



GUARDIAN ACUITY EQUITY 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 Equity Fund (Inception: 27th February, 2012)

Fund Manager

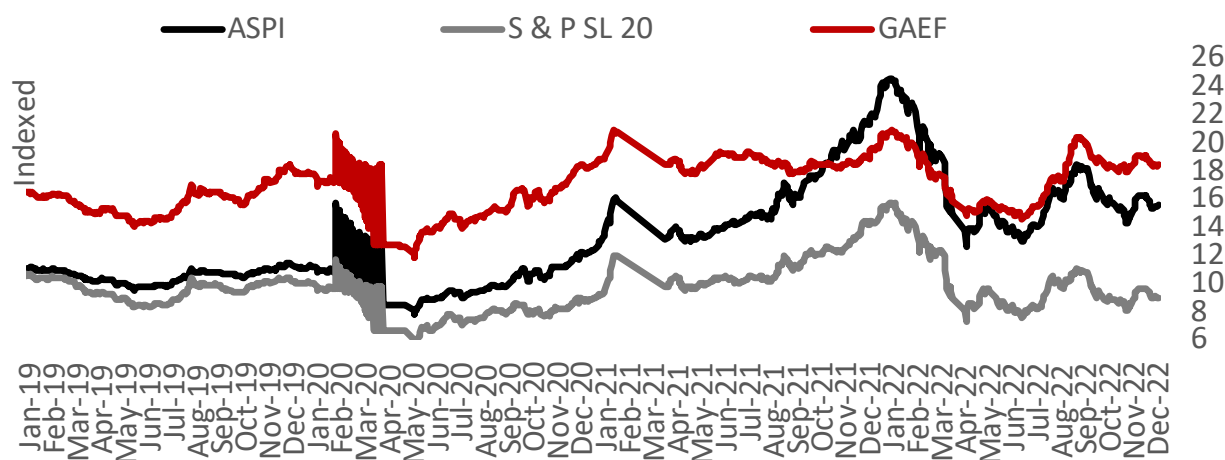
Crishani Perera

Fund Objective and Benchmark

The Fund is an open-ended growth fund which invests in a diversified portfolio of listed equity securities in Colombo Stock Exchange with the objective of achieving medium to long term capital appreciation.

Commentary

Fund return vs Benchmark return



PERIOD*	FUND	BENCHMARK		
		ASPI	S&P SL 20	ASTRI
2022	-4.79%	-30.56%	-37.74%	-30.56%
Since Inception Cum.	83.95%	55.02%	-10.83%	71.50%
Since Inception CAGR	5.78%	4.12%	-1.05%	5.10%

Note : All Share Price Index (ASPI) ,All Share Total Return Index(ASTRI) & S&P Srilanka 20 Index (S&P SL 20) are based on CSE data as of 30th December 2022

* Performances are based on month end prices as of 30th December 2022

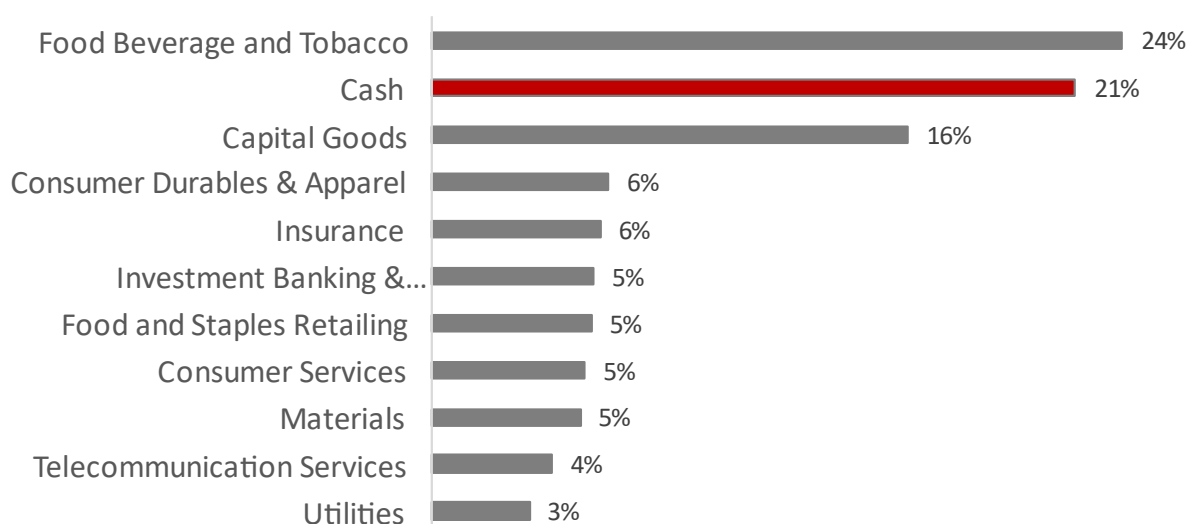
Performance data included in this document represents past performance and is no guarantee of the future results.

For the period ended 2022, the fund recorded a decline of 4.79% outperforming the benchmark ASPI's steeper decline of 30.56%. During the period the fund consciously reduced its equity exposure while opportunistically investing in certain sectors which were still expected to benefit despite local macro crisis. Since inception the fund has provided a return 83.95% outperforming the All-Share Price Index's performance of 55.02% for the same period.

Exhibit 08 : Top 5 holding of the fund as at December 31, 2022

TOP 5 HOLDINGS BASED ON NAV		
STOCK	TICKER	% OF NAV
JOHN KEELLS HOLDINGS PLC	JKH.N0000	10%
HEMAS HOLDINGS PLC	HHL.N0000	6%
TEEJAY LANKA PLC	TJL.N0000	6%
DISTILLERIES COMPANY OF SRI LANKA PLC	DIST.N0000	6%
CEYLINCO INSURANCE PLC	CINS.N0000	6%

Exhibit 09 : Sector allocation of the fund as at December 31, 2022



The largest company exposure for the fund as at 31st December 2022 John Keells Holdings which is expected to benefit from a rebound in tourism sector both in Sri Lanka and Maldives and improved prospects in Cinnamon Life project with change of government regulations regarding casino business.

During 2022, we drastically reduced exposure to banking sector. We expect banks to face further asset quality pressures in the short term with the sharp deterioration in the health of the Sri Lankan economy that will flow through to their respective loan books.

We continue in our efforts to rebalance our core positions with a medium-term view as our bottom-up stock selection approach targets companies with sustainable business model, long term structural growth prospects and attractive valuations based on our earnings/cashflow forecast.

As at 31st December 2022, the total net asset value of the fund was Rs.99.15 million with 260 unit holders in the fund.

GUARDIAN ACUITY EQUITY FUND

**FINANCIAL STATEMENTS
31 DECEMBER 2022**

GUARDIAN ACUTY EQUITY FUND

**FINANCIAL STATEMENTS
31 DECEMBER 2022**



GUARDIAN ACUITY EQUITY FUND

FINANCIAL STATEMENTS - 31 DECEMBER 2022

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Independent auditor's report

To the Unitholders of Guardian Acuity Equity 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 Equity 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 Equity 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 Equity 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 EQUITY FUND**Statement of profit or loss and other comprehensive income**

(all amounts in Sri Lankan Rupees)

	Notes	Year ended 31 December	
		2022	2021
Income			
Interest income	4	1,340,753	1,276,461
Dividend income		4,590,761	12,332,111
Realised gain on financial assets at fair value through profit or loss	7.3	6,048,826	6,448,668
Unrealised loss on financial assets at fair value through profit or loss	7.4	(12,708,457)	(66,313)
Total (expense) / income		(726,117)	19,991,927
Operating expenses			
Management fees		(2,703,390)	(6,215,652)
Trustee and custodian fees		(538,408)	(940,319)
Audit fees		(324,649)	(275,000)
Brokerage expenses		(2,391,765)	(5,805,142)
Tax consultancy fees		(221,283)	Nil
Other operating expenses		(29,717)	(175,514)
Total operating expenses		(6,209,212)	(13,411,626)
(Loss) / profit before tax		(6,935,329)	6,580,300
Income tax expense	6	Nil	Nil
Net (loss) / profit after tax for the year		(6,935,329)	6,580,300
(Decrease) / increase in net assets attributable to unit holders		(6,935,329)	6,580,300

The notes on pages 8 to 22 form an integral part of these financial statements

Independent auditor's report - pages 1 to 3



GUARDIAN ACUITY EQUITY FUND

Statement of financial position

(all amounts in Sri Lankan Rupees)

	Notes	As at 31 December	
		2022	2021
Assets			
Financial assets at fair value through profit or loss	7	77,878,575	130,176,933
Financial instruments at amortised cost	8	10,026,710	Nil
Other receivables	9	89,000	9,657,151
Cash and cash equivalents	5	11,969,648	20,316,137
Total assets		99,973,933	160,150,221
Liabilities			
Accrued expenses and other payables	11	823,567	10,128,069
Liabilities (excluding net assets attributable to unit holders)		823,567	10,128,069
Net assets attributable to unit holders		99,150,366	150,022,151
Unit holders' funds			
Net assets attributable to unit holders		99,150,366	150,022,151

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 24.03.2023.


Director
Management Company

DEUTSCHE BANK AG
Colombo Branch

 
Trustee

Authorised Trust


Director
Management Company

The notes on pages 8 to 22 form an integral part of these financial statements



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

(all amounts in Sri Lankan Rupees)

	Notes	Year ended 31 December	
		2022	2021
Net assets attributable to unit holders at 1 January		150,022,151	352,245,799
(Decrease) / increase in net assets attributable to unit holders		(6,935,329)	6,580,300
Proceeds from creation of units		19,410,785	50,565,975
Paid on redemption of units		(63,347,241)	(259,369,923)
Net decrease due to unit holders' transactions		(43,936,456)	(208,803,948)
Net assets attributable to unit holders at 31 December		99,150,366	150,022,151

The notes on pages 8 to 22 form an integral part of these financial statements

Independent auditor's report - pages 1 to 3



GUARDIAN ACUITY EQUITY FUND**Statement of cash flows**

(all amounts in Sri Lankan Rupees)

	Notes	Year ended 31 December	
		2022	2021
Cash flows from operating activities			
Interest received		1,340,753	1,276,461
Dividend received		4,590,761	12,897,474
Management fees and trustee fees paid		(3,302,869)	(7,592,365)
Other expenses paid		(2,968,024)	(6,298,670)
Net cash (used in) / generated from operating activities		(339,379)	282,900
Cash flows from investing activities			
Proceeds from sale of equity securities		142,571,734	342,232,771
Purchase of equity investments		(96,834,871)	(169,157,061)
(Purchase) / maturity of treasury bill / bond repurchase agreements		(10,026,710)	58,695,139
Net cash generated from investing activities		35,710,153	231,770,829
Cash flows from financing activities			
Proceeds from creation of units		19,367,785	50,631,975
Payments on redemption of units		(63,085,048)	(264,395,125)
Net cash used in financing activities		(43,717,263)	(213,763,150)
Net (decrease) / increase in cash and cash equivalents		(8,346,489)	18,290,579
Cash and cash equivalents at the beginning of the year		20,316,137	2,025,559
Cash and cash equivalents at the end of the year	5	11,969,648	20,316,137

The notes on pages 8 to 22 form an integral part of these financial statements

Independent auditor's report - pages 1 to 3



GUARDIAN ACUITY EQUITY 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 Equity Fund is an open ended unit trust fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 27 February 2012.

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 88, Galle Road, Colombo 03.

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

The main investment objective of the Fund is to achieve long term capital appreciation through prudently investing in a portfolio of listed shares and to provide investors an opportunity to participate in the long term performance of the Sri Lankan equity market thus giving investors access to investments with medium to long term capital growth potential. The Fund will invest in a diversified portfolio of companies to maximise the performance of the Fund.

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.

2.2 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 Deed 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 EQUITY 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 EQUITY 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 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 a two notches downgrade of the external credit rating of the counterparty since the origination of the instrument.

For debt instruments at amortised cost issued by Sovereign, the Fund applies the low risk simplification.

The Fund's debt instruments at amortised cost comprise solely of Treasury bill repurchase agreements that are obtained from primary dealers with a collateral of either treasury bills or bonds that are graded in the top investment category-AAA rating and, therefore, are considered to be low risk investments.



GUARDIAN ACUITY EQUITY FUND

Notes to the financial statements (Contd)

2 Summary of significant accounting policies (Contd)

2.7 Offsetting 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.

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 Dividend income

Dividend income is recognised when the right to receive payment 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.

2.13 Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

2.14 Increase / (decrease) in net assets attributable to unit holders of the Fund

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.



GUARDIAN ACUITY EQUITY FUND

Notes to the financial statements (Contd)

2 Summary of significant accounting policies (Contd)

2.15 Income tax

Until 31 March 2018 the Fund was liable to pay income tax at the rate of 10% in accordance with the Inland Revenue Act No.10 of 2006. Thereafter, 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, post 31 March 2018, 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.

2.16 Expenses

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

Management fee	- 2.25% 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

2.17 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.

2.18 Collateral

The Fund does not hold any collateral as at 31 December 2022 (2021: Nil).

3 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including price risk and 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 maximise 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, 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.



GUARDIAN ACUITY EQUITY FUND

Notes to the financial statements (Contd)

3 Financial risk management (Contd)

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.

3.1 Market risk

Market risk represents the risk that the value of the Fund's investments portfolios will fluctuate as a result of changes in market prices. While market risk cannot be eliminated the Fund manager will attempt to reduce this risk by diversifying the Fund's investment portfolio in line with investment objectives of the Fund is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the All Share Price Index (ASPI). The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. Note 7.2 provides a summary of the significant sector concentrations within the equity portfolio, net of securities sold short.

(a) Price risk

Price risk is the risk that the fair value of the Fund's investment in trading securities in fluctuates as a result of changes in the price of the Fund's investments in trading securities. Price risk exposure arises from the Fund's investment portfolios.

This risk is managed by ensuring that all investment activities are undertaken in accordance with established investment restrictions and investments strategies. As such, Unit holders can manage this risk through their choices of which investment portfolios to participate in.

Within the underlying investment portfolio, diversification is achieved at a number of levels. The diversified portfolio is invested across a range of market sectors.

Paragraph below sets out how this component of price risk is managed and measured. Investments are classified in the statement of financial position at fair value through profit or loss. All securities investments present a risk of loss of capital, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The table below shows the impact on the statement of profit or loss and other comprehensive income and statement of financial position due to a reasonably possible change in the price of the Fund's investment in financial assets held at fair value through profit or loss in Note 7, with all other variables held constant.

	2022	2021
	Increase / (decrease) of (loss) /	profit before tax and amounts
	profit before tax and amounts	attributable to Unit Holders
Change in price of the Fund's investments in financial assets held at fair value through profit or loss		
+ 10%	7,787,858	13,017,683
- 10%	(7,787,858)	(13,017,683)



GUARDIAN ACUITY EQUITY FUND

Notes to the financial statements (Contd)

3 Financial risk management (Contd)

(b) 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>				
Cash and cash equivalents	Nil	Nil	11,969,648	11,969,648
Other receivables	Nil	Nil	99,000	99,000
Total exposure	Nil	Nil	12,068,648	12,068,648

31 December 2021	Floating	Fixed interest rate	Non- interest bearing	Total
<i>Financial assets</i>				
Cash and cash equivalents	Nil	Nil	20,316,137	20,316,137
Other receivables	Nil	Nil	9,657,150	9,657,150
Total exposure	Nil	Nil	29,973,287	29,973,287

3.2 Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in government repurchase agreements and cash and cash equivalents.

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 risk free.

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.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

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
Cash and cash equivalents	11,969,648	20,316,137
Other assets	99,000	9,657,150
Total	12,068,648	29,973,287



GUARDIAN ACUITY EQUITY FUND

Notes to the financial statements (Contd)

3 Financial risk management (Contd)

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. The amounts stated below are the contractual undiscounted cash flows.

	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	147,497	266,404	409,666	Nil
<i>31 December 2021</i>				
Accrued expenses and other payables	9,505,384	327,476	295,209	Nil

3.4 Capital risk management

The Fund considers its net assets attributable to unit holders as capital. 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. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

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 term of value

Unit Holders' Funds as at 01 January 2022	150,022,151
Creations during the year	19,410,785
Redemptions during the year	(63,347,241)
Increase in net assets attributable to Unit Holders	(6,935,329)
Unit Holders' Funds as at 31 December 2022	99,150,366

In term of no. of units

Opening no of units as at 01 January 2022	7,690,293
Unit creations during the year	959,507
Unit redemptions during the year	(3,310,862)
Closing no of units as at 31 December 2022	5,338,938



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 ACUITY EQUITY FUND

Notes to the financial statements (Contd)

4 Interest income

	2022	2021
Interest income on		
Treasury bill / bond repurchase agreements (Note 4.1)	828,276	1,163,267
Savings deposits (Note 4.1)	512,477	113,194
Total	1,340,753	1,276,461

4.1 As detailed under Note 2.15, subsequent to the enactment of the new Inland Revenue Act No. 24 of 2017, effective 01 April 2018, Notional Tax is not applicable for treasury bill/bond repurchase agreements. In relation to interest income from savings deposits, interest income has been recognised net of withholding tax as the Fund considers its income to be a pass through to its unit holders. Effective 01 January 2020, withholding tax was abolished in respect of dividend, interest, discount charge, natural resource payment, rent, royalty, premium or retirement payment received and /or on service performed by resident persons.

5 Cash and cash equivalents

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

	2022	2021
Cash at bank	11,969,648	20,316,137
Total	11,969,648	20,316,137

6 Taxation

With effect from 01 April 2018, no income tax is recognised in the financial statements as the fund has considered all income as being passed through to its Unit Holders.

	2022	2021
6.1 Tax loss brought forward	3,487,359	3,487,359
Adjustments based on prior period income tax returns	Nil	Nil
Tax losses incurred during the year	Nil	Nil
Tax losses carried forward	3,487,359	3,487,359

6.2 Income Tax Receivable

	2022	2021
Income tax receivable	1,295,897	1,295,897
Impairment provision for carried forward notional tax credit (Note 6.3)	(1,295,897)	(1,295,897)
	Nil	Nil

6.3 As of 31 December 2022, Income Tax Recoverable comprises of Notional Tax Credit amounting to Rs. 1,214,257 and WHT credit of Rs 81,640. Notional Tax credit carried forward balance will be carried forward as per section 138(2) of the inland Revenue Act No. 10 of 2006 to be set off against future income tax liability if any within three consecutive years of assessment commencing from the year of assessment 2018/2019. However, 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. Therefore, the Manager is unable to assess with reasonable certainty that there will be a future income tax liability to offset this income tax receivable balance. Accordingly, an impairment provision is made against the income tax receivable balance amounting to Rs. 1,295,897 (2021 - Rs.1,295,897).



GUARDIAN ACUITY EQUITY FUND

Notes to the financial statements (Contd)

7 Financial assets at fair value through profit or loss

	2022		2021	
	Cost	Carrying value	Cost	Carrying value
- Equity securities (Note 7.1)	90,585,032	77,878,575	130,243,246	130,176,933
Total financial assets at fair value through profit or loss	90,585,032	77,878,575	130,243,246	130,176,933

Other net changes in fair value on financial assets at fair value through profit or loss:

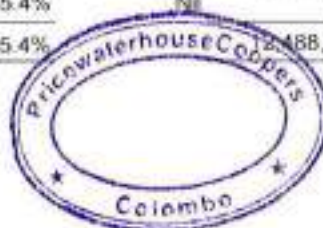
- Realised		6,048,826	6,449,668
- Change in unrealised		(12,706,457)	(66,313)
Total net changes in fair value on financial assets at fair value through profit or loss		(6,657,631)	6,383,355

7.1 Investment in equity shares

	2022	2021
Cost as at 31 December	90,585,032	130,243,246
Unrealised loss on financial assets at fair value through profit or loss	(12,706,457)	(66,313)
Market value as at 31 December	77,878,575	130,176,933

7.2 Equity investment by category

Company	2022			2021		
	Number of Shares	Fair Value	% of net assets	Number of Shares	Fair Value	% of net assets
Banks						
Commercial Bank of Ceylon PLC	Nil	Nil	0.0%	89,011	7,058,572	4.7%
Sampath Bank PLC	Nil	Nil	0.0%	135,612	7,065,385	4.7%
		Nil	0.0%		14,123,958	9.4%
Capital Goods						
John Keells Holdings PLC	71,975	9,734,619	9.8%	45,675	6,851,250	4.6%
Hemas Holdings PLC	106,457	6,004,175	6.1%	140,308	9,386,605	6.3%
Access Engineering PLC	Nil	Nil	0.0%	175,000	5,582,500	3.7%
Royal Ceramic Lanka PLC	Nil	Nil	0.0%	59,600	4,654,760	3.1%
Richard Peiris & Company PLC	Nil	Nil	0.0%	230,000	6,658,000	3.8%
		15,738,794	15.9%		32,133,115	21.4%
Consumer Durables and Apparel						
Teejay Lanka PLC	185,000	5,864,500	5.9%	105,000	4,662,000	3.1%
		5,864,500	5.9%		4,662,000	3.1%
Consumer Services						
Aitken Spence Hotel Holdings PLC	100,000	5,080,000	5.1%	Nil	Nil	0.0%
		5,080,000	0.0%		Nil	0.0%
Diversified Financials						
People's Leasing and Finance PLC	Nil	Nil	0.0%	569,286	6,091,360	4.1%
LB Finance PLC	Nil	Nil	0.0%	90	6,120	0.0%
LOLC Holdings PLC	Nil	Nil	0.0%	5,500	6,391,000	4.3%
Capital Alliance PLC	270,000	5,373,000	5.4%	Nil	Nil	0.0%
		5,373,000	5.4%		12,488,480	8.3%



GUARDIAN ACUTY EQUITY FUND

Notes to the financial statements (Contd)

7 Financial assets at fair value through profit or loss (Contd)

Company	2022			2021		
	Number of Shares	Fair Value	% of net assets	Number of Shares	Fair Value	% of net assets
Banks						
Food & Staples Retailing						
Cargills (Ceylon) PLC	22,503	5,282,579	5.3%	22,503	4,843,771	3.2%
		5,282,579	5.3%		4,843,771	3.2%
Food Beverage and Tobacco						
Ceylon Tobacco Company PLC	Nil	Nil	0.0%	3,000	2,634,000	1.8%
Distilleries Company of Sri Lanka PLC	443,818	5,858,398	5.9%	443,818	7,544,906	5.0%
Sunshine Holdings PLC	95,402	3,319,990	3.3%	226,543	10,285,052	6.9%
Ceylon Cold Stores PLC	116,000	4,280,400	4.3%	14,000	7,420,000	4.9%
Nestle Lanka PLC	5,000	4,525,000	4.6%	6,300	7,657,650	5.1%
Ceylon Grain Elevators PLC	60,003	4,830,242	4.9%		Nil	Nil
		22,814,029	23.0%		35,541,608	23.7%
Insurance						
Ceylinco Insurance PLC (Non Voting)	5,433	5,578,333	5.6%	5,433	6,503,301	4.3%
		5,578,333	5.6%		6,503,301	4.3%
Materials						
Alumex PLC	Nil	Nil	0.0%	280,000	4,452,000	3.0%
Tokyo Cement Company (Lanka) PLC	149,036	4,918,188	5.0%	74,000	4,425,200	2.9%
		4,918,188	5.0%		8,877,200	5.9%
Telecommunication Services						
Dialog Axiata PLC	469,312	3,989,153	4.0%	489,312	5,333,501	3.6%
		3,989,153	4.0%		5,333,501	3.6%
Utilities						
LVL Energy Fund PLC	540,000	3,240,000	3.3%	540,000	5,670,000	3.8%
		3,240,000	3.3%		5,670,000	3.8%
		77,878,575	78.5%		130,176,933	86.8%

7.3 Realised gain / (loss) on financial assets at fair value through profit or loss

Equity securities

	2022	2021
Proceeds on sale of equity shares	132,057,867	349,378,923
Cost of equity shares sold	(126,009,041)	(342,929,255)
	6,048,826	6,449,668

7.4 Unrealised (loss) / gain on financial assets at fair value through profit or loss

Equity securities	(12,706,457)	(66,313)
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GUARDIAN ACUITY EQUITY FUND

Notes to the financial statements (Contd)

8 Financial assets at amortised cost

	2022	2021
Debt instruments at amortised cost		
Treasury bond repurchase agreements (Note 8.1)	10,026,710	Nil
	<u>10,026,710</u>	<u>Nil</u>

8.1 Treasury Bond Repurchase Agreements

	2022		2021	
	Carrying Value Rs.	Holding as a % of Net Asset Value	Carrying Value Rs.	Holding as a % of Net Asset Value
Acuity Securities Limited	10,026,710	10%	Nil	Nil
	<u>10,026,710</u>	<u>10%</u>	<u>Nil</u>	<u>Nil</u>

9 Other receivables

	2022	2021
Amount receivable on creation of units	99,000	56,000
Sales proceeds receivable	Nil	9,601,151
	<u>99,000</u>	<u>9,657,151</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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability

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

	Level 1	Level 2	Level 3
Financial Assets Held at Fair Value Through Profit or Loss			
<i>Quoted equity securities</i>			
As at 31 December 2022	77,878,575	Nil	Nil
As at 31 December 2021	130,176,933	Nil	Nil

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 whose carrying amount is a reasonable approximation of fair value.

Assets

Cash and Cash Equivalents
Financial Instruments at Amortised Cost
Other Receivables

Liabilities

Accrued Expenses and Other Payables



GUARDIAN ACUITY EQUITY FUND

Notes to the financial statements (Contd)

11 Accrued expenses and other payables

	2022	2021
Fund manager payable	219,069	277,161
Trustee fee and custodian fee payable	47,336	50,315
Audit fee	293,252	295,209
Purchases awaiting settlement	Nil	9,505,014
Redemption payable	147,187	Nil
Tax consultancy fee	115,005	Nil
Other payables	1,718	370
	823,567	10,128,069

12 Contingent Liabilities

There were no material contingent liabilities as at the reporting date which 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 5,338,938 (2021 - 7,690,293). Unit price as at the reporting date is Rs. 18.5712 (2021 - Rs. 19.6997).

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

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

Ms. Crishani Perera - Fund Manager



GUARDIAN ACUITY EQUITY FUND

Notes to the financial statements (Contd)

15 Related party disclosure (Contd)

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 to 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

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.	%	
Ceylon Guardian Investment Trust PLC	Joint Venture partner in the Management Company	310,079	5,758,547	6%	Nil
Ceylon Investment PLC	Affiliate of the Management Company	310,079	5,758,547	6%	Nil
Key Management Personnel		239	4,435	0.004%	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.	%	
Ceylon Guardian Investment Trust PLC	Joint Venture partner in the Management Company	310,079	6,049,681	4%	Nil
Ceylon Investment PLC	Affiliate of the Management Company	310,079	6,049,681	4%	Nil
Key Management Personnel		239	4,659	0.0%	Nil

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	2021	Payable as at 31 December 2022	2021
Management Fees - Guardian Acuity Asset Management Limited	2,703,390	2,215,652	219,069	277,161
Trustee Fees and Custodian Fees Payable - Deutsche Bank AG	53,605	940,319	47,336	50,315
The Bank balance held at Deutsche Bank AG as at 31 December			17,969,648	20,316,137



GUARDIAN ACUITY EQUITY FUND**Notes to the financial statements (Contd)****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	99,150,388	150,022,151
Audit fee adjustment	Nil	1,957
Dividend write off	Nil	14,359
Published Net Asset Value	<u>99,150,388</u>	<u>150,038,467</u>
Number of units outstanding	5,338,938	7,690,293
Net Asset Value per Unit	<u>18.5712</u>	<u>19.5101</u>

17 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.



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.

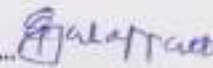



Director
Management Company



Director
Management Company

DEUTSCHE BANK AG
Colombo Branch



Trustee of the Fund
Authorized Signatories
Trustee