

CEYLON GUARDIAN INVESTMENT TRUST PLC

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2018

A CARSON CUMBERBATCH COMPANY

CEYLON GUARDIAN INVESTMENT TRUST PLC

Managers' Review

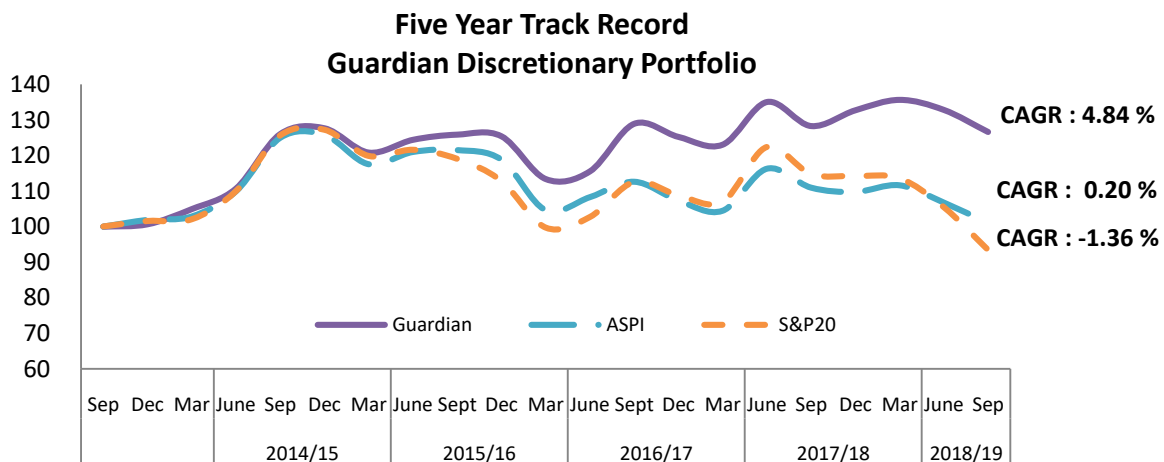
For the period ended 30th September 2018

Adoption of SLFRS 9 and market decline leads to reversal in bottom line

The Ceylon Guardian portfolio is segmented into discretionary and non – discretionary components. The discretionary component of the portfolio is made up of a trading portfolio and long term portfolio, which are actively managed. The non- discretionary component refers to the strategic holding. The recent adoption of SLFRS -9 has made the net profit more vulnerable to short-term stock market fluctuations with the recognition of fair values of the entire discretionary portfolio in the profit or loss compared to recognizing in other comprehensive income as per previous standard. Accordingly, Group recorded a loss after tax of Rs. 1,304.0 Mn for the six months' period ended 30th September 2018, which is mainly due to the unrealized losses of Rs. 1,448.8 Mn on fair value adjustments on the Equity investments of the discretionary portfolio. This includes a fair value loss of Rs. 1,185 Mn recognized in profit or loss, which otherwise would have recognized in other comprehensive income under the previous accounting treatment prior to adopting SLFR – 9. Hence as per the previous accounting standards the reported loss would have been Rs 119 Mn.

Portfolio Performance

Guardian's investment philosophy of value investing has resulted in superior performances in the long term with the discretionary portfolio providing a return of 26.64% over the last 5 years compared to 1.01% by the benchmark All Share Price Index (ASPI). The portfolio has also outperformed the ASPI over the last three years where it grew by 0.63% compared to -16.86% performance by the ASPI.



The discretionary portfolio took a more cautious stance with positions in the Colombo Stock Exchange (CSE) where it was a net seller for the quarter ending 30th September 2018 with total purchases of Rs. 590 Mn and Sales of Rs.676 Mn. Sales were focused on stocks within the Banking sector with concerns on the economic downturn resulting in non-performing advances creeping up in their loan books. The portfolio also marginally reduced exposure to Dialog Axiata which is Sri Lanka's leading mobile telco. Guardian increased exposure to Hemas Holdings which is a diversified business conglomerate with exposure to attractive sectors which are

FMCG, Healthcare and Transportation. The recent sell-off in the CSE saw the share price experiencing a significant unwarranted price decline and the portfolio increased exposure with a longer term outlook on the business.

	As at		Change %	As at 30-Sep-18 (Dividend adjusted)	Dividend adjusted performance
	30-Sep-18	31-Mar-18			
Discretionary portfolio (Rs. '000) *	12,554,738	13,923,347	-9.83%	12,666,029	-9.03%
Total Portfolio (Rs.'000)*	16,693,484	18,135,671	-7.95%	16,804,775	-7.34%
ASPI (Points)	5,862.18	6,476.78	-9.49%		-9.49%
S&P 20 (Points)	3,002.00	3,650.10	-17.76%		-17.76%

****After adding back the total cash outflow from the distribution of dividend by the Group which was Rs. 111.29 Mn during the period.***

Guardian's investment philosophy of value investing sees the portfolio acquiring shares which are fundamentally strong with a long term outlook. The total portfolio depreciated from Rs. 18.14 Bn to Rs. 16.69 Bn during the period of review. The discretionary component also recorded a negative performance of 9.02% for the period while All Share Price Index dropped by 9.49%.

Financial Performance

Adoption of SLFRS – 9 and impacts to the financial statements

The Group recently adopted the new accounting standard on “Financial Instruments – SLFRS 9” effective for the annual periods beginning on or after 1st January 2018. As per the SLFRS 9, entity have the option to classify its equity investments as “financial assets held for fair value through profit or loss” or “financial assets held for fair value through other comprehensive income” (previously recorded as “Available for Sale Financial Assets”). On “financial assets measured at fair value through other comprehensive income”, SLFRS 9 require all gains or losses, both realized or unrealized, to be recognized in the other comprehensive income. This is contrary to the previous accounting treatment of this category, where cumulative realized gains and losses were classified to the statement of Profit or Loss at the point of disposal. Therefore, taking in to consideration the guidelines of the new Standard the Group has classified its' equity investments excluding strategic investment in Bukit Darah PLC, as “Financial assets measured at fair value through profit or loss”, the most prudent classification for an Investment Entity. Accordingly, this classification requires recognizing all gains/ (losses) arising from changes in fair values due to market prices fluctuations, in the Statement of Profit or Loss.

As highlighted in the previous review too, going forward the net profit of the Group will be more vulnerable to short-term stock market fluctuations with the recognition of fair values of the entire discretionary portfolio in the profit or loss and may distort the performance of the fund at times. As per the previous standard, the Group had classified its majority of investment as “available for sale financial assets” category recognizing fair value changes in other comprehensive income except the impairment losses and only upon disposals the net gains were recognized in Profit or Loss.

With the significant market downward movement, Ceylon Guardian Investment Trust PLC, reported a consolidated loss after tax of Rs. 1,304.0 Mn for the period ended 30th September 2018 compared to a profit of Rs. 290.5 Mn recorded for the same period last year. The negative movement in the financial performance for the period was mainly due to the fair value loss of Rs. 1,448.1 Mn recognized in profit or loss as per the

SLFRS 9 as mentioned above due to the sharp decline in market prices of the stocks in the fair value through profit or loss financial assets category.

Accordingly, as at 30th September 2018 the Group's loss per share stood at Rs. 11.91 and Net Asset Value, portfolio valued at market prices, was Rs. 157.93 per share recording a decline of 7% for the period. However, trading price at Rs. 70 per share indicates a steep discount of 56% to the market price of the share.

As at	30/09/2018	31/03/2018	Change %
ASPI	5,862.18	6,476.78	(9.5)
NAV per share (Rs.)	157.93	169.74	(7.0)
Market price per share (Rs.)	70.00	82.00	(14.6)
Discount of NAV to market price per share	56%	52%	

Update on the market

The All Share Price Index fell by 5.4% and experienced a decline every month for the 3 months ending 30th September 2018 with increased foreign selling and price declines on a majority of index heavy stocks. The S&P SL20 which constitutes larger market capitalization saw a sharper decline of 11.4% further highlighting the downturn was led by a sell-off on the larger and more liquid stocks. A sell off across emerging and frontier markets was experienced in the region with anxiety over the dollar strengthening and rising commodity prices.

A low growth economic environment and dampened consumption pattern will continue to suppress corporate earnings going into next financial year. The historical PER of the Colombo Stock Exchange was recorded at 9.2x as at the quarter end indicating that CSE valuations remain significantly undervalued compared to historical multiples and peer regional markets. Strengthening trade with key countries through trade agreements will offer the Sri Lankan economy access to different markets and can improve economic activity going forward.

Private Equity and Unit Trust

Activity in the private equity and venture capital market was subdued, continuing from the trend seen last year. No new investments or divestments were carried out during the quarter. Findmyfare successfully concluded a new fund raise in September.

The assets under management (AUM) of our unit trust business, Guardian Acuity Asset Management (GAAM), through our Joint Venture was at Rs. 6.3 billion as at September 2018. The removal of the tax exemptions from unit trust fund returns saw the Unit Trust Industry AUM decline significantly. However, GAAM's decline in AUM has been at a much slower pace than that of the industry.

Guardian Fund Management Limited

Investment Managers

05th November 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - GROUP

(All figures are in Sri Lankan Rupees '000)

	Three months ended 30th September			Six months ended 30th September			31.03.2018 Audited
	2018	2017	Change %	2018	2017	Change %	
Revenue	89,418	237,786	(62)	313,358	419,768	(25)	1,200,124
Impairment loss on available for sale financial assets	-	(30,050)	(100)	-	(102,580)	(100)	(91,351)
Fair value change in financial assets measured at fair value through profit or loss	(941,807)	(103,854)	807	(1,448,077)	103,571	(1,498)	(42,573)
Profit / (loss) on investment activities	(852,389)	103,882	(921)	(1,134,719)	420,759	(370)	1,066,200
Other operating income	-	-	-	-	-	-	6
Administrative and other operating expenses	(78,178)	(59,098)	32	(133,948)	(116,578)	15	(230,519)
Profit / (loss) from operations	(930,567)	44,784	(2,178)	(1,268,667)	304,181	(517)	835,687
Net finance income/(expense)	(9,655)	(660)	1,363	(13,850)	(3,349)	314	302
Profit / (loss) from operations after net finance income/(expense)	(940,222)	44,124	(2,231)	(1,282,517)	300,832	(526)	835,989
Share of profit of equity accounted investee net of tax	2,005	894	124	3,816	7,878	(52)	11,027
Profit / (loss) before taxation	(938,217)	45,018	(2,184)	(1,278,701)	308,710	(514)	847,016
Income tax expense	(13,906)	(8,772)	59	(25,327)	(18,170)	39	(50,697)
Profit / (loss) for the period	(952,123)	36,246	(2,727)	(1,304,028)	290,540	(549)	796,319
Other comprehensive income							
Items that will never be reclassified to profit or loss							
Actuarial gain on employee benefit obligation	-	-	-	-	-	-	(1,454)
Related tax on employee benefits	-	-	-	-	-	-	407
Fair value change in financial assets measured at fair value through other comprehensive income	2,044	-	100	(73,578)	-	(100)	-
Items that are or may be reclassified to profit or loss							
Net change in fair value of available for sale financial assets	-	(1,377,964)	(100)	-	(373,326)	(100)	(336,542)
Transfer of net realized gains on disposal of available for sale financial assets	-	(80,773)	(100)	-	(83,511)	(100)	(130,241)
Share of other comprehensive expense of equity accounted investee net of tax	-	-	-	-	(5,756)	(100)	(5,720)
Net exchange difference on translation of foreign operations	5,283	3,324	59	10,969	9,046	21	8,626
Other comprehensive income / (expense) for the period	7,327	(1,455,413)	(101)	(62,609)	(453,547)	(86)	(464,924)
Total comprehensive income / (expense) for the period	(944,796)	(1,419,167)	(33)	(1,366,637)	(163,007)	738	331,395
Profit attributable to:							
Equity holders of the parent	(781,592)	35,761	(2,286)	(1,057,351)	219,988	(581)	616,627
Non controlling interest	(170,531)	485	(35,261)	(246,677)	70,552	(450)	179,692
	(952,123)	36,246	(2,727)	(1,304,028)	290,540	(549)	796,319
Total comprehensive income attributable to:							
Equity holders of the parent	(776,147)	(1,156,693)	(33)	(1,110,010)	(145,804)	661	278,832
Non controlling interest	(168,649)	(262,474)	(36)	(256,627)	(17,203)	1,392	52,563
	(944,796)	(1,419,167)	(33)	(1,366,637)	(163,007)	738	331,395
Earnings / (loss) per share (Rs.)	(8.80)	0.40		(11.91)	2.48		6.95
Dividend per share (Rs.)*	-	-		-	-		3.00

Change % represent the percentage change in current period's results compared to the comparative period of previous year.

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

Figures in brackets indicate deductions.

CEYLON GUARDIAN INVESTMENT TRUST PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - COMPANY

(All figures are in Sri Lankan Rupees '000)

	Three months ended 30th September			Six months ended 30th September			31.03.2018
	2018	2017	Change %	2018	2017	Change %	Audited
Revenue	(4,481)	90,500	(105)	61,207	127,674	(52)	537,257
Impairment loss on available for sale financial assets	-	(9,462)	(100)	-	(9,462)	(100)	(21,479)
Impairment loss on investments in subsidiaries	-	-	-	-	-	-	(45,500)
Fair value change in financial assets measured at fair value through profit or loss	(338,020)	(12,389)	2,628	(507,046)	14,180	(3,676)	1,571
Profit / (loss) on investment activities	(342,501)	68,649	(599)	(445,839)	132,392	(437)	471,849
Administrative and other operating expenses	(21,800)	(28,658)	(24)	(45,705)	(53,160)	(14)	(103,417)
Profit / (loss) from operations	(364,301)	39,991	(1,011)	(491,544)	79,232	(720)	368,432
Finance expense	(39)	-	(100)	(38)	-	(100)	-
Profit / (loss) before taxation	(364,340)	39,991	(1,011)	(491,582)	79,232	(720)	368,432
Income tax expense	(208)	(734)	(72)	(390)	(1,482)	(74)	(2,535)
Profit / (loss) for the period	(364,548)	39,257	(1,029)	(491,972)	77,750	(733)	365,897
Other comprehensive income							
Items that are or may be reclassified to profit or loss							
Net change in fair value of available for sale financial assets	-	(162,315)	(100)	-	298,641	(100)	463,489
Transfer of realized gains on disposal of available for sale financial assets	-	(28,978)	(100)	-	(31,716)	(100)	(48,960)
Other comprehensive income / (expense) for the period	-	(191,293)	(100)	-	266,925	(100)	414,529
Total comprehensive income / (expense) for the period	(364,548)	(152,036)	140	(491,972)	344,675	(243)	780,426
Earnings / (loss) per share (Rs.)	(4.11)	0.44		(5.54)	0.88		4.12
Dividend per share (Rs.)*	-	-		-	-		3.00

Change % represent the percentage change in current period's results compared to the comparative period of previous year.

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

Figures in brackets indicate deductions.

CEYLON GUARDIAN INVESTMENT TRUST PLC
STATEMENT OF FINANCIAL POSITION
(All figures are in Sri Lankan Rupees '000)

As at 30th September

	Group			Company		
	2018	2017	31.03.2018	2018	2017	31.03.2018
			Audited			Audited
ASSETS						
Non-current assets						
Property, plant and equipment	2,615	4,522	2,854	-	-	-
Intangible assets	250,069	231,917	252,292	-	-	-
Investment in subsidiaries	-	-	-	2,155,687	2,141,799	2,096,299
Investment in equity accounted investee	45,002	39,051	41,186	35,000	35,000	35,000
Financial assets measured at fair value through other comprehensive income	4,138,746	-	-	-	-	-
Available for sale financial assets	-	13,709,096	13,923,149	-	4,044,109	4,346,462
Deferred tax asset	2,850	-	512	-	-	-
Total non-current assets	4,439,282	13,984,586	14,219,993	2,190,687	6,220,908	6,477,761
Current assets						
Trade and other receivables	7,937	40,666	27,763	1,171	8,879	6,246
Current tax assets	33,678	24,796	33,691	21,997	15,744	19,732
Financial assets measured at fair value through profit or loss	10,246,641	3,000,009	2,449,533	4,108,873	381,985	204,274
Investment in fixed deposits	2,282,007	256,716	1,172,137	-	-	-
Cash and cash equivalents	258,535	912,403	609,203	124,745	31,467	199,688
Total current assets	12,828,798	4,234,590	4,292,327	4,256,786	438,075	429,940
Total assets	17,268,080	18,219,176	18,512,320	6,447,473	6,658,983	6,907,701
EQUITY AND LIABILITIES						
Equity						
Stated capital	1,128,726	1,128,726	1,128,726	1,128,726	1,128,726	1,128,726
Capital reserves	324,721	324,685	324,721	208,660	208,660	208,660
Revenue reserves	12,567,323	13,451,413	13,616,223	4,952,554	5,273,430	5,444,526
Total equity attributable to equity holders of the parent	14,020,770	14,904,824	15,069,670	6,289,940	6,610,816	6,781,912
Non controlling interest	2,820,085	3,196,618	3,197,287	-	-	-
Total equity	16,840,855	18,101,442	18,266,957	6,289,940	6,610,816	6,781,912
Non-current liabilities						
Employee benefits	8,515	11,382	7,426	-	-	-
Total non-current liabilities	8,515	11,382	7,426	-	-	-
Current liabilities						
Trade and other payables	177,758	90,128	209,844	98,094	34,461	111,153
Current tax liabilities	8,507	155	9,742	-	-	-
Short term borrowings	210,280	-	-	59,439	-	-
Bank overdraft	22,165	16,069	18,351	-	13,706	14,636
Total current liabilities	418,710	106,352	237,937	157,533	48,167	125,789
Total liabilities	427,225	117,734	245,363	157,533	48,167	125,789
Total equity and liabilities	17,268,080	18,219,176	18,512,320	6,447,473	6,658,983	6,907,701
Net assets per ordinary/deferred share - Rs.	157.93	167.88	169.74	70.85	74.46	76.39

The Statement of Financial Position as at 30th September 2018 and the related Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flow for the period then ended as disclosed in pages 4 to 8 have been drawn up from unaudited accounts.

I certify that these financial statements comply 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 & Signed on behalf of the Investment Managers,

(Sgd).
K. Selvanathan
Director
Guardian Fund Management Limited
Colombo
05th November 2018

Approved & Signed on behalf of the Board,

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

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

CEYLON GUARDIAN INVESTMENT TRUST PLC
STATEMENT OF CHANGES IN EQUITY - GROUP

(All figures are in Sri Lankan Rupees '000)

	Stated capital	Capital reserves	Revenue reserves	Attributable to equity holders of the parent	Non controlling interest	Total equity
Balance as at 1st April 2017	1,128,726	330,441	13,946,582	15,405,749	3,214,856	18,620,605
Profit for the year	-	-	616,627	616,627	179,692	796,319
Other comprehensive expense for the year	-	(5,720)	(332,075)	(337,795)	(127,129)	(464,924)
Total comprehensive income / (expense) for the year	-	(5,720)	284,552	278,832	52,563	331,395
Cash dividend	-	-	(621,462)	(621,462)	(71,941)	(693,403)
Forfeiture of unclaimed dividends	-	-	6,551	6,551	1,809	8,360
Balance as at 31st March 2018 (Audited) (under LKAS 39)	1,128,726	324,721	13,616,223	15,069,670	3,197,287	18,266,957
Balance as at 1st April 2018 (under SLFRS 9 - Note 1.2)	1,128,726	324,721	13,616,223	15,069,670	3,197,287	18,266,957
Loss for the period	-	-	(1,057,351)	(1,057,351)	(246,677)	(1,304,028)
Other comprehensive expense for the period	-	-	(52,659)	(52,659)	(9,950)	(62,609)
Total comprehensive expense for the period	-	-	(1,110,010)	(1,110,010)	(256,627)	(1,366,637)
Effect due to change in shareholdings	-	-	61,110	61,110	(120,575)	(59,465)
Balance as at 30th September 2018 (Unaudited)	1,128,726	324,721	12,567,323	14,020,770	2,820,085	16,840,855
Balance as at 1st April 2017	1,128,726	330,441	13,946,582	15,405,749	3,214,856	18,620,605
Profit for the period	-	-	219,988	219,988	70,552	290,540
Other comprehensive expense for the year	-	(5,756)	(360,036)	(365,792)	(87,755)	(453,547)
Total comprehensive expense for the period	-	(5,756)	(140,048)	(145,804)	(17,203)	(163,007)
Cash dividend	-	-	(355,121)	(355,121)	(1,035)	(356,156)
Balance as at 30th September 2017 (Unaudited)	1,128,726	324,685	13,451,413	14,904,824	3,196,618	18,101,442

CEYLON GUARDIAN INVESTMENT TRUST PLC
STATEMENT OF CHANGES IN EQUITY - COMPANY

(All figures are in Sri Lankan Rupees '000)

	Stated capital	Capital reserves	Revenue reserves	Total equity
Balance as at 1st April 2017	1,128,726	208,660	5,283,876	6,621,262
Profit for the year	-	-	365,897	365,897
Other comprehensive income for the year	-	-	414,529	414,529
Total comprehensive income for the year	-	-	780,426	780,426
Cash dividend	-	-	(621,462)	(621,462)
Forfeiture of unclaimed dividends	-	-	1,686	1,686
Balance as at 31st March 2018 (Audited) (under LKAS 39)	1,128,726	208,660	5,444,526	6,781,912
Balance as at 1st April 2018 (under SLFRS 9 - Note 1.2)	1,128,726	208,660	5,444,526	6,781,912
Loss for the period	-	-	(491,972)	(491,972)
Other comprehensive income for the period	-	-	-	-
Total comprehensive expense for the period	-	-	(491,972)	(491,972)
Balance as at 30th September 2018 (Unaudited)	1,128,726	208,660	4,952,554	6,289,940
Balance as at 1st April 2017	1,128,726	208,660	5,283,876	6,621,262
Profit for the period	-	-	77,750	77,750
Other comprehensive income for the period	-	-	266,925	266,925
Total comprehensive income for the period	-	-	344,675	344,675
Cash dividend	-	-	(355,121)	(355,121)
Balance as at 30th September 2017 (Unaudited)	1,128,726	208,660	5,273,430	6,610,816

CEYLON GUARDIAN INVESTMENT TRUST PLC
STATEMENT OF CASH FLOWS

(All figures are in Sri Lankan Rupees '000)

For the six months ended 30th September	Group			Company		
	2018	2017	2018 Audited	2018	2017	2018 Audited
Cash flows from operating activities						
Profit / (loss) before taxation	(1,278,701)	308,710	847,016	(491,582)	79,232	368,432
Adjustments for:						
Share of profit of equity accounted investee net of tax	(3,816)	(7,878)	(11,027)	-	-	-
Depreciation on property, plant and equipment	484	1,582	2,151	-	-	-
Amortisation of intangible assets	2,223	-	1,852	-	-	-
Provision for employee benefit	1,213	1,236	2,426	-	-	-
Gain from disposal of property, plant and equipment	-	-	(6)	-	-	-
Net finance (income) / expense	13,850	3,349	(302)	38	-	-
Impairment loss on available for sale financial assets	-	102,580	91,351	-	9,462	21,479
Impairment loss on investments in subsidiaries	-	-	-	-	-	45,500
Fair value change in financial assets measured at fair value through profit or loss	1,448,077	(103,571)	42,573	507,046	(14,180)	(1,571)
Operating profit before working capital changes	183,330	306,008	976,034	15,502	74,514	433,840
Decrease in trade and other receivables	19,826	53,516	66,419	5,075	136,397	139,030
Net (increase) / decrease in investments	465,640	(206,369)	(14,807)	(65,183)	39,407	37,743
Net increase in investment in fixed deposits	(1,109,870)	(256,716)	(1,172,137)	-	-	-
Increase / (decrease) in trade and other payables	79,205	(12,693)	(13,233)	66,560	1,230	420
Cash generated from / (used in) operations	(361,869)	(116,254)	(157,724)	21,954	251,548	611,033
Employee benefit paid	(124)	(333)	(6,933)	-	-	-
Income tax paid	(28,887)	(23,600)	(55,435)	(2,655)	(2,923)	(7,964)
Net cash generated from / (used in) operating activities	(390,880)	(140,187)	(220,092)	19,299	248,625	603,069
Cash flows from investing activities						
Acquisition of property, plant and equipment	(244)	(93)	(450)	-	-	-
Investments in subsidiary	(59,388)	-	-	(59,388)	-	-
Proceeds from disposal of property, plant and equipment	-	-	1,462	-	-	-
Acquisition of intangible assets	-	-	(22,227)	-	-	-
Dividend received from jointly controlled entity	-	-	945	-	-	-
Finance income	37	278	362	-	-	-
Net cash generated from / (used in) investing activities	(59,595)	185	(19,908)	(59,388)	-	-
Cash flows from financing activities						
Dividend paid	(79,619)	(348,757)	(535,910)	(79,619)	(348,757)	(535,910)
Dividend paid to non-controlling interest	(31,672)	(58,572)	(80,050)	-	-	-
Short term borrowings	210,280	-	-	59,439	-	-
Redemption of units	(78)	-	-	-	-	-
Finance expense paid	(13,887)	(3,627)	(60)	(38)	-	-
Net cash used in financing activities	85,024	(410,956)	(616,020)	(20,218)	(348,757)	(535,910)
Net increase / (decrease) in cash and cash equivalents	(365,451)	(550,958)	(856,020)	(60,307)	(100,132)	67,159
Cash and cash equivalents at the beginning of the period	590,852	1,438,246	1,438,246	185,052	117,893	117,893
Net exchange differences on translation of foreign operations	10,969	9,046	8,626	-	-	-
Cash and cash equivalents at the end of the period	236,370	896,334	590,852	124,745	17,761	185,052
Statement of cash and cash equivalents						
Short-term deposits	84,527	866,939	251,433	15,876	22,155	23,360
Cash at bank	174,008	45,464	357,770	108,869	9,312	176,328
Total cash and cash equivalents	258,535	912,403	609,203	124,745	31,467	199,688
Bank overdrafts	(22,165)	(16,069)	(18,351)	-	(13,706)	(14,636)
Net cash and cash equivalents for the purpose of statement of cash flows	236,370	896,334	590,852	124,745	17,761	185,052

Figures in brackets indicate deductions.

CEYLON GUARDIAN INVESTMENT TRUST PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
(All figures are in Sri Lankan Rupees '000 unless otherwise stated).

1 Basis of Preparation of Interim Financial Statements

The Interim Financial Statements of the Company and the Group have been prepared in consistence with the accounting policies and methods applied for the year ended 31st March 2018 except as disclosed in note 1.1 - "adoption of SLFRS 9 - Financial Instruments".

These Interim Financial Statements are in compliance with Sri Lanka Accounting Standard - "Interim Financial Reporting" (LKAS 34). Further, the provision of the Companies Act No. 7 of 2007 have been considered in preparing the Interim Financial Statements of the Company and the Group.

1.1 Adoption of SLFRS 09 - Financial Instruments

The Group has initially adopted SLFRS 9 Financial Instruments with effect from 1st April 2018 in preparation of its financial statements. The effect of applying this standard is described below.

Classification and measurement of financial assets and financial liabilities

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous LKAS 39 categories of financial assets, held to maturity, loans and receivables and available for sale.

The impact of SLFRS 9 on the classification and measurement of financial assets is set out below.

Under SLFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost (AC), fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The following table is the reconciliation of original measurement categories and carrying value in accordance with LKAS 39 and the new measurement categories under SLFRS 9 for the Group's / Company's financial assets as at 1st April 2018.

	Note	Original classification under LKAS 39	New classification under SLFRS 9	Group		Company	
				Original carrying amount under LKAS 39	New carrying amount under SLFRS 9	Original carrying amount under LKAS 39	New carrying amount under SLFRS 9
Financial assets							
Investment in equity securities - quoted : excluding strategic	1.1.1	Available-for-sale	FVTPL	9,517,445	9,517,445	4,290,752	4,290,752
Investment in equity securities - quoted : strategic	1.1.2	Available-for-sale	FVOCI	4,212,324	4,212,324	-	-
Investment in equity securities - unquoted	1.1.1	Available-for-sale	FVTPL	33,073	33,073	33,063	33,063
Investment in equity securities - private equity	1.1.1	Available-for-sale	FVTPL	115,009	115,009	-	-
Investment in debentures - unquoted	1.1.3	Available-for-sale	FVOCI	5	5	1	1
Investment in unit trust - unquoted	1.1.1	Available-for-sale	FVTPL	45,293	45,293	22,646	22,646
Trade and other receivables	1.1.4	Loans and receivables	Amortised cost	22,654	22,654	6,059	6,059
Investment in equity securities - quoted	1.1.5	FVTPL	FVTPL	1,676,993	1,676,993	204,274	204,274
Investment in unit trust - unquoted	1.1.5	FVTPL	FVTPL	772,540	772,540	-	-
Investment in fixed deposits		Loans and receivables	Amortised cost	1,172,137	1,172,137	-	-
Cash at bank and cash in hand		Loans and receivables	Amortised cost	357,770	357,770	176,328	176,328
Placements with banking institutions		Loans and receivables	Amortised cost	50,603	50,603	-	-
Securities purchased under resale agreements		Loans and receivables	Amortised cost	200,830	200,830	23,360	23,360
Total financial assets				18,176,676	18,176,676	4,756,483	4,756,483

- 1.1.1 The non-derivative financial assets that were designated as available-for-sale under the LKAS 39, excluding strategic investments have been classified as FVTPL, because they are managed and the performance is monitored on a fair value basis.
- 1.1.2 This represents the investment that the Group intends to hold for strategic purposes. As permitted by SLFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Unlike LKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.
- 1.1.3 The Debentures categorised as available-for-sale under LKAS 39, which are held by the Group to earn interest income and may be sold or redeemed in the normal course of business. Hence, the Group considers that these securities are held within the business model with the objective of collecting contractual cash flows and selling securities.
- 1.1.4 Trade and other receivables that were classified as loans and receivables under LKAS 39 are now classified as financial assets measured at amortised cost.
- 1.1.5 Under LKAS 39, these investments were designated as FVTPL because they were managed on a fair value basis and their performance was monitored on that basis. These assets have been classified as measured at FVTPL under SLFRS 9.

Impairment of financial assets

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with a forward looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECL, which will be determined on a probability weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under SLFRS 9, loss allowances will be measured on either of the following bases,

- 12 month ECL: these are ECL that result from possible default events within the 12 months after the reporting date; and
- lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

CEYLON GUARDIAN INVESTMENT TRUST PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All figures are in Sri Lankan Rupees '000 unless otherwise stated).

1.2 The following table summarises the impact of transition to SLFRS 9 on the opening balances of the reserves, retained earnings at the Group and the Company as at 1st April 2018.

Group	Revenue reserves			Total revenue reserves
	Available for sale financial assets reserve	Retained earning	Other revenue reserves	
As at 31st March 2018 (Under LKAS 39)	5,325,245	8,180,587	110,391	13,616,223
Impact on reclassification and remeasurments				
- Investment securities (equity) from available-for-sale classified to FVTPL under SLFRS 9	(1,848,093)	1,848,093	-	-
- Investment securities (unit trust-unquoted) from available-for-sale classified to FVTPL under SLFRS 9	(16,676)	16,676	-	-
As at 1st April 2018 (Under SLFRS 9)	3,460,476	10,045,356	110,391	13,616,223
Company	Revenue reserves			Total revenue reserves
	Available for sale financial assets reserve	Retained earning	Other revenue reserves	
As at 31st March 2018 (Under LKAS 39)	1,574,197	3,855,368	14,961	5,444,526
Impact on reclassification and remeasurments				
- Investment securities (equity) from available-for-sale classified to FVTPL under SLFRS 9	(1,564,051)	1,564,051	-	-
- Investment securities (unit trust-unquoted) from available-for-sale classified to FVTPL under SLFRS 9	(10,146)	10,146	-	-
As at 1st April 2018 (Under SLFRS 9)	-	5,429,565	14,961	5,444,526

1.3 Transition

Changes in accounting policies resulting from the adoption of SLFRS 9 have been applied retrospectively, except as described below.

Comparative periods have been not been restated. Any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 are recognised in retained earnings and reserves as at 1st April 2018. Accordingly, the information presented for comparative periods do not reflect the requirements of SLFRS 9 but rather those of LKAS 39.

2 Revenue

	Group		Company	
For the six months ended	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Dividend income	167,772	151,972	56,149	51,463
Interest income	102,641	74,905	1,817	7,857
Net gain from disposal of financial assets measured at fair value through profit or loss	37,592	4,718	3,241	2,264
Net gain from disposal of available for sale financial assets	-	182,332	-	66,090
Portfolio Management fees	5,353	5,841	-	-
	313,358	419,768	61,207	127,674

3 Profit / (loss) on portfolio activities

The Group recorded a loss of Rs. 1,134.7 Mn and the Company recorded a loss of Rs. 445.8 Mn on investments activities for the six months ended 30th September 2018.

4 Valuation of investment portfolio

	Fair value As at	Fair value As at	Fair value As at
4.1 Group	30.09.2018	30.09.2017	31.03.2018
Summary of investment portfolio			
Financial assets measured at fair value through other comprehensive income (4.1.1)	4,138,746	-	-
Available for sale financial assets (4.1.2)	-	13,709,096	13,923,149
Financial assets measured at fair value through profit or loss (4.1.3)	10,246,641	3,000,009	2,449,533
Investment in fixed deposits	2,282,007	256,716	1,172,137
	16,667,394	16,965,821	17,544,819

4.1.1 Financial assets measured at fair value through other comprehensive income (4.1.1)

Sector	Fair value As at	Fair value As at	Fair value As at
4.1.1 Group	30.09.2018	30.09.2017	31.03.2018
Oil Palms	4,138,746	-	-
	4,138,746	-	-

4.1.2 Available for sale financial assets

Sector	Fair value As at	Fair value As at	Fair value As at
4.1.2 Group	30.09.2018	30.09.2017	31.03.2018
Bank, Finance & Insurance	-	4,920,178	5,439,640
Beverage, Food & Tobacco	-	1,132,160	1,253,326
Constructions & engineering	-	167,071	132,750
Diversified	-	1,032,371	905,932
Footwear & Textiles	-	280,157	213,992
Hotels & Travels	-	152,047	161,701
Manufacturing	-	737,497	451,900
Oil Palms	-	4,234,805	4,212,324
Power & Energy	-	-	102,094
Telecommunications	-	750,647	856,110
Unit trusts	-	43,345	45,293
Unquoted investments	-	13,450,278	13,775,062
Total investment in financial assets measured at fair value through other comprehensive income	-	13,709,096	13,923,149

CEYLON GUARDIAN INVESTMENT TRUST PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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4.1.3 Financial assets measured at fair value through profit or loss

	Fair value As at 30.09.2018	Fair value As at 30.09.2017	Fair value As at 31.03.2018
Sector			
Bank, Finance & Insurance	5,296,891	776,466	683,323
Beverage, Food & Tobacco	1,339,299	22,781	37,245
Constructions & engineering	131,845	98,288	61,697
Diversified	1,319,927	441,635	337,499
Footwear & Textiles	154,887	15,094	11,058
Healthcare	29,794	50,274	47,880
Hotels & Travels	158,072	45,952	44,108
Land & Property	10,990	12,320	12,670
Manufacturing	327,909	311,129	253,182
Power & Energy	107,139	38,014	30,142
Telecommunications	912,912	84,713	158,189
Unit trusts	284,134	1,103,343	772,540
	10,073,799	3,000,009	2,449,533
Unquoted investments	172,842	-	-
Total investment in financial assets measured at fair value through profit or loss	10,246,641	3,000,009	2,449,533

The total fair value of the investment portfolio of the Group including cash and cash equivalents amounts to Rs. 16.69 Bn as at 30th September 2018 (2017- Rs. 17.86 Bn).

4 Valuation of Investment Portfolio

	Fair value As at 30.09.2018	Fair value as at 30.09.2017	Fair value as at 31.03.2018
4.2 Company			
Summary of investment portfolio			
Available for sale financial assets (4.2.1)	-	4,044,109	4,346,462
Financial assets measured at fair value through profit or loss (4.2.2)	4,108,873	381,985	204,274
	4,108,873	4,426,094	4,550,736

4.2.1 Available for sale financial assets

Sector			
Bank, Finance & Insurance	-	1,957,933	2,240,786
Beverage, Food & Tobacco	-	889,392	1,041,502
Constructions & engineering	-	55,728	44,280
Diversified	-	354,351	341,869
Footwear & Textiles	-	141,929	108,065
Hotels & Travels	-	80,555	85,670
Manufacturing	-	324,943	215,088
Telecommunications	-	187,192	213,492
Unit Trusts	-	21,672	22,646
	-	4,013,695	4,313,398
Unquoted investments	-	30,414	33,064
Total investment in available for sale financial assets	-	4,044,109	4,346,462

4.2.2 Financial assets measured at fair value through profit or loss

Sector			
Bank, Finance & Insurance	2,029,754	102,737	100,563
Beverage, Food & Tobacco	1,081,815	-	1,164
Constructions & engineering	30,024	-	-
Diversified	355,011	76,355	54,591
Footwear & Textiles	74,349	-	-
Healthcare	11,830	22,050	21,000
Hotels & Travels	70,946	8,127	6,966
Manufacturing	96,659	-	-
Power & Energy	5,758	6,169	6,190
Telecommunications	195,998	12,100	13,800
Unit trusts	123,667	154,447	-
	4,075,811	381,985	204,274
Unquoted investments	33,062	-	-
Total investment in financial assets measured at fair value through profit or loss	4,108,873	381,985	204,274

	As at 30.09.2018	As at 30.09.2017	As at 31.03.2018
5 Price Index movements			
All Share Price Index (points)	5,862	6,438	6,477
S&P SL 20 Index (points)	3,002	3,688	3,650

6 Events after the reporting period

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

CEYLON GUARDIAN INVESTMENT TRUST PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
(All figures are in Sri Lankan Rupees '000 unless otherwise stated).

7 Commitments and contingencies

7.1 Capital expenditure commitments

No material capital commitments exist as at the reporting date.

7.2 Contingencies

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

8 Comparative Figures

Comparative figures have been rearranged where necessary to conform to the classification and presentation as at 30th September 2018, excepts what is disclosed in note 1.3.

9 Liabilities for Expenditure

There were no liabilities for management fees or any similar expenditure not provided for in the interim financial statements.

10 Stated Capital

Stated Capital of the Company amounted to Rs.1,128.7Mn which consists of 82,978,868 Ordinary Shares and 5,801,487 Fully paid Deferred Shares.

11 Related party transactions

	Group		Company	
	2018	2017	2018	2017
For the six months ended 30th September				
Transactions with the parent company				
Dividend paid	-	246,100	-	246,100
Transactions with subsidiaries				
Dividends received	-	-	-	5,423
Portfolio management fee paid	-	-	19,784	7,595
Business development fee paid	-	-	-	18,000
Transactions with jointly controlled entity				
Portfolio management fee received	3,000	3,300	-	-
Transactions with affiliate companies				
Receiving of services	17,426	18,865	6,135	6,576

12 Twenty Major Shareholders as at 30th September 2018 - Ordinary shares

	Name of the Shareholder	No. of Shares	%
1	Carson Cumberbatch PLC A/C No.2	55,723,635	67.15
2	Employees Provident Fund	2,969,515	3.58
3	Thurston Investments Limited	2,480,581	2.99
4	GF Capital Global Limited	1,617,666	1.95
5	Northern Trust Company S/A Hosking Global Fund Plc	1,018,318	1.23
6	Miss G.I.A. De Silva	877,613	1.06
7	Mr. G.J.W. De Silva	877,234	1.06
8	Mrs. M.L. De Silva	866,845	1.04
9	Mr. H.A. Van Starrex	737,843	0.89
10	Miss. M.P. Radhakrishnan	686,026	0.83
11	Miss. A. Radhakrishnan	686,026	0.83
12	Mr. R. Maheswaran	685,016	0.83
13	Mr. K. C. Vignarajah	628,954	0.76
14	Employees Trust Fund Board	490,998	0.59
15	Miss. R. H. Abdulhussein	468,023	0.56
16	People's Leasing & Finance PLC/Mr. M. A. N. Yoosufali	400,300	0.48
17	Mr. S. Vasudevan	376,400	0.45
18	Miss G.N.A. De Silva	353,252	0.43
19	Mr. O. D. Liyanage	267,368	0.32
20	Sinharaja Hills Plantation (Pvt) Limited	254,861	0.31

13 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 Colombo Stock Exchange, under Option 5, i.e. Float-adjusted Market Capitalization of less than Rs.2.5 Billion with 500 Public Shareholders and a Public Holding percentage of 20%

The Company's Public Holding as at 30th September 2018;

Market Capitalization of the Public Holding	Rs. 1.90 Billion
Percentage of public holding	32.71%
Number of public shareholders	1,637

14 Directors Shareholding as at 30th September 2018

	No. of shares
Mrs. M.A.R.C. Cooray	-
Mr. D. C. R. Gunawardena	257
Mr. V. M. Fernando	-
Mr. K. Selvanathan	-
Mr. C. W. Knight	-
Mr.T. C. M. Chia	-

15 Investor Information

Market Performance - Ordinary Shares

<i>For the three months ended</i>	30.09.2018
Market value per share (Rs.)	70.00
Highest price per share (Rs.)	77.90
Lowest price per share (Rs.)	68.00
Market capitalization (Rs. thousands)	5,808,521

Corporate Information

Name of Company

Ceylon Guardian Investment Trust PLC
(A Carson Cumberbatch Company)

Domicile and Legal Form

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

Company Registration No.

PQ 52

Principal Activity and Nature of Operations

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

Parent and Ultimate Parent Entities

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
Mr. D. C. R. Gunawardena
Mr.V. M. Fernando
Mr.K. Selvanathan
Mr. C.W. Knight
Mr.T.C.M. Chia

Number of Employees

The Company did not have any employees of its own during the period under review.

Bankers

Standard Chartered Bank
HSBC
Commercial Bank of Ceylon PLC
Deutsche Bank AG Colombo
Hatton National Bank PLC

Auditors

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

Investment Managers

Guardian Fund Management Limited
No. 61, Janadhipathi Mawatha,
Colombo 1.
Tele: +94-11-2039200
Fax: +94-11-2439777

Managers & Secretaries

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

Registered Office and Principal Place of Business

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

Corporate Website

www.carsoncumberbatch.com