

# **CEYLON INVESTMENT PLC**

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# CEYLON INVESTMENT PLC

Ceylon Investment PLC has consistently executed a strategy of long term fundamental investing with a focus on wealth creation and maintaining high quality investments with an emphasis on a time horizon of medium to long term. The company holds a total investment portfolio of Rs. 6.42 Bn as at 31st March 2020.

The environment in which the company operated for the financial year was challenging. We are pleased to set out the review and performance of the business during the year in this report.

# FINANCIAL HIGHLIGHTS

In Rupees Thousands

For the year ended / as at 31st March	2020	2019	Change (%)
Revenue	227,437	169,018	35
Loss from operations	(499,970)	(954,987)	(48)
Share of loss of equity accounted investees net of tax	(131,114)	(210,967)	(38)
Loss before taxation	(636,273)	(1,173,128)	(46)
Loss for the year	(645,345)	(1,186,302)	(46)
Other comprehensive expense for the year	(186,077)	(62,274)	199
Total comprehensive expense for the year	(831,422)	(1,248,576)	(33)
Net cash generated from / (used in) operating activities	373,797	(41,108)	(1,009)
Net increase / (decrease) in cash and cash equivalents during the year	334,317	(104,279)	(421)
Total assets	6,766,173	7,286,515	(7)
Total equity	6,395,638	7,224,409	(11)
Return on ordinary shareholders' funds (%)	(10.09)	(16.42)	(39)
Loss per share (Rs.)	(6.49)	(11.93)	(46)
Dividend per share (Rs.)*	1.00	0.50	100
Net assets value per share (Rs.)	64.31	72.64	(11)
Ceylon Investment actively managed portfolio **	2,789,092	3,679,749	(24)
Ceylon Investment total fund value **	6,419,959	7,264,307	(12)
Price to book value ratio (times)	0.45	0.50	(10)
<b>Stock market data</b>			
All share price index (points)	4,572	5,557	(18)
S&P SL 20 Index (points)	1,947	2,739	(29)
Market capitalisation	2,894,026	3,629,964	(20)
Share price (Rs.)			
- Year end	29.10	36.50	(20)
- High	57.80	47.70	21
- Low	28.00	33.00	(15)

\* Based on final / interim dividends

\*\* Based on the fair value of the portfolios after adjusting for cash and cash equivalents and short term borrowings. Total fund value includes actively managed portfolio and investment in equity accounted investees.

# CHAIRPERSON'S MESSAGE

On behalf of the Board of Directors, I take pleasure in presenting to you the Annual Report of Ceylon Investment PLC for the financial year ended 31 March 2020.

This year was one of the most challenging years experienced by the company with the business environment impacted by the Easter Sunday attacks towards the start of the year and the economic standstill brought about by COVID-19 pandemic at the end of the year. The Colombo Stock Exchange was under significant pressure and the benchmark All Share Price Index declined by 17.73% and S&P 500 fell by 28.90%. Ceylon Investment's discretionary portfolio also experienced a dividend adjusted performance decline of 23.88% for the year. Ceylon Investment reported a consolidated loss after tax of Rs. 645 Mn for the year ended 31st March 2020 as a result of the downward movement in the equity market leading to a loss of Rs. 655 Mn from fair value through profit or loss financial assets. The negative financial performance was a representation of the depressed equity markets following effect of COVID-19. The Institute of the Chartered Accountants of Sri Lanka has issued guidelines that provided us the option to value the quoted equity investments based on a valuation, subject to valuation price not exceeding the closing market price as at 31st December 2019. However, due to the subjectivity of such an assessment and uncertainty of the timing of the full recovery, we felt it prudent to value the portfolio based on the latest market prices available as at 31st March 2020. On a positive note, notwithstanding the very challenging environment, Ceylon Investment sees strong potential for stock picking and remains true to its long term investment philosophy of fundamental investing.

## ECONOMY

Sri Lanka's economy recorded a low growth rate of 2.3% in 2019 and with the extraordinary circumstances surrounding the pandemic, the performance of the economy is expected to be further challenged in 2020. Although we expect the economy to gradual recovery over the medium term the shorter term will be a testing environment. The pandemic has put significant strain on emerging and frontier economies and Sri Lanka will be no exception with its relatively high level of fiscal and budget deficits. This point has already been highlighted by several rating agencies who in turn downgraded Sri Lanka's sovereign rating. The Central Bank of Sri Lanka implemented a

number of measures to stimulate the economy, which included policy rate cuts, open market operations, public relief by utilizing the banking system and actions taken to curtail trade deficit.

## BUSINESS ENVIRONMENT

The Colombo Stock Exchange (CSE) continues to operate in a difficult environment with pandemic implications and ongoing economic concerns affecting its performance. The CSE experienced a prolonged closure due to imposed curfew and lockdown measures. Despite the decline after the recommencing of trading in May, the All Share Price Index has partially recovered at the time of writing this review. The CSE performance is a reflection of the investment climate in Sri Lanka and foreign investors will factor its performance when considering any direct investment into the country.

I thank the staff for their pro activeness, commitment and spirited efforts managing the company in such a challenging environment, our intermediaries and service providers for their support, and the regulators for their role in developing the capital markets. I would also like to express my appreciation to our clients and investors who continue to place their trust and belief in Ceylon Investment; also our shareholders who trust in us to steer the company in this challenging time. 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

10th August 2020  
Colombo

# MANAGEMENT DISCUSSION AND ANALYSIS

## CEYLON INVESTMENT PORTFOLIO PERFORMANCE

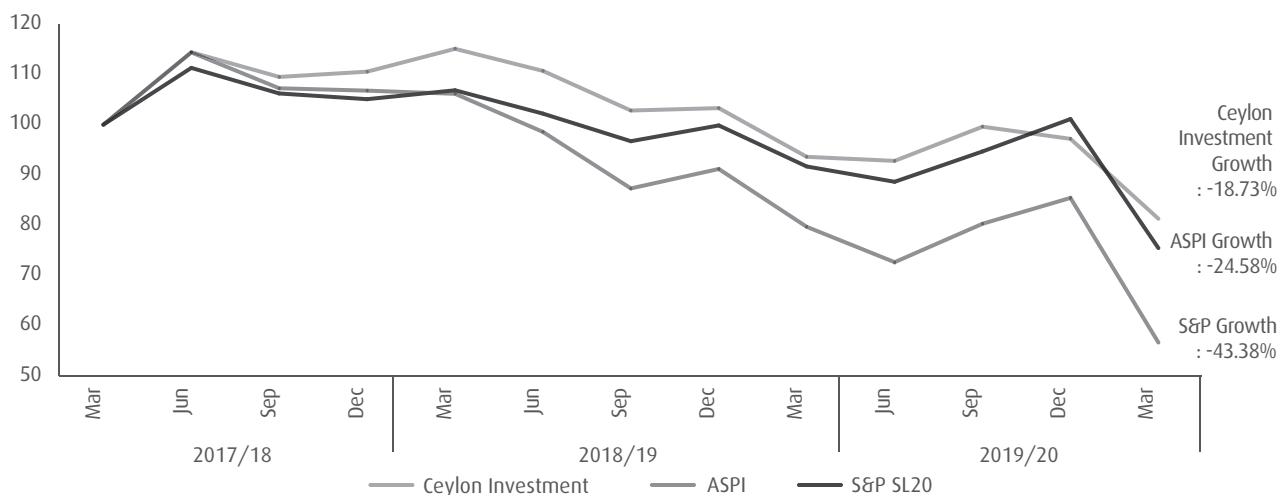
By 31st March 2020, COVID-19 had gripped the economy and the Colombo Stock Exchange (CSE) was closed due to curfews and lock-down. The ASPI experienced a significant decline before the lock-down and a further sharp decline after recommencement of trading reflecting the severity of the Pandemic. Despite the decline recommencing of trading in May, the All Share Price Index has partially recovered.

Ceylon Investment's portfolio comprises of a strategic portfolio and discretionary portfolio which was valued at 6.42 bn as at 31st March 2020. The strategic portfolio increased to Rs. 3.63 bn as at 31st March 2020 from Rs. 3.59 bn a year ago. The discretionary component of the portfolio, which is actively managed, conducts its investments using fundamental analysis to determine share price valuations in equity markets.

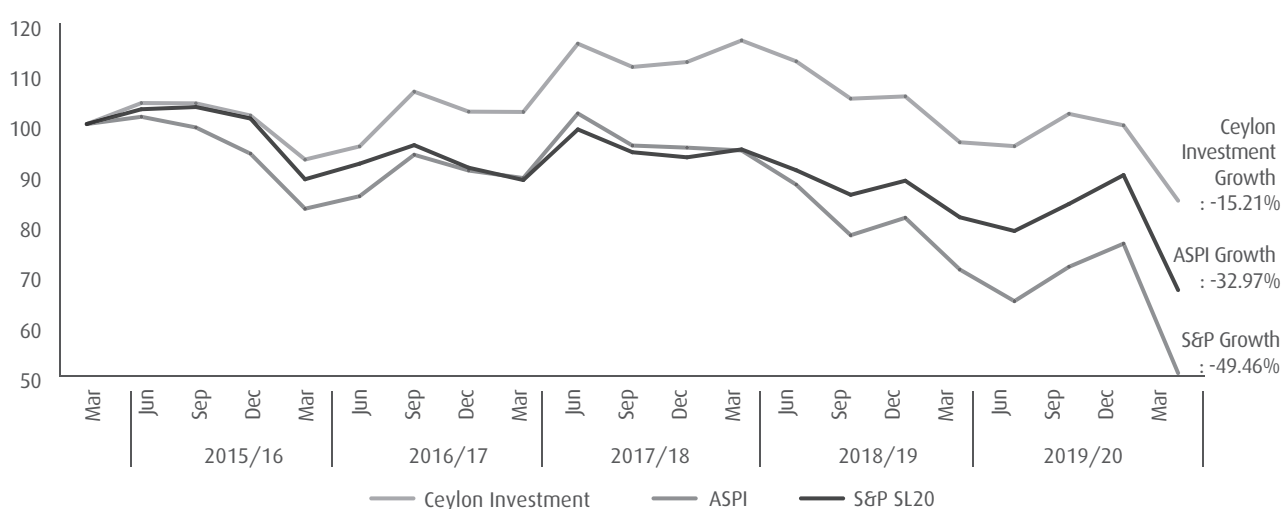
The discretionary portfolio also declined to Rs. 2.79 bn from 3.68 bn a year ago with the equity market experiencing a sharp drop from the envisaged economic impact of COVID-19. This translates to a decline of 23.88%, after adjusting for dividend payment to shareholders, while the benchmark All Share Price Index experienced a downturn of 17.73% for the financial year. Over a 3-year period, the discretionary portfolio recorded a decline of 18.73% while the All share price index saw a sharper drop of 24.58%. Similarly, the 5-year discretionary portfolio performance also saw a decline of 15.21% but outperformed All Share Price Index by approximately 17.76%. As at 30th June 2020, we have already experienced a partial recovery in the equity market since 31st March 2020 and assuming the portfolio holding in shares had not changed since 31st March 2020, the recovery in portfolio value due to share price upward correction would be Rs. 304 million.

	As at		Change %	As at	
	31-Mar-20	31-Mar-19		31-Mar-20	Dividend adjusted performance*
Discretionary portfolio (Rs.'000) *	2,789,093	3,679,749	-24.20%	2,801,159	-23.88%
Total Portfolio (Rs.'000)*	6,419,959	7,264,307	-11.62%	6,432,025	-11.46%
ASPI (Points)	4,572	5,557	-17.73%		-17.73%
S&P 20 (Points)	1,947	2,739	-28.90%		-28.90%

Three year track record - Ceylon Investment discretionary portfolio



## Five year track record - Ceylon Investment discretionary portfolio



The largest single stock exposure for Ceylon Investment's portfolio as at 31st March 2020 is Central Finance PLC where we have an exposure of Rs. 712 mn. We feel the cautious growth strategy that the company employs is well suited for the current context, which has placed it in an advantageous position compared to its peers with respect to capital adequacy and profitability. The company shows substantial value growth due to its long-term prospects and shows significant potential in the long term. In response to the economic crisis created by the pandemic, policy makers have responded by announcing loan moratoriums, concessionary working capital loans and rescheduling of loans through financial institutions. To support this the Central bank has eased regulations by granting extensions and reductions on capital requirements while also easing liquid asset requirements. We expect the sector to undergo significant pressure but feel Central Finance is in a stronger position to peers due to its strong capitalized position, good lending practices and experienced management. We are cautious on the NBF's sector non-performing assets increasing with the pandemic and continue to monitor such risks.

We continue to have a cautious view on the banking sector; Ceylon Investment maintains a 24.2% exposure to the banks as at March 2020. The banks were already experiencing challenges regarding increasing non-performing loans with a slowing economy and the aftermath from the Easter

attacks. In a response to COVID-19, the Central Bank of Sri Lanka instructed banks to reduce burden on borrowers by providing moratoriums, reduced loan rates and suspension on foreclosures. These measures can put significant strain on banks in the medium term. Furthermore, easing of regulations to provide such facilities has come in the form of less stringent NPL recognition, lower SRR and capital requirements, which will place the banks' balance sheet under more risk. We continue to remain concerned on increasing non-performing loans which can result in higher provisioning after relaxed regulations eventually are withdrawn and the need for further capital raising.

Company	Market value of the holding ('000)	Holding as a % of discretionary portfolio
Central Finance Company PLC	711,990	25.53%
Commercial Bank of Ceylon PLC	212,456	7.62%
Sampath Bank PLC	192,630	6.91%
Hatton National Bank PLC	192,630	6.91%
Hemas Holdings PLC	132,134	4.74%
Melstacorp PLC	126,303	4.53%

## MANAGEMENT DISCUSSION AND ANALYSIS

Company	Market value of the holding ('000)	Holding as a % of discretionary portfolio
Dialog Axiata PLC	117,280	4.20%
Ceylinco Insurance PLC - Non voting	110,608	3.97%
Hatton National Bank PLC - Non voting	99,335	3.56%
Cargills (Ceylon) PLC	95,382	3.42%
Total	1,665,984	70.06%

A significant detractor to the portfolio was Cargills (Ceylon) PLC which experienced a share price decline of 15% for the financial year. The company's business primarily focuses around retail, fast moving consumer goods (FMCG), restaurants and banking (as an associate). The FMCG segment comprises of a good product portfolio encompassing dairy, beverage & culinary and convenience foods. Although, the FMCG business shows significant potential with evolving consumer behavior we find the modern retail segment and banking sectors to be experiencing heavy competitive pressures. Other modern retail players have grown aggressively in recent years and this sector will require significant focus and capex in order to maintain market share.

The portfolio increased exposure to Hemas Holdings as its price weakened through the year. We like the company's core business lines of consumer, healthcare and transportation. The company has a strong personal care portfolio and has established its ability to perform whilst managing domestic competition over the years. We are watchful of its overseas expansion which has experienced significant competitive pressure after its initial success. The pharmaceutical distribution business maintains its market share leadership and performs well but is subject to regulatory risk which has lately been in the form of price controls. However, despite significant selling pressure experienced by the stock we feel the business trades at a significant discount and will increase exposure to the stock based on its long-term potential.

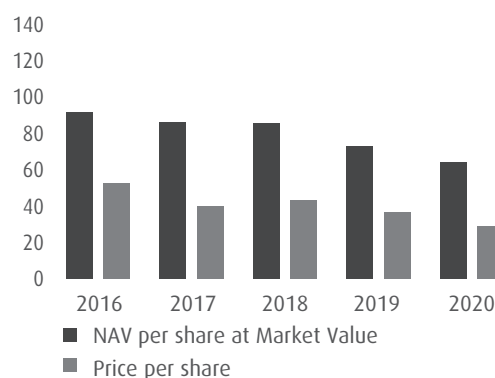
The portfolio also has a holding in Dialog Axiata of Rs. 117 million which is an 83% subsidiary of Axiata group (Malaysia) and is the leading mobile operator in Sri Lanka. The company is expected to benefit from the growing demand for data whilst experiencing declining voice revenue. The company's continuous investment in technology has laid a foundation for it to benefit from the increasing internet and smartphone penetration levels in the country. The constant need to upgrade its technology makes it a very capital-intensive business and competition through pricing amongst existing players is something we need to monitor.

### FINANCIAL REVIEW AND SHAREHOLDER RETURNS

Ceylon Investment PLC reported a loss after tax of Rs. 645 Mn for the year ended 31st March 2020 compared to a loss of Rs. 1,186 Mn recorded for the previous year. As mentioned in our Chairperson's Statement, the negative financial performance was driven by the downward movement in the equity market resulting in a loss of Rs. 655 Mn from fair value through profit or loss financial assets.

The current year revenue increased by 35% relative to the previous year. The realized capital gains on disposal of stocks in the Company portfolio is the key contributor to the Company profit. During the period under review, "net profit from disposal of financial assets measured at fair value through profit or loss" was Rs. 43 Mn which included a net realized gain of Rs. 18 Mn from disposal of Access Engineering PLC and Rs 15 Mn from disposal of Hayleys Fabric PLC shares compared to a net loss of Rs. 19 Mn in previous financial year.

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





As at 31st March	31/03/2020	31/03/2019	Change %
ASPI	4,572	5,557	(17.73)
NAV per share (Rs.)	64.31	72.64	(11.47)
Market price per share (Rs.)	29.10	36.50	(20.27)
Discount of NAV to market price per share	55%	50%	

The Company's share has been trading at a discount in the CSE over the years. As of 31st March 2020, the market price of a share was Rs. 29.10, drop of 20.27% compared to the previous year, reflecting a discount of 55% to the NAV.

## ECONOMY

As a result of the pandemic, the world economic outlook for growth by the IMF for 2020 is projected to contract sharply by -3.0% compared to a 2.9% growth in 2019. Actions taken by countries to reduce contagion and protect lives lead to supply chain disruptions, reduced demand and supply levels ultimately resulting in an economic fallout. Sri Lanka's economic growth was already weak for 2019 with annual growth recorded at 2.3% compared to 3.3% in 2018. Due to the extraordinary circumstance surrounding the pandemic, the exact economic implications are yet to be determined but we expect a period of negative growth perhaps more sensitive than the global economic growth.

The agriculture sector, which displayed slow growth of 0.6% for 2019 is the least likely to be affected by the pandemic subject to weather conditions. The Industry sector saw an improvement to 2.7% growth in 2019 but with the demand and supply disruptions due to Covid-19, we expect a sharp hit to this sector. The already troubled construction sub-sector will also have severe disruptions and delays in larger infrastructure related projects. The largest contributing sector being the Service sector experienced weak growth of 2.3% in 2019 with subdued activity in trade, transportation and financial services. Going forward, the Covid-19 impact on this sector and overall economy will result in a severe short-term performance decline but we expect a gradual recovery over the medium term.

The pandemic has put much significant strain on emerging and frontier economies and has exerted even more pressure on countries with high levels of external debt. Sri Lanka's foreign currency debt repayments over the next 3 years amounts to an estimated USD 17 billion (2021-23) while gross official reserves amounted to USD 7.5 billion as at March 2020. Sri Lanka's rising debt to GDP that was at 87% in 2019, coupled with its widening budget deficit has caused much anxiety amongst global investors and rating agencies. Fitch ratings downgraded Sri Lanka's sovereign rating from 'B' to 'B-' and S&P also lowered Sri Lanka's credit rating to 'B-'.

The Central Bank of Sri Lanka implemented a number of measures to stimulate the economy, which included policy rate cuts, the SDFR and SLFR rates by 75 basis points each (beginning 2020 to 31st March 2020), conducting open market operations, public relief by utilizing the banking system and actions taken to curtail trade deficit. Foreign selling in domestic government debt and CSE, external debt repayments, reduced tourism earnings and worker remittances will pressure the overall balance of payments in the short to medium term. The economic impact and its influence on capital markets will need to be monitored closely as we conduct our investment business.

## EQUITY MARKET REVIEW

The Colombo Stock Exchange experienced one of its most challenging years with the start of the financial year experiencing the impact of the Easter terror attacks and the end of the year exposed to the evolving COVID-19 pandemic. The All Share Price Index closed the financial year with a negative performance of 17.73% while the S&P SL 20 also recorded a loss of 28.90%. The Colombo Stock Exchange closed on March 20th due to curfew and lock-down measures taken by authorities. However, the month of March alone saw a sell off resulting in the ASPI declining by 18.3% and S&P SL 20 also declining by 26.0%. Thereafter we have seen a gradual recovery within the CSE as at the time of writing this review.

During the beginning of the financial year, the Easter terror bombings and its negative economic impacts resulted in dampened earnings across majority of listed companies. Thereafter, a large part of the financial year was about businesses recovering from the attacks. Other factors that contributed to the negative performance of the CSE

## MANAGEMENT DISCUSSION AND ANALYSIS

included the weak economic environment, concerns on debt repayment, slower credit growth in the financial system and political uncertainty in the run up to presidential elections.

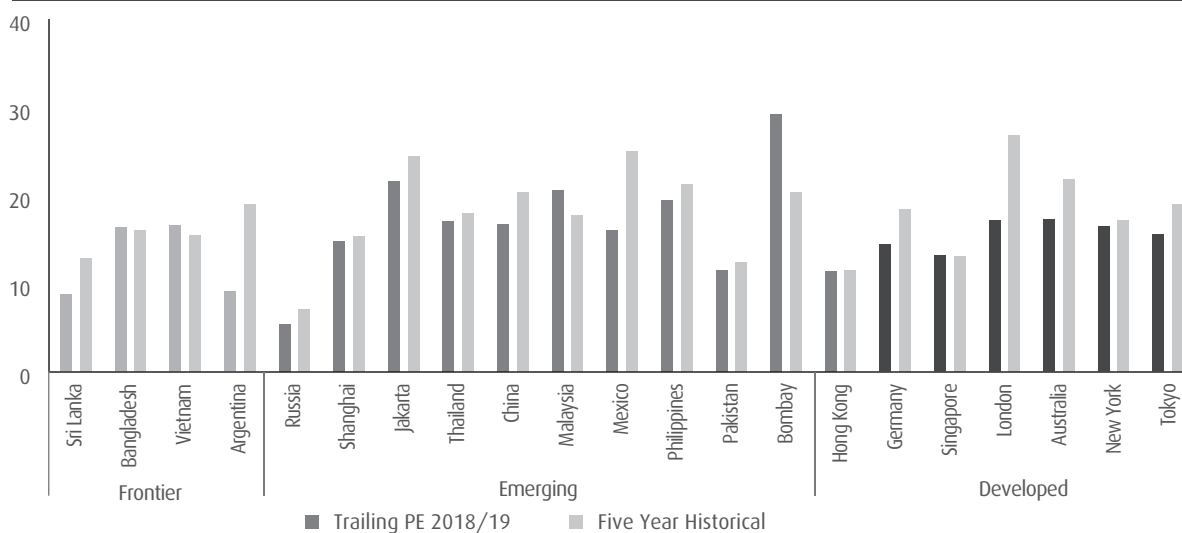
Global markets were very volatile too with trade war tensions influencing global equity indices in the first half of the financial year. The strong rally that resulted in developed markets performing well for calendar year 2019 saw a sharp reversal with the spread of the COVID-19 pandemic. Foreign investors were net sellers in the CSE amounting to outflows of Rs. 11.0 Bn largely due to macroeconomic concerns, political uncertainty running up to elections and de-risking amidst the COVID-19 pandemic. However, foreign markets began to recover in the month of April 2020 with signs of some economies starting to open up.

Sectors that performed poorly for the financial year included Transportation (-49.6%), Insurance (-41.0%) and Banks (-33.7%). The negative implications of the pandemic affected every sector and large negative contributions from sectors to the overall index was witnessed.

Market capitalization as at 31st March 2020 was Rs. 2.13 trillion compared to Rs. 2.61 trillion a year ago. Earnings growth will be severely affected for 2020 with economic implications on the country yet to be determined. The All Share Price Index indicates very attractive valuations with a market PER of 8.4X on historic earnings and shows tremendous value at current price levels looking at the medium to long term.

### Peer Market PE (Forward PE)

Ratio



### Guardian Fund Management Limited

Investment Managers

Colombo

10th August 2020

# RISK MANAGEMENT

## OVERVIEW OF RISK MANAGEMENT

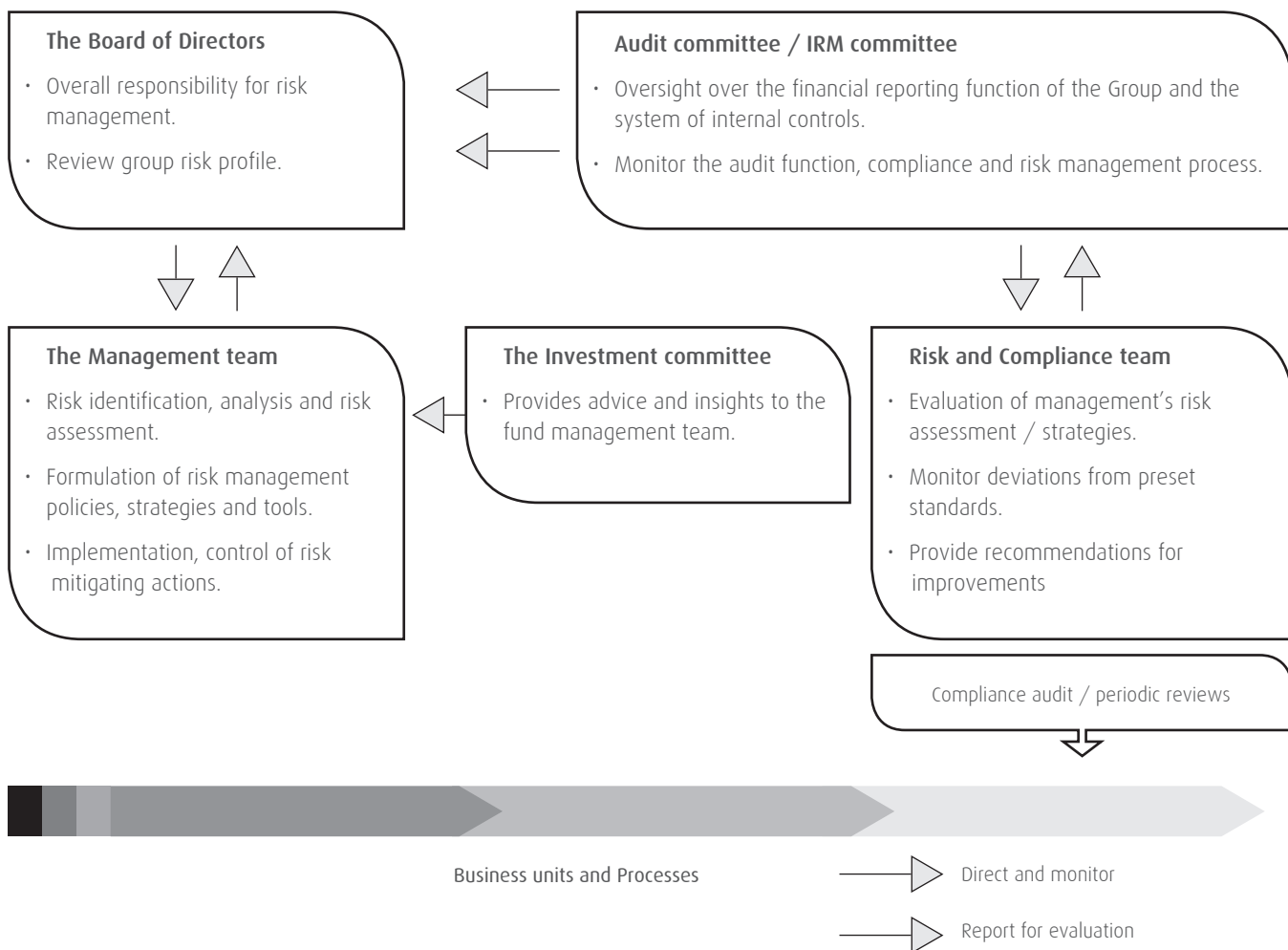
Risk Management is the process of identifying and assessing of risks arising due to factors which are internal and external to the entity; and implementation of identified, mitigating actions to address such risks. Management of risk helps to avoid or minimise unanticipated losses being incurred. It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

## RISK MANAGEMENT STRUCTURE AT CEYLON INVESTMENT

The Risk Management structure established at Ceylon Guardian Group is applicable across the parent company and all other entities of the Group. The Board of Directors has delegated

oversight of risk management to Integrated Risk Management (IRM) Committee which is a subcommittee of the Board. The purpose of the IRM Committee is to assist the Board in its oversight of the Group risk identification, risk assessment and risk management and the continuous monitoring of the adequacy and the effectiveness of the risk management process.

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.



## RISK MANAGEMENT

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. Group Internal Audit and compliance Department conduct periodic compliance audits / reviews and reports to the IRM Committee as well as Audit Committee, as appropriate. 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 Investment PLC is within the Ceylon Guardian Group which operates the portfolio and asset management sector of the Carson's Group. The Company's business operations include holding an investment portfolio which consist of listed equity securities and fixed income securities. The Company faces various types of risks, some of which are applicable across all the assets classes under management while some are applicable to specific asset category. The key risks are monitored and managed as a continuous process.

Easter Sunday attack had a negative impact to operations of the group. This was further worsened by COVID-19. The COVID-19 pandemic has caused disruption to many local and global business and economic activities as it forced to close country borders, lockdown cities and implement social distancing to ensure health and safety of citizens. The Company has been closely monitoring the impact of the pandemic on the operations as at year end and in the immediate future. Further, CSE was closed since 20th March to 11th May 2020 in response to the emergency measures taken by the government.

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

We are closely monitoring the economic cost of the pandemic and will be continually assessing the financial impact across all sectors and draft proactive business responses accordingly.

Risk Category	Impact and mitigating strategies
<p><b>MACRO ENVIRONMENTAL RISKS:</b> Overall macro-economic conditions and political factors affect the risk profile of the Company. The variations of macro-economic variables like Gross Domestic Product (GDP), interest rate, inflation, exchange rates and changes in the political environment and government policies affect the achievement of Company business and financial objectives.</p>	
<p><b>COUNTRY RISKS</b> The risk associated with operations which are subject to various exchange control regulations, currency fluctuations, transaction costs &amp; taxes and other actions that may be imposed by the government or policy making bodies of the particular foreign country or Sri Lanka.</p>	<ul style="list-style-type: none"> <li>This is a new risk area for which we are looking to build a framework as the company intends to explore new markets in the future.</li> <li>The Company has invested in The Sri Lanka Fund, which is domiciled in Cayman Island, Guardian Value Fund LLC and Guardian Fund Management LLC, which are domiciled in Republic of Mauritius. These are subject to laws and regulations imposed by regulatory authorities of the respective countries and any Changes in there regulatory environments, in the context of these Funds are continuously monitored with the assistance of the Fund's Lawyers who have the necessary expertise.</li> </ul>
<p><b>CURRENCY RISKS</b> The risk associated with any fluctuations of foreign exchanges rates against the Sri Lanka Rupee.</p>	<ul style="list-style-type: none"> <li>The Sri Lanka Fund Guardian Fund management LLC and Guardian Value Fund LLC of which the reporting currency is US dollars, are exposed to risk of currency impact on translation.</li> </ul>

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

## RISK MANAGEMENT

Risk Category	Impact and mitigating strategies
<p><b>CONCENTRATION RISK</b></p> <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"> <li>Monitoring sector exposure and single company / group exposure of the portfolio as a diversification and a mitigation strategy.</li> <li>Loss limits are set to monitor stocks performing below their cost of acquisition to determine whether temporary capital erosion is a concern.</li> <li>Monitoring by the compliance team takes place as a routine process.</li> </ul>
<p><b>LIQUIDITY RISK</b></p> <p>Liquidity is the tradability of the securities in the market or the ability to realise cash with minimum loss of capital. The risk is that if the investment instruments of the portfolio are less liquid, execution of fund management decisions are affected.</p>	<ul style="list-style-type: none"> <li>Lower liquidity of securities could affect the fund manager's ability to transact, which in turn, could affect the fund's overall performance. This might be due to poor market sentiment of a security, or low levels of publicly traded quantities. On acquisition of shares, we consider the factors like size of free float, tradability of the stock, market turnover, major shareholders etc.</li> </ul>
<p><b>REGULATORY AND COMPLIANCE RISK:</b></p> <p>Company is operating in an industry under the supervision and monitoring of several regulatory authorities, especially Securities and Exchange Commission of Sri Lanka (SEC) and provisions of other regulatory requirements like the Companies Act, Listing Rules of The Colombo Stock Exchange, Central Bank of Sri Lanka are applicable in this industry.</p>	
<p>The conduct of operations of the Group should be in compliance with the legal and regulatory provisions and financial requirements applicable under these regulatory benchmarks. Non-compliance or violation of these requirement will cause risk of cancellation / suspension of some licenses issued by SEC, facing actions being taken by respective regulatory authorities etc.</p>	<ul style="list-style-type: none"> <li>The management together with the Carsons group legal division pro actively identify and set up appropriate systems and processes for legal and regulatory compliance in respect of the Company's operations.</li> <li>Periodic training programs for staff to improve the awareness of changes in applicable laws and regulations.</li> <li>Reviews on regular basis by the compliance team and the management certification of compliance with relevant laws and regulations on a periodic basis.</li> <li>Compliance team monitors compliance with all regulatory provisions and internal operational procedures.</li> </ul>
<p><b>OPERATIONAL RISKS</b></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 organization. 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><b>STAFF RISKS</b></p> <p>A fund management operational unit requires qualified professionals with experience in the fund management industry. Knowledge of the operating mechanism of the market as well as its norms and ethics is of importance.</p>	<ul style="list-style-type: none"> <li>Having diversity in the team, developing a strong second level, providing training and development opportunities are standard practices of the industry with which we benchmark ourselves. A performance-related incentive scheme for the staff is in place and is being reviewed regularly. The networking ability of key staff to source clients and deals is important in running a successful fund management operation by being shown important deals by market intermediaries.</li> </ul>

Risk Category	Impact and mitigating strategies
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- 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.

**SYSTEMS AND PROCESS RISKS**

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

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

**REPUTATION RISK**

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.

- A sound system of internal controls and regular reviews are carried out by the compliance department.
- A code of ethics signed by all staff and constant education and awareness.
- Regular staff communication.

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

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

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

The Annual Report was approved by the Board of Directors on 10th August 2020.

## 1. GENERAL

Ceylon Investment PLC (the "Company") is a public limited liability Company incorporated in Sri Lanka in 1919. The shares of the Company have a primary listing on the Colombo Stock Exchange.

## 2. PRINCIPAL ACTIVITY OF THE COMPANY

The principal activities of the Company, its associate companies and joint venture are to act as specialised investment vehicle focusing on listed equity investments.

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

## 3. REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Chairperson's Statement and the Management Discussion and Analysis on pages 03 to 08 provide an overall assessment of the business performance of the Company and its future developments. These reports, together with the audited Financial Statements reflect the state of affairs of the Company.

## 4. FINANCIAL STATEMENTS

The Financial Statements which include the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flow, Statement of Changes in Equity and Notes to the Financial Statements of the Company for the year ended 31st March 2020 are set out on pages 34 to 68 of this Report. These Financial Statements do comply with the requirements of the Companies Act, No. 07 of 2007.

## 4.1. Revenue

A detailed analysis of revenue for the period is given in note 11 to the financial statements.

## 4.2. Financial results and appropriations

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

(In Rupees Thousands)

For the year ended 31st March	2020	2019
Retained earnings brought forward from previous year	2,662,292	3,009,569
Impact of adopting SLFRS 9 as at 1st April 2018	-	651,182
Adjusted balance as at 1st April	2,662,292	3,660,751
Loss for the year	(514,231)	(975,335)
Dividend received from associate company	-	24,678
Forfeiture of unclaimed dividends	2,651	1,924
Dividend	-	(49,726)
Retained earnings carried forward	2,150,712	2,662,292

## 4.3. Significant accounting policies

The accounting policies adopted in the preparation of these financial statements are given on pages 38 to 47.

## 4.4. Investment

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

- Details of investment in equity accounted investees is given in Note 18.
- Details of investment in fair value through profit or loss financial assets is given in Note 19.
- Details of investments in unit trust is given in Note 20.

## 4.5. Reserves

The movements of reserves are set out in the Statement of Changes in Equity, note 24 to the financial statements.



## 5. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibilities of the Directors in relation to the Financial Statements are detailed in the following paragraphs, 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 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 as at the end of the financial year;
- a Statement of Profit or Loss and Other Comprehensive Income of the Company, which presents a true and fair view of the Profit and Loss and Other Comprehensive Income of the Company for the financial year.

In preparing these Financial Statements the Directors are required to ensure that:

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

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

They are also responsible for taking reasonable measures to safeguard the assets of the Company and 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 frauds and other irregularities.

These Financial Statements have been prepared on a going concern basis, since the Directors are of the view that the Company has adequate resources to continue 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 are no litigations currently pending against the Company.

## 7. INTERESTS REGISTER

The Company maintains the 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, No. 07 of 2007.

### 7.1. Remuneration of Directors

Directors' remuneration for the financial year ended 31st March 2020 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;

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

Name of the Company	Common Directors	Nature of transactions	Value of the transactions ('000)
Guardian Fund Management Limited (GFM)	K. Selvanathan A. P. Weeraturunge	Portfolio management fees paid	38,118
Carsons Management Services (Private) Limited (CMSL)	K. Selvanathan A. P. Weeraturunge	Support service fees paid Computer fees paid Secretarial fees paid	10,259 420 444

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 2020	1st April 2019
Mrs. M. A. R. C. Cooray (Chairperson)	-	-
Mr. D. C. R. Gunawardena	257	257
Mr. A. P. Weeraturunge	-	-
Mr. V. M. Fernando	-	-
Mr. K. Selvanathan	-	-
Mr. T. C. M. Chia	-	-

### 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. Directors to Retire by Rotation

In terms of Articles 89, 90 and 91 of the Articles of Association of the Company, Messrs. A. P. Weeraturunge and K. Selvanathan retires by rotation and being eligible offer themselves for re-election.

#### 8.2 Appointment of Directors who are 70 years/ over 70 years of age

Upon the recommendation of the Nomination Committee of the Company and the Board, it is recommended that Mrs.

M.A.R.C. Cooray who is over 70 years of age and Messrs. V. M. Fernando and T. C. M. Chia who are 70 years of age be re-appointed as Directors of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not be applicable to them.

### 9. CORPORATE GOVERNANCE

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

#### 9.1. Regulatory Benchmarks

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

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

#### 9.2. Board of Directors

The following Directors held office during the period under review and their brief profiles are given on pages 24 to 25 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. A. P. Weeraturunge	Executive
Mr. V. M. Fernando	Non-Executive/ Independent**
Mr. K. Selvanathan	Executive
Mr. T. C. M. Chia	Non-Executive/ Independent***

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 Meeting of the Board of Directors of the Company held on 10th August 2020 in order to enable the Board of Directors to determine the Independence/Non-Independence of

each of the Non-Executive Directors, in terms of Rule 7.10.3(a) of the Listing Rules of the CSE.

\* The Board has determined that Mrs. M.A.R.C. Cooray is an Independent / Non-Executive Director in spite of being on the Board for more than nine years and being a Director of Ceylon Guardian Investment Trust PLC, in which a majority of the other Directors of the Board are also Directors and which has a substantial shareholding in the Company, since she is not directly involved in the management of the Company.

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

\*\*\* The Board has determined that Mr. T.C.M. Chia is an Independent / Non-Executive Director in spite of being a Director of Ceylon Guardian Investment Trust PLC, in which a majority of the other Directors of the Board are also Directors and which has a substantial shareholding in the Company, since he is not directly involved in the management of the Company.

### 9.3. Directors' Meetings Attendance

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

The attendance of the Directors were as follows;

Directors	Meetings Attended
Mrs. M. A. R. C. Cooray (Chairperson)	3/3
Mr. D. C. R. Gunawardena	2/3
Mr. A. P. Weeratunge	3/3
Mr. V. M. Fernando	3/3
Mr. K. Selvanathan	2/3
Mr. T. C. M. Chia	2/3

### 9.4. Board Evaluation

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

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

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

### 9.5. Audit Committee

The Parent Company of the Company is Ceylon Guardian Investment Trust PLC (CGIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of CGIT. As per Rule 7.10.6 of the Listing Rules of the Colombo Stock Exchange, the Audit Committee of CCPLC functions as the Audit Committee of the Company 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. F. Mohideen	Non-Executive/Independent Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC
Mr. A. S. Amaratunga	Non-Executive/Independent Director of CCPLC

The Audit Committee Report is given on pages 27 to 28 of this Annual Report.

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

### 9.6. Remuneration Committee

The Parent Company of the Company is Ceylon Guardian Investment Trust PLC (CGIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of CGIT.

As per Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange, the Remuneration Committee of CCPLC functions as the Remuneration Committee of the Company and comprises of the following Members:

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

#### Scope and Objective

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

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

#### Functions and Proceedings

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

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

#### Reporting and Responsibilities

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

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under note 12 to the financial statements. Executive Directors are not compensated for their role on the Board.

### 9.7. Nomination Committee

The Nomination Committee of Ceylon Guardian Investment Trust PLC (CGIT), the Parent Company functions as the Nomination Committee of the Company and comprises of the following members;

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

### Scope and Objective

The primary objective of the Nomination Committee is to lead the process for Board appointments of new Directors to the Board and the nomination 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 the senior management may be invited to attend Meetings of the Nomination Committee. The Committee may also invite appointed external consultants to aid the Committee in the discharge of its duties.

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

The Nomination Committee meets at least twice a year.

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

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

### 9.8. Related Party Transactions Review Committee

The Parent Company of the Company is Ceylon Guardian Investment Trust PLC (CGIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of CGIT.

As per Rule 9.2.3 of the Listing Rules of the Colombo Stock Exchange, the Related Party Transactions Review Committee of CCPLC functions as the Related Party Transactions Review Committee of the Company and comprises of the following Members:

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 29 to 30 of this Annual Report.

### Declaration

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

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

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

In terms of the requirements of the Listing Rules of the Colombo Stock Exchange, the transactions carried out by the Company with its Related Parties during the year ended 31st March 2020, did not exceed 10% of Equity or 5% of the Total Assets of the Company as at 31st March 2020. The details of the Related Party Transactions are given in note 27 to the Financial Statements.

#### 1. Non-Recurrent Related Party Transactions

There were no Non-recurrent related party transactions entered into by the Company, where the aggregate value of the Non-Recurrent Related Party Transactions exceeds 10% of the Shareholders' equity or 5% of the total assets, of the Company, whichever is lower as at 31st March 2020.

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

### 2. Recurrent Related Party Transactions

Information pertaining to Recurrent Related Party Transactions where the aggregate value of the Recurrent Related Party Transactions that exceeded 10% of the Gross Revenue / Income of the Company, as per the Audited Financial Statements are disclosed below;

Description	Information
Name of the Related Party	Guardian Fund Management Limited
Relationship	Fellow subsidiary
Nature of the Transaction	Management fee income
Aggregate value of Related Party Transactions entered into during the financial year	Rs. 38,117,418.32
Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	16.76%
Terms and Conditions of the Related Party Transactions	Based on the Management fees agreement entered into between the companies

### 9.9 Integrated Risk Committee

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

#### Composition

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

#### Scope and objectives

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

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

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

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

#### Reporting and Responsibilities

- To advise the Board on the Company's overall risk exposure and effectiveness of mitigation measures taking account of the current and prospective macroeconomic and financial environment.
- To review and assess adequacy of risk mitigation practices and procedures of the Company.
- To review the Investment Sector risk matrix to oversee and advice the Board, on the current risk exposures and future risk strategy.
- To set standards, assess and monitor the principle risks faced by the Company.
- To monitor operational risks from failed or inadequate processes relating to portfolio operations, client servicing and on-boarding, launching of new products and services, investment research, third party vendor relationships.
- To review the sector's capability to identify and manage new risk types in conjunction with the Audit Committee.
- The Committee Chairperson reports to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- To make recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is needed.
- To develop a robust process to update the knowledge of new risks continuously in the industry and understand how such risk is applicable to the company.

## **10. INTERNAL CONTROL AND RISK MANAGEMENT**

The ultimate responsibility to establish, monitor and review a Company-wide internal control system rests with the Board of Directors. The intensity, depth and the tolerance limits for each component of the internal control system would be based on the weight of the element of risk imposed on the sustenance of the business by the respective area of operation. Whilst a strong internal control system would mitigate the crystallization of risk elements to a greater extent, employment of external support structures would also be necessary based on the risk assessments made thereon.

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

Group Internal Audit, whose scope of scrutiny is entirely driven by the grading of the risk involved will be monitoring and providing the feedback to the management and the respective Audit 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 health of the Company's resource base and governance requirements.

This allows the Board to have total control of the fulfilment of governance requirements by providing opportunity to take timely preventive action in case of potential deterioration of status quo. A more detailed description of the risk management strategies of the Company's given on pages 09 to 13.

## **11. INDEPENDENT AUDITORS**

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

A sum of Rs. 424,867/- was paid to them by the Company as audit fees for the year ended 31st March 2020 (2019 – Rs. 404,250/-). No further amounts were paid to the auditors as professional fees for audit related services (2019 – Rs. 150,000/-) or professional fees for non audit services (2019 – Nil).

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

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

### **11.1. Auditors' relationship or any interest with the Company**

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

## **12. INDEPENDENT AUDITORS' REPORT**

The Independent Auditors' Report on the financial statements is given on pages 32 to 33 of the Annual Report.

## **13. SIGNIFICANT EVENTS DURING THE YEAR**

There were no significant events during the year.

## **14. HUMAN RESOURCES**

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

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 Company and to ensure that its employees are developing the skills and knowledge required for the future success of the Company, centered around the core competencies required by an investment house.

## **15. EQUITABLE TREATMENT TO SHAREHOLDERS**

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



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

### 16. DIVIDENDS

Subject to the approval of the Shareholders at the Annual General Meeting, the Board of Directors recommended a Final Dividend of Rs.1/- per ordinary share which would consist of 25 Cents (Rs.0.25) per share as a Cash Dividend and 75 Cents (Rs.0.75) per share in the form of a Scrip Dividend for the financial year ended 31st March 2020 which would be distributed entirely out of dividend income received by the Company which is part of the retained earnings as at 31st March 2020.

The requisite Ordinary Resolution to give effect to the above is set out in the Notice convening the Annual General Meeting of the Company.

Details of the proposed Cash Dividend and Scrip Dividend is explained in the Circular to Shareholders dated 10th August 2020, which is enclosed with this Annual Report 2019/20.

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

### 17. SOLVENCY TEST

Taking into account the said distribution, the Directors were satisfied that the Company would meet the Solvency Test requirement under Section 56(2) of the Companies Act, No. 07 of 2007 immediately after the distribution.

The Company's Auditors, KPMG, Chartered Accountants have issued a Certificate of Solvency for the dividends mentioned above, confirming same.

### 18. STATED CAPITAL

The Stated Capital of the Company as at 31st March 2020 was Rs.763.5 Mn comprising of 99,451,059 Ordinary Shares. There was no change in the stated capital of the Company during the year.

Subject to obtaining the approval of the Shareholders at the Annual General Meeting, for the proposed Scrip Dividend and the approval of the Regulators, the Company would issue a maximum 1,888,311 ordinary shares in the ratio of 1 share for every 52.6666735511 existing shares at a value of Rs.39/50 per share. Subsequent to the completion of the Scrip Dividend, the Stated Capital of the Company would increase to 101,339,370 Ordinary Shares.

### 19. STATUTORY PAYMENTS

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

### 20. GOING CONCERN

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

### 21. 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 30 to the financial statements, if any.

### 22. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities and commitments made on account of capital expenditure as at 31st March 2020 are given in note 32 to the financial statements, if any.

### 23. DONATIONS

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

### 24. IMPACT OF COVID-19 PANDEMIC

The business impact of the COVID-19 Pandemic to the Company is given in Note 31.

### 25. SHARE INFORMATION

The details relating to earnings, net assets, market value per share and information on share trading is given on pages 70 to 71 of the Annual Report.

### 26. TWENTY MAJOR SHAREHOLDERS

The Parent Company, Ceylon Guardian Investment Trust PLC holds 65.94% of the total Ordinary Shares in issue of the Company.



Names of shareholders	31 March 2020		31 March 2019	
	No. of shares	%	No. of shares	%
1 CEYLON GUARDIAN INVESTMENT TRUST PLC A/C NO. 3	65,577,052	65.94	65,577,052	65.94
2 ASSOCIATED ELECTRICAL CORPORATION LTD	1,700,000	1.71	1,700,000	1.71
3 MRS. M.L. DE SILVA	1,317,899	1.33	1,317,899	1.33
4 MR. K.C. VIGNARAJAH	1,312,788	1.32	1,312,770	1.32
5 MISS G.I.A. DE SILVA	1,289,602	1.30	1,289,602	1.30
6 THURSTON INVESTMENTS LIMITED	1,052,515	1.06	1,052,515	1.06
7 MR. G.J.W. DE SILVA	862,150	0.87	862,150	0.87
8 MR. Y.H. ABDULHUSSEIN	815,500	0.82	986,170	0.99
9 OAKLEY INVESTMENTS (PRIVATE) LIMITED	803,171	0.81	803,171	0.81
10 MISS R.H. ABDULHUSSEIN	673,718	0.68	803,461	0.81
11 MISS N.K.R.H. DE SILVA	552,236	0.56	552,236	0.56
12 PEOPLE S LEASING & FINANCE PLC/MR.M.A.N.YOOSUFALI	507,000	0.51	503,000	0.51
13 COMMERCIAL BANK OF CEYLON LTD/K.C.VIGNARAJAH	500,843	0.50	500,843	0.50
14 MR. N.K.A.D. DE SILVA	495,241	0.50	495,241	0.50
15 BANK OF CEYLON NO. 1 ACCOUNT	446,206	0.45	446,206	0.45
16 MERCANTILE BANK (AGENCY) PRIVATE LIMITED	412,937	0.42	412,937	0.42
17 PEOPLE S LEASING & FINANCE PLC/MR.H.M. ABDULHUSSEIN	396,766	0.40	547,311	0.55
18 MISS G.N.A. DE SILVA	384,677	0.39	384,677	0.39
19 MR. L.H. ABEYSUNDERA	380,991	0.38	380,991	0.38
20 AITKEN SPENCE PLC-A/C NO. 2	378,940	0.38	378,940	0.38

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

## 28. ADOPTION OF NEW ARTICLES OF ASSOCIATION OF THE COMPANY

With the objective of having a simplified set of Articles of Association drafted in line with the provisions of the Companies Act, No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange, the Directors have proposed to consider adopting a proposed new set of Articles of Association in substitution and exclusion of the existing Articles of Association of the Company.

The requisite Special Resolution to give effect to the above is set out in the Notice convening the Annual General Meeting of the Company.

The structure of the proposed new set of Articles of Association is explained in the Circular to Shareholders dated 10th August 2020, which is enclosed with this Annual Report 2019/20.

## 29. ANNUAL GENERAL MEETING

The 74th Annual General Meeting of the Company will be held on Monday, 14th September 2020 at 11.30 a.m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7, Sri Lanka by means of audio or audio and visual technology.

The Notice of the Annual General Meeting is on pages 72 to 73 of the Annual Report.

Signed on behalf of the Board,

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

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

Carsons Management Services (Private) Limited  
Secretaries

10th August 2020

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

# PROFILES OF THE DIRECTORS

## MRS. ROSE COORAY

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

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

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

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

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

## 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., Dynamic AV Technologies (Pvt) Ltd, Stallion Holdings (Pvt) Ltd, Ortho Lanka (Pvt)Ltd and Swiss Ceylon Associates (Pvt.)Ltd.

He is also the Managing Director at Melsta Gama Ltd (Cement)

He is a Director of Eco Corp Asia Private Limited, Ariyana Investment (Pvt)Ltd and Hospital Management Melsta Health (Pvt) Ltd and a Management Trustee of Joseph Fraser Memorial.

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.

## AJITH WEERATUNGE

Ajith Weeratunge is a Director of the Carson Cumberbatch Group's Management Company, Carsons Management Services (Private) Limited.

He is also a Director of the Group's Real Estate Sector Equity One Limited and Equity Two PLC and the Group's Investment

Holding Sector-Ceylon Investment PLC, Rubber Investment Trust Limited and Guardian Fund Management Limited and the Leisure Sector-Equity Hotels Limited. He was recently appointed as a Director of the Group's plantation sector holding company, Goodhope Asia Holdings Ltd. He is also the nominee Director at Ceybank Asset Management Limited. He carries more than 35 years of finance related experience in several leading companies in the mercantile sector.

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

#### **KRISHNA SELVANATHAN**

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

#### **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 Guardian Investment Trust PLC, Vertex Venture Holdings Ltd, Malaysia Smelting Corporation Berhad and Thai Beverage Public Company Limited.

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 Power Asset 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).

Mr. Chia was a Trustee of the Singapore Management University from Jan 2004 to Jan 2019 but remains as 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.

In February 2019, Mr. Chia was appointed as a Member of the Corporate Governance Advisory Committee of the Monetary Authority of Singapore.

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.

# MANAGEMENT TEAM

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## PROFILES

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### **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 25 for his detailed profile.

### **THARINDA JAYAWARDENA**

*[(CFA,ACMA,B.Sc Finance (Hons))]*

Director / Head of Research, Guardian Fund Management Ltd. Has over 14 years of experience in investment research. Before joining the Carsons group, he worked as a research analyst at JB Securities (Pvt) Ltd. He 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 15 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 13 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.

### **DINUPA PEIRIS**

*(ACMA (UK), LL.B (Col), MBA (PIM-US)), MSC (UK), Attorney-at-Law)*

Head of Marketing, Guardian Fund Management Limited. A multi-disciplinary professional qualified in management accounting, law and business management with over 10 years of experience in corporate finance, marketing & business development, strategy and business analytics having served for two leading hospitals in Sri Lanka namely Lanka Hospitals Corporation PLC and Hemas Hospitals Pvt Ltd holding managerial positions. She holds a LL.B from Faculty of Law, University of Colombo, MBA (Merit) from Postgraduate Institute of Management, University of Sri Jayewardenepura and a MSC (Distinction) in Business Analytics from Robert Gordon University Scotland. She is an Attorney-at-Law and also an Associate Member of the Chartered Institute of Management Accountants (UK).

### **PRABATH EKANAYAKE**

*(B.BA.(SP), FCA)*

Finance Manager, Guardian Fund Management Limited, commenced career at KPMG Sri Lanka and then worked at Ernst & Young and Qatar Alpha Beton Ready-mix Company in State of Qatar.

Prior to joining Carsons Group, possesses over 12 years of overseas and local experience in the fields of accounting and auditing. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka and holds a Bachelor's degree specialized in Business Administration from the University of Colombo, Sri Lanka.

# AUDIT

## COMMITTEE REPORT

The Parent Company of Ceylon Investment PLC is Ceylon Guardian Investment Trust PLC (CGIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of CGIT. As provided by the Colombo Stock Exchange Listing Rules, the Audit Committee of CCPLC functions as the Audit Committee of the Company.

The Audit Committee consists of the following Members:

Audit Committee Members	Executive/Non-Executive/Independent
Mr.V.P. Malalasekera (Chairman)	Non-Executive, Independent (CCPLC)
Mr.D.C.R. Gunawardena	Non-Executive (CCPLC)
Mr.F. Mohideen	Non-Executive, Independent (CCPLC)
Mr.A.S. Amaratunga	Non-Executive, Independent (CCPLC)

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

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

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

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

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

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

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

The audit aspects of Ceylon Investment 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)	5/6
Mr.D.C.R. Gunawardena	6/6
Mr.F. Mohideen	6/6
Mr.A.S. Amaratunga	6/6

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

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

The Audit Committee approved the audit plan for the financial year 2019/2020 and the Group Internal Audit (GIA) carried out audits on the Investment Sector companies based on the plan.

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

The objectives of the GIA work was to have an independent review of the system of internal controls as established by the

## AUDIT COMMITTEE REPORT

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 Investment PLC have been reviewed by the Audit Committee Members at Audit Committee Meetings, prior to release of same to the Regulatory Authorities and to the shareholders.

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

The financial statements of Ceylon Investment PLC for the year ended 31st March 2020 were reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs. KPMG, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required, by the Managers, Carsons Management Services (Private) Limited that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

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

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors for the financial year ending 31st March 2021, subject to the approval of the shareholders of Ceylon Investment PLC at the Annual General Meeting.

(Sgd.)

**V.P. Malalasekera**

Chairman – Audit Committee  
Carson Cumberbatch PLC

Colombo  
10th August 2020

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Parent Company of Ceylon Investment PLC is Ceylon Guardian Investment Trust PLC (CGIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of CGIT. As provided by the Colombo Stock Exchange Listing Rules, the Related Party Transactions Review Committee (RPTRC) of CCPLC functions as the RPTRC of the Company.

## COMPOSITION OF THE COMMITTEE

The Members of the RPTRC are as follows :

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

## MEETINGS OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

CCPLC-RPTRC held three (03) Meetings during the financial year to discuss matters relating to the Company and where necessary the approval of the Members were also sought via circulation of papers.

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

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

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

## PURPOSE OF THE COMMITTEE

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

## POLICIES AND PROCEDURES

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

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

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

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The RPTRC in discharging its function endeavours to ensure that :

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

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

The Related Party Transactions of the Company for the period 1st April 2019 to 31st March 2020 have been reviewed by the Members of the RPTRC and the comments and observations of the Committee have been communicated to the Board of Directors of the Company.

(Sgd.)

**V.P. Malalasekera**

Chairman – Related Party Transactions Review Committee  
Carson Cumberbatch PLC

Colombo  
10th August 2020



# **FINANCIAL CALENDAR**

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Financial Year 31st March 2020

## **Announcement of Results**

**1st Quarter** 30th June 2019

Issued to Colombo Stock Exchange 13th August 2019

**2nd Quarter** 30th September 2019

Issued to Colombo Stock Exchange 14th November 2019

**3rd Quarter** 31st December 2019

Issued to Colombo Stock Exchange 14th February 2020

**4th Quarter** 31st March 2020

Issued to Colombo Stock Exchange 29th May 2020

## **Meetings**

73rd Annual General Meeting 26th July 2019

74th Annual General Meeting 14th September 2020

# INDEPENDENT AUDITOR'S REPORT



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

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

## TO THE SHAREHOLDERS OF CEYLON INVESTMENT PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Ceylon Investment PLC (the "Company"), which comprise the statement of financial position as at March 31, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 34 to 68.

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

#### Basis for Opinion

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

#### Key Audit Matters

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

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

Refer Note 3.3, 19, 20, 28 and 31 (Page 40,53,56,60 and 68) to these financial statements.

Risk Description	Our Response
<p>The financial investments of the Company as at 31st March 2020 comprises FVTPL financial assets amounting to Rs. 2,583 Mn which represents 38% of the total assets. As at the reporting date, the Company's FVTPL portfolio is made up of listed equity investments amounting to Rs. 2,428 Mn and unit trust investments amounting to Rs. 155 Mn.</p> <p>Investment in equity and unit trust investments are measured based on quoted market prices.</p> <p>As a result of the COVID-19 pandemic, volatility in the financial markets has increased. There have been a sharp decline in market yields, greater illiquidity of financial assets due to low trading, all of which have diminished the observability of the market data needed to measure these financial instruments, making their measurement more complex. Notes 19 and 31 to these financial statements describes impact of COVID -19 outbreak on the valuation of FVTPL financial instruments used by the Company in particular due to the impact of COVID-19 pandemic.</p> <p>Due to the materiality of the FVTPL financial instruments in the context of the financial statements, and measurement uncertainty created due to COVID-19 outbreak, we considered valuation of FVTPL financial instruments as a Key Audit Matter.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> <li>Documenting and testing the design and implementation and operating effectiveness of the investment valuation process and key controls in place;</li> <li>Checking the CDS confirmation to verify the existence, completeness and accuracy of the number of quoted shares and agreeing the market price as of 20th March 2020 with the CSE prices.</li> <li>Checking the number of units and the unit price as at 31st March 2020 with the external confirmations received from the Unit Trust Management Company to verify the existence, accuracy and completeness.</li> <li>Checking whether the fair value of the financial investments has been measured considering the COVID-19 Pandemic; Guidance notes on the Implications on Financial Reporting issued by the Institute of Chartered Accountants of Sri Lanka (CASL) and whether impacts of the pandemic have been considered in measuring the fair value as at 31st March 2020.</li> <li>Assessing the adequacy of disclosure in the financial statements in relation to the fair valuation of the financial investments as required by the accounting standards and the impact of COVID-19.</li> </ul>

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

M.R. Mithular FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne FCA  
R.H. Rajan FCA  
A.M.R.P. Alahakoon ACA

P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyratne FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel ACA

C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K. Sumanasekara FCA



## Other Information

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

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

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

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

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

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka  
10th August 2020

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In Rupees Thousands

For the year ended 31st March	Note	2020	2019
Revenue	11	227,437	169,018
Net change in fair value of fair value through profit or loss financial assets		(655,281)	(1,054,018)
<b>Loss on investment activities</b>		(427,844)	(885,000)
Administrative and other operating expenses		(72,126)	(69,987)
<b>Loss from operations</b>	12	(499,970)	(954,987)
Finance expense	13	(5,189)	(7,174)
<b>Loss from operations after finance expense</b>		(505,159)	(962,161)
Share of loss of equity accounted investees, net of tax	14	(131,114)	(210,967)
<b>Loss before taxation</b>		(636,273)	(1,173,128)
Income tax expense	15	(9,072)	(13,174)
<b>Loss for the year</b>		(645,345)	(1,186,302)
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Share of other comprehensive expense of equity accounted investees, net of tax	14	(186,077)	(62,274)
<b>Other comprehensive expense for the year</b>		(186,077)	(62,274)
<b>Total comprehensive expense for the year</b>		(831,422)	(1,248,576)
<b>Earnings / (loss) per share (Rs.)</b>	16	(6.49)	(11.93)
<b>Dividend per share (Rs.)</b>	17	1.00	0.50

The notes to the financial statements from pages 38 to 68 form an integral part of these financial statements.

Figures in brackets indicate deductions.

# STATEMENT OF FINANCIAL POSITION

In Rupees Thousands

As at 31st March	Note	2020	2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in equity accounted investees	18	3,630,867	3,584,558
<b>Total non-current assets</b>		<b>3,630,867</b>	<b>3,584,558</b>
<b>Current assets</b>			
Fair value through profit or loss financial assets	19	2,428,330	3,144,916
Investment in fixed deposits		118,180	263,494
Investment in unit trusts	20	155,050	176,849
Trade and other receivables	21	752	10,972
Current tax assets		4,187	7,442
Cash and cash equivalents	22	428,807	98,284
<b>Total current assets</b>		<b>3,135,306</b>	<b>3,701,957</b>
<b>Total assets</b>		<b>6,766,173</b>	<b>7,286,515</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	23	763,497	763,497
Capital reserves	24.1	187,141	187,141
Revenue reserves	24.2	5,445,000	6,273,771
<b>Total equity</b>		<b>6,395,638</b>	<b>7,224,409</b>
<b>Current liabilities</b>			
Trade and other payables	25	29,260	58,312
Short term borrowings	26	341,275	-
Bank overdraft	22	-	3,794
<b>Total current liabilities</b>		<b>370,535</b>	<b>62,106</b>
<b>Total liabilities</b>		<b>370,535</b>	<b>62,106</b>
<b>Total equity and liabilities</b>		<b>6,766,173</b>	<b>7,286,515</b>
Net assets value per share (Rs.)		64.31	72.64

The notes to the financial statements from pages 38 to 68 form an integral part of these financial statements.

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.

(Sgd.)

**V. R. Wijesinghe**

Director-Finance

**Carsons Management Services (Private) Limited**

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

Approved and signed on behalf of the Investment Managers,

Approved and signed on behalf of the Board,

(Sgd.)

**K. Selvanathan**

Director

**Guardian Fund Management Limited**

Colombo

10th August 2020

(Sgd.)

**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			Total equity
		Investment reserve	Other capital reserve	Associate Companies reserve	Available for sale financial assets reserve	General reserve	Retained earnings	
<b>Balance as at 1st April 2018</b>	763,497	8,401	178,740	3,882,181	651,182	27,217	3,009,569	8,520,787
Impact of adopting SLFRS 9 as at 1st April 2018 (Note 24.2.3)	-	-	-	-	(651,182)	-	651,182	-
<b>Adjusted balance as at 1st April 2018</b>	763,497	8,401	178,740	3,882,181	-	27,217	3,660,751	8,520,787
Loss for the year	-	-	-	(210,967)	-	-	(975,335)	(1,186,302)
Other comprehensive expense for the year	-	-	-	(62,274)	-	-	-	(62,274)
<b>Total comprehensive expense for the year</b>	-	-	-	(273,241)	-	-	(975,335)	(1,248,576)
Dividend received from associate company (gross)	-	-	-	(24,678)	-	-	24,678	-
Forfeiture of unclaimed dividends	-	-	-	-	-	-	1,924	1,924
Dividend ( Note 17)	-	-	-	-	-	-	(49,726)	(49,726)
<b>Balance as at 31st March 2019</b>	763,497	8,401	178,740	3,584,262	-	27,217	2,662,292	7,224,409
<b>Balance as at 1st April 2019</b>	763,497	8,401	178,740	3,584,262	-	27,217	2,662,292	7,224,409
Loss for the year	-	-	-	(131,114)	-	-	(514,231)	(645,345)
Other comprehensive expense for the year	-	-	-	(186,077)	-	-	-	(186,077)
<b>Total comprehensive expense for the year</b>	-	-	-	(317,191)	-	-	(514,231)	(831,422)
Forfeiture of unclaimed dividends	-	-	-	-	-	-	2,651	2,651
<b>Balance as at 31st March 2020</b>	763,497	8,401	178,740	3,267,071	-	27,217	2,150,712	6,395,638

The notes to the financial statements from pages 38 to 68 form an integral part of these financial statements.

Figures in brackets indicate deductions.

# STATEMENT OF CASH FLOWS

In Rupees Thousands

For the year ended 31st March	Note	2020	2019
<b>Cash flows from operating activities</b>			
Loss before taxation		(636,273)	(1,173,128)
<b>Adjustments for:</b>			
Net change in fair value of fair value through profit or loss financial assets		655,281	1,054,018
Finance expense	13	5,189	7,174
Share of loss of equity accounted investees, net of tax	14	131,114	210,967
<b>Operating profit before changes in working capital</b>		155,311	99,031
(Increase) / decrease in trade and other receivables		10,220	(5,245)
(Increase) / decrease in investments		83,104	123,580
(Increase) / decrease in investment in fixed deposits		145,314	(263,494)
Increase / (decrease) in trade and other payables		(14,335)	15,372
<b>Cash generated from / (used) in operations</b>		379,614	(30,756)
Current tax paid		(5,817)	(10,352)
<b>Net cash generated from / (used in) operating activities</b>		373,797	(41,108)
<b>Cash flows from investing activities</b>			
Investment in equity accounted investees	18	(363,500)	-
Dividend received from equity accounted investee	11	-	24,678
<b>Net cash generated from / (used in) investing activities</b>		(363,500)	24,678
<b>Cash flows from financing activities</b>			
Finance expense paid		(3,914)	(7,174)
Short term borrowings (net movement)	26	340,000	-
Dividend paid		(12,066)	(80,675)
<b>Net cash generated from / (used in) financing activities</b>		324,020	(87,849)
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>		334,317	(104,279)
Cash and cash equivalents at the beginning of the year		94,490	198,769
<b>Cash and cash equivalents at the end of the year</b>	22	428,807	94,490

The notes to the financial statements from pages 38 to 68 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 Investment 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, Colombo 1.

### (b) Principal activities and nature of operations

The principal activities of the Company is to act as a specialised investment vehicle to undertake listed equity, and fixed income investments.

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

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

### (c) Parent entity and ultimate parent entity

Ceylon Guardian Investment Trust PLC is the immediate Parent Company of Ceylon Investment PLC. In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Ceylon Guardian Investment Trust PLC and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Ceylon Investment PLC.

### (d) Number of employees

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

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

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

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

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

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for the Non-derivative financial instruments classified fair value through profit or loss are measured at fair value;

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

### Assumptions and estimation uncertainties:

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

#### i. Assessment of impairment - key assumptions used in discounted cash flow projections.

The Company assesses at each reporting date whether there is objective evidence that an asset or portfolio of assets is impaired. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using appropriate discount rates that reflects the current market assessments of the time value of money and risks specific to the asset.

#### ii. Current taxation

Current tax liabilities are provided for in the financial statements applying the relevant tax statutes and regulations which the management believes reflect the actual liability. There can be instances where the stand



taken by the Company on transactions is contested by Inland revenue authorities. Any additional costs on account of these issues are accounted for as a tax expense at the point the liability is confirmed on the entity.

### iii. Measurement of fair values

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

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

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

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in the Note 28.5.

### (e) Materiality and aggregation

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

### (f) Going concern

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

### (f) Comparative figures

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

### 3.1 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.

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity.

Investments in Associates and jointly controlled entities are accounted for under the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The financial statements include the Company's share

## NOTES TO THE FINANCIAL STATEMENTS

of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Company'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 Company has an obligation or has made payments on behalf of the investee..

### 3.2 Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of entity 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 a 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 the statement of profit or loss. However, foreign currency differences arising from the retranslation of the following items are recognised in other comprehensive income:

Fair value through other comprehensive income investments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to the statement of profit or loss);

### 3.3 Financial instruments

#### (a) Financial Assets

##### • Recognition and initial measurement

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

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

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

##### • Classification and subsequent measurement of financial assets

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

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

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

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

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

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

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

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

#### • **Financial assets - Business model assessment**

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

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

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

### (b) Financial liabilities

- **Classification, subsequent measurement and gain and losses**

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

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 Company's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

### (c) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

### 3.3.1 Impairment

#### (a) Financial assets

The Company recognises loss allowances for ECLs on:

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

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

- **Measurement of ECLs**

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

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

- **Credit-impaired financial assets**

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

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

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

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

- **Write-off**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy

of writing off the gross carrying amount when the financial asset is 360 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 3.4 Liabilities and Provisions

#### 3.4.1 Liabilities

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

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

#### 3.4.2 Provisions

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

#### 3.4.3 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 Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

##### 3.4.3.1 Contingent Liabilities

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

##### 3.4.3.2 Contingent Assets

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

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

#### (i) Interest Income and expense

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

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

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

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

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

Gain/ (loss) on Redemption of units comprises realised trading gain/ (loss) on disposal of investment in unit trust, is presented in direct income as sale of financial investments at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

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

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

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

Gain/(loss) on Fair Valuation of Financial Investments is the unrealised gain/ (loss) on fair valuation (marked to

market valuation) of government securities, quoted shares, investment in units and listed debentures. The fair valuation gain/ (loss) is presented in profit or loss in the statement of profit or loss and other comprehensive income.

#### **(vi) Dividend Income**

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

### **3.6 Expenditure recognition**

#### **(i) Operating expenses**

All expenses incurred in day-to-day operations of the business has been charged to revenue in arriving at the profit or loss for the year. Provision has also been made for impaired receivables and all known liabilities.

#### **(ii) Finance income and finance expense**

Finance expense comprise interest expense on borrowings and bank overdrafts.

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 the statement of profit or loss when the related services are received.

### **3.7 Income tax expense**

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

#### **(i) Current taxation**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. With the introduction of the Inland Revenue Act of No. 24 of 2017, the company was liable to income tax at 28% up to the period ended 31st December 2019. Subsequently, the Finance Ministry had revised income tax rates to 24% on 31st January 2020 and 05th March 2020. Accordingly, the company is liable

to pay income tax at the rate of 24% with effect from 1st January 2020. The company's management in a position that the proposed amendment to IRA is more likely to be enacted in the near future and therefore, income tax rates and proposed basis of quantifying current income tax stipulated in the noticed issued by Department of Inland Revenue to be effective from 1 January 2020 have been used to calculate the last quarter income tax provision of the 2019/20 financial year of the company.

#### **(ii) Deferred taxation**

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

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

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

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

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

#### **(iii) Tax exposures**

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



## NOTES TO THE FINANCIAL STATEMENTS

### (iv) Economic service charge (ESC)

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

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

### 3.8 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.

### 3.9 Earnings Per Share

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

### 3.10 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.

## 4. DIVIDENDS ON ORDINARY SHARES

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

## 5. SEGMENT REPORTING

Segment results that are reported to the Board of directors include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## 6. PRESENTATION

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

### (i) Off setting income and expenses

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

### (ii) Off setting assets and liabilities

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

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

### (a) Equity securities

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

### (b) Other receivables

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

### (c) Other non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

## 7. STATEMENT OF CASH FLOWS

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

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

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

### Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash balances that are subject to insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.



## 8. DIRECTORS' RESPONSIBILITY

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

## 9. STATED CAPITAL

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

## 10. NEW ACCOUNTING STANDARDS ISSUED

### 10.1 Changes in accounting policy

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

#### (a) SLFRS 16 Leases

##### Definition of a lease

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

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

#### (b) IFRIC 23 Interpretation Uncertainty over Income Tax Treatment

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

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

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

#### (a) Forthcoming effective standards

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

##### Effective Date – 1st January 2020

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

##### Effective Date – 1st January 2021

- SLFRS 17 Insurance Contracts

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March		2020	2019
<b>11. REVENUE</b>			
Net gain / (loss) from disposal of investments in equity securities		42,645	(18,905)
Net gain from disposal of investment in unit trusts		21,588	14,018
Dividend income		134,368	142,753
Interest income on financial assets carried at amortised cost (note 11.1)		28,836	55,830
		227,437	193,696
Dividend received from equity accounted investee		-	(24,678)
		227,437	169,018
<b>11.1 Interest income on financial assets carried at amortised cost</b>			
Savings deposits		797	966
Securities purchased under resale agreements		2,681	4,996
Placements with banking and financial institutions		25,358	49,868
		28,836	55,830
<b>12. LOSS FROM OPERATIONS</b>			
Loss from operations is stated after charging all expenses including the following:			
Auditors' remuneration and expenses			
- Audit and related fees		424	554
- Non audit fees		-	-
Directors' fees (note 27.3)		7,679	6,571
Personnel cost (note 12.a)		-	-
Professional services cost		-	-
Support service fees (note 12.b)		10,259	10,993
Portfolio management fees (note 12.c)		38,118	34,618

**12.a** The company had no employees of its own during the financial year under review (2019-nil).

**12.b** Support service fees are paid to Carsons Management Services (Private) Limited, a related company which functions as the managers and secretaries of the Company, on receiving of respective services.

**12.c** Portfolio management fees are paid to Guardian Fund Management Limited, a related Company which functions as the investment managers of the Company, on receiving of respective services.

### 13. FINANCE EXPENSE

For the year ended 31st March		2020	2019
On short-term borrowings		5,188	6,923
On bank overdraft		1	251
		5,189	7,174

**14. SHARE OF LOSS OF EQUITY ACCOUNTED INVESTEES, NET OF TAX**

For the year ended 31st March	Company's share of loss of equity accounted investee net of tax		Company's share of other comprehensive income / (expense) of equity accounted investee net of tax	
	2020	2019	2020	2019
Rubber Investment Trust Limited	(129,208)	(210,967)	(202,317)	(62,274)
Guardian Value Fund LLC	(1,347)	-	15,978	-
Guardian Fund Management LLC	(559)	-	262	-
	(131,114)	(210,967)	(186,077)	(62,274)

Summarised financial information of Associate Companies is given in note 18.3.

For the year ended 31st March	2020	2019
<b>15. INCOME TAX EXPENSE</b>		
Provision for the year (note 15.1)	10,923	13,178
Over provision for previous years	(1,851)	(4)
Total tax expense for the year	9,072	13,174
<b>15.1 Reconciliation between accounting loss and taxable profit</b>		
Accounting loss before taxation	(636,273)	(1,173,128)
Share of loss of equity accounted investee net of tax	131,114	210,967
Dividend income (final withholding payments)	(118,854)	(118,075)
Exempt profit / (loss) on sale of shares (note 15.2 (iii))	(42,645)	18,905
Net change in fair value of fair value through profit or loss financial assets	655,281	1,054,018
Unit trust - Interest income - unrealised	5,045	666
Disallowed expenses	50,809	53,711
Taxable profit for the year	44,477	47,064
Tax at 28 %	7,052	13,178
Tax at 24 %	2,351	-
Tax on dividend income @ 14 %	1,520	-
Current taxation thereon (note 15.2 (i) & (ii))	10,923	13,178

## NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

### 15.2 Current taxation on profits

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

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

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

- ii) Income tax expense for the year includes, taxes arising from the dividend received from resident companies on or after 1st January 2020. Dividend distributions made by resident companies up to 31st December 2019 from its taxable profits are subjected to withholding tax of 14% as per section 84 of the Inland Revenue Act No. 24 of 2017. From 1st January 2020, withholding tax on dividend distributions has been withdrawn and the companies receiving such dividends would be liable for income tax at 14%.
- iii) In terms of item (h) of third schedule of the Inland Revenue Act, No. 24 of 2017, gains made on the realization of an asset consisting of shares quoted in any official list published by any stock exchange licensed by the Securities and Exchange Commission of Sri Lanka are exempt from income tax.
- iv) Dividend paid by a resident company to a member to the extent that dividend payment is attributable to, or derived from, another dividend received by that resident company or another resident company exempt, from income tax for the respective recipient.
- v) As per the directive issued by the Ministry of Finance in accordance to the section 57 & 59 of the Inland Revenue Act No 24 of 2017, unit trusts are considered as pass-through vehicles. Accordingly, income derived from a unit trust is identified in the company accounts using the same source and character as identified by the unit trust. As it's a beneficiary, a company is therefore required to pay income tax on interest income derived through Fixed Income unit trust.

### 16. EARNINGS / (LOSS) PER SHARE

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

The following reflects the earning and share data used for the computation of loss per share:

For the year ended 31st March	2020	2019
<b>Amount used as the numerator</b>		
Loss for the year (Rs'000)	(645,345)	(1,186,302)
<b>Amount used as the denominator</b>		
Weighted average number of ordinary shares outstanding during the year	99,451,059	99,451,059
<b>Loss per share (Rs.)</b>	<b>(6.49)</b>	<b>(11.93)</b>

For the year ended 31st March		2020	2019
<b>17. DIVIDENDS</b>			
<b>17.1 Dividends proposed and paid during the year</b>			
Proposed and paid dividends			
First Interim dividend - cash			
Total dividend paid		-	49,726
Dividend per share (Rs.)		-	0.50
<b>Proposed dividends</b>			
Final dividend - cash			
Total dividend		24,863	-
Dividend per share (Rs.)		0.25	-
Final dividend - scrip			
Total dividend		74,588	-
Dividend per share (Rs.)		0.75	-
<b>Total dividend per share (Rs.)</b>		<b>1.00</b>	<b>0.50</b>

After satisfying the solvency tests in accordance with Section 57 of the Company's Act, No. 7 of 2007, the directors of the Company have recommended to declare a final dividend of Rs. 1/- per share subject to shareholders' approval at the forthcoming Annual General Meeting of the Company which will consist of, Scrip dividend of Rs. 0.75 per ordinary share for the year ended 31st March 2020 amounting to Rs. 74,588,294.25. The maximum number of shares to be issued is 1,888,311 in the ratio of 01 ordinary share for every 52.6666735511 existing ordinary shares at a value of Rs. 39.50 per share and a cash dividend of Rs. 0.25 per ordinary share for the year ended 31st March 2020 amounting to Rs. 24,862,764.75.

According to the Sri Lanka Accounting Standard (LKAS 10) - "Events after the reporting period" this proposed final dividend has not been adjusted and the final dividend has not been recognised as a liability as at 31st March 2020.

## 18. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

### 18.1 Summary

As at 31st March	2020				2019			
	Holding %	No. of shares	Cost	Carrying value	Holding %	No. of shares	Cost	Carrying value
Rubber Investment Trust Limited	49.95%	3,948,495	296	3,253,034	49.95%	3,948,495	296	3,584,558
Guardian Value Fund LLC	44.36%	1,965,000	357,139	371,769	-	-	-	-
Guardian Fund Management LLC	50.00%	35,000	6,361	6,064	-	-	-	-
			363,796	3,630,867			296	3,584,558

## NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

### 18.2 Movement in equity accounted investees

For the year ended / As at 31st March	2020 Carrying value	2019 Carrying value
<b>Investment at cost</b>		
Opening balance	296	296
Investments made during the year (note 18.5)	363,500	-
<b>Closing balance</b>	<b>363,796</b>	<b>296</b>
<b>Investors' share of reserves</b>		
At the beginning of the year	3,584,262	3,882,181
Share of loss of equity accounted investees, net of tax (note 14)	(131,114)	(210,967)
Share of other comprehensive expense of equity accounted investees, net of tax (note 14)	(186,077)	(62,274)
Dividend received from equity accounted investees (gross)	-	(24,678)
At the end of the year	3,267,071	3,584,262
<b>The carrying value of investment in associates on equity method of accounting</b>	<b>3,630,867</b>	<b>3,584,558</b>

### 18.3 Summarised financial information of the Associate / Joint Venture Companies

For the year ended 31st March / as at 31st March	2020			2019		
	Rubber Investment Trust Limited	Guardian Value Fund LLC	Guardian Fund Management LLC	Rubber Investment Trust Limited	Guardian Value Fund LLC	Guardian Fund Management LLC
Revenue	259,542	559	843	211,491	-	-
Loss for the year	(258,679)	(3,036)	(1,118)	(422,360)	-	-
Other comprehensive (expense) / income for the year	(405,042)	36,021	524	(124,673)	-	-
Total comprehensive (expense) / income for the year	(663,721)	32,985	(594)	(547,033)	-	-
Current assets	2,869,130	842,252	14,463	2,944,422	-	-
Non - current assets	3,773,484	-	-	4,242,216	-	-
Current liabilities	129,944	4,115	2,335	10,247	-	-
Total equity	6,512,670	838,137	12,128	7,176,391	-	-

- 18.4** The deferred tax effect on undistributed reserves of the associate companies have not been recognised in the financial statements since the Company and the parent entity of the Company, Ceylon Guardian Investment Trust PLC, has the ability to control the timing of the reversal of these temporary differences.

- 18.5 Ceylon Investment PLC together with its parent company, Ceylon Guardian Investment Trust PLC, and Rubber Investment Trust Limited commenced overseas investment initiative during the year. In order to facilitate the venture, a fund structure was set up in Republic of Mauritius. The structure is fully regulated by the Financial Services Commission of Mauritius, the regulatory authority responsible for the regulation, supervision and inspection of all financial services other than banking institutions and global business in Mauritius. The contribution of the Company for this investment was USD 2 Mn.

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

### 19.a Summary

As at 31st March	Note	2020 Fair value	2019 Fair value
Investment in Equity Securities - Quoted Shares	19.1	2,428,320	3,144,906
Investment in Equity Securities - Unquoted Shares	19.2	10	10
		2,428,330	3,144,916

#### Valuation of Listed Equity Investments

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

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

### 19.b Movement in fair value through profit or loss financial assets

For the year ended 31st March 2020	Fair value as at 1st April 2019	Additions	Disposals / write-off	Change in fair value	Fair value as at 31st March 2020
Investment in Equity Securities - Quoted Shares	3,144,906	161,734	(216,779)	(661,541)	2,428,320
Investment in Equity Securities - Unquoted Shares	10	-	-	-	10
	3,144,916	161,734	(216,779)	(661,541)	2,428,330

For the year ended 31st March 2019	Fair value as at 1st April 2018	Additions	Disposals / write-off	Transfers	Change in fair value	Fair value as at 31st March 2019
Investment in Equity Securities - Quoted Shares	620,788	841,066	(747,012)	3,452,216	(1,022,152)	3,144,906
Investment in Equity Securities - Unquoted Shares	-	-	-	10	-	10
Investment in Debentures - Unquoted	-	-	(1)	1	-	-
	620,788	841,066	(747,013)	3,452,227	(1,022,152)	3,144,916

## NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

### 19.1 Investments in equity securities - Quoted Shares

As at 31st March	2020		2019	
	No. of shares	Fair value	No. of shares	Fair value
<b>Banks</b>				
Commercial Bank of Ceylon PLC	3,535,040	212,456	3,554,936	350,872
Hatton National Bank PLC	1,483,221	155,888	1,450,221	253,789
Hatton National Bank PLC - Non voting	990,383	99,335	976,757	143,583
National Development Bank PLC	89,595	5,931	85,422	8,047
Sampath Bank PLC	1,618,740	192,630	1,554,817	280,023
Seylan Bank PLC	242,568	8,126	193,676	12,163
Union Bank of Colombo PLC	-	-	1,801,454	19,816
		674,366		1,068,293
<b>Diversified Financials</b>				
Central Finance Company PLC	8,790,002	711,990	8,000,687	676,058
Peoples' Leasing & Finance PLC	6,615,458	80,709	6,538,036	87,610
		792,699		763,668
<b>Insurance</b>				
HNB Assurance PLC	380,561	46,048	380,561	44,031
Peoples' Insurance PLC	1,215,200	20,780	1,765,200	34,774
Ceylinco Insurance PLC - Non voting	140,010	110,608	140,010	126,065
		177,436		204,870
<b>Food Beverage &amp; Tobacco</b>				
Distilleries Company of Sri Lanka PLC	6,959,727	90,477	5,314,317	77,058
Melstacorp PLC	5,351,828	126,303	5,351,828	192,666
		216,780		269,724
<b>Food &amp; Staples Retailing</b>				
Cargills (Ceylon) PLC	561,072	95,382	720,502	144,100
		95,382		144,100
<b>Capital Goods</b>				
Access Engineering PLC	-	-	3,119,609	40,555
Aitken Spence PLC	1,394,800	42,820	1,694,800	69,487
Hemas Holdings PLC	2,351,142	132,134	2,351,142	176,336
John Keells Holdings PLC	80,500	9,290	-	-
		184,244		286,378



As at 31st March	2020		2019	
	No. of shares	Fair value	No. of shares	Fair value
<b>Consumer Durables &amp; Apparel</b>				
Hayleys Fabric PLC	5,126,810	44,603	8,247,810	70,106
		44,603		70,106
<b>Health Care Equipment &amp; Services</b>				
The Lanka Hospital Corporation PLC	398,000	10,945	448,000	19,578
		10,945		19,578
<b>Consumer Services</b>				
Aitken Spence Hotel Holdings PLC	2,269,575	34,271	2,269,575	53,789
Serendib Hotels PLC - Non voting	-	-	266,296	3,355
		34,271		57,144
<b>Real Estate</b>				
Overseas Realty (Ceylon) PLC	500,000	6,000	700,000	11,480
		6,000		11,480
<b>Materials</b>				
Alumex PLC	1,352,489	9,738	1,352,489	13,525
Tokyo Cement Company (Lanka) PLC	2,107,374	47,416	2,107,374	43,623
Tokyo Cement Company (Lanka) PLC - Non Voting	858,000	17,160	858,000	15,873
		74,314		73,021
<b>Energy</b>				
Lanka IOC PLC	-	-	315,163	5,485
		-		5,485
<b>Telecommunication Services</b>				
Dialog Axiata PLC	13,797,647	117,280	18,797,647	171,059
		117,280		171,059
<b>Total investments in equity securities - Quoted Shares - FVTPL</b>		<b>2,428,320</b>		<b>3,144,906</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

### 19.2 Investment in equity securities - Unquoted Shares

As at 31st March	2020		2019	
	No. of shares	Fair value	No. of shares	Fair value
Guardian Fund Management Limited	7	-	7	-
Kandy Private Hospitals Limited	600	10	600	10
<b>Total investment in equity securities - Unquoted Shares - FVTPL</b>		<b>10</b>		<b>10</b>

## 20. INVESTMENT IN UNIT TRUSTS

### 20.1 Movement in investment in unit trusts

As at 31st March	2020	2019
Balance as at the beginning of the year	176,849	426,348
Investments during the year	704,200	913,600
Disposals during the year	(731,151)	(1,131,233)
Fair value adjustment	5,152	(31,866)
<b>Balance as at the end of the year</b>	<b>155,050</b>	<b>176,849</b>

### 20.2 Investment in unit trusts - Unquoted

As at 31st March	2020		2019	
	No. of units	Fair value	No. of units	Fair value
The Sri Lanka Fund	611,153	66,157	1,265,823	133,053
Guardian Acuity Equity Fund	310,079	3,844	310,079	4,547
Guardian Acuity Money Market Fund	4,376,896	85,049	2,231,701	39,249
		<b>155,050</b>		<b>176,849</b>

The valuations of unit trusts are based on the unit prices published by the unit trust managers, Guardian Acuity Asset Management Limited, as at 31st March.

## 21. TRADE AND OTHER RECEIVABLES

As at 31st March	2020	2019
<b>Financial</b>		
Trade receivables	-	5,209
Dividend receivable	578	5,660
	<b>578</b>	<b>10,869</b>
<b>Non financial</b>		
Prepaid expenses	174	103
	<b>174</b>	<b>103</b>
	<b>752</b>	<b>10,972</b>

## 22. CASH AND CASH EQUIVALENTS

As at 31st March	2020	2019
Cash at bank	177,331	30,820
Placements with banking and financial institutions	-	55,836
Securities purchased under resale agreements	251,476	11,628
Total cash and cash equivalents	428,807	98,284
Bank overdraft	-	(3,794)
Total bank overdrafts	-	(3,794)
Net cash and cash equivalents for the cash flow statement purpose	428,807	94,490

## 23. STATED CAPITAL

As at 31st March	2020		2019	
	No. of shares	Value	No. of shares	Value
Ordinary shares				
Issued and fully paid	99,451,059	763,497	99,451,059	763,497
		763,497		763,497

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share on a show of hands by individuals present in person or by proxy at a meeting of shareholders or one vote per share in the case of a poll.

## 24. CAPITAL AND REVENUE RESERVES

### 24.1 Capital reserves

As at 31st March	Note	2020	2019
Investment reserve	24.1.1	8,401	8,401
Other capital reserve	24.1.1	178,740	178,740
		187,141	187,141

#### 24.1.1 Investment reserve and other capital reserve

These represent the amounts set aside to meet any contingencies.

### 24.2 Revenue reserves

General reserve	24.2.1	27,217	27,217
Retained earnings		2,150,712	2,662,292
Associate Companies' reserve	24.2.2	3,267,071	3,584,262
		5,445,000	6,273,771

#### 24.2.1 General reserve

This represents the amounts set aside to meet any contingencies.

#### 24.2.2 Associate Company's reserve

This represents the Company's share of net assets of the equity accounted investee. The movement of this reserve is given in the statement of changes in equity.

## NOTES TO THE FINANCIAL STATEMENTS

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### 24.2.3 Impact of adopting SLFRS 9 as at 1st April 2018

With the adoption of SLFRS 9, on 1 April 2018, the Company classified its Investment in equity securities under fair value through profit or loss category. These investments were earlier classified as "available for sale" under LKAS 39. Accordingly, the accumulated fair value gain amounting to Rs. 651.2 Mn included in the available for sale financial assets reserve in equity was reclassified to the retained earnings on 1 April 2018.

### 25. TRADE AND OTHER PAYABLES

As at 31st March	2020	2019
<b>Financial</b>		
Trade payables	-	15,003
Dividend payable	-	13,303
Other payables	26,000	27,518
	26,000	55,824
<b>Non Financial</b>		
Provisions and accrued expenses	3,260	2,488
	3,260	2,488
	29,260	58,312

### 26. SHORT TERM BORROWINGS

As at 31st March	2020	2019
Balance as at the beginning of the year	-	-
Loans obtained during the year	340,000	200,000
Accrued interest	1,275	-
Payments made during the year	-	(200,000)
<b>Balance as at the end of the year</b>	<b>341,275</b>	<b>-</b>

The unsecured short term facilities were obtained from Commercial Bank of Ceylon PLC and interest rates are determined based on AWPLR.

### 27. RELATED PARTY TRANSACTIONS

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

#### 27.1 Parent and ultimate controlling entity

Ceylon Guardian Investment Trust PLC is the immediate Parent Company of Ceylon Investment PLC. In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Ceylon Guardian Investment Trust PLC and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Ceylon Investment PLC.

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

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

**27.3 Compensation paid to the Key management personnel of the company comprised the following;**

For the year ended 31st March	2020	2019
Short-term benefits	7,679	6,571
Post-employment benefits	-	-
Termination benefits	-	-
Other long-term benefits	-	-
Non cash benefits	-	-
	7,679	6,571

**27.4 Transactions with the Related Companies**

Name of the related company	Relationship	Nature of the transactions	Value of the transactions	
			2020	2019
Ceylon Guardian Investment Trust PLC	Parent company	Dividend paid	-	32,789
Rubber Investment Trust Limited	Associate Company	Dividends received	-	24,678
Guardian Fund Management Limited (GFM)	Fellow subsidiary	Portfolio management fees paid*	38,118	34,618
Carsons Management Services (Private) Limited (CMSL)	Fellow subsidiary	Support service fees paid**	10,259	10,993
		Computer fees paid	420	420
		Secretarial fees paid	444	444

\*Portfolio management fee is based on portfolio value of the Company.

\*\*Support service fee is based on the services provided by CMSL.

**27.5 Significant Holdings**

	Holding %	
	2020	2019
<b>Associates</b>		
Rubber Investment Trust Limited	49.95%	49.95%
Guardian Value Fund LLC	44.36%	-
<b>Joint venture</b>		
Guardian Fund Management LLC	50.00%	-

## NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

### 28. FINANCIAL INSTRUMENTS

#### Financial risk management - Overview

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing such risks, and the Company's management of capital. Pages 9 to 13 also carry a review of risks faced by the Company and the approach of managing such risks.

#### Risk management framework

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

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

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

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

#### 28.1 Credit risk

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

##### 28.1.1 Credit risk exposure and managing the risk

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

As at 31st March	Note	Carrying Amount	
		2020	2019
Investment in unit trust	20	155,050	176,849
Trade and other receivables*	21	578	10,869
Investment in fixed deposits		118,180	263,494
Cash and cash equivalents - Securities purchased under resale agreements	22	251,476	11,628
Cash and cash equivalents - Placements with banking and financial institutions	22	-	55,836
Cash and cash equivalents - Cash at bank	22	177,331	30,820
		702,615	549,496

\* Prepaid expenses which are non financial assets are excluded.

### Investment in unit trusts

The Company has invested in following unit trusts;

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

The investment manager of "The Sri Lanka Fund" is Guardian Fund Management Limited which is also the Investment manager of the Company. Guardian Acuity Asset Management Limited, a joint venture company of Ceylon Guardian Investment Trust PLC (the parent entity of the Company) and Acuity Partners Limited, is the Investment Manager of the other unit trust funds that the Company has invested in. The investment managers of the Company continuously monitors the performance, asset allocation, credit quality and maturity profiles of these funds in order to assess and mitigate the credit risk.

### Trade and other receivables

A significant portion of the trade and other receivables comprise of proceeds receivable on disposal of quoted securities and dividends receivable.

Settlement procedures surrounding the listed equity market in Sri Lanka are highly structured and regulated. The "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 in selecting the market intermediaries that the Company 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 fourteen (14) market days and no risk of default, based on past experience in the industry.

### Age profile of trade and other receivables

The aging of trade and other receivables at the end of the reporting period that were not impaired was as follows,

As at 31st March	2020	2019
Less than 30 days	578	10,869
	578	10,869

The Company has neither recognised an impairment loss nor an allowance for impairment of its trade and other receivables during recent past.

### Investment in fixed deposit

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

### Cash and cash equivalents

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

The Company minimises credit risk by monitoring the creditworthiness of the underlined counter-parties periodically.

## NOTES TO THE FINANCIAL STATEMENTS

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

As at 31st March	2020	2019
<b>Credit rating</b>		
AAA	-	151
AA+	346,757	-
AA	-	11,629
AA-	-	265,793
A+	198,515	-
A	-	53,614
BBB-	1,715	-
Bank Unrated	-	30,591
	546,987	361,778

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

### 28.2 Liquidity risk

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

#### 28.2.1 Exposure to liquidity risk

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

As at 31st March 2020	Carrying amount	Contractual cash flows			
		Total	up to 3 months	3-12 months	More than a year
<b>Non derivative financial liabilities</b>					
Trade and other payables*	26,000	26,000	26,000	-	-
Short - term loans	341,275	341,275	341,275	-	-
	367,275	367,275	367,275	-	-

As at 31st March 2019	Carrying amount	Contractual cash flows			
		Total	up to 3 months	3-12 months	More than a year
<b>Non derivative financial liabilities</b>					
Trade and other payables*	55,824	55,824	55,824	-	-
Bank overdraft	3,794	3,794	3,794	-	-
	59,618	59,618	59,618	-	-

\*Provisions and accrued expenses which are not financial liabilities are excluded.

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

As at 31st March	2020	2019
Investment in unit trusts	155,050	176,849
Cash and cash equivalents	428,807	98,284
Total liquid assets	583,857	275,133
Liquid assets as a % of total net assets	9.1%	3.8%



### 28.2.2 Management of liquidity risk

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

The Company maintains a portion of its assets in highly liquid form; demand deposits with commercial banks, placements with banking and financial institutions, securities purchased under resale agreements and short term investments 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 Company's investment portfolio comprises of listed equity investments which provides the Company 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.

### 28.3 Market risk

The 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.

#### 28.3.1 Interest rate risk

The Company is exposed to interest rate risk, arising from its securities purchased under resale agreements, placements with banking and financial institutions, short - term loans 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 Company's interest-bearing financial instruments are as follows

As at 31st March	Carrying Amount	
	2020	2019
<b>Variable rate instruments</b>		
Financial assets - Cash at bank	177,331	30,820
- Investments under resale agreements	251,476	11,628
- Investments in unit trusts	85,049	39,249
Financial liabilities - Bank overdrafts	-	(3,794)
	513,856	77,903
<b>Fixed rate instruments</b>		
Financial assets - Placement with banking institutions	-	55,836
- Investment in fixed deposits	118,180	263,494
Financial liabilities - Short term loans	(341,275)	-
	(223,095)	319,330

## NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

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

As at 31st March	2020	2019
Commercial Banks Averaged Weighted Prime Lending Rate (AWPLR) *	9.29%	12.33%
Commercial Banks Averaged Weighted Deposit Rate (AWFDR) *	7.90%	8.98%

\* Monthly average rate as at reporting date

### Sensitivity Analysis

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

As at 31st March	Profit or loss	
	Increase by 1%	Decrease by 1%
<b>As at 31 March 2020</b>		
Variable rate instruments	5,139	(5,139)
<b>As at 31 March 2019</b>		
Variable rate instruments	779	(779)

### 28.3.2 Exposure and management of other market price risks

#### Equity price risk

The Company is holding an investment portfolio which includes listed equity securities.

Having 87% (2019 - 85%) of its discretionary portfolio as equity investments designated as listed investments in the Colombo Stock Exchange, market volatilities bring in substantial variations to the Company's earnings and value of its asset base.

The Company 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.

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

As at 31st March	Note	Carrying Amount	
		2020	2019
Investment in Equity Securities - Fair value through profit or loss	19	2,428,330	3,144,916
Investment in Unit Trusts - Unquoted	20		
- Guardian Acuity Equity Fund		3,844	4,547
- The Sri Lanka Fund		66,157	133,053
		2,498,331	3,282,516

An analysis of the investments in equity securities made by the Company, based on the industry / sector is given in note 19.

### 28.3.3 Currency risk

The Company is exposed to currency risk on its investments made that are denominated in a currency other than the respective functional currency of the Company, which is Sri Lankan Rupees. Accordingly, the Company is exposed to currency risk primarily arising from its investment in 'The Sri Lanka Fund' – a country fund incorporated in Cayman Islands, "Guardian Value Fund LLC" and "Guardian Fund Management LLC" - fund invested in Mauritius, to which the Company has infused promoters capital.

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

As at 31st March	Carrying Amount		Carrying Amount	
	2020		2019	
	LKR (000')	USD	LKR (000')	USD
Investments in Unit Trusts - The Sri Lanka Fund	66,157	348,360	133,053	755,597
Investment in equity accounted investee - Guardian Value Fund LLC	371,769	1,957,756	-	-
Investment in equity accounted investee - Guardian Fund Management LLC	6,064	31,932	-	-
Exchange rates applied as at the reporting dates - USD / LKR		189.89		176.09

### Sensitivity Analysis

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

Movement in exchange rate	Equity	
	Strengthening	Weakening
<b>As at 31 March 2020</b>		
- United State Dollars (1% movement)	4,440	(4,440)
	4,440	(4,440)
<b>As at 31st March 2019</b>		
- United State Dollars (1% movement)	1,331	(1,331)
	1,331	(1,331)

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### 28.4 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 2020	Fair value through profit or loss financial assets	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Fair value
<b>Financial assets measured at fair value</b>					
Fair value through profit or loss financial assets	2,428,330	-	-	2,428,330	2,428,330
Investment in unit trusts	155,050	-	-	155,050	155,050
<b>Financial assets not measured at fair value</b>					
Investment in fixed deposits	-	118,180	-	118,180	
Trade and other receivables	-	578	-	578	
Cash and cash equivalents	-	428,807	-	428,807	
<b>Total financial assets</b>	<b>2,583,380</b>	<b>547,565</b>	<b>-</b>	<b>3,130,945</b>	
<b>Financial liabilities not measured at fair value</b>					
Trade and other payables	-	-	26,000	26,000	
Short term borrowings	-	-	341,275	341,275	
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>367,275</b>	<b>367,275</b>	

As at 31st March 2019	Fair value through profit or loss financial assets	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Fair value
<b>Financial assets measured at fair value</b>					
Fair value through profit or loss financial assets	3,144,916	-	-	3,144,916	3,144,916
Investment in unit trusts	176,849	-	-	176,849	176,849
<b>Financial assets not measured at fair value</b>					
Investment in fixed deposits	-	263,494	-	263,494	
Trade and other receivables	-	10,869	-	10,869	
Cash and cash equivalents	-	98,284	-	98,284	
<b>Total financial assets</b>	<b>3,321,765</b>	<b>372,647</b>	<b>-</b>	<b>3,694,412</b>	
<b>Financial liabilities not measured at fair value</b>					
Trade & other payables	-	-	55,824	55,824	
Bank overdraft	-	-	3,794	3,794	
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>59,618</b>	<b>59,618</b>	

## 28.5 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
<b>As at 31 March 2020</b>				
Fair value through profit or loss financial assets	2,428,320	-	10	2,428,330
Investments in unit trusts	-	155,050	-	155,050
	2,428,320	155,050	10	2,583,380
<b>As at 31 March 2019</b>				
Fair value through profit or loss financial assets	3,144,906	-	10	3,144,916
Investments in unit trusts	-	176,849	-	176,849
	3,144,906	176,849	10	3,321,765

There were no movements during the year in the fair value measurements in Level 3 financial instruments of the fair value hierarchy (2019 - Nil).

## 29. SEGMENTAL REPORTING

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

## 30. EVENTS AFTER THE REPORTING DATE

After satisfying the solvency tests in accordance with Section 57 of the Company's Act, No. 7 of 2007, the directors of the Company have recommended to declare a final dividend of Rs. 1/- per share subject to shareholders' approval at the forthcoming Annual General Meeting of the Company which will consist of, Scrip dividend of Rs. 0.75 per ordinary share for the year ended 31st March 2020 amounting to Rs. 74,588,294.25. The maximum number of shares to be issued is 1,888,311 in the ratio of 01 ordinary share for every 52.6666735511 existing ordinary shares at a value of Rs. 39.50 per share and a cash dividend of Rs. 0.25 per ordinary share for the year ended 31st March 2020 amounting to Rs. 24,862,764.75.

According to the Sri Lanka Accounting Standard (LKAS 10) - "Events after the reporting period" this proposed final dividend has not been adjusted and the final dividend has not been recognised as a liability as at 31st March 2020.

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

## NOTES TO THE FINANCIAL STATEMENTS

In Rupees Thousands

### 31. IMPACT OF COVID-19

On the 20th of March 2020, the Government imposed an island wide curfew aimed at controlling the spread of COVID-19 in the country. Accordingly, the Colombo Stock Exchange was closed for trading activities from 21st March 2020 for nearly two months. With the relaxation of curfew to recommence business activities, the Colombo bourse resumed trading activities on 11th May 2020. After closing at 4,571.63 points on the last trading day in March, the ASPI has recovered to 5,176.85 points by 6th August 2020. Accordingly, as of the date of approval of these financial statements, we have experienced partial recovery in the equity market to pre-COVID levels when compared with the 31st December 2019 ASPI of 6,129.21. Further, the Company maintains a strict disciplined approach of picking fundamentally strong stocks that have potential to grow in the medium to long term.

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

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

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

### 32. COMMITMENTS AND CONTINGENT LIABILITIES

#### 32.1 Capital expenditure commitments

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

#### 32.2 Contingent liabilities

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

#### 32.3 Litigations and claims

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

### 33. COMPARATIVE FIGURES

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

### 34. 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	2020	2019	2018	2017	2016
<b>Financial highlights</b>					
<b>Revenue</b>					
Net gain / (loss) on disposal of investments	64,233	(4,887)	304,600	108,783	196,870
Dividend income	134,368	142,753	244,456	284,674	176,425
Interest income	28,836	55,830	6,511	7,672	27,932
	227,437	193,696	555,567	401,129	401,227
Less :					
Dividend received from equity accounted investee	-	(24,678)	(105,957)	(103,191)	(79,195)
	227,437	169,018	449,610	297,938	322,032
Net fair value adjustment - unrealised	(655,281)	(1,054,018)	(10,979)	(97,997)	(135,539)
Profit / (loss) on investment activities	(427,844)	(885,000)	438,631	199,941	186,493
Profit / (loss) before taxation	(636,273)	(1,173,128)	520,447	660,068	294,763
Income tax expense	(9,072)	(13,174)	(8,202)	(7,254)	(7,548)
Profit / (loss) for the year	(645,345)	(1,186,302)	512,245	652,814	287,215
<b>Statement of Financial Position</b>					
<b>Capital employed</b>					
Stated capital	763,497	763,497	763,497	763,497	763,497
Reserves	5,632,141	6,460,912	7,757,290	7,789,643	8,340,156
Total equity	6,395,638	7,224,409	8,520,787	8,553,140	9,103,653
<b>Assets employed</b>					
Non current assets	3,630,867	3,584,558	7,521,382	7,644,474	8,149,102
Current assets	3,135,306	3,701,957	1,077,923	1,111,403	1,141,606
Total assets	6,766,173	7,286,515	8,599,305	8,755,877	9,290,708
Current liabilities	(370,535)	(62,106)	(78,518)	(202,737)	(187,055)
Net assets	6,395,638	7,224,409	8,520,787	8,553,140	9,103,653
<b>Cash Flow Statements</b>					
Net cash generated from / (used in) operating activities	373,797	(41,108)	297,965	(179,000)	(52,634)
Net cash generated from / (used in) investing activities	(363,500)	24,678	105,957	103,191	79,195
Net cash generated from / (used in) financing activities	324,020	(87,849)	(319,153)	(146,383)	(242,840)
Net increase / (decrease) in cash & cash equivalents	334,317	(104,279)	84,769	(222,192)	(216,279)
<b>Ratios &amp; statistics</b>					
<b>Operational ratio</b>					
Return on ordinary shareholders funds (%)	(10.09)	(16.42)	6.01	7.63	3.15
<b>Liquidity ratio</b>					
Current ratio (times)	8.46	59.61	13.73	5.48	6.10
<b>Investor ratio</b>					
Earnings / (loss) per share (Rs.)	(6.49)	(11.93)	5.15	6.56	2.89
Dividend per share (Rs.)*	1.00	0.50	2.00	1.75	1.50
Dividend cover (times)	N/A	N/A	2.58	3.75	1.93
Dividend growth (%)	100	(75)	14	17	(57)
Dividend yield (%)	3.43	1.37	4.65	4.38	2.85
Dividend payout ratio (%)	N/A	N/A	38.83	26.68	51.90
Net assets value per share (Rs.)	64.31	72.64	85.68	86.00	91.54
Market value per share (Rs.)**	29.10	36.50	43.00	40.00	52.70
Price earning ratio (times)	(4.48)	(3.06)	8.35	6.10	18.24
Price to book value ratio (times)	0.45	0.50	0.50	0.47	0.58
Ceylon investment total fund value	6,419,959	7,264,307	8,580,609	8,727,181	9,278,745
Market capitalisation	2,894,026	3,629,964	4,276,396	3,978,042	5,241,071
All Share Price Index (points)	4,572	5,557	6,477	6,062	6,072
S&P SL 20 Index (points)	1,947	2,739	3,650	3,439	3,204

\* Based on proposed final / interim dividends

\*\*As at 31st March.

# INFORMATION TO SHAREHOLDERS AND INVESTORS

## 1 STOCK EXCHANGE LISTING

Ceylon Investment 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 Investment PLC shares is "CINV".

## 2 ORDINARY SHAREHOLDERS

As at 31st March	2020	2019
Number of Shareholders	2,595	2,534

The number of ordinary shares held by non-residents as at 31st March 2020 was 3,002,826 which amounts to 3.02% (2019 - 3,479,790 / 3.50%) of the total number of Ordinary Shares in issue.

Frequency Distribution of Shareholding as at 31st March 2020

Distribution of Shares	Residents			Non - Residents			Total		
	No. of share holders	No. of Shares	%	No. of share holders	No. of Shares	%	No. of share holders	No. of Shares	%
1 - 1,000	1,418	336,457	0.33	6	689	0.00	1,424	337,146	0.33
1001 - 10,000	821	2,820,839	2.84	22	102,255	0.10	843	2,923,094	2.93
10,001 - 100,000	241	7,475,681	7.52	28	748,583	0.75	269	8,224,264	8.27
100,001 - 1,000,000	48	14,617,915	14.70	5	1,098,784	1.10	53	15,716,699	15.80
Above 1,000,000	5	71,197,341	71.59	1	1,052,515	1.06	6	72,249,856	72.65
Total	2,533	96,448,233	96.98	62	3,002,826	3.02	2,595	99,451,059	100.00

Categories of Shareholders As at 31st March 2020	No. of Shareholders	No. of Shares	%
Individuals	2,372	21,352,073	21.47
Institutions	223	78,098,986	78.53
Total	2,595	99,451,059	100.00

## 3 PUBLIC HOLDING

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 the Colombo Stock Exchange, under Option 5, i.e. Float-Adjusted Market Capitalization 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 2020

Market Capitalization of the Public Holding	Rs.985.69 Million
Percentage of Public Holding	34.06%
Number of Public Shareholders	2,582



#### 4 MARKET PERFORMANCE-ORDINARY SHARES

For the year ended 31st March	2020	2019
Share price as at 31 March (Rs.)	29.10	36.50
Highest (Rs.)	57.80	47.70
Lowest (Rs.)	28.00	33.00
Value of the shares traded (Rs.000)	207,785	130,995
No. of shares traded	4,494,528	3,516,721
Volume of transactions (Nos.)	4,235	2,324
Market Capitalisation (Rs.)	2,894,025,817	3,629,963,654

#### 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 31st March	Month	Issue	Basis	No. of shares	Cumulative No. of shares
1919		Initial Capital	-	547,343	547,343
1954		Bonus	1:10	54,734	602,077
1956		Bonus	1:10	60,208	662,285
1988		Bonus	1:1	662,285	1,324,570
1991		Bonus	1:5	264,914	1,589,484
1999		Bonus	1:4	397,371	1,986,855
2000		Bonus	1:4	496,714	2,483,569
2002	April	Rights	1:4	620,892	3,104,461
	May	Bonus	1:4	776,115	3,880,576
2003	June	Rights	1:3	1,293,525	5,174,101
	August	Bonus	1:6	862,350	6,036,451
2004	July	Rights	1:2	3,018,225	9,054,676
	September	Bonus	1:2	4,527,338	13,582,014
2005	March	Rights	1:3	4,527,338	18,109,352
	June	Bonus	1:3	6,036,451	24,145,803
2009	October	Repurchase	1:5	(4,829,161)	19,316,642
2010	October	Subdivision	5:1	77,266,568	96,583,210
	October	Capitalisation of reserves	1:50	1,931,664	98,514,874
2015	August	Scrip Dividend	1:105.083934	936,185	99,451,059

#### 6 DIVIDENDS

Subject to the approval of the Shareholders at the Annual General Meeting, the Board of Directors recommended a Final Dividend of Rs.1/- per ordinary share which would consist of 25 Cents (Rs.0.25) per share as a Cash Dividend and 75 Cents (Rs.0.75) per share in the form of a Scrip Dividend for the financial year ended 31st March 2020 which would be distributed entirely out of dividend income received by the Company which is part of the retained earnings as at 31st March 2020.

#### 7 MAJOR SHAREHOLDERS

A list of major shareholders of the Company as at 31st March 2020 is provided in the Annual Report of the Board of Directors, on page 23.

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 74th Annual General Meeting of **Ceylon Investment PLC** will be held on Monday, 14th September 2020 at 11.30 a.m. at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka by means of audio or audio and visual technology for the following purposes :

1. To consider the Annual Report of the Board of Directors including the Financial Statements of the Company for the financial year ended 31st March 2020, together with the Report of the Auditors thereon.
2. To declare a Final Dividend as recommended by the Board of Directors, to consider and if thought fit, to pass the following resolutions:

## ORDINARY RESOLUTION

### DECLARATION OF DIVIDEND AND APPROVAL OF ITS METHOD OF SATISFACTION

- (a) **"IT IS HEREBY RESOLVED** THAT a Final Dividend of Rupees One (Rs.1/-) per share amounting to a total sum of Rs.99,451,059/- be paid on the issued and fully paid ordinary shares of the Company for the financial year ended 31st March 2020 based on the issued ordinary shares as at 14th September 2020.
- (b) THAT the Shareholders entitled to such dividend would be those Shareholders whose names have been duly registered in the Register of Shareholders and those Shareholders whose names appear on the Central Depository Systems (Pvt) Ltd ('CDS') as at end of trading on the date on which the requisite resolution of the Shareholders in regard to the Final Dividend is passed ('entitled Shareholders');
- (c) THAT the said Final Dividend of Rs.1/- per share be distributed partly by the payment of cash and partly by the issue of new ordinary shares (the "distribution scheme") based on the share price of ordinary shares as at Friday, 7th August 2020 in the following manner, subject however, to any necessary revision being made to the amount of dividends to be distributed and the number of shares to be issued pursuant to any changes to the applicable law:
  - i. By way of Cash Distribution: A cash distribution of a sum of Rs.24,862,764/75 be made to the holders of ordinary shares on the basis of Twenty Five Cents (Rs.0.25) per each share.
  - ii. By way of issue of new shares in the form of a Scrip Dividend:

A sum of Rs.74,588,294/25 be distributed to the holders of ordinary shares in the form of a Scrip Dividend, on the basis of Seventy Five Cents (Rs.0.75) per each share, by the issue of a maximum of 1,888,311 ordinary shares (subject to

appropriate adjustments being made for such number based on actual residual fractions of shares arising as at the date of entitlement) computed on the basis of the following formula and issued at a consideration of Rs.39/50 per each ordinary share:

$$\text{No. of shares to be issued to each Shareholder} = \frac{\text{No. of shares held by the Shareholder as at end of trading on the date of the AGM}}{52.6666735511} \times 1$$

- (d) THAT the number of shares to be eventually issued as Scrip Dividend shall depend on the number of residual fractions arising from the Scrip Dividend after applying the aforesaid formula and the residual fractions arising from the Scrip Dividend shall be disregarded in its entirety and the value of such fractions (computed on the basis of the aforesaid consideration for the shares to be issued) shall be paid by cheque/Sri Lanka Interbank Payment System ('SLIPS') to the shareholders and such payment to be added to the Cash Dividend.
  - (e) THAT the new ordinary voting shares to be issued in pursuance of the distribution scheme shall, immediately consequent to the allotment thereof to the entitled Shareholders rank equal and *pari passu* in all respects with the existing issued and fully paid ordinary shares of the Company and shall be listed on the Colombo Stock Exchange.
  - (f) THAT the new ordinary shares to be so allotted and issued shall not be eligible for the payment of cash dividend declared hereby.
  - (g) THAT accordingly, the Board of Directors of the Company be and is hereby authorized to take all necessary steps to give effect to the aforesaid proposed issue of new ordinary shares of the Company."
3. To re-elect Mr. A. P. Weeratunge who retires by rotation in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.
  4. To re-elect Mr. K. Selvanathan who retires by rotation in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.
  5. To re-appoint Mrs. M. A. R. C. Cooray 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 Mrs. M. A. R. C. Cooray who is seventy one years of age and that she be re-appointed a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

6. To re-appoint Mr. V. M. Fernando as a Director of the Company who is 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. V. M. Fernando who is seventy years of age and that he be re-appointed a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

7. To re-appoint Mr. T. C. M. Chia as a Director of the Company who is 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. T. C. M. Chia who is seventy years of age and that he be re-appointed a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

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

### **SPECIAL RESOLUTION**

**"IT IS HEREBY RESOLVED** that the regulations contained in the proposed new set of Articles of Association of the Company, made available to the Shareholders be and are hereby approved and adopted as the Articles of Association of the Company in substitution and exclusion of the existing Articles of Association of the Company."

By Order of the Board

(Sgd)

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

Director

Carsons Management Services (Private) Limited

Secretaries

Colombo

10th August 2020

### **Notes:**

1. This Notice and the submission of the Form of Proxy should be read in conjunction with the **'Procedure to be followed at the Annual General Meeting of the Company scheduled for 14th September 2020'**, which is enclosed with the Notice convening the AGM.
2. The notice convening the AGM together with the procedure to be followed at the AGM will be posted to the Shareholders. The documents will also be made available on the Colombo Stock Exchange website [www.cse.lk](http://www.cse.lk) and on the Group's website [www.carsoncumberbatch.com](http://www.carsoncumberbatch.com) and you may access same directly through the URL link [http://www.carsoncumberbatch.com/investor\\_information/annual\\_reports\\_2019\\_2020/ceylon-investment-annual-report-2019-20.pdf](http://www.carsoncumberbatch.com/investor_information/annual_reports_2019_2020/ceylon-investment-annual-report-2019-20.pdf)
3. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company.  
A Form of Proxy accompanies this Notice.
4. The completed Form of Proxy must be submitted to the Company **not later than 4.45 p.m. on 12th September 2020** or via email to [CINVAGM2020@carcumb.com](mailto:CINVAGM2020@carcumb.com) or by fax to +94 11-2337671 or handed over or posted to the Registered Office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
5. A person representing a Corporation is required to submit a certified copy of the resolution authorizing him/her to act as the representative of the Corporation. A representative need not be a member.
6. The transfer books of the Company will remain open.



# FORM OF PROXY

\*I/We .....  
of .....  
being \*a Shareholder / Shareholders of **Ceylon Investment 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,
Ajith Prashantha Weeratunge	or failing him,
Vernon Manilal Fernando	or failing him,
Krishna Selvanathan	or failing him
Timothy Chee Ming Chia	

as \*my/our proxy to attend at the 74th Annual General Meeting of the Company to be held on Monday, 14th September 2020 at 11.30 a.m., at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 07, Sri Lanka by means of audio or audio and visual technology and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	<b>For</b>	<b>Against</b>
(1) <b>Ordinary Resolution</b> To approve the Final Dividend of Rs.1/- per share in the form of a Cash Dividend and Scrip Dividend on the Ordinary Shares of the Company for the Financial Year ended 31st March 2020.	<input type="checkbox"/>	<input type="checkbox"/>
(2) To re-elect Mr. A. P. Weeratunge who retires by rotation in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(3) To re-elect Mr. K. Selvanathan who retires by rotation in terms of Articles 89, 90 and 91 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(4) To re-appoint Mrs. M. A. R. C. Cooray who is over seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(5) To re-appoint Mr. V. M. Fernando who is seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(6) To re-appoint Mr. T. C. M. Chia who is seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(7) To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act, No. 07 of 2007 and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
(8) <b>Special Resolution</b> Adoption of the proposed new Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....  
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 after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 71 of the Articles of Association of the Company:  
The instrument appointing a proxy shall be in writing and :
  - (i) in the case of an individual shall be signed by the appointor or by his attorney; and
  - (ii) in the case of a corporation shall be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.The Company may, but shall not be bound to, require evidence of the authority of any such attorney or officer. A proxy need not be a member of the Company.
4. In terms of Article 66 of the Articles of Association of the Company  
In the case of joint-holders of a share, the senior who tenders a vote, whether in person or by proxy or by attorney or by representative, shall be accepted to the exclusion of the votes of the 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 submitted to the Company **not later than 4.45 p.m. on 12th September 2020** or via email to **CINVAGM2020@carcumb.com** or by fax to +94 11-2337671 or handed over or posted to the Registered Office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
6. Shareholders who are unable to participate at the meeting through the online meeting platform (i.e. Zoom platform) may appoint a proxy as his/her/its proxy by forwarding the duly completed Form of Proxy not later than 4.45 p.m. on 12th September 2020, clearly indicating their vote under each matter set out in the Form of Proxy as per the instructions set out in the '**Procedure to be followed at the Annual General Meeting of the Company scheduled for 14th September 2020**', attached with this Notice.
7. Shareholders could also appoint a member of the Board to act as their proxy if they so choose. The Shareholders who wish to appoint a Director as his/her/its proxy must forward the duly completed Form of Proxy clearly indicating their vote under each matter set out in the **Form of Proxy and forward same together with the Registration Form (Annexure 1)**, attached herewith to the Company.

Please fill in the following details

Name of Shareholder : .....

CDS Account No. : .....

Name of Proxy holder : .....

NIC No. of the Proxy holder : .....

# CORPORATE INFORMATION

## **NAME OF COMPANY**

Ceylon Investment PLC  
(A Carson Cumberbatch Company)

## **COMPANY REGISTRATION NO.**

PQ 68

## **DOMICILE AND LEGAL FORM**

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

The Company was incorporated in Sri Lanka in 1919.

## **PRINCIPAL ACTIVITY AND NATURE OF OPERATIONS**

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

## **PARENT ENTERPRISE**

Ceylon Guardian Investment Trust PLC is the immediate Parent Company of Ceylon Investment PLC. In the opinion of the Directors Carson Cumberbatch PLC is the Parent Company of Ceylon Guardian Investment Trust PLC and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Ceylon Guardian Investment Trust PLC.

## **DIRECTORS**

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

Mr. D.C.R. Gunawardena

Mr. A.P. Weeratunge

Mr. V.M. Fernando

Mr. K. Selvanathan

Mr. T.C.M. Chia

## **BANKERS**

Standard Chartered Bank

Commercial Bank of Ceylon PLC

Deutsche Bank AG

## **AUDITORS**

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

## **MANAGERS & SECRETARIES**

Carsons Management Services (Private) Limited  
No. 61, Janadhipathi Mawatha,  
Colombo 1.  
Sri Lanka

Telephone No.: +94-11-2039200

Fax No.: +94-11-2039300

## **INVESTMENT MANAGERS**

Guardian Fund Management Limited  
No. 61, Janadhipathi Mawatha,  
Colombo 1,  
Sri Lanka.

Telephone No.: +94-11-2039200

Fax No.: +94-11-2039385

## **REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS**

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## **CORPORATE WEBSITE**

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

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## CEYLON INVESTMENT PLC - PQ 68

### ADDITIONAL INFORMATION TO SHAREHOLDERS

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

### INVESTMENT PORTFOLIO OF RUBBER INVESTMENT TRUST LIMITED

(In Rupee thousands)

#### 1 INVESTMENTS IN FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

##### 1.1 Summary

As at 31st March	Note	2020 Fair value	2019 Fair value
Investment in Equity Securities - Quoted Shares	1.2	3,678,886	4,087,651
Investment in Equity Securities - Unquoted Shares	1.2	94,598	-
		3,773,484	4,087,651

##### 1.1.1 Movement in Investments in fair value through other comprehensive income

	Fair value as at the beginning of the year	Additions	Transfers	Fair value adjustment	Fair value as at the end of the year
For the year ended 31st March 2020					
Investment in equity securities	4,087,651	90,875	-	(405,042)	3,773,484
	4,087,651	90,875	-	(405,042)	3,773,484
For the year ended 31st March 2019					
Investment in equity securities	5,803,696	-	(1,591,372)	(124,673)	4,087,651
Investment in debentures	2	-	(2)	-	-
	5,803,698	-	(1,591,374)	(124,673)	4,087,651

## 1.2 Investment in Equity Securities - Quoted Shares

As at 31st March	2020		2019	
	No. of Shares	Fair value	No. of Shares	Fair value
Bukit Darah PLC	20,438,250	3,678,885	20,438,250	4,087,650
Bukit Darah PLC -Preference Shares 8% participative cumulative	31,875	1	31,875	1
		3,678,886		4,087,651

### Valuation of Listed Equity Investments

The fair value of Bukit Darah PLC is based on the last traded volume weighted average price as at 31st March, published by the Colombo Stock Exchange.

## 1.3 Investment in equity securities - unquoted shares

As at 31st March	2020		2019	
	No. of Shares	Fair value	No. of Shares	Fair value
Guardian Value Fund LLC	500,000	94,598	-	-
<b>Total investment in equity securities - unquoted shares</b>		94,598		-

The fair value of the Company's unlisted investment portfolio is based on the valuations carried out by the investment manager, Guardian Fund Managers Limited.

## 2 INVESTMENTS IN EQUITY AND DEBT SECURITIES

### 2.1 Summary

As at 31st March	Note	2020	2019
		Fair value	Fair value
Investment in Equity Securities - Quoted Shares - Fair value through profit or loss (FVTPL)	2.2	2,138,326	1,920,299
Investments in Debt Securities - Treasury Bonds - Fair value through profit or loss (FVTPL)	2.3.1	-	207,101
Investments in Debt Securities - Debentures - Amortised cost	2.3.2	102,963	-
		2,241,289	2,127,400

### Valuation of Listed Equity Investments

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

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

### 2.1.1 Movement in Investments in equity and debt securities

	Fair value as at the beginning of the year	Additions	Disposals / write off	Transfers	Amortised interest	Change in fair value	Fair value as at the end of the year
<b>For the year ended 31st March 2020</b>							
Investment in equity securities	1,920,299	851,422	(194,459)	-	-	(438,936)	2,138,326
Investment in treasury bonds	207,101	299,201	(500,343)	-	(5,959)	-	-
Investment in debentures	-	99,264	-	-	3,699	-	102,963
	2,127,400	1,249,887	(694,802)	-	(2,260)	(438,936)	2,241,289
<b>For the year ended 31st March 2019</b>							
Investment in equity securities	508,676	1,147,536	(776,944)	1,591,372	-	(550,341)	1,920,299
Investment in treasury bonds	-	350,342	(149,200)	-	5,959	-	207,101
Investment in debentures	-	-	(2)	2	-	-	-
	508,676	1,497,878	(926,146)	1,591,374	5,959	(550,341)	2,127,400

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

### 2.2 Investment in Equity Securities - Quoted Shares

As at 31st March	2020		2019	
	No. of Shares	Fair value	No. of Shares	Fair value
<b>Banks</b>				
Commercial Bank of Ceylon PLC	783,069	47,062	141,790	13,995
Hatton National Bank PLC - Non voting	1,453,990	145,835	1,318,708	193,850
Hatton National Bank PLC	888,312	93,362	684,218	119,738
National Development Bank PLC	207,519	13,738	214,124	20,170
Sampath Bank PLC	240,104	28,573	97,558	17,570
		328,570		365,323
<b>Diversified Financials</b>				
Central Finance Company PLC	7,106,573	575,633	4,019,963	339,687
Peoples' Leasing & Finance PLC	16,914,702	206,359	16,861,361	225,942
		781,992		565,629
<b>Insurance</b>				
Ceylinco Insurance PLC - Non Voting	70,000	55,300	70,000	63,028
HNB Assurance PLC	15,508	1,877	70,508	8,158
People's Insurance PLC	1,960,760	33,529	2,288,400	45,081
Union Assurance PLC	199,000	59,700	199,000	59,620
		150,406		175,887

As at 31st March	2020		2019	
	No. of Shares	Fair value	No. of Shares	Fair value
<b>Food Beverage &amp; Tobacco</b>				
Distilleries Company of Sri Lanka PLC	13,653,921	177,501	8,811,126	127,761
Melstacorp PLC	2,631,220	62,097	2,631,220	94,724
Sunshine Holdings PLC	1,300,000	49,270	-	-
		288,868		222,485
<b>Capital Goods</b>				
Access Engineering PLC	-	-	4,000	52
Aitken Spence PLC	-	-	370,218	15,179
Hemas Holding PLC	5,382,525	302,499	-	-
John Keells Holdings PLC	218,287	25,190	-	-
Softlogic Holdings PLC	-	-	2,602,741	195,209
		327,689		210,440
<b>Consumer Services</b>				
Aitken Spence Hotel Holdings PLC	826,548	12,481	826,548	19,589
		12,481		19,589
<b>Food &amp; Staples Retailing</b>				
Cargils (Ceylon) PLC	56,814	9,658	285,714	57,143
		9,658		57,143
<b>Materials</b>				
Chevron Lubricants Lanka PLC	828,746	44,338	674,746	42,240
Swisstek (Ceylon) PLC	260,000	7,020	260,000	9,048
Tokyo Cement Company (Lanka) PLC - Non voting	2,297,872	45,957	1,188,480	21,987
Tokyo Cement Company (Lanka) PLC	926,620	20,850	775,227	16,047
		118,165		89,322

As at 31st March	FVTPL			
	2020		2019	
	No. of Shares	Fair value	No. of Shares	Fair value
<b>Utilities</b>				
LVL Energy Fund PLC	1,257,100	5,280	1,257,100	9,931
		5,280		9,931
<b>Telecommunication Services</b>				
Dialog Axiata PLC	13,554,973	115,217	22,477,935	204,550
		115,217		204,550
<b>Total investment in equity securities - quoted shares</b>		<b>2,138,326</b>		<b>1,920,299</b>

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.

## 2.3 Investments in debt securities

### 2.3.1 Investment in treasury bonds

As at 31st March	ISIN	Maturity Date	Coupon Rate	2020		2019	
				Face value	Fair value	Face value	Fair value
	LKB00827A151	1/15/27	11.40%	-	-	100,000	103,551
	LKB00827A151	1/15/27	11.40%	-	-	50,000	51,775
	LKB00827A151	1/15/27	11.40%	-	-	50,000	51,775
	<b>Total investments in treasury bonds</b>			<b>-</b>	<b>-</b>	<b>200,000</b>	<b>207,101</b>

### 2.3.2 Investment in debentures

As at 31st March	ISIN	2020			2019		
		No of debentures	Cost	Fair value	No of debentures	Cost	Fair value
	Sampath Bank PLC	1,000,000	100,000	102,963	-	-	-
	<b>Total investment in debentures</b>		<b>100,000</b>	<b>102,963</b>			

### 3 INVESTMENT IN UNIT TRUSTS

#### 3.1 Movement in investment in unit trusts

As at 31st March	2020	2019
Balance as at the beginning of the year	37,612	140,740
Investments during the year	1,527,400	717,100
Disposals during the year	(1,470,161)	(820,245)
Fair value adjustment	3,397	17
<b>Balance as at the end of the year</b>	<b>98,248</b>	<b>37,612</b>

#### 3.2 Investment in unit trusts

As at 31st March	2020		2019	
	No. of units	Fair value	No. of units	Fair value
Guardian Acuity Money Market Fund	5,056,140	98,248	2,138,578	37,612
<b>Total investment in unit trusts - unquoted</b>		<b>98,248</b>		<b>37,612</b>

Valuation of unit trusts are based on the unit prices published by the unit trust managers,Guardian Auity Asset Management Limited as at 31 st March.