,411
Ceylinco Insurance PLC - Non voting	241,266	163,028	197,838	241,266	163,028	188,670
Hatton National Bank PLC - Non voting	2,589,577	459,147	479,072	2,389,425	422,803	408,592
Hatton National Bank PLC	3,483,073	706,468	784,736	3,286,216	664,549	654,943
HNB Assurance PLC	2,000,000	106,360	116,200	2,000,000	106,360	108,000
People's Leasing and Finance PLC	12,693,874	228,259	198,024	6,873,974	122,335	109,984
People's Insurance PLC	6,219,800	93,297	113,822	6,219,800	93,297	105,115
Sampath Bank PLC	3,973,878	916,657	1,029,234	3,729,716	860,128	842,916
Seylan Bank PLC	-	-	-	703,790	63,582	60,526
Seylan Bank PLC - Non voting	423,314	27,541	23,155	355,035	23,273	22,367
		3,744,363	4,155,999		3,578,098	3,784,983
<b>Beverage, Food &amp; Tobacco</b>						
Cargills (Ceylon) PLC	5,232,500	305,121	982,140	4,267,300	126,648	640,095
Distilleries Company of Sri Lanka PLC	-	-	-	3,558,749	841,976	733,814
		305,121	982,140		968,624	1,373,909
<b>Construction &amp; Engineering</b>						
Access Engineering PLC	6,475,619	210,200	154,120	6,475,619	210,199	134,693
		210,200	154,120		210,199	134,693
<b>Diversified</b>						
Aitken Spence PLC	3,348,000	336,851	188,158	3,348,000	336,851	246,078
Expolanka Holdings PLC	6,845,150	41,483	41,071	6,845,150	41,483	47,916
Hemas Holdings PLC	-	-	-	1,138,685	89,590	91,778
John Keells Holdings PLC	183,693	8,466	25,331	7,244,217	316,883	1,072,144
Melstacorp PLC	11,574,996	686,108	685,240	-	-	-
Softlogic Holdings PLC	13,021,300	191,598	154,953	5,144,707	79,405	68,425
		1,264,506	1,094,753		864,212	1,526,341
<b>Footwear &amp; Textiles</b>						
Hayleys Fabric PLC	22,149,122	260,382	301,228	22,149,122	260,382	398,684
		260,382	301,228		260,382	398,684

# Notes to the Financial Statements

In Rupees Thousands

As at 31st March	2017			2016		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
<b>Health Care</b>						
Ceylon Hospitals PLC (Durdans)	-	-	-	831,749	65,167	74,857
		-	-		65,167	74,857
<b>Hotels &amp; Travel</b>						
Aitken Spence Hotel Holdings PLC	4,826,890	310,812	169,907	4,826,890	310,812	255,825
Serendib Hotels PLC	-	-	-	1,110,814	39,314	30,547
		310,812	169,907		350,126	286,372
<b>Manufacturing</b>						
Tokyo Cement Company (Lanka) PLC	9,402,600	378,408	573,559	552,166	20,496	20,430
Tokyo Cement Company (Lanka) PLC - Non voting	550,400	18,590	29,171	-	-	-
		396,998	602,730		20,496	20,430
<b>Motors</b>						
Diesel and Motor Engineering PLC	-	-	-	140,429	70,187	77,194
		-	-		70,187	77,194
<b>Oil Palm</b>						
Bukit Darah PLC	20,438,250	1,928	5,318,033	20,438,250	1,928	7,153,388
Bukit Darah PLC - Preference Shares - 8% participative cumulative	31,875	1	1	31,875	1	1
		1,929	5,318,034		1,929	7,153,389
<b>Telecommunication</b>						
Dialog Axiata PLC	62,036,931	628,500	701,017	60,536,931	612,270	617,475
		628,500	701,017		612,270	617,475
<b>Total investment in equity securities - quoted</b>		7,122,811	13,479,928		7,001,690	15,448,327

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

As at 31st March		2017			2016		
		No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
(b)	Investments in equity securities - unquoted						
	Equity Investments Lanka (Private) Limited	22,500	2	2	22,500	2	2
	Kandy Private Hospitals Limited	1,200	18	18	1,200	18	18
	Lanka Communications Limited	1,428,496	15,714	30,403	1,428,496	15,714	27,166
	<b>Total investment in equity securities - unquoted</b>		15,734	30,423		15,734	27,186
(c)	Investment in equity securities - private equity (unlisted)						
	Findmyfare (Pvt) Ltd	276,074	45,000	45,000	-	-	-
	hSenid Business Solutions (Private) Ltd	163,419	40,005	70,009	163,419	40,005	40,005
	Kashmi Singapore PTE. LTD	417	10,256	10,256	417	10,256	10,256
	Swiss Institute For Service Industry Development (Private) Limited	847	16,827	16,827	-	-	-
	Swiss Institute For Service Industry Development (Private) Limited - 10% cumulative preference shares	1,273	25,291	25,291	-	-	-
	LVL Energy Fund Limited	9,375,000	82,500	103,125	9,375,000	75,000	75,000
	<b>Total investment in equity securities - private equity (unlisted)</b>		219,879	270,508		125,261	125,261
(d)	Investment in debentures						
	As at 31st March						
		No. of debentures	Cost	Fair value	No. of debentures	Cost	Fair value
	Redeemable unsecured						
	Ocean View Limited - 6%	360	4	4	360	4	4
	Tangerine Beach Hotels Limited - Zero Coupon	56	1	1	56	1	1
	<b>Total investment in debentures</b>		5	5		5	5

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

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As at 31st March		2017			2016		
		No. of units	Cost	Fair value	No. of units	Cost	Fair value
(e)	Investments in unit trusts - unquoted						
	Guardian Acuity Equity Fund	2,500,000	25,000	40,822	2,500,000	25,000	38,275
	Guardian Acuity Money Market Fund	-	-	-	6,464,196	65,461	82,095
	<b>Total investment in unit trusts - unquoted</b>		25,000	40,822		90,461	120,370

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

## 22.4 Summary - Company

As at 31st March		Note	2017		2016	
			Cost	Fair value	Cost	Fair value
<b>Investment in equity securities</b>						
Quoted	22.6(a)		2,840,101	3,704,634	2,692,136	3,282,580
Unquoted	22.6(b)		15,724	30,413	15,724	27,176
<b>Total investment in equity securities</b>			2,855,825	3,735,047	2,707,860	3,309,756
<b>Investment in debentures</b>						
Unquoted	22.6(c)		1	1	1	1
<b>Total investment in debentures</b>			1	1	1	1
<b>Investment in unit trusts</b>						
Unquoted	22.6(d)		12,500	20,411	36,636	49,407
<b>Total investment in units trusts</b>			12,500	20,411	36,636	49,407
<b>Total investments in available for sale financial assets</b>			2,868,326	3,755,459	2,744,497	3,359,164

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

For the year ended 31st March 2017	Fair value as at 1st April 2016	Additions	Disposals	Fair value adjustment	Fair value as at 31st March 2017
Investment in equity securities	3,309,756	663,308	(489,297)	251,280	3,735,047
Investment in debentures	1	-	-	-	1
Investment in unit trusts	49,407	-	(30,269)	1,273	20,411
	3,359,164	663,308	(519,566)	252,553	3,755,459

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

## 22.6 Available for sale financial assets - Company

## (a) Investment in equity securities - quoted

As at 31st March	2017			2016		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
<b>Banks, Finance &amp; Insurance</b>						
Central Finance Company PLC	2,013,107	195,433	173,530	974,084	195,433	204,558
Ceylinco Insurance PLC - Non voting	115,256	77,727	94,510	115,256	77,727	90,130
Commercial Bank of Ceylon PLC	2,764,781	224,574	360,527	2,987,374	238,418	374,915
Hatton National Bank PLC - Non voting	762,682	133,537	141,096	590,857	102,859	101,037
Hatton National Bank PLC	1,458,231	288,982	328,539	1,438,614	284,450	286,716
HNB Assurance PLC	2,000,000	106,360	116,200	2,000,000	106,360	108,000
People's Leasing and Finance PLC	3,981,305	74,024	62,108	1,823,438	33,529	29,175
People's Insurance PLC	1,765,200	26,478	32,303	1,765,200	26,478	29,832
Sampath Bank PLC	1,631,720	375,363	422,615	1,694,165	388,439	382,881
		1,502,478	1,731,428		1,453,693	1,607,244
<b>Beverage, Food &amp; Tobacco</b>						
Cargills (Ceylon) PLC	4,632,250	193,653	869,474	4,267,300	126,648	640,094
Distilleries Company of Ceylon PLC	-	-	-	1,324,661	310,843	273,145
		193,653	869,474		437,491	913,239

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In Rupees Thousands

As at 31st March	2017			2016		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
<b>Construction &amp; Engineering</b>						
Access Engineering PLC	2,160,000	79,003	51,408	2,160,000	79,003	44,928
		79,003	51,408		79,003	44,928
<b>Diversified</b>						
Aitken Spence PLC	1,674,000	168,425	94,079	1,674,000	168,425	123,039
Melstacorp PLC	4,418,644	261,915	261,584	-	-	-
		430,340	355,663		168,425	123,039
<b>Footwear &amp; Textiles</b>						
Hayleys Fabric PLC	10,883,750	127,945	148,019	10,883,750	127,945	195,908
		127,945	148,019		127,945	195,908
<b>Health Care</b>						
Ceylon Hospitals PLC (Durdans)	-	-	-	518,371	47,544	46,653
		-	-		47,544	46,653
<b>Hotels &amp; Travels</b>						
Aitken Spence Hotel Holdings PLC	2,557,315	164,668	90,017	2,557,315	164,668	135,538
Serendib Hotels PLC	-	-	-	560,924	19,852	15,425
		164,668	90,017		184,520	150,963
<b>Manufacturing</b>						
Tokyo Cement Company (Lanka) PLC	4,652,600	187,244	283,809	-	-	-
		187,244	283,809		-	-
<b>Motors</b>						
Diesel & Motor Engineering PLC	-	-	-	77,873	38,745	42,807
		-	-		38,745	42,807
<b>Telecommunication</b>						
Dialog Axiata PLC	15,470,454	154,770	174,816	15,470,454	154,770	157,799
		154,770	174,816		154,770	157,799
<b>Total investment in equity securities - quoted</b>		2,840,101	3,704,634		2,692,136	3,282,580

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

## (b) Investment in equity securities - unquoted

As at 31st March	2017			2016		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
Equity Investments Lanka (Private) Limited	11,250	1	1	11,250	1	1
Kandy Private Hospitals Limited	600	9	9	600	9	9
Lanka Communications Limited	1,428,496	15,714	30,403	1,428,496	15,714	27,166
<b>Total investment in equity securities - unquoted</b>		15,724	30,413		15,724	27,176

## (c) Investments in debentures - unquoted

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

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

## (d) Investments in unit trusts - unquoted

As at 31st March	2017			2016		
	No. of units	Cost	Fair value	No. of units	Cost	Fair value
Guardian Acuity Equity Fund	1,250,000	12,500	20,411	1,250,000	12,500	19,138
Guardian Acuity Money Market Fund	-	-	-	3,990,423	24,136	30,269
<b>Total investment in unit trusts</b>		12,500	20,411		36,636	49,407

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



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## 23. TRADE AND OTHER RECEIVABLES

	Group		Company	
As at 31st March	2017	2016	2017	2016
<b>Financial</b>				
Trade receivables	23,961	4,793	12,657	-
Dividend receivable (note 23.1)	47,373	29,411	132,386	112,619
Other receivables	1,571	19,570	-	-
	72,905	53,774	145,043	112,619
<b>Non financial</b>				
Advances and prepaid expenses	21,277	1,926	233	468
	21,277	1,926	233	468
	94,182	55,700	145,276	113,087

### 23.1 Due from related entities

Dividend receivable by the Company includes dividend receivable from the subsidiary company "Ceylon Investment PLC" amounting to Rs. 112 Mn (2016 - Rs. 96 Mn).

## 24. FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

### 24.1 Summary

	Note	Group		Note	Company	
As at 31st March		2017	2016		2017	2016
<b>Investment in equity securities</b>	24.3 (a)	1,721,907	1,720,003	24.5.a	212,072	234,877
Quoted		1,721,907	1,720,003		212,072	234,877
<b>Total Investment in equity securities</b>						
<b>Investment in unit trusts</b>						
Unquoted	24.3 (b)	1,414,989	941,623	24.5.b	226,327	50,678
<b>Total investment in unit trusts</b>		1,414,989	941,623		226,327	50,678
<b>Total Investment in fair value through profit or loss financial assets</b>		3,136,896	2,661,626		438,399	285,555

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

For the year ended 31st March 2017	Fair value as at 1st April 2016	Additions	Disposals	Effect of currency translation	Change in fair value	Fair value as at 31st March 2017
Investments in equity securities - quoted	1,720,003	712,552	(668,938)	12,640	(54,350)	1,721,907
Investment in unit trusts - unquoted	941,623	1,989,608	(1,520,164)	778	3,144	1,414,989
	2,661,626	2,702,160	(2,189,102)	13,418	(51,206)	3,136,896
For the year ended 31st March 2016	Fair value as at 1st April 2015	Additions	Disposals	Effect of currency translation	Change in fair value	Fair value as at 31st March 2016
Investments in equity securities - quoted	1,653,948	851,677	(566,970)	30,694	(249,346)	1,720,003
Investment in unit trusts - unquoted	1,030,749	480,662	(607,520)	29	37,703	941,623
	2,684,697	1,332,339	(1,174,490)	30,723	(211,643)	2,661,626

**24.3 Fair value through profit or loss financial assets - Group****(a) Investment in equity securities - quoted**

As at 31st March	2017		2016	
	No. of shares	Fair value	No. of shares	Fair value
<b>Bank, Finance &amp; Insurance</b>				
Central Finance Company PLC	125,240	12,520	60,600	15,332
Ceylinco Insurance PLC	28,000	20,433	28,000	22,400
Commercial Bank of Ceylon PLC	510,299	68,758	430,084	56,622
DFCC Bank PLC	297,315	33,894	297,315	40,732
Hatton National Bank PLC	629,593	141,803	777,800	156,499
Hatton National Bank PLC - Non voting	620,903	114,867	611,276	104,528
Janashakthi Insurance Company PLC	1,350,000	20,385	1,500,000	24,000
National Development Bank PLC	409,189	58,300	-	-
People's Insurance PLC	57,462	1,091	-	-
People's Leasing & Finance PLC	866,890	14,686	1,081,000	23,782
Sampath Bank PLC	75,275	19,595	68,422	16,968
Seylan Bank PLC	843,461	73,530	1,139,671	98,462
Seylan Bank PLC - Non voting	591,755	32,369	591,755	37,281
Singer Finance (Lanka) PLC	500,000	8,550	500,000	9,050
Sinhaputhra Finance PLC	-	-	100,000	1,670
Softlogic Capital PLC	-	-	600,000	3,600
Union Bank of Colombo PLC	3,156,620	44,824	4,545,420	75,454
		665,605		686,380

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As at 31st March	2017		2016	
	No. of shares	Fair value	No. of shares	Fair value
<b>Beverage, Food &amp; Tobacco</b>				
Cargills (Ceylon) PLC	103,800	20,172	103,800	19,618
Distilleries Company of Sri Lanka PLC	-	-	791,795	169,143
		20,172		188,761
<b>Construction &amp; Engineering</b>				
MTD Walkers PLC	670,617	24,145	860,846	30,680
Access Engineering PLC	3,009,609	71,629	2,109,609	43,880
		95,774		74,560
<b>Diversified</b>				
Aitken Spence PLC	980,218	56,844	1,055,218	83,938
Expolanka Holdings PLC	6,613,348	40,347	-	-
Hemas Holdings PLC	105,988	10,383	1,709,469	139,308
Hayleys PLC	30,000	8,097	42,457	12,283
John Keells Holdings PLC	758,935	105,268	461,569	69,746
Melstacorp PLC	1,937,404	114,730	-	-
Richard Pieris PLC	150,000	1,200	-	-
Softlogic Holdings PLC	8,722,930	104,318	8,138,952	108,392
		441,187		413,667
<b>Footware &amp; Textile</b>				
Hayleys Fabric PLC	986,132	14,787	1,036,132	23,209
		14,787		23,209
<b>Health Care</b>				
Asiri Central Hospital Limited	-	-	6,526	1,078
Asiri Hospitals PLC	-	-	620,000	14,880
Ceylon Hospitals PLC	-	-	90,000	9,108
The Lanka Hospitals Corporation PLC	798,000	49,077	548,000	27,948
		49,077		53,014
<b>Hotels &amp; Travels</b>				
Aitken Spence Hotel Holdings PLC	976,693	35,835	976,693	54,534
Serendib Hotels PLC	-	-	270,067	7,427
Serendib Hotels PLC - Non voting	730,696	14,614	765,592	13,572
		50,449		75,533

**As at 31st March**

	2017		2016	
	No. of shares	Fair value	No. of shares	Fair value
<b>Land &amp; Property</b>				
Overseas Realty (Ceylon) PLC	700,000	14,140	2,490,859	58,286
		14,140		58,286
<b>Manufacturing</b>				
ACL Cables PLC	725,842	39,558	-	-
Alumex PLC	2,660,000	51,017	-	-
Chevron Lanka Lubricants PLC	354,746	60,307	75,381	22,991
Kelan Tyres PLC	516,748	28,421	516,748	33,072
Swisstek (Ceylon) PLC	240,000	15,744	-	-
Tokyo Cement Company (Lanka) PLC	631,407	38,049	-	-
Tokyo Cement Company (Lanka) PLC - Non voting	715,000	37,895	-	-
		270,991		56,063
<b>Power &amp; Energy</b>				
Lanka IOC PLC	620,800	18,003	-	-
Laughfs GAS PLC	100,000	3,329	100,000	4,150
Vallibel Power Erathna PLC	-	-	1,034,117	8,273
		21,332		12,423
<b>Telecommunications</b>				
Dialog Axiata PLC	7,055,128	78,393	6,850,000	71,095
		78,393		71,095
<b>Trading</b>				
Singer Sri Lanka PLC	-	-	50,846	7,012
		-		7,012
<b>Total investment in equity securities - quoted</b>		1,721,907		1,720,003

**(b) Investments in unit trusts - unquoted****As at 31st March**

	2017		2016	
	No. of units	Fair value	No. of units	Fair value
Guardian Acuity Fixed Income Fund	50,868,532	716,164	41,931,277	532,518
Guardian Acuity Money Market Gilt Fund	5,996,715	698,825	3,842,442	409,105
<b>Total investment in unit trusts - unquoted</b>		1,414,989		941,623

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

For the year ended 31st March 2017	Fair value as at 1st April 2016	Additions	Disposals	Fair value adjustment	Fair value as at 31st March 2017
Investment in equity securities - quoted	234,877	56,438	(80,832)	1,589	212,072
Investment in unit trusts - unquoted	50,678	325,000	(149,632)	281	226,327
	285,555	381,438	(230,464)	1,870	438,399

For the year ended 31st March 2016	Fair value as at 1st April 2015	Additions	Disposals	Fair value adjustment	Fair value as at 31st March 2016
Investment in equity securities - quoted	204,670	97,102	(46,603)	(20,292)	234,877
Investment in unit trusts - unquoted	-	50,000	-	678	50,678
	204,670	147,102	(46,603)	(19,614)	285,555

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

## 24.5 Fair value through profit or loss financial assets - Company

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

As at 31st March	2017		2016	
	No. of shares	Fair value	No. of shares	Fair value
<b>Banks Finance &amp; Insurance</b>				
Hatton National Bank PLC - Non voting	284,055	52,551	279,651	47,820
Seylan Bank PLC	319,671	27,811	319,671	27,492
Union Bank of Colombo PLC	772,500	10,970	772,500	12,824
		91,332		88,136
<b>Beverage Food &amp; Tobacco</b>				
Distilleries Company of Sri Lanka PLC	-	-	132,500	27,322
		-		27,322
<b>Diversified</b>				
Hemas Holdings PLC	-	-	326,495	26,315
John Keells Holdings PLC	148,780	20,517	313,933	46,462
Melstacorp PLC	530,000	31,376	-	-
Softlogic Holdings PLC	1,745,500	20,771	1,745,500	23,215
		72,664		95,992
<b>Health Care</b>				
The Lanka Hospital Corporation PLC	350,000	21,525	100,000	5,100
		21,525		5,100

As at 31st March	2017		2016	
	No. of shares	Fair value	No. of shares	Fair value
<b>Hotel &amp; Travels</b>				
Serendib Hotels PLC - Non voting	464,400	9,288	464,400	8,127
		9,288		8,127
<b>Power &amp; Energy</b>				
Lanka IOC PLC	205,637	5,963	-	-
		5,963		-
<b>Telecommunication</b>				
Dialog Axiata PLC	1,000,000	11,300	1,000,000	10,200
		11,300		10,200
<b>Total investment in equity securities - quoted</b>		212,072		234,877

## (b) Investment in unit trusts - unquoted

As at 31st March	2017		2016	
	No. of units	Fair value	No. of units	Fair value
Guardian Acuity Money Market Fund	5,367,270	75,660	3,990,423	50,678
Guardian Acuity Money Market Gilt Fund	1,292,898	150,667		-
<b>Total investment in unit trusts - unquoted</b>		226,327		50,678

## 25. CASH AND CASH EQUIVALENTS

As at 31st March	Group		Company	
	2017	2016	2017	2016
Cash at bank and cash in hand	22,624	20,901	1,560	1,324
Placements with banking institutions	624,592	472,661	-	155,382
Securities purchased under resale agreements	808,082	567,515	128,593	141,652
<b>Total cash and cash equivalents</b>	1,455,298	1,061,077	130,153	298,358
Bank overdraft	17,052	15,735	12,260	11,534
	17,052	15,735	12,260	11,534
<b>Net cash and cash equivalents for the purpose of cash flow statement</b>	1,438,246	1,045,342	117,893	286,824

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## 26. STATED CAPITAL

### As at 31st March

	2017		2016	
	No. of shares	Value	No. of shares	Value
<b>Ordinary shares</b>				
Issued and fully paid	82,978,868	1,043,687	82,978,868	1,043,687
<b>Deferred shares</b>				
Issued and fully paid (note 26.2)	5,801,487	85,039	5,801,487	85,039
	88,780,355	1,128,726	88,780,355	1,128,726

## 26.1 Movement in stated capital

### For the year ended 31st March

	2017		2016	
	No. of shares	Value	No. of shares	Value
<b>Ordinary shares - Issued and fully paid</b>				
Balance as at the beginning of the year	82,978,868	1,043,687	82,096,719	879,607
Issued during the year	-	-	882,149	164,080
<b>Balance as at the end of the year</b>	82,978,868	1,043,687	82,978,868	1,043,687
<b>Deferred shares - Issued and fully paid</b>				
Balance as at the beginning of the year	5,801,487	85,039	5,739,770	73,560
Issued during the year	-	-	61,717	11,479
<b>Balance as at the end of the year</b>	5,801,487	85,039	5,801,487	85,039
	88,780,355	1,128,726	88,780,355	1,128,726

## 26.2 Superior voting rights attached to the deferred shares

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



**27. CAPITAL RESERVES**

As at 31st March	Group		Company	
	2017	2016	2017	2016
Investment reserve (note 27.1)	7,805	7,805	7,805	7,805
Other capital reserve (note 27.1)	316,741	316,741	200,855	200,855
Jointly controlled entity's capital reserve (note 27.2)	5,895	3,390	-	-
	330,441	327,936	208,660	208,660

**27.1 Investment reserve and other capital reserve**

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

**27.2 Jointly controlled entity's capital reserve**

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

**28. REVENUE RESERVES**

As at 31st March	Group		Company	
	2017	2016	2017	2016
Currency translation reserve (note 28.1)	70,421	59,839	-	-
Fair value through profit or loss financial assets reserve (note 28.2)	703	10,043	-	-
Available for sale financial assets reserve (note 28.3)	5,662,417	7,175,585	1,159,668	796,782
General reserve (note 28.4)	32,668	32,668	14,961	14,961
Retained earnings	8,180,373	7,402,499	4,109,247	4,059,375
	13,946,582	14,680,634	5,283,876	4,871,118

**28.1 Currency translation reserve**

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

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

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

During the year, Rs. 9.3 Mn was transferred from "Fair value through profit or loss financial assets reserve" to retained earnings of the Group (2016 - Rs. 74.9 Mn) and no transfer was made from the said reserve to retained earnings of the Company (2016 - Rs. 13.2 Mn) as shown in the Statement of Changes in Equity.

**28.3 Available for sale financial assets reserve**

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

**28.4 General reserve**

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

# Notes to the Financial Statements

In Rupees Thousands

## 29. EMPLOYEE BENEFITS - GROUP

As at 31st March	2017	2016
Balance as at the beginning of the year	9,528	10,034
Payments made during the year	-	(3,050)
Provision for the year	951	2,544
<b>Balance as at the end of the year</b>	<b>10,479</b>	<b>9,528</b>

For the year ended 31st March	2017	2016
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### 29.1 The amounts recognised in Profit or Loss are as follows;

Interest cost	1,000	1,004
Current service cost	1,471	1,633
<b>Charged for the year</b>	<b>2,471</b>	<b>2,637</b>

### 29.2 The amounts recognised in other comprehensive income are as follows;

Actuarial gains	(1,520)	(93)
<b>Recognised for the year</b>	<b>(1,520)</b>	<b>(93)</b>
<b>Provision for the year</b>	<b>951</b>	<b>2,544</b>

The gratuity liability as at 31st March 2017 amounting to Rs. 10,479,117/- (2016 - Rs.9,527,542/-) 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 Sri Lanka Accounting Standards (LKAS - 19) - "Employee Benefits", the "Projected Unit Credit (PUC)" method has been used in this valuation.

The principal assumptions made are given below :

Rate of discount	11.50% p.a. ( 2016 - 10.50%)
Rate of pay increase	11% p.a. ( 2016 - 12%)
Retirement age	55 years
Mortality	A 67/70 mortality table, issued by the Institute of Actuaries, London was used.
Withdrawal rate	5% for age up to 50 and Zero thereafter.
The company is a going concern.	
The above liability is not externally funded.	

**29.3 Sensitivity analysis**

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

For the year ended 31st March 2017	1% Increase	1% Decrease
Discount rate	3	(3)
Future salary increase	(976)	867

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

**30. TRADE AND OTHER PAYABLES**

	Group		Company	
As at 31st March	2017	2016	2017	2016
<b>Financial</b>				
Trade payables	1,240	72,787	45	-
Dividend payables	62,020	54,195	-	-
Other payables	68,269	54,064	24,218	22,118
	131,529	181,046	24,263	22,118
<b>Non financial</b>				
Accruals and provisions	22,465	22,924	2,604	2,250
	22,465	22,924	2,604	2,250
	153,994	203,970	26,867	24,368

# Notes to the Financial Statements

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## 31. 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.

### 31.1 Parent and ultimate controlling party

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

### 31.2 Group entities

As at 31st March	Ownership interest %	
	2017	2016
<b>Subsidiaries</b>		
Ceylon Investment PLC	64	64
Rubber Investment Trust Limited	82	82
Guardian Capital Partners PLC	84	84
Guardian Fund Management Limited	100	100
The Sri Lanka Fund	70	70
<b>Jointly controlled entity</b>		
Guardian Acuity Asset Management Limited	50	50

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

According to Sri Lanka Accounting Standard (LKAS 24) - "Related Party Disclosures", Key Management Personnel (KMP) are those having authority and responsibility for planning and controlling the activities of the entity directly or indirectly. Accordingly, the Directors of the Company and the Directors of the parent Company, Carson Cumberbatch PLC, have been classified as Key Management Personnel of the Company.

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

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

For the year ended 31st March	Group		Company	
	2017	2016	2017	2016
Short-term employee benefits	42,875	44,051	14,016	14,478
Post-employment benefits	738	730	-	-
Termination benefits paid	-	3,050	-	-
Other long-term benefits	-	-	-	-
Non cash benefits	68	81	-	-
	43,681	47,912	14,016	14,478

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

## 31.4 Transactions with related companies

Name of the Company	Relationship	Nature of the transactions	Group		Company	
			2017	2016	2017	2016
Carson Cumberbatch PLC	Parent Company	Dividends paid	184,575	304,353	184,575	304,353
Ceylon Investment PLC	Subsidiary	Dividends received	-	-	112,019	154,003
Guardian Fund Management Limited (GFM)	Subsidiary	Portfolio management fees paid*	-	-	13,732	14,233
		Business development fees paid	-	-	21,500	35,500
Rubber Investment Trust Limited	Subsidiary	Dividends received	-	-	103,377	79,338
Guardian Acuity Asset Management Limited	Jointly controlled entity	Portfolio management fees received	4,800	3,990	-	-
Bukit Darah PLC	Ultimate Controlling entity	Dividend received on ordinary shares	20,438	61,315	-	-
		Dividend received on 8% participative cumulative preference shares	253	689	-	-
Carsons Management Services (Private) Limited (CMSL)	Affiliate entity	Support service fees paid	34,732	33,202	13,183	11,515
		Computer fees paid	1,320	1,320	420	420
		Secretarial fees paid	1,579	1,602	403	403
Equity Two PLC	Affiliate entity	Rental charges paid	5,693	5,176	-	-
Hatton National Bank PLC*	Other entity	Interest income received	6,615	-	5,979	-
		Balances held in demand deposits	706	-	626	-
		Short term deposits	600,000	-	-	-
		Bank charges paid	6	-	5	-

\* The Company has obtained from HNB an inter-changeable short-term borrowing facility with Ceylon Investment PLC, a subsidiary company, to the value of Rs. 300 Mn (2016 - Rs. 300 Mn) on commercial terms.

# Notes to the Financial Statements

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## 32. FINANCIAL INSTRUMENTS

### Financial risk management – Overview

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

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing such risks, and the Company's management of capital. Pages 24 to 30 also carry a review of risks faced by the Group and the approach of managing such risks.

### Risk management framework

The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has delegated this function to the Management of Guardian Fund Management Limited, the Investment Managers and Carsons Management Services (Private) Limited, the Managers; who are responsible for developing and monitoring the 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 such limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

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

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

### 32.1 Credit risk

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

### 32.1.1 Credit risk exposure and managing the risk

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

As at 31st March	Note	Carrying amount	
		2017	2016
Available for sale financial assets - Investment in debentures	22.3(d)	5	5
Available for sale financial assets - Investment in unit trusts	22.3(e)	40,822	120,370
Fair value through profit or loss financial assets - Investment in unit trusts	24.3(b)	1,414,989	941,623
Trade and other receivables*	23	72,905	53,774
Cash and cash equivalents - Cash at bank and cash in hand	25	22,624	20,901
Cash and cash equivalents - Placements with banking institutions	25	624,592	472,661
Cash and cash equivalents - Securities purchased under resale agreements	25	808,082	567,515
		2,984,019	2,176,849

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

#### 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 following unit trusts;

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

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

#### Trade and other receivables

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

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

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

# Notes to the Financial Statements

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

## Age profile of trade and other receivables

As at 31st March	Carrying amount	
	2017	2016
Less than 30 days	71,006	50,249
30 – 60 days	781	838
61 – 90 days	105	848
91 – 120 days	745	476
More than 120 days	268	1,363
	72,905	53,774

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

## Cash and cash equivalents

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

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

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

As at 31st March	Carrying amount	
	2017	2016
<b>Credit rating</b>		
AAA	15,496	15,391
AA	809,952	544,589
AA-	600,926	466,855
Unrated	28,924	34,242
	1,455,298	1,061,077

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

## 32.2 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.



**32.2.1 Exposure to credit risk**

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

	Contractual cash flows				
	Carrying amount	Total	up to 3 months	3-12 months	More than a year
<b>As at 31st March 2017</b>					
<b>Non derivative financial liabilities</b>					
Trade and other payables *	131,529	131,529	131,529	-	-
Bank overdraft	17,052	17,052	17,052	-	-
	148,581	148,581	148,581	-	-

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

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

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

<b>As at 31st March</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalent	1,455,298	1,061,077
Fair value through profit or loss financial assets - Investment in unit trusts	1,414,989	941,623
<b>Total liquid assets</b>	<b>2,870,287</b>	<b>2,002,700</b>
Liquid assets as a % of the total net assets	15%	10%

**32.2.2 Management of liquidity risk**

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

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

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

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

As at 31st March	2017	2016
Unutilised overdraft facilities	1,600,000	1,600,000
	1,600,000	1,600,000

## 32.3 Market risk

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

### 32.3.1 Interest rate risk

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

#### Exposure and management of interest rate risk

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

	Carrying Amount	
As at 31st March	2017	2016
<b>Financial assets</b>		
Placements with banking institutions	624,592	472,661
Investments under resale agreements	808,082	567,515
	1,432,674	1,040,176
<b>Financial liabilities</b>		
Bank overdrafts	17,052	15,735
	17,052	15,735

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

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

\* Monthly averaged rate as at the reporting date.

#### Sensitivity Analysis

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

**Movement in interest rate**

	<b>Profit or Loss</b>	
	<b>Increase by 1%</b>	<b>Decrease by 1%</b>
<b>As at 31st March 2017</b>		
- On interest earning assets	14,327	[14,327]
- On interest bearing liabilities	[171]	171
	14,156	[14,156]
<b>As at 31st March 2016</b>		
- On interest earning assets	10,402	[10,402]
- On interest bearing liabilities	[157]	157
	10,245	[10,245]

**32.3.2 Exposure and management of other market price risks****Equity price risk**

The Group is holding an investment portfolio which includes both listed equity investments and private equity (unlisted) investments.

**Listed equity investments**

Having a substantial portion of 76% (2016 - 82%) of its discretionary portfolio as equity investments designated as listed investments in the Colombo Stock Exchange, market volatilities bring in substantial variations to the Group's earnings and value of its asset base at the reporting dates. The Group monitors its investment portfolio based on market indices, where decisions concerned with the timing of buy / sell are well supported with structured in-house research recommendations. Transactions of a major magnitude within the portfolio are subject to review and approval by the Investment Committee.

**Private equity investments**

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

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

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

	<b>Note</b>	<b>Carrying amount</b>	
		<b>2017</b>	<b>2016</b>
<b>As at 31st March 2017</b>			
Available for sale financial assets - investments in equity securities	22.3.a/b/c	13,780,859	15,600,774
Available for sale financial assets - investment in unit trusts Guardian acuity equity fund	22.3.e	40,822	38,275
Fair value through profit or loss financial assets - investment in equity securities	24.3.a	1,721,907	1,720,003
		15,543,588	17,359,052

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

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## 32.3.3 Currency risk

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

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

For the year ended / As at 31st March	Conversion rate	
	2017	2016
<b>USD/LKR</b>		
Assets and liabilities	149.75	144.06
Income and expenses	146.01	136.18

## 32.4 Accounting classification and Fair values

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

	Fair value through profit or loss	Held to maturity	Loans and receivable	Available for sale	Other financial liabilities	Total carrying amount	Fair value
<b>As at 31st March 2017</b>							
<b>Financial assets measured at fair value</b>							
Available for sale financial assets	-	-	-	13,821,686	-	13,821,686	13,821,686
Fair value through profit or loss financial assets	3,136,896	-	-	-	-	3,136,896	3,136,896
<b>Financial assets not measured at fair value</b>							
Trade and other receivables	-	-	72,905	-	-	72,905	
Cash and cash equivalents	-	-	1,455,298	-	-	1,455,298	
<b>Total financial assets</b>	<b>3,136,896</b>	<b>-</b>	<b>1,528,203</b>	<b>13,821,686</b>	<b>-</b>	<b>18,486,785</b>	
<b>Financial liabilities not measured at fair value</b>							
Trade and other payables	-	-	-	-	131,529	131,529	
Bank overdraft	-	-	-	-	17,052	17,052	
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>148,581</b>	<b>148,581</b>	

	Fair value through profit or loss	Held to maturity	Loans and receivable	Available for sale	Other financial liabilities	Total carrying amount	Fair value
<b>As at 31st March 2016</b>							
<b>Financial assets measured at fair value</b>							
Available for sale financial assets	-	-	-	15,721,149	-	15,721,149	15,721,149
Fair value through profit or loss financial assets	2,661,626	-	-	-	-	2,661,626	2,661,626
<b>Financial assets not measured at fair value</b>							
Trade and other receivables	-	-	53,774	-	-	53,774	
Cash and cash equivalents	-	-	1,061,077	-	-	1,061,077	
<b>Total financial assets</b>	<b>2,661,626</b>	<b>-</b>	<b>1,114,851</b>	<b>15,721,149</b>	<b>-</b>	<b>19,497,626</b>	
<b>Financial liabilities not measured at fair value</b>							
Trade and other payables	-	-	-	-	181,046	181,046	
Bank overdraft	-	-	-	-	15,735	15,735	
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>196,781</b>	<b>196,781</b>	

### 32.5 Fair value hierarchy

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

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

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As at 31st March 2017	Level 1	Level 2	Level 3	Total
Available for sale financial assets	13,520,750	-	300,936	13,821,686
Fair value through profit or loss financial assets	3,136,896	-	-	3,136,896
	16,657,646	-	300,936	16,958,582

As at 31st March 2016

Available for sale financial assets	15,568,697	-	152,452	15,721,149
Fair value through profit or loss financial assets	2,661,626	-	-	2,661,626
	18,230,323	-	152,452	18,382,775

## Reconciliation of Level 3 - fair value : Available for sale financial assets

For the year ended 31st March	2017	2016
Opening balance	152,452	133,634
Additions	94,618	10,256
Change in fair value	53,866	11,452
Disposals	-	(2,890)
Closing balance	300,936	152,452

## 32.6 Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used:

Investment in equity securities	Valuation method / techniques	Unobservable inputs	Ranges	Inter-relationship between key unobservable inputs and fair value. The estimated fair value would increase if
Private equity (unlisted)	Discounted cash flows : The valuation model considers the present value of the net cash flows expected to be generated by the entities operations. The expected net cash flows are discounted using a risk-adjusted discount rate.	Revenue CAGR	13% - 25%	Increase
		Exit multiple:	5-8	Increase
		*P/E-Price to earnings ratio (times)		
		*EV/EBIT-Enterprise value to earnings before interest and tax		
		Discount rate	15.5%-20%	Decrease

### 33. SEGMENTAL REPORTING

The Group'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.

### 34. EVENTS AFTER THE REPORTING PERIOD

After satisfying the solvency tests in accordance with Section 57 of the Company's Act, No. 7 of 2007, The Directors has recommended the payment of a first and final dividend of Rs.4/- (2016 - Rs.3/-) per Ordinary and Deferred share for the year ended 31st March 2017 amounting to Rs.355,121,420/- (2016 - Rs. 266,341,065/-) which is to be approved at the forthcoming Annual General Meeting. According to Sri Lanka Accounting Standard (LKAS 10) - "Events after the reporting period" the proposed final dividend has not been recognised as a liability as at 31st March 2017.

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

### 35. COMMITMENTS AND CONTINGENCIES

#### 35.1 Commitments

A subsidiary company of the Group, Guardian Capital Partners PLC, has committed to invest a sum of Rs. 51,117,791/- in Swiss Institute For Service Industry Development as a private equity investment. As at 31st March 2017, a sum Rs. 42,118,040/- has been invested in two tranches and balance of Rs. 8,999,751/- is to be invested based on business requirements and the progress of the investee Company.

There were no other commitments or contracts for capital expenditure of a material amount as at the reporting date, other than disclosed above.

#### 35.2 Contingencies

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

### 36. COMPARATIVE FIGURES

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

### 37. RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

# Five Year Summary

In Rupees Thousands

For the year ended / As at 31st March	2017	2016	2015	2014	2013
<b>Revenue</b>					
Dividend income	846,248	695,279	655,161	906,837	471,025
Net gain on disposal of investments	1,157,783	703,744	1,524,049	1,289,020	1,235,698
Interest income	43,815	101,293	200,972	338,405	154,853
Management fee	91,724	103,405	87,205	66,950	43,755
	2,139,570	1,603,721	2,467,387	2,601,212	1,905,331
Less: Inter-group transactions	(397,272)	(427,395)	(400,773)	(718,844)	(262,732)
	1,742,298	1,176,326	2,066,614	1,882,368	1,642,599
Fair value adjustment - unrealised	(250,032)	(306,875)	113,167	943	38,010
<b>Profit on investment activities</b>	<b>1,492,266</b>	<b>869,451</b>	<b>2,179,781</b>	<b>1,883,311</b>	<b>1,680,609</b>
Profit before taxation	1,277,460	642,073	1,983,577	1,721,756	2,321,078
Income tax expense	(21,126)	(30,873)	(64,315)	(109,611)	(23,579)
Profit for the year	1,256,334	611,200	1,919,262	1,612,145	2,297,499
Non controlling interest	(227,584)	(98,321)	(408,461)	(315,542)	(411,391)
<b>Profit attributable to the equity holders of the parent</b>	<b>1,028,750</b>	<b>512,879</b>	<b>1,510,801</b>	<b>1,296,603</b>	<b>1,886,108</b>
Dividends paid - Cash	(266,341)	(263,509)	(439,182)	(219,591)	(175,673)
<b>Statement of Financial Position</b>					
<b>Capital employed</b>					
Stated capital	1,128,726	1,128,726	953,167	953,167	953,167
Reserves	14,277,023	15,008,570	21,677,677	19,131,142	13,737,523
<b>Total equity attributable to equity holders of the parent</b>	<b>15,405,749</b>	<b>16,137,296</b>	<b>22,630,844</b>	<b>20,084,309</b>	<b>14,690,690</b>
Non controlling interest	3,214,856	3,414,692	4,827,637	4,256,848	3,139,062
<b>Total equity</b>	<b>18,620,605</b>	<b>19,551,988</b>	<b>27,458,481</b>	<b>24,341,157</b>	<b>17,829,752</b>
<b>Assets employed</b>					
Current assets	4,705,645	3,789,904	4,534,389	4,336,515	3,809,140
Current liabilities	(171,104)	(221,945)	(230,478)	(217,337)	(87,497)
<b>Net current assets</b>	<b>4,534,541</b>	<b>3,567,959</b>	<b>4,303,911</b>	<b>4,119,178</b>	<b>3,721,643</b>
Non-current assets	14,096,543	15,993,557	23,164,604	20,229,588	14,113,534
Non-current liabilities	(10,479)	(9,528)	(10,034)	(7,609)	(5,425)
<b>Net assets</b>	<b>18,620,605</b>	<b>19,551,988</b>	<b>27,458,481</b>	<b>24,341,157</b>	<b>17,829,752</b>
<b>Cash Flow Statements</b>					
Net cash generated from / (used in) operating activities	698,375	(402,412)	(545,677)	358,525	1,634,668
Net cash generated from / (used in) investing activities	220	(2,766)	(440)	(4,928)	(16,448)
Net cash used in financing activities	(320,548)	(339,972)	(516,479)	(281,708)	(221,043)
<b>Net increase / (decrease) in cash &amp; cash equivalents</b>	<b>378,047</b>	<b>(745,150)</b>	<b>(1,062,596)</b>	<b>71,889</b>	<b>1,397,177</b>



For the year ended / As at 31st March	2017	2016	2015	2014	2013
<b>Ratios &amp; statistics</b>					
<b>Operational ratio</b>					
Return on ordinary shareholders funds (%)	6.68	3.18	6.68	6.46	12.84
<b>Liquidity ratio</b>					
Current ratio (times)	27.50	17.08	19.67	19.95	43.53
<b>Investor ratios</b>					
Earnings per share (Rs.)	11.59	5.78	17.02	14.76	21.47
Dividend per share (Rs.) *	4.00	3.00	5.00	5.00	2.50
Dividend cover (times)	2.90	1.93	3.40	2.95	8.57
Dividend growth (%)	33	(40)	-	100	25
Dividend yield (%)	4.44	2.51	2.72	2.81	1.56
Dividend payout ratio (%)	34.52	51.90	29.38	33.87	11.67
Net assets value per share - (Rs.)	173.53	181.77	257.65	228.66	247.48
Market value per share (Rs.) **	90.10	119.70	184.00	177.90	160.00
Price earning ratio (times)	7.77	20.71	10.81	12.05	7.47
Price to book value ratio (times)	0.52	0.66	0.71	0.78	0.65
Market capitalisation	7,476,396	9,932,570	15,105,796	14,605,006	13,135,475
Fair value of investments	18,396,828	19,428,117	27,338,751	24,232,993	26,029,738
All Share Price Index (points)	6,062	6,072	6,820	5,968	5,736
S&P SL 20 Index (points)	3,439	3,204	3,852	3,280	3,294

\* Based on proposed / interim dividends.

\*\* As at 31st March.

# US\$ Financials

## Preparation of US Dollar Financial Statements

The Financial Statements of the Group are stated in Sri Lankan Rupees. The translation of Sri Lankan Rupee amounts into US Dollar amounts is included solely for the convenience of Shareholders, Investors, Bankers and other users of these Financial Statements.

US Dollar Financials do not form part of the audited Financial Statements of the Group.

# Financial Highlights

In United State Dollars

For the year ended / As at 31st March	2017	2016	Change%
Revenue	11,803,387	8,459,734	40
Profit from operations	8,634,510	4,585,724	88
Share of profit of equity accounted investee net of tax	18,610	34,585	(46)
Profit before taxation	8,654,292	4,617,569	87
Profit for the year	8,511,172	4,395,541	94
Other comprehensive expense for the year	(12,586,445)	(58,516,713)	(78)
Total comprehensive expense for the year	(4,075,273)	(54,121,172)	(92)
Net cash generated from / (used in) operating activities	4,731,217	(2,894,009)	(263)
Total equity attributable to equity holders of the parent	101,360,280	111,530,140	(9)
Earnings per share	0.08	0.04	89
Dividend per share *	0.03	0.04	(32)
Net assets per share	1.14	1.26	(9)
Ceylon Guardian - Fund value **	121,039,726	134,274,083	(10)

\* Based on proposed / interim dividends

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

# Statement of Profit or Loss and Other Comprehensive Income

In United States Dollars

	Group	
For the year ended 31st March	2017	2016
<b>Revenue</b>	11,803,387	8,459,734
Impairment loss on available for sale financial assets	(1,346,968)	(684,876)
Net change in fair value of fair value through profit or loss financial assets	(346,901)	(1,522,064)
<b>Profit on investment activities</b>	10,109,518	6,252,794
Other operating income	-	1,424
Administrative and other operating expenses	(1,475,008)	(1,668,494)
<b>Profit from operations</b>	8,634,510	4,585,724
Net finance income / (expense)	1,172	(2,740)
<b>Profit from operations after net finance income / (expense)</b>	8,635,682	4,582,984
Share of profit of equity accounted investee net of tax	18,610	34,585
<b>Profit before taxation</b>	8,654,292	4,617,569
Income tax expense	(143,120)	(222,028)
<b>Profit for the year</b>	8,511,172	4,395,541
<b>Other comprehensive income</b>		
<b>Items that will never be reclassified to profit or loss</b>		
Actuarial gain on employee benefit obligation	10,297	669
<b>Items that are or may be reclassified to profit or loss</b>		
Net change in fair value of available for sale financial assets	(7,995,935)	(54,601,611)
Transfer of realised gains on disposal of available for sale financial assets	(4,718,427)	(4,172,154)
Share of other comprehensive income of equity accounted investee net of tax	16,970	6,868
Net exchange differences on translation of foreign operations	100,650	249,515
<b>Other comprehensive expense for the year</b>	(12,586,445)	(58,516,713)
<b>Total comprehensive expense for the year</b>	(4,075,273)	(54,121,172)
<b>Profit attributable to:</b>		
Equity holders of the parent	6,969,379	3,688,450
Non controlling interest	1,541,793	707,091
	8,511,172	4,395,541
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent	(3,182,786)	(44,442,618)
Non controlling interest	(892,487)	(9,678,554)
	(4,075,273)	(54,121,172)
<b>Earnings per share</b>	0.08	0.04

# Statement of Financial Position

In United States Dollars

	Group	
As at 31st March	2017	2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	39,549	60,916
Intangible assets	1,525,870	1,602,854
Investment in equity accounted investee	242,970	218,930
Available for sale financial assets	90,938,127	108,654,012
<b>Total non-current assets</b>	<b>92,746,516</b>	<b>110,536,712</b>
<b>Current assets</b>		
Trade and other receivables	619,659	384,961
Current tax assets	126,778	79,487
Fair value through profit or loss financial assets	20,638,832	18,395,370
Cash and cash equivalents	9,574,959	7,333,451
<b>Total current assets</b>	<b>30,960,228</b>	<b>26,193,269</b>
<b>Total assets</b>	<b>123,706,744</b>	<b>136,729,981</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Stated capital	8,834,775	8,834,775
Capital reserves	791,135	774,165
Revenue reserves	91,734,370	101,921,200
<b>Total equity attributable to equity holders of the parent</b>	<b>101,360,280</b>	<b>111,530,140</b>
Non controlling interest	21,151,760	23,600,055
<b>Total equity</b>	<b>122,512,040</b>	<b>135,130,195</b>
<b>Non-Current Liabilities</b>		
Employee benefits	68,945	65,851
<b>Total non-current liabilities</b>	<b>68,945</b>	<b>65,851</b>
<b>Current liabilities</b>		
Trade and other payables	1,013,185	1,409,704
Current tax liabilities	382	15,481
Bank overdraft	112,192	108,750
<b>Total current liabilities</b>	<b>1,125,759</b>	<b>1,533,935</b>
<b>Total liabilities</b>	<b>1,194,704</b>	<b>1,599,786</b>
<b>Total equity and liabilities</b>	<b>123,706,744</b>	<b>136,729,981</b>
Net assets per ordinary/deferred share	1.14	1.26

# Five Year Summary

In United States Dollars

For the year ended / As at 31st March	2017	2016	2015	2014	2013
<b>Statement of income</b>					
<b>Revenue</b>					
Dividend income	5,732,999	5,000,209	4,993,605	6,969,772	3,635,013
Net gain on disposal of investments	7,843,527	5,061,086	11,616,227	9,907,155	9,536,178
Interest income	296,829	728,465	1,531,799	2,600,915	1,195,038
Management fee	621,394	743,653	664,672	514,565	337,668
	14,494,749	11,533,413	18,806,303	19,992,407	14,703,897
Less: Inter-group transactions	(2,691,362)	(3,073,679)	(3,054,672)	(5,524,895)	(2,027,566)
	11,803,387	8,459,734	15,751,631	14,467,512	12,676,331
<b>Profit before taxation</b>	8,654,292	4,617,569	15,118,727	13,233,079	17,912,318
Income tax expenses	(143,120)	(222,028)	(490,206)	(842,448)	(181,965)
Profit for the year	8,511,172	4,395,541	14,628,521	12,390,631	17,730,353
Non controlling interest	(1,541,793)	(707,091)	(3,113,270)	(2,425,194)	(3,174,803)
<b>Profit attributable to the equity holders of the parent</b>	6,969,379	3,688,450	11,515,251	9,965,437	14,555,550
Dividends Paid - Cash	(1,804,356)	(1,895,067)	(3,347,424)	(1,687,733)	(1,355,707)
<b>Statement of Financial position</b>					
<b>Capital employed</b>					
Stated capital	8,834,775	8,834,775	8,834,775	8,834,775	8,834,775
Reserves	92,525,505	102,695,365	160,913,530	144,797,208	107,248,236
<b>Total equity attributable to equity holders of the parent</b>	101,360,280	111,530,140	169,748,305	153,631,983	116,083,011
Non controlling interest	21,151,760	23,600,055	36,210,898	32,562,135	24,474,749
<b>Total equity</b>	122,512,040	135,130,195	205,959,203	186,194,118	140,557,760
<b>Assets employed</b>					
Current assets	30,960,228	26,193,269	34,011,319	33,171,536	30,028,695
Current liabilities	(1,125,759)	(1,533,935)	(1,728,758)	(1,662,487)	(689,768)
<b>Net current assets</b>	29,834,469	24,659,334	32,282,561	31,509,049	29,338,927
Non-current assets	92,746,516	110,536,712	173,751,905	154,743,273	111,261,600
Non-current liabilities	(68,945)	(65,851)	(75,263)	(58,204)	(42,767)
<b>Net assets</b>	122,512,040	135,130,195	205,959,203	186,194,118	140,557,760
<b>Cash Flow Statements</b>					
Net cash generated from / (used in) operating activities	4,731,217	(2,894,009)	(4,159,123)	2,755,553	12,615,087
Net cash generated from / (used) in investing activities	1,490	(19,892)	(3,354)	(37,876)	(126,933)
Net cash used in financing activities	(2,171,587)	(2,444,962)	(3,936,578)	(2,165,153)	(1,705,837)
<b>Net (decrease) / increase in cash &amp; cash equivalents</b>	2,561,120	(5,358,863)	(8,099,055)	552,524	10,782,317

# Notes to the Financial Statements

In United States Dollars

## 1 Basis of conversion

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

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

	2017	2016
Statement of Profit or Loss and Other Comprehensive Income - Average rate	147.61	139.05
Monetary assets and liabilities - closing rate	151.99	144.69
Non-monetary assets and liabilities - closing rate	151.99	144.69
Ordinary share capital - historical rate		

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

## 2 Revenue reserve

For the year ended 31st March	2017	2016
Beginning of the year	101,921,200	160,146,233
Net movement during the year	(5,044,604)	(47,736,275)
	96,876,596	112,409,958
Currency fluctuations	(5,142,226)	(10,488,758)
As at the end of the year	91,734,370	101,921,200

# Information to Shareholders and Investors

## 1. Stock Exchange Listing

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

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

## 2. Share Valuation

The market price of the Company's shares as at 31st March 2017 was Rs. 90/10 per share (2016 Rs. 119/70).

## 3. Ordinary Shareholders

As at 31st March	2017	2016
Number of Shareholders	1,602	1,603

The number of ordinary shares held by non-residents as at 31st March, 2017 was 7,363,211 (2016 – 7,457,020) which amount to 8.87% (2016 – 9%) of the total number of shares in issue.

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

Distribution of Shares	Residents			Non - Residents			Total		
	No. of share-holders	No. of Shares	%	No. of share-holders	No. of Shares	%	No. of share-holders	No. of Shares	%
1-1,000	1,008	172,597	0.21	13	3,010	0.00	1,021	175,607	0.21
1001-10,000	368	1,168,896	1.41	16	54,992	0.07	384	1,223,888	1.48
10,001-100,000	127	3,809,693	4.59	23	700,794	0.84	150	4,510,487	5.44
100,001-1,000,000	39	11,771,321	14.18	3	512,278	0.62	42	12,283,599	14.80
Above 1,000,000	2	58,693,150	70.73	3	6,092,137	7.34	5	64,785,287	78.07
Grand Total	1,544	75,615,657	91.12	58	7,363,211	8.87	1,602	82,978,868	100

### Categorization of Shareholders as at 31st March 2017

Categories of Shareholders	No. of Shareholders	No. of Shares	%
Individuals	1,417	12,948,431	15.60
Institutions	185	70,030,437	84.40
Total	1,602	82,978,868	100

### Public Shareholding

Percentage of ordinary shares held by the public as at 31st March 2017 was 32.70% (2016 – 32.51%) and the number of public shareholders were 1590 (2016 – 1589).



#### 4. Market performance - ordinary shares

For the year ended 31st March	2017	2016
As at 31 March	90.10	119.70
Highest (Rs.)	175.00	200.00
Lowest (Rs.)	89.00	118.50
Value of shares traded (Rs.)	66,863,191	425,838,749
No. of shares traded	522,846	2,353,433
Volume of transactions (Nos.)	221	297

#### 5. Market capitalization

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.7,476,396,006/80- as at 31st March, 2017 (2016 - Rs. 9,932,570,499/60).

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

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

Year ended	Issue	Basis	No. of	Cumulative No. of
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
2015 - August	Scrip	01:93	882,149	82,978,868

#### 7. Dividend

The Directors have recommended a first and final dividend of Rs.4/- per Ordinary share and Deferred share for the year ended 31st March 2017 (2016 - Rs.3/-).

#### 8. Number of Employees

The Company had no employees as at the balance sheet date (2016 - Nil). The Group has 20 (2016 - 20) employees as at the balance sheet date.

#### 9. Major shareholders

A list of major shareholders of the Company as at 31st March 2017 is provided in the Annual Report of the Board of Directors, on page 51

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the SIXTY FIFTH Annual General Meeting of CEYLON GUARDIAN INVESTMENT TRUST PLC will be held on Wednesday the 26th day of July 2017 at 3.30 p.m. at the Auditorium, The Institute of Chartered Accountants of Sri Lanka, Ground Floor, 30A, Malalasekera Mawatha, Colombo 07, Sri Lanka for the following purposes :

1. To receive and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2017, together with the Independent Auditors' Report thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Mr. K. Selvanathan who retires in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.
4. To re-elect Mr. V. M. Fernando who retires in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.
5. To re-elect Mrs. W. Y. R. Fernando as a Director in terms of Articles 88 and 95 of the Articles of Association of the Company.
6. To re-appoint 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.7 of 2007 shall not be applicable to Mr. C.W. Knight who is Seventy Four years of age and that he be re-appointed a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

7. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act No. 7 of 2007 and to authorize the Directors to determine their remuneration.

By Order of the Board

(Sgd)

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

Director

**CARSONS MANAGEMENT SERVICES (PRIVATE) LIMITED**

Secretaries

Colombo,

21st June 2017

**Notes :**

1. A shareholder is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a shareholder of the Company. A Form of Proxy accompanies this notice.
2. The completed Form of Proxy must be deposited at the Registered Office, No.61, Janadhipathi Mawatha, Colombo 1, not later than 4.45 p.m. on 24th July 2017.
3. A person representing a Corporation is required to carry a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a member.
4. The transfer books of the Company will remain open.
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.

## Notes

## Notes

# Form of Proxy

\*I/ We.....  
 of.....  
 being \*a Shareholder / Shareholders of Ceylon Guardian Investment Trust PLC  
 hereby appoint.....  
 of.....  
 bearing NIC No./ Passport No..... or failing him/her

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

as \*my/our proxy to attend the Annual General Meeting of the Company to be held on Wednesday, the 26th day of July 2017 at 3.30 p.m., at the "Auditorium", The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 07, Sri Lanka and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
(i) To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2017, together with the Independent Auditors' Report thereon.	<input type="checkbox"/>	<input type="checkbox"/>
(ii) To declare Rs.4/- per Ordinary share and Deferred share as a First & Final dividend for the financial year ended 31st March 2017 as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
(iii) To re-elect Mr. K. Selvanathan who retires in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(iv) To re-elect Mr. V. M. Fernando who retires in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(v) To re-elect Mrs. W. Y. R. Fernando who retires in terms of Articles 88 and 95 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(vi) To re-appoint Mr. C.W. Knight who is over Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(vii) To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act. No. 07 of 2007 and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....  
 Signature /s

## Note:

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

**INSTRUCTIONS AS TO COMPLETION**

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

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

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

In the case of joint-holders of a share, the senior who tenders a vote, whether in person or by proxy or by attorney or by representative, shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stands in the Register of Members in respect of the joint holding.
5. To be valid the completed Form of Proxy should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1 not later than 4.45 p.m. on 24th July 2017.

Please fill in the following details

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

# Corporate Information

## NAME OF THE COMPANY

**Ceylon Guardian Investment Trust PLC**  
(A Carson Cumberbatch Company)

## COMPANY REGISTRATION NO

PQ 52

## DOMICILE AND LEGAL FORM

Ceylon Guardian Investment Trust PLC is a Public Quoted Company with limited liability, domiciled in Sri Lanka. The Company was incorporated in Sri Lanka in 1951.

## PRINCIPAL ACTIVITY AND NATURE OF OPERATIONS

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

## PARENT COMPANY

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

## DIRECTORS

Mrs. M.A.R.C. Cooray (Chairperson)  
Mr. D.C.R. Gunawardena  
Mr. V.M. Fernando  
Mr. K. Selvanathan  
Mr. C.W. Knight  
Mr. T.C.M. Chia  
Mrs. W. Y. R. Fernando (Appointed w.e.f. 15.8.2016)  
Mr. I. Paulraj (Resigned w.e.f. 15.8.2016)

## NUMBER OF EMPLOYEES

The Company did not have any employees of its own as at the end of the year.

## BANKERS

Standard Chartered Bank  
HSBC  
Commercial Bank of Ceylon PLC  
Deutsche Bank A.G.  
DFCC Bank  
Peoples' Bank

## AUDITORS

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

## INVESTMENT MANAGER

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

## MANAGERS & SECRETARIES

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

## REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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

## CORPORATE WEBSITE

[www.carsoncumberbatch.com](http://www.carsoncumberbatch.com)  
The Company is a member of the Carson Cumberbatch Group of companies

Designed & produced by

**emagewise**

Printed by Printage (Pvt) Ltd



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



## ADDITIONAL INFORMATION TO SHAREHOLDERS

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

## INVESTMENT PORTFOLIO OF RUBBER INVESTMENT TRUST LIMITED

(In Rupee thousands)

## Summary

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

## 1 Available for sale financial assets

## 1.1 Investment in equity securities - quoted

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

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

(In Rupee thousands)

### 1.2 Investments in debentures

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

### 1.3 Preference Shares

As at 31st March	2017			2016		
	No. of shares	Cost	Fair value	No. of shares	Cost	Fair value
Bukit Darah PLC - 8% participative cumulative	31,875	1	1	31,875	1	1
<b>Total investment in Preference Shares</b>		1	1	31,875	1	1
<b>Total investment in available for sale financial assets</b>		1,247,357	6,580,811		1,524,025	9,351,020

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

(In Rupee thousands)

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

#### 2.1 Investment in equity securities-quoted

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

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

(In Rupee thousands)

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

### 2.2 Investments in unit trusts - unquoted

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