



# **GUARDIAN ACUITY INCOME FUND**

**ANNUAL REPORT  
FOR THE PERIOD ENDED  
31ST DECEMBER 2022**



## **1. FUND MANAGERS' REVIEW**

### **MACRO ECONOMIC UPDATE**

Global growth is expected to decelerate sharply in 2023, displaying some of the weakest pace of growth in nearly three decades, overshadowed only by the global recessions caused by the pandemic and the global financial crisis. The weakening global economic growth reflects aggressive policy tightening aimed at containing very high inflation, worsening financial conditions, and continued disruptions from the Russian invasion of Ukraine. The United States, the euro area, and China are all undergoing a period of pronounced weakness, and the resulting spill overs are worsening other headwinds faced by emerging market and developing economies. The negative shocks such as higher inflation, even tighter policy, financial stress, deeper weakness in major economies, or rising geopolitical tensions could push the global economy into recession.

Soaring inflation in 2022 reflected a combination of demand and supply factors. On the demand side, the acceleration of growth from the lagged effects of earlier policy support, contributed to persistent price pressures. On the supply side, shortages of key commodities largely due to Russia's invasion of Ukraine, contributed substantially to higher energy and food prices. Inflation has also been spurred by large currency depreciations relative to the U.S. dollar, as well as tight labor market conditions.

Inflation remains high worldwide and well above central bank targets in almost all inflation targeting economies. Although inflation is likely to gradually moderate over the course of the year, there are signs that underlying inflation pressures could be becoming more persistent. In response, central banks around the world have been tightening policy faster than previously expected.

The monetary policy tightening in advanced economies, a strong U.S. dollar, geopolitical tensions, and high inflation have dampened risk appetite and led to widespread capital outflows and financial conditions have particularly worsened.

Sri Lankan economy contracted by 11.8% in 3Q 2022 resulting 7.1% contraction during 9M 2022. The tight monetary and fiscal policy measures along with supply shortages, energy related issues and social tensions impacted aggregated demand negatively. Agriculture contracted 8.7%, Industrial activities and service sector shrank 21.2% and 2.6% respectively during 3Q 2022.

Since April 2022, Central bank tightened monetary policy aggressively with several rounds of policy hikes to ease pressure on the exchange rate, curtail inflation and credit demand. Central bank continues to ensure that monetary conditions remain sufficiently tight to curtail inflation pressure during 2023. Along with tight monetary policies, the tight fiscal policy measures implemented towards the latter part of 2022 would adjust inflation expectations downwards. Overall, Central bank targets single digit inflation by end 2023.

Considerable improvement in external sector performance was witnessed during 2022 amid tight import controls and measures to encourage foreign remittances. Further, improved tourist arrivals towards the

latter part of 2022 also supported. Currency remains broadly stable with the introduction of market guidance from mid May 2022 after sharp depreciation in March 2022. Gross official reserves remained estimated at USD 1.9bn as at end Dec 2022, including the swap facility from the People's Bank of China equivalent to around USD 1.4 bn.

Sri Lanka is in the process of getting creditor assurance to reach IMF-EFF arrangement in the period ahead and the resultant improvement in investor confidence and along with the improvements in the external current account, are expected to enhance the external sector outlook. However, ensuring debt sustainability with adequate and efficient debt restructuring program along with structural reforms remains critical for Sri Lanka to be a resilient economy in the long run.

### **INTEREST RATE OUTLOOK**

Interest rates remained stubbornly low during the first few months of 2022 until Central Bank announced a massive 700 bps policy rate increase during April 2022. Policy rates were further increased during July 2022 with which an overall policy rate increase of 950 bps has been affected during the year. The said tightening measures were taken to combat rapidly rising inflation and depreciatory pressure on the currency. Consequently, government securities yields shot up over and above the policy rate increase, seemingly factoring in the risk of a potential domestic debt restructure which has been subject to much debate. Deposit rates also increased however at a slower pace compared to government securities. Given the tight government financing condition, the g-sec yields continued to offer a premium compared to the deposit and other debt market rates.

A downward adjustment in market interest rates has been observed recently mainly due to improvement in domestic money markets and moderation in the yields on government securities. Central bank is likely to ease monetary policy towards 2H 2023 to stimulate the economy. However, economic growth stimulation should be implemented cautiously along with the process of reaching debt sustainability, restructuring and reform agenda.

## **Guardian Acuity Income Fund (Inception: 26<sup>th</sup> July., 2021)**

### **Fund Manager**

Crishani Perera

### **Fund Objective and Benchmark**

The investment objective of the Guardian Acuity Income Fund is to provide an annual income by investing in a portfolio of fixed income securities with a moderate level of risk. The Fund will invest in corporate debt and government securities to provide a suitable return for unit holders considering the risk and return requirements of the fund.

### **Commentary**

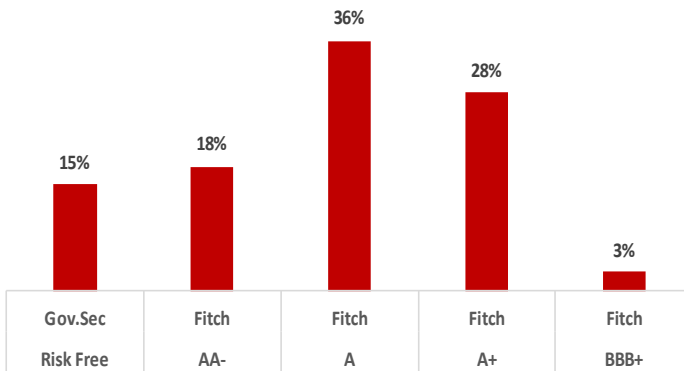
During the year ended 2022, the Guardian Acuity Income Fund provided an annualized return of 12.01% to its investors. The fund focuses primarily on fixed deposits and other fixed income instruments with issuers of investment grade rating and above.

### **Exhibit 02: Fund Return vs. Benchmark Return**

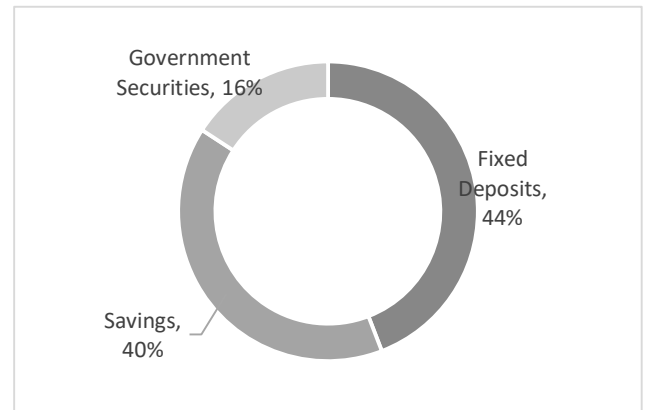
Period	GAIF	NDBIB-CRISIL 91 Day T-Bill Index	GAIF-Annualised
2022	12.01%	0.56%	12.01%
SINCE INCEPTION	14.70%	0.73%	10.26%

### **Key Facts of the Fund**

#### FUND CREDIT QUALITY - % OF NAV

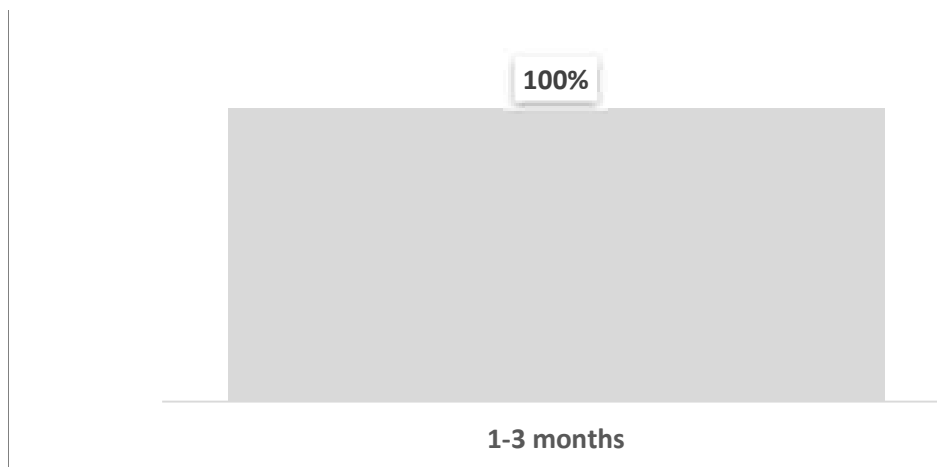


#### ASSET ALLOCATION



As at 31<sup>st</sup> December 2022, the total net asset value of the fund was Rs. 130.70 million with 55 unit holders in the fund. The subscription and redemption price for the fund on 31<sup>st</sup> December 2022 was Rs. 11.47.

#### MATURITY PROFILE - % OF NAV



**GUARDIAN ACUITY INCOME FUND**

**FINANCIAL STATEMENTS  
31 DECEMBER 2022**

**GUARDIAN ACUTY INCOME FUND**

**FINANCIAL STATEMENTS  
31 DECEMBER 2022**



# **GUARDIAN ACUITY INCOME FUND**

## **FINANCIAL STATEMENTS - 31 DECEMBER 2022**

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## *Independent auditor's report*

To the Unitholders of Guardian Acuity Income Fund

### *Report on the audit of the financial statements*

#### *Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Guardian Acuity Income Fund ("the Fund") as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **What we have audited**

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

#### **Independence**

We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"). We have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics.

#### *Other information*

The Fund Manager, Guardian Acuity Asset Management Limited is responsible for the other information. The other information comprises the annual report to the unitholders (but does not include the financial statements and our auditor's report thereon). The annual report to the unitholders is expected to be made available to us after the date of this auditor's report.

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.

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## *Independent auditor's report*

To the Unitholders of Guardian Acuity Income Fund (Contd)

### *Report on the audit of the financial statements (Contd)*

#### *Other information (Contd)*

When we read the annual report to the Unit Holders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### *Responsibilities of management and those charged with governance for the financial statements*

The Fund Manager, Guardian Acuity Asset Management Limited, 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 the Fund Manager 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, the Fund Manager is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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 judgement and maintain professional scepticism 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 Fund's internal control.





## *Independent auditor's report*

To the Unitholders of Guardian Acuity Income Fund (Contd)

### *Report on the audit of the financial statements (Contd)*

#### *Auditor's responsibilities for the audit of the financial statements (Contd)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of the Fund Manager'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 Fund'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 Fund 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.

### *Report on other legal and regulatory requirements*

The financial statements are prepared and presented in accordance with and comply with the requirements of the Unit Trust Deed and Collective Investment Scheme Code of the Securities and Exchange Commission of Sri Lanka.

*PricewaterhouseCoopers*

CHARTERED ACCOUNTANTS

COLOMBO

27 March 2023



**GUARDIAN ACUITY INCOME FUND****Statement of profit or loss and other comprehensive income**

(all amounts in Sri Lankan Rupees)

	Notes	For the year ended 31 December 2022	Period from 26 July 2021 to 31 December 2021
<b>Income</b>			
Interest income	4	24,962,747	6,927,718
Realised gain on financial assets at fair value through profit or loss		1,044,213	303,027
<b>Total income</b>		<b>26,006,960</b>	<b>7,230,745</b>
<b>Operating expenses</b>			
Management fees		(701,481)	(353,090)
Trustee and custodian fees		(591,489)	(274,821)
Audit fees		(288,210)	(150,000)
Bank charges		(58,961)	(19,210)
Tax consultancy fee		(115,005)	Nil
<b>Total operating expenses</b>		<b>(1,755,146)</b>	<b>(797,121)</b>
<b>Profit before tax</b>		<b>24,251,814</b>	<b>6,433,624</b>
Income tax expense	5	Nil	Nil
<b>Net profit after tax for the year</b>		<b>24,251,814</b>	<b>6,433,624</b>
<b>Increase in net assets attributable to unit holders</b>		<b>24,251,814</b>	<b>6,433,624</b>

The notes on pages 8 to 20 form an integral part of these financial statements.

Independent auditor's report - pages 1 to 3



**GUARDIAN ACUITY INCOME FUND****Statement of financial position**

(all amounts in Sri Lankan Rupees)

	Notes	As at 31 December	
		2022	2021
<b>Assets</b>			
Financial assets at fair value through profit or loss	8	Nil	19,891,667
Financial instruments at amortised cost	7	78,332,798	237,463,479
Cash and cash equivalents	6	52,784,330	36,490,481
Subscriptions Receivable		56,000	Nil
<b>Total assets</b>		<b>131,173,098</b>	<b>293,845,627</b>
<b>Liabilities</b>			
Accrued expenses and other payables	9	477,810	281,433
<b>Liabilities (excluding net assets attributable to unit holders)</b>		<b>477,810</b>	<b>281,433</b>
<b>Net assets attributable to unit holders</b>		<b>130,695,288</b>	<b>293,564,194</b>
<b>Unit holders' funds</b>			
<b>Net assets attributable to unit holders</b>		<b>130,695,288</b>	<b>293,564,194</b>
		<b>130,695,288</b>	<b>293,564,194</b>

The Management company is responsible for the preparation and presentation of these financial statements and these financial statements were approved by the Board of Directors of the Management Company. Signed for and on behalf of the Management Company and Trustee on 29.09.2023.

  
 Director  
 Management Company

  
 Director  
 Management Company

**DEUTSCHE BANK AG**  
 Colombo Branch  
  
 Trustee  
 Authorized Signatories  
 Trustee



**GUARDIAN ACUITY INCOME FUND****Statement of changes in net assets attributable to unit holders**

(all amounts in Sri Lankan Rupees)

	For the year ended 31 December	Period from 26 July 2021 to 31 December
	2022	2021
Net assets attributable to unit holders at 1 January 2022	293,564,194	Nil
Increase in net assets attributable to unit holders	24,251,814	6,433,624
Proceeds from creation of units	5,675,347	288,882,563
Paid on redemption of units	(192,796,067)	(1,731,993)
Net increase due to unit holders' transactions	(187,120,720)	287,130,570
Net assets attributable to unit holders at 31 December 2022	130,695,288	293,564,194

The notes on pages 8 to 20 form an integral part of these financial statements

Independent auditor's report - pages 1 to 3



**GUARDIAN ACUTTY INCOME FUND****Statement of cash flows**

(all amounts in Sri Lankan Rupees)

	Notes	For the year ended 31 December	Period from 26 July 2021 to 31 December
		2022	2021
<b>Cash flows from operating activities</b>			
Interest received		24,962,747	6,927,718
Management fees and trustee fees paid		(1,350,656)	(496,510)
Other expenses paid		(208,114)	(19,178)
<b>Net cash flow generated from operating activities</b>		<b>23,403,977</b>	<b>6,412,030</b>
<b>Cash flows from investing activities</b>			
Maturity / (purchase) of treasury bill / bond repurchase agreements		16,061,429	(19,588,640)
Net proceeds invested in fixed deposits		164,005,163	(237,463,479)
<b>Net cash generated from / (used in) investing activities</b>		<b>180,066,592</b>	<b>(257,052,119)</b>
<b>Cash flows from financing activities</b>			
Proceeds from creation of units		5,619,347	288,862,563
Payments on redemption of units		(192,796,067)	(1,731,993)
<b>Net cash (used in) / generated from financing activities</b>		<b>(187,176,720)</b>	<b>287,130,570</b>
Net increase in cash and cash equivalents		16,293,849	36,490,481
Cash and cash equivalents at the beginning of the year		36,490,481	Nil
<b>Cash and cash equivalents at the end of the year</b>	6	<b>52,784,330</b>	<b>36,490,481</b>

The notes on pages 8 to 20 form an integral part of these financial statements

Independent auditor's report - pages 1 to 3





# GUARDIAN ACUITY INCOME FUND

## Notes to the financial statements

(In the notes all amounts are shown in Sri Lankan Rupees unless otherwise stated)

### 1 General information

Guardian Acuity Income Fund is an open ended unit trust fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 26 July 2021.

The Fund is managed by Guardian Acuity Asset Management Limited which is incorporated and domiciled in Sri Lanka. The registered office of the management company is located at No. 61, Janadhipathi Mawatha Colombo 01. The trustee of the Fund is Deutsche Bank AG having its place of business at No. 86, Galle Road, Colombo 03.

With effect from 13 January 2023, the fund is managed by CT CLSA Asset Management Limited (formerly Contrust Asset Management Pvt Limited), a fully owned subsidiary of CT CLSA Holdings Limited incorporated and domiciled in Sri Lanka.

The investment objective of the Fund is to provide an annual income by investing in a portfolio of fixed income securities with a moderate level of risk by investing in corporate debt and government securities.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The financial statements are presented in Sri Lankan rupees. The statement of financial position is presented on a liquidity basis.

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.6.

##### 2.1.1 Statement of Compliance

The financial statements which comprise the statement of financial position as at 31 December 2022, statement of profit or loss and other comprehensive income, statement of net assets attributable to unit holders and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been prepared and presented in accordance with Sri Lanka Accounting Standards and the requirements of the Unit Trust Deal and Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.

##### (a) Standards and amendments to existing standards effective 1 January 2022

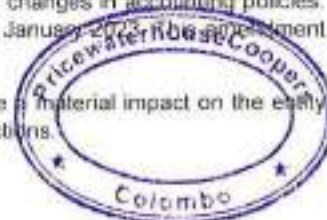
There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2022 that have a material effect on the financial statements of the Fund.

##### (b) New standards, amendments and interpretations effective after 1 January 2022 and have not been early adopted

- Disclosure Initiative: Accounting Policies - Amendments to LKAS 1
  - The amendments to LKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies

The amendments to LKAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

- Definition of Accounting Estimates (Amendments to LKAS 8)
  - The amendments introduced the definition of accounting estimates and included other amendments to LKAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.
  - These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.





## GUARDIAN ACUITY INCOME FUND

### Notes to the financial statements (Contd)

#### 2 Summary of significant accounting policies (Contd)

##### 2.3 Functional and presentation currency

The Fund's investors are from Sri Lanka, with the subscriptions and redemptions of the units of the Fund denominated in Sri Lankan Rupees. The primary activity of the Fund is to provide investors an opportunity to participate in listed securities and invest for capital appreciation taking a higher risk level in the medium to long term. The performance of the Fund is measured and reported to the investors in Sri Lankan Rupees. The Fund considers the Sri Lankan Rupee as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Sri Lankan Rupees, which is the Fund's functional and presentation currency.

##### 2.4 Going Concern

These financial statements are prepared on the assumption that the Fund is a going concern i.e. as continuing in operation for the foreseeable future. It is therefore assumed that the Fund has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operation.

Management of the fund has assessed the potential impact of the current economic condition on the Fund's operations, and is confident that it will not impact the going concern ability of the fund. In a period of rising inflation and interest rates, maturing investments will be typically re-invested at new and higher rates. This will result in a general increase in the fund's running returns.

##### 2.5 Financial instruments

###### (a) Classification

The Fund classifies all of its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss and
- those to be measured at amortised cost

The classification depends on the Fund's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss. For investments in equity instruments that are not held for trading, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Fund reclassifies debt investments when and only when its business model for managing those assets changes.

The Fund's policy requires the Investment Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

###### (b) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the statement of comprehensive income within other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss within dividend income when the Fund's right to receive payments is established, it is probable that the economic benefits associated with the dividend will flow to the Fund, and the amount of the dividend can be measured reliably. Interest on debt securities at fair value through profit or loss is recognised in the statement of profit or loss.



## GUARDIAN ACUITY INCOME FUND

### Notes to the financial statements (Contd)

#### 2 Summary of significant accounting policies (Contd)

##### (b) Recognition, derecognition and measurement (Contd)

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments at amortised cost in the statement of financial position comprise of investments in treasury bill / bond repurchase agreements. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in realised gain/(loss) on debt instruments held at amortised cost.

##### (c) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent ordinary transactions between market participants, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

##### (d) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

#### 2.6 Impairment

The Fund assesses on a forward looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures from which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Fund uses ratings from Fitch Rating and ICRA both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Consistent with the policies of the Fund, rated below BBB- are considered non-investment grade investments and Fund considers such investments as significant deterioration of credit risk incurred. Such investments are considered for life time ECL calculation.

Further, movements within the ratings of the investment grade stipulate significant deterioration of credit risk. Significant deterioration is measured through the two notches downgrade of the external credit rating of the counterparty since the origination of the instrument.

#### 2.7 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.





## GUARDIAN ACUITY INCOME FUND

### Notes to the financial statements (Contd)

#### 2 Summary of significant accounting policies (Contd)

##### 2.8 Other receivables

Other receivables are recognised initially at fair value and are subsequently measured at amortised cost. The other receivables balance is held for collection.

At each reporting date, the Fund shall measure the loss allowance on other receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that amounts may be credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

##### 2.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the statement of financial position.

As at 31 December 2022, cash and cash equivalents in the statement of financial position and statement of cash flows comprise of cash at bank.

##### 2.10 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

##### 2.11 Interest income and interest from financial assets at fair value through profit or loss

Interest is recognised on a time-proportionate basis using the effective interest method. Interest income includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss includes interest from debt securities.

##### 2.12 Increase / (decrease) in net assets attributable to holders of redeemable shares from operations

Income not distributed is included in net assets attributable to unit holders. Movements in net assets attributable to unit holders are recognised in the statement of profit or loss and other comprehensive income.

##### 2.13 Income tax

Current tax assets and liabilities for the year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Subsequent to the enactment of the new Inland Revenue Act No. 24 of 2017, effective 01 April 2018, an Eligible Unit Trust would not be liable for income tax on any income which is a pass through to its unit holders. Accordingly, the Fund has considered all income as being a pass through to its unit holders. Effective 01 January 2020, withholding tax was abolished in respect of dividend and interest received by resident persons. Accordingly, total gross interest has been recognised as investment income.

##### 2.14 Expenses

The management, trustee fees and custodian fee of the Fund as per the trust deed is as follows:

Management fee	- 0.60% p.a of net asset value of the Fund
Trustee fee	- 0.15% p.a of net asset value of the Fund
Custodian fee	- Rs. 15,000 per month



## GUARDIAN ACUTY INCOME FUND

### Notes to the financial statements (Contd)

#### 2 Summary of significant accounting policies (Contd)

##### 2.15 Unit holders' Funds

Unit holders' Funds has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to unit holders as at the reporting date.

Units can be issued and redeemed based on the Fund's net asset value per unit, calculated by dividing the net assets of the Fund as described in the Trust Deed and directives issued by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue. Income not distributed is included in net assets attributable to unit holders.

##### 2.16 Collateral

The Fund does not hold any collateral as at 31 December 2022.

#### 3 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Trust Deed and seeks to maximize the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by the Management Company.

Financial instruments of the Fund comprise investments in trading securities and treasury bills repurchase agreements, commercial papers and fixed deposits for the purpose of generating a return on the investment made by Unit holders, in addition to cash at bank and other financial instruments such as receivables and payables, which arise directly from its operations.

In accordance with SLFRS 9 Financial Instruments: Recognition and Measurement, the Fund's financial investments in debt securities are classified as 'financial assets at amortised cost'. Amounts attributable to Unit Holders are classified as 'Unit Holders Funds' and are carried at the redemption amount being net asset value. Payables are designated as 'Accrued expenses' at amortised cost.

Risk arising from holding financial instruments is inherent in the Fund's activities, and is managed through a process of ongoing identification, measurement and monitoring. The Manager is responsible for identifying and controlling the risk arising from the financial instruments held in the Fund and has policies for managing each of the risks identified below.

The Manager also monitors information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate and regulatory limits. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept, with additional emphasis on selected industries. This information is prepared and reported to relevant parties within the Management Company on a regular basis as deemed appropriate, including the Fund Manager, Risk and Investment Personnel and ultimately the Trustees of the Fund.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and ratings analysis for credit risk.

Concentration of risk arises when a number of financial instruments or contracts are entered in to with the same counterparty, or where a number of counterparties are engaged in similar business activities. The Securities and Exchange Commission of Sri Lanka as Regulator has stipulated the level of concentration permitted per counter party. The Fund itself applies and adheres to stringent internal limits.

Further, the Manager has appointed an investment committee which meets monthly to review, evaluate and reassess the investment policies and risk.





# GUARDIAN ACUITY INCOME FUND

## Notes to the financial statements (Contd)

### 3 Financial risk management (Contd)

#### 3.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

#### Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets.

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. However, due to the short term nature of the instruments it is reasonably expected that the fluctuation in interest rate will not materially impact the net assets value of the Fund. The table below summarises the Fund's exposure to interest rate risks.

31 December 2022	Floating	Fixed interest rate	Non- interest bearing	Total
<i>Financial assets</i>				
Financial assets at FVTPL	Nil	Nil	Nil	-
Financial instruments at amortised cost	Nil	78,332,768	Nil	78,332,768
Cash and cash equivalents	Nil	52,784,330	Nil	52,784,330
<b>Total exposure</b>	<b>Nil</b>	<b>131,117,097</b>	<b>Nil</b>	<b>131,117,097</b>
 31 December 2021	 Floating	 Fixed interest rate	 Non- interest bearing	 Total
<i>Financial assets</i>				
Financial assets at FVTPL	Nil	19,891,667	Nil	19,891,667
Financial instruments at amortised cost	Nil	237,463,479	Nil	237,463,479
Cash and cash equivalents	Nil	Nil	36,490,481	36,490,481
<b>Total exposure</b>	<b>Nil</b>	<b>257,355,146</b>	<b>36,490,481</b>	<b>293,845,627</b>

#### 3.2 Credit risk

Credit risk is the risk that the counterparty to the financial instruments will fail to discharge an obligation and cause the Fund to incur a financial loss of interest and/or principal.

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in debt securities, cash and cash equivalents and other receivables.

The exposure to credit risk for repurchase agreements is very low as the Fund has considered the collateral that the primary dealers provided which are government bills and bonds rated as AAA.

The Fund is also subject to credit risk on its bank balance and receivables. The carrying value of these assets under SLFRS 9 impairment represents the Fund's maximum exposure to credit risk on financial instruments and are not deemed to be significant. Hence, no separate credit risk disclosure is provided for these instruments.

The maximum exposure to credit risk before any credit enhancements at 31 December is the carrying amount of the financial assets as set out below :

	2022	2021
Financial assets at FVTPL	Nil	19,891,667
Financial instruments at amortised cost	78,332,768	237,463,479
Cash and cash equivalents	52,784,330	36,490,481
<b>Total</b>	<b>131,117,097</b>	<b>293,845,627</b>



## GUARDIAN ACUITY INCOME FUND

### Notes to the financial statements (Contd)

#### 3 Financial risk management (Contd)

##### Debt securities

The credit risk exposure on these instruments is not deemed to be significant. It is the Fund's policy to enter into financial instruments with reputable counterparties with high credit quality.

The analysis below summarises the credit quality of the Fund's debt portfolio at 31 December 2022

Counterparty	Credit Rating	Rating Agency
Bank of Ceylon	AA-	Fitch
Central Finance Company PLC	A+	Fitch
DFCC Bank PLC	A+	Fitch
HNB Finance PLC	A	Fitch
Hatton National Bank PLC	AA-	Fitch
LB Finance PLC	A-	Fitch
National Development Bank PLC	A+	Fitch
National Savings Bank	AA-	Fitch
People's Bank	A+	Fitch
People's Leasing & Finance PLC	A+	Fitch
Sankadagala Finance PLC	BBB+	Fitch
Siyapatha Finance PLC	A	Fitch

The Fund is also subject to credit risk on its bank balance and receivables. The credit risk exposure on these instruments is not deemed to be significant.

##### 3.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of units. Due to the nature of a unit trust, it is unlikely that a significant number of unit holders would exit at the same time. However to control liquidity risk, it primarily holds investments that are traded in an active market and can be readily disposed.

The time frame for return of cash to investors is six business days in which time equities may be liquidated to realise cash for redemption payouts. In addition, the Securities Exchange Commission and the Fund require additional business days' notice to the Fund from large investors redeeming over 3% of the Fund and the Fund is also permitted to borrow up to 15% of the deposited property for redemption payouts.

Furthermore the unit trust code requires a minimum of 3% of the deposited property to be maintained in cash or near cash (near cash means investments such as bank/call deposits, repurchase agreements with maturities of less than 3 months, commercial paper endorsed or guaranteed by a Licensed Commercial Bank or Licensed Specialised Bank with maturities of less than 3 months and government securities including government bonds with maturities of less than one year which can be readily convertible into cash).

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

	Less than 7 days	7 days to 1 month	1 to 12 Months	More than 12 months
<i>31 December 2022</i>				
Accrued expenses and other payables	Nil	29,089	73,716	375,005
<i>31 December 2021</i>				
Accrued expenses and other payables	Nil	131,401	150,032	Nil



## GUARDIAN ACUITY INCOME FUND

### Notes to the financial statements (Contd)

#### 3 Financial risk management (Contd)

##### 3.4 Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding net assets attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unit holders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Management Company. Under the terms of the Unit Trust Code, the Management Company has the discretion to reject an application for units and to defer redemption of units if the exercise of such discretion is in the best interests of unit holders.

Following being the disclosures of Unit holders' Funds;

The movement in the Unit holder's Funds as at 31 December 2022

##### In terms of value

Unit Holders' Funds as at 1 January 2022	293,564,194
Creations during the year	5,675,347
Redemptions during the year	(192,796,067)
Increase in net assets attributable to Unit Holders	24,251,814
Unit Holders' Funds as at 31 December 2022	<u>130,695,288</u>

##### In terms of no. of units

Opening no of units as at 1 January 2022	28,673,366
Unit creations during the year	547,515
Unit redemptions during the year	(17,826,337)
Closing no of units as at 31 December 2022	<u>11,394,544</u>

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.





# GUARDIAN ACUTTY INCOME FUND

## Notes to the financial statements (Contd)

### 4 Interest income

	2022	2021
Interest income on:		
Fixed deposits (note 4.1)	14,854,831	4,978,898
Treasury bill / bonds repurchase agreements (note 4.1)	2,068,157	593,503
Savings deposits (note 4.1)	8,039,759	1,355,317
	<b>24,962,747</b>	<b>6,927,718</b>

- 4.1 As detailed under Note 2.13, subsequent to the enactment of the new Inland Revenue Act No. 24 of 2017, notional tax is not applicable for Treasury Bond Repurchase Agreements. In relation to interest income from Fixed Deposits and Savings Deposits has been recognised net of Withholding Tax as the Fund considers its income to be a pass through to its unit holders. Withholding tax was abolished in respect of dividend and interest received by resident persons. Accordingly, total gross interest has been recognised as investment income.

### 5 Taxation

No income tax is recognised in the financial statements as the fund has considered all income as being passed through to its Unit Holders.

### 6 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balance:

	2022	2021
Cash at bank	52,784,330	36,490,481
<b>Total</b>	<b>52,784,330</b>	<b>36,490,481</b>

### 7 Financial assets at amortised cost

	2022	2021
Debt instruments at amortised cost		
Fixed deposits (Note 7.1)	58,311,398	222,316,561
Treasury Bills Repurchase Agreement (Note 7.2)	20,021,370	15,146,918
	<b>78,332,768</b>	<b>237,463,479</b>

#### 7.1 Fixed Deposits

	2022		2021	
	Carrying Value	Holding as a % of Net Asset Value	Carrying Value	Holding as a % of Net Asset Value
Bank of Ceylon	Nil	Nil	20,518,342	7%
Central Finance Company PLC	Nil	Nil	22,504,801	8%
DFCC Bank PLC	Nil	Nil	10,791,699	4%
HNB Finance PLC	Nil	Nil	29,539,931	10%
LB Finance PLC	Nil	Nil	8,690,031	3%
National Development Bank PLC	Nil	Nil	10,732,597	4%
National Savings Bank	Nil	Nil	15,085,643	5%
People's Bank	Nil	Nil	26,011,117	9%
People's Leasing & Finance PLC	12,068,952	9%	38,002,886	13%
Senkadagala Finance PLC	Nil	Nil	20,550,792	7%
Siyapatha Finance PLC	Nil	Nil	19,888,722	7%
Sampath Bank PLC	23,120,325	18%	Nil	Nil
Nations Trust Bank PLC	23,122,121	18%	Nil	Nil
	<b>58,311,398</b>	<b>45%</b>	<b>222,316,561</b>	<b>76%</b>





# GUARDIAN ACUITY INCOME FUND

## Notes to the financial statements (Contd)

### 7 Financial assets at amortised cost (Contd)

#### 7.2 Treasury Bond Repurchase Agreement

	2022		2021	
	Carrying Value	Holding as a % of Net Asset Value	Carrying Value	Holding as a % of Net Asset Value
Acuity Securities Ltd	20,021,370	15%	15,146,918	5%
	<u>20,021,370</u>	<u>15%</u>	<u>15,146,918</u>	<u>5%</u>

### 8 Financial assets at fair value through profit or loss

#### 8.1 Treasury Bills

	2022		2021	
	Carrying Value	Holding as a % of Net Asset Value	Carrying Value	Holding as a % of Net Asset Value
First Capital Treasuries (LKA09122A282)	Nil	Nil	19,891,667	7%
	<u>Nil</u>	<u>Nil</u>	<u>19,891,667</u>	<u>7%</u>

### 9 Accrued expenses and other payables

	2022	2021
Management fee payable	35,027	74,604
Trustee fee and custodian fee payable	38,689	56,797
Audit fee	260,000	150,000
Provision for tax consultancy fee	115,005	Nil
Other payables	29,089	32
	<u>477,810</u>	<u>281,433</u>

### 10 Fair value of financial instruments

#### Determination of fair value and fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 – An investment in a fund is classified in Level 1 of the hierarchy when that investment is quoted in an active market and measured at the unadjusted quoted price at the reporting date.

Level 2 – An investment in a fund is classified in Level 2 of the hierarchy when that investment is measured using inputs that are directly observable at the reporting date.

Level 3 – An investment in a fund is classified in Level 3 of the hierarchy when the investment is measured using unobservable inputs at the reporting date.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

#### Financial Assets Held at Fair Value Through Profit or Loss

	Level 1	Level 2	Level 3
Treasury bills	Nil	Nil	Nil
As at 31 December 2022	19,891,667	Nil	Nil
As at 31 December 2021			



## GUARDIAN ACUITY INCOME FUND

### Notes to the financial statements (Contd)

#### 10 Fair value of financial instruments (Contd)

##### Financial assets and financial liabilities not carried at fair value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values.

Accordingly, the following is a list of financial instruments of which carrying amount is a reasonable approximation of fair value.

##### Assets

Cash and Cash Equivalents  
Financial Assets - Debt Instruments at Amortised Cost  
Other Receivables

##### Liabilities

Accrued Expenses and Other Payables

#### 11 Contingent Liabilities

There were no material contingent liabilities as at the reporting date which require adjustments to, or disclosure in, the financial statements.

#### 12 Events occurring after the reporting date

There have been no material events occurring after the reporting date that require adjustments to, or disclosure in, the Financial Statements.

#### 13 Capital commitments

There were no material capital expenditure commitments as at the reporting date which require adjustments to, or disclosure in, the financial statements.

#### 14 Units in issue and unit price

Units in issue and deemed to be in issue as at 31 December 2022 is 11,394,543 (2021 28,673,366) and the creation and redemption Unit price as at this date is Rs. 11.4700 (2021 - Rs. 10.2398).

#### 15 Related party disclosure

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

##### 15.1 Management Company and Trustee

The Management Company is Guardian Acuity Asset Management Limited.

The Trustee is Deutsche Bank AG.

##### 15.2 Key management personnel

Key management personnel includes persons who were directors of Guardian Acuity Asset Management Limited at any time during the financial year.

##### Directors

Mr. R. Abeywardena  
Mr. D. C. R. Gunawardena  
Mr. K. Selvanathan  
Mr. D. P. N. Rodrigo  
Mr. S. M. Perera  
Mr. N. H. T. I Perera



# GUARDIAN ACUTY INCOME FUND

## Notes to the financial statements (Contd)

### 15 Related party disclosure (Contd)

Other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year are given below;

Ms. Crishani Perera - Fund Manager

#### 15.3 Key management personnel compensation

Key management personnel are paid by Guardian Acuity Asset Management Limited. Payments made from the Fund to Guardian Acuity Asset Management Limited do not include any amounts directly attributable for the compensation of key management personnel.

#### 15.4 Other transactions within the Fund

Apart from those details disclosed in note 15.5 and 15.6, key management personnel have not entered in to any other transactions involving the Fund during the financial year.

#### 15.5 Related party unit holding and other transactions

The following are the related party holdings of Guardian Acuity Income Market Fund.

As at 31 December 2022	Relationship	No. of Units	Value of units held	Total interest held	Distribution paid or payable by the Fund
Unit holder			Rs.	%	Rs.
Ceylon Guardian Investment Trust PLC	Joint Venture Partner in the Management Company	4,198,774	48,159,938	36.85%	Nil
Ceylon Investment PLC	Affiliate of the Management Company	3,733,355	42,821,578	32.76%	Nil
Rubber Investment Trust Ltd	Affiliate of the Management Company	2,730,451	31,318,277	23.96%	Nil
Key Management Personnel		10,000	114,700	0.09%	Nil
As at 31 December 2021	Relationship	No. of Units	Value of units held	Total interest held	Distribution paid or payable by the Fund
Unit holder			Rs.	%	Rs.
Ceylon Guardian Investment Trust PLC	Joint Venture Partner in the Management Company	7,000,000	71,678,600	24.41%	Nil
Ceylon Investment PLC	Affiliate of the Management Company	7,000,000	71,678,600	24.41%	Nil
Rubber Investment Trust Ltd	Affiliate of the Management Company	6,000,000	61,438,800	20.93%	Nil
Key Management Personnel		10,000	102,398	0.03%	Nil





# GUARDIAN ACUITY INCOME FUND

## Notes to the financial statements (Contd)

### 15 Related party disclosure (Contd)

#### 15.6 Transactions with and amounts due to related parties

The fees charged by the Management Company, Trustee and other related parties for services provided during the year and the balances outstanding from such dues as at period end are as disclosed below:

	Charge for the year 31 December 2022	Payable as at 31 December 2022	Charge for the year 31 December 2021	Payable as at 31 December 2021
Management Fees - Guardian Acuity Asset Management Limited	701,481	35,027	353,090	74,604
Trustee Fees and Custodian Fees Payable - Deutsche Bank AG	591,489	38,689	274,821	56,797
The Bank balance held at Deutsche Bank AG as at 31 December		3,558,102		641,205
DFCC Bank PLC (Joint share holder of Acuity Partners (Pvt) Ltd)	Interest earned from DFCC Bank PLC amounted to Rs. 1,819,561/- (2021 - Rs. 291,699/-). Outstanding fixed deposits maintained with DFCC Bank PLC as at 31 December 2022 is Rs. Nil (2021 - Rs. 10,791,699/-).			
Hatton National Bank PLC (Joint share holder of Acuity Partners (Pvt) Ltd)	Interest earned from Hatton National Bank PLC amounted to Rs. 1,009,066/- (2021 - Rs. Nil) Outstanding fixed deposits maintained with Hatton National Bank PLC as at 31 December 2022 is Nil (2021 - Rs. Nil)			

### 16 Reconciliation between the net asset value as per financial statements and the published net asset value

	2022	2021
Net asset value as per Financial statements	130,695,288	293,564,194
Audit fee adjustment	Nil	37,452
Interest income overprovision adjustment	Nil	7,596
Published net asset value	<u>130,695,288</u>	<u>293,609,242</u>
Number of units outstanding	11,394,543	28,673,366
Net asset value per unit	<u>11.4700</u>	<u>10.2398</u>



**Declaration by Trustees and Management Company**

*Declaration by Trustees and Management Company as per SEC Circular No: 02/2009 on Guidelines for Trustees and Managing Companies of Unit Trusts Funds.*

Deutsche Bank AG, the Trustee and Guardian Acuity Asset Management Ltd the Managers of **Guardian Acuity Equity Fund, Guardian Acuity Money Market Fund and Guardian Acuity Income Fund** hereby declare that

1. The requirements of the Guidelines for Trustees and Managing Companies of Unit Trust Funds set by the Securities and Exchange Commission of Sri Lanka have been complied with during the year.
2. The transactions were and will be carried out at an arm's length basis and on terms which are best available for the fund, as well as act, at all times, in the best interest of the fund's unit holders.

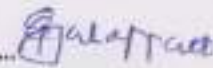



Director  
Management Company



Director  
Management Company

**DEUTSCHE BANK AG**  
Colombo Branch



Trustee of the Fund  
Authorized Signatories  
Trustee