



CEYLON GUARDIAN INVESTMENT TRUST PLC

A CARSON CUMBERBATCH COMPANY

Annual Report 2017/18



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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. 18.14 billion as at the end of March 2018. 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.

The year under review was a challenging one.
We are pleased to set out the review and performance
of the business during the year in this report.

Key Highlights

In Rupees Thousands

| For the year ended / As at 31st March | 2018 | 2017 | Change % |
|--|------------|-------------|----------|
| Revenue | 1,200,124 | 1,742,298 | (31) |
| Profit from operations | 835,687 | 1,274,540 | (34) |
| Share of profit of equity accounted investee, net of tax | 11,027 | 2,747 | 301 |
| Profit before taxation | 847,016 | 1,277,460 | (34) |
| Profit for the year | 796,319 | 1,256,334 | (37) |
| Profit attributable to equity holders of the parent company | 616,627 | 1,028,750 | (40) |
| Other comprehensive expense for the year | (464,924) | (1,857,885) | (75) |
| Total comprehensive income/ (expense) for the year | 331,395 | (601,551) | (155) |
| Total comprehensive income/ (expense) attributable to equity holders of the parent | 278,832 | (469,811) | (159) |
| Net cash generated from / (used in) operating activities | (220,092) | 698,375 | (132) |
| Net increase / (decrease) in cash and cash equivalents | (856,020) | 378,047 | (326) |
| Total equity attributable to equity holders of the parent | 15,069,670 | 15,405,749 | (2) |
| Total equity | 18,266,957 | 18,620,605 | (2) |
| Total assets | 18,512,320 | 18,802,188 | (2) |
| Return on ordinary shareholders funds (%) | 4.09 | 6.68 | (39) |
| Earnings per share (Rs) | 6.95 | 11.59 | (40) |
| Dividend per share (Rs) * | 3.00 | 4.00 | (25) |
| Net assets per ordinary / deferred share (Rs) | 169.74 | 173.53 | (2) |
| Guardian actively managed Portfolio ** | 13,923,347 | 13,078,794 | 6 |
| Guardian total fund value ** | 18,135,671 | 18,396,828 | (1) |
| Stock market data | | | |
| All Share Price Index (points) | 6,476.78 | 6,061.94 | 7 |
| S&P SL 20 Index (points) | 3,650.10 | 3,438.88 | 6 |
| Market capitalisation | 6,804,267 | 7,476,396 | (9) |
| Share price (Rs.) | | | |
| Year end | 82.00 | 90.10 | (9) |
| High | 120.00 | 175.00 | (31) |
| Low | 76.20 | 89.00 | (14) |

* Based on proposed / interim dividends

** Based on fair value of portfolio after adjusting for cash and cash equivalents. Total Fund value include actively managed portfolio and investment in Bukit Darah PLC.

Chairperson's Message

It is with pleasure that I welcome you to the 66th 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 2018.

You would be pleased to note that the Ceylon Guardian Group has reported a profit after tax of Rs. 796.3 Mn for the year ended 31st March 2018. Despite the challenging environment faced by the Colombo Stock Exchange, the group was able to grow its discretionary portfolio by Rs. 1,460.5 million which is a 11.17% growth relative to the All Share Price Index return of 6.84%, prior to dividend payment to shareholders. Guardian's long term investment philosophy has also resulted in the discretionary portfolio growing by 37.37% over 5 years again outpacing the All Share Price Index which has grown by 12.92%.

Economy

The economy in 2018 is projected to grow above 4%. This is an improvement over the rate of growth of 3.1% registered in 2017. Despite the complex political environment, with the expected foreign investment inflows, the structural reforms that are in place, low inflationary position and a competitive exchange rate regime, the economy, in the medium term, is expected to achieve sustained growth.

Export earnings have recorded nearly 8% growth in the first quarter of the current year over that of last year. Imports too registered an increase of 13%. Restoration of EU-GSP+ facility, increased commodity prices and the demand, together with the conducive exchange rate policy, are expected to boost export earnings further in the current year. Remittances and earnings from tourism which showed strong increases in the first quarter are expected to grow further. By the end of March 2018 official reserves indicated a healthy position. The fiscal front improved in the first quarter and with the new tax regime coming into effect from the second quarter government revenue is projected to increase noticeably. A marginal increase in monetary expansion was witnessed in the current years' first quarter while credit to the private sector was at more or less same levels of last year, around 15%.

Business Environment

The development of Sri Lankan capital markets is considered a strategically important aspect of planning by authorities. The newly drafted Securities Exchange Commission Act is integral in building a foundation for new product development such as Real Estate Investment Trusts (REITs), derivatives and to also strengthen

the much needed regulatory aspects of the market. The Guardian group remains buoyant in participating in new capital market development initiatives where we can create further value for our shareholders.

The Colombo Stock Exchange (CSE) is a proxy to the general investment climate within Sri Lanka and foreign investors will look to its performance before considering direct investment into the country. There is a need to expedite development of the capital market framework and deepen the offerings by the CSE to reflect a more conducive investment environment. The assets under management (AUM) of Guardian Acuity Asset Management, our unit trust business, declined to Rs. 6.6 billion which was a 10% decline from Dec 2017 largely attributable to the withdrawal of the tax exemptions on returns from unit trust funds. The unit trust industry has been affected adversely with the removal of tax exemptions with industry AUM declining by almost 50% upon crossing over to the new fiscal year. A renewed effort is needed to ramp up this business line which will include strengthening the sales and marketing function of the company to grow the AUM of the business. We expect the unit trust business along with the industry to go through a challenging period in light of the change in taxation. In the future, we expect unit trust business to eventually recover and to help Guardian to benefit from increased retail participation in capital markets.

I would like to thank the staff for their unwavering enthusiasm, commitment and striving hard to better the company in a volatile environment, our intermediaries and service providers for their support, and the regulators in taking the industry forward. I would also like to thank our clients and investors who continue to place their trust and belief in Guardian; also our shareholders who trust in our ability to deliver. Ms Ruvini Fernando stepped down from the board during the year. Whilst thanking her for her valuable contribution to the Company, I wish her all the success in her future endeavours. I also express my appreciation to fellow board members and the members of the Audit Committee, Remuneration Committee, Nomination Committee and Related Party Transactions Review Committee for their diligence.

(Sgd.)

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

Chairperson

19th June 2018
Colombo

Management Discussion and Analysis

Guardian group portfolio

The Ceylon Guardian portfolio value as at 31st March 2018 was Rs. 18.13 billion which comprises a discretionary component of Rs. 13.92 billion and a group strategic holding of Rs. 4.21 billion. The total portfolio has declined to Rs. 18.13 billion from the start of the financial year of Rs. 18.39 billion due to the reduced value of the strategic holding. The discretionary component invests in listed companies which are thoroughly analyzed using fundamental analysis and selected into the portfolio based on their value

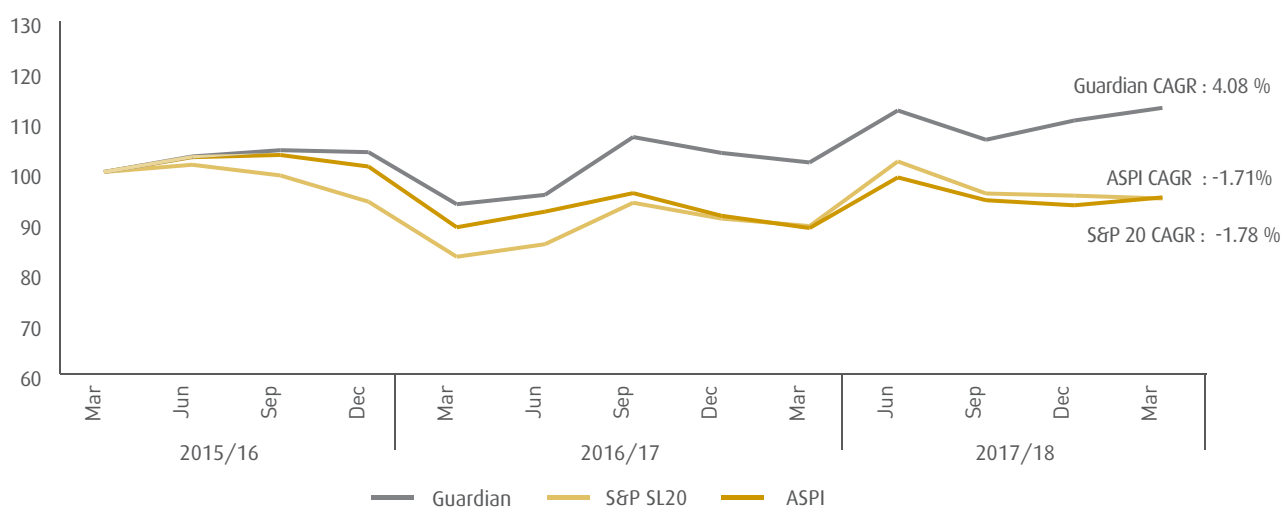
proposition. The discretionary portfolio continues to perform well and has grown by Rs. 1,460.5 million, prior to dividend payment to shareholders. This translates to a growth of 11.17% compared to the All Share Price Index growth of 6.84% for the financial year. Over a 3 year period the discretionary portfolio has grown by 12.73% thereby outperforming the ASPI which has fallen by -5.04%. Over a 5 year time horizon the discretionary performance has been 37.37% for the last five years and outperforming the market by approximately 24.44%.

Guardian group portfolio performance

| | As at 31/03/2018 | 31/03/2017 | Change % | As at 31-Mar- 2018 (Dividend adjusted) * | Dividend adjusted performance |
|------------------------------------|---------------------|------------|----------|--|-------------------------------------|
| Discretionary portfolio (Rs. '000) | 13,923,347 | 13,078,794 | 6.46% | 14,539,307 | 11.17% |
| Total Portfolio (Rs.'000)* | 18,135,671 | 18,396,828 | -1.42% | 18,751,631 | 1.93% |
| ASPI (Points) | 6,476.78 | 6,061.94 | 6.84% | | 6.84% |
| S&P 20 (Points) | 3,650.10 | 3,438.88 | 6.14% | | 6.14% |

*After adding back the total cash outflow from the distribution of dividend by the Group which was Rs. 615.96 Mn during the period.

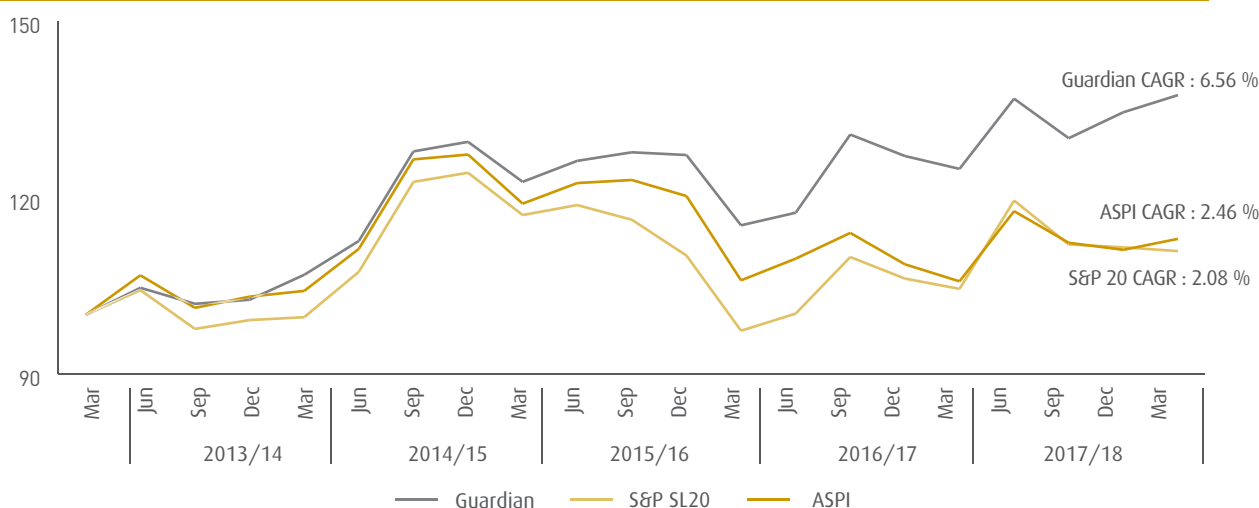
Three year track record - Guardian discretionary portfolio



Indexed performance (base point as at 31-Mar-2015)

!! The discretionary portfolio continues to perform well and has grown by Rs. 1,460.5 million, prior to dividend payment to shareholders. This translates to a growth of 11.17% compared to the All Share Price Index growth of 6.84% for the financial year. !!

Five year track record - Guardian discretionary portfolio



Indexed performance (base point as at 31-Mar-2013)

The local equity market began the financial year with a strong start buoyed by higher foreign participation and improved macroeconomic prospects arising from recent sovereign bond issuance (March 2017) and fiscal consolidation plans. However, declining economic growth which seeped into consumption related company results along with rising commodity trends affecting manufacturing companies resulted in market performance slowing down. Furthermore, high interest rates and unclear policy direction has also deterred investor participation from the Colombo Stock Exchange. However, the stock market shows significant potential in the medium term as it trades at a discount to historical valuations and we feel the realization of this value will occur as the economy develops. Ceylon Guardian will continue to invest in fundamentally strong undervalued companies with the intention of increasing value in the long term. With the enactment of new foreign exchange control laws in Sri Lanka we will explore opportunities of investing in foreign markets.

One of the top contributors to the portfolio performance has been Sampath Bank which gave a return of 15.8% for the financial year. The bank being the 5th largest amongst the licensed commercial

banks continues to achieve above industry average loan growth rates, improving cost efficiencies and non-performing loans being reported at 1.64% for 2017. The continuous improvement in all these aspects has resulted in the bank reaching attractive ROE of 23.35% for 2017. A prior concern with Sampath bank was the lower levels of capital adequacy relative to peers, however, this has been addressed with an aggressive capital mobilization where the bank announced and successfully completed two rights issues amounting to Rs.20 billion. We continue to hold our investment with the bank to capture further medium term growth prospects

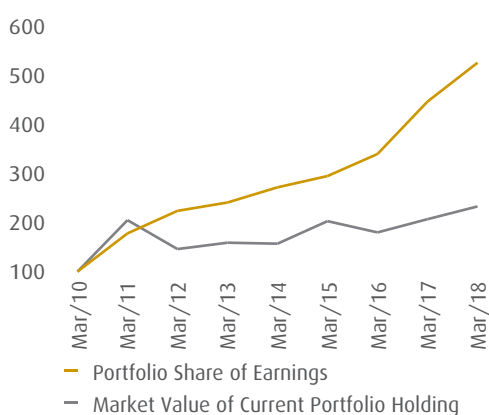
The largest sector holding within the portfolio for the Guardian Group is the banking, finance and insurance sector which accounts for 44% or a Rs. 6.1 billion allocation. Within this holding, investments in banks account for Rs. 4.1 billion spread mainly amongst HNB, Commercial Bank, Sampath Bank and Nations Trust Bank. The share price performance amongst these financial institutions for the financial year has ranged from moderate to high with large capital calls due Basel III implementation. The increased capital requirements from the Basel III implementation spurred numerous rights issues to the value of Rs. 48 billion thereby pressuring ROE's of these institutions.

MANAGEMENT DISCUSSION AND ANALYSIS

Top five holdings

| Company | Market value of the holding ('000) | Holding as a % of discretionary portfolio |
|-------------------------------|------------------------------------|---|
| Hatton National Bank PLC | 1,660,369 | 11.93% |
| Cargills (Ceylon) PLC | 1,261,146 | 9.06% |
| Commercial Bank of Ceylon PLC | 1,054,403 | 7.57% |
| Dialog Axiata PLC | 1,014,299 | 7.28% |
| Sampath Bank PLC | 979,865 | 7.04% |
| Total | 5,970,082 | 42.88% |

Portfolio Share of Earnings vs Market Value of Current Portfolio Holdings.

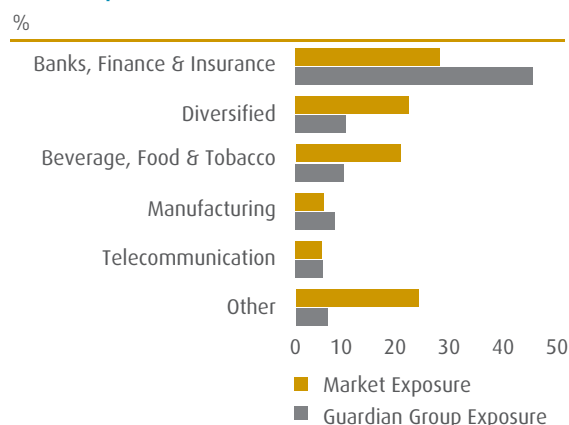


Indexed base point as at 31-Mar-2010

Historic earnings growth of the positions held in the portfolio have increased more rapidly than share price growth resulting in the valuations of these holdings becoming more attractive over time. We expect the share prices to eventually catch up to growth levels displayed by earnings and hence result in portfolio value increases.

The portfolio also holds exposures to Commercial Bank and HNB Bank which amounts to Rs. 2.7 billion as at 31st March 2018. The banks are the two largest licensed private sector commercial banks with a 11.9% and 10.5% market share of banking sector loans respectively. The current stressful economic environment means we are very watchful of the impact on deteriorating asset quality and increased provisioning. The industry will also face challenges when introducing SLFRS 9 which comes into effect for annual periods beginning on or after 1st January 2018. SLFRS 9

Sector Exposure



One of the top contributors to the portfolio performance has been Sampath Bank which gave a return of 15.8% for the financial year.

will result in a significant jump in provisioning due to the concept of expected credit losses. It is expected that new calculations for impairment provisions required under SLFRS 9 can result in an approximate 40% increase, which will have a significant one off impact on the retained earnings. Subsequent changes will however be through net profit. The impact of implementation of SLFRS 9 and Basel III capital requirements will also need to be constantly monitored going forward.

The portfolio invested a further Rs. 471 million into Central Finance PLC this year resulting in a total exposure to the company of Rs. 928.9 million as at 31st March 2018. The industry remains under pressure with regard to growing their leasing/loan books with the slowdown in new vehicle registrations with high vehicle taxes and tight LTV regulations. The re-pricing of loan book at the high lending rates prevalent, which outpaced the growth in cost of deposit and borrowings led to improved net interest margins (NIMs) during FY18 and is expected to continue through to FY19. Despite the improvement in cost efficiency ratios we are watchful of growing non-performing loans in the current economic climate. The tough environment for leasing has brought the share price of Central Finance PLC to very attractive levels of current P/BV of 0.6x levels. From a long term value perspective, we believe

!! The insurance sector holdings in the portfolio remain intact and we continue to feel that under-penetration of insurance and profitability in the life segment of the business will continue to provide upside in the medium term. !!

Central Finance PLC has substantial upside potential provided its stronghold in retail/SME segments, deposit franchise that enables low cost funding, low operating cost model and maintaining a relatively high NIM model.

Another significant contributor to Guardian's performance has been Dialog Axiata which is an 83% subsidiary of Axiata group (Malaysia) and is the leading mobile operator in Sri Lanka. The company holds the largest market share of 45% in SIM cards and is expected to benefit significantly with the growing demand for telecommunication needs of the country. The company's continuous investment in technology has laid a foundation for it to benefit from the increasing internet and smartphone penetration levels in the country. Data revenue has increased from 12% in 2014 to 31% in 2017 showing the company's ability to address declining international termination revenue and potential declines in voice revenue. The company has also made initial entry steps into digital financial services via its acquisition of a finance company providing it access to a finance company license. The constant need to upgrade its technology to remain competitive means we need to monitor its capex intensity and also regulatory changes such as taxation.

The insurance sector holdings in the portfolio remain intact and we continue to feel that under-penetration of insurance and profitability in the life segment of the business will continue to provide upside in the medium term. The general insurance industry saw consolidation taking place with a few strategic transactions giving us the opportunity to dispose of trading positions the portfolio had taken. The cyclical nature of the leasing sector has resulted in challenging times for these companies but

poses opportunity for increasing positions due to underpricing of some businesses such as Central Finance Company PLC which show long term potential.

Significant detractors to the portfolio performance include investments made in Aitken Spence Holdings and Aitken Spence Hotel Holdings. The group's large exposure to hotels has been affected negatively with the lower demand for rated hotels in Sri Lanka and higher competition in both Sri Lanka and Maldives. Aitken Spence Hotel Holdings owns and manages a star class room inventory of 1,530 rooms in Sri Lanka, 620 rooms in Maldives and 516 rooms collectively in India and Oman. Recent investments into properties such as RIU in Ahungalla, India and Oman have each met with challenges and not performed in line with initial expectations. Furthermore, rising finance costs for funds borrowed to carry out these expansions have also impacted company profits. However, 4Q 2018 quarterly results have shown a reversal of trend with occupancies across Sri Lankan and Maldivian properties showing significant improvement. In the event of a recovery within these tourist arrival segments we expect the Aitken Spence group which holds and maintains a strong hotel property portfolio to benefit immensely. We maintain our investment in the group and will be tracking future performances of the company closely and also monitoring its rising debt levels.

Financial Review and Shareholder Returns

Ceylon Guardian Group reported a profit after tax of Rs. 796.32 Mn for the year ended 31st March 2018 compared to Rs. 1,256.33 Mn recorded for the previous year. This drop was mainly as a result of revenue reduction by 31% in the current year relative to last year. The realisation of capital gains on disposal of stocks in the group portfolio is the key contributor towards the revenue and group profit. During the period under review, only Rs. 421.89 Mn was recorded as "net gain from disposal of available for sale financial assets" whereas, Rs. 983.72 Mn was recorded in the previous financial year. Last year realized gains resulted from a significant transaction of selling JKH PLC shares which generated Rs. 778 Mn of net realized gains.

!! Another significant contributor to Guardian's performance has been Dialog Axiata which is an 83% subsidiary of Axiata group (Malaysia) and is the leading mobile operator in Sri Lanka. !!

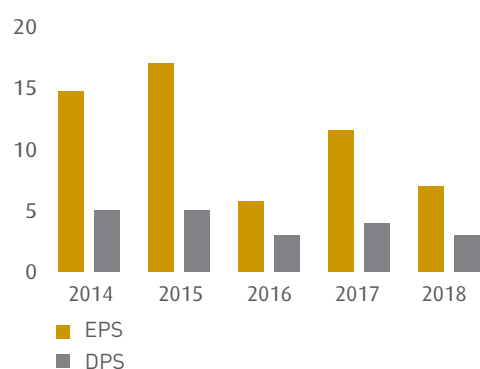
MANAGEMENT DISCUSSION AND ANALYSIS

The net fair value losses on instruments held as “fair value through profit or loss financial assets” amounted to Rs. 42.57 Mn for the current year compared to the net fair value loss of Rs. 51.21 Mn for the previous year, a factor determined solely by the changes 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, amounted to Rs. 91.35 Mn (2017: Rs. 198.83 Mn) for the period under review due to same reasons as above.

Net change in fair value of available for sale financial assets, which is the main component of other comprehensive Income, amounted to negative Rs. 336.54 Mn compared to negative of Rs. 1,180.28 Mn recorded in the previous year. A significant contributor to the negative fair value change is the Strategic Investment in Bukit Darah PLC which experienced a further share price drop of 21% (2017: 26%) and is the single long term non-discretionary holding of the Group.

EPS vs Dividends

(Rs.)

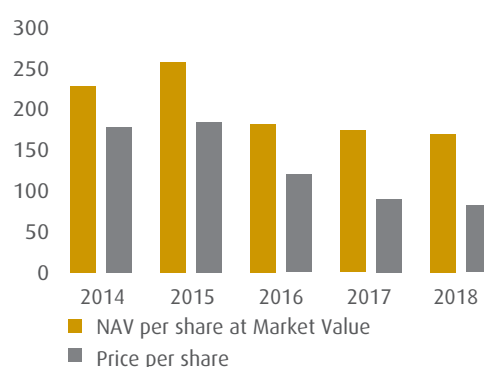


The Company declared a interim dividend of Rs. 3/- per share which is the final dividend for the year. The Company has been maintaining a consistent dividend payout to match shareholder expectations, and this year the payout ratio is 43% (2017 – 35%)

The net asset value per share (NAV) amounted to Rs. 169.74 as at the reporting date, after a depreciation of 2% from the NAV reported at the beginning of the financial year, which was Rs. 173.53. NAV is based on fair value of the Group’s total portfolio.

NAV per share (Market value) vs Share price

(Rs.)



| As at 31st March | 2018 | 2017 | Change % |
|---|----------|----------|----------|
| ASPI | 6,476.78 | 6,061.94 | 6.84 |
| NAV per share (Rs.) | 169.74 | 173.53 | (2.18) |
| Market price per share (Rs.) | 82.00 | 90.10 | (8.99) |
| Discount of NAV to market price per share | 51.69% | 48.08% | |

The Company’s share has been trading at a discount to NAV per share in the CSE over the past years. As of 31st March 2018, the market price of the Company was at Rs. 82.00 recording a drop of 8.99% for the year, and share trades at a discount of 51.69% to the NAV. Shareholder wealth depreciation during the year was 5.66% taking into account both share price movement and dividend for the year.

Private Equity

Composition of the Portfolio

Total portfolio value of Guardian Capital Partners PLC (GCP), the private equity investment arm of the Guardian Group as at 31st March 2018 stood at Rs. 686 Mn. Of the portfolio, 43% has been deployed into investments, whilst the balance is held in short term investments and cash. The largest holding in the portfolio is LVL Energy Fund Limited followed by Hsenid Business Solutions (Pvt) Ltd.

LVL Energy Fund Limited was listed on the Colombo Stock Exchange in January 2018. As the trading price as at the end of the financial year did not reflect our view of the valuation of the company no disposal of shares were made. As disclosed in the interims an exit was being closely looked at for another portfolio company, however this did not materialize as the potential acquirer was unable to raise the requisite funds. Discontinuation of business activities at the Swiss Institute for Service Industry Development (Pvt) Ltd and challenges faced by Kashmi Singapore PTE Ltd in continuing operations resulted in the company having to make an impairment loss for the sums invested in these companies.

| Figure 1: Portfolio Composition & Cash Balance | 2018 | 2017 |
|--|------|------|
| LVL Energy Fund Limited | 102 | 15% |
| Hsenid Business Solutions (Pvt) Ltd | 70 | 10% |
| Findmyfare (Pvt) Ltd | 45 | 7% |
| Access Engineering PLC | 47 | 7% |
| Swiss Institute for Service Industry Development (Pvt) Ltd | 42 | 6% |
| Expolanka Holdings PLC | 34 | 5% |
| Kashmi Singapore PTE Ltd | 10 | 1% |
| | 350 | 51% |
| Impairment Loss | | |
| Swiss Institute for Service Industry Development (Pvt) Ltd | -42 | -6% |
| Kashmi Singapore PTE Ltd | -10 | -1% |
| | -52 | -8% |
| Invested portfolio as at 31st March 2018 | 298 | 43% |
| Cash and short term investments as at 31st March 2018 | 388 | 57% |
| | 686 | |

Impairment Loss

Swiss Institute for Service Industry Development (Pvt) Ltd

The Rs. 42.1 Mn investment in Swiss Institute for Service Industry Development (Pvt) Ltd had to be fully provided for as the operations of the company had to be discontinued due to an alleged misappropriation of funds. Legal proceedings are underway and further necessary action on the position will be taken based on the progress seen in the same. Swiss Institute was a startup venture set up to provide vocational training to the hospitality and banking sector. The institute had entered into partnerships with the Swiss Hotel Management Academy of Lucern and the Swiss Banking Consulting and Training Academy, to provide certification and curriculum. The company was looking to capitalize on the growth in the tourism sector in Sri Lanka and resultant shortage for suitably trained staff.

Kashmi Singapore PTE Ltd

During the last quarter of the financial year, the board of directors of Kashmi Singapore PTE Ltd informed investors that the company will be discontinuing operations due to challenges faced by the Company which made it difficult to continue operations. Based on the said communications received from the Board of Directors of Kashmi, the Rs. 10.3 Mn investment in the company was written off by GCP. However subsequent to the write off, the promoters have now informed investors that they have received some interest in the digital banking platform from financial service providers in Sri Lanka and overseas. Hence they would hold off on discontinuing operations to pursue this development. However, we will continue to monitor the situation before taking a decision on changing our view on the value of the stake. Kashmi, which is based out of Singapore, developed a Peer to Peer mobile payment solution with embedded social media functionality. The company was founded by a group of young Sri Lankan entrepreneurs, operating out of Singapore and Sri Lanka.

A description of the remaining portfolio companies have been set out below.

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 140.3 Mw, of which 104.4 Mw is accounted for by thermal plants located in Bangladesh. The balance capacity is located in Sri Lanka of which 21.1 Mw is in hydro and the balance is in wind power plants.

MANAGEMENT DISCUSSION AND ANALYSIS

The company was listed on the Colombo Stock Exchange on 9th January 2018. Whilst part of the proceeds were earmarked for debt settlement, part will be deployed into new projects, the largest being a 10 Mw hydro power plant in Nepal.

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 consolidating its investments in the overseas markets, and reviewing its strategy and markets to focus on going forward. Hsenid counts many of the largest Sri Lankan companies as its client. Similarly Hsenid works with some of the largest and reputed companies in the overseas markets it operates, where due to its superior product and service offering, the company has been able to compete against both local as well as international players. However competition is increasing in the space, with companies like Oracle and SAP showing keenness grow the HRIS segment.

Access Engineering PLC

Access Engineering PLC (AEL) is engaged in construction and real estate businesses. AEL is one of the leading C1 contractors in the country involved in construction of buildings, roads & highways, water & waste water management, bridges & flyovers, harbours & marine work, dredging & reclamation, telecommunication, irrigation & land drainage, and piling. Given the infrastructure development thrust in Sri Lanka, exposure to AEL would enable us to benefit from the growth trends in this sector.

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 vertical in the travel market. In addition to flight bookings, the company is looking to grow areas such as hotel bookings, tour packages, corporate travel and the sub agent business. The company is in the process of raising a second round of funding to invest for future growth.

Expolanka Holdings PLC

Expolanka is one of the leading freight forwarders in the South Asian region, specialized in the garments/apparel vertical. SG Holdings Global PTE LTD, a leading logistics company in Japan, is the majority shareholder of the company with a 51.4% ownership stake. SG Holdings is working together with the founding shareholders to further the company's growth in the freight and logistics space. 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.

Progress on Joint Venture with Small Enterprise Assistance Funds

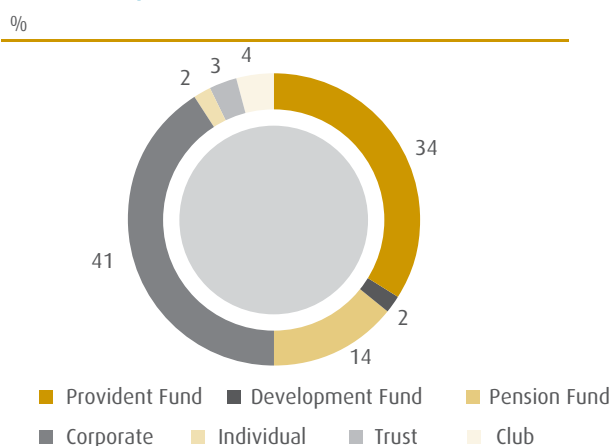
The proposed USD 50 Mn private equity fund, which was to be jointly managed with Small Enterprise Assistance Funds (SEAF), has been extremely challenging and we are exploring the viability of the venture going forward. GCP and SEAF are looking at alternatives available for the venture and a decision will be taken soon. Given the above fund raising activities for the fund have been temporarily discontinued.

Our Capital Markets Business

Discretionary Portfolio Management Solutions

Ceylon Guardian also provides discretionary portfolio management services to clients which involves customized strategies in both fixed income and equity markets. Ceylon Guardian's client mandates have all performed above their respective benchmarks and enjoy a superior service in portfolio management. The AUM (assets under management) from the discretionary client portfolio business was recorded at Rs.3.15 billion as at 31st March 2018. This business is complementary for Guardian.

Discretionary Portfolios Break UP



Unit Trusts

Guardian Acuity Asset Management (GAAM) is our joint venture company with Acuity Partners, which is the investment banking arm of HNB and DFCC Bank, was incorporated approximately 6 years ago with the intention of marketing unit trusts to the general public. Guardian continues to provide fund management competency for the joint venture while Acuity partners provides its marketing and distribution expertise.

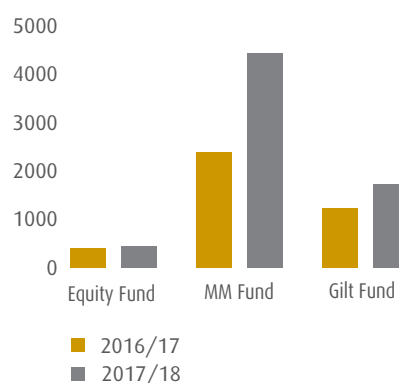
GAAM offers three unit trusts strategies which include Money Market that invests in short term debt, Money Market Gilt Fund which invest in short term government securities and an Equity

|| The unit trust funds had a significant concentration of corporate clientele that enjoyed the tax exempt returns in the past. With the recent removal of the exemption we experienced a significant decline in this segment's AUM. However, unit trusts have the potential to play a pivotal role in developing the economy by channeling funds towards efficient investments thereby strengthening the capital market framework. ||

Growth Fund which focuses on fundamentally strong stocks. The new inland revenue act implemented in April 2018 has removed tax exemptions from unit trust returns which led to a decline in industry Assets Under Management from Rs. 135 billion to Rs. 71 billion upon crossing over to the new financial year. Although, the exact mechanism of applying taxation to unit trust returns is yet to be finalized by the ministry of finance and Inland Revenue Department, there is an understanding that unit trust returns going forward will be a tax neutral vehicle. GAAM's assets under management as at December 2017 was Rs. 7.3 billion which declined to Rs. 6.6 billion as at 1st April 2018 declining less than the overall industry.

Assets Under Management

(Rs. Mn)



MANAGEMENT DISCUSSION AND ANALYSIS

The unit trust funds had a significant concentration of corporate clientele that enjoyed the tax exempt returns in the past. With the recent removal of the exemption we experienced a decline in this segment's AUM. However, unit trusts have the potential to play a pivotal role in developing the economy by channeling funds towards efficient investments thereby strengthening the capital market framework. By strengthening our sales functions, we expect to generate more interest in unit trusts from high net worth individuals and mass affluent investors. This requires the company to increase its efforts in creating awareness and also working with regulators and other stakeholders to make investments in unit trusts more attractive. We expect to invest further into strengthening the sales and marketing function of the business and this may affect the profitability of the company in the short term. We are confident that in the medium term the potential for unit trust business can be reached.

All three of our unit trust funds performed well for the year providing investors superior actively managed returns. The Guardian Acuity Equity fund provided investors 10.3% CAGR return since inception while the money market and money market gilt funds which are more short term oriented provided annual returns of 11.7% and 9.2% for the 12 months ending 31st March 2018.

GAAM voluntarily claims adherence to the Asset Managers Code of Conduct, CFA institute USA. Last year our JV company was awarded silver and bronze under the best unit trust funds category at the capital markets award 2017 organized the CFA Sri Lanka society.

Returns from our range of unit trusts

| Period FUND | FY2017/2018 | | Since Inception- 31st march 2018 -Cum | | Since Inception- 31st march 2018 -CAGR | |
|------------------------|-------------|------------------|---------------------------------------|------------------|--|------------------|
| | Fund Return | Benchmark Return | Fund Return | Benchmark Return | Fund Return | Benchmark Return |
| Equity Fund | 10.95% | 6.84% | 81.17% | 18.26% | 10.25% | 2.79% |
| Money Market Fund | 11.72% | 9.30% | 81.36% | 64.55% | 10.26% | 8.52% |
| Money Market Gilt Fund | 9.24% | 9.30% | 27.30% | 26.47% | 8.32% | 8.08% |

Foreign investment in the domestic equity and government security market was impressive in calendar year 2017 but gradually lost steam in 2018 with global risks arising and local political concerns being highlighted.

Economy

Sri Lanka's GDP growth experienced a broad-based slow down to 3.1% in 2017 with all three subsectors experiencing challenges. Agriculture witnessed another year with adverse weather patterns affecting production. Although we expect a recovery off a low base in 2018, erratic weather conditions again may hamper such a recovery. The industry sector also experienced deceleration with a consumer led slowdown despite ongoing construction of large scale projects. The service sector which contributes the highest to GDP also decelerated to 3.1% for 2017 with wholesale/retail trade, transportation and financial services all displaying docile growth levels.

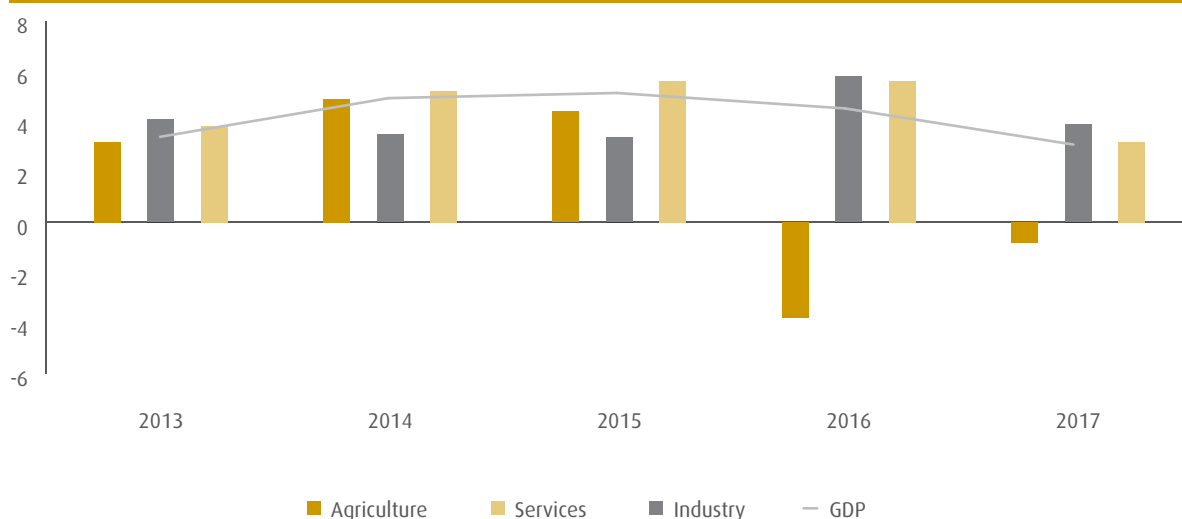
A generally tight monetary policy prevailed within the economy and was required to reduce excessive credit growth and curtail trade imbalances. As credit growth and inflation eased throughout the year, the central bank and government were able to grow much needed Gross Official Reserves to US\$9.9bn by April 2018. Foreign investment in the domestic equity and government security market was impressive in calendar year 2017 but gradually lost steam in 2018 with global risks arising and local political concerns being highlighted.

The IMF reviews for the three-year Extended Fund Facility remains on track with commitments made by the government progressing towards achievement. Some of the key commitments which have gained ground include fiscal consolidation, strengthening reserves and curtailing demand led inflation. The implementation of the inland revenue act was a significant step in the country's much needed fiscal consolidation and we hope to see steps taken toward widening the tax net in the next few years.

External debt repayments over the next 5 years with sovereign bonds maturing will put pressure on the country's balance of payments. However, the country was able to raise USD 2.5bn sovereign issue in April 2018 at commendable premiums and shows that as long as Sri Lanka's macroeconomic fundamentals do not deteriorate approaching the international market is possible to rollover the maturities ahead. However, interest rates may experience upward pressure depending on how the country is able to navigate the debt repayments with the strengthening global economy and upward trend in policy rates of developing nations.

Sector Wise GDP Growth Rate

(Rs.)



MANAGEMENT DISCUSSION AND ANALYSIS

Equity Market Review

The All Share Price Index (ASPI) provided a moderate 6.84% return for the financial year ended March 2018. Improvement in economic conditions relative to the previous year helped the ASPI along into market into positive territory. The lackluster growth was influenced by numerous factors which included a sub-par collective normalized earnings growth of 5% by the listed firms in the CSE for review period. A tight economic environment with higher interest rates although necessary for macroeconomic stability, curtailed bottom line growth of consumer related sector stocks and also reduced domestic participation levels within the equity market. Furthermore, rising global commodity prices negatively influenced GP margins of manufacturing companies which dampened growth within this sector too. Despite the relatively muted returns of the ASPI, there was opportunity for bottom-up stock pickers to make significant above market returns where the Guardian discretionary portfolio provided a return of 11.17% for the financial year, prior to dividends paid to shareholders.

Global stocks closed the calendar year 2017 with some of its best performances since the post-crisis recovery with improved global economic growth rates. The growth was seen accelerating in the US, Europe and Asia thereby boosting investor confidence. Net foreign flow from this global 'risk-on' sentiment for 2017 was robust with Rs.18.4 billion inflow helping sustain the CSE in positive territory. Despite global equity markets remaining

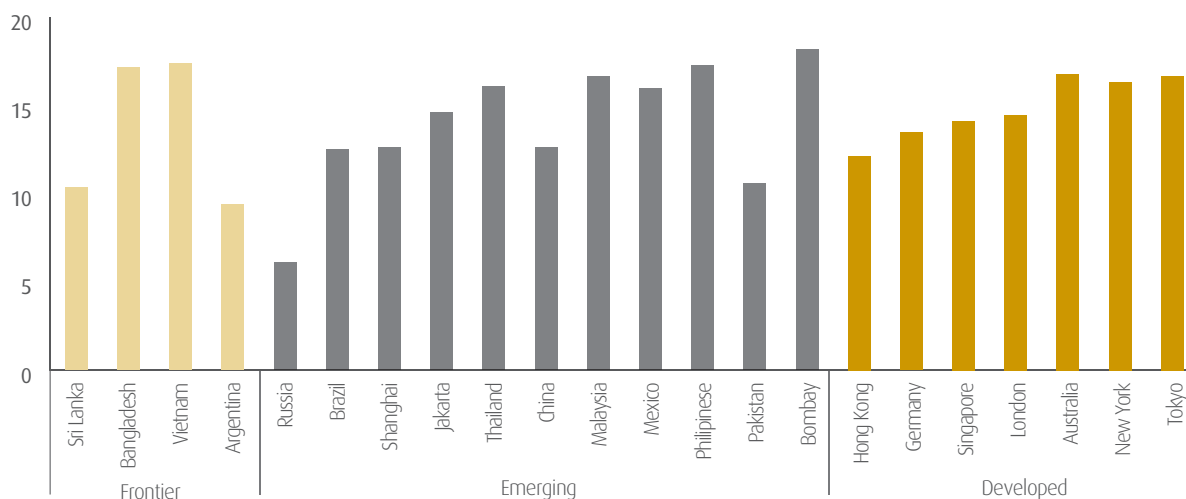
in positive territory in 2018 thus far, concerns on tightening monetary policy adopted by some advanced economies and geo-political stability to affect security and commodity prices particularly oil may result in a more constrained global equity performance in 2018. Net foreign flows as at 31st March 2018 showed an outflow of Rs. 2.6 Bn, however after adjusting for strategic transactions, there is actually an inflow of Rs. 7.1 Bn

Sectors that performed well for the financial year included Diversified (+17.7%), Bank Finance & Insurance (+16.5%) and beverage food and tobacco (+8.9%). Sectors that didn't perform included Manufacturing (-10.2%) on account of rising commodity prices and lower demand conditions. Construction sector returns (-1.65%) is largely account of escalating cost conditions eroding margins. As the economy eventually recovers we expect individual sector earnings to improve and thereby resulting in increasing sector returns.

Market capitalization as at 31st March 2018 was Rs. 3.03 trillion compared with Rs. 2.66 trillion a year ago. As highlighted in our previous annual review, earnings growth continues to outpace market price growth over the last 5 years based on our universe of stocks that we track. Earnings growth is expected to be 10-11% in FY19E compared to around 5% in FY18E. The All Share Price Index remains attractive at current levels with a 1 year forward PER of 9.3X based on our coverage which accounts for 72% of the market capitalization.

Peer Market PE (Forward PE)

Ratio



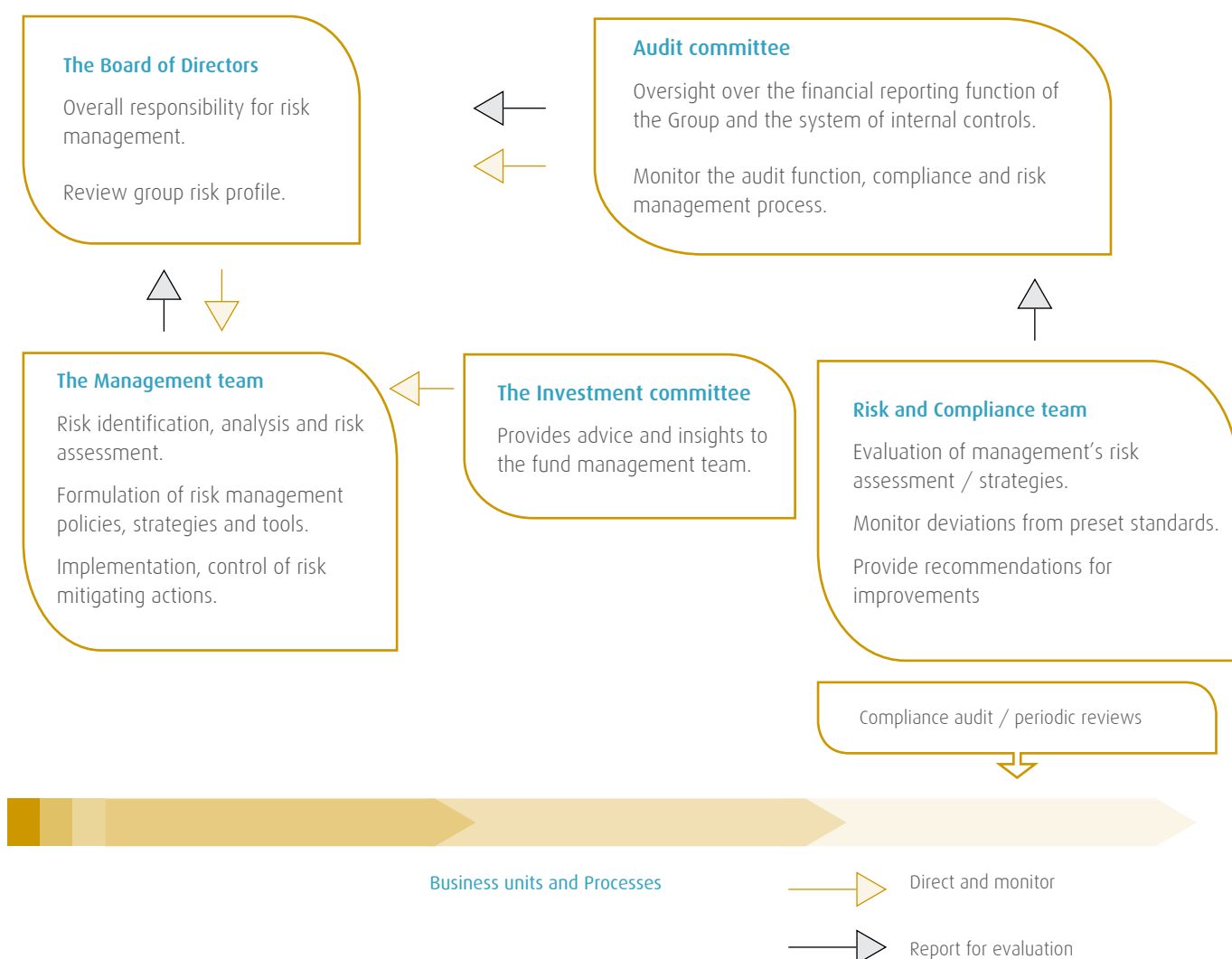
Risk Management

Overview of Risk Management

Risk Management is the process of identification and assessment of risks arising due to factors which are internal and external to the entity, and implementation of identified, mitigating actions to address such risks. Management of risk helps to avoid or minimise unanticipated losses being incurred. It is not a one time or periodic assessment, rather it is a continuous process, which is also an integral part of normal business operations and the management of the entity.

Risk Management Structure at Ceylon Guardian

The Risk Management structure established at Ceylon Guardian Group is applicable across the parent company and all other entities of the Group. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has delegated this function to the Management of Guardian Fund Management Limited (GFM) which is a fully owned subsidiary of the company, the Fund Managers and Carsons Management Services (Private) Limited (CMSL), the Managers; who are responsible for developing and monitoring the Ceylon Guardian



RISK MANAGEMENT

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 |
|--|---|
| Macro environmental risks: 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. | |
| Country risks 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">• 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.• 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 |
| Currency risks The risk associated with any fluctuations of foreign exchanges rates against Sri Lanka Rupee. | <ul style="list-style-type: none">• The Sri Lanka Fund, of which the reporting currency is US dollars, is exposed to risk of currency impact on translation |

| Risk Category | Impact and mitigating strategies |
|--|--|
| <p>Market risk - domestic</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"> 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. 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. 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. |
| <p>Market risk - international and external</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"> 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. 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. |
| <p>Portfolio Risks:</p> <p>The risk arising due to investment strategy, factors inherent to investment instruments and composition of the portfolio which affect the return of the portfolio.</p> | |
| <p>General securities risk</p> <p>Inherent investment risks associated with the particular investment instrument or issuing entity of the security. The price or value of any security may fluctuate, resulting in possible loss not only of returns and profits, but even all or part of the principal sums.</p> | <ul style="list-style-type: none"> 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. |

RISK MANAGEMENT

| Risk Category | Impact and mitigating strategies |
|---|---|
| Concentration risk <p>This is the risk that the portfolio is over exposed to a particular sector / sectors or a security / securities resulting in the risk and return of the portfolio being over dependent on the performances / risk profiles of those sectors or securities.</p> | <ul style="list-style-type: none"> 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. |
| Liquidity risk <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"> 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. 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 We agree with the investee company on possible exit mechanisms. |
| Regulatory and compliance risk: <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"> 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. Periodic training programs for staff to improve the awareness of changes in applicable laws and regulations. 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. Internal audit monitors compliance with all regulatory provision. |

| Risk Category | Impact and mitigating strategies |
|--|--|
| <p>Operational Risks :</p> <p>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 the following key areas which are significant in the context of investment and asset management operations.</p> | |
| <p>Systems and process risks</p> <p>The Company's business operations are structured in a way that, those are performed as interconnected / interdependent processes. The divisions of the company, either separately or collectively are responsible for the functions of these process which utilise human / physical resources and information systems</p> | <ul style="list-style-type: none"> • 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. |
| <p>Reputation risk</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"> • A sound system of internal controls and quarterly internal audits are carried out by the internal audit department. • A Code of Ethics signed by all staff and constant education and awareness of the code. • Regular staff communication. |

RISK MANAGEMENT

| Risk Category | Impact and mitigating strategies |
|---|--|
| Staff risks A fund management operational unit requires qualified professionals with experience in the fund management industry. Knowledge of the operating mechanism of the market as well as its norms and ethics is of importance. | <ul style="list-style-type: none">• 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. |
| | <ul style="list-style-type: none">• 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. |

Profiles of the Directors

ROSE COORAY

Rose Cooray is the Chairperson of Ceylon Investment PLC, Ceylon Guardian Investment PLC, HNB Assurance PLC, HNBGI LTD. and Sithma Development (PVT) LTD. She is a Director of Hatton National Bank PLC 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 and Pegasus Hotels of Ceylon PLC. He also serves as the CEO of Guardian Fund Management Limited and serves as a board member of other investment sector companies within the Ceylon Guardian 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.

Mr. Chia was appointed as a Term Trustee of the Singapore Indian Development Association (SINDA) on 1st July 2017.

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 Limited and a board/advisory board member of various investment businesses investing in Asian economies. Originally, he specialised in financing major capital projects in the Middle East, Far East and North Africa while at Lazard Brothers. He later spent 18 years in various senior positions within the Lloyds Bank group where, amongst his various responsibilities, he established and directed the bank's first merchant banking office outside London based in Hong Kong to cover the Indian sub-continent and East Asia and he directed the Bank's long-established Portuguese operations based in Lisbon. On returning to London, he created a number of the early investment funds for Asian, African and emerging European economies.

Since 1991, he has held a wide range of non-executive positions as an independent director/adviser primarily for Asia-oriented investment companies. He was the Chairman of JP Morgan Chinese Investment Trust Plc, the Senior Independent Director of Fidelity Asian Values Trust Plc and, as a co-founder of Emerisque Brands, an East/West management buy-in company, he chaired its three Shanghai-located Chinese joint ventures.

Amongst his many firsts in a career dedicated to developing frontier and emerging markets, he originated, created and chaired listed investment funds for Portugal, Thailand and Russia East of the Ural Mountains; he also originated funds for Vietnam and Mauritius and served on the Board of the first private equity fund of funds for India and a Korean fund dedicated to investing in Korean initiatives in China. He is a frequent visitor to China and is on the advisory board of China Resolutions Ltd, a company established to assist Chinese companies listed overseas to meet international standards of good corporate governance.

RUVINI FERNANDO

(Resigned from the Board w.e.f. 30.09.2017)

Ruvini Fernando was a Director and CEO of Guardian Fund Management Limited, Investment Managers of the Ceylon Guardian Group and a Director of Guardian Acuity Asset Management Limited, the Group's licensed Joint Venture for unit trust management up to 30th September 2017. She was appointed to the Boards of listed companies of Ceylon Guardian Group as an Executive Director in 2016, which position she held until 30th September 2017. She was also a Director of The Sri Lanka Fund, a country fund dedicated to Sri Lankan equities until the same date.

Management Team



Krishna Selvanathan

(BA. Accounting & finance and Business Administration)

Director / CEO of Guardian Fund Management Limited. He is also a Director of Ceylon Guardian Investment Trust PLC. Refer page 22 for his detailed .profile



Tharinda Jayawardena

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

Director / Head of Research, Guardian Fund Management Ltd. Has over 12 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 13 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

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

Senior Fund Manager, Guardian Fund Management Limited/ Guardian Acuity Asset Management Ltd. He has over 11 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. He is a chartered financial analyst (CFA) and an associate member of the Chartered Institute of Management Accountants, UK. He was a visiting lecturer at department of finance, University of Sri Jayewardenepura.



Lakmal Wickramaarachchi

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

Financial controller, Guardian Fund Management Limited. Commenced career at KPMG, Chartered Accountants, prior to joining the Carsons Group. Counts over 11 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 | Portfolio Operations Team | Finance Team | Research Team |
|--|--|---------------------------------------|--|
| Sashika Wickramaratne Crishani Perera | Priyan De Mel Indramali Samarasinghe Deemantha Kaushika Shewantha Peiris Thisaru Kavinda Isuru Gunawardhana | Omesha Piyumi Prabhath Dissanayake | Harindi Hettigamage Avin Fernando Pasan Illangaratne Vinu Wijemanne Rasika Nanayakkara |

Sustainability Report

THE YOUTH TO NATION FOUNDATION – PROMOTING YOUTH ENTREPRENEURSHIP IN SRI LANKA

We, Ceylon Guardian, believe that promoting youth entrepreneurship is an essential condition for a robust, dynamic Small and Medium Enterprise (SME) sector in the Sri Lankan economy. This ethos is captured within the vision of the “Youth To Nation Foundation”, to seek out promising young entrepreneurs who add value to society, and harness their business capabilities by providing them access to financial, technical and non-technical resources.

We believe that our efforts lead to long-term economic and social benefits, such as generating employment and empowering women and youth of marginalized communities, encouraging innovation and entrepreneurial culture, and enhancing social cohesion by strengthening the family unit.

Young Entrepreneurs Development Programme

The Youth To Nation Foundation (YNF) and its flagship programme, the Young Entrepreneurs Development Programme, were launched in 2013 under Ceylon Guardian Investment Trust PLC and Ceylon Investment PLC. Under this ongoing programme a group of beneficiary entrepreneurs are selected by a multi-functional team. Selection is based on the strength of their 3-year business plan,

evidence of their business track record, and most importantly, the extent to which their business has the potential to create socioeconomic value – through utilization of local raw materials, providing direct and indirect employment opportunities, and earning or saving of foreign exchange.

YNF provides selected entrepreneurs with a comprehensive business incubator that includes financial and non-financial facilitation, that nurtures their progress for the next three years. Through the incubator process, these entrepreneurs are provided individualized intervention in support of achieving their business plan. Towards this, the dedicated YNF team conducts regular field visits and also collaborates with major stakeholders such as employees, key buyers, suppliers and outsourced workers.

Key Performance Indicators

YNF intervention is carried out via a comprehensive and systematic process that assesses entrepreneur progress on pre-determined Key Performance Indicators (KPIs). These include both qualitative and quantitative indicators, and reflect a holistic approach to growth. By regularly mapping out business performance along these indicators, the YNF team is able to identify the priority areas for intervention and continuous improvement.

KEY PERFORMANCE INDICATORS FOR BENEFICIARY ENTREPRENEURS

| 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 |

New Initiatives

In the year under review YNF embarked on several value-adding initiatives, with the aim of enhancing the programme’s reach and long-term impact. For instance, we strengthened our partnerships with local governmental, non-governmental and international stakeholders such as the regional chambers of commerce,

divisional secretariats, the Small Enterprises Development Division (SEDD) under the Ministry of National Policies and Economic Affairs, SAARC Business Association of Home Based Workers of Sri Lanka (SABAH Sri Lanka), USAID and the United Nations Industrial Development Organization (UNIDO).

We also extended our scope towards the Puttalam District, in addition to our existing focal districts of Hambantota, Matara,

Ratnapura and Colombo, with the collaboration of the Divisional Secretariat of Nattandiya and the Federation of Associations of Small and Medium Enterprises of Sri Lanka (FASME).

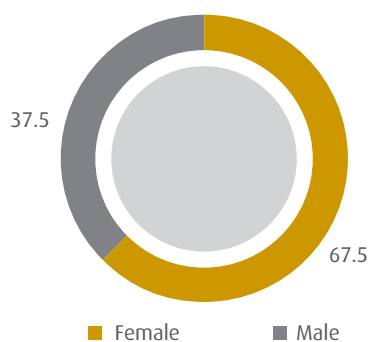
OUR GROWING FUNDING PORTFOLIO

| Year | New | No. of Beneficiaries | | Total Value of Funds Disbursed (Rs.) | |
|------|-----|----------------------|------------|--------------------------------------|------------------|
| | | 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 |
| 2017 | 1 | 1 | 22 | 1,876,000 | 20,757,660 |

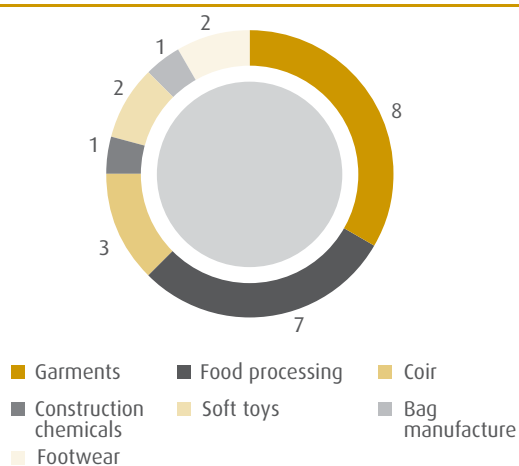
YEDP BENEFICIARIES

By Gender

%



By Industry



Competency Development Workshops

With a view to providing a greater benefit to a greater number, YNF continued to conduct competency development workshops within our focal districts, facilitating a wider range of SME entrepreneurs towards business skill development. Such workshops are conducted in collaboration with our partner organizations, based on assessed competency needs of the target participants. To-date, 15 workshops have been conducted for approximately 560 SME entrepreneurs in Matara, Hambantota, Ratnapura, Colombo and Puttalam districts. Facilitators include both internal staff and external experts of repute.

In the year under review, three workshops were conducted in Matara, Nattandiya and Hambantota for approximately 135 entrepreneurs, in food safety practices, business strategy and footwear manufacture, respectively.



Workshop on “Strategies for Business Success”, conducted in February 2018 in Nattandiya

Our Impact – A Few Success Stories



Dhammika Sujith Kumara – manufacturer of value added coir products, Weeraketiya

Dhammika started his coir business in 2001 together with his brother, by reviving an abandoned coir mill in his village in Weeraketiya. When he was introduced to YNF by the Hambantota District Chamber of Commerce in 2015, he was already an established entrepreneur, running his own fibre mill, growbag production plant and coir pot manufacturing plant. He had 40 direct employees, plus, a further 10-15 low income households in the area to whom he outsourced coco peat drying.

YNF facilitated Dhammika to invest in new machinery to expand his production of growbags, which have a captive export market. Through the incubator process, YNF also encouraged him to maintain better accounts, minimizing workplace hazards and improving health and safety for employees.

Since his affiliation with YNF, Dhammika has expanded his aggregate volume of production by over 50%, both through mechanisation and increasing his workforce. He currently employs 60 direct workers. The expansion in scale of production has further resulted in higher returns for existing outsourced workers, and also suppliers of coconut husks in the region. He is also a regular buyer of coco peat from another YNF beneficiary from the region.

Along with the expansion in volumes and revenue, Dhammika has ventured into new products such as fine coco peat bricks, also targeting the export market. The business has also seen qualitative improvements in terms of regularization of employment, better health and safety practices, systematic bookkeeping and fire safety systems.



Eco-friendly flower pots manufactured using coir fibre and natural latex



Anusha Warnakula – manufacturer of infant garments, Kaburupitiya

Anusha started her business as a stay-at-home mother, stitching infant garments for her friends' children, in 2013. When she was introduced to YNF by the Matara District Chamber of Commerce and Industry in 2014, she was working on her own using a single sewing machine. Production and storage was within her home itself as she lacked a suitable production facility. However, as a provider of high-quality infant garments manufactured using local raw materials under hygienic conditions and sold to low-income mothers at affordable prices, she had the potential to succeed.

YNF facilitated her to renovate an idling building of hers, and convert it into a fully-fledged production facility with capacity for 6 workers, and also to install the necessary infrastructure, furnish and equip it with machinery. As her capacity expanded Anusha was able to provide employment to several women in the locality and thereby increase volumes. Thereafter, YNF introduced her to direct marketing channels to maternity clinics in the region, which proved successful to expand her markets and reach out to a captive customer base. Through the incubator process, YNF also assisted her to improve her costing and inventory management and conducted employee awareness sessions on hygienic manufacturing practices and employment regularization.

Anusha's primary customer base includes maternity clinics in Matara and Hambantota districts, and also selected retail outlets in the Southern Province. She has introduced several innovative products, including a 'baby carrier' and 'baby package', which includes the complete list of products required by the nursing home or hospital from an expectant mother.



Anusha promoting her products at a local maternity clinic



Gihan Samarasekara – batik manufacturer, Kirimetimulla

Gihan took over the family business of traditional batik making in 2013. When he was introduced to YNF by the Matara District Chamber of Commerce and Industry in 2016, the business was already well-established, with a separate production facility near his residence in Kirimetimulla, equipped with the requisite machinery and infrastructure, plus, 35 employees both direct and indirect. Gihan had also invested in a water purification system to cleanse the waste water of chemical dyes before recycling.

Due to the seasonal nature of the business, Gihan faced ongoing challenges in managing his working capital cycle and keeping the factory running during the off-season. YNF supported him to overcome this issue by providing short-term periodic financing for working capital requirements. This helped him provide continuous employment and livelihood to his workers by maintaining off-season sales. In addition, YNF intervention drew his attention to another major business vulnerability, encouraging Gihan towards succession planning for critical functions of the business such as pattern making and designing.

Since affiliation with YNF, Gihan has increased his workforce to 50, mostly comprising of women in the locality who work from their homes, and regularized the employment of his direct workers. He has also opened a showroom and set up a new stitching facility within his residence. His peak season revenue has increased by 140% since 2015.



Traditional batik designs at newly opened showroom section

ENHANCING SOFT SKILLS 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 contributed to the facilitation of the “J’Pura Employability Skills Award Ceremony 2017”, and the “Touch the Peak – Annual Career Fair & Skills Development Workshop 2017/2018”, organized by the Career Guidance Unit of the University of Sri Jayawardenapura, held in July 2017 and October 2017, respectively.



Presentation of awards to “Best Communicators”

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 2018.

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 19th June 2018.

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.

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 14 provide an overall assessment of the business performance of the Company and the Group and its future developments. These reports together with the audited consolidated financial statements reflect the state of affairs of the Company and the Group.

4. FINANCIAL STATEMENTS

The consolidated financial statements which comprise the Statement of 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 2018 are set out on pages 50 to 113. 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. 537.3 Mn and Rs. 1,200.1 Mn (2017 – Rs. 510.2 Mn and Rs. 1,742.3 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:

4.3. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are given on pages 55 to 67.

| In Rupees Thousands | Group | | Company | |
|--|-----------|-----------|-----------|-----------|
| For the year ended 31st March | 2018 | 2017 | 2018 | 2017 |
| Retained earnings brought forward from previous year | 8,180,373 | 7,402,499 | 4,109,247 | 4,059,375 |
| Profit for the year | 616,627 | 1,028,750 | 365,897 | 313,972 |
| Other comprehensive income / (expense) for the year | (1,047) | 1,520 | - | - |
| Cash dividend | (621,462) | (266,341) | (621,462) | (266,341) |
| Effect due to change in shareholdings | - | 347 | - | - |
| Forfeiture of unclaimed dividends | 6,551 | 4,258 | 1,686 | 2,241 |
| Transfers | (455) | 9,340 | - | - |
| Retained earnings carried forward | 8,180,587 | 8,180,373 | 3,855,368 | 4,109,247 |

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

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 25 respectively.

Further, the note 33.5 provides an analysis of these financial instruments which are carried at fair value, by the levels in the fair value hierarchy.

4.5. Reserves

As at 31st March 2018, the total reserves stood at Rs. 5,653.2.Mn and Rs. 13,940.9 Mn (2017 - Rs. 5,492.5 Mn and Rs. 14,277 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.

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 2018 is given in note 12 to the financial statements.

7.2. Directors' Interest in Contracts and Shares

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

| Name of the Company | Common directors | Nature of transactions | Value of the transactions ('000) |
|--|--|--|----------------------------------|
| Carson Cumberbatch PLC | D. C. R. Gunawardena | Dividend paid | 430,676 |
| 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 (Resigned w.e.f. 30.09.2017) | Dividends received | 128,021 |
| Guardian Fund Management Limited (GFM) | K. Selvanathan Mrs. W. Y. R. Fernando (Resigned w.e.f. 30.09.2017) | Portfolio management fees paid Business development fees paid | 15,044 32,500 |
| Rubber Investment Trust Limited | D. C. R. Gunawardena | Dividends received | 106,148 |
| Carsons Management Services (Private) Limited (CMSL) | K. Selvanathan | Support service fees paid Computer fees paid Secretarial fees paid | 12,975 420 444 |
| Hatton National Bank PLC | Mrs. M. A. R. C. Cooray | Balances held in demand deposits Bank charges paid | 625 1 |
| Guardian Acuity asset Management Limited | D. C. R. Gunawardena K. Selvanathan | Dividends received | 945 |

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 2018 | 31st March 2017 |
| 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 (Resigned w.e.f. 30th September 2017) | - | - |

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

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

Mrs. W. Y. R. Fernando resigned from the Board with effect from 30th September 2017.

8.2. Directors to retire by rotation

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

8.3. Re-appointment of Directors who are over 70 years of age

As per 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 him.

9. AUDITORS

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

A sum of Rs. 460,000/- and Rs. 3,236,290/- was paid to them by the Company and the Group respectively as audit fees for the year ended 31st March 2018 (2017 - Rs. 438,000/- and Rs. 3,090,000/-). In addition to the above, the auditors were paid Rs. 225,000/- and Rs. 721,230/- (2017 - Rs. 70,000/- and Rs. 350,000/-) as audit related fees for the Company and the Group respectively during the year. Also the auditors were paid Rs. 288,149/- (2017 - 400,000/-) 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.

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 pages 46 to 49 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
- Rules of the Securities and Exchange Commission of Sri Lanka (SEC)
- Central Bank of Sri Lanka

Ceylon Guardian Investment Trust PLC is registered as an Underwriter with the Securities and Exchange Commission of Sri Lanka (SEC), whilst Ceylon Investment PLC and Guardian Fund Management Limited, subsidiaries of the Company, are registered with the SEC as underwriter and Investment Manager, respectively.

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 portfolio 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 21 to 23 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 (Resigned w.e.f. 30th September 2017). | Executive |

Each of the Non-Executive Directors of the Company have submitted a signed declaration on Independence/ Non-Independence as per Rule 7.10.2.(b) of the Listing Rules of the Colombo Stock Exchange (CSE). The said declarations were tabled at a Board Meeting held on 19th June 2018 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 five Board Meetings and the attendance of the Directors were as follows;

| Directors | Meetings Attended (Out of five) |
|--|---------------------------------|
| Mrs. M. A. R. C. Cooray | 5 |
| Mr. D. C. R. Gunawardena | 5 |
| Mr. V. M. Fernando | 5 |
| Mr. K. Selvanathan | 4 |
| Mr. T. C. M. Chia | 3 |
| Mr. C. W. Knight | 3 |
| Mrs. W. Y. R. Fernando (Resigned w.e.f. 30th September 2017) | 2 |

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

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

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.

11.5. Audit Committee

As per 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 41 to 42 of this Annual Report.

11.6. Remuneration Committee

As per 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. T. de Zoysa (Chairman) (Appointed as Chairman w.e.f. 1st November 2017) | Non-Executive/ Independent Director of CCPLC |
| Mr. D. C. R. Gunawardena | Non-Executive Director of CCPLC |
| Mr. R. Theagarajah | Non-Executive/ Independent Director of CCPLC |
| Mr. W. M. R. S. Dias | Non-Executive/ Independent Director of CCPLC |
| Mr. I. Paulraj (Resigned w.e.f. 1st November 2017) | Non-Executive 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. T. de Zoysa (Chairman) (Appointed as Chairman w.e.f. 01.11.2017) | 2 |
| Mr. D.C.R. Gunawardena | 2 |
| Mr. R. Theagarajah | 1 |
| Mr. W. M. R. S. Dias | 1 |
| Mr. I. Paulraj (Resigned w.e.f. 01.11.2017) | - |

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 to the financial statements. 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 |
|--------------------------------------|--|
| 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 |

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 with all the members in attendance.

11.8. Related Party Transactions Review Committee

As per 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 43 to 44 of this Annual Report.

Declaration

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

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

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 2018, did not exceed 10% of Equity or 5% of the Total Assets of the Company as at 31st March 2018.

The details of the Related Party Transactions are given in Note 32 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 exceeded 10% of the Shareholders' equity or 5% of the total assets, of the Company as at 31st March 2018.

2. Recurrent Related Party Transactions

There were no Recurrent Related Party Transactions where the aggregate value of the Recurrent Related Party Transactions exceeded 10% of the Gross Revenue/ Income of the Company, as per the 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 15 to 20 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 2018 was 20 (31st March 2017 -20).

14. EQUITABLE TREATMENT TO SHAREHOLDERS

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

15. DIVIDENDS

A first interim dividend of Rs. 3/- per Ordinary Share and Deferred Share for the financial year ended 31st March 2018 was paid to the shareholders of the company on 26th March 2018.

The Board of Directors has not recommended a Final dividend for the financial year ended 31st March 2018.

The details of the dividends mentioned above are set out in note 17 to the Financial Statements.

16. SOLVENCY TEST

The Directors having satisfied that the Company met the Solvency Test requirement under Section 57 of the Companies Act, No. 07 of 2007 obtained a Certificate of Solvency from the company's Auditors, Messrs. KPMG, Chartered Accountants with regard to the first interim dividend as mentioned above.

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 27 to the Financial Statements.

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

18. INVESTMENTS

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

Investments in subsidiaries are detailed in note 20.

Investment in equity accounted investee is explained in detail in note 21.

Investments in Available for sale financial assets are disclosed in note 22.

The investment portfolio of fair value through profit or loss financial assets are disclosed in note 25.

19. CAPITAL EXPENDITURE

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

| In Rupees Thousands | Group | |
|----------------------------|--------|------|
| | 2018 | 2017 |
| Property plant & equipment | 450 | 421 |
| Intangible assets | 22,227 | - |

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 35 to the Financial Statements, if any.

23. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The contingent liabilities and commitments made on account of capital expenditure as at 31st March 2018 are given in note 36 to the Financial Statements, if any.

24. EXPENSES ON CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

During the year, no expenses were incurred on CSR activities. However, the Group and the Company incurred Rs. 5 Mn and Rs. 2.5 Mn respectively as CSR related expenses for the year ended 31st March 2017 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 114 to 115 and 122 to 123 of the Annual Report.

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

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.

| As at 31st March | | 2018 | | 2017 | |
|----------------------|---|---------------|-------|---------------|-------|
| Name of shareholders | | 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 | EMPLOYEES PROVIDENT FUND | 2,969,515 | 3.58 | 2,969,515 | 3.58 |
| 3 | THURSTON INVESTMENTS LIMITED | 2,480,581 | 2.99 | 3,099,814 | 3.74 |
| 4 | GF CAPITAL GLOBAL LIMITED | 1,617,666 | 1.95 | 1,617,666 | 1.95 |
| 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 | MR. H.A. VAN STARREX | 737,843 | 0.89 | 585,491 | 0.71 |
| 10 | MISS M.P. RADHAKRISHNAN | 686,026 | 0.83 | 686,026 | 0.83 |
| 11 | MISS A. RADHAKRISHNAN | 686,026 | 0.83 | 686,026 | 0.83 |
| 12 | MR. R. MAHESWARAN | 685,016 | 0.83 | 685,016 | 0.83 |
| 13 | MR. K.C. VIGNARAJAH | 628,939 | 0.76 | 623,408 | 0.75 |
| 14 | EMPLOYEES TRUST FUND BOARD | 490,998 | 0.59 | 490,998 | 0.59 |
| 15 | MISS R.H. ABDULHUSSEIN | 418,502 | 0.50 | - | 0.00 |
| 16 | PEOPLE S LEASING & FINANCE PLC/MR.M.A.N.YOOSUFALI | 395,103 | 0.48 | - | 0.00 |
| 17 | MISS G.N.A. DE SILVA | 353,250 | 0.43 | 353,250 | 0.43 |
| 18 | SAMPATH BANK PLC/MR SUBRAMANIAM VASUDEVAN | 330,000 | 0.40 | 103,500 | 0.12 |
| 19 | MR. O.D. LIYANAGE | 267,368 | 0.32 | 266,443 | 0.32 |
| 20 | SINHARAJA HILLS PLANTATION (PVT) LIMITED | 254,861 | 0.31 | 176,929 | 0.21 |

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 19th June 2018.

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 66th Annual General Meeting of the Company will be held on Thursday the 26th day of July 2018 at 11.00 a.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 124 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
19th June 2018

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.V.P. Malalasekera (Chairman) | Non-Executive, Independent (CCPLC) |
| Mr.D.C.R. Gunawardena | Non-Executive (CCPLC) |
| Mr.F. Mohideen | Non-Executive, Independent (CCPLC) |

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

Mr.D.C.R. 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.F. 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 six (06) Meetings during the financial year to discuss matters relating to the Company and the attendance of the Members of the Audit Committee were as follows :

| Meetings attended (out of six) | |
|---------------------------------|-----|
| Mr.V.P. Malalasekera (Chairman) | 6/6 |
| Mr.D.C.R. Gunawardena | 6/6 |
| Mr.F. Mohideen | 6/6 |

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

The Audit Committee met the External Auditors, Messrs. KPMG, twice during the year to discuss the audit scope, including Key Audit Matters and to deliberate the draft Financial Report and Accounts at the completion stage of the audit. The 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 2017/2018 and the Group Internal Audit (GIA) carried out 04 audits on the Investment Sector companies based on the plan.

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

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

The interim financial statements of 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.

AUDIT COMMITTEE REPORT

With the introduction of the new audit report this year, the Audit Committee has introduced a process to discuss the areas which are identified as Key Audit Matters by Messrs. KPMG for reporting in the audit report, at the audit planning and completion stages.

The draft financial statements of Ceylon Guardian Investment Trust PLC for the year ended 31st March 2018 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 2019, 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

19th June 2018

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 Four (04) Meetings during the financial year to discuss matters relating to the Company and where necessary the approval of the Members were also sought via circulation of papers.

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

| Meetings attended (out of four) | |
|---------------------------------|-----|
| Mr.V.P. Malalasekera | 4/4 |
| Mr.F. Mohideen | 3/4 |
| Mr.D.C.R. Gunawardena | 4/4 |
| Mr.H. Selvanathan | 2/4 |
| Mr.M. Selvanathan | 4/4 |
| Mr.S.K. Shah | 3/4 |

Purpose of the Committee

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

Policies and procedures

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

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

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The RPTRC in discharging its function endeavours to ensure that :

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

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

The Related Party Transactions of the Company for the period 1st April 2017 to 31st March 2018 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

19th June 2018

FINANCIAL CALENDAR

Financial Year end

31st March 2018

66th Annual General Meeting

26th July 2018

ANNOUNCEMENT OF RESULTS

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

1st Quarter ended 30th June 2017

14th August 2017

2nd Quarter ended 30th September 2017

14th November 2017

3rd Quarter ended 31st December 2017

14th February 2018

4th Quarter ended 31st March 2018

30th May 2018

INDEPENDENT AUDITORS' REPORT



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

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Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF CEYLON GUARDIAN INVESTMENT TRUST PLC Report on the Audit of the Financial Statements

Opinion

We have audited the 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 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 50 to 113 of this Annual Report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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

Carrying amount of Investments

Key audit matter description

Refer to Note 3(C)(i) (accounting policy), Note 22 and 25 (financial statement disclosures) to these financial statements.

Valuation of Investments classified as Available-for Sale (AFS) financial assets and Fair Value Through Profit or Loss (FVTPL) financial assets.

The Investments of the Group as at 31 March 2018 comprise AFS financial assets of Rs.13,923 million (2017: Rs.13,821 million) and FVTPL financial assets of Rs.2,449 million (2017: Rs.3,136 million) and, represent 75% and 13% of the total assets respectively. As at the reporting date, the Group's portfolio is made up with quoted equity shares amounting Rs.13,729.7 million (2017: Rs.13,479.9 million), unquoted equity shares amounting Rs.148 million (2017: Rs.300 million) and unit trust investments amounting to Rs. 45 million (2017: 40 million) which have been classified as AFS. FVTPL comprise listed equity shares amounting to Rs.1,676.9 million (2017:1,721.9 million) and unit trust investments amounting to Rs.772.5 million (2017: Rs.1,414.9 million).

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

Carrying amount of Investments

Risks

- Quoted/ Unit Trust investments –materiality in the context of the financial statements as a whole and market volatility, this is considered to be an area has significant effect on the financial statements;
- Unquoted investments –subjectivity involved in the valuation methodology and management assumptions used.

Our responses - Our audit procedures included:

- Documenting and assessing the design and implementation of the investment valuation processes and controls;
- Assessing the investment realizations in the period, comparing with actual sales proceeds to prior year valuations to understand the reasons for significant variances and determining whether they are indicative of bias or error in the Group's approach;
- Challenging the management on key assumptions used to produce cash flow projections and discount factor applied to those projections;
- Comparing key underlying financial data inputs used in valuation to external sources such as investee company audited financial statements;
- Assessing whether there is any significant or prolonged decline in fair value of investments classified as AFS financial assets and impairment, if any has been adequately provided for; and
- Assessing the adequacy of disclosures in the financial statements and inherent degree of subjectivity and key assumptions in the estimates as required by the relevant accounting standards.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is FCA 2294.



KPMG

Colombo, Sri Lanka
19th June 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In Rupees Thousands

| For the year ended 31st March | Note | Group | | Company | |
|--|------|-----------|-------------|-----------|-----------|
| | | 2018 | 2017 | 2018 | 2017 |
| Revenue | 11 | 1,200,124 | 1,742,298 | 537,257 | 510,249 |
| Impairment loss on available for sale financial assets | | (91,351) | (198,826) | (21,479) | (103,611) |
| Impairment loss on investments in subsidiaries | | - | - | (45,500) | - |
| Net change in fair value of fair value through profit or loss financial assets | | (42,573) | (51,206) | 1,571 | 1,870 |
| Profit on investment activities | | 1,066,200 | 1,492,266 | 471,849 | 408,508 |
| Gain on disposal of property, plant and equipment | | 6 | - | - | - |
| Administrative and other operating expenses | | (230,519) | (217,726) | (103,417) | (90,802) |
| Profit from operations | 12 | 835,687 | 1,274,540 | 368,432 | 317,706 |
| Net finance income / (expense) | 13 | 302 | 173 | - | (56) |
| Profit from operations after net finance income / (expense) | | 835,989 | 1,274,713 | 368,432 | 317,650 |
| Share of profit of equity accounted investee, net of tax | 14 | 11,027 | 2,747 | - | - |
| Profit before taxation | | 847,016 | 1,277,460 | 368,432 | 317,650 |
| Income tax expense | 15 | (50,697) | (21,126) | (2,535) | (3,678) |
| Profit for the year | | 796,319 | 1,256,334 | 365,897 | 313,972 |
| Other comprehensive income | | | | | |
| Items that will never be reclassified to profit or loss | | | | | |
| Actuarial gain / (loss) on employee benefit obligation | 30 | (1,454) | 1,520 | - | - |
| Related tax on employee benefits | 23 | 407 | - | - | - |
| Items that are or may be reclassified to profit or loss | | | | | |
| Net change in fair value of available for sale financial assets | | (336,542) | (1,180,280) | 463,489 | 356,164 |
| Transfer of realised (gains) / loss on disposal of available for sale financial assets | | (130,241) | (696,487) | (48,960) | 6,722 |
| Share of other comprehensive income / (expense) of equity accounted investee, net of tax | 14 | (5,720) | 2,505 | - | - |
| Net exchange differences on translation of foreign operations | | 8,626 | 14,857 | - | - |
| Other comprehensive income / (expense) for the year | | (464,924) | (1,857,885) | 414,529 | 362,886 |
| Total comprehensive income / (expense) for the year | | 331,395 | (601,551) | 780,426 | 676,858 |
| Profit attributable to: | | | | | |
| Equity holders of the parent | | 616,627 | 1,028,750 | 365,897 | 313,972 |
| Non controlling interest | | 179,692 | 227,584 | - | - |
| | | 796,319 | 1,256,334 | 365,897 | 313,972 |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the parent | | 278,832 | (469,811) | 780,426 | 676,858 |
| Non controlling interest | | 52,563 | (131,740) | - | - |
| | | 331,395 | (601,551) | 780,426 | 676,858 |
| Earnings per share (Rs.) | 16 | 6.95 | 11.59 | 4.12 | 3.54 |

The notes to the financial statements from pages 55 to 113 form an integral part of these financial statements.
Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

In Rupees Thousands

| As at 31st March | Note | Group 2018 | 2017 | Company 2018 | 2017 |
|--|------|-------------------|-------------------|------------------|------------------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 18 | 2,854 | 6,011 | - | - |
| Intangible assets | 19 | 252,292 | 231,917 | - | - |
| Investments in subsidiaries | 20 | - | - | 2,096,299 | 2,141,799 |
| Investment in equity accounted investee | 21 | 41,186 | 36,929 | 35,000 | 35,000 |
| Available for sale financial assets | 22 | 13,923,149 | 13,821,686 | 4,346,462 | 3,755,459 |
| Deferred tax asset | 23 | 512 | - | - | - |
| Total non-current assets | | 14,219,993 | 14,096,543 | 6,477,761 | 5,932,258 |
| Current assets | | | | | |
| Trade and other receivables | 24 | 27,763 | 94,182 | 6,246 | 145,276 |
| Current tax assets | | 33,691 | 19,269 | 19,732 | 14,303 |
| Fair value through profit or loss financial assets | 25 | 2,449,533 | 3,136,896 | 204,274 | 438,399 |
| Investment in fixed deposits | | 1,172,137 | - | - | - |
| Cash and cash equivalents | 26 | 609,203 | 1,455,298 | 199,688 | 130,153 |
| Total current assets | | 4,292,327 | 4,705,645 | 429,940 | 728,131 |
| Total assets | | 18,512,320 | 18,802,188 | 6,907,701 | 6,660,389 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Stated capital | 27 | 1,128,726 | 1,128,726 | 1,128,726 | 1,128,726 |
| Capital reserves | 28 | 324,721 | 330,441 | 208,660 | 208,660 |
| Revenue reserves | 29 | 13,616,223 | 13,946,582 | 5,444,526 | 5,283,876 |
| Total equity attributable to equity holders of the parent | | 15,069,670 | 15,405,749 | 6,781,912 | 6,621,262 |
| Non controlling interest | | 3,197,287 | 3,214,856 | - | - |
| Total equity | | 18,266,957 | 18,620,605 | 6,781,912 | 6,621,262 |
| Non-current liabilities | | | | | |
| Employee benefits | 30 | 7,426 | 10,479 | - | - |
| Total non-current liabilities | | 7,426 | 10,479 | - | - |
| Current liabilities | | | | | |
| Trade and other payables | 31 | 209,844 | 153,994 | 111,153 | 26,867 |
| Current tax liabilities | | 9,742 | 58 | - | - |
| Bank overdraft | 26 | 18,351 | 17,052 | 14,636 | 12,260 |
| Total current liabilities | | 237,937 | 171,104 | 125,789 | 39,127 |
| Total liabilities | | 245,363 | 181,583 | 125,789 | 39,127 |
| Total equity and liabilities | | 18,512,320 | 18,802,188 | 6,907,701 | 6,660,389 |
| Net assets per ordinary / deferred share (Rs.) | | 169.74 | 173.53 | 76.39 | 74.58 |

The notes to the financial statements from pages 55 to 113 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

Head of Finance

Carsons Management Services (Private) Limited

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

Approved & signed on behalf of the Investment Managers,

(sgd.)

K. Selvanathan

Director

Guardian Fund Management Limited

Colombo

19th June 2018

Approved & signed on behalf of the Board,

(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 |
| Group | | | | | | | | | | | | |
| Balance as at 1st April 2016 | 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 29.2) | - | - | - | - | - | (9,340) | - | - | 9,340 | - | - | - |
| Balance as at 31st March 2017 | 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 |
| | | | | | | | | | | | | |
| Balance as at 1st April 2017 | 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 |
| Profit for the year | - | - | - | - | - | - | - | - | 616,627 | 616,627 | 179,692 | 796,319 |
| Other comprehensive income / (expense) for the year | - | - | - | (5,720) | 6,144 | - | - | (337,172) | (1,047) | (337,795) | (127,129) | (464,924) |
| Total comprehensive income / (expense) for the year | - | - | - | (5,720) | 6,144 | - | - | (337,172) | 615,580 | 278,832 | 52,563 | 331,395 |
| Cash dividend | - | - | - | - | - | - | - | - | (621,462) | (621,462) | (71,941) | (693,403) |
| Forfeiture of unclaimed dividends | - | - | - | - | - | - | - | - | 6,551 | 6,551 | 1,809 | 8,360 |
| Transfers (note 29.2) | - | - | - | - | - | 455 | - | - | (455) | - | - | - |
| Balance as at 31st March 2018 | 1,128,726 | 7,805 | 316,741 | 175 | 76,565 | 1,158 | 32,668 | 5,325,245 | 8,180,587 | 15,069,670 | 3,197,287 | 18,266,957 |

The notes from pages 55 to 113 form an integral part of these financial statements.

Figures in brackets indicate deductions.

| Company | Stated capital | Capital reserves | | | Revenue reserves | | Total equity |
|---|----------------|--------------------|-----------------------|---|------------------|-------------------|--------------|
| | | Investment reserve | Other capital reserve | Available for sale financial assets reserve | General reserve | Retained earnings | |
| 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 |
| Balance as at 1st April 2017 | 1,128,726 | 7,805 | 200,855 | 1,159,668 | 14,961 | 4,109,247 | 6,621,262 |
| Profit for the year | - | - | - | - | - | 365,897 | 365,897 |
| Other comprehensive income for the year | - | - | - | 414,529 | - | - | 414,529 |
| Total comprehensive income for the year | - | - | - | 414,529 | - | 365,897 | 780,426 |
| Cash dividend | - | - | - | - | - | (621,462) | (621,462) |
| Forfeiture of unclaimed dividends | - | - | - | - | - | 1,686 | 1,686 |
| Balance as at 31st March 2018 | 1,128,726 | 7,805 | 200,855 | 1,574,197 | 14,961 | 3,855,368 | 6,781,912 |

The notes from pages 55 to 113 form an integral part of these financial statements.
Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

In Rupees Thousands

| For the year ended 31st March | Note | Group | | Company | |
|--|------|-------------|-----------|-----------|-----------|
| | | 2018 | 2017 | 2018 | 2017 |
| Cash flows from operating activities | | | | | |
| Profit before taxation | | 847,016 | 1,277,460 | 368,432 | 317,650 |
| Adjustments for: | | | | | |
| Share of profit of equity accounted investee, net of tax | 14 | (11,027) | (2,747) | - | - |
| Depreciation on property, plant and equipment | 18 | 2,151 | 3,224 | - | - |
| Amortisation of intangible assets | 19 | 1,852 | - | - | - |
| Gain from disposal of property, plant and equipment | | (6) | - | - | - |
| Provision for employee benefit | 30 | 2,426 | 2,471 | - | - |
| Net finance (income) / expense | 13 | (302) | (173) | - | 56 |
| Impairment loss on available for sale financial assets | | 91,351 | 198,826 | 21,479 | 103,611 |
| Impairment loss on investments in subsidiaries | | - | - | 45,500 | - |
| Net change in fair value of fair value through profit or loss financial assets | | 42,573 | 51,206 | (1,571) | (1,870) |
| Operating profit before working capital changes | | 976,034 | 1,530,267 | 433,840 | 419,447 |
| (Increase) / decrease in trade and other receivables | | 66,419 | (38,482) | 139,030 | (32,189) |
| Net (increase) / decrease in investments | | (14,807) | (702,606) | 37,743 | (287,994) |
| Net increase in investment in fixed deposits | | (1,172,137) | - | - | - |
| Increase / (decrease) in trade and other payables | | (13,233) | (59,728) | 420 | 357 |
| Cash generated from / (used in) operations | | (157,724) | 729,451 | 611,033 | 99,621 |
| Employee benefit paid | 30 | (6,933) | - | - | - |
| Current tax paid | | (55,435) | (31,076) | (7,964) | (6,538) |
| Net cash generated from / (used in) operating activities | | (220,092) | 698,375 | 603,069 | 93,083 |
| Cash flows from investing activities | | | | | |
| Acquisition of property, plant and equipment | 18 | (450) | (421) | - | - |
| Proceeds from disposal of property, plant and equipment | | 1,462 | - | - | - |
| Acquisition of intangible assets | 19 | (22,227) | - | - | - |
| Dividend received from jointly controlled entity | | 945 | - | - | - |
| Finance income | | 362 | 641 | - | - |
| Net cash generated from /(used in) investing activities | | (19,908) | 220 | - | - |
| Cash flows from financing activities | | | | | |
| Dividend paid | | (535,910) | (261,958) | (535,910) | (261,958) |
| Dividend paid to non controlling interest | | (80,050) | (51,302) | - | - |
| Redemptions of units | | - | (6,820) | - | - |
| Finance expense paid | | (60) | (468) | - | (56) |
| Net cash used in financing activities | | (616,020) | (320,548) | (535,910) | (262,014) |
| Net increase / (decrease) in cash and cash equivalents | | | | | |
| Cash and cash equivalents at the beginning of the year | | 1,438,246 | 1,045,342 | 117,893 | 286,824 |
| Net exchange differences on translation of foreign operations | | 8,626 | 14,857 | - | - |
| Cash and cash equivalents at the end of the year | 26 | 590,852 | 1,438,246 | 185,052 | 117,893 |

The notes from pages 55 to 113 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 ("the company") is a limited liability Company which is incorporated in Sri Lanka. The shares of the Company have a primary listing on the Colombo Stock Exchange.

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

The consolidated financial statements of the Company as at and for the year ended 31 March 2018 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 five subsidiaries out of which two subsidiaries are listed on the Colombo Stock Exchange set out in the note 20 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 (2017 - 20) employees at the end of the financial year. The Company had no employees as at the reporting date (2017 - 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 19th June 2018.

(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.

ii. 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.

iii. 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.

iv. 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.

v. 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 2018. 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 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 acquire either:

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

(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 intragroup 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 |
|--|---------------------------|--------------------|
| The Sri Lanka Fund | Subsidiary | 31st December |
| 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 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 reattributed 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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 recognized 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 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.

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of 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.

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

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

Depreciation 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.

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

NOTES TO THE FINANCIAL STATEMENTS

Financial Position under the category intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses. These costs are amortised to the Statement of Income using the straight line method over 3 to 10 years.

(ii) Subsequent expenditure

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

(iii) Impairment

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

(f) Impairment

(i) Non derivative financial assets

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

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

Financial assets measured at amortised cost

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized 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.

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.

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.

All Actuarial gains or losses are recognized immediately in other comprehensive income.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(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;

(ii) 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.

(iii) 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.

(iv) Portfolio Management fee income

Management fee income is recognised on accrual basis.

(v) 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.

(vi) 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.

(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 "Liability 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.

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 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 26.

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

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.

SLFRS 9 is effective for annual reporting periods beginning on or after 01st January 2018.

The Group is in the process of assessing the potential impact on its financial statements for the year ended 31st March 2018.

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 on the consolidated financial statements on adoption of this standard.

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 on the consolidated financial statements on adoption of this standard.

NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

| For the year ended 31st March | Group | | Company | |
|---|-------------|-------------|-----------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| 11. REVENUE | | | | |
| Net gain from disposal of fair value through profit or loss financial assets | 181,879 | 174,061 | 35,984 | 20,479 |
| Net gain from disposal of available for sale financial assets (note 11.1) | 421,894 | 983,722 | 102,374 | 69,641 |
| Dividend income | 777,670 | 846,248 | 387,584 | 404,065 |
| Interest income on financial assets carried at amortised cost (note 11.2) | 150,948 | 43,815 | 11,315 | 16,064 |
| Management fees | 107,040 | 91,724 | - | - |
| | 1,639,431 | 2,139,570 | 537,257 | 510,249 |
| Intra-group transactions | (439,307) | (397,272) | - | - |
| | 1,200,124 | 1,742,298 | 537,257 | 510,249 |
| 11.1 Net gain from disposal of available for sale financial assets | | | | |
| Proceeds from disposal of available for sale financial assets | 1,525,944 | 2,729,761 | 226,057 | 595,929 |
| Carrying value of available for sale financial assets disposed | (1,234,291) | (2,442,526) | (172,643) | (519,566) |
| Transfer of realised gains on disposal of available for sale financial assets | 130,241 | 696,487 | 48,960 | (6,722) |
| | 421,894 | 983,722 | 102,374 | 69,641 |
| 11.2 Interest income on financial assets carried at amortised cost | | | | |
| Cash at bank | 2,422 | 1,202 | 900 | 451 |
| Securities purchased under resale agreements | 33,957 | 32,472 | 9,059 | 9,634 |
| Placements with banking institutions | 114,569 | 10,141 | 1,356 | 5,979 |
| | 150,948 | 43,815 | 11,315 | 16,064 |

12. PROFIT FROM OPERATIONS

Profit from operations is stated after charging all expenses include the following:

| For the year ended 31st March | Group | | Company | |
|---------------------------------------|--------|--------|---------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Auditors' remuneration & expenses | | | | |
| - Audit and audit related fees | 3,958 | 3,440 | 685 | 508 |
| - Non audit services | 288 | 400 | - | - |
| Directors' fees | 19,950 | 21,048 | 13,837 | 14,016 |
| Support service fees* | 36,401 | 34,732 | 12,975 | 13,183 |
| Depreciation | 2,151 | 3,224 | - | - |
| Amortisation | 1,852 | - | - | - |
| Professional service fees (note 12.a) | 1,667 | 1,898 | 313 | 743 |
| Personnel cost (note 12.b) | 81,301 | 72,407 | - | - |
| Expenses on CSR activities | - | 5,000 | - | 2,500 |

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

| For the year ended 31st March | Group | | Company | |
|--|--------|--------|---------|------|
| | 2018 | 2017 | 2018 | 2017 |
| 12.a Professional service fees | | | | |
| Legal services | 710 | 726 | - | - |
| Valuation services | 10 | 9 | - | - |
| Other professional services | 947 | 1,163 | 313 | 743 |
| | 1,667 | 1,898 | 313 | 743 |
| 12.b Personnel cost | | | | |
| Salaries, wages and other related expenses | 73,048 | 63,737 | - | - |
| Defined benefit plan cost (note 30) | 2,426 | 2,471 | - | - |
| Defined contribution plan cost | 5,827 | 6,199 | - | - |
| | 81,301 | 72,407 | - | - |
| The above include | | | | |
| Directors' emoluments | 28,326 | 22,633 | - | - |
| | 28,326 | 22,633 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

| For the year ended 31st March | Group | | Company | |
|--|-------|------|---------|------|
| | 2018 | 2017 | 2018 | 2017 |
| 13 NET FINANCE INCOME / (EXPENSE) | | | | |
| Finance income | | | | |
| Interest income | 337 | 584 | - | - |
| Exchange gain | 25 | 57 | - | - |
| | 362 | 641 | - | - |
| Finance expense | | | | |
| Interest on overdraft | 27 | 133 | - | 56 |
| Exchange losses | 33 | 335 | - | - |
| | 60 | 468 | - | 56 |
| Net finance income / (expense) | 302 | 173 | - | (56) |

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

| For the year ended 31st March | Investor's share of profit net of tax | | Investor's share of other comprehensive income net of tax | |
|--|---------------------------------------|-------|---|-------|
| | 2018 | 2017 | 2018 | 2017 |
| Guardian Acuity Asset Management Limited | 11,027 | 2,747 | (5,720) | 2,505 |
| | 11,027 | 2,747 | (5,720) | 2,505 |

| For the year ended 31st March | | Group | | Company | |
|--|--|----------------|---------------|--------------|---------------|
| | | 2018 | 2017 | 2018 | 2017 |
| 15. INCOME TAX EXPENSE | | | | | |
| 15.1 Current tax expense | | | | | |
| Provision for the year (note 15.3) | | 37,929 | 11,538 | 2,614 | 3,790 |
| Over provision for previous year | | (393) | (1,207) | (79) | (112) |
| Dividend tax on intercompany dividends | | 13,161 | 10,795 | - | - |
| Dividend tax on dividend received from equity accounted investee | | 105 | - | - | - |
| Current tax expense for the year | | 50,802 | 21,126 | 2,535 | 3,678 |
| 15.2 Deferred taxation | | | | | |
| Deferred tax asset originated during the year (note 23.1) | | (105) | - | - | - |
| Deferred tax expense / (gain) for the year | | (105) | - | - | - |
| Total income tax expense for the year | | 50,697 | 21,126 | 2,535 | 3,678 |
| 15.3 Reconciliation between accounting profit and taxable profit | | | | | |
| Accounting profit before taxation | | 847,016 | 1,277,460 | 368,432 | 317,650 |
| Adjustments : | | | | | |
| Exempt profits on sale of quoted public shares / Unit trusts (note 15.5(b)) | | (603,773) | (1,157,783) | (138,358) | (90,120) |
| Dividend income | | (777,670) | (846,248) | (387,584) | (404,065) |
| Allowable claims | | (14,458) | (2,539) | - | - |
| Impairment loss on available for sale financial assets | | 91,351 | 198,826 | 21,479 | 103,611 |
| Impairment loss on investments in subsidiaries | | - | - | 45,500 | - |
| Net change in fair value of fair value through profit or loss financial assets | | 42,573 | 51,206 | (1,571) | (1,870) |
| Expenses attributable to exempt profits | | 170,702 | 160,095 | 89,565 | 74,673 |
| Disallowable expenses | | 40,652 | 28,527 | 11,872 | 13,655 |
| Tax losses incurred during the year | | 3,525 | - | - | - |
| Transactions adjusted on consolidation | | 346,688 | 335,588 | - | - |
| Share of profit of equity accounted investees net of tax | | (11,027) | (2,747) | - | - |
| Utilisation of tax losses (note 15.4) | | (118) | (1,178) | - | - |
| Adjusted profit for taxation | | 135,461 | 41,207 | 9,335 | 13,534 |
| Current tax liability for the year | | | | | |
| Current tax expense of the Company (note 15.5 (a)) | | 2,614 | 3,790 | 2,614 | 3,790 |
| Current tax expense of subsidiaries (note 15.5 (a)) | | 35,315 | 7,748 | - | - |
| | | 37,929 | 11,538 | 2,614 | 3,790 |

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

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| For the year ended 31st March | Group | | Company | |
|--|---------------|---------------|----------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| 15.4 Movement in tax losses | | | | |
| Tax losses brought forward | 13,737 | 14,022 | - | - |
| Adjustment on finalisation of income tax liability | 537 | 893 | - | - |
| Tax losses incurred during the year | 3,525 | - | - | - |
| Utilisation of tax losses during the year (d) | (118) | (1,178) | - | - |
| Tax losses carried forward | 17,681 | 13,737 | - | - |

15.5 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 the Group are liable to income tax at the standard rate of 28% (2017 - 28%) subject to exemptions disclosed in note 15.5 (b). As per the new Inland Revenue Act No 24 of 2017 with effective from 1st April 2018, the Company and all the other Companies of the Group (excluding "The Sri Lanka Fund" which is domiciled in Cayman Island) will be liable to pay income tax at 28%.
- (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 trusts are exempted from income tax.
- (c) Economic Service Charge (ESC) paid by the Company and its 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.
- (d) The utilization of tax losses brought forward is restricted to 35% of current year's "Statutory Income". Unabsorbed tax losses can be carried forward indefinitely. However as per the transitional provision of the Inland Revenue Act No. 24 of 2017 brought forward tax losses can be set off against future tax profit without any limitations and any un-utilized tax losses can be carried forward for 7 subsequent years with effect from 1st April 2018.

16. EARNINGS PER SHARE

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

| For the year ended 31st March | Group | | Company | |
|---|-------------|--------------|-------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Amount used as the numerator | | | | |
| Profit for the year attributable to the shareholders of the parent | 616,627 | 1,028,750 | 365,897 | 313,972 |
| Amount used as the denominator (in thousands) | | | | |
| Weighted average number of ordinary / deferred share outstanding during the year* | 88,780 | 88,780 | 88,780 | 88,780 |
| Earnings per share (Rs.) | 6.95 | 11.59 | 4.12 | 3.54 |

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

| For the year ended 31st March | | Company | |
|---|---------|---------|------|
| | | 2018 | 2017 |
| 17. DIVIDEND PER SHARE | | | |
| 17.1 Dividend paid during the year | | | |
| Interim /Final dividend | | | |
| Cash dividend - ordinary / deferred shares | 621,462 | 266,341 | |
| Total dividend - ordinary / deferred shares | 621,462 | 266,341 | |
| 17.2 Dividend proposed during the year | | | |
| First interim dividend - cash | | | |
| -On ordinary shares | 248,937 | - | |
| -On deferred shares | 17,404 | - | |
| Total proposed dividend | 266,341 | - | |
| Dividend per share (Rs.) | 3.00 | - | |
| Final dividend - cash | | | |
| -On ordinary shares | - | 331,915 | |
| -On deferred shares | - | 23,206 | |
| Total proposed dividend | - | 355,121 | |
| Dividend per share (Rs.) | - | 4.00 | |
| Total dividend per share (Rs.) | 3.00 | 4.00 | |

NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

18. PROPERTY, PLANT AND EQUIPMENT - GROUP

| | Office equipment | Computer equipment | Furniture and fittings | Motor vehicle | Total 2018 | Total 2017 |
|---|---------------------|-----------------------|---------------------------|------------------|---------------|---------------|
| Cost | | | | | | |
| Balance as at the beginning of the year | 258 | 5,927 | 5,094 | 9,445 | 20,724 | 20,303 |
| Additions during the year | - | 450 | - | - | 450 | 421 |
| Disposals during the year | - | (315) | - | (9,445) | (9,760) | - |
| Balance as at the end of the year | 258 | 6,062 | 5,094 | - | 11,414 | 20,724 |
| Accumulated depreciation | | | | | - | |
| Balance as at the beginning of the year | 183 | 4,683 | 2,764 | 7,083 | 14,713 | 11,489 |
| Charge for the year | 28 | 858 | 320 | 945 | 2,151 | 3,224 |
| Disposals during the year | - | (276) | - | (8,028) | (8,304) | - |
| Balance as at the end of the year | 211 | 5,265 | 3,084 | - | 8,560 | 14,713 |
| Carrying value as at end of the year | 47 | 797 | 2,010 | - | 2,854 | 6,011 |

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

| | Group | |
|------------------------|-------|-------|
| As at 31st March | 2018 | 2017 |
| Office equipment | 186 | 53 |
| Furniture and fittings | 1,894 | 1,889 |
| Computer equipment | 4,181 | 3,012 |
| | 6,261 | 4,954 |

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 (2017 - 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 2018 | Total 2017 |
|---|---------------------------|-------------------|----------------|----------------|
| Cost | | | | |
| Balance as at the beginning of the year | 231,917 | 15,350 | 247,267 | 247,267 |
| Additions during the year | - | 22,227 | 22,227 | - |
| Balance as at the end of the year | 231,917 | 37,577 | 269,494 | 247,267 |
| Amortisation | | | | |
| Balance as at the beginning of the year | - | 15,350 | 15,350 | 15,350 |
| Charge for the year | - | 1,852 | 1,852 | - |
| Balance as at the end of the year | - | 17,202 | 17,202 | 15,350 |
| Carrying value as at the end of the year | 231,917 | 20,375 | 252,292 | 231,917 |

| As at 31st March | 2018 | 2017 |
|--|--------|--------|
| 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 recent 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 for impairment of Goodwill on acquisition of Guardian Capital Partners PLC.

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In Rupees Thousands

20. INVESTMENT IN SUBSIDIARIES

| As at 31st March | Group | | Company | | | | | |
|---|----------------------|--------|--------------|-----------|------------|--------------|-----------|------------|
| | 2018 | 2017 | 2018 | | | 2017 | | |
| | Effective holdings % | | No of shares | Cost | Fair value | No of shares | Cost | Fair value |
| 20.1 Quoted investments | | | | | | | | |
| Ceylon Investment PLC | 64.36 | 64.36 | 64,010,916 | 1,297,221 | 2,752,469 | 64,010,916 | 1,297,221 | 2,560,437 |
| Guardian Capital Partners PLC | 83.97 | 83.97 | 21,692,800 | 658,661 | 605,229 | 21,692,800 | 658,661 | 596,552 |
| | | | | 1,955,882 | 3,357,698 | | 1,955,882 | 3,156,989 |
| 20.2 Unquoted investments | | | | | | | | |
| Rubber Investment Trust Limited | 82.19 | 82.19 | 3,955,609 | 316 | 3,889,472 | 3,955,609 | 316 | 4,376,221 |
| Guardian Fund Management Limited | 100.00 | 100.00 | 2,848,678 | 73,321 | 27,821 | 2,848,678 | 73,321 | 73,321 |
| The Sri Lanka Fund | 71.22 | 71.22 | 1,265,823 | 112,280 | 164,031 | 1,265,823 | 112,280 | 157,455 |
| | | | | 185,917 | 4,081,324 | | 185,917 | 4,606,997 |
| | | | | 2,141,799 | 7,439,022 | | 2,141,799 | 7,763,986 |
| Provision for impairment | | | | (45,500) | | | - | |
| Total investment in subsidiaries | | | | 2,096,299 | 7,439,022 | | 2,141,799 | 7,763,986 |

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. The fair value of Guardian fund Management Limited is based on the net asset value.

The Company has provided for impairment amounting to Rs. 45.5 Mn on the investment in subsidiary "Guardian Fund Management Limited" due to continuous losses and depletion in net asset value.

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 - % | |
|---------------------------------|------------------------|------------------------------------|-------|
| | | 2018 | 2017 |
| 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 | |
|---|-----------------------|------------------|---------------------------------|--------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue | 449,610 | 297,938 | 379,807 | 1,077,417 |
| Profit for the year | 512,245 | 652,814 | 269,547 | 1,021,916 |
| Total other comprehensive expense for the year | (349,468) | (1,032,420) | (1,016,990) | (2,493,542) |
| Total comprehensive income / (expense) for the year | 162,777 | (379,606) | (747,443) | (1,471,626) |
| Non current assets | 7,521,382 | 7,644,474 | 5,803,698 | 6,580,811 |
| Current assets | 1,077,923 | 1,111,403 | 1,980,308 | 2,178,996 |
| Total assets | 8,599,305 | 8,755,877 | 7,784,006 | 8,759,807 |
| Current liabilities | (78,518) | (202,737) | (11,176) | (14,241) |
| Net assets | 8,520,787 | 8,553,140 | 7,772,830 | 8,745,566 |
| Net cash generated from / (used in) operating activities | 297,965 | (179,000) | 767,456 | 1,168,184 |
| Net cash generated from investing activities | 105,957 | 103,191 | - | - |
| Net cash used in financing activities | (319,153) | (146,383) | (225,293) | (217,388) |
| Net increase / (decrease) in cash and cash equivalents | 84,769 | (222,192) | 992,749 | 950,796 |

21. INVESTMENT IN EQUITY ACCOUNTED INVESTEE

21.1 Group

| As at 31st March | 2018 | | 2017 | |
|--|--------|----------------|--------|----------------|
| | Cost | Carrying value | Cost | Carrying value |
| Investment in jointly controlled entity (note 21.3) | 35,000 | 41,186 | 35,000 | 36,929 |
| | 35,000 | 41,186 | 35,000 | 36,929 |

21.2 Company

| As at 31st March | 2018 | | 2017 | |
|--|---------------|--------|---------------|--------|
| | No. of shares | Cost | No. of shares | Cost |
| Investment in jointly controlled entity | | | | |
| 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.

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21.3 Movement of investment in jointly controlled entity

| For the year ended 31st March | 2018 Carrying value | 2017 Carrying value |
|---|------------------------|------------------------|
| Percentage of holding | 50% | 50% |
| Investment at cost | 35,000 | 35,000 |
| Investors' share of net assets | | |
| As at the beginning of the year | 1,929 | (3,323) |
| Share of profit of equity accounted investee, net of tax | 11,027 | 2,747 |
| Dividend received from equity accounted investee (gross dividend) | (1,050) | - |
| Share of other comprehensive income/(expense) net of taxation | (5,720) | 2,505 |
| As at the end of the year | 6,186 | 1,929 |
| Carrying value of total investment in jointly controlled entity on equity method | 41,186 | 36,929 |

21.4 Summarised financial information of the jointly controlled entity

| For the year ended 31st March /As at 31st March | 2018 | 2017 |
|---|----------|---------|
| Revenue | 40,847 | 41,940 |
| Profit for the year | 22,054 | 5,494 |
| Total other comprehensive income / (expense) for the year | (11,439) | 5,009 |
| Total comprehensive income for the year | 10,615 | 10,503 |
| Applicable to the group (50%) | 5,307 | 5,252 |
| Total non-current assets | 1,509 | 54,854 |
| Total current assets | 89,519 | 25,275 |
| Total assets | 91,028 | 80,129 |
| Total non-current liabilities | (1,018) | (751) |
| Total current liabilities | (7,638) | (5,521) |
| Net assets | 82,372 | 73,857 |
| Applicable to the group (50%) | 41,186 | 36,929 |

22. AVAILABLE FOR SALE FINANCIAL ASSETS

22.1 Summary - Group

| As at 31st March | | 2018 | | 2017 | |
|--|---------|------------------|-------------------|------------------|-------------------|
| | Note | Cost | Fair value | Cost | Fair value |
| Investment in equity securities | | | | | |
| Quoted | 22.3(a) | 7,831,810 | 13,729,769 | 7,122,811 | 13,479,928 |
| Unquoted | 22.3(b) | 15,734 | 33,073 | 15,734 | 30,423 |
| Private equity (unlisted) | 22.3(c) | 127,123 | 115,009 | 219,879 | 270,508 |
| Total investment in equity securities | | 7,974,667 | 13,877,851 | 7,358,424 | 13,780,859 |
| 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 | 45,293 | 25,000 | 40,822 |
| Total investment in unit trusts | | 25,000 | 45,293 | 25,000 | 40,822 |
| Total investment in available for sale financial assets | | 7,999,672 | 13,923,149 | 7,383,429 | 13,821,686 |

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.

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

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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22.2 Movement in Available for sale financial assets - Group

| | Fair value as at beginning of the year | Additions | Disposals | Fair value adjustment | Fair value as at end of the year |
|---|--|-----------|-------------|-----------------------|----------------------------------|
| For the year ended 31st March 2018 | | | | | |
| Investment in equity securities | 13,780,859 | 1,763,647 | (1,234,291) | (432,364) | 13,877,851 |
| Investment in debentures | 5 | - | - | - | 5 |
| Investment in unit trusts | 40,822 | - | - | 4,471 | 45,293 |
| | 13,821,686 | 1,763,647 | (1,234,291) | (427,893) | 13,923,149 |
| For the year ended 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 |
| | 15,721,149 | 1,922,169 | (2,442,526) | (1,379,106) | 13,821,686 |

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

* During the financial year under review, a provision of Rs. 42.12 Mn was made against the entire investment in Swiss Institute for Service Industry Development (Pvt) Ltd, due to the discontinuation of operations arising from the conduct of the Managing Director / Promoter of the Company. The Company and the other co-investors of the investee company have instituted action in the Colombo Magistrates Court (Case No. B 74469/1/17) against the alleged misappropriation of funds by the said Managing Director / Promoter of the investee Company. The case is presently ongoing.

*During the last quarter of the financial year under review, the board of directors of Kashmi Singapore PTE Ltd informed investors that the company will be discontinuing operations due to challenges faced by the Company which made it difficult to continue operations. Accordingly during the financial year under review, the investment of Rs. 10.26 Mn in Kashmi Singapore (PTE) LTD was written off. However subsequent to the write off, the promoters have informed investors that they have received some interest in the digital banking platform the company was developing, from financial service providers in Sri Lanka and overseas. Hence they would hold off on discontinuing operations to pursue this development. The situation will be monitored to assess how the company progresses and based on this a decision will be taken as to whether the value of the investment should be revised.

Including the impairment losses recognised for above mentioned investments, the group has recognised a total impairment loss amounting to Rs. 91.35 Mn (2017 - Rs. 198.83 Mn) due to significant / prolonged decline in fair value of identified equity securities in available for sale financial assets below their cost, 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. 336.54 Mn and Rs. 1,180.28 Mn have been recognised in financial years 2018 and 2017 respectively.

22.3 Available for sale financial assets - Group
(a) Investment in equity securities - quoted

| As at 31st March | No. of shares | 2018 Cost | Fair value | No. of shares | 2017 Cost | Fair value |
|---|------------------|--------------|---------------|------------------|--------------|---------------|
| Banks, Finance & Insurance | | | | | | |
| Central Finance Company PLC | 9,182,719 | 902,478 | 917,354 | 4,423,243 | 431,231 | 381,284 |
| Ceylinco Insurance PLC - Non voting | 255,266 | 174,707 | 255,266 | 241,266 | 163,028 | 197,838 |
| Commercial Bank of Ceylon PLC | 7,174,161 | 704,402 | 974,251 | 6,385,229 | 612,375 | 832,634 |
| Hatton National Bank PLC | 3,177,825 | 650,881 | 778,567 | 3,483,073 | 706,468 | 784,736 |
| Hatton National Bank PLC - Non voting | 3,049,642 | 546,588 | 568,453 | 2,589,577 | 459,147 | 479,072 |
| HNB Assurance PLC | 2,465,008 | 145,439 | 207,061 | 2,000,000 | 106,360 | 116,200 |
| Nations Trust Bank PLC | 2,476,517 | 199,416 | 199,855 | - | - | - |
| Nations Trust Bank PLC - Non voting | 403,933 | 32,304 | 31,891 | - | - | - |
| People's Insurance PLC | 6,219,800 | 93,297 | 133,726 | 6,219,800 | 93,297 | 113,822 |
| People's Leasing and Finance PLC | 24,255,724 | 435,516 | 383,240 | 12,693,874 | 228,259 | 198,024 |
| Right Entitlement - Sampath Bank PLC | 715,647 | - | 35,496 | - | - | - |
| Sampath Bank PLC | 3,101,157 | 720,189 | 930,347 | 3,973,878 | 916,657 | 1,029,234 |
| Seylan Bank PLC - Non voting | 437,992 | 28,398 | 24,133 | 423,314 | 27,541 | 23,155 |
| | | 4,633,615 | 5,439,640 | | 3,744,363 | 4,155,999 |
| Beverage, Food & Tobacco | | | | | | |
| Cargills (Ceylon) PLC | 6,300,215 | 362,525 | 1,227,912 | 5,232,500 | 305,121 | 982,140 |
| Distilleries Company of Sri Lanka PLC | 3,429,626 | 25,414 | 25,414 | - | - | - |
| | | 387,939 | 1,253,326 | | 305,121 | 982,140 |
| Construction & Engineering | | | | | | |
| Access Engineering PLC | 6,475,619 | 210,199 | 132,750 | 6,475,619 | 210,200 | 154,120 |
| | | 210,199 | 132,750 | | 210,200 | 154,120 |
| Diversified | | | | | | |
| Aitken Spence PLC | 3,348,000 | 336,851 | 169,409 | 3,348,000 | 336,851 | 188,158 |
| Expolanka Holdings PLC | 6,845,150 | 41,483 | 33,541 | 6,845,150 | 41,483 | 41,071 |
| John Keells Holdings PLC | 183,693 | 8,466 | 29,317 | 183,693 | 8,466 | 25,331 |
| Melstacorp PLC | 11,574,996 | 686,108 | 673,665 | 11,574,996 | 686,108 | 685,240 |
| Softlogic Holdings PLC | - | - | - | 13,021,300 | 191,598 | 154,953 |
| | | 1,072,908 | 905,932 | | 1,264,506 | 1,094,753 |
| Footwear & Textiles | | | | | | |
| Hayleys Fabric PLC | 17,119,391 | 201,253 | 213,992 | 22,149,122 | 260,382 | 301,228 |
| | | 201,253 | 213,992 | | 260,382 | 301,228 |
| Hotels & Travel | | | | | | |
| Aitken Spence Hotel Holdings PLC | 4,826,890 | 310,812 | 161,701 | 4,826,890 | 310,812 | 169,907 |
| | | 310,812 | 161,701 | | 310,812 | 169,907 |
| Manufacturing | | | | | | |
| Tokyo Cement Company (Lanka) PLC | 7,356,113 | 256,884 | 397,230 | 9,402,600 | 378,408 | 573,559 |
| Tokyo Cement Company (Lanka) PLC - Non voting | 1,188,480 | 45,271 | 54,670 | 550,400 | 18,590 | 29,171 |
| | | 302,155 | 451,900 | | 396,998 | 602,730 |

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22.3 Available for sale financial assets - Group Contd.

(a) Investment in equity securities - quoted Contd.

| As at 31st March | 2018 | | | 2017 | | |
|---|---------------|-----------|------------|---------------|-----------|------------|
| | No. of shares | Cost | Fair value | No. of shares | Cost | Fair value |
| Oil Palm | | | | | | |
| Bukit Darah PLC | 20,438,250 | 1,928 | 4,212,323 | 20,438,250 | 1,928 | 5,318,033 |
| Bukit Darah PLC - Preference Shares - 8% participative cumulative | 31,875 | 1 | 1 | 31,875 | 1 | 1 |
| | | 1,929 | 4,212,324 | | 1,929 | 5,318,034 |
| Power and Energy | | | | | | |
| LVL Energy Fund Limited | 10,312,500 | 82,500 | 102,094 | | - | - |
| | | 82,500 | 102,094 | | - | - |
| Telecommunication | | | | | | |
| Dialog Axiata PLC | 62,036,931 | 628,500 | 856,110 | 62,036,931 | 628,500 | 701,017 |
| | | 628,500 | 856,110 | | 628,500 | 701,017 |
| Total investment in equity securities - quoted | | 7,831,810 | 13,729,769 | | 7,122,811 | 13,479,928 |

| As at 31st March | 2018 | | | 2017 | | |
|--|---------------|---------|------------|---------------|---------|------------|
| | No. of shares | Cost | Fair value | No. of shares | Cost | Fair value |
| 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 | 33,053 | 1,428,496 | 15,714 | 30,403 |
| Total investment in equity securities - unquoted | | 15,734 | 33,073 | | 15,734 | 30,423 |
| Investment in equity securities - private equity (unlisted) | | | | | | |
| Findmyfare (Pvt) Ltd | 276,074 | 45,000 | 45,000 | 276,074 | 45,000 | 45,000 |
| hSenid Business Solutions (Private) Ltd | 163,419 | 40,005 | 70,009 | 163,419 | 40,005 | 70,009 |
| Kashmi Singapore PTE. LTD | 417 | - | - | 417 | 10,256 | 10,256 |
| Swiss Institute For Service Industry Development (Private) Limited | | | | | | |
| - Ordinary shares | 847 | 16,827 | - | 847 | 16,827 | 16,827 |
| - 10% cumulative preference shares | 1,273 | 25,291 | - | 1,273 | 25,291 | 25,291 |
| LVL Energy Fund Limited* | - | - | - | 9,375,000 | 82,500 | 103,125 |
| Total investment in equity securities - private equity (unlisted) | | 127,123 | 115,009 | | 219,879 | 270,508 |

* LVL Energy Fund Limited has been classified under "investments in equity securities - quoted" following listing in the Colombo Stock Exchange.

(d) Investment in debentures

| As at 31st March | 2018 | | | 2017 | | |
|--|-------------------|------|------------|-------------------|------|------------|
| | 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 |
| Total investment in debentures | | 5 | 5 | | 5 | 5 |

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In Rupees Thousands

22.3 Available for sale financial assets - Group Contd.

| As at 31st March | 2018 | | | 2017 | | |
|---|--------------|--------|------------|--------------|--------|------------|
| | 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 | 45,293 | 2,500,000 | 25,000 | 40,822 |
| Total investment in unit trusts - unquoted | | 25,000 | 45,293 | | 25,000 | 40,822 |

22.4 Summary - Company

| As at 31st March | | 2018 | | 2017 | |
|--|---------|-----------|------------|-----------|------------|
| | Note | Cost | Fair value | Cost | Fair value |
| Investment in equity securities | | | | | |
| Quoted | 22.6(a) | 3,027,701 | 4,290,752 | 2,840,101 | 3,704,634 |
| Unquoted | 22.6(b) | 15,724 | 33,063 | 15,724 | 30,413 |
| Total investment in equity securities | | 3,043,425 | 4,323,815 | 2,855,825 | 3,735,047 |
| Investment in debentures | | | | | |
| Unquoted | 22.6(c) | 1 | 1 | 1 | 1 |
| Total investment in debentures | | 1 | 1 | 1 | 1 |
| Investment in unit trusts | | | | | |
| Unquoted | 22.6(d) | 12,500 | 22,646 | 12,500 | 20,411 |
| Total investment in units trusts | | 12,500 | 22,646 | 12,500 | 20,411 |
| Total investments in available for sale financial assets | | 3,055,926 | 4,346,462 | 2,868,326 | 3,755,459 |

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.

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

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

22.5 Movement in Available for sale financial assets- Company

| | Fair value as at beginning of the year | Additions | Disposals | Fair value adjustment | Fair value as at end of the year |
|---|--|-----------|-----------|-----------------------|----------------------------------|
| For the year ended 31st March 2018 | | | | | |
| Investment in equity securities | 3,735,047 | 321,636 | (172,643) | 439,775 | 4,323,815 |
| Investment in debentures | 1 | - | - | - | 1 |
| Investment in unit trusts | 20,411 | - | - | 2,235 | 22,646 |
| | 3,755,459 | 321,636 | (172,643) | 442,010 | 4,346,462 |
| For the year ended 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 |

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. 21.48 Mn has been recognised in profit or loss for the year (2017 – 103.61 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 gains of Rs. 463.49 Mn and Rs. 356.16 Mn have been recognised in financial years 2018 and 2017 respectively.

22.6 Available for sale financial assets - Company

(a) Investment in equity securities - quoted

| As at 31st March | No. of shares | 2018 Cost | Fair value | No. of shares | 2017 Cost | Fair value |
|---------------------------------------|---------------|-----------|------------|---------------|-----------|------------|
| Banks, Finance & Insurance | | | | | | |
| Central Finance Company PLC | 3,403,405 | 328,217 | 340,000 | 2,013,107 | 195,433 | 173,530 |
| Ceylinco Insurance PLC - Non voting | 115,256 | 77,727 | 115,256 | 115,256 | 77,727 | 94,510 |
| Commercial Bank of Ceylon PLC | 3,106,263 | 264,408 | 421,831 | 2,764,781 | 224,574 | 360,527 |
| Hatton National Bank PLC | 1,713,949 | 345,512 | 419,918 | 1,458,231 | 288,982 | 328,539 |
| Hatton National Bank PLC - Non voting | 898,180 | 159,290 | 167,421 | 762,682 | 133,537 | 141,096 |
| HNB Assurance PLC | 2,000,000 | 106,360 | 168,000 | 2,000,000 | 106,360 | 116,200 |
| People's Insurance PLC | 1,765,200 | 26,478 | 37,952 | 1,765,200 | 26,478 | 32,303 |
| People's Leasing and finance PLC | 3,981,305 | 74,024 | 62,905 | 3,981,305 | 74,024 | 62,108 |
| Right Entitlement - Sampath Bank PLC | 376,038 | - | 18,651 | - | - | - |
| Sampath Bank PLC | 1,629,506 | 378,336 | 488,852 | 1,631,720 | 375,363 | 422,615 |
| | | 1,760,352 | 2,240,786 | | 1,502,478 | 1,731,428 |
| Beverage, Food & Tobacco | | | | | | |
| Cargills (Ceylon) PLC | 5,294,000 | 193,653 | 1,031,801 | 4,632,250 | 193,653 | 869,474 |
| Distilleries Company of Ceylon PLC | 1,309,227 | 9,701 | 9,701 | - | - | - |
| | | 203,354 | 1,041,502 | | 193,653 | 869,474 |
| Construction & Engineering | | | | | | |
| Access Engineering PLC | 2,160,000 | 79,003 | 44,280 | 2,160,000 | 79,003 | 51,408 |
| | | 79,003 | 44,280 | | 79,003 | 51,408 |

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In Rupees Thousands

22.6 Available for sale financial assets - Company Contd.

(a) Investment in equity securities - quoted Contd.

| As at 31st March | 2018 | | | 2017 | | |
|---|---------------|-----------|------------|---------------|-----------|------------|
| | No. of shares | Cost | Fair value | No. of shares | Cost | Fair value |
| Diversified | | | | | | |
| Aitken Spence PLC | 1,674,000 | 168,425 | 84,704 | 1,674,000 | 168,425 | 94,079 |
| Melstacorp PLC | 4,418,644 | 261,915 | 257,165 | 4,418,644 | 261,915 | 261,584 |
| | | 430,340 | 341,869 | | 430,340 | 355,663 |
| Footwear & Textiles | | | | | | |
| Hayleys Fabric PLC | 8,645,207 | 101,630 | 108,065 | 10,883,750 | 127,945 | 148,019 |
| | | 101,630 | 108,065 | | 127,945 | 148,019 |
| Hotels & Travels | | | | | | |
| Aitken Spence Hotel Holdings PLC | 2,557,315 | 164,668 | 85,670 | 2,557,315 | 164,668 | 90,017 |
| | | 164,668 | 85,670 | | 164,668 | 90,017 |
| Manufacturing | | | | | | |
| Tokyo Cement Company (Lanka) PLC | 3,983,120 | 133,584 | 215,088 | 4,652,600 | 187,244 | 283,809 |
| | | 133,584 | 215,088 | | 187,244 | 283,809 |
| Telecommunication | | | | | | |
| Dialog Axiata PLC | 15,470,454 | 154,770 | 213,492 | 15,470,454 | 154,770 | 174,816 |
| | | 154,770 | 213,492 | | 154,770 | 174,816 |
| Total investment in equity securities - quoted | | 3,027,701 | 4,290,752 | | 2,840,101 | 3,704,634 |

(b) Investment in equity securities - unquoted

| As at 31st March | 2018 | | | 2017 | | |
|---|---------------|--------|------------|---------------|--------|------------|
| | 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 | 33,053 | 1,428,496 | 15,714 | 30,403 |
| Total investment in equity securities - unquoted | | 15,724 | 33,063 | | 15,724 | 30,413 |

(c) Investments in debentures - unquoted

| As at 31st March | 2018 | | | 2017 | | |
|---------------------------------------|-------------------|------|------------|-------------------|------|------------|
| | No. of debentures | Cost | Fair value | No. of debentures | Cost | Fair value |
| Redeemable unsecured | | | | | | |
| Ocean View Limited - 6% | 120 | 1 | 1 | 120 | 1 | 1 |
| Total investment in debentures | | 1 | 1 | | 1 | 1 |

(d) Investments in unit trusts - unquoted

| As at 31st March | 2018 | | | 2017 | | |
|--|--------------|--------|------------|--------------|--------|------------|
| | No. of Units | Cost | Fair value | No. of Units | Cost | Fair value |
| Guardian Acuity Equity Fund | 1,250,000 | 12,500 | 22,646 | 1,250,000 | 12,500 | 20,411 |
| Total investment in unit trusts | | 12,500 | 22,646 | | 12,500 | 20,411 |

NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

23. DEFERRED TAX ASSET

| As at 31st March | Group | | Company | |
|---|-------|------|---------|------|
| | 2018 | 2017 | 2018 | 2017 |
| Balance as at the beginning of the year | - | - | - | - |
| Recognised for the year (note 23.1) | 512 | - | - | - |
| Balance as at the end of year | 512 | - | - | - |

23.1 Recognised for the year

The amounts recognized in the statement of profit or loss are as follows;

| For the year ended | Group | | Company | |
|---|---------|------|---------|------|
| | 2018 | 2017 | 2018 | 2017 |
| Property, plant and equipment | (1,567) | - | - | - |
| Employee benefits | 1,672 | - | - | - |
| | 105 | - | - | - |
| The amounts recognized in the statement of other comprehensive income are as follows; | | | | |
| Employee benefits | 407 | - | - | - |
| | 407 | - | - | - |
| Recognised for the year | 512 | - | - | - |

| As at 31st March | Group | | Company | |
|--|-------|------|---------|------|
| | 2018 | 2017 | 2018 | 2017 |
| 23.2 Deferred tax assets | | | | |
| Tax effect on employee benefits | 2,079 | - | - | - |
| Total deferred tax asset | 2,079 | - | - | - |
| 23.3 Deferred tax liability | | | | |
| Tax effect on property , plant and equipment | 1,567 | - | - | - |
| Total deferred tax liability | 1,567 | - | - | - |
| Net deferred tax asset | 512 | - | - | - |

| As at 31st March | Group | | Company | |
|--|--------|--------|---------|------|
| | 2018 | 2017 | 2018 | 2017 |
| 23.4 Unrecognised deferred tax assets | | | | |
| Carried forward tax losses | 17,681 | 13,737 | - | - |
| Tax effect on tax losses | 4,951 | 3,846 | - | - |

As at the reporting date due to the uncertainty regarding the availability of future taxable profits, deferred tax asset on tax losses has not been recognised.

23.5 Impact on the Inland Revenue Act No 24 of 2017

As provided for in LKAS 12 - Income taxes, deferred tax assets and liabilities should be measured at the tax rate that are expected to be applied in the period in which the asset will be realised or the liability will be settled, based on the tax rate (and tax laws) that have been enacted or substantively enacted as at the reporting date. As per the Inland Revenue Act No 24 of 2017 which has been legislated and will become effective from 1 April 2018, there will be no change in the tax rate applicable to the Company. Accordingly, tax rate of 28% has been applied for deferred tax computation.

- 23.6** The deferred tax effect on undistributed reserves of the subsidiary companies have not been recognized since the Company can control the timing of the reversal of these temporary differences.

24. TRADE AND OTHER RECEIVABLES

| As at 31st March | Group | | Company | |
|-------------------------------|--------|--------|---------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Financial | | | | |
| Trade receivables | 5,910 | 23,961 | - | 12,657 |
| Dividend receivable | 15,544 | 47,373 | 6,059 | 132,386 |
| Other receivable | 1,200 | 1,571 | - | - |
| | 22,654 | 72,905 | 6,059 | 145,043 |
| Non financial | | | | |
| Advances and prepaid expenses | 5,109 | 21,277 | 187 | 233 |
| | 5,109 | 21,277 | 187 | 233 |
| | 27,763 | 94,182 | 6,246 | 145,276 |

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In Rupees Thousands

25. FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

25.1 Summary

| As at 31st March | Note | Group 2018 | 2017 | Note | Company 2018 | 2017 |
|---|----------|------------------|------------------|----------|-----------------|----------------|
| Investment in equity securities | | | | | | |
| Quoted | 25.3 (a) | 1,676,993 | 1,721,907 | 25.5.(a) | 204,274 | 212,072 |
| Total Investment in equity securities | | 1,676,993 | 1,721,907 | | 204,274 | 212,072 |
| Investment in unit trusts | | | | | | |
| Unquoted | 25.3 (b) | 772,540 | 1,414,989 | 25.5.(b) | - | 226,327 |
| Total investment in unit trusts | | 772,540 | 1,414,989 | | - | 226,327 |
| Total Investment in fair value through profit or loss financial assets | | 2,449,533 | 3,136,896 | | 204,274 | 438,399 |

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

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

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

| | Fair value as at the beginning of the year | Additions | Disposals | Effect of currency translation | Change in fair value | Fair value as at the end of the year |
|---|---|------------------|--------------------|--------------------------------------|-------------------------|---|
| For the year ended 31st March 2018 | | | | | | |
| Investments in equity securities - quoted | 1,721,907 | 380,245 | (374,221) | 7,414 | (58,352) | 1,676,993 |
| Investment in unit trusts - unquoted | 1,414,989 | 2,682,957 | (3,341,794) | 609 | 15,779 | 772,540 |
| | 3,136,896 | 3,063,202 | (3,716,015) | 8,023 | (42,573) | 2,449,533 |
| For the year ended 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 |

25.3 Fair value through profit or loss financial assets - Group

(a) Investment in equity securities - quoted

| As at 31st March | 2018 | | 2017 | |
|---------------------------------------|---------------|------------|---------------|------------|
| | No. of shares | Fair value | No. of shares | Fair value |
| Bank, Finance & Insurance | | | | |
| Central Finance Company PLC | 125,240 | 11,588 | 125,240 | 12,520 |
| Ceylinco Insurance PLC | 28,000 | 23,160 | 28,000 | 20,433 |
| Commercial Bank of Ceylon PLC | 589,759 | 80,152 | 510,299 | 68,758 |
| DFCC Bank PLC | - | - | 297,315 | 33,894 |
| Hatton National Bank PLC | 720,330 | 177,051 | 629,593 | 141,803 |
| Hatton National Bank PLC - Non voting | 731,212 | 136,298 | 620,903 | 114,867 |
| Janashakthi Insurance Company PLC | - | - | 1,350,000 | 20,385 |
| National Development Bank PLC | 53,039 | 7,059 | 409,189 | 58,300 |
| People's Insurance PLC | - | - | 57,462 | 1,091 |
| People's Leasing & Finance PLC | 2,732,265 | 44,902 | 866,890 | 14,686 |
| Sampath Bank PLC | 44,307 | 14,022 | 75,275 | 19,595 |
| Seylan Bank PLC | 1,449,855 | 125,970 | 843,461 | 73,530 |
| Seylan Bank PLC - Non voting | 412,274 | 22,716 | 591,755 | 32,369 |
| Singer Finance (Lanka) PLC | - | - | 500,000 | 8,550 |
| Union Bank of Colombo PLC | 3,156,620 | 40,405 | 3,156,620 | 44,824 |
| | | 683,323 | | 665,605 |
| Beverage, Food & Tobacco | | | | |
| Cargills (Ceylon) PLC | 165,846 | 33,234 | 103,800 | 20,172 |
| Distilleries Company of Sri Lanka PLC | 541,243 | 4,011 | - | - |
| | | 37,245 | | 20,172 |
| Construction & Engineering | | | | |
| MTD Walkers PLC | - | - | 670,617 | 24,145 |
| Access Engineering PLC | 3,009,609 | 61,697 | 3,009,609 | 71,629 |
| | | 61,697 | | 95,774 |
| Diversified | | | | |
| Aitken Spence PLC | 980,218 | 50,426 | 980,218 | 56,844 |
| Expolanka Holdings PLC | 4,513,348 | 22,628 | 6,613,348 | 40,347 |
| Hayleys PLC | 30,000 | 7,248 | 30,000 | 8,097 |
| Hemas Holdings PLC | - | - | 105,988 | 10,383 |
| John Keells Holdings PLC | 748,935 | 118,708 | 758,935 | 105,268 |
| Melstacorp PLC | 2,267,404 | 132,600 | 1,937,404 | 114,730 |
| Richard Pieris PLC | - | - | 150,000 | 1,200 |
| Softlogic Holdings PLC | 469,964 | 5,889 | 8,722,930 | 104,318 |
| | | 337,499 | | 441,187 |
| Footware & Textile | | | | |
| Hayleys Fabric PLC | 817,132 | 11,058 | 986,132 | 14,787 |
| | | 11,058 | | 14,787 |
| Health Care | | | | |
| The Lanka Hospitals Corporation PLC | 798,000 | 47,880 | 798,000 | 49,077 |
| | | 47,880 | | 49,077 |

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25.3 Fair value through profit or loss financial assets - Group Contd.

(a) Investment in equity securities - quoted Contd.

| As at 31st March | 2018 | | 2017 | |
|---|---------------|------------|---------------|------------|
| | No. of shares | Fair value | No. of shares | Fair value |
| Hotels & Travels | | | | |
| Aitken Spence Hotel Holdings PLC | 1,011,148 | 33,148 | 976,693 | 35,835 |
| Serendib Hotels PLC - Non voting | 730,696 | 10,960 | 730,696 | 14,614 |
| | | 44,108 | | 50,449 |
| Land & Property | | | | |
| Overseas Realty (Ceylon) PLC | 700,000 | 12,670 | 700,000 | 14,140 |
| | | 12,670 | | 14,140 |
| Manufacturing | | | | |
| ACL Cables PLC | - | - | 725,842 | 39,558 |
| Alumex PLC | 1,722,489 | 29,719 | 2,660,000 | 51,017 |
| Chevron Lanka Lubricants PLC | 841,565 | 90,411 | 354,746 | 60,307 |
| Kelani Tyres PLC | 516,748 | 25,424 | 516,748 | 28,421 |
| Swisstek (Ceylon) PLC | 390,000 | 23,498 | 240,000 | 15,744 |
| Tokyo Cement Company (Lanka) PLC | 757,687 | 44,662 | 631,407 | 38,049 |
| Tokyo Cement Company (Lanka) PLC - Non voting | 858,000 | 39,468 | 715,000 | 37,895 |
| | | 253,182 | | 270,991 |
| Power & Energy | | | | |
| Lanka IOC PLC | 520,800 | 15,676 | 620,800 | 18,003 |
| Laughfs GAS PLC | 85,800 | 2,021 | 100,000 | 3,329 |
| LVL Energy Fund Limited | 1,257,100 | 12,445 | - | - |
| | | 30,142 | | 21,332 |
| Telecommunications | | | | |
| Dialog Axiata PLC | 11,555,128 | 158,189 | 7,055,128 | 78,393 |
| | | 158,189 | | 78,393 |
| Total investment in equity securities - quoted | | 1,676,993 | | 1,721,907 |

(b) Investment in unit trusts - unquoted

| As at 31st March | 2018 | | 2017 | |
|---|--------------|----------------|--------------|------------------|
| | No. of units | Fair value | No. of units | Fair value |
| Guardian Acuity Money Market Fund | 34,454,677 | 542,072 | 50,868,532 | 716,164 |
| Guardian Acuity Money Market Gilt Fund | 1,811,207 | 230,468 | 5,996,715 | 698,825 |
| Total investment in unit trusts - unquoted | | 772,540 | | 1,414,989 |

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

| | Fair value as at the beginning of the year | Additions | Disposals | Change in fair value | Fair value as at the end of the year |
|---|--|----------------|------------------|----------------------|--------------------------------------|
| For the year ended 31st March 2018 | | | | | |
| Investment in equity securities - quoted | 212,072 | 11,403 | (20,772) | 1,571 | 204,274 |
| Investment in unit trusts - unquoted | 226,327 | 379,300 | (605,627) | - | - |
| | 438,399 | 390,703 | (626,399) | 1,571 | 204,274 |
| For the year ended 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 |

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

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In Rupees Thousands

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

| As at 31st March | 2018 | | 2017 | |
|---|---------------|------------|---------------|------------|
| | No. of shares | Fair value | No. of shares | Fair value |
| Banks Finance & Insurance | | | | |
| Hatton National Bank PLC - Non voting | 334,520 | 62,354 | 284,055 | 52,551 |
| Seylan Bank PLC | 326,276 | 28,321 | 319,671 | 27,811 |
| Union Bank of Colombo PLC | 772,500 | 9,888 | 772,500 | 10,970 |
| | | 100,563 | | 91,332 |
| Beverage Food & Tobacco | | | | |
| Distilleries Company of Sri Lanka PLC | 157,037 | 1,164 | - | - |
| | | 1,164 | | - |
| Diversified | | | | |
| John Keells Holdings PLC | 148,780 | 23,745 | 148,780 | 20,517 |
| Melstacorp PLC | 530,000 | 30,846 | 530,000 | 31,376 |
| Softlogic Holdings PLC | - | - | 1,745,500 | 20,771 |
| | | 54,591 | | 72,664 |
| Health Care | | | | |
| The Lanka Hospital Corporation PLC | 350,000 | 21,000 | 350,000 | 21,525 |
| | | 21,000 | | 21,525 |
| Hotel & Travels | | | | |
| Serendib Hotels PLC - Non Voting | 464,400 | 6,966 | 464,400 | 9,288 |
| | | 6,966 | | 9,288 |
| Power & Energy | | | | |
| Lanka IOC PLC | 205,637 | 6,190 | 205,637 | 5,963 |
| | | 6,190 | | 5,963 |
| Telecommunication | | | | |
| Dialog Axiata PLC | 1,000,000 | 13,800 | 1,000,000 | 11,300 |
| | | 13,800 | | 11,300 |
| Total investment in equity securities - quoted | | 204,274 | | 212,072 |

(b) Investment in unit trusts - unquoted

| As at 31st March | 2018 | | 2017 | |
|---|--------------|------------|--------------|------------|
| | No. of units | Fair value | No. of units | Fair value |
| Guardian Acuity Money Market Fund | - | - | 5,367,270 | 75,660 |
| Guardian Acuity Money Market Gilt Fund | - | - | 1,292,898 | 150,667 |
| Total investment in unit trusts - unquoted | | - | | 226,327 |

26. CASH AND CASH EQUIVALENTS

| As at 31st March | Group | | Company | |
|---|---------|-----------|---------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Cash at bank and cash in hand | 357,770 | 22,624 | 176,328 | 1,560 |
| Placements with banking institutions | 50,603 | 624,592 | - | - |
| Securities purchased under resale agreements | 200,830 | 808,082 | 23,360 | 128,593 |
| Total cash and cash equivalents | 609,203 | 1,455,298 | 199,688 | 130,153 |
| Bank overdraft | 18,351 | 17,052 | 14,636 | 12,260 |
| | 18,351 | 17,052 | 14,636 | 12,260 |
| Net cash and cash equivalents for the purpose of cash flow statement | 590,852 | 1,438,246 | 185,052 | 117,893 |

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27. STATED CAPITAL

| As at 31st March | 2018 | | 2017 | |
|-----------------------------------|---------------|-----------|---------------|-----------|
| | No. of shares | Value | No. of shares | Value |
| Ordinary shares | | | | |
| Issued and fully paid | 82,978,868 | 1,043,687 | 82,978,868 | 1,043,687 |
| Deferred shares | | | | |
| Issued and fully paid (note 27.1) | 5,801,487 | 85,039 | 5,801,487 | 85,039 |
| | 88,780,355 | 1,128,726 | 88,780,355 | 1,128,726 |

27.1 Superior voting rights attached to the deferred shares

The Company has in issue 5,801,487 fully paid shares, titled "Deferred Shares". The Deferred Shares are subordinated to the ordinary shares in respect of dividend entitlement wherein, right to a dividend does not arise unless and until a minimum specified dividend has been declared on the ordinary shares. 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, by proxy or by attorney or by an authorized representative in the case of a corporation 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 and as aforesaid except for voting rights and dividend rights.

28. CAPITAL RESERVES

| As at 31st March | Group | | Company | |
|---|---------|---------|---------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Investment reserve (note 28.1) | 7,805 | 7,805 | 7,805 | 7,805 |
| Other capital reserve (note 28.1) | 316,741 | 316,741 | 200,855 | 200,855 |
| Jointly controlled entity's capital reserve (note 28.2) | 175 | 5,895 | - | - |
| | 324,721 | 330,441 | 208,660 | 208,660 |

28.1 Investment reserve and other capital reserve

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

28.2 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.

29. REVENUE RESERVES

| As at 31st March | Group | | Company | |
|--|------------|------------|-----------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Currency translation reserve (note 29.1) | 76,565 | 70,421 | - | - |
| Fair value through profit or loss financial assets reserve (note 29.2) | 1,158 | 703 | - | - |
| Available for sale financial assets reserve (note 29.3) | 5,325,245 | 5,662,417 | 1,574,197 | 1,159,668 |
| General reserve (note 29.4) | 32,668 | 32,668 | 14,961 | 14,961 |
| Retained earnings | 8,180,587 | 8,180,373 | 3,855,368 | 4,109,247 |
| | 13,616,223 | 13,946,582 | 5,444,526 | 5,283,876 |

29.1 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.

29.2 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 unrealised 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. 0.45 Mn was transferred to "Fair value through profit or loss financial assets reserve" from retained earnings of the Group (2017 - Rs. 9.3 Mn) and no transfer was made between said reserve and retained earnings of the Company (2017 - Nil) as shown in the Statement of Changes in Equity.

29.3 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.

29.4 General reserve

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

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30. EMPLOYEE BENEFITS - GROUP

| As at 31st March | 2018 | 2017 |
|--|--------------|---------------|
| Balance as at the beginning of the year | 10,479 | 9,528 |
| Payments made during the year | (6,933) | - |
| Provision for the year | 3,880 | 951 |
| Balance as at the end of the year | 7,426 | 10,479 |

30.1 The amounts recognised in Profit or Loss are as follows;

| For the year ended 31st March | 2018 | 2017 |
|-------------------------------|--------------|--------------|
| Interest cost | 1,205 | 1,000 |
| Current service cost | 1,221 | 1,471 |
| Charged for the year | 2,426 | 2,471 |

30.2 The amounts recognised in other comprehensive income are as follows;

| For the year ended 31st March | 2018 | 2017 |
|--------------------------------|--------------|----------------|
| Actuarial gains / (loss) | 1,454 | (1,520) |
| Recognised for the year | 1,454 | (1,520) |
| Provision for the year | 3,880 | 951 |

The gratuity liability as at 31st March 2018 amounting to Rs. 7,425,823/- (2017 - Rs.10,479,117/-) 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 | 10.50% p.a. (2017 - 11.50%) |
| Rate of pay increase | 10% p.a. (2017 - 11%) |
| 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. | |

30.3 Sensitivity analysis

Reasonably possible changes as at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| For the year ended 31st March 2018 | 1% Increase | 1% Decrease |
|------------------------------------|----------------|----------------|
| Discount rate | (756) | 889 |
| Future salary increase | 916 | (791) |

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

31. TRADE AND OTHER PAYABLES

| As at 31st March | Group | | Company | |
|-------------------------|---------|---------|---------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Financial | | | | |
| Trade payables | - | 1,240 | - | 45 |
| Dividend payables | 128,988 | 62,020 | 79,388 | - |
| Other payables | 59,514 | 68,269 | 29,186 | 24,218 |
| | 188,502 | 131,529 | 108,574 | 24,263 |
| Non financial | | | | |
| Accruals and provisions | 21,342 | 22,465 | 2,579 | 2,604 |
| | 21,342 | 22,465 | 2,579 | 2,604 |
| | 209,844 | 153,994 | 111,153 | 26,867 |

NOTES TO THE FINANCIAL STATEMENTS

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32. RELATED PARTY TRANSACTIONS

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

32.1 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.

32.2 Group entities

| As at 31st March | Ownership interest % | |
|--|----------------------|------|
| | 2018 | 2017 |
| Subsidiaries | | |
| 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 |
| Jointly controlled entity | | |
| Guardian Acuity Asset Management Limited | 50 | 50 |

32.3 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.

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

| For the year ended 31st March | Group | | Company | |
|-------------------------------|--------|--------|---------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Short-term employee benefits | 47,668 | 42,875 | 13,837 | 14,016 |
| Post-employment benefits | 536 | 738 | - | - |
| Termination benefits paid | 6,600 | - | - | - |
| Other long-term benefits | - | - | - | - |
| Non cash benefits | 72 | 68 | - | - |
| | 54,876 | 43,681 | 13,837 | 14,016 |

No transactions have taken place during the year between the Company / Group and its KMP other than those disclosed above.

32.4 Transactions with related companies

| Name of the Company | Relationship | Nature of the transactions | Group | | Company | |
|--|-----------------------------|--|---------|---------|---------|---------|
| | | | 2018 | 2017 | 2018 | 2017 |
| Carson Cumberbatch PLC | Parent Company | Dividends paid | 430,821 | 184,575 | 430,676 | 184,575 |
| Ceylon Investment PLC | Subsidiary | Dividends received | - | - | 128,021 | 112,019 |
| Guardian Fund Management Limited (GFM) | Subsidiary | Portfolio management fees paid | - | - | 15,044 | 13,732 |
| | | Business development fees paid | - | - | 32,500 | 21,500 |
| Rubber Investment Trust Limited | Subsidiary | Dividends received | - | - | 106,148 | 103,377 |
| Guardian Acuity Asset Management Limited (GAAM) | Jointly controlled entity | Portfolio management fees received | 6,300 | 4,800 | - | - |
| | | Dividend received | - | - | 945 | - |
| Bukit Darah PLC | Ultimate Controlling entity | Dividend received on ordinary shares | 27,591 | 20,438 | - | - |
| | | Dividend received on 8% participative cumulative preference shares | 344 | 253 | - | - |
| Carsons Management Services (Private) Limited (CMSL) | Affiliate entity | Support Service Fees paid | 36,401 | 34,732 | 12,975 | 13,183 |
| | | Computer fees paid | 1,320 | 1,320 | 420 | 420 |
| | | Secretarial fees paid | 1,746 | 1,579 | 444 | 403 |
| Equity Two PLC | Affiliate entity | Rental charges paid | 5,693 | 5,693 | - | - |
| Hatton National Bank PLC* | Other entity | Interest income received | 39,805 | 6,615 | - | 5,979 |
| | | Balances held in demand deposits | 704 | 706 | 625 | 626 |
| | | Short term deposits | - | 600,000 | - | - |
| | | Bank charges paid | 3 | 6 | 1 | 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 (2017 - Rs. 300 Mn) on commercial terms.

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33. 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 15 to 20 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 monitoring 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.

33.1 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.

33.1.1 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 | |
|--|----------|-----------------|-----------|
| | | 2018 | 2017 |
| 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) | 45,293 | 40,822 |
| Fair value through profit or loss financial assets - Investment in unit trusts | 25.3 (b) | 772,540 | 1,414,989 |
| Trade and other receivables* | 24 | 22,654 | 72,905 |
| Investment in fixed deposits | | 1,172,137 | - |
| Cash and cash equivalents - Cash at bank and cash in hand | 26 | 357,770 | 22,624 |
| Cash and cash equivalents - Placements with banking institutions | 26 | 50,603 | 624,592 |
| Cash and cash equivalents - Securities purchased under resale agreements | 26 | 200,830 | 808,082 |
| | | 2,621,832 | 2,984,019 |

*Advances and prepaid expenses 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

| 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.

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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.

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 agreements, 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 | Ownership interest % | |
|--------------------|----------------------|--------|
| | 2018 | 2017 |
| Less than 30 days | 19,912 | 71,006 |
| 30 – 60 days | 1,305 | 781 |
| 61 – 90 days | 682 | 105 |
| 91 – 120 days | 109 | 745 |
| More than 120 days | 646 | 268 |
| | 22,654 | 72,905 |

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

Investment in fixed deposits

The Group has invested in fixed deposits with both Banking and Non-banking financial institutions. The Group continuously monitors the stability and creditworthiness including credit ratings of these financial institutions in order to assess and mitigate the credit risk.

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. This includes balances held as cash and cash equivalents and investment in fixed deposits.

| As at 31st March | Carrying amount | |
|----------------------|-----------------|-----------|
| | 2018 | 2017 |
| Credit rating | | |
| AAA | 14,076 | 15,496 |
| AA+ | 211,525 | - |
| AA | 200,831 | - |
| AA- | 264,209 | - |
| A+ | 697,107 | 809,952 |
| A | 50,603 | 600,926 |
| Unrated | 342,989 | 28,924 |
| | 1,781,340 | 1,455,298 |

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.

33.2 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.

33.2.1 Exposure to credit risk

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

| As at 31st March 2018 | Carrying amount | Total | Contractual cash flows | | |
|---|-----------------|---------|------------------------|-------------|------------------|
| | | | up to 3 months | 3-12 months | More than a year |
| Non derivative financial liabilities | | | | | |
| Trade and other payables * | 188,502 | 188,502 | 188,502 | - | - |
| Bank overdraft | 18,351 | 18,351 | 18,351 | - | - |
| | 206,853 | 206,853 | 206,853 | - | - |

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

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

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33.2 Liquidity risk Contd.

33.2.1 Exposure to credit risk Contd.

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

| As at 31st March | 2018 | 2017 |
|--|------------------|------------------|
| Cash and cash equivalent | 609,203 | 1,455,298 |
| Fair value through profit or loss financial assets - Investment in unit trusts | 772,540 | 1,414,989 |
| Total liquid assets | 1,381,743 | 2,870,287 |
| Liquid assets as a % of the total net assets | 8% | 15% |

33.2.2 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.

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 | 2018 | 2017 |
|---------------------------------|-----------|-----------|
| Unutilised overdraft facilities | 1,400,000 | 1,600,000 |
| | 1,400,000 | 1,600,000 |

33.3 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.

33.3.1 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.

| As at 31st March | Carrying Amount | |
|--------------------------------------|-----------------|-----------|
| | 2018 | 2017 |
| Financial assets | | |
| Investment in fixed deposits | 1,172,137 | - |
| Placements with banking institutions | 50,603 | 624,592 |
| Investments under resale agreements | 200,830 | 808,082 |
| | 1,423,570 | 1,432,674 |
| Financial liabilities | | |
| Bank overdrafts | 18,351 | 17,052 |
| | 18,351 | 17,052 |

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

| As at 31st March | 2018 | 2017 |
|--|--------|--------|
| Commercial Banks Averaged Weighted Prime Lending Rate (AWPLR) * | 11.10% | 11.56% |
| Commercial Banks Averaged Weighted Fixed Deposit Rate (AWFDR) * | 11.41% | 11.38% |

* Monthly averaged rate as at reporting date.

Sensitivity Analysis

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

| Movement in interest rate | Profit or Loss | |
|-----------------------------------|----------------|----------------|
| | Increase by 1% | Decrease by 1% |
| As at 31st March 2018 | | |
| - On interest earning assets | 14,236 | (14,236) |
| - On interest bearing liabilities | (184) | 184 |
| | 14,052 | (14,052) |
| As at 31st March 2017 | | |
| - On interest earning assets | 14,327 | (14,327) |
| - On interest bearing liabilities | (171) | 171 |
| | 14,156 | (14,156) |

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33.3.2 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 80% (2017 - 76%) 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 Group ventures in to, with a view to ascertain the Group'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 Group 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.

| | Note | Carrying Amount | |
|---|------------|-----------------|------------|
| As at 31st March | | 2018 | 2017 |
| Available for sale financial assets - investments in equity securities | 22.3.a/b/c | 13,877,851 | 13,780,859 |
| Available for sale financial assets - investment in unit trusts Guardian acuity equity fund | 22.3.e | 45,293 | 40,822 |
| Fair value through profit or loss financial assets - investment in equity securities | 25.3.a | 1,676,993 | 1,721,907 |
| | | 15,600,137 | 15,543,588 |

A broad analysis of the investments made by the Company based on the industry / sector is given in note 22 and 25.

33.3.3 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 | |
|---------------------------------------|-----------------|--------|
| | 2018 | 2017 |
| USD/LKR | | |
| Assets and liabilities | 153.23 | 149.75 |
| Income and expenses | 152.46 | 146.01 |

33.4 Accounting classification and Fair values

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

| As at 31st March 2018 | Fair value through profit or loss | Held to maturity | Loans and receivable | Available for sale | Other financial liabilities | Total carrying amount | Fair value |
|---|-----------------------------------|------------------|----------------------|--------------------|-----------------------------|-----------------------|------------|
| Financial assets measured at fair value | | | | | | | |
| Available for sale financial assets | - | - | - | 13,923,149 | - | 13,923,149 | 13,923,149 |
| Fair value through profit or loss financial assets | 2,449,533 | - | - | - | - | 2,449,533 | 2,449,533 |
| Financial assets not measured at fair value | | | | | | | |
| Trade and other receivables | - | - | 22,654 | - | - | 22,654 | - |
| Investment in fixed deposits | - | - | 1,172,137 | - | - | 1,172,137 | - |
| Cash and cash equivalents | - | - | 609,203 | - | - | 609,203 | - |
| Total financial assets | 2,449,533 | - | 1,803,994 | 13,923,149 | - | 18,176,676 | |
| Financial liabilities not measured at fair value | | | | | | | |
| Trade and other payables | - | - | - | - | 188,502 | 188,502 | - |
| Bank overdraft | - | - | - | - | 18,351 | 18,351 | - |
| Total financial liabilities | - | - | - | - | 206,853 | 206,853 | |

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

33.5 Fair value hierarchy

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

Level 1: Availability of quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

| | Level 1 | Level 2 | Level 3 | Total |
|--|------------|---------|---------|------------|
| As at 31st March 2018 | | | | |
| Available for sale financial assets | 13,775,062 | - | 148,087 | 13,923,149 |
| Fair value through profit or loss financial assets | 2,449,533 | - | - | 2,449,533 |
| | 16,224,595 | - | 148,087 | 16,372,682 |

| | | | | |
|--|------------|---|---------|------------|
| As at 31st March 2017 | | | | |
| 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 |

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

| For the year ended 31st March | 2018 | 2017 |
|---------------------------------------|----------------|----------------|
| Opening balance | 300,936 | 152,452 |
| Additions | - | 94,618 |
| Change in fair value | (39,468) | 53,866 |
| Transfer to level 1 | (103,125) | - |
| Disposal / written off of investments | (10,256) | - |
| Closing balance | 148,087 | 300,936 |

NOTES TO THE FINANCIAL STATEMENTS

33.6 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 measurement, the estimated fair value would increase if. |
|---------------------------------|--|---|------------|---|
| Private equity (unlisted) | Discounted cash flows : | Revenue CAGR | 10% - 20 % | Increase |
| | 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. | Discount rate | 20% | Decrease |
| | | Exit multiple: * EV/EBIT - Enterprise value to earnings before interest and tax | 5 - 6 | Increase |
| | Relative valuations | *P/S - Price to sales ratio | 3 - 4 | Increase |

34. 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.

35. EVENTS AFTER THE REPORTING PERIOD

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

36. COMMITMENTS AND CONTINGENCIES

36.1 Commitments

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

36.2 Contingencies

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

36.3 Litigation and claims

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

37. COMPARATIVE FIGURES

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

38. RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

FIVE YEAR SUMMARY

In Rupees Thousands

| For the year ended /As at 31st March | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------------------|-------------------|-------------------|--------------------|-------------------|
| Revenue | | | | | |
| Dividend income | 777,670 | 846,248 | 695,279 | 655,161 | 906,837 |
| Net gain on disposal of investments | 603,773 | 1,157,783 | 703,744 | 1,524,049 | 1,289,020 |
| Interest income | 150,948 | 43,815 | 101,293 | 200,972 | 338,405 |
| Management fee | 107,040 | 91,724 | 103,405 | 87,205 | 66,950 |
| | 1,639,431 | 2,139,570 | 1,603,721 | 2,467,387 | 2,601,212 |
| Less: Inter-group transactions | (439,307) | (397,272) | (427,395) | (400,773) | (718,844) |
| | 1,200,124 | 1,742,298 | 1,176,326 | 2,066,614 | 1,882,368 |
| Fair value adjustment - unrealised | (133,924) | (250,032) | (306,875) | 113,167 | 943 |
| Profit on investment activities | 1,066,200 | 1,492,266 | 869,451 | 2,179,781 | 1,883,311 |
| | | | | | |
| Profit before taxation | 847,016 | 1,277,460 | 642,073 | 1,983,577 | 1,721,756 |
| Income tax expense | (50,697) | (21,126) | (30,873) | (64,315) | (109,611) |
| Profit for the year | 796,319 | 1,256,334 | 611,200 | 1,919,262 | 1,612,145 |
| Non controlling interest | (179,692) | (227,584) | (98,321) | (408,461) | (315,542) |
| Profit attributable to the equity holders of the parent | 616,627 | 1,028,750 | 512,879 | 1,510,801 | 1,296,603 |
| Dividends paid - Cash | (621,462) | (266,341) | (263,509) | (439,182) | (219,591) |
| | | | | | |
| Statement of Financial Position | | | | | |
| Capital employed | | | | | |
| Stated capital | 1,128,726 | 1,128,726 | 1,128,726 | 953,167 | 953,167 |
| Reserves | 13,940,944 | 14,277,023 | 15,008,570 | 21,677,677 | 19,131,142 |
| Total equity attributable to equity holders of the parent | 15,069,670 | 15,405,749 | 16,137,296 | 22,630,844 | 20,084,309 |
| Non controlling interest | 3,197,287 | 3,214,856 | 3,414,692 | 4,827,637 | 4,256,848 |
| Total equity | 18,266,957 | 18,620,605 | 19,551,988 | 27,458,481 | 24,341,157 |
| | | | | | |
| Assets employed | | | | | |
| Current assets | 4,292,327 | 4,705,645 | 3,789,904 | 4,534,389 | 4,336,515 |
| Current liabilities | (237,937) | (171,104) | (221,945) | (230,478) | (217,337) |
| Net current assets | 4,054,390 | 4,534,541 | 3,567,959 | 4,303,911 | 4,119,178 |
| | | | | | |
| Non-current assets | 14,219,993 | 14,096,543 | 15,993,557 | 23,164,604 | 20,229,588 |
| Non-current liabilities | (7,426) | (10,479) | (9,528) | (10,034) | (7,609) |
| Net assets | 18,266,957 | 18,620,605 | 19,551,988 | 27,458,481 | 24,341,157 |
| | | | | | |
| Cash Flow Statements | | | | | |
| Net cash generated from / (used in) operating activities | (220,092) | 698,375 | (402,412) | (545,677) | 358,525 |
| Net cash generated from / (used in) investing activities | (19,908) | 220 | (2,766) | (440) | (4,928) |
| Net cash used in financing activities | (616,020) | (320,548) | (339,972) | (516,479) | (281,708) |
| Net increase / (decrease) in cash & cash equivalents | (856,020) | 378,047 | (745,150) | (1,062,596) | 71,889 |

| For the year ended /As at 31st March | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|------------|------------|------------|------------|------------|
| Ratios & statistics | | | | | |
| Operational ratio | | | | | |
| Return on ordinary shareholders funds (%) | 4.09 | 6.68 | 3.18 | 6.68 | 6.46 |
| Liquidity ratio | | | | | |
| Current ratio (times) | 18.04 | 27.50 | 17.08 | 19.67 | 19.95 |
| Investor ratio | | | | | |
| Earnings per share (Rs.) | 6.95 | 11.59 | 5.78 | 17.02 | 14.76 |
| Dividend per share (Rs.) * | 3.00 | 4.00 | 3.00 | 5.00 | 5.00 |
| Dividend cover (times) | 2.32 | 2.90 | 1.93 | 3.40 | 2.95 |
| Dividend growth (%) | (25) | 33 | (40) | - | 100 |
| Dividend yield (%) | 3.66 | 4.44 | 2.51 | 2.72 | 2.81 |
| Dividend payout ratio (%) | 43.17 | 34.52 | 51.90 | 29.38 | 33.87 |
| Net assets value per share - (Rs.) | 169.74 | 173.53 | 181.77 | 257.65 | 228.66 |
| Market value per share (Rs.) ** | 82.00 | 90.10 | 119.70 | 184.00 | 177.90 |
| Price earning ratio (times) | 11.80 | 7.77 | 20.71 | 10.81 | 12.05 |
| Price to book value ratio (times) | 0.48 | 0.52 | 0.66 | 0.71 | 0.78 |
| Market capitalisation | 6,804,267 | 7,476,396 | 9,932,570 | 15,105,796 | 14,605,006 |
| Fair value of investments | 18,135,671 | 18,396,828 | 19,428,117 | 27,338,751 | 24,232,993 |
| All Share Price Index (points) | 6,477 | 6,062 | 6,072 | 6,820 | 5,968 |
| S&P SL 20 Index (points) | 3,650 | 3,439 | 3,204 | 3,852 | 3,280 |

* 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.

KEY HIGHLIGHTS

In United States Dollars

| For the year ended / As at 31st March | 2018 | 2017 | Change % |
|---|-------------|--------------|----------|
| Revenue | 7,822,984 | 11,803,387 | (34) |
| Profit from operations | 5,447,409 | 8,634,510 | (37) |
| Share of profit of equity accounted investee net of tax | 71,879 | 18,610 | 286 |
| Profit before taxation | 5,521,257 | 8,654,292 | (36) |
| Profit for the year | 5,190,790 | 8,511,172 | (39) |
| Other comprehensive expense for the year | (3,030,598) | (12,586,445) | (76) |
| Total comprehensive Income /(expense) for the year | 2,160,192 | (4,075,273) | (153) |
| Net cash generated from / (used in) operating activities | (1,434,665) | 4,731,217 | (130) |
| Total equity attributable to equity holders of the parent | 96,848,778 | 101,360,280 | (4) |
| Earnings per share | 0.05 | 0.08 | (38) |
| Dividend per share * | 0.03 | 0.03 | - |
| Net assets per share | 1.09 | 1.14 | (4) |
| Ceylon Guardian total Fund value ** | 116,553,156 | 121,039,726 | (4) |

* Based on proposed / interim dividends

** Based on fair value of portfolio after adjusting for cash and cash equivalents including investment in Bukit Darah PLC.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In United States Dollars

| For the year ended 31st March | Group | |
|--|--------------------|---------------------|
| | 2018 | 2017 |
| Revenue | 7,822,984 | 11,803,387 |
| Impairment loss on available for sale financial assets | (595,470) | (1,346,968) |
| Net change in fair value of fair value through profit or loss financial assets | (277,511) | (346,901) |
| Profit on investment activities | 6,950,003 | 10,109,518 |
| Other operating income | 39 | - |
| Administrative and other operating expenses | (1,502,633) | (1,475,008) |
| Profit from operations | 5,447,409 | 8,634,510 |
| Net finance income | 1,969 | 1,172 |
| Profit from operations after net finance income | 5,449,378 | 8,635,682 |
| Share of profit of equity accounted investee, net of tax | 71,879 | 18,610 |
| Profit before taxation | 5,521,257 | 8,654,292 |
| Income tax expense | (330,467) | (143,120) |
| Profit for the year | 5,190,790 | 8,511,172 |
| Other comprehensive income | | |
| Items that will never be reclassified to profit or loss | | |
| Actuarial gain on employee benefit obligation | (9,478) | 10,297 |
| Related tax on employee benefits | 2,653 | - |
| Items that are or may be reclassified to profit or loss | | |
| Net change in fair value of available for sale financial assets | (2,193,742) | (7,995,935) |
| Transfer of realised gains on disposal of available for sale financial assets | (848,973) | (4,718,427) |
| Share of other comprehensive income/ (expense) of equity accounted investee net of tax | (37,286) | 16,970 |
| Net exchange differences on translation of foreign operations | 56,228 | 100,650 |
| Other comprehensive expense for the year | (3,030,598) | (12,586,445) |
| Total comprehensive income / (expense) for the year | 2,160,192 | (4,075,273) |
| Profit attributable to: | | |
| Equity holders of the parent | 4,019,471 | 6,969,379 |
| Non controlling interest | 1,171,319 | 1,541,793 |
| | 5,190,790 | 8,511,172 |
| Total comprehensive income attributable to: | | |
| Equity holders of the parent | 1,817,561 | (3,182,786) |
| Non controlling interest | 342,631 | (892,487) |
| | 2,160,192 | (4,075,273) |
| Earnings per share | 0.05 | 0.08 |

STATEMENT OF FINANCIAL POSITION

In United States Dollars

| As at 31st March | Group | |
|--|--------------------|--------------------|
| | 2018 | 2017 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 18,342 | 39,549 |
| Intangible assets | 1,621,414 | 1,525,870 |
| Investment in equity accounted investee | 264,692 | 242,970 |
| Available for sale financial assets | 89,480,392 | 90,938,127 |
| Deferred tax asset | 3,290 | - |
| Total non-current assets | 91,388,130 | 92,746,516 |
| Current assets | | |
| Trade and other receivables | 178,425 | 619,659 |
| Current tax assets | 216,523 | 126,778 |
| Fair value through profit or loss financial assets | 15,742,500 | 20,638,832 |
| Investment in fixed deposits | 7,533,014 | - |
| Cash and cash equivalents | 3,915,186 | 9,574,959 |
| Total current assets | 27,585,648 | 30,960,228 |
| Total assets | 118,973,778 | 123,706,744 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Stated capital | 8,834,775 | 8,834,775 |
| Capital reserves | 753,849 | 791,135 |
| Revenue reserves | 87,260,154 | 91,734,370 |
| Total equity attributable to equity holders of the parent | 96,848,778 | 101,360,280 |
| Non controlling interest | 20,548,117 | 21,151,760 |
| Total equity | 117,396,895 | 122,512,040 |
| Non-Current Liabilities | | |
| Employee benefits | 47,725 | 68,945 |
| Total non-current liabilities | 47,725 | 68,945 |
| Current liabilities | | |
| Trade and other payables | 1,348,612 | 1,013,185 |
| Current tax liabilities | 62,609 | 382 |
| Bank overdraft | 117,937 | 112,192 |
| Total current liabilities | 1,529,158 | 1,125,759 |
| Total liabilities | 1,576,883 | 1,194,704 |
| Total equity and liabilities | 118,973,778 | 123,706,744 |
| Net assets per ordinary/deferred share | 1.09 | 1.14 |

FIVE YEAR SUMMARY

In United States Dollars

| For the year ended /As at 31st March | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------------|-------------|-------------|-------------|-------------|
| Statement of income | | | | | |
| Revenue | | | | | |
| Dividend income | 5,069,226 | 5,732,999 | 5,000,209 | 4,993,605 | 6,969,772 |
| Net gain on disposal of investments | 3,935,682 | 7,843,527 | 5,061,086 | 11,616,227 | 9,907,155 |
| Interest income | 983,952 | 296,829 | 728,465 | 1,531,799 | 2,600,915 |
| Management fee | 697,738 | 621,394 | 743,653 | 664,672 | 514,565 |
| | 10,686,598 | 14,494,749 | 11,533,413 | 18,806,303 | 19,992,407 |
| Less: Inter-group transactions | (2,863,614) | (2,691,362) | (3,073,679) | (3,054,672) | (5,524,895) |
| | 7,822,984 | 11,803,387 | 8,459,734 | 15,751,631 | 14,467,512 |
| Profit before taxation | 5,521,257 | 8,654,292 | 4,617,569 | 15,118,727 | 13,233,079 |
| Income tax expenses | (330,467) | (143,120) | (222,028) | (490,206) | (842,448) |
| Profit for the year | 5,190,790 | 8,511,172 | 4,395,541 | 14,628,521 | 12,390,631 |
| Non controlling interest | (1,171,319) | (1,541,793) | (707,091) | (3,113,270) | (2,425,194) |
| Profit attributable to the equity holders of the parent | 4,019,471 | 6,969,379 | 3,688,450 | 11,515,251 | 9,965,437 |
| Dividends paid - Cash | (4,050,988) | (1,804,356) | (1,895,067) | (3,347,424) | (1,687,733) |
| Statement of Financial position | | | | | |
| Capital employed | | | | | |
| Stated capital | 8,834,775 | 8,834,775 | 8,834,775 | 8,834,775 | 8,834,775 |
| Reserves | 88,014,003 | 92,525,505 | 102,695,365 | 160,913,530 | 144,797,208 |
| Total equity attributable to equity holders of the parent | 96,848,778 | 101,360,280 | 111,530,140 | 169,748,305 | 153,631,983 |
| Non controlling interest | 20,548,117 | 21,151,760 | 23,600,055 | 36,210,898 | 32,562,135 |
| Total equity | 117,396,895 | 122,512,040 | 135,130,195 | 205,959,203 | 186,194,118 |
| Assets employed | | | | | |
| Current assets | 27,585,648 | 30,960,228 | 26,193,269 | 34,011,319 | 33,171,536 |
| Current liabilities | (1,529,158) | (1,125,759) | (1,533,935) | (1,728,758) | (1,662,487) |
| Net current assets | 26,056,490 | 29,834,469 | 24,659,334 | 32,282,561 | 31,509,049 |
| Non-current assets | 91,388,130 | 92,746,516 | 110,536,712 | 173,751,905 | 154,743,273 |
| Non-current liabilities | (47,725) | (68,945) | (65,851) | (75,263) | (58,204) |
| Net assets | 117,396,895 | 122,512,040 | 135,130,195 | 205,959,203 | 186,194,118 |
| Cash Flow Statements | | | | | |
| Net cash generated from / (used in) operating activities | (1,434,665) | 4,731,217 | (2,894,009) | (4,159,123) | 2,755,553 |
| Net cash generated from / (used in) investing activities | (129,770) | 1,490 | (19,892) | (3,354) | (37,876) |
| Net cash used in financing activities | (4,015,514) | (2,171,587) | (2,444,962) | (3,936,578) | (2,165,153) |
| Net (decrease) / increase in cash & cash equivalents | (5,579,949) | 2,561,120 | (5,358,863) | (8,099,055) | 552,524 |

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.

| For the year ended / As at 31st March | 2018 | 2017 |
|---|--------|--------|
| Statement of Profit or Loss and Other Comprehensive Income - Average rate | 153.41 | 147.61 |
| Monetary assets and liabilities - closing rate | 155.60 | 151.99 |
| Non-monetary assets and liabilities - closing rate | 155.60 | 151.99 |
| 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 | 2018 | 2017 |
|-------------------------------|-------------|-------------|
| Beginning of the year | 91,734,370 | 101,921,200 |
| Net movement during the year | (2,193,488) | (5,044,604) |
| | 89,540,882 | 96,876,596 |
| Currency fluctuations | (2,280,728) | (5,142,226) |
| As at the end of the year | 87,260,154 | 91,734,370 |

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 2018 was Rs. 82.00 per share (2017 – Rs.90.10)

3. Ordinary Shareholders

| As at 31st March | 2018 | 2017 |
|------------------------|-------|-------|
| Number of Shareholders | 1,666 | 1,602 |

The number of ordinary shares held by Non-Residents as at 31st March 2018 was 6,747,575 (2017 – 7,363,211) which amount to 8.13% (2017 – 8.87%).

Frequency Distribution of Shareholdings as at 31st March 2018

| Distribution of Shares | Residents | | | Non-Residents | | | Total | | |
|------------------------|----------------|---------------|-------|----------------|---------------|------|----------------|---------------|--------|
| | No. of Members | No. of Shares | % | No. of Members | No. of Shares | % | No. of Members | No. of Shares | % |
| 1-1,000 | 1,055 | 184,723 | 0.22 | 12 | 2,808 | 0.00 | 1,067 | 187,531 | 0.23 |
| 1001-10,000 | 381 | 1,237,273 | 1.49 | 15 | 55,792 | 0.07 | 396 | 1,293,065 | 1.56 |
| 10,001-100,000 | 134 | 3,938,804 | 4.75 | 22 | 703,793 | 0.85 | 156 | 4,642,597 | 5.59 |
| 100,001-1,000,000 | 39 | 12,177,343 | 14.68 | 3 | 512,278 | 0.62 | 42 | 12,689,621 | 15.29 |
| Above 1,000,000 | 2 | 58,693,150 | 70.73 | 3 | 5,472,904 | 6.60 | 5 | 64,166,054 | 77.33 |
| Grand Total | 1,611 | 76,231,293 | 91.87 | 55 | 6,747,575 | 8.13 | 1,666 | 82,978,868 | 100.00 |

Categorization of Shareholders as at 31st March 2018

| Categories of Shareholders | No. of Shareholders | No. of Shares | % |
|----------------------------|---------------------|---------------|--------|
| Individuals | 1,484 | 13,367,532 | 16.11 |
| Institutions | 182 | 69,611,336 | 83.89 |
| Total | 1,666 | 82,978,868 | 100.00 |

Public Shareholding

The Company is in compliance with the Minimum Public Holding requirements for Companies listed on the Main Board as per Rule 7.13.1.a. of the Listing Rules of Colombo Stock Exchange, under Option 5, i.e. Float-adjusted Market Capitalization of less than Rs.2.5 Billion with 500 Public Shareholders and a Public Holding percentage of 20%

The Company's Public Holding as at 31st March 2018

- Market Capitalization of the Public Holding Rs. 2.23 Billion
- Percentage of ordinary shares held by the public 32.71%
- Number of Public Shareholders 1,654

4. Market performance - ordinary shares

| For the year ended 31st March | 2018 | 2017 |
|----------------------------------|------------------|------------------|
| Share price as at 31 March (Rs.) | 82.00 | 90.10 |
| Highest (Rs.) | 120.00 | 175.00 |
| Lowest (Rs.) | 76.20 | 89.00 |
| Value of shares traded (Rs.) | 188,343,196 | 66,863,191 |
| No. of shares traded | 1,968,128 | 522,846 |
| Volume of transactions (Nos.) | 646 | 221 |
| Market capitalization (Rs.) | 6,804,267,176.00 | 7,476,396,006.80 |

5. Record of Bonus Issues, Rights Issues, Repurchase and Subdivision of shares

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

| Year ended | | Issue | Basis | No. of shares | Cumulative No. of shares |
|------------|-------------|----------------------------|-------|---------------|--------------------------|
| 1951 | - | Initial Capital | - | 757,525 | 757,525 |
| 1990 | - | Bonus | 01:01 | 757,525 | 1,515,050 |
| 1992 | - | Bonus | 01:08 | 189,381 | 1,704,431 |
| 1999 | - | Bonus | 01:04 | 426,108 | 2,130,539 |
| 2000 | - | Bonus | 01:04 | 532,634 | 2,663,173 |
| 2002 | - April | Rights | 01:07 | 380,453 | 3,043,626 |
| | - May | Bonus | 01:04 | 760,906 | 3,804,532 |
| 2003 | - July | Rights | 01:05 | 760,906 | 4,565,438 |
| | - August | Bonus | 01:06 | 760,906 | 5,326,344 |
| 2004 | - July | Rights | 01:02 | 2,663,172 | 7,989,516 |
| 2004 | - September | Bonus | 01:03 | 2,663,172 | 10,652,688 |
| 2005 | - March | Rights | 01:03 | 3,550,896 | 14,203,584 |
| | - June | Bonus | 01:03 | 4,734,528 | 18,938,112 |
| 2009 | - October | Repurchase | 03:20 | (2,840,716) | 16,097,396 |
| 2010 | - November | Subdivision | 05:01 | 64,389,584 | 80,486,980 |
| | | Capitalisation of Reserves | 01:50 | 1,609,739 | 82,096,719 |
| 2015 | - August | Scrip | 01:93 | 882,149 | 82,978,868 |

6. Dividend

A First Interim Dividend of Rs.3/- per Ordinary share and Deferred share was declared and paid to the shareholders of the company on 26th March 2018. for the financial year ended 31st March 2018. (2017 – Final dividend Rs.4/- per share).

7. Number of Employees

The Company had no employees as at the balance sheet date (2017 - Nil). The Group has 20 (2017 - 20) employees as at the balance sheet date.

8. Major shareholders

A list of major shareholders of the Company as at 31st March 2018 is provided in the Annual Report of the Board of Directors, on page 40.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the SIXTY SIXTH Annual General Meeting of CEYLON GUARDIAN INVESTMENT TRUST PLC will be held on Thursday the 26th day of July 2018 at 11.00 a.m. at the Auditorium of the Institute of Chartered Accountants of Sri Lanka, Ground Floor, 30A, Malalasekera Mawatha, Colombo 07, for the following purposes :

1. To consider the Annual Report of the Board of Directors and the Financial Statements of the Company for the year ended 31st March 2018 together with the Independent Auditors' Report thereon.
2. To re-elect Mr. D.C.R. Gunawardena who retires in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.
3. To re-elect Mr. T. C. M. Chia who retires in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.
4. To re-appoint Mr. C.W. Knight as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following resolution :
"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Mr. C.W. Knight who is seventy five 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."
5. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act No.07 of 2007 and to authorize the Directors to determine their remuneration.

By Order of the Board

(Sgd).

K.D. De Silva (Mrs.)

Director

Carsons Management Service (Private) Limited

Secretaries

Colombo

19th June 2018

Notes

1. A member is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A Form of Proxy accompanies this notice.
2. The completed Form of Proxy must be deposited at the Registered Office, No.61, Janadhipathi Mawatha, Colombo 1, not later than 4.45 p.m. on 24th July 2018.
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 | |

as *my/our proxy to attend the Annual General Meeting of the Company to be held on Thursday, the 26th day of July 2018 at 11.00 a.m., at the Auditorium of The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 07, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

| | | For | Against |
|-------|---|--------------------------|--------------------------|
| (i) | To re-elect Mr. D.C.R. Gunawardena who retires in terms of Articles 89, 90 and 91 of the Articles of Association of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) | To re-elect Mr. T. C. M. Chia who retires in terms of Articles 89, 90 and 91 of the Articles of Association of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| (iii) | 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"/> |
| (vi) | 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 Eighteen

.....
Signature /s

Note:

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

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy by 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 2018.

Please fill in the following details

Name :

Address :

Jointly with :

Share folio no :

CORPORATE INFORMATION

NAME OF COMPANY

Ceylon Guardian Investment Trust PLC
(A Carson Cumberbatch Company)

COMPANY REGISTRATION NO.

PQ 52

DOMICILE AND LEGAL FORM

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

The Company was incorporated in Sri Lanka in 1951.

PRINCIPAL ACTIVITY AND NATURE OF OPERATIONS

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

PARENT COMPANY

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 (Resigned w.e.f. 30.09.2017)

NUMBER OF EMPLOYEES

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

BANKERS

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

AUDITORS

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

INVESTMENT MANAGERS

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

MANAGERS & SECRETARIES

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

CORPORATE WEBSITE

www.carsoncumberbatch.com
The Company is a member of the Carson Cumberbatch Group of companies

Designed & produced by

emagewise

Printed by Printage (Pvt) Ltd



www.carsoncumberbatch.com