

Guardian Capital Partners PLC

Independent Advisor's report to the Board of Directors and shareholders of Guardian Capital Partners PLC on the mandatory offer made by Shaw Wallace & Hedges Limited to the remaining shareholders of Guardian Capital Partners PLC.

Reliance Restricted

02 December 2021 | Final

Valuation Date : 28 October 2021

This Report is for the use of the Board of Directors and Shareholders of Guardian Capital Partners PLC in connection with the aforesaid offer made by Shaw Wallace & Hedges limited by the offer document dated November 19, 2021 and should not be used for any other purpose.

Neither all nor part of the contents of this Report shall be disseminated to the public, through advertising, public relation, news, sales or any other public media without prior approval of Ernst & Young Transaction Advisory Services (Pvt) Limited.

We believe EY possesses requisite expertise to perform a valuation of this nature. We are confident that the information contained therein is sufficient for you as the Board of Directors of Guardian Capital Partners PLC to fulfill the obligations under the Companies Takeovers and Mergers Code of 1995 (as amended in 2003).

This Report is subject to the qualifications and disclaimers set out in the Legal Notice of the Report.

Legal Notice

This report has been prepared by Ernst & Young Transaction Advisory Services (Pvt) Limited (EYTAS) to provide an independent opinion to the shareholders of Guardian Capital Partners PLC (the "Company", "offeree", "Guardian" or "GCP") on the offer made by Shaw Wallace & Hedges Limited (the "Offeror" or "Shaw Wallace").

EYTAS acknowledges that this report is to be circulated to the shareholders of Guardian in relation to the mandatory offer by Shaw Wallace and therefore may not be used for any other purpose without the prior written consent of EYTAS.

This report relies upon discussions with the management of Guardian, information and documents compiled by and provided to EYTAS by Guardian and its representatives. EYTAS has relied on reported information provided by Guardian and has examined other sources of information including information on Guardian that is publicly available. This information was adequate to facilitate an informed view of the offer and to form a reasonable basis for the opinion.

This report is provided subject to the following assumptions and qualifications:

1. Guardian has made available to EYTAS all material public information in its possession or known to it in relation to the business operations of Guardian, and that all information so provided is up to date and that Guardian has not withheld any material public information;
2. All reports and financial documentation and records of assets, governmental consents and licenses provided by Guardian are correct and accurate in all material particulars.

EYTAS has not undertaken any independent enquiries or audits to verify that the information provided is correct and has not carried out any type of audit of Guardian's records to verify that all material documentation has been provided.

A draft of this report was provided to the Board of Directors of Guardian along with a request to confirm that there are no material errors or omissions in the report and that the assumptions and information in the report are factually accurate in so far as they relate to matters that are privy to the Directors in their capacity as members of the board of the company. Confirmation of these terms and ratification of the report by the Board have been provided in writing and has been relied on by EYTAS.

The value recommendations made herein are valid as of the valuation date and a reasonable period of time thereafter, subject to there being no material changes to the operating environment of Guardian. The use of the value recommendations in this report after the passage of six months from the valuation date is not recommended.

This report is not intended as an offer document or solicitation for the sale of shares. The recipients of this report must make their own independent decision regarding the offer made. EYTAS assumes no responsibility for any investment decisions made by investors based on information contained in this report.

Neither EYTAS nor those involved in the preparation of this report have any material interest in Guardian. EYTAS is not in the same group as the financial advisor to the mandatory offer and does not have a significant interest in or financial connection with either the offeror or the offeree. EYTAS is remunerated for this report by way of a professional fee determined in accordance with EYTAS's standard schedule of rates which is not contingent on the outcome of this report. Furthermore, we wish to hereby declare that as of the report date Ernst & Young provides audit related services to selected sister companies of the offeror (limited to Shaw Wallace Ceylon Limited, Richlife Dairies Limited, Shaw Wallace Properties Limited, Mayfair Foods (Pvt) Limited). EYTAS has followed due independence procedures in accepting this engagement including obtaining prior consent from the Securities and Exchange Commission of Sri Lanka.

EYTAS hereby affirms that it has given and not withdrawn its consent to the publication of this report to the Board of Directors and Shareholders of Guardian Capital Partners PLC.

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Introduction

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Introduction

Ernst & Young Transaction Advisory Services (Pvt.) Ltd. (Hereinafter mentioned as EYTAS) was requested by Guardian Capital Partners PLC to provide independent financial advisory services (the “Services”) for Guardian Capital Partners PLC (“Guardian”, “Client” or “Company”) in relation to the mandatory offer (the “Offer”) made by Shaw Wallace & Hedges Limited for all the remaining Shares of the Company at the given announcement date.

With regard to the transaction dated October 28, 2021, Shaw Wallace & Hedges Limited acting in concert with Shaw Wallace investments PLC and other individual shareholders [S.V. Rajiyah, J.J.B.A Rajiyah, S.R. Rajiyah & I.R Rajiyah] purchased 21,692,800 ordinary shares of Guardian Capital Partners PLC at the transaction date [October 28, 2021], constituting approximately 83.97% of the shares in issue in Guardian Capital Partners PLC.

The aforementioned transaction triggered the Takeovers and Mergers Code (“Code”) of 1995, Rule 31(1)(a) of the Code, whereas the rule 31, Section (12) stipulates that:

“Where any person acquires, whether by a series of transactions over a period of time or otherwise, shares which taken together with shares held or acquired by persons acting in concert with such person, carry thirty per centum or more of the voting rights of a company such person shall extend within 35 days, an offer in accordance with this rule to the holders of any class of equity shares which carry voting rights and in which such person or persons acting in concert with him holds shares.”

Accordingly, on October 28, 2021 (the “Transaction Announcement Date on the CSE”), Shaw Wallace & Hedges Limited (“Shaw Wallace”) (the “Offeror”), announced that the Offeror intend to make a mandatory cash offer (the “Offer”) to purchase all the remaining ordinary shares (the “Shares”) of Guardian Capital Partners PLC (“GCP” or the “Company”), other than those already owned or controlled by the Offeror.

Shaw Wallace & Hedges Limited by its offer document dated November 19, 2021, made a mandatory offer to the remaining shareholders of Guardian Capital Partners PLC at a price of LKR 32.30 per share. Ernst & Young Transaction Advisory Services Pvt Ltd (“EYTAS”) has been appointed by the Board of Directors of Guardian Capital Partners PLC in terms of rule 12 of the Code as the independent financial advisor in relation to the “Offer”.

EYTAS has employed due care and consideration in preparing the report and nothing has come to the attention for us to believe that the facts and data set forth in the report are incorrect.

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Terms of Reference

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Terms of Reference

Ernst & Young Transaction Advisory Services Pvt Ltd (“EYTAS”) has been appointed by the Board of Directors of Guardian Capital Partners PLC in terms of rule 12 of the Code as the independent financial advisor in relation to the “Offer”.

Our views as set forth in this letter are based on the prevailing market, economic, and financial conditions, and our evaluation of the financial terms of the Offer, as well as information provided to us by the Company and its management, as at November 19, 2021 (the “Latest Practicable Date”). Accordingly, our opinion shall not take into account any event or condition which occurs after the Latest Practicable Date. Shareholders should take note of any announcement and/or event relevant to their consideration of the Offer which may be released after the Latest Practicable Date.

We have confined our evaluation and analysis to the fair value of the Offer price. It is not within our terms of reference to assess the rationale for, commercial merits and/or commercial risks of the Offer, and to comment on the financial merits and/or financial risks of the Offer where the assessment of such financial merits and/or financial risks involves our reviewing of non-publicly available information of the companies involved to which we have no access and with which we have not been furnished. It is also not within our terms of reference to compare the relative merits of the Offer vis-à-vis any alternative transactions that the Company may consider in the future, and as such, we do not express an opinion thereon. We have not been requested or authorized to solicit, and we have not solicited, any indication of interest from any third party with respect to the Offer Shares.

The scope of our appointment does not require us to express, and we do not express, a view on the future prospects of the Company (the “Company”). We are, therefore, not expressing any view herein as to the prices at which the shares of the Company may trade or on the future financial performance of the Company upon completion of the Offer. No financial or profit forecasts, business plans or management accounts of the Group have been specifically prepared for the purpose of evaluating the Offer. Accordingly, we will not be able to comment on the expected future performance or prospects of the Company. However, we may draw upon the views of the Directors and/or the senior management of the Company, to the extent deemed necessary and appropriate by us, in arriving at our opinion as set out in this letter.

In the course of our evaluation of the Offer, we have held discussions with the Directors and senior management of the Company. We have also examined and relied on publicly available information in respect of the Company collated by us as well as information provided to us by the Company, including information in relation to the Offer. We have not independently verified such information furnished by the Directors and/or senior management of the Company or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Directors have confirmed to us, after making all reasonable enquiries that, to the best of their knowledge and belief, all material information relating to the Company has been disclosed to us, that such information constitutes a full and true disclosure, in all material respects, of all material facts and there is no material information the omission of which would make any of the information contained herein or in the circular (other than those relating to the Offer and the Valuation reports) misleading in any material respect. The Directors have jointly and severally accepted such responsibility accordingly.

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Terms of Reference (Contd.)

We have also made reasonable enquiries and exercised reasonable judgment in assessing such information and have found no reason to doubt the reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in relation to the Offer have been reasonably made after due and careful enquiry. We have not conducted a comprehensive review of the business, operations and financial condition of the Company or any of its associated or joint venture companies. We have not made an appraisal of any property, plant and equipment of the Company, its subsidiaries or any of its associated or joint venture companies.

In preparing this document, we have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisors.

This document and our opinion are addressed solely for the use of the Board of Directors and shareholders of Guardian Capital Partners PLC company in connection with and for the purpose of their consideration of the Offer, and the recommendations made by the Board of Directors to the Shareholders shall remain the responsibility of the Board of Directors.

Our opinion in relation to the Offer should be considered in the context of the entirety of this document.

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The Offer

The Offer

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Details relating to the “Offer” as disclosed in the offer document

Pursuant to the Offer document published by Shaw Wallace & Hedges Limited on November 19, 2021, the Offeror offers to acquire all the remaining shares of GCP amounting to four million one hundred and forty one thousand and eight (4,141,008) Shares, at the Offer price of Sri Lankan rupees thirty two cents thirty (LKR 32.30) per Share being the highest price at which the Offeror and persons acting in concert with the Offeror acquired shares of GCP within the twelve (12) month period preceding the date of acquisition (i.e. 28th October 2021).

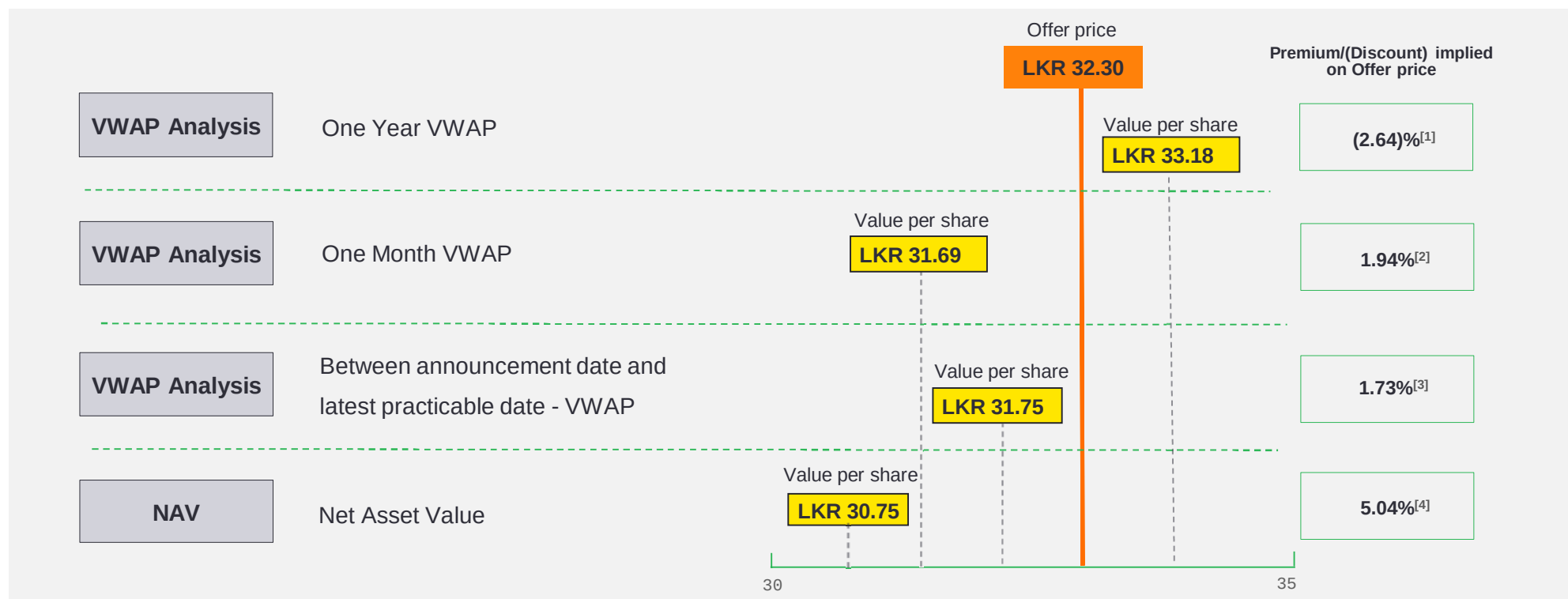
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Recommendation

Recommendation

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Based on the procedures performed, as described below in this report, we conclude that the Offer of LKR 32.30 per ordinary share is a fair consideration for GCP investors.



Note [1] – According to the VWAP analysis, the offer price stated is at a **2.64% discount** relative to the Volume Weighted Average Price of WAPO.N0000 during the one year period prior to the transaction date.

Note [2] – According to the VWAP analysis, the offer price stated is at a **1.94% premium** relative to the Volume Weighted Average Price of WAPO.N0000 during the one month period prior to the transaction date.

Note [3] – According to the VWAP analysis, the offer price stated is at a **1.73% premium** relative to the Volume Weighted Average Price of WAPO.N0000 between the announcement date and the latest practicable date.

Note [4] – As per the NAV methodology, the offer price stated is at a **5.04% premium** relative to the Net asset value per share [September 30, 2021] of WAPO.N0000 as at the transaction date.

5 Valuation

Valuation methodology

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In our analysis and evaluation of the Offer, and our recommendation thereon, we have taken into consideration the following factors:

- a) Market price and historical trading activity of the Shares
- b) Net Asset Value of GCP as at the valuation date

Income and Market approaches have been excluded from the analysis due to inapplicability of the said methodologies for the purpose at hand, given the substance of the company as of the report date. As at the valuation date, the company does not hold any material assets and only holds cash and cash equivalents while Liabilities held were limited to unclaimed dividends and tax payable.

Market price and historical trading activity

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In the adjacent chart, we have depicted the daily closing share prices and volume traded for the period from 19th November, 2020 (the “Opening day at the CSE”), up to the Latest Practicable Date. We have also marked significant dates during the given period, including the Company’s announcements on developments of subsidiaries and associated companies, its financial results, dealings by Directors, acquisitions and other material information.

Chart 01 – Guardian Capital Partners PLC share price movement against Offer price from one year prior to latest practicable date



Source : CSE

Note [1] – Announcements during trading period (refer to the next page for detailed breakdown)

CSE Announcements

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	Published Date ^[1]	Synopsis
1	Dec-10-2020	Guardian Capital Partners PLC Announces Extraordinary Meeting for Jan 07, 2021 for disposal of its investment holdings
2	Jan-07-2021	Guardian Capital Partners PLC - Special/Extraordinary Shareholders Meeting, Jan 07, 2021
3	Jan-27-2021	Guardian Capital Partners PLC - Reports Earnings Results for the Third Quarter Ended December 31, 2020
4	Feb-16-2021	Guardian Capital Partners PLC – Reports disposal of Private Equity Investments
5	May-31-2021	Guardian Capital Partners PLC - Reports Earnings Results for the Fourth Quarter Ended March 31, 2021
6	Jul-16-2021	Guardian Capital Partners PLC - Annual General Meeting, Jul 15, 2021
7	Jul 19-2021	Guardian Capital Partners PLC - Announces the resolution approved at the Annual General Meeting
8	Aug-13-2021	Guardian Capital Partners PLC - Announces Earnings Results for the First Quarter Ended June 30, 2021
9	Oct-11-2021	Gazelle Asset Management Pte Ltd terminated the acquisition of 83.97% stake in Guardian Capital Partners PLC (COSE:WAPO.N0000) from Ceylon Guardian Investment Trust PLC (COSE:GUAR.N0000).
10	Oct-28-2021	Ceylon Guardian Investment Trust PLC disposed -21,692,800 shares
11	Oct-28-2021	Dr. Sadhana Renuka Rajiyah & Mrs. Indumathi Renuka Raiyah acquired 2,120,000 shares
12	Oct-28-2021	Jennifer Joanne-Bernadette-Aloysius Raiyah & Mr. Shamindra Vatsalan Raiyah acquired 3,130,000 shares
13	Oct-28-2021	Shaw Wallace Investments PLC acquired 7,742,800 shares and Shaw Wallace & Hedges Limited acquired 8,700,000 shares
14	Oct-28-2021	Statement of non compliance pertaining to sub committees
15	Oct-29-2021	Disclosure by Mr. I. Paulraj, Mr. D. C. R. Gunawardena, Mrs. M. A. R. C. Cooray, Mr. S. Mahendrarajah, Mr. K. Selvanathan divesting shares by the parent company of GCP, Ceylon Guardian Investment Trust PLC
16	Nov-01-2021	Guardian Capital Partners PLC disclosed non-compliance with Rule 7.10.5, 7.10.6 and 9.2 of the Listing Rules of the Colombo Stock Exchange (CSE) following the divestment of Ceylon Guardian Investment Trust PLC's ("CGIT") entire holding of 21,692,800 ordinary shares in the Company (GCP).
17	Nov-02-2021	Announcement of mandatory offer by Shaw Wallace and Hedges Limited to purchase all the remaining issued and paid up ordinary shares of Guardian Capital Partners PLC
18	Nov-08-2021	Further to the Announcement dated 28th October 2021 (published November 01, 2021) in relation to the 'Statement of Non-Compliance pertaining to Sub-Committees', new sub-committees of the Company have been formed with immediate effect, i.e. 05th November 2021 and as such the Company is now compliant with Rules 7.10.5 and 7.10.6 of the Listing Rules of the Colombo Stock Exchange
19	Nov-12-2021	Guardian Capital Partners PLC, hereby declares that the Company has failed to comply with the Related Party Transactions Review Committee requirements set out in Rule 9.2.2 of the CSE Listing Rules, to the extent disclosed above.
20	Nov-12-2021	Guardian Capital Partners PLC reports Earnings Results for the Second Quarter and Six Months Ended September 30, 2021
21	Nov-19-2021	Mandatory Offer made by Shaw Wallace & Hedges Limited to acquire all the remaining shares of GCP amounting to four million one hundred and forty one thousand and eight (4,141,008) Shares, at the Offer Price of Sri Lankan Rupees Thirty Two Cents Thirty (LKR 32.30) per Share

Source : CSE

Note [1] – Published date is referred to as the date which the relevant CSE disclosures have been published on the CSE website.

Volume Weighted Average Price Analysis (VWAP)

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Table 01 – LTM Historical Trading Data for GCP

Guardian Capital Partners PLC (CSE:WAPO-N-0000)	Lowest Traded Price (LKR)	Highest Traded Price (LKR)	VWAP (LKR)	Premium / (Discount) of Offer Price over/to VWAP (%)	Average Daily Traded Volume	Daily Trading Volume as a Percentage of Free Float ⁽¹⁾ (%)
Periods prior and up to October 28, 2021						
Last 1 year	26.60	37.90	33.18	(2.64)	6,198	0.19
Last 6 months	27.00	34.70	31.63	2.13	6,128	0.18
Last 3 months	29.60	33.50	31.30	3.19	7,565	0.23
Last 1 month	30.20	33.50	31.69	1.94	7,024	0.21
Last transacted price on October 27, 2021 ⁽²⁾	32.30	32.30	32.30	0.00	24,272	0.73
Periods after the Transaction Announcement						
Between the Announcement Date and the Latest Practicable Date ⁽³⁾	31.10	33.30	31.75	1.73	19,543	0.59
Last transacted price as at the Latest Practicable Date ⁽⁴⁾	31.20	31.20	31.20	3.53	1,170	0.04

Source : CSE

Note 1: The free float of the Company amounts to approximately **3.35 Mn** Shares or equivalent to approximately **12.91%** of the total issued Share as at the quarterly report date of 30/09/2021.

Note 2: The last market day on which the Shares were traded prior to the Transaction Date.

Note 3 : Period between the transaction announcement date (October 28, 2021) and the Latest Practicable Date (November 19, 2021)

Note 4. The last market day on which the Shares were traded as at the Latest Practical Date was November 19, 2021.

- ▶ GCP shares have traded at a highest price of LKR 37.90 since October 28, 2020, and a highest volume weighted average price of LKR 33.18.
- ▶ During the last one year period prior to the transaction date, the VWAP price of GCP has been trading at a discount of 2.64% to the offer price.
- ▶ During any time of six months, three months and one month, the VWAP price of GCP has traded at a discount of 2.13%, 3.19% and 1.94%, against the offer price.
- ▶ The liquidity of GCP shares has dropped down to 0.04% as at the latest practicable date.

Relative performance against the market

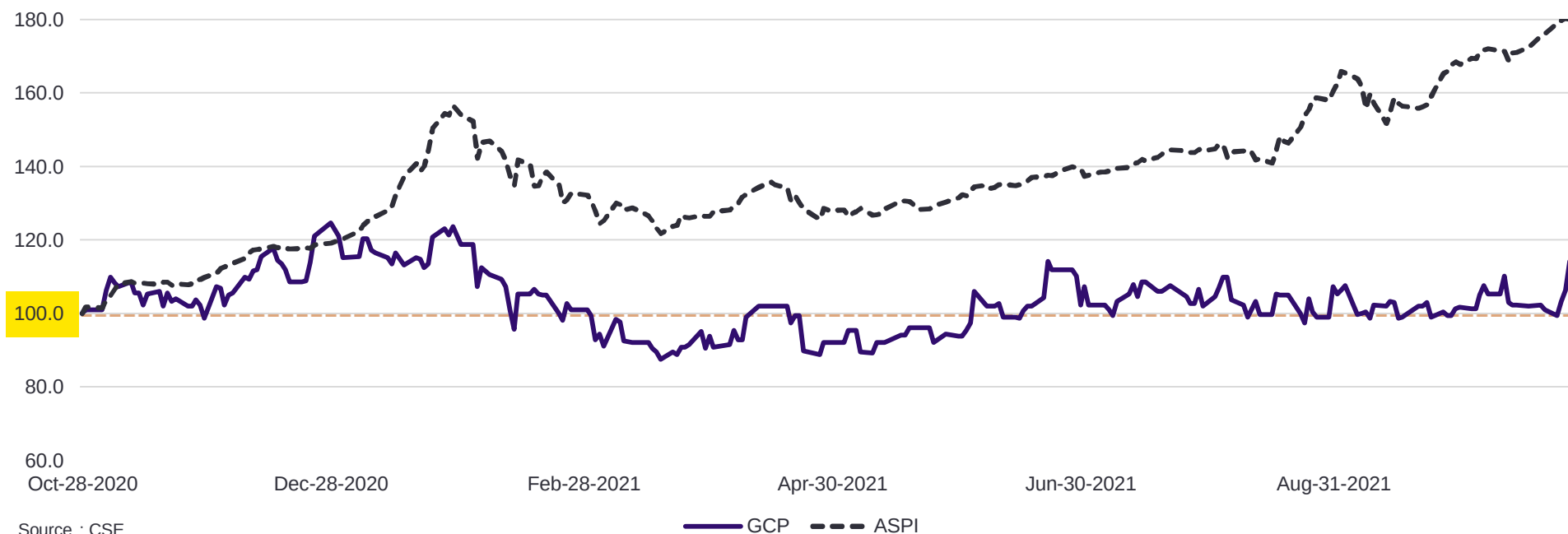
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Relative performance against the All-Share Price Index

We wish to highlight that our analysis of the historical performance of the Shares is not indicative, and should not, in any way, be relied upon as an indication of future price levels of the Shares.

In order to assess the market price performance of the Shares vis-à-vis the general price performance of the Sri Lanka equity market, we have compared the market movement of the Shares against the All Share Price Index ("ASPI") for the period commencing one year prior to the Announcement Date.

Chart 02 – GCP Share price vs. ASPI index (For the period one year prior to the announcement date)



- We note that the shares of GCP have underperformed the ASPI in relative terms by 66.0 basis points, as at the transaction date.
- Volatility has been demonstrated over the past year, with GCP share briefly outperforming the ASPI in December 2020 before consistently underperforming the index through to November, 2021.
- There was no significant change in relative terms between October 28, 2021 (Transaction Announcement Date) and November 19, 2021 (Latest Practicable Date)..

Comparison of P/BV ratios

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Table 02 – Comparison of P/BV ratios as at September 30, 2021

The price/book value ratio illustrates the ratio of the market capitalization of an entity in relation to the historical equity book value attributable to its shareholders. We have provided below the P/BV ratios of selected asset management companies for illustrative purposes only.

Illustrative Analysis	NAV/Share (LKR)	P/BV	
		NAV 30/09/2021	PBV 19/11/2021 PBV 30/09/2021
Guardian Capital Partners PLC (WAP0.N0000)	30.75	1.01x	1.00x
Asset management companies			
Colombo Investment Trust (CIT.N0000)	173.9	0.73x	0.71x
Colombo Fort Investments (CFI.N0000)	182.51	0.43x	0.43x
Ceylon Investment PLC (CINV.N000)	90.36	0.58x	0.57x
First Capital Holdings PLC (CFVF.N0000)	42.36	0.97x	1.04x

Source : CSE

- ▶ As at the valuation date, the company does not have material assets except for cash and cash equivalents. Furthermore, the company has no significant liabilities except for income tax payable and unclaimed dividend.
- ▶ In contrast, the 4 asset management companies identified above have active operations. As such, the above analysis is provided solely for illustrative purposes.

Asset based approach

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Table 03 – Offer Price/NAV Implied Valuation of GCP based on a NAV of LKR 30.75 as at September 30, 2021

Ticker	Equity (LKR Mn)	Shares Outstanding	Offer Price (LKR)	NAV per share (LKR)	Offer Price/NAV	Premium/[discount] implied by the offer price
WAPO.N.0000	794.4 ^[2]	25,833,808	32.30	30.75	1.05x	5% ^[1]

Source : CSE

Note [1] – As per the NAV Analysis method, the offer price stated is at a **5% premium** relative to the Net asset value per share of WAPO.N0000 as at the latest practicable date.

Note [2] – As at the valuation date, company held cash of LKR 795 Mn and did not hold any other further material assets. Further the company had no contingent liabilities except for tax payable and unclaimed dividends.

6 Company Overview

Overview

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Company profile

Prior to 28 October 2021, Guardian Capital Partners PLC was a subsidiary of Ceylon Guardian Investment Trust PLC which is an investment holding and asset management company.

Until 28 October 2021, 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.

As at the latest valuation date, the company does not hold material assets except for cash and cash equivalents. Furthermore, the company does not have significant liabilities except for unclaimed dividends and income tax payable.

In October, 2021, Shaw Wallace & Hedges Limited along with Shaw Wallace Investments PLC and other individual shareholders [S.V. Rajiyah, J.J.B.A Rajiyah, S.R. Rajiyah & I.R Rajiyah] purchased 21,692,800 ordinary shares of Guardian Capital Partners PLC, constituting approximately 83.97% of the total outstanding shares in issue in Guardian Capital Partners PLC.

Source : Management Information

General Information

Legal Form	A Public Quoted Company listed on the Diri Savi Board of the Colombo stock exchange with limited liability, incorporated in Sri Lanka in 1920
Legal Form	PQ 49
Parent and Ultimate Parent	Ceylon Guardian Investment Trust PLC is the immediate parent company of Guardian Capital Partners PLC. Carson Cumberbatch PLC is the Parent Company of Ceylon Guardian Investment Trust PLC Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Ceylon Guardian Investment Trust PLC.
Bankers	Standard Chartered Bank Commercial Bank of Ceylon PLC
Auditors	Messrs. KPMG Chartered Accountants 32A, Sir Mohamed Macan Markar Mawatha, Colombo 03 Sri Lanka.
Registered Office	61, Janadhipathi Mawatha, Colombo 01 Sri Lanka
Board of Directors	
Mr. I. Paulraj – Chairman Mr. D. C. R. Gunawardena Mr. S. Mahendrarajah Mr. K. Selvanathan Mrs. M. A. R. C. Cooray	

Source : Interim Financial Statements of Guardian Capital Partners PLC

Financial Statements

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Historical Financials – Statement of Profit or Loss

Statement of Profit or Loss (LKR 000's)	Audited Financials as at 31 st March					Management Accounts
	2017	2018	2019	2020	2021	30 th September 2021
Revenue	48,342	42,383	45,988	58,259	101,032	5,999
Impairment loss on available for sale equity securities	-	(52,374)	-	-	-	-
Net change in fair value through profit or loss financial assets	839	1,381	(9)	(44,318)	-	-
Profit on investment activities	49,181	(8,610)	45,979	13,941	101,032	5,999
Administrative and other operating expenses	(13,221)	(13,737)	(20,382)	(6,703)	(4,394)	663
Profit from operations	35,960	(22,347)	25,597	7,238	96,638	6,662
Income tax expense	172	(299)	(11,228)	(10,054)	(4,970)	(1,599)
Profit for the period	36,132	(22,646)	14,369	(2,816)	91,668	5,063
Other comprehensive income						
Items that are or may be reclassified to profit or loss						
Net change in fair value of available for sale equity securities	50,731	(16,203)	-	-	-	-
Total comprehensive income for the period	86,863	(38,849)	14,369	(2,816)	91,668	5,063
Earnings/(loss) per share (Rs.)	1.40	(0.88)	0.56	(0.11)	3.55	0.20

Source : WAPO.N0000 : Annual reports, Quarterly report

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Historical Financials - Statement of Financial Position

Statement of Financial Position(LKR 000's)	Audited Financials as at 31 st March					Management Accounts
	2017	2018	2019	2020	2021	30 th September 2021
ASSETS						
Non - Current Assets						
Investment in equity securities	366,691	298,114	-	-	-	-
Total non-current assets	366,691	298,114			-	
Current Assets						
Other receivables	88	4,293	642	81	-	-
Current tax recoverable	636	3,117	-	-	-	-
Investment in unit trusts	360,839	374,056	52,289	257,058	-	-
Investment in fixed deposits	-	-	215,102	-	-	-
Cash and cash equivalents	10,617	14,436	176,603	257,936	787,938	795,788
Total current assets	372,180	395,902	705,989	698,039	787,938	795,788
Total Assets	738,871	694,016	705,989	698,039	787,938	795,788
EQUITY AND LIABILITIES						
Equity						
Stated capital	513,656	513,656	513,656	513,656	513,656	513,656
Revenue reserves	219,873	177,467	181,502	178,686	271,170	280,767
Total Equity	733,529	691,123	695,158	692,342	784,826	794,423
Current Liabilities						
Other payables	5,342	2,839	5,560	4,944	2,428	334
Current tax payables	-	54	5,271	753	684	1,031
Total current liabilities	5,342	2,893	10,831	5,697	3,112	1,365
Total equity and liabilities	738,871	694,016	705,989	698,039	787,938	795,788

Source : WAPO.N0000 : Annual reports, Quarterly report

Ratio Analysis

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	2017	2018	2019	2020	2021
Performance Ratios					
ROE (%)	4.93%	-3.28%	2.07%	-0.41%	11.68%
ROA ^[1] (%)	4.89%	-3.26%	2.04%	-0.40%	11.63%
Net Operating Profit Margin (%)	74.39%	-52.73%	55.66%	12.42%	95.65%
Net Profit Margin (%)	74.74%	-53.43%	31.25%	-4.83%	90.73%
Investment Ratios					
NAV/Share (LKR)	28.39	26.75	26.91	26.80	30.38
EPS (LKR)	1.40	(0.88)	0.56	(0.11)	3.55
P/BV (x)	0.97x	1.04x	0.75x	0.70x	0.94x

Source : Annual reports

Note [1] : As at the valuation date company does not have material assets and hold cash and cash equivalents only.

7 Offeror

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Shareholders

Renuka Holdings PLC –
334,365,000 Voting shares

Shaw Wallace Investments PLC –
100,235,000 voting shares

Shaw Wallace Ceylon Limited –
65,900,000 non-voting shares

Source : Offer Document

About the Offeror

The Offeror, is a limited liability company incorporated in Sri Lanka on 17th June of 2003 under the Companies Act No. 7 of 2007. As a portfolio manager of investments, the Offeror holds investments in both listed and unlisted equities with a focus on the real estate/property sector. The Offeror is a subsidiary of Renuka Holdings PLC, which is a company listed on the Colombo Stock Exchange and carrying on the business of a holding company for subsidiaries engaged in Agri food exports, Consumer brands, property and investments.

With regard to the other Purchasers, Shaw Wallace Investments PLC is also a subsidiary of Renuka Holdings PLC and S.V. Rajiyah, J. J. B. A. Rajiyah, S. R. Rajiyah and I. R. Rajiyah are directors of the Offeror and other companies within the Renuka Group.

8 Risk Factors

Risk Factors

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We have identified number of risk factors which could affect the current shareholders based on accepting and rejecting the Offer. However, it should be noted that we have listed the major risk factors from a financial perspective, and we understand that there could be other risks which we have not stated below.

Risk factors to the shareholders who accept the offer

1. As of the report date, while the offeror has disclosed it's intention to continue the business operations of GCP with no material change, limited information has been disclosed in terms of the future business plan.
2. Opportunity cost of not finding a similar investment opportunity.

Risk factors to the shareholders who reject the offer

1. Risk of economic slowdown and macroeconomic factors that may impact the future business operations of GCP.
2. Liquidity risk pertaining to the low daily trading volumes evident after the transaction date.
3. Limited information available in relation to the future business plan of GCP.

9 Limitations

Limitations

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- ▶ Ernst & Young Transaction Advisory Services Pvt Ltd (“EYTAS”) has been appointed by the Board of Directors of Guardian Capital Partners PLC in terms of rule 12 of the Code as the independent financial advisor in relation to the “Offer”.
- ▶ Our views as set forth in this letter are based on the prevailing market conditions, economic conditions, and financial conditions, and our evaluation of the financial terms of the Offer, as well as information provided to us by the Company and its management, as at November 19, 2021 (the “Latest Practicable Date”). Accordingly, our opinion shall not take into account any event or condition which occurs after the Latest Practicable Date. Shareholders should take note of any announcement and/or event relevant to their consideration of the Offer which may be released after the Latest Practicable Date.
- ▶ We have confined our evaluation and analysis of the Offer to the fair value of the Offer price. It is not within our terms of reference to assess the rationale for, commercial merits and/or commercial risks of the Offer, and to comment on the financial merits and/or financial risks of the Offer where the assessment of such financial merits and/or financial risks involves our reviewing of non-publicly available information of the companies involved to which we have no access and with which we have not been furnished. It is also not within our terms of reference to compare the relative merits of the Offer vis-à-vis any alternative transactions that the Company may consider in the future, and as such, we do not express an opinion thereon. We have not been requested or authorized to solicit, and we have not solicited, any indication of interest from any third party with respect to the Offer Shares.
- ▶ The scope of our appointment does not require us to express, and we do not express, a view on the future prospects of the Company (the “Company”). We are, therefore, not expressing any view herein as to the prices at which the shares of the Company may trade or on the future financial performance of the Company upon completion of the Offer. No financial or profit forecasts, business plans or management accounts of the Company have been specifically prepared for the purpose of evaluating the Offer. Accordingly, we will not be able to comment on the expected future performance or prospects of the Company. However, we may draw upon the views of the Directors and/or the senior management of the Company, to the extent deemed necessary and appropriate by us, in arriving at our opinion as set out in this letter.
- ▶ In the course of our evaluation of the Offer, we have held discussions with the Directors and senior management of the Company. We have also examined and relied on publicly available information in respect of the Company collated by us as well as information provided to us by the Company, including information in relation to the Offer. We have not independently verified such information furnished by the Directors and/or senior management of the Company or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Directors have confirmed to us, after making all reasonable enquiries that, to the best of their knowledge and belief, all material information relating to the Company has been disclosed to us, that such information constitutes a full and true disclosure, in all material respects, of all material facts and there is no material information the omission of which would make any of the information contained herein or in the circular (other than those relating to the Offer and the Valuation reports) misleading in any material respect. The Directors have jointly and severally accepted such responsibility accordingly.

Limitations

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- ▶ We have also made reasonable enquiries and exercised reasonable judgment in assessing such information and have found no reason to doubt the reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in relation to the Offer have been reasonably made after due and careful enquiry. We have not conducted a comprehensive review of the business, operations and financial condition of the Company or any of its associated or joint venture companies. We have not made an appraisal of any property, plant and equipment of the Company, its subsidiaries or any of its associated or joint venture companies.
- ▶ In preparing this document, we have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisors.
- ▶ This document and our opinion are addressed solely for the use of the Board of Directors and share holders of GCP in connection with and for the purpose of their consideration of the Offer, and the recommendations made by the Board of Directors to the Shareholders shall remain the responsibility of the Board of Directors.
- ▶ Our opinion in relation to the Offer should be considered in the context of the entirety of this document.

10 Individuals materially participating in the valuation assignment

Individuals materially participating in the valuation assignment

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Buwanesh Wijesuriya

Partner

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Background and experience:

- ▶ Buwanesh Wijesuriya is a partner of Ernst & Young, Sri Lanka. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka and a fellow member of the Chartered Institute of Management Accountants, UK.

Qualifications

- ▶ Fellow member of Institute of Chartered Accountants of Sri Lanka (FCA)
- ▶ Fellow member of Chartered Institute of Management Accountants of United Kingdom (FCMA)

Lahiru Karunathilaka

Senior Director

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Background

- ▶ Lahiru is a lead advisory specialist focusing on capital market advisory work and has over 14 years of experience with Ernst & Young Transaction Advisory Services (EYTAS).

Qualifications

- ▶ Lahiru is an associated member of the Chartered Institute of Management Accountants of UK.
- ▶ He is also a CFA level 03 candidate.

Chatura Karunathilaka

Senior Manager

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Background

- ▶ Chatura is a Senior Manager at Ernst & Young Transaction Advisory Services (EYTAS).
- ▶ He has over 12 years of experience in advising clients under Transactions

Qualifications

- ▶ Chatura is a Fellow Member of the Chartered Institute of Management Accountants- UK & a fellow member of CPA Australia.

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Glossary of Terms

Glossary of Terms

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ASPI	All Share Price Index
CSE	Colombo Stock Exchange
EPS	Earnings Per Share
EYTAS	Ernst & Young Transaction Advisory Services (Pvt.) Ltd
FY	Financial Year
GCP	Guardian Capital Partners PLC
Latest Practicable Date	November 19, 2021
LKR	Sri Lanka Rupee
Ltd.	Limited
LTM	Latest Twelve Months
M.Cap	Market Capitalization
Mn	Million
NA	Not Applicable
NAV/Share	Net Asset Value per share
P/E	Price to Earnings
P/BV	Price to Book Value
PLC	Public Listed Company
Pvt	Private
ROA	Return on Assets
ROE	Return on Equity
USD	United States Dollar
VWAP	Volume Weighted Average Price
Valuation Date	October 28, 2021
WAP0.N0000	Guardian Capital Partners PLC (stock code)

