



GUARDIAN ACUITY ASSET MANAGEMENT LTD



Securing Your Future



Annual Report 2015



Securing Your Future

We at Guardian Acuity Asset Management take pride in our expertise in helping you secure your future. In 2015 we expanded our product portfolio to include gilt edged securities to help you structure the best investment package to suit your needs and aspirations. During the year our financial expertise generated enhancement in client wealth that has contributed towards building secure, stable futures and investment solutions for corporates that are of high quality and diverse.

Guardian Acuity Asset Management Ltd

UNIT TRUST FUNDS

Unit Trust Management Company

(Joint Venture Between Ceylon Guardian Investment Trust PLC
and Acuity Partners)

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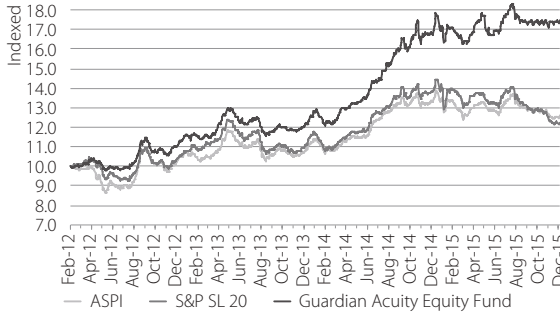
BUSINESS GROWTH

Performance

Since Inception Performance

(Since 2012 to 2015)

Guardian Acuity Equity Fund Vs. Market

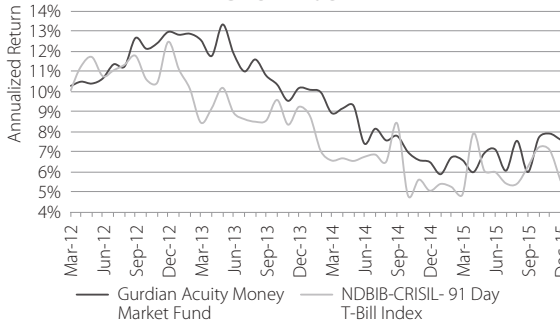


71.60%

15.08%

(Annualized average return)

Gurdian Acuity Money Market Fund Vs. NDBIB CRISIL Index

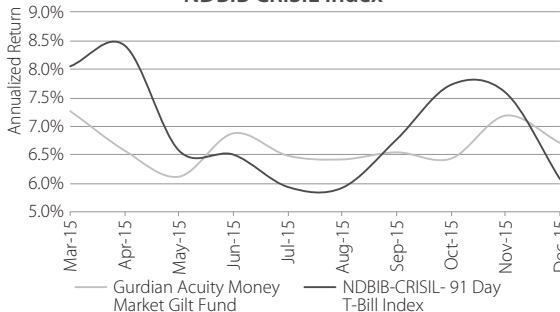


43.49%

11.31%

(Annualized average return)

Gurdian Acuity Money Market Gilt Fund Vs. NDBIB CRISIL Index



4.82%

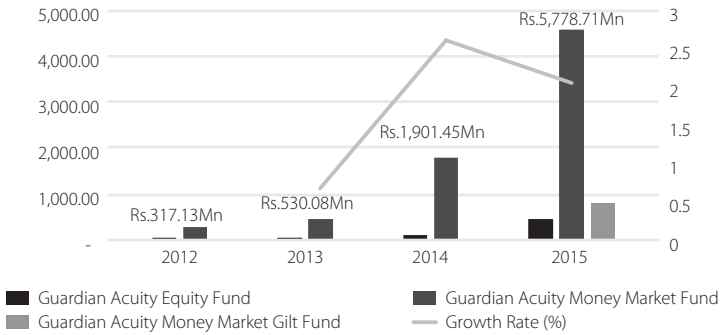
6.24%

(Annualized average return)

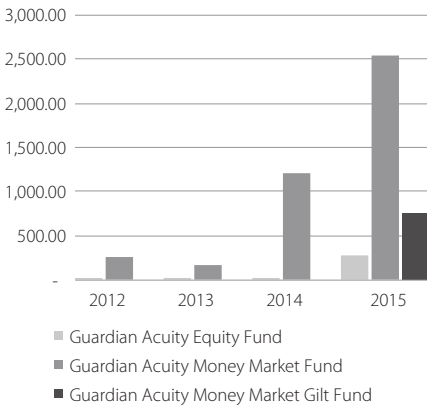


The fund inflows, outflows, AUM and unit holder base of our 3 unit trust funds have continuously grown as follows

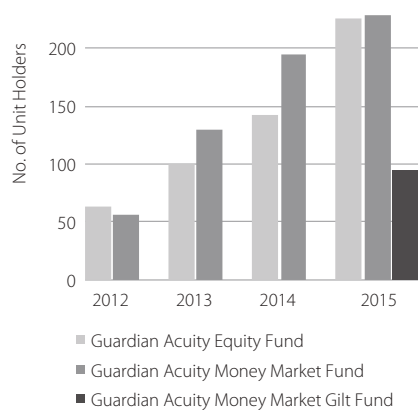
AUM Growth

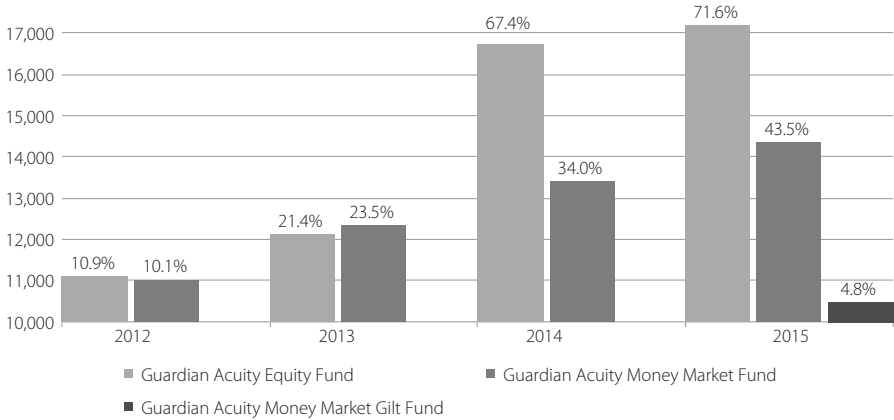


Net Fund Inflows



Unit Holders



BUSINESS GROWTH**How Rs. 10,000 invested has grown since inception**

* Percentage figures indicate since inception cumulative performance

Growth of Profits of Unit Trust Funds

Fund	Guardian Acuity Equity Fund	Guardian Acuity Money Market Fund	Guardian Acuity Money Market Fund
2013	3,176,075	44,014,457	-
Growth (YoY)	-12%	82%	-
2014	23,427,797	81,530,045	-
Growth (YoY)	638%	85%	-
2015	6,304,379	237,150,047	41,846,273
Growth (YoY)	-73%	191%	-



FUND INFORMATION

		Guardian Acuity Equity Fund	Guardian Acuity Money Market Fund	Guardian Acuity Money Market Gilt Fund
Fund Objective		To achieve medium to long term capital appreciation	To provide an annual income for a low level of risk	To provide a secure annual income by investing in a portfolio of government securities
Fund Strategy		The Fund will invest in a diversified portfolio of stocks on the Colombo Stock Exchange with an exposure to growth sectors of the economy	The fund will invest in a portfolio of money market securities in order to maximize the fund yield for a low level of risk	The fund will invest in a portfolio of government securities to provide a secure annual income
Fund Fee Structure	Front End Fee	Nil	Nil	Nil
	Management Fee	2.25% p.a	0.60%p.a	Maximum 0.3% of NAV p.a
	Trustee Fee	0.25%p.a+Rs.15,000 p.m	0.15% p.a	Maximum 0.2% p.a based on the Fund size + Rs.25,000/-p.m
	Exit Fee	2% p.a in 1st Year, 0% thereafter	Nil	Nil
Fund Structure	Minimum Subscription	Rs.1,000/-	Rs.1,000/-	Rs.1,000/-
	Fund Structure	Open Ended	Open Ended	Open Ended
	Switching	Allowed	Allowed	Allowed
	Dividend	-	Annual	Annual
	Initial Offer Price	Rs.10/-	Rs.10/-	Rs.100/-
	Inception Date	27 February 2012	27 February 2012	24 March 2015
Liquidity	Redemption Period	Within T+3 days	Within T+3 days	Within T+3 days

SERVICE PROVIDERS

Fund Manager

Guardian Acuity Asset Management Limited
No.61, Janadhipathi Mawatha, Colombo 01



Promoters

Acuity Partners (Pvt) Ltd
(Joint Venture between HNB and DFCC
Banks)
53, Dharmapala Mawatha, Colombo 03



Ceylon Guardian Investment Trust PLC
(A Carson Cumberbatch company)
61, Janadhipathi Mawatha, Colombo 01



Distributors

Selected Branches of Hatton National Bank
479, T.B Jaya Mawatha, Colombo 10



Bartleet Religare Securities (Pvt) Ltd.
Accede Capital (Pvt) Ltd.

Trustee & Custodian

Deutsche Bank AG, Filiale Colombo
86, Galle Road, Colombo 03

Banker

Deutsche Bank AG, Filiale Colombo
Hatton National Bank
Commercial Bank
DFCC Bank

Auditors

Ernst & Young
201, De Saram Place, Colombo 10

Registrar

Guardian Acuity Asset Management Ltd.
No.61, Janadhipathi Mawatha,
Colombo 01



CHAIRMAN'S MESSAGE



We are pleased to submit to our unit holders the annual report of Guardian Acuity Unit Trust Funds. This will be the fourth year in operation for the joint venture between Ceylon Guardian Investment Trust PLC (a subsidiary of Carson Cumberbatch PLC) and Acuity Partners Limited, (the investment banking arm of HNB and DFCC). The funds have outperformed their respective benchmarks and assets under management have grown to Rs.5.8 billion through the fund management expertise of Guardian Fund Management and the marketing and distribution strengths of Acuity Partners.

In addition to the established Equity Growth Fund and Money Market Fund the company launched a new Money Market fund with a strategy focusing purely on gilts in February 2015. The new fund was launched keeping in line with the company's vision of introducing funds that allow investors better access to capital markets to fulfil their investment objectives. The unit trust industry has grown

CHAIRMAN'S MESSAGE

The Sri Lankan economy has grown in 2015 by 4.8% with a more challenging year ahead in 2016. Despite 2016 being presented with challenges such as foreign outflows, fiscal deficit concerns and monetary policy tightening we are confident of the long term potential of Sri Lanka and unleashing of its economic potential.

significantly since the funds were launched in February 2012 with the industry size now being Rs. 128 billion. We expect capital markets to develop rapidly and the unit trust industry to grow significantly with investors needing a professionally managed and cost effective solution when investing. Our objective is to deliver constantly good returns with a carefully managed level of risk.

The Sri Lankan economy has grown in 2015 by 4.8% with a more challenging year ahead in 2016. Despite 2016 being presented with challenges such as foreign outflows, fiscal deficit concerns and monetary policy tightening, we are confident of the long term potential of the Sri Lankan economy.

I would like to thank the unit holders for the confidence and trust they have placed with the company. I would also like to express my gratitude to the management team, our staff and my colleagues on the Board for their much valued contributions.

Sgd.

Chandima Gunawardena
Chairman



BOARD OF DIRECTORS



Chandima Gunawardena
Chairman

Chandima Gunawardena serves as a Non-Independent, Non-Executive Director of Carson Cumberbatch PLC and in most of the Carsons Group Companies in Sri Lanka and overseas. He is also a Director of Bukit Darah PLC. Since assuming Non-Executive status in the Group, he serves as an advisor to the Group's Strategic Planning and Management forums in Sri Lanka and serves on Board committees including the Audit Committees of the Group in Sri Lanka and overseas covering all operating sectors of the Group. Mr. Gunawardena has over four decades of experience in varied fields of business and commercial activities and has held senior positions in Corporate, Mercantile and State Institutions. He was appointed to the Carsons Group Directorate in 1990. He has served in the Management Committee of the Ceylon Chamber of Commerce for over 10 years and was a Founder Council member of the Sri Lanka Institute of Directors (SLID) and continued to serve in the council for over 10 years. He is a fellow of the Chartered Institute of Management Accountants, UK.

Tyrone De Silva
Non-Executive Director

Tyrone de Silva is the Executive Vice President responsible for Investments, International Relations and Strategic Planning for DFCC Bank. He also oversees the Investment Banking business of the Bank, which is carried out through Acuity Partners, an equally owned joint venture with Hatton National Bank. He joined DFCC in 1989 and has been involved in the Bank's Corporate Finance and Capital Markets businesses throughout his career. He has participated in DFCC's corporate structuring transactions including the set up or acquisition of subsidiaries and associates of the DFCC Group. He is also responsible for transaction execution and overseeing the administration and monitoring of the Bank's share portfolio. In the latter part of his career, he took charge of the Bank's Lending Business and was Executive Vice President - Lending, up to October 2015 when he took on his present responsibilities.

Tyrone is a member of DFCC's Investment, ALCO and Risk Committees and contributes to credit and investment evaluation, approval

BOARD OF DIRECTORS



and strategy. He also serves as Director on the Boards of other DFCC Group companies and those in which DFCC has a significant interest.

Prior to his career at DFCC, Tyrone was employed as a foreign exchange and money broker for a period of seven years. Here he gained extensive exposure to foreign exchange and fixed income trading, structuring of swap deals and other hybrid transactions.

Tyrone holds a Masters Degree in Business Administration from the University of Warwick (UK). He is also a Graduate Member of the Institute of Mechanical Engineers (UK).

D.P.N. Rodrigo *Non-Executive Director*

Chief Operating Officer of Hatton National Bank PLC and Director of Acuity Securities Ltd, Acuity Partners (Pvt) Ltd, HNB Assurance PLC, Credit Information Bureau of Sri Lanka, Sithma Development (Pvt) Ltd and HNB General Insurance Ltd. A Senior Banker with extensive experience in Retail Banking, Finance, Institutional Banking and Risk Management in leading local and foreign commercial Banks

operating in Sri Lanka. Elected Chairman for a two year period of the Asian Banker's Policy Advocacy Committee, a forum for advancing the cause of banking and finance in the region and promoting regional co-operating. Served as a Lecturer and Examiner for Strategic Management for the University of Wales affiliated MBA Program in Sri Lanka, Guest Lecturer at Postgraduate Institute of Management and Director Certification Program at Sri Lanka Institute of Directors. Has presented technical papers in various forums locally and overseas on Strategy, Business Transformation and Risk Management. A former President of ACCA Sri Lanka Division.

Dilshan holds a MBA from Cranfield University, UK and is a fellow of CIMA and ACCA UK Accounting bodies.

Krishna Selvanathan *Executive Director*

Krishna Selvanathan is a Director of Carsons Management Services (Private) Limited, Lion Brewery (Ceylon) PLC, Pegasus Hotels of Ceylon PLC and the Investment Sector Companies of the Carsons Group. He holds



a BA Degree in Accounting & Finance and Business Administration from the University of Kent, U.K.

Ray Abeywardena

Executive Director/Joint Managing Director

Mr. Abeywardena holds an MBA from the University of Wales and a Post Graduate Diploma in Marketing from The Chartered Institute of Marketing, UK (CIM). He serves as the Group Managing Director/CEO of Acuity Partners (Pvt) Ltd; a Joint Venture Investment Banking firm equally owned by the DFCC Bank and Hatton National Bank PLC. He has over 28 years of work experience in the Capital markets in Sri Lanka of which 22 years was spent in stockbroking & since 2009 he has been in Investment Banking. He was appointed to the Board of Directors of the Colombo Stock Exchange in 2013. He is the Chairman of Acuity Stockbrokers (Pvt) Ltd & Acuity Securities Ltd, and he also holds Directorships in Asian Alliance PLC & Lanka Ventures PLC.

Ruvini Fernando

Executive Director/Joint Managing Director

Ruvini Fernando is CEO of Guardian Fund Management Limited, investment managers of the Ceylon Guardian Group and a Director of The Sri Lanka Fund, a country fund dedicated to Sri Lankan equities. The Ceylon Guardian Group presently has business interests in listed and private equity as well as managing mutual funds and institutional client portfolios, a collective portfolio of assets

under management of over Rs.35bn. She counts approximately 25 years' experience in diverse fields of accounting, finance, strategic planning and investment management, of which 10 years have been with the Ceylon Guardian Group. She was a former visiting faculty member of the MBA programme of the Postgraduate Institute of Management (PIM). She is a Fellow of the Chartered Association of Certified Accountants (ACCA), UK and the Chartered Institute of Management Accountants (CIMA), UK and holds a Masters in Business Administration from the PIM, University of Sri Jayewardenepura. She currently serves as member of the Banking, Finance and Capital Markets Committee of the Ceylon Chamber of Commerce.

Sumith Perera

(Alternate Director to Krishna Selvanathan)

Senior Fund Manager, Guardian Fund Management Ltd. Has over 11 years' experience in the field of Asset Management working as a Fund Manager for CAAM Saudi Fransi LLC (Kingdom of Saudi Arabia), Investment Analyst for Eagle NDB Fund Management (Sri Lanka) and as a Financial Analyst for John Keells Stockbrokers. He holds a BSc (Hons) in Economics and Business Finance from Brunel University, UK and is an Associate Member of the Chartered Institute of Management Accountants.

MANAGEMENT TEAM



Ruvini Fernando
(MBA, FCCA, FCMA)

Ruvini's profile is given in page 11.

Tharinda Jayawardana
(CFA, ACMA, B.Sc Finance (Hons))

Head of Research, Guardian Fund Management Ltd. Has over 10 years of experience in investment research. Before joining the Carsons group, he worked as a research analyst at JB Securities (Pvt) Ltd. Is a CFA charter holder and an associate member of the Chartered Institute of Management Accountants. Also holds a BSc Degree from the University of Sri Jayewardenepura specializing in Finance.

Sumith Perera
(B.Sc (Hons), ACMA)

Sumith's profile is given in page 11.

Asanka Jayasekara
(B.Sc. Finance (Hons), ACMA)

Fund Manager, Guardian Fund Management Limited/ Guardian Acuity Asset Management Ltd. Unit Trust and Manager-Research, Guardian Fund Management Limited. Has over 9 years' experience in asset management and investment research. He worked as a research analyst at JB Securities (Pvt) Ltd. Also holds a B.Sc. Finance (Hons) Degree from the University of Sri Jayewardenepura, Sri Lanka and is an associate member of the Chartered Institute of Management Accountants.



Sashika Wickramaratne

(B.Sc. Business Administration (Special), CIMA Passed Finalist)

Assistant Fund Manager, Guardian Fund Management Ltd / Guardian Acuity Asset Management Ltd. Has over 5 years of experience in the field of Asset Management. He holds B.Sc. Business Administration (Special), from the University of Sri Jayewardenepura, Sri Lanka and is a passed Finalist of the Chartered Institute of Management Accountants.

Lakmal Wickramaarachchi

(B.Sc. Finance (Special), ACA)

Accountant, Guardian Fund Management Limited. Commenced career at KPMG, Chartered Accountants, prior to joining the Carsons Group. Counts over 7 years of experience in auditing and accounting. Associate Member of the Institute of Chartered Accountants of Sri Lanka. Holds a B.Sc. Finance (Special) Degree from the University of Sri Jayewardenepura, Sri Lanka.

Champa Perera

(B.Sc. Accounting (Special), ACA)

Manager - Portfolio Operations, Guardian Fund Management Ltd with over 9 years' experience in operations, auditing, accounting and financial reporting. She worked as Finance Manager at Hada Group, Dubai & Hayleys Group and as an Assistant Manager at KPMG. Holds a Bsc Accounting (Special) in degree from University of Sri Jayewardenepura, Sri Lanka and is an Associate Member of the Chartered Institute of Accountants, Sri Lanka.

Mohandas V Thangarajah

General Manager of Guardian Acuity Asset Management Limited. Over 18 years of financial industry experience having worked as an inter-bank money broker, a bond trader and a stock broker. Has also worked as a financial journalist, and, was sent to Mumbai as a Rotary Group Study Exchange scholar where he received wide exposure to the capital markets of India.

MANAGEMENT TEAM



Roshan Fernando

(Dip M(UK), ACIM, MBA-Cardiff)

Manager - Business Development, Guardian Acuity Asset Management Ltd. Has over 10 years' experience in investment advisory, business development & strategy implementation. He has also operated in the capacity of providing advisory services to reputed government & corporate funds.

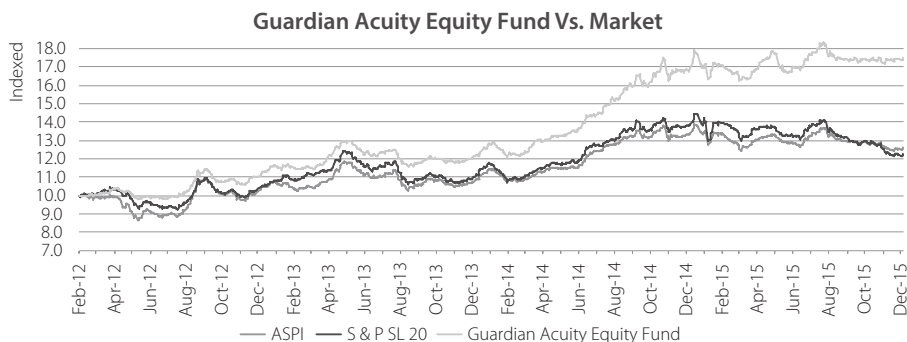


**Management
Discussion and Analysis**

MANAGEMENT DISCUSSION AND ANALYSIS

Guardian Acuity Equity Fund Review

For the year ended 2015 the Guardian Acuity Equity Fund provided a return of 2.51% outperforming the benchmark All Share Price Index by 8.05% and the S&P SL20 by 13.84%. Since inception, the fund has given a performance of CAGR (Compound Annual Growth Rate) of 15.08% p.a. (annual average) compared to the All Share Price Index CAGR of 6.17% (annual average).



FUND PERFORMANCE			
Period	Guardian Acuity Equity Fund	ASPI	S&P SL 20
2015	2.51%	-5.54%	-11.33%
Since Inception Cumulative	71.60%	25.89%	22.67%
Since Inception CAGR	15.08%	6.17%	5.46%

* Inception was 27th Feb 2012

Listed companies that performed well in 2015 were mostly those that benefitted from the commodity slump and improved consumption patterns. The fund held exposure to such stocks that operated in FMCG, beverage manufacturing, modern trade and fabric manufacturing. Bank stock prices did not perform well relative the ASPI in 2015 largely on account of foreign selling and adverse proposals from the budget announced in November. The fund maintains its banking sector exposure as the highest sector weight as we have identified this to be a star performer in the medium term due to high loan growth, reducing cost structures and strong management expertise.



The year under review experiencing two elections, an interim budget in February and budget proposals in November, resulted in the fund maintaining a cautious equity exposure. The fund maintained an average 16% cash and cash equivalent in order to take advantage of opportunities during market downturns.

As at 31st December 2015, the highest stock weights include Distilleries, Seylan Bank, Sampath Bank and Asiri Hospitals. We maintain Distilleries as the top weight due to improving consumption patterns and an intensifying effort to crackdown on illicit liquor manufacturers resulting in volume growth for Distilleries. Seylan and Sampath bank remain the main stocks selected from the banking sector due to our expectations of strong loan growth and future cost efficiencies. Having the largest market share of hospital beds within the private sector and superior diagnostic services we remain bullish on Asiri Hospitals. The high sector weights of the fund were to the Banks Finance & Insurance sector (31.58%), Diversified Holdings sector (13.20%) and Beverage, Food & Tobacco sector (12.11%).

As at 31st December 2015, the total net asset value of the fund was Rs. 452.6 million with 225 unit holders in the fund. The Guardian Acuity Equity Fund redemption price as at 31th December 2015 was Rs. 17.16 and the subscription price was Rs. 17.49.

Guardian Acuity Money Market Fund Review

The Guardian Acuity Money Market Fund provided a 7.07% return for its investors in 2015 by outperforming the benchmark NDBIB-CRISIL 91 Day T-bill return by 85 basis points. The fund invested in high yielding fixed deposits, commercial papers and other money market instruments with issuers of investment grade rating (BBB-) and above. The fund has reduced its average maturity to 3.3 months as at Dec-15 due to an expectation that interest rates will move up in 2016 due to the developments taking place in the macro environment. As at 31st December 2015, the fund has an exposure of 65% to fixed deposits, 29% to commercial papers and 6% in Government securities.

FUND PERFORMANCE			
Period	Guardian Acuity Money Market Fund	NDBIB-CRISIL 91 Day T-Bill Index	Guardian Acuity Money Market Fund - Annualized
2015	7.07%	6.22%	7.07%
Since Inception Cumulative	43.49%	36.64%	11.31%

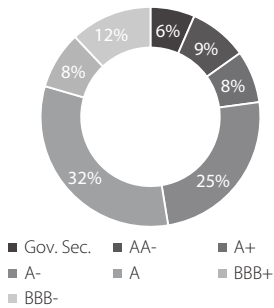
* Inception was 27th Feb 2012

MANAGEMENT DISCUSSION AND ANALYSIS

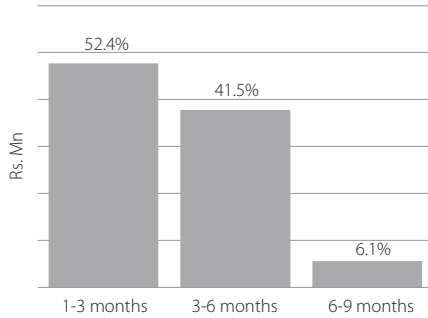
The Fund strategy emphasizes in investing in high credit quality companies of minimum investment grade to enhance capital protection for its investors. Credit quality of investee companies is evaluated by a specialist research team who supplement the credit rating report with their own views.

The BBB exposure of the fund was at 20% with the rest of the fund in the higher rated categories and government securities, thus exposing investors to a high quality of debt issuers. Returns earned from unit trusts are tax free to investors.

FUND CREDIT QUALITY



MATURITY PROFILE





Guardian Acuity Money Market Gilt Fund Review

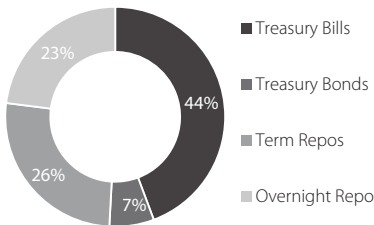
The Guardian Acuity Money Market Gilt Fund provided an annualized return of 6.24% for its investors in 2015 which underperformed the NDBIB-CRISIL 91 Day T-bill return by 26 basis points. The fund strategy is to invest in government securities consisting of Treasury Bills, Treasury Bonds and Repurchase Agreements with a maturity period less than 366 days. The underperformance was mainly due to the rising interest rate environment in 2015 whereby the fund maintained a strategy of very short duration in order to benefit from rising rates. The fund has an exposure of 44% to Treasury Bills, 7% to Treasury Bonds and 49% to Repurchase agreements.

We expect interest rates to increase in the first half of 2016 with uncertainty prevailing in the global capital markets and tightening condition in domestic economy. Our view has been proven correct in 2016 with the one year Treasury Bill yield increasing by 1.7% to 9% as at February 2016 and a policy rate increase by 50 basis points in February 2016. Hence, we will continue to invest on a very short horizon until the CBSL announces a policy rate increase.

FUND PERFORMANCE			
Period	Guardian Acuity Money Market Gilt Fund	NDBIB-CRISIL 91 Day T-Bill Index	Guardian Acuity Money Market Gilt Fund - Annualized
Since Inception	4.82%	5.02%	6.24%

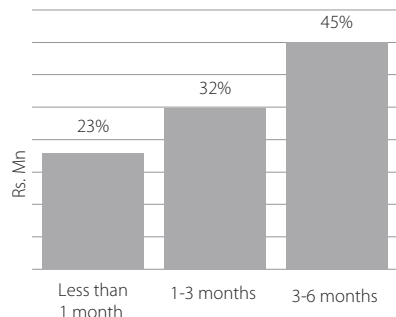
As at 31st December 2015, the total net asset value of the fund was Rs. 777.49 million with 94 unit holders in the fund.

ASSET ALLOCATION



* Inception was 24th March 2015

MATURITY PROFILE



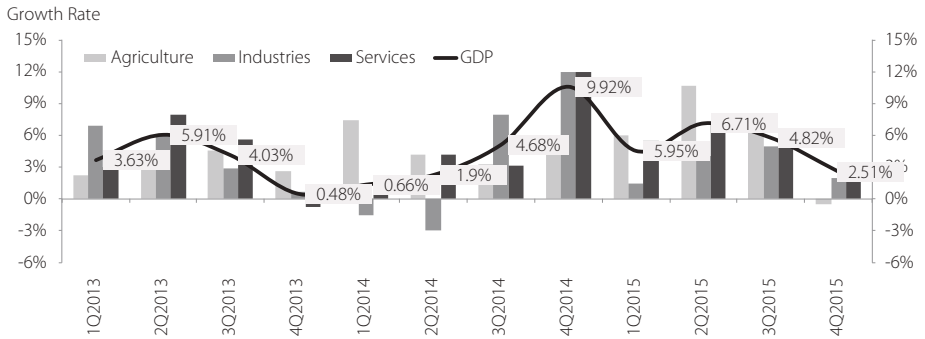
MANAGEMENT DISCUSSION AND ANALYSIS

Economic Review

Real GDP growth for 2015 was 4.8%, slowing from 4.9% in 2014. The infrastructure driven growth slowed down significantly in 2015 due to the political transition and numerous projects being put on hold. However, a strong contribution came from the services sector growing by 5.3% fueled by relatively low interest rates and high activity in the wholesale and retail trade sub-sectors. Private sector credit growth grew by 27% as at November 2015 demonstrating excessive demand growth and requiring monetary policy action to prevent overheating. We anticipate heavy monetary policy intervention in 2016 in order to prevent further overheating in the absence of capital inflows.

Agriculture sector grew by 5.5% in 2015 aided by growth in rice and vegetable cultivation which reported growths of 23.3% and 24.9% respectively during the period. The sectors' performance and contribution continues to hinge on weather patterns. The industry sector grew by only 3.0% in 2015. The slowdown in construction stemming from a general pause in infrastructure projects contributed towards the industrial sector's subdued performance for the period.

Expansionary measures taken to achieve a 5.2% budget target with more revenue proposals and an increase in interest rates could dampen the demand side of the economy. Thus, we expect real GDP growth to slow-down in 2016 on expectations of fiscal consolidation and monetary tightening.





2015 – 4.79%, FINANCIAL SERVICES (SERVICES) AND F&B (INDUSTRIAL) LEADING THE GROWTH DRIVE IN KEY SECTORS

Sector	Real Growth	Sector Contribution	Incremental Value Contribution	Key growth subsectors
Agricultural	5.50%	7.90%	9.00%	Rice, Vegetables, Fruits and Animal Production
Industrial	3.00%	26.20%	16.50%	F&B, Other Manufacturing, Electricity, Gas, steam & air conditioning
Services	5.30%	56.60%	62.60%	Financial service, Transport, Real estate and Wholesale & retail trade

External sector performance

Exports declined by 4.4% to USD 9,679 million during the first eleven months in 2015 reflecting a significant decline in tea, rubber products and sea food exports. Geo political developments, particularly in Middle East countries mainly caused the decline in tea exports. Accordingly tea exports dropped by 17%, YoY to USD 1,235 million during the first eleven months of 2015.

Expenditure on imports dropped by 2.1% to USD 17,244 million during the first eleven months of 2015. Substantial decline in international oil prices helped to reduce the import expenditure in 2015. The average import price of crude oil declined to USD 45 per barrel in November 2015 compared to USD 77 per barrel in November 2014. However, the expenditure on vehicle imports grew by 65% to USD 1,294 million during the first eleven months of 2015. Sri Lanka being a net commodity importer benefitted from lower oil prices but faced higher consumption related imports which negated the potential benefits to the trade account.

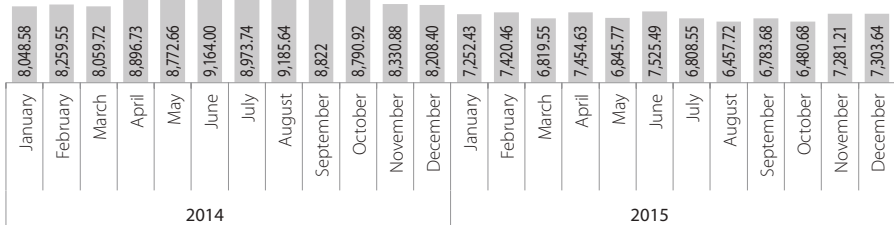
Inflows to the capital account continued to get adversely affected by the expectation of the interest rate hike in US and general apprehension over frontier and emerging markets. Foreign investors in local government securities continued to exit Sri Lanka recording a net outflow of USD 93.4 million during 2015. At the same time foreign investments in the secondary market in Colombo Stock Exchange (CSE) recorded a net outflow of USD 33 million during 2015. During the first eleven months of 2015 the net long term loan inflows to government amounted to USD 179 million. We expect capital outflows to continue in 2016 but higher levels of foreign participation in the medium term as new government policies gain traction.

MANAGEMENT DISCUSSION AND ANALYSIS

The overall BOP recorded a deficit of USD 1,272 million in November 2015, compared to a surplus of USD 1,628 million during the corresponding period of 2014.



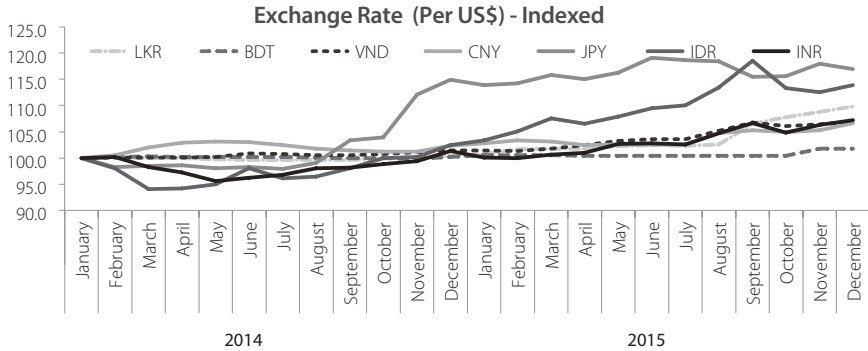
Gross Official Reserves US\$ Mn



Exchange rate movements.

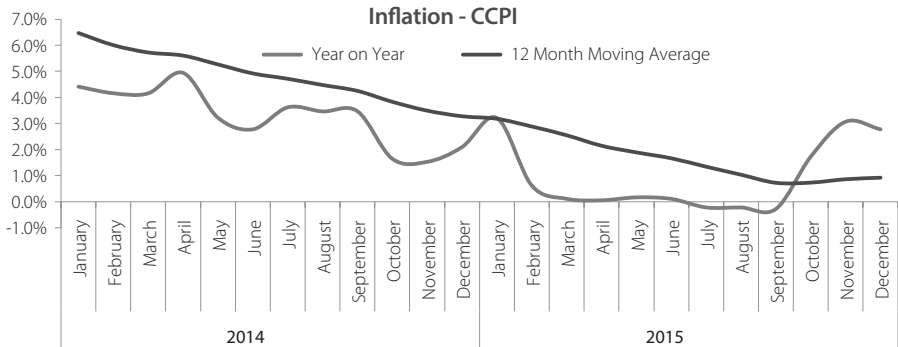
Sri Lankan rupee depreciated by 9% against the US Dollar during 2015. Continuous foreign outflow in government security market and rapid growth in non-food consumer goods imports created pressure on the rupee. Domestic overheating unless addressed through monetary policy will create further pressure on the Rupee while continued capital outflows and external debt repayments see foreign exchange reserves declining significantly. Hence, we see further pressure on the Rupee to depreciate over the short term.

Based on cross currency exchange rates movements the Sri Lankan rupee appreciated against the Indian rupee by 2.25% while depreciating against the Japanese yen by 1.1% during the year.



Inflation

Inflation remain subdued supported by lower international commodity prices and favorable domestic supply conditions. The Colombo Consumers' Price Index (CCPI) based headline inflation gradually increased to 2.8% YoY in December. From February to October 2015, inflation remained less than 1%. The rising prices seen in some vegetables and fish categories due to adverse weather conditions and supply constrains were negated by the drop in fuel and electricity prices.



Credit growth

The broad money supply (M2b) grew by 17% in 2015. The credit extended to private sector by commercial banks remained the key driver of broad money growth, recording an increase of 27% YoY in November 2015, compared to a growth of 6.5% in corresponding period last year. In absolute terms, the monthly increase in private sector credit increased to Rs.91 billion in November starting from Rs.21 billion in January 2015. The net credit obtained by the government decelerated

MANAGEMENT DISCUSSION AND ANALYSIS

to 20% YoY, in November after recording a high of 29% in May 2015. The deceleration in the credit to government sector was mainly due to the proceeds of the international sovereign bonds of USD 1.5 billion issued in October 2015. Credit to corporations also slowed down to 21% YoY in November 2015 after recording a high level of 50% in May and June 2015.

The CBSL in December 2015 increase the Statutory Liquidity Ratio (SRL) from 6% to 7.5% and also increase the policy rates by 50 basis points in February 2016 in order to curtail credit growth which mainly fuels import demand.

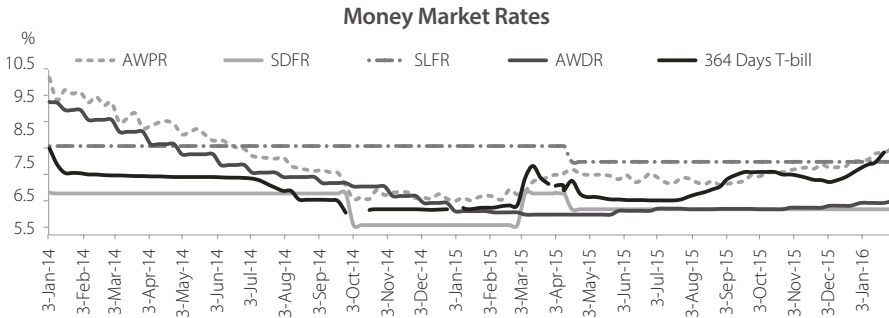
Interest Rates

The policy corridor remained unchanged from the start of the year till April 2015 with the Standing Facility Deposit rate (SDR) and Standing Facility Lending rate (SLR) remaining 6% and 8%, respectively. However, during the above mentioned period Central Bank offered a lower rate of 5.5% for standing facility deposits made more than two times per month in an effort to encourage commercial banks to lend at lower rates to the private sector. In March Central Bank removed the above mentioned rule after repaying a USD 500 million sovereign bonds in January from existing reserves. The one year Treasury bill rates increased to 7.37% during that period from 6.01% at the start of the year. The overall liquidity in the system dropped to Rs.234 billion from Rs.331 billion during that period.

In mid of April 2015 the central bank reduced the policy rates to spur private sector credit growth. The standing facility deposit rate and standing facility lending rate reduced to 6% and 7.5%, respectively. USD 650 million sovereign Bond and USD 600 million Sri Lankan Development Bond issued in March reduced ease off the state sector borrowing from the market. Accordingly, the one year Treasury bill rate came down to 6.28% at the end of June 2015.

Even though the policy rates remained unchanged during the second half of 2015, fluctuations in government security rates were seen in line with the change in overall market liquidity. During the year Central Bank intervened in the foreign exchange market to prevent the rupee depreciation and kept the interest rates low by injecting liquidity via Treasury bill purchases.

In 2016 February CBSL increase the policy corridor by 50 basis points, accordingly the SDR and SLR increase to 7% and 8.5%, respectively. We expect a further increase in interest rates to address demand side pressures which can further impact the foreign reserve position that is already declining due to external repayments.



Equity Market

The Colombo Stock Exchange remained lackluster throughout 2015 with the All Share Price Index falling by 5.54% and the S&P SL 20 index also down by 11.33%. Despite the negative return in 2015 the market had two main rallies which were both prior to the presidential election on January 8th and Parliamentary elections on August 19th. Both were mostly sentiment driven rallies while macroeconomic conditions curtailed any further positive market movements. Macroeconomic factors such as increasing interest rates, rupee depreciation, balance of payment deficits weighed heavily on market sentiment.

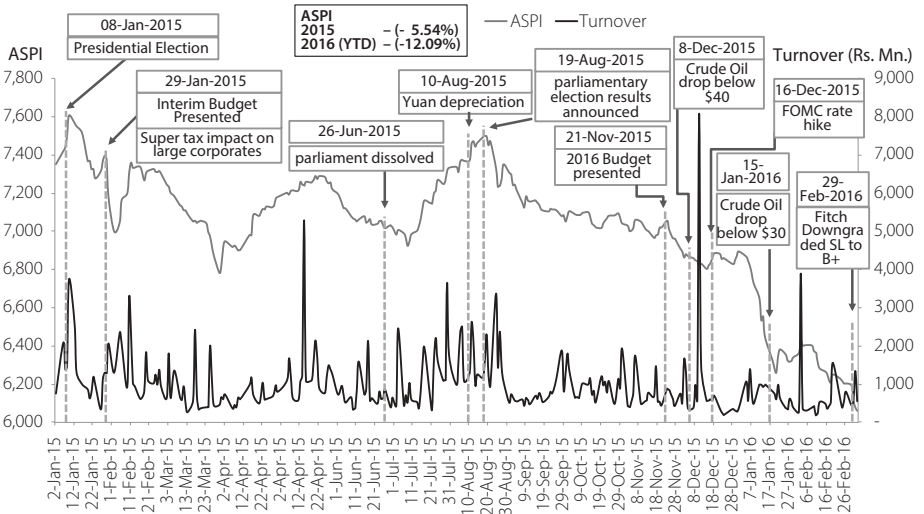
Furthermore, global economic concerns resulted in foreign investors being net sellers in 2015 to the amount of Rs. 4.43 billion. Factors leading to turmoil amongst global markets are the collapse in commodity prices, economic slow-down of China and interest rate increases by the Fed. The ASPI has declined a further 12.09% in 2016 year-to-date with continued selling from foreign investors, tighter monetary and fiscal policy. The Colombo Stock Exchange currently trades at very attractive levels when considering a medium to long term investment horizon.

Sectors that performed well in 2015 included manufacturing (6.19%), healthcare (5.68%), beverage food & tobacco largely due to depressed commodity prices and improved consumption patterns. Telecommunications (-13.31%) and power & energy (-13.23%), construction & engineering showed a decline as a result of infrastructure related projects being put on hold.

Ongoing global rebalancing is expected to dominate market direction in the short term further to which potential tightening in domestic monetary policy may see market activity slow down further. The CSE as at February 2016 trades at a 1 year forward PER of 11x with moderate earnings

MANAGEMENT DISCUSSION AND ANALYSIS

growth of 11-12%. However, any decline in prices should be viewed as a good opportunity to buy shares that show strong upside in the medium term.

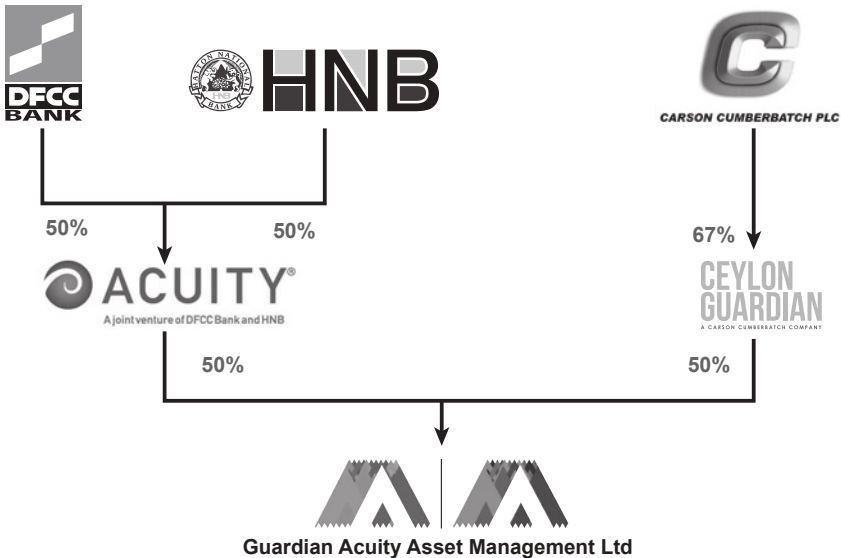




GOVERNANCE FRAMEWORK

Guardian Acuity Asset Management Limited (GAAM) was formed on June 17th 2011 for the purpose of bringing together the expertise of the two joint venture partners, Ceylon Guardian Investment Trust PLC and Acuity Partners (Pvt) Ltd, to market and manage unit trusts. Ceylon Guardian’s management teams contribution to the venture comes through their fund management expertise, while Acuity brings in their partner network and reach in marketing and distribution of financial products. The diagram below illustrates the Group structure.

Group Structure

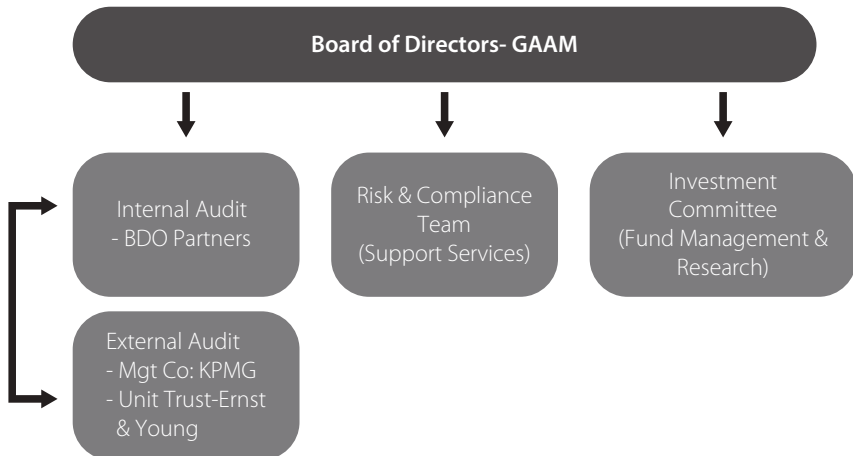


Guardian Acuity Asset Management Limited is the investment manager for three unit trust funds - namely the Guardian Acuity Money Market Fund, Guardian Acuity Equity Fund and Guardian Acuity Money Market Gilt Fund, all of which are licensed by the Securities and Exchange Commission.

Being a unit trust managing company, Guardian Acuity Asset Management Ltd has a well-structured governance framework which plays a vital role in maintaining, enhancing and safeguarding unit holders’ investments. We believe in building a results-driven and robust governance model which will enable the company to create value and provide accountability and control systems commensurate with risks involved. As part of this endeavor, GAAM has considered all requirements and compliances of the rules & regulations stipulated by governing authorities,

GOVERNANCE FRAMEWORK

especially the provisions laid down by the Securities and Exchange Commission, Sri Lanka. The diagram below depicts the governance framework adopted by the GAAM so as to enhance and protect the best interest of its investors.



Board of Directors

○ Structure, size, composition and competencies

The Board of Directors of the Company consists of seven members (including one alternate Director), in which two Directors are non-executive Directors. The names of Board members are as follows.

- Mr. D.C.R. Gunawardena –Chairman, Non-Executive Director (Chairman w.e.f. 8th Sep 2015)
- Mr. T.W. de Silva - Non-Executive Director
- Mr. D.P.N. Rodrigo - Non-Executive Director
- Mr. K. Selvanathan - Executive Director
- Mr. M.R. Abeywardena - Executive Director, Joint Managing Director
- Mrs. W.Y.R. Fernando - Executive Director, Joint Managing Director



- Mr. S. M. Perera - Alternate Director to Mr. K Selvanathan
- Ms. B. D. N. Jayatilake - Alternate Director to Mr. D. C. R. Gunawardena (resigned w.e.f. 30th Oct 2015)

All Board members are well-experienced, knowledgeable and possess necessary skills in the financial service industry (Directors' profiles are given on page 9).

○ **Meetings and Attendance**

The Board meets usually once in 2 months, but meets more frequently whenever it is necessary. During the year the Board met 6 times. The attendance of the meetings of the Board during the year given below.

Name of the Director	Status	Attendance*
Mr. D.C.R. Gunawardena	Chairman, Non-Executive Director	6
Mr. T. W. de Silva	Non-Executive Director	4
Mr. D.P.N. Rodrigo	Non-Executive Director	5
Mr. K. Selvanathan	Executive Director	5
Mr. M. R. Abeywardena	Executive Director	6
Mrs. W.Y.R. Fernando	Executive Director	6
Mr. S. M. Perera	Alternate Director to Mr. K Selvanathan	5
Ms. B.D.N. Jayatilake (resigned w.e.f 30th October 2015)	Alternate Director to Mr. D. C. R. Gunawardena	4

*in person or by alternate

○ **Role of the Board of Directors**

The Board of Directors is responsible for the governance of the company and developing an effective governance framework, reviewing, developing systems & controls to provide transparency and accountability. Also, they ensure that the activities of the Unit Trust Funds are conducted to the highest ethical standards and in the best interest of existing and potential investors. The Board takes necessary steps towards safeguarding the investors, securing integrity of information, management of risks, implementing effective internal control systems, ensuring good governance and compliance with rules and regulations.

GOVERNANCE FRAMEWORK

The Board has put in place a corporate management team led by the joint MDs with the required skills, experience and knowledge to implement the strategies of the company and unit trust funds (the profiles of Management Team are given in page 12). The management team comprise qualified and experienced personnel drawn from the joint venture partners.

The Investment Committee and Risk & Compliance Team directly reports to the Board of Directors and their functions are stated below.

▪ Functions of the Investment Committee

The primary objective of the Investment Committee is to maintain prudent and effective investment strategies and to formulate and oversee the investment policies and decisions of the Fund. The committee meets regularly at scheduled monthly meetings. The main functions of the Investment Committee are as follows.

- ◆ Advice on selecting stocks and fixed income securities by evaluating industry growth, liquidity, and quality of management, business model, credit ratings, financial profitability, reasonable market capitalization, etc.
- ◆ Provide advice in regard to asset allocation between equity and fixed income securities and sector allocation of equity securities.
- ◆ Evaluate and approve primary dealers, placement agents and corporate debt issuers
- ◆ Assess macro environmental risks
- ◆ Review securities/instruments in portfolios regularly & update the valuations and evaluate risks of instruments.

▪ Role of Risk and Compliance Team

GAAM recognizes compliance and risk management as vital functions regardless of worth, size, or location. Consequently, the Risk and Compliance Team ensures management of risk through higher level of compliance and reportings.



The key functions of the Risk and Compliance Team are;

- ◆ Develops, initiates, maintains, and revises policies and procedures for the unit trust operation and its related activities to ensure proper controls are in place and the limits of exposure are observed.
- ◆ Collaborates with internal auditors for compliance issues and develops procedures to overcome such issues.
- ◆ Reporting to the Board and Audit Committee for risk management and compliance matters and improvements
- ◆ Identifies and provides guidance to mitigate the existing and potential risks. Also conducts training programs for awareness.
- ◆ Periodically reviews and updates Code of Ethics & Conduct to provide guidance to management and employees.
- ◆ Monitors the know your clients (KYC) procedures and carry out activities on a continuing basis, taking appropriate steps to improve its effectiveness and training marketing staff on conducting KYCs.
- ◆ Documents and evaluates the risk assessment, and control processes and procedures based on the established risk acceptance level
- ◆ Identifies potential areas of compliance vulnerability and risk; develops/ implements corrective action plans for resolution of problematic issues, and provides general guidance on how to avoid or deal with similar situations in the future.

○ **Supply of Information**

The Management provides timely, quality and appropriate information to the Board by way of Board Papers. Also, the Management shares results of the unit trust funds in terms of sales, return, risk management and compliances with applicable rules & regulations monthly/quarterly. The Board seeks additional information as and when necessary. The

GOVERNANCE FRAMEWORK

Chairman ensures that all Directors are briefed on issues arising at Board Meetings. The Board Papers and the minutes are sent to the Directors well in advance of the respective Board Meetings, giving adequate time for Directors to study the related papers and prepare for a meaningful discussion at Board Meetings.

○ Internal Controls

The Board is responsible for establishing a sound framework of risk management & internal controls and monitoring its' effectiveness on a continuous basis. Through such an effective framework, GAAM manages its risks & ensures that the Funds' assets and investors are safeguarded. Unit Trusts Funds are being audited every quarter by BDO Partners, Chartered Accountants. Also, external auditors; Ernst & Young has independently reviewed the internal controls during their audit of Financial Statements, annually. Internal audit reports are tabled at the GAAM board meetings. In addition to the Board and the risk & compliance team closely monitors the audit findings and risk & compliance process of the Funds.

The Unit Trust Funds comply with the Unit Trust Code 2011 and the level compliance is given on page 33 to 41.

○ Code of Ethics and the Standards of Professional Conduct

GAAM has developed a Code of Ethics and the Standards of Professional Conduct for all Staff Members, which addresses conflict of interest, integrity, professional competence & due care, fairness & independence, fiduciary duty, professional behavior, confidentiality of information, protection and compliance with applicable laws and regulations including insider trading laws and, encouraging the reporting of any illegal or unethical behavior. The Code of Ethics and the Standards of Professional Conduct have been adhered to in all respects by the Directors and Key Management Personnel.

The Securities and Exchange Commission requires every Unit Trust Managing Company to comply with the Unit Trust Code, 2011. Our structures are in place and the conformity with the requirements are tabulated below under the said rules.



Rule No	Aspect of Regulation	Compliance status / Level of Compliance
2.(1) & (2)	Applicable governance regulations	Complied with the provisions of the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987., the provisions of Unit Trust Code, 2011, Trust Deed, the Explanatory Memorandum
2.(3)	Maintain a minimum net capital	The net capital of GAAM as at 31st Dec 2015 is Rs.63Mn. Therefore, we are well above the minimum net capital requirement of Rs.25Mn.
3.(1) & (2)	Buying and selling of securities on behalf of the unit trust	Adherence to Trust Deed, investment guidelines and Code of Ethics and Standards of Professional Conduct of the company ensures compliance. Especially, these guidelines prohibit the purchase of securities of the Group.
4.	Reasonable care in the operations relating to the management of the Unit Trust.	Complied. Every employee accepts this provision by a declaration in the Code of Ethics. Also, the internal audit function is in place to verify the compliance with the company's operating manual. GAAM is liable for any loss suffered by the Unit Trust or by unit holders as a result of any fraud, gross negligence or malfeasance of employees and directors.
7.(1)-(3)	Deposited property shall be held by the Trustee on behalf of the Unit Trust.	Complied. The Funds' CDS account and fixed income securities are held with the Trustee & Custodian, under the name of the Fund.
9.(1)-(3)	Invest the deposited property in accordance with the provisions of this Code, the Trust Deed and the directives issued by the Commission.	Complied. The investments of the GAAM are in line with the Trust Deed and provision of the SEC.

GOVERNANCE FRAMEWORK

Rule No	Aspect of Regulation	Compliance status / Level of Compliance
	Maintaining required level of liquidity amounting to at least three per centum	Complied. Maintain at least 3% liquidity of the deposited property as per this provision.
	Whenever the total investment exceeds any investment limit permitted, the managing company shall immediately inform the Commission.	No instances have arisen.
10.(1)-(3)	The managing company shall not make certain investments under section 10 (1) a to g unless permitted by the Commission	Complied.
11.(1) to (3)	Only payment to be made to the managing company out of the deposited property is remuneration for services rendered and periodic fee in terms of the provisions in the Trust Deed including any taxes levies or duties imposed from time to time by the Government.	Complied. GAAM only claims the management fee at the agreed rate in the Trust Deed and other expenses allowed under rule 12(1)
12.(1) & (2)	Expenses specified in 12 (1) 'a' to 'm' may be paid by the trustee out of the deposited property, provided that adequate disclosure of such expenses is provided to unit holders. Commissions paid to agents, shall not be paid out of the deposited property.	Complied. The expense claimed from the Fund were in line with the provision. The relevant disclosures are given in the Financial Statements of Unit Trust Funds.
13.	Where the Unit Trust invests in units of any other Unit Trust, no increase in the front-end fee, managing company's annual fee or any other costs or charges borne by unit holders or by the deposited property.	No such investments were made.



Rule No	Aspect of Regulation	Compliance status / Level of Compliance
14.(1)-(2)	The managing company shall not enter, on behalf of the Unit Trust, into an underwriting or sub underwriting agreement without the prior written consent of the trustee and the Commission	Not entered into any agreements on behalf of the Unit Trust Funds
15.(1) & (2)	Any transaction between the Unit Trust and the managing company, an associate, joint venture, subsidiary or holding company of the managing company or any connected person may only be made with the prior written consent of the trustee.	Complied. Related party transactions are disclosed on page 70,95 and 119.
16.(1)-(5)	When the managing company sells units to prospective investors, they requires to provide a copy of the latest Explanatory Memorandum, approved by the Commission.	Complied. In addition to hard copy of the latest Explanatory Memorandum which is made available, investors can find the Explanatory Memorandum in our web site.
17.(1)-(4)	Explanatory Memorandum shall be amended by the managing company, subject to the approval of the Commission. Also, it shall be reviewed by the managing company at least every two years and revised where necessary.	Complied.
18.(1)-(5)	No advertisement shall be issued or published, without the prior written approval of the Trustee. Advertisement needs to be file with the Commission prior to five market days to the advertisement being made available to the public. No forecast of the Unit Trust's performance may be held out to the public or to unit holders.	Complied

GOVERNANCE FRAMEWORK

Rule No	Aspect of Regulation	Compliance status / Level of Compliance
19.	A managing company in issuing or selling units of the Unit Trust shall not directly or indirectly represent or imply that units have been sponsored, recommended or approved by the Commission.	Complied
20.(1)-(4)	Issue and redemption prices shall be calculated daily. An issue price shall be the maximum price payable on purchase of units. Prices shall be published, in at least one leading Sri Lankan daily newspaper or on the web site of the managing company	Complied. We calculate unit prices, daily by dividing net asset value of the Unit Trust from number of units outstanding. Prices are after adjusting fees and charges made as per the Trust Deed including exit fee. After getting the approval from the Trustee, we publish unit prices in Daily FT. Also, prices are available in our website.
21.	The maximum interval between the receipt of a properly documented request for redemption of units and the payment of the redemption money to the unit holder, shall not exceed one calendar month from the dealing day on which, the request was received unless there is any exceptional reason.	Complied. As per the Company's service standards, we transfer redemption funds within T+3 days.
22.(1)-(4)	Where the Unit Trust deals at a known price, and based on information available, the price exceeds or falls short of the current value of the underlying assets by more than five per centum, the managing company shall defer dealing and calculate a new price as soon as possible.	No instances have arisen.



Rule No	Aspect of Regulation	Compliance status / Level of Compliance
23.(1)-(4)	<p>The section describes that suspension of dealing may be allowed in exceptional circumstances, having regard to the interest of unit holders, and with the written consent of the Commission and the trustee.</p> <p>Redemption requests day exceed ten per centum of the total number of units in issue, may be deferred to the next dealing day, and provided the Commission is notified in writing.</p> <p>A unit holder wishes to redeem units three per centum or more of the net asset value of the Unit Trust, the unit holder shall give at least fourteen days written notice.</p>	Complied
24.(1)-(5)	A managing company may, by notice in writing to the trustee, cancel units.	Complied.
25.(1)-(6)	The managing company shall maintain or cause to be maintained an updated register of the unit holders in a legible form. The managing company shall take all reasonable steps and exercise due diligence to ensure, that the information contained in the register is at all times complete and up to date.	Complied. GAAM has a registrar system, in-house and ensures maintaining the details of unit holders up-to-date. Also, due diligence process carried out by us (through KYC documents and Anti Money Laundering policies) ensures the accuracy and completeness of the information contained in the register.
26.(1)-(3)	A unit holder shall be entitled to transfer units held by such unit holder by a legally accepted instrument of transfer, which entitlement is entered into the register.	No instances occurred during the year.

GOVERNANCE FRAMEWORK

Rule No	Aspect of Regulation	Compliance status / Level of Compliance
27.(1)-(5)	The managing company shall be responsible for keeping the Unit Trust's accounts and preparing and publishing the Unit Trust's reports. Not less than two reports shall be published in respect of each financial year.	Complied. Interim and year-end financial statements are prepared and distributed among unit holders with three month after the period end, with the approval of the Commission.
28.(1)-(5)	All reports produced by or for the Unit Trust shall be approved by the Commission and the trustee prior to Dissemination and shall file such reports with the Commission and the trustee for review and comment not less than two weeks prior to distribution.	Complied
29.(1)-(2) 30. & 31.	A managing company shall maintain and preserve for a period of five years accounts, books and other documents forming the basis for financial statements, income & distribution accounts and reports including daily records which need to be made available for inspection/examination by the trustee and the Commission.	Complied. GAAM policy is to maintain the records for a period of 6 years.



Rule No	Aspect of Regulation	Compliance status / Level of Compliance
32.(1)-(4)	<p>The trustee shall, appoint an auditor for the Unit Trust with the approval of the Commission. The auditor of the Unit Trust shall not have been during the previous two years, the auditor of the managing company or trustee as the case may be. The audit fees shall be determined by the managing company with the approval of the trustee.</p> <p>The auditor shall provide auditor's opinion they give a true and fair view of the financial position of the Unit Trust.</p>	<p>Complied. KPMG is the auditor of the Managing company and Ernst & Young does the audit on Unit Trust Funds.</p> <p>The Auditors' report is given on page 49,75 and 102.</p>
33.	<p>The section 33 'a' & 'b' states where the trustee can make written request for approval of the Commission of any amendment to be made to a Trust Deed.</p>	<p>Complied. The Trust Deed of Guardian Acuity Fixed Income Fund has changed in line with provisions of this section.</p>
34.	<p>The managing company shall make available a copy of the Trust Deed, and any supplementary deed, for inspection to any member of the public at all times during normal office hours.</p>	<p>Complied</p>
35.(1) to (4)	<p>Winding up of the Unit Trust</p>	<p>No winding up of unit trust funds.</p>

GOVERNANCE FRAMEWORK

Rule No	Aspect of Regulation	Compliance status / Level of Compliance
36.(1)-(3)	A managing company may manage the securities portfolios of persons other than a Unit Trust (third party portfolios) provided that the managing company obtains a certificate of registration from the Commission as a market intermediary under the category of "investment manager". Make ensure that managing third party portfolios are not in conflict with the Unit Trusts.	Complied. We are registered with the SEC as Investment Managers. Adherence to Trust Deed, investment guidelines and Code of Ethics and the Standards of Professional Conduct of the company ensures compliance and avoidance of any conflict of interest.
37.	No statement made in an Explanatory Memorandum, advertisement, report or in announcements to unit holders, the public, the press or other communication media, may be attributed to any person, unless such person has given consent in writing	Complied.
38.	The duties of the managing companies and Trustees imposed upon them by the provisions of the Act, provisions of Unit Trust Code and directives issued by the Commission.	Complied.



We also comply with the Directives issued by the Commission. The main Directives applicable for day-today operations are as follows.

Directive No	Aspect of the Directive	Compliance status / Level of Compliance
SEC/LEG/13/12/31	Valuation methods for fixed income instruments	Complied. The valuation methodologies followed by our funds are; Growth Fund – Listed equity securities are valued at their closing price on each Market Day. Money Market Fund- Money Market Securities will be valued at cost plus accrued interest (i.e. amortization of interest on a straight line basis)
SEC/LEG/14/09/71	Maintenance of a minimum no.of 50 unit holders for each fund at all times.	Complied. The no.of unit holders are given on page 3.

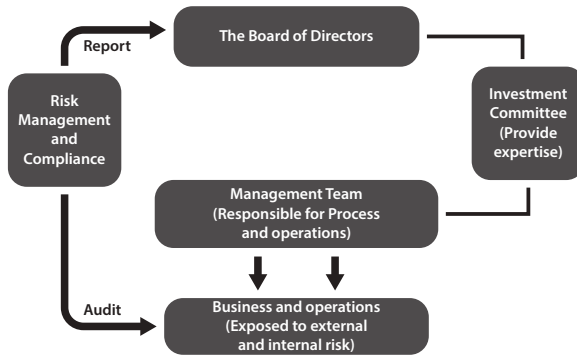
RISK MANAGEMENT

Overview of Risk Management

Risk Management is the process of identification and assessment of risks arising due to factors which are internal and external to the entity, in order to mitigate such risks. Management of risk helps avoid or minimize unanticipated losses being incurred. It is not a one time or period assessment, rather it is a continuous process, which is also an integral part of normal business operations and the management of the entity.

Risk Management structure

As mentioned earlier, GAAM manages three unit trusts which provide investment solutions to suit different risk appetites and return expectations. Investment strategies are pursued with the aim of fulfilling the investment objectives of each fund.



The Board of Directors has oversight of the Risk Management Framework (RMF) established in the Company. The function of Risk Management is delegated to the management team of the Company. Fund Managers are responsible for the management of investments portfolios, whereas the research division provides recommendations together with analysis at both macro and micro environment level. The Investment Committee drawn up from amongst a selection of experts from the Company have a wide ranging knowledge of different industry sectors, investment trends, economic fundamentals and other macroeconomic issues relevant to decision making. They share their insights and knowledge to enhance the quality of the decision making process. The management team responsible for business and operations, identify and assess the risk involved in the Company and its environment, and adopt risk mitigating actions. The Risk & Compliance Team



conducts process / compliance audits periodically and provide recommendations to the Board of Directors and Management team in order to improve the internal controls on operations and process, as well as risk management practices.

Key Risk Categories

Overall macro-economic conditions and political factors affect the risk profiles of unit trusts. The variations of macro-economic variables like Gross Domestic Product (GDP), interest rate, inflation, exchange rates and changes in the political environment and government policies affect the performance and the variations of returns of the funds.

Unit trust funds are exposed to the following key risks, arising from the nature of its investment objectives and investment strategies.

Fund Description	Risk faced by the funds	Risk mitigating strategies
Growth Fund		
<p>Guardian Acuity Equity Fund :</p> <p>Investments would focus on medium to long term holdings of liquid, high growth stocks of well managed companies exposed to key economic sectors of the country.</p> <p>The main investment objective of the Fund is to achieve long term capital appreciation through share market investments.</p>	<ul style="list-style-type: none"> • Macro-economic risks : Share prices are sensitive to developments in the global and local economy, such as a change in interest rates, value of currency, inflation rate, government policies, tax rates, and central bank policies. All these tend to influence the prices of equity securities and investor sentiment, Including that of both foreign and local investors. 	<ul style="list-style-type: none"> • Monitoring of macro-economic variables, policy changes and assess the impact on economy and capital markets. • Implementation of a structured investment process which considers macro environmental impacts. . • Monitoring global factors which impact capital markets worldwide and in Sri Lanka. • Shifting of asset allocations, stock allocations in line with economic trends, and industry changes.

RISK MANAGEMENT

Fund Description	Risk faced by the funds	Risk mitigating strategies
	<ul style="list-style-type: none"> • Liquidity risks: Liquidity is the tradability of the securities in the market. Less liquidity of securities could affect the fund manager's ability to transact, which in turn, could affect the fund's overall performance. This might be due to poor market sentiment of a security, or low levels of publicly traded quantities. • General security risks : Companies may not perform as per the investors' expectations; and earning levels and entity growth may reduce due to company specific factors, structural /policy changes in the industry, etc. This could lead to underperformance of the stocks in the fund's investment portfolio. 	<ul style="list-style-type: none"> • Investing in companies with a reasonable free float. • Focus on highly traded stocks when investing. • Monitor market turnover of the stocks which we focus on. • Determine the top shareholders in the company • The investment process follows a bottom-up approach. The investment in stocks is focused on the Company's fundamentals, growth, management and competitive position in the industry. • Monitoring sector exposure and single company exposure as diversification and a mitigation strategy.
Money Market Funds		
<p>Guardian Acuity Money Market Fund : Invest in a portfolio of securities that will mature within 365 days.</p>	<ul style="list-style-type: none"> • Default Risk : Loss of capital invested and interest entitled due to a default by the financial institution/ counter party. 	<ul style="list-style-type: none"> • Evaluation of financial stability, reputation of the institution which is performed as an ongoing practice as a part of investment process. • Consider standard rating criteria in evaluating credit quality.



Fund Description	Risk faced by the funds	Risk mitigating strategies
<p>The investment objective of the fund is to provide an annual income by investing in a portfolio of securities which will mature within 365 days with a lower level of risk.</p>		<ul style="list-style-type: none"> • Close monitoring of environmental conditions in financial sector. • Internal financial institution/ counter party approval process.
<p>Guardian Acuity Money Market Gilt Fund :</p> <p>Invest in a portfolio of government securities which will mature within 365 days. The Fund would aim to structure the portfolio with an emphasis on maximizing return while ensuring adequate liquidity.</p> <p>The investment objective of the fund is to provide a secure annual income by investing in a portfolio of Government securities.</p>	<ul style="list-style-type: none"> • Interest Rate Risk : Changes to interest rates will cause the values of the instruments in the portfolio to vary which will have a direct bearing on the yield of the fund. This will have an impact on the comparative return of the fund. • Liquidity Risk : Insufficient liquidity of the fund to meet investors' redemptions. Losses due to distressed sale of instruments caused by lack of marketability. 	<ul style="list-style-type: none"> • Closely monitoring the behavior of interest rate determinant factors, and adopt an investment strategy in line with anticipated interest rate trends. • Maintenance of sufficient amount of allocation into more liquid like overnight repos. • Maintenance of other assets with a routine maturity cycle.

In additions to the above risks which are specifically applicable to the funds owing to the investment objectives and the investment portfolios, Unit Trusts Funds across in all the categories, face Operational Risk and Regulatory risk. Since the units trusts are of Investors' interest at public and it's a financial service, the industry is supervised and monitored by regulatory authorities. Hence, operations of unit trusts should be in compliance with regulatory requirements and industry practices.

RISK MANAGEMENT

Fund Description	Risk faced by the funds	Risk mitigating strategies
Operational Risk and Regulatory risk	<ul style="list-style-type: none"> • Operational risk Fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices. 	<ul style="list-style-type: none"> • Carry out internal audits in order to make sure the compliances are adhered to. • Compliance personnel conduct periodic reviews of progress against the compliance program • Implementation of a structured governance framework • Training and development of all staff on compliance processes
	Know your clients (KYC)/ Anti-Money Laundering (AML)	<ul style="list-style-type: none"> • Adhere to the relevant KYC documents and proper follow up procedures. • Third party verifications on high risk clients. • Cash collections are done through the banks, hence not accepting the cash physically. • KYC reviews are conducted on a periodic basis to ensure that existing customer information is kept updated.
Reputation Risk	<ul style="list-style-type: none"> • Risk Losing the trust due to fraudulent activities or mis-selling 	<ul style="list-style-type: none"> • Strong Board oversight on matters of strategy, policy, execution and transparent reporting. • Effective corporate governance and communication among staff members • Proper cultural alignment to manage compliance in proactive and holistic manner. • Quality public reporting



Financial Reports

GUARDIAN ACUITY EQUITY FUND
FINANCIAL STATEMENTS
31 DECEMBER 2015



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GSM/HNCM/AD INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF GUARDIAN ACUITY EQUITY FUND

Report on the Financial Statements

We have audited the accompanying financial statements of Guardian Acuity Equity Fund ('the Fund'), which comprise the statement of financial position as at 31 December 2015, statement of profit or loss and other comprehensive income, statement of movement in unit holders' Funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Manager's and Trustee's Responsibility for the Financial Statements

The Manager, Guardian Acuity Asset Management Limited and the Trustee, Deutsche Bank AG are responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Manager and Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected

depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation of the financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Manager and Trustee, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Guardian Acuity Equity Fund as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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 Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.

15 March 2016
Colombo

Guardian Acuity Equity Fund**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Year ended 31 December 2015

	Notes	2015 Rs.	2014 Rs.
INCOME			
Interest Income	5	3,608,175	667,948
Dividend Income		8,125,825	2,078,452
Realised Gain/(Loss) on Financial Assets Held at Fair Value Through Profit or Loss		(1,388,969)	6,007,747
Unrealized Gain on Financial Assets Held at Fair Value Through Profit or Loss		9,385,841	18,979,468
Net Investment Income		19,730,872	27,733,615
EXPENSES			
Management Fees		(7,496,423)	(1,822,801)
Trustee and Custodian Fees		(1,124,411)	(429,008)
Audit Fees		(225,421)	(301,572)
Transaction Cost		(4,320,228)	(1,679,328)
Other Expenses		(260,011)	(73,109)
		(13,426,494)	(4,305,818)
NET PROFIT BEFORE TAX		6,304,378	23,427,797
Income Tax Expense		-	-
NET PROFIT AFTER TAX FOR THE YEAR		6,304,378	23,427,797
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,304,378	23,427,797

The accounting policies and notes on pages 54 through 73 form an integral part of the Financial Statements.



Guardian Acuity Equity Fund

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 Rs.	2014 Rs.
ASSETS			
Cash and Cash Equivalents	6	2,187,569	291,817
Financial Assets Held for Trading	8	385,878,156	110,271,379
Financial Assets - Loans and Receivables	9	37,249,692	5,817,025
Other Receivables	10	28,555,810	3,711,273
Income Tax Receivable		625,367	264,550
		454,496,594	120,356,044
LIABILITIES			
Accrued Expenses and Other Payables	11	1,226,112	526,570
		1,226,112	526,570
NET ASSETS		453,270,482	119,829,474
UNIT HOLDERS' FUNDS			
Net Assets Attributable to Unitholders		453,270,482	119,829,474
		453,270,482	119,829,474

The Manager and Trustee are responsible for the preparation and presentation of these Financial Statements and these Financial Statements were approved by the Manager and adopted by the Trustee.

Signed for and on behalf of the Manager and the Trustee by;

Sgd.
Director
Management Company

Sgd.
Director
Management Company

Sgd.
Trustee

The accounting policies and notes on pages 50 through 73 form an integral part of the Financial Statements.

15 March 2016
Colombo

Guardian Acuity Equity Fund**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**

Year ended 31 December 2015

	2015 Rs.	2014 Rs.
UNIT HOLDERS' FUNDS AS AT 01 JANUARY	119,829,474	54,024,415
Total Comprehensive Income for the Year	6,304,378	23,427,797
Received on Creation of Units	374,321,451	78,801,401
Paid on Redemption of Units	(47,184,821)	(36,424,139)
Net Increase due to Unit holders' Transactions	327,136,630	42,377,262
UNIT HOLDERS' FUNDS AS AT 31 DECEMBER	453,270,482	119,829,474

The accounting policies and notes on pages 54 through 73 form an integral part of the Financial Statements.



Guardian Acuity Equity Fund

CASH FLOWS STATEMENT

Year ended 31 December 2015

	2015	2014
	Rs.	Rs.
Cash Flows from Operating Activities		
Interest Received	3,241,602	603,213
Dividend Received	6,433,759	1,901,731
Management Fees and Trustee Fees Paid	(7,898,244)	(2,089,526)
Other Expenses Paid	(4,891,884)	(2,664,442)
Net Cash Flow used in Operating Activities	(3,114,767)	(2,249,025)
Cash Flows from Investing Activities		
Sale Proceeds from Sale of Equity Securities	67,309,838	51,998,035
Purchase of Equity Investments	(329,763,353)	(100,641,095)
Net Investment in Treasury Bill Repos	(31,426,272)	8,717,796
Investment in Initial Public Offering	(27,900,000)	-
Net Cash used in Investing Activities	(321,779,787)	(39,925,263)
Cash Flows from Financing Activities		
Cash Received on Creation of Units	373,911,951	78,790,401
Cash Paid on Redemption of Units	(47,121,646)	(36,423,432)
Net Cash generated from Financing Activities	326,790,305	42,366,970
Net Increase in Cash and Cash Equivalents	1,895,752	192,682
Cash and Cash Equivalents at the beginning of the year	291,817	99,135
Cash and Cash Equivalents at the end of the Year	2,187,569	291,817

The accounting policies and notes on pages 54 through 73 form an integral part of the Financial Statements.

Guardian Acuity Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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 86, Galle Road, Colombo 03.

The investment objective of the Fund is to achieve long term capital appreciation through investing prudently in a portfolio of listed shares.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis unless otherwise indicated. The financial statements are presented in Sri Lankan rupees. The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for net assets attributable to unit holders.

2.1.1 Statement of Compliance

The financial statements which comprise the statement of financial position as at 31 December 2015, statement of profit or loss and other comprehensive income, statement of movement in unit holders' Funds and cash flow statement 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.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

2.2.1 Impairment losses on financial investments – loans and receivables

The Fund reviews its financial investments classified as loans and receivables at each reporting date to assess whether they are impaired. In particular management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.



2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Financial instruments

2.3.1.1 Financial assets

All financial assets are initially recognized on the trade date, i.e. the date that the Fund becomes a party to the contractual provisions of the instrument. This includes purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

a) Initial recognition and measurements

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management intention in acquiring them. Accordingly, Fund's financial assets have been classified as loans and receivables and financial assets at Fair Value through Profit or Loss.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loan and receivables in the statement of financial position comprise of investments in treasury bill/ bond repurchase agreements.

Loans and receivable are subsequently measured at amortised cost using the effective interest rate, less allowance for

impairment. The amortization is included in the "interest income" in the statement of comprehensive income. The losses arising from impairment is recognised in the statement of comprehensive income in "credit loss expense".

Financial assets at Fair Value through Profit or Loss

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Financial assets at Fair Value through Profit and Loss in the statement of financial position comprise of investments in trading securities.

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Upon the initial recognition, transaction cost directly attributable to the acquisition are recognized in profit or loss as incurred.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Changes in fair value are recognised in the 'Unrealised gain/(loss) on financial assets held at fair value through profit or loss' in the statement of profit or loss and other comprehensive income. Dividend income is recorded in "investment income" according to the terms of the contract.

Guardian Acuity Equity Fund
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

b) Impairment

For financial assets carried at amortised cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income.

c) Derecognition

A financial asset is derecognised when,

- a. The rights to receive cash flows from the asset have expired,
- b. The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either,

- The Fund has transferred substantially all the risks and rewards of the asset or
- The Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

2.3.1.2 Financial liabilities

a) Initial recognition and measurement

The Fund determines the classification of its financial liabilities at initial recognition. The Fund's financial liabilities comprise of accrued expenses and other payables in the Statement of Financial Position.

b) Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss and other comprehensive income statement when the liabilities are derecognised as well as through the EIR amortisation process.

c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:



- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.3.2 Recognition of income

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognized.

(i) Interest Income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income of treasury bills/ Bonds repurchase agreements is recognized gross of notional tax.

(ii) Dividend Income

Dividend income is recognized when the Fund's right to receive payment is established.

2.3.3 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.3.4 Distributions

In accordance with the trust deed, the Fund distributes income, to unit holders by cash or reinvestment in units. The distributions are recorded in the statement of movement in unit holders' Funds.

2.3.5 Income tax

Current tax assets and liabilities for the current and prior 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. The Fund is liable to pay income tax at the rate of 10% in accordance with the Inland Revenue Act No.10 of 2006.

2.3.6 Expenses

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

Management fee - 2.25% p.a of net asset value of the Fund

Guardian Acuity Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

Trustee fee - 0.25% of net asset value of the Fund and a fixed sum of Rs. 15,000 per month

2.3.7 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.

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 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/ bonds repurchase agreements 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.

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.

3.1 Market risk

Price risk

Market risk is the risk that applies to the listed share market as a whole and is the chance that share prices overall will decline and cause the net asset value of the Fund to decline.

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.

Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments

with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk. 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. Due to the short term nature of the instruments, it is reasonably expected that the fluctuation in the interest rate will not materially impact the net assets value of the fund. The table below summarizes the Fund's exposure to interest rate risks.

31 December 2015	Floating interest rate Rs.	Fixed interest rate Rs.	Non-interest bearing Rs.	Total Rs.
------------------	----------------------------------	-------------------------------	--------------------------------	--------------

Financial assets

Cash and cash equivalents	-	-	2,187,569	2,187,569
Financial Assets Held for Trading	-	-	385,878,156	385,878,156
Loans and receivables	-	37,249,692	-	37,249,692
Other Receivables	-	-	28,555,810	28,555,810
Total Exposure	-	37,249,692	416,621,535	453,871,227

31 December 2014	Floating interest rate Rs.	Fixed interest rate Rs.	Non- interest bearing Rs.	Total Rs.
------------------	----------------------------------	-------------------------------	---------------------------------	--------------

Financial assets

Cash and cash equivalents	-	-	291,871	291,871
Financial Assets Held for Trading	-	-	110,271,379	110,271,379
Loans and receivables	-	5,817,025	-	5,817,025
Other Receivables	-	-	3,711,273	3,711,273
Total Exposure	-	5,817,025	114,274,469	120,091,494

Guardian Acuity Equity Fund
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 December 2015

Summarized sensitivity analysis

The following table summarizes the sensitivity of the Fund's operating profit and net assets attributable to unit holders to price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the Fund's investment with the relevant benchmark

and market volatility. However, actual movements in the risk variables maybe greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in performances and correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Price risk impact on			
	31 December 2015		31 December 2014	
	Net Assets		Net Assets	
	Operating Profit / (Loss)	Attributable to Unit Holders	Operating Profit / (Loss)	Attributable to Unit Holders
	Rs.	Rs.	Rs.	Rs.
Change in price of the Trust's investment in Trading Securities				
+ 10%	38,587,816	38,587,816	11,027,138	11,027,138
- 10%	(38,587,816)	(38,587,816)	(11,027,138)	(11,027,138)

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.



(i) Debt securities

The exposure to credit risk for repurchase agreements is very low. All investments are backed 100% through Treasury Bills/ Bonds.

(ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A-, as rated by Fitch Ratings.

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 realize 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. No such borrowings have arisen during the period.

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 Specialized 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 assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows;

Guardian Acuity Equity Fund
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

31 December 2015	Less than	1-6 months	6-12 months	1-2 years	Total
	1 month				
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets	453,871,227	-	-	-	453,871,227
Financial Liabilities	1,226,112	-	-	-	1,226,112

31 December 2014	Less than	1-6 months	6-12 months	1-2 years	Total
	1 month				
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets	120,091,494	-	-	-	120,091,494
Financial Liabilities	526,570	-	-	-	526,570

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 2015

I. In term of Value

	Rs.
Unit Holders' Funds as at 01 January 2015	119,829,474
Creations during the year	374,321,451
Redemptions during the year	(47,184,821)
Increase in net assets attributable to Unit Holders	6,304,378
Unit Holders' Funds as at 31 December 2015	453,270,482



II. In term of No of units

Rs.

Opening no of units as at 01 January 2015	7,072,059
Unit creations during the year	21,801,887
Unit redemptions during the year	(2,748,085)
Closing no of units as at 31 December 2015	26,125,861

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.

4. EFFECTS OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standard that is issued but not yet effective up to the date of issuance of the Fund's financial statements is disclosed below. The Fund intends to adopt this standard, when they become effective.

(i) SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard is effective for the annual periods beginning on or after 01 January 2018.

Guardian Acuity Equity Fund
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

5. GROSS INCOME	2015	2014
	Rs.	Rs.
Interest on		
Treasury Bill/ Bond Repurchase Agreement (5.1)	3,608,175	667,948
	3,608,175	667,948

5.1 Interest on Treasury Bill/ Bond Repurchase Agreements has been accounted for Gross of Notional Tax.

6. CASH AND CASH EQUIVALENTS	2015	2014
	Rs.	Rs.
Cash at Bank	2,187,569	291,817
	2,187,569	291,817

7. TAXATION	2015	2014
	Rs.	Rs.
Tax expense for the year	-	-
	-	-



7.1 A reconciliation between the tax expense and the product of taxable profit multiplied by the statutory tax rate is as follows:

	2015 Rs.	2014 Rs.
Net profit before tax	6,304,378	23,427,797
Income exempt from tax	(8,125,825)	(2,078,452)
Disallowed expenses	3,311,124	1,679,328
Aggregate allowable net (gain/loss)	(7,996,872)	(24,987,215)
Total statutory income/(loss)	(6,507,195)	(1,958,542)
Income tax at the rate of 10% (2014 - 10%)		
Income tax expense reported in the Statement of Profit or Loss and Other Comprehensive Income	-	-

7.2 Tax Loss brought Forward	(1,958,542)	(587,441)
Tax Losses incurred during the year	(6,507,195)	(1,958,542)
Tax Losses Carried Forward	(8,465,737)	(2,545,983)

8. FINANCIAL ASSETS - HELD FOR TRADING

8.1 Investment in Equity shares

	2015 Rs.	2014 Rs.
Cost as at 31 December	376,492,315	89,033,997
Provision for Appreciation of Marketable Securities	9,385,841	21,237,382
Market Value as at 31 December	385,878,156	110,271,379

Guardian Acuity Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

Company	2015		2014		Holding as a % of Net Asset Value
	Number of Shares	Market Value Rs.	Number of Shares	Market Value Rs.	
Banks, Finance and Insurance					
Central Finance Company PLC	47,000	11,891,000	-	-	-
Commercial Bank of Ceylon PLC	98,883	13,863,342	25,707	4,395,897	4%
People's Leasing and Finance PLC	-	-	219,217	5,370,817	4%
Sampath Bank PLC	120,046	29,771,520	30,150	7,124,445	6%
Nations Trust Bank PLC	192,824	16,640,711	87,824	8,518,928	7%
Seylan Bank PLC	177,450	16,857,750	120,000	6,900,000	6%
Seylan Bank PLC (Non-Voting)	365,720	26,697,560	-	-	-
Union Bank PLC	475,959	9,614,372	-	-	-
Ceylinco Insurance PLC	22,000	17,600,000	-	-	-
		142,936,255		32,310,087	27%
Beverage, Food and Tobacco					
Ceylon Tobacco Company PLC	34,576	14,577,242	-	-	-
Distilleries Company of Sri Lanka PLC	163,562	40,236,252	29,279	6,148,590	5%
		54,813,494		6,148,590	5%
Diversified Holdings					
John Keells Holdings PLC	37,709	6,716,100	32,996	8,249,000	7%
John Keells Holdings PLC- Warrants	-	-	58,000	4,205,000	4%
Hemas Holdings PLC	181,091	16,823,354	72,982	5,422,563	5%
Aitken Spence PLC	224,326	21,692,324	71,925	7,444,238	6%
Softlogic Holdings PLC	936,603	14,517,347	-	-	-
		59,749,125		25,320,800	21%
Hotels and Travels					
Aitken Spence Hotel Holdings PLC	290,875	19,779,500	87,117	6,838,685	6%
		19,779,500		6,838,685	6%



Manufacturing						
Textured Jersey Lanka PLC	450,000	15,975,000	4%	-	-	-
		15,975,000	4%	-	-	-
Construction & Engineering						
Access Engineering PLC	400,000	9,240,000	2%	264,800	8,500,080	7%
MTD Walkers PLC	174,074	8,912,585	2%	-	-	-
		18,152,585	4%	-	8,500,080	7%
Telecommunication						
Dialog Axiata PLC	2,016,967	21,581,549	5%	803,926	10,692,216	9%
		21,581,549	5%	-	10,692,216	9%
Footwear & Textiles						
Hayleys MGT Knitting Mills PLC	733,320	16,426,368	4%	232,290	4,041,846	3%
		16,426,368	4%	-	4,041,846	3%
Power & Energy						
Vallibell Power Erathna PLC	700,000	6,230,000	1%	700,000	5,040,000	4%
Pan Asian Power PLC	-	-	-	1,100,000	3,520,000	3%
Laufjs Gas Limited	-	-	-	59,654	2,415,987	2%
		6,230,000	1%	-	10,975,987	9%
Trading						
Singer Sri Lanka PLC	20,017	2,760,346	1%	46,167	5,443,089	5%
		2,760,346	1%	-	5,443,089	5%
Health Care						
Asiri Hospital Holdings PLC	1,067,399	25,617,576	6%	-	-	-
Asiri Central Hospital Limited*	11,235	1,856,359	0.4%	-	-	-
		27,473,935	6%	-	-	-
		385,878,156	85%	-	110,271,379	92%

* Asiri Hospital Holdings PLC has declared and paid the dividend in specie and the Fund received dividend to the value of Rs. 1,856,359/- in the form of 11,235 shares in Asiri Central Hospitals Limited paid on 21 December 2015.

Guardian Acuity Equity Fund**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2015

9. FINANCIAL INVESTMENTS - LOANS AND RECEIVABLES

	2015	2014
	Rs.	Rs.
Treasury Bill/ Bond Repurchase Agreement - Commercial		
Bank of Ceylon PLC	37,249,692	5,817,025
	37,249,692	5,817,025

10. OTHER RECIEVABLES

	2015	2014
	Rs.	Rs.
Amount Receivable on Creation of Units	422,500	13,000
Receivables from Equity Securities Sold	-	3,300,670
Dividend Receivable	233,310	397,603
Investments in Initial Public Offering - People's Insurance Limited	27,900,000	-
	28,555,810	3,711,273

11. ACCRUED EXPENSES AND OTHER PAYABLES

	2015	2014
	Rs.	Rs.
Fund Manager Payable	871,971	228,355
Trustee Fee and Custodian Fee Payable	124,515	45,541
Audit Fee	165,743	215,000
Amount Payable on Redemption of Units	63,883	707
Other payables	-	36,967
	1,226,112	526,570



12. 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:

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
As at 31 December 2015				
Financial Assets - Held for Trading				
Quoted equity securities	385,878,156	-	-	385,878,156
As at 31 December 2014				
Financial Assets - Held for Trading				
Quoted equity securities	110,271,379	-	-	110,271,379

Guardian Acuity Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

13. CONTINGENCIES

There are no material contingencies existing as at the reporting date that require adjustments to, or disclosure in the Financial Statements.

14. 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.

15. CAPITAL COMMITMENTS

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

16. UNITS IN ISSUE AND UNIT PRICE

Units in issue and deemed to be in issue as at 31 December 2015 is 26,125,861 (2014 - 7,072,059). The creation and redemption Unit price as at the reporting date are Rs. 17.49 (2014 Rs 17.09) and Rs. 17.16 (2014 - Rs.16.74) respectively.

17. RELATED PARTY DISCLOSURE

17.1 Management Company and Trustee

The Management Company is Guardian Acuity Asset Management Limited.
The Trustee is Deutsche Bank AG.



17.2 Key management personnel

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

i) Directors

Mr. D.C.R. Gunawardena

Mr. K. Selvanathan

Mr. T. De Silva

Mr. D.P.N. Rodrigo

Ms. R. Fernando

Mr. R. Abeywardena

Mr. S.M. Perera - Alternate Director to Mr. K Selvanathan

ii) Other key management personnel

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

17.3 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.

17.4 Other transactions within the Fund

Apart from those details disclosed in note 17.5 and 17.6, key management personnel have not entered in to any other transactions involving the Fund during the financial year

Guardian Acuity Equity Fund
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

17.5 Related party unit holding and other transactions

As at 31 December 2015

Unit holder	Relationship	No. of Units	Value of units held Rs.	Total interest held %	Distribution paid or payable by the Fund Rs.
Ceylon Guardian Investment Trust PLC	Joint Venture partner in the Management Company	1,250,000	21,450,000	5%	-
Ceylon Investment PLC	Affiliate of the Management Company	1,250,000	21,450,000	5%	-
Key Management Personnel		298,310	5,118,999	1%	-
As at 31 December 2014					
Ceylon Guardian Investment Trust PLC	Joint Venture partner in the Management Company	1,250,000	20,925,000	18%	-
Ceylon Investment PLC	Affiliate of the Management Company	1,250,000	20,925,000	18%	-
Key Management Personnel		172,978	2,895,655	2%	-



17.6 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		Payable as at	
	31 December		31 December	
	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
Management fees - Guardian Acuity Asset Management Limited	7,496,423	1,822,801	871,971	228,355
Trustee fees - Deutsche Bank AG	1,124,411	429,008	124,515	45,541
The Bank balance held at Deutsche Bank AG as at 31 December	-	-	2,187,569	291,817

18. RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE

	2015	2014
	Rs.	Rs.
Net Asset Value as per Financial Statements	453,270,482	119,829,474
Income Tax Receivables/(Payable)	(625,367)	(264,550)
Published Net Asset Value	452,645,114	119,564,924
Number of units outstanding	26,125,861	7,072,059
Net Asset Value per Unit	17.33	16.91

GUARDIAN ACUITY MONEY MARKET FUND
(FORMERLY KNOWN AS GUARDIAN ACUITY FIXED INCOME FUND)
FINANCIAL STATEMENTS
31 DECEMBER 2015



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GSM/HNCM/DM INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF GUARDIAN ACUITY MONEY MARKET FUND

Report on the Financial Statements

We have audited the accompanying financial statements of Guardian Acuity Money Market Fund ('the Fund'), which comprise the statement of financial position as at 31 December 2015, statement of profit or loss and other comprehensive income, statement of movement in unit holders' Funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Manager's and Trustee's Responsibility for the Financial Statements

The Manager, Guardian Acuity Asset Management Limited and the Trustee, Deutsche Bank AG are responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Manager and Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected

depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation of the financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Manager and Trustee, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Guardian Acuity Money Market Fund as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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 Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.

15 March 2016
Colombo

Guardian Acuity Money Market Fund**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Year ended 31 December 2015

	Notes	2015 Rs.	2014 Rs.
INCOME			
Interest Income	5	261,600,622	89,305,799
Unrealized Loss on Financial Assets Held for Trading		(57,696)	-
Investment Income		261,542,926	89,305,799
EXPENSES			
Management Fees		(18,263,178)	(5,704,138)
Trustee Fees		(5,068,094)	(1,597,178)
Audit Fees		(145,450)	(278,532)
Bank Charges		(328,458)	(116,537)
Other Expenses		(587,699)	(79,369)
		(24,392,879)	(7,775,754)
NET PROFIT BEFORE TAX		237,150,047	81,530,045
Income Tax Expense	6	(23,720,774)	(8,153,004)
NET PROFIT AFTER TAX FOR THE YEAR		213,429,273	73,377,041
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		213,429,273	73,377,041

The accounting policies and notes on pages 80 through 100 form an integral part of the Financial Statements.



Guardian Acuity Money Market Fund
STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 Rs.	2014 Rs.
ASSETS			
Cash and Cash Equivalents	7	23,754	39,838
Financial Assets Held for Trading	8	49,180,850	28,527,513
Financial Assets - Loans and Receivables	9	4,502,400,418	1,754,580,067
Income Tax Receivables		3,050,104	610,815
Other Receivables		253,307	87,500
		4,554,908,433	1,783,845,733
LIABILITIES			
Accrued Expenses and Other Payables	10	3,402,157	1,479,892
		3,402,157	1,479,892
NET ASSETS		4,551,506,276	1,782,365,841
UNIT HOLDERS' FUNDS			
Net Assets Attributable to Unit holders		4,551,506,276	1,782,365,841
		4,551,506,276	1,782,365,841

The Manager and Trustee are responsible for the preparation and presentation of these Financial Statements and these Financial Statements were approved by the Manager and adopted by the Trustee.

Signed for and on behalf of the Manager and the Trustee by;

Sgd.

Director

Management Company

Sgd.

Director

Management Company

Sgd.

Trustee

The accounting policies and notes on pages 80 through 100 form an integral part of the Financial Statements.

15 March 2016

Colombo

Guardian Acuity Money Market Fund**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**

Year ended 31 December 2015

	2015 Rs.	2014 Rs.
UNIT HOLDERS' FUNDS AS AT 31 JANUARY	1,782,365,841	475,890,438
Total Comprehensive Income for the Year	213,429,273	73,377,041
Dividend Paid to Unit Holders	(63,682,711)	(34,336,911)
Received on Creation of Units	3,716,575,619	1,493,528,880
Paid on Redemption of Units	(1,097,181,746)	(226,093,607)
Net Increase due to Unit holders' Transactions	2,619,393,873	1,267,435,273
UNIT HOLDERS' FUNDS AS AT 31 DECEMBER	4,551,506,276	1,782,365,841

The accounting policies and notes on pages 80 through 100 form an integral part of the Financial Statements.



Guardian Acuity Money Market Fund

CASH FLOWS STATEMENT

Year ended 31 December 2015

	2015	2014
	Rs.	Rs.
Cash Flows from Operating Activities		
Interest Received	171,095,616	55,831,430
Management Fees and Trustee Fees Paid	(21,505,529)	(6,406,534)
Other Expenses Paid	(836,101)	(332,991)
Net Investment in Treasury Bill Repos	82,743,334	(320,478,264)
Net Investment in Treasury Bill	(18,859,703)	(28,304,550)
Net Investment in Fixed Deposits	(1,729,061,443)	(751,928,487)
Net Investment in Commercial Papers	(1,085,675,293)	(154,787,016)
Net Investment in Securitization	26,666,664	(26,666,664)
Net Investment in Debentures	20,000,000	-
Net Cash Flow used in Operating Activities	(2,555,432,455)	(1,233,073,076)
Cash Flows from Financing Activities		
Cash Received on Creation of Units	3,716,409,812	1,493,454,380
Cash Paid on Redemption of Units	(1,097,310,730)	(226,093,607)
Dividends Paid	(63,682,711)	(34,336,911)
Net Cash generated from Financing Activities	2,555,416,371	1,233,023,862
Net Decrease in Cash and Cash Equivalents	(16,084)	(49,214)
Cash and Cash Equivalents at the beginning of the year	39,838	89,052
Cash and Cash Equivalents at the end of the year	23,754	39,838

The accounting policies and notes on pages 80 through 100 form an integral part of the Financial Statements.

Guardian Acuity Money Market Fund

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

1. GENERAL INFORMATION

Guardian Acuity Money Market Fund (formerly known as Guardian Acuity Fixed Income 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 name has been changed to Guardian Acuity Money Market Fund with effect from 18 January 2016.

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.

The investment objective of the Fund is to provide an annual income by investing in a portfolio of Money Market securities with a lower level of risk by investing with high credit quality institutions.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis unless otherwise indicated. The financial statements are presented in Sri Lankan rupees. The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not

distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for net assets attributable to unit holders.

2.1.1 Statement of Compliance

The financial statements which comprise the statement of financial position as at 31 December 2015, statement of profit or loss and other comprehensive income, statement of movement in unit holders' Funds and cash flow statement 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.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

2.2.1 Impairment losses on financial investments – loans and receivables

The Fund reviews its financial investments classified as loans and receivables at each reporting date to assess whether they are impaired. In particular management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.



2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Financial instruments

2.3.1.1 Financial assets

All financial assets are initially recognized on the trade date, i.e. the date that the Fund becomes a party to the contractual provisions of the instrument. This includes purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

a) Initial recognition and measurements

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management intention in acquiring them. Accordingly, Fund's financial assets have been classified as loans and receivables and financial assets at Fair Value through Profit or Loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loan and receivables in the statement of financial position comprise of investments in treasury bill repurchase agreements, commercial papers and fixed deposits.

Loans and receivable are subsequently measured at amortised cost using the

effective interest rate, less allowance for impairment. The amortization is included in the "interest income" in the statement of comprehensive income. The losses arising from impairment is recognised in the statement of comprehensive income in "credit loss expense".

Financial assets at Fair Value through Profit or Loss

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Financial assets at Fair Value through Profit and Loss in the statement of financial position comprise of investments in trading securities.

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Upon the initial recognition, transaction cost directly attributable to the acquisition are recognized in profit or loss as incurred.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Changes in fair value are recognised in the 'Unrealised gain/(loss) on financial assets held for trading' in the statement of profit or loss and other comprehensive income. Dividend income is recorded in "investment income" according to the terms of the contract.

Guardian Acuity Money Market Fund
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

b) Impairment

For financial assets carried at amortised cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income.

c) Derecognition

A financial asset is derecognised when,

- a. The rights to receive cash flows from the asset have expired,
- b. The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either,

- The Fund has transferred substantially all the risks and rewards of the asset or
- The Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

2.3.1.2 Financial liabilities

a) Initial recognition and measurement

The Fund determines the classification of its financial liabilities at initial recognition.

The Fund's financial liabilities comprise of accrued expenses and other payables in the Statement of Financial Position.

b) Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss and other comprehensive income statement when the liabilities are derecognised as well as through the EIR amortisation process.

c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:



- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.3.2 Recognition of income

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognized.

(i) Interest Income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income of treasury bills/ bonds repurchase agreements, commercial papers and fixed deposits are recognized gross of notional tax and withholding tax.

2.3.3 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.3.4 Distributions

In accordance with the trust deed, the Fund distributes income, to unit holders by cash or reinvestment in units. The distributions are recorded in the statement of movement in unit holders' Funds.

2.3.5 Income tax

Current tax assets and liabilities for the current and prior 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. The Fund is liable to pay income tax at the rate of 10% in accordance with the Inland Revenue Act No.10 of 2006.

2.3.6 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% of net asset value of the Fund

Guardian Acuity Money Market Fund
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

2.3.7 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.

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 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/ bonds

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.

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.

3.1 Market risk

Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk. 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. Due to the short term nature of instruments, it is reasonably expected that the fluctuation in the interest rate will not materially impact the net assets value of the fund. The table below summarizes the Fund's exposure to interest rate risks.



31 December 2015	Floating interest rate Rs.	Fixed interest rate Rs.	Non-interest bearing Rs.	Total Rs.
------------------	----------------------------------	-------------------------------	--------------------------------	--------------

Financial assets

Cash and cash equivalents	-	-	23,754	23,754
Financial assets held for trading	-	49,180,850	-	49,180,850
Loans and receivables	-	4,502,400,418	-	4,502,400,418
Other receivables	-	-	253,307	253,307
Total exposure	-	4,551,581,268	277,061	4,551,858,329

31 December 2014	Floating interest rate Rs.	Fixed interest rate Rs.	Non-interest bearing Rs.	Total Rs.
------------------	----------------------------------	-------------------------------	--------------------------------	--------------

Financial assets

Cash and cash equivalents	-	-	39,838	39,838
Financial assets held for trading	-	28,527,513	-	28,527,513
Loans and receivables	-	1,754,580,067	-	1,754,580,067
Other receivables	-	-	87,500	87,500
Total exposure	-	1,783,107,580	127,338	1,783,234,918

Summarized sensitivity analysis

The following table summarizes the sensitivity of the Fund's operating profit and net assets attributable to unit holders to price risk and interest rate risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the Fund's investment with the relevant benchmark and market volatility. However, actual movements in the risk variables maybe greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in performances and correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

Guardian Acuity Money Market Fund**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2015

	Price risk impact on			
	31 December 2015		31 December 2014	
	Net Assets		Net Assets	
	Operating Profit / (Loss)	Attributable to Unit Holders	Operating Profit / (Loss)	Attributable to Unit Holders
	Rs.	Rs.	Rs.	Rs.

Change in price of the Trust's investment in Trading debt Securities

+ 10%	(80,450)	(80,450)	(142,530)	(142,530)
- 10%	80,700	80,700	143,970	143,970

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.

(i) 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 credit ratings of the counterparties with which the Fund places investments are as set out below:



Counterparty	Credit Rating
Softlogic Retail (Private) Limited	BBB-
Softlogic Holdings PLC	A-
Lanka Orix Leasing Company PLC	A
Hatton National Bank PLC	AA-
Central Finance PLC	A+
Commercial Leasing & Finance PLC	A
Commercial Credit and Finance PLC	BBB
LB Finance PLC	A-
AMW Capital Leasing & Finance PLC	BBB+
Merchant Bank of Sri Lanka	AA-
Valliable Finance PLC	BBB-
Seylan Bank PLC	A-
Commercial Bank of Ceylon PLC	AA
DFCC Vardhana Bank PLC	AA-

The exposure to credit risk for repurchase agreements is very low as all investments are backed by 100% of Treasury Bills/ Bonds.

(ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A-, as rated by Fitch Ratings.

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 realize 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. No such borrowings have arisen during the period.

Guardian Acuity Money Market Fund
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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 Specialized 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 assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows;

31 December 2015	Less than 1 month Rs.	1-6 months Rs.	6-12 months Rs.	1-2 years Rs.	Total Rs.
Financial Assets	581,834,544	3,691,847,826	278,175,959	-	4,551,858,329
Financial Liabilities	3,402,157	-	-	-	3,402,157

31 December 2014	Less than 1 month Rs.	1-6 months Rs.	6-12 months Rs.	1-2 years Rs.	Total Rs.
Financial Assets	210,421,039	880,185,611	692,628,268	-	1,783,234,918
Financial Liabilities	1,479,892	-	-	-	1,479,892

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 2015

I. In term of Value

Rs

Unit Holders' Funds as at 01 January 2015	1,782,365,841
Creations during the year	3,716,575,619
Redemptions during the year	(1,097,181,746)
Increase in net assets attributable to Unit Holders	213,429,273
Dividend Paid to Unit Holders	(63,682,711)
Unit Holders' Funds as at 31 December 2015	4,551,506,276

II. In term of No of units

Opening no of units as at 01 January 2015	148,731,233
Unit creations during the year	306,030,404
Unit redemptions during the year	(89,609,281)
Closing no of units as at 31 December 2015	365,152,356

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.

4. EFFECTS OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standard that is issued but not yet effective up to the date of issuance of the Fund's financial statements is disclosed below. The Fund intends to adopt this standard, when they become effective.

(i) SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard is effective for the annual periods beginning on or after 01 January 2018.

Guardian Acuity Money Market Fund
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

5. GROSS INCOME

	2015	2014
	Rs.	Rs.
Interest on		
Fixed Deposits	175,701,371	64,697,828
Treasury Bill/ Bond Repurchase Agreements (5.1)	18,468,519	9,795,495
Treasury Bills (5.1)	3,876,752	977,404
Debentures	776,318	1,856,000
Commercial Papers	61,735,438	10,699,713
Securitization	1,042,224	1,279,359
	261,600,622	89,305,799

5.1 Interest on Treasury Bill/ Bond Repurchase Agreements and Treasury Bills have been accounted for Gross of Notional Tax.

6. TAXATION

	2015	2014
	Rs.	Rs.
Tax expense for the year	23,720,774	8,153,004
	23,720,774	8,153,004

6.1 A reconciliation between the tax expense and the product of taxable profit multiplied by the statutory tax rate is as follows:

	2015	2014
	Rs.	Rs.
Net profit before tax	237,150,047	81,530,045
Unrealized Loss on Financial Assets Held for Trading	57,696	-
Total statutory income	237,207,743	81,530,045
Income tax at the rate of 10% (2014 - 10%)		
Income tax expense reported in the Statement of Profit or Loss and Other Comprehensive Income	23,720,774	8,153,004



7. CASH AND CASH EQUIVALENTS

	2015	2014
	Rs.	Rs.
Cash at Bank	23,754	39,838
	23,754	39,838

8. FINANCIAL ASSETS - HELD FOR TRADING

	2015	2014
	Rs.	Rs.
Treasury Bills and Bonds	49,180,850	28,527,513
	49,180,850	28,527,513

9. FINANCIAL INVESTMENTS - LOANS AND RECEIVABLES

	2015	2014
	Rs.	Rs.
Treasury Bill/ Bond Repurchase Agreement (9.5)	248,497,860	335,805,428
Commercial Papers (Note 9.1)	1,299,116,296	200,061,632
Fixed Deposits (Note 9.2)	2,954,786,262	1,170,457,270
Unquoted Debentures (Note 9.3)	-	20,704,772
Securitization (Note 9.4)	-	27,550,965
	4,502,400,418	1,754,580,067

9.1 Commercial Papers

Softlogic Holdings PLC	546,145,643	123,711,727
Softlogic Retail (Private) Limited	212,346,144	76,349,905
Lanka Orix Leasing Company PLC	540,624,510	-
	1,299,116,296	200,061,632

Guardian Acuity Money Market Fund
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 December 2015

9.2 Fixed Deposits

	2015	2014
	Rs.	Rs.
Hatton National Bank PLC	12,063,571	11,404,534
Bank of Ceylon	-	40,739,726
Central Finance PLC	350,483,959	136,832,795
Melsta Regal Finance Limited	-	6,580,858
People's Bank	-	40,739,726
Commercial Credit and Finance PLC	-	141,281,616
Commercial Leasing & Finance PLC	444,054,820	264,399,932
LB Finance PLC	511,131,351	209,476,015
Lanka Orix Leasing Finance PLC	416,251,556	85,835,293
Peoples Leasing Limited	-	42,613,304
Senkadagala Finance PLC	-	190,553,471
AMW Capital Leasing & Finance PLC	384,918,318	-
Merchant Bank of Sri Lanka	379,916,518	-
Valliable Finance PLC	335,515,552	-
Seylan Bank PLC	120,450,616	-
	2,954,786,262	1,170,457,270

9.3 Unquoted Debentures

	2015	2014
	Rs.	Rs.
Central Finance PLC	-	20,704,772
	-	20,704,772

9.4 Securitization

Assetline Leasing Company Limited	-	27,550,965
	-	27,550,965

9.5 Treasury Bill Reverse Repurchase Agreement

Commercial Bank Of Ceylon PLC	248,497,860	304,944,058
DFCC Vardhana Bank PLC	-	30,861,370
	248,497,860	335,805,428



10. ACCRUED EXPENSES AND OTHER PAYABLES

	2015	2014
	Rs.	Rs.
Management Fee Payable	2,349,623	918,676
Trustee Fee and Custodian Fee Payable	652,028	257,232
Audit Fee	159,500	175,000
Other Payables	241,006	128,984
	3,402,157	1,479,892

11. 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:

Guardian Acuity Money Market Fund
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

As at 31 December 2015	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets - Held for Trading				
Government Debt Securities	49,180,850	-	-	49,180,850

As at 31 December 2014				
Financial Assets - Held for Trading				
Government Debt Securities	28,527,513	-	-	28,527,513

12. CONTINGENCIES

There are no material contingencies existing as at the reporting date that require adjustments to, or disclosure in the Financial Statements.

13. POST BALANCE SHEET EVENTS

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

14. CAPITAL COMMITMENTS

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

15. UNITS IN ISSUE AND UNIT PRICE

Units in issue and deemed to be in issue as at 31 December 2015 is 365,152,356.05 (2014 -148,731,233.17) and the creation and redemption Unit price as at this date is Rs.12.46 (2014 - Rs.11.98).



16. RELATED PARTY DISCLOSURE

16.1 Management Company and Trustee

The Management Company is Guardian Acuity Asset Management Limited.
The Trustee is Deutsche Bank AG.

16.2 Key management personnel

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

i) Directors

Mr. D.C.R. Gunawardena
Mr. K. Selvanathan
Mr. T. De Silva
Mr. D.P.N. Rodrigo
Ms. R. Fernando
Mr. R. Abeywardena
Mr. S.M. Perera - Alternate Director to Mr. K. Selvanathan

ii) Other key management personnel

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

16.3 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.

Guardian Acuity Money Market Fund
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

16.4 Other transactions within the Fund

Apart from those details disclosed in note 16.5 and 16.6, key management personnel have not entered in to any other transactions involving the Fund during the financial year

16.5 Related party unit holding and other transactions

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

As at 31 December 2015					
Unit holder	Relationship	No. of Units	Value of units held Rs.	Total interest held %	Distribution paid or payable by the Fund Rs.
Guardian Acuity Asset Management Limited	Management Company	3,855,660	48,041,526	1%	1,310,861
Acuity Partners (Pvt) Ltd	Joint Venture Partner in the Management Company	2,500,000	31,150,000	1%	875,000
Ceylon Guardian Investment Trust PLC	Joint Venture Partner in the Management Company	2,383,408	29,697,259	1%	810,320
Ceylon Investment PLC	Affiliate of the Management Company	4,080,788	50,846,620	1%	1,387,401
HNB Assurance PLC	Affiliate of the Management Company	4,155,034	51,771,724	1%	1,454,262



Carson Cumberbatch & Co.Ltd: Administrative Staff Provident Fund	Affiliate of the Management Company	3,395,586	42,309,002	1%	1,188,455
Rubber Investment Trust Ltd	Affiliate of the Management Company	35,639,531	444,068,555	10%	14,880,952
Guardian Capital Partners PLC	Affiliate of the Management Company	6,142,506	76,535,626	2%	
Guardian Fund Management Ltd	Affiliate of the Management Company	680,663	8,481,057	0.19%	593,084
Key Management Personnel		110,952	1,382,456	0.03%	459,411
Other Key Management Personnel		239,875	2,988,839	0.07%	15,002

Guardian Acuity Money Market Fund
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

As at 31 December 2014	Relationship	No. of Units	Value of units held	Total interest held	Distribution paid or payable by the Fund
Unit holder			Rs.	%	Rs.
Guardian Acuity Asset Management Limited	Management Company	3,745,318	44,868,910	3%	2,434,457
Acuity Partners (Pvt) Ltd	Joint Venture Partner in the Management Company	2,500,000	29,950,000	2%	1,625,000
Ceylon Guardian Investment Trust PLC	Joint Venture Partner in the Management Company	3,964,004	47,488,768	3%	2,437,500
Ceylon Investment PLC	Affiliate of the Management Company	3,964,004	47,488,768	3%	2,437,500
HNB Assurance PLC	Affiliate of the Management Company	4,155,034	49,777,307	3%	2,051,421
Carson Cumberbatch & Co.Ltd: Administrative Staff Provident Fund	Affiliate of the Management Company	3,395,586	40,679,120	2%	2,207,131



Rubber Investment Trust Ltd	Affiliate of the Management Company	42,517,007	509,353,744	29%	-
Guardian Fund Management Ltd	Affiliate of the Management Company	1,039,861	12,457,535	1%	-
Key Management Personnel and Other Key Management Personnel		718,488	8,607,486	0.5%	454,184

16.6 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		Payable as at	
	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
Management fees - Guardian Acuity Asset Management Limited	18,263,178	5,704,138	2,349,623	918,676
Trustee fees - Deutsche Bank AG	5,068,094	1,597,178	652,028	257,232
The Bank balance held at Deutsche Bank AG as at 31 December	-	-	23,754	39,838

Guardian Acuity Money Market Fund**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2015

Hatton National Bank PLC (Joint Parent company of Acuity Partners (Pvt) Ltd) Total interest income from Hatton National Bank PLC Ltd is Rs. 442,005/- (2014 - Rs.356,459/-). Balance of outstanding fixed deposits maintained with Hatton National Bank PLC amounts to Rs.12,063,571/- (2014 - Rs. 11,404,534/-).

17. RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE

	2015 Rs.	2014 Rs.
Net Asset Value as per Financial Statements	4,551,506,275	1,782,365,841
Income Tax (Receivables)/Payable	(3,050,104)	(610,815)
Published Net Asset Value	4,548,456,171	1,781,755,026
Number of units outstanding	365,152,356	148,731,233
Net Asset Value per Unit	12.46	11.98



**GUARDIAN ACUITY MONEY MARKET GILT FUND
FINANCIAL STATEMENTS
FOR THE 10 MONTH PERIOD ENDED 31 DECEMBER 2015**



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GSM/HNCM/HK INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF GUARDIAN ACUITY MONEY MARKET GILT FUND

Report on the Financial Statements

We have audited the accompanying financial statements of Guardian Acuity Money Market Gilt Fund ('the Fund'), which comprise the statement of financial position as at 31 December 2015, statement of profit or loss and other comprehensive income, statement of movement in unit holders' Funds and cash flow statement for the 10 month period then ended, and a summary of significant accounting policies and other explanatory information.

Manager's and Trustee's Responsibility for the Financial Statements

The Manager, Guardian Acuity Asset Management Limited and the Trustee, Deutsche Bank AG are responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Manager and Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected

depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation of the financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Manager and Trustee, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Guardian Acuity Money Market Gilt Fund as at 31 December 2015, and of its financial performance and cash flows for the 10 month period then ended in accordance with Sri Lanka Accounting Standards.

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 Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.

15 March 2016
Colombo


Guardian Acuity Money Market Gilt Fund
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the 10 month period ended 31 December 2015

	Notes	For the 10 month period ended 31.12.2015 Rs.
INCOME		
Interest Income	5	45,310,052
Unrealised Loss on Financial Assets Held for Trading		(248,874)
Investment Income		45,061,178
EXPENSES		
Management Fees		(1,541,836)
Trustee Fees		(1,478,482)
Audit Fees		(133,200)
Bank Charges		(47,347)
Other Expenses		(14,040)
		(3,214,905)
NET PROFIT BEFORE TAX		41,846,273
Income Tax Expense	6	(4,209,515)
NET PROFIT AFTER TAX FOR THE PERIOD		37,636,758
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		37,636,758

The accounting policies and notes on pages 107 through 122 form an integral part of the Financial Statements.

Guardian Acuity Money Market Gilt Fund

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 Rs.
ASSETS		
Cash and Cash Equivalents	7	763,022
Financial Assets Held for Trading	8	395,212,218
Financial Assets - Loans and Receivables	9	381,768,939
Income Tax Receivables		389,082
Other Receivables		1,000
		778,134,261
LIABILITIES		
Accrued Expenses	10	457,953
		457,953
NET ASSETS		777,676,308
UNIT HOLDERS' FUNDS		
Net Assets Attributable to Unit holders		777,676,308
		777,676,308

The Manager and Trustee are responsible for the preparation and presentation of these Financial Statements and these Financial Statements were approved by the Manager and adopted by the Trustee.

Signed for and on behalf of the Manager and the Trustee by;

Sgd.

Director

Management Company

Sgd.

Director

Management Company

Sgd.

Trustee

The accounting policies and notes on pages 107 through 122 form an integral part of the Financial Statements.

15 March 2016

Colombo


Guardian Acuity Money Market Gilt Fund
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

For the 10 month period ended 31 December 2015

	For the 10 month period ended 31.12.2015
Total Comprehensive Income for the Period	37,636,758
Received on Creation of Units	1,201,149,036
Paid on Redemption of Units	(461,109,486)
Net Increase due to Unit holders' Transactions	740,039,550
UNIT HOLDERS' FUNDS AS AT 31 DECEMBER	777,676,308

The accounting policies and notes on pages 107 through 122 form an integral part of the Financial Statements.

Guardian Acuity Money Market Gilt Fund

CASH FLOW STATEMENT

For the 10 month period ended 31 December 2015

	For the 10 month period ended 31.12.2015 Rs.
Cash Flows from Operating Activities	
Interest Received	30,087,970
Management Fees and Trustee Fees Paid	(2,695,565)
Other Expenses Paid	(61,387)
Net Investment in Treasury Bill Repos	(378,426,796)
Net Investment in Treasury Bill and Bonds	(388,179,750)
Net Cash Flow used in Operating Activities	(739,275,528)
Cash Flows from Financing Activities	
Cash Received on Creation of Units	1,201,148,036
Cash Paid on Redemption of Units	(461,109,486)
Net Cash generated from Financing Activities	740,038,550
Net Increase in Cash and Cash Equivalents	763,022
Cash and Cash Equivalents at the beginning of the period	-
Cash and Cash Equivalents at the end of the period	763,022

The accounting policies and notes on pages 107 through 122 form an integral part of the Financial Statements.



GUARDIAN ACUITY MONEY MARKET GILT FUND NOTES TO THE FINANCIAL STATEMENTS

For the 10 month period ended 31 December 2015

1. GENERAL INFORMATION

Guardian Acuity Money Market Fund is an open ended unit trust Fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 24 March 2015.

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.

The investment objective of the Fund is to provide a secure annual income by investing in a portfolio of Government securities.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis unless otherwise indicated. The financial statements are presented in Sri Lankan rupees. The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for net assets attributable to unit holders.

2.1.1 Statement of Compliance

The financial statements which comprise the statement of financial position as at 31 December 2015, statement of profit or loss and other comprehensive income, statement of movement in unit holders' Funds and cash flow statement for the 10 months period 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.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

2.2.1 Impairment losses on financial investments – loans and receivables

The Fund reviews its financial investments classified as loans and receivables at each reporting date to assess whether they are impaired. In particular management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

GUARDIAN ACUITY MONEY MARKET GILT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the 10 month period ended 31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Financial instruments

2.3.1.1 Financial assets

All financial assets are initially recognized on the trade date, i.e the date that the Fund becomes a party to the contractual provisions of the instrument. This includes purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

a) Initial recognition and measurements

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management intention in acquiring them. Accordingly, Fund's financial assets have been classified as loans and receivables and financial assets at Fair Value through Profit or Loss.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loan and receivables in the statement of financial position comprise of investments in treasury bill / bond repurchase agreements.

Loans and receivable are subsequently measured at amortised cost using the effective interest rate, less allowance for

impairment. The amortization is included in the "interest income" in the statement of comprehensive income. The losses arising from impairment is recognised in the statement of comprehensive income in "credit loss expense".

Financial assets at Fair Value through Profit or Loss

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Financial assets at Fair Value through Profit and Loss in the statement of financial position comprise of investments in trading securities.

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Upon the initial recognition, transaction cost directly attributable to the acquisition are recognized in profit or loss as incurred.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Changes in fair value are recognised in the 'unrealised gain/(loss) on financial assets held for trading' in the statement of profit or loss and other comprehensive income. Dividend income is recorded in "investment income" according to the terms of the contract.



b) Impairment

For financial assets carried at amortised cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income.

c) Derecognition

A financial asset is derecognised when,

- a. The rights to receive cash flows from the asset have expired,
- b. The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either,

- The Fund has transferred substantially all the risks and rewards of the asset or
- The Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

2.3.1.2 Financial liabilities

a) Initial recognition and measurement

The Fund determines the classification of its financial liabilities at initial recognition.

The Fund's financial liabilities comprise of accrued expenses in the Statement of Financial Position.

b) Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss and other comprehensive income statement when the liabilities are derecognised as well as through the EIR amortisation process.

c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

GUARDIAN ACUITY MONEY MARKET GILT FUND
NOTES TO THE FINANCIAL STATEMENTS

For the 10 month period ended 31 December 2015

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.3.2 Recognition of income

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognized.

(i) Interest Income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income of treasury bills / bonds repurchase agreements, treasury bills and bonds are recognized gross of notional tax.

2.3.3 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.3.4 Distributions

In accordance with the trust deed, the Fund distributes income, to unit holders by cash or reinvestment in units. The distributions are recorded in the statement of movement in unit holders' Funds.

2.3.5 Income tax

Current tax assets and liabilities for the current 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. The Fund is liable to pay income tax at the rate of 10% in accordance with the Inland Revenue Act No.10 of 2006.

2.3.6 Expenses

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

Management fee - 0.25% p.a of Net Asset Value of the Fund

Trustee fee - 0.20% of Net Asset Value (NAV) of the Fund if NAV up to Rs. 500Mn



- 0.18% , if NAV Rs. 500Mn – Rs. 1,000Mn
- 0.16% , if NAV Rs. 1,000Mn – Rs. 2,000Mn
- 0.15%, if NAV above Rs. 2,000Mn
- with a further sum of Rs. 25,000/- per month

2.3.7 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.

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 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 / bonds 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.

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.

3.1 Market risk

Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk. The Fund's interest bearing financial assets expose it to risks associated with the

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effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. 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 summarizes the Fund's exposure to interest rate risks.

31 December 2015	Floating interest rate Rs.	Fixed interest rate Rs.	Non- interest bearing Rs.	Total Rs.
Financial assets				
Cash and cash equivalents	-	-	763,022	763,022
Financial Assets Held for Trading	-	395,212,218	-	395,212,218
Loans and receivables	-	381,768,939	-	381,768,939
Other Receivables	-	-	1,000	1,000
Total Exposure	-	776,981,157	764,022	777,745,179

Summarised sensitivity analysis

The following table summarizes the sensitivity of the Fund's operating profit and net assets attributable to unit holders to price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the Fund's investment with the relevant benchmark

and market volatility. However, actual movements in the risk variables maybe greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in performances and correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.



	31 December 2015	
	Operating Profit / (Loss) Rs.	Net Assets Attributable to Unit Holders Rs.
Change in price of the Trust's investment in Trading Debt Securities		
+ 10%	(651,800)	(651,800)
- 10%	654,100	654,100

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.

(i) Debt securities

The credit risk exposure on government treasury bills and bonds is not deemed to be significant. The exposure to credit risk for repurchase agreements is very low as all investments are backed by 100% of Treasury Bills / Bonds.

(ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A-, as rated by Fitch Ratings.

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 realize 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

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property for redemption payouts. No such borrowings have arisen during the period.

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 Specialized 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 assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows;

31 December 2015	Less than					Total Rs.
	1 month Rs.	1-6 months Rs.	6-12 months Rs.	1-2 years Rs.		
Financial Assets	179,221,455	598,523,724	-	-	777,745,179	
Financial Liabilities	457,953	-	-	-	457,953	

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 2015



I. In term of Value

Rs.

Creations during the year	1,201,149,036
Redemptions during the year	(461,109,486)
Increase in net assets attributable to Unit Holders	37,636,758
Unit Holders' Funds as at 31 December 2015	777,676,308

II. In term of No of units

Unit creations during the year	11,904,487
Unit redemptions during the year	(4,486,919)
Closing no of units as at 31 December 2015	7,417,568

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.

4. EFFECTS OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standard that is issued but not yet effective up to the date of issuance of the Fund's financial statements is disclosed below. The Fund intends to adopt this standard, when they become effective.

(i) SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard is effective for the annual periods beginning on or after 01 January 2018.

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5. GROSS INCOME

	For the 10 month period ended 31.12.2015 Rs.
Interest on	
Treasury Bill / Bond Repurchase Agreements (5.1)	28,797,868
Treasury Bills (5.1)	16,175,655
Treasury Bonds (5.1)	336,529
	45,310,052

- 5.1** Interest on Treasury Bill / Bond Repurchase Agreements, Treasury Bills and Treasury Bonds have been accounted for Gross of Notional Tax.

6. TAXATION

	For the 10 month period ended 31.12.2015 Rs.
Tax expense for the period	4,209,515
	4,209,515



- 6.1** A reconciliation between the tax expense and the product of taxable profit multiplied by the statutory tax rate is as follows:

	For the 10 month period ended 31.12.2015 Rs.
Net profit before tax	41,846,273
Unrealised Loss on Financial Assets Held for Trading	248,874
Total statutory income	42,095,147
Income tax at the rate of 10%	
Income tax expense reported in the Statement of Profit or Loss and Other Comprehensive Income	4,209,515

7. CASH AND CASH EQUIVALENTS

	2015 Rs.
Cash at Bank	763,022
	763,022

8. FINANCIAL ASSETS - HELD FOR TRADING

	2015 Rs.
Treasury Bills and Bonds	395,212,218
	395,212,218

9. FINANCIAL INVESTMENTS - LOANS AND RECEIVABLES

	2015 Rs.
Treasury Bill / Bond Repurchase Agreements (9.1)	381,768,939
	381,768,939

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9.1 Treasury Bill / Bond Repurchase Agreements

	2015 Rs.
Commercial Bank of Ceylon PLC	178,457,433
First Capital Holdings PLC	203,311,506
	381,768,939

10. ACCRUED EXPENSES

	2015 Rs.
Management Fee Payable	164,779
Trustee Fee and Custodian Fee Payable	159,974
Audit Fee Payable	133,200
	457,953

11. 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:



As at 31 December 2015	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets - Held for Trading				
Government debt securities	395,212,218	-	-	395,212,218

12. CONTINGENCIES

There are no material contingencies existing as at the reporting date that require adjustments to, or disclosure in the Financial Statements.

13. 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.

14. CAPITAL COMMITMENTS

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

15. UNITS IN ISSUE AND UNIT PRICE

Units in issue and deemed to be in issue as at 31 December 2015 is 7,417,567.50 and the creation and redemption Unit price as at this date is Rs. 104.82.

16. RELATED PARTY DISCLOSURE

16.1 Management Company and Trustee

The Management Company is Guardian Acuity Asset Management Limited.
The Trustee is Deutsche Bank AG.

16.2 Key management personnel

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

i) Directors

Mr. D.C.R. Gunawardena
Mr. K. Selvanathan

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Mr. T. De Silva
Mr. D.P.N. Rodrigo
Ms. R. Fernando
Mr. R. Abeywardena
Mr. S.M. Perera - Alternate Director to Mr. K Selvanathan

ii) Other key management personnel

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

Mr. Sumith Perera - Fund Manager

16.3 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.

16.4 Other transactions within the Fund

Apart from those details disclosed in note 16.5 and 16.6, key management personnel have not entered in to any other transactions involving the Fund during the financial period.



16.5 Related party unit holding and other transactions

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

As at 31 December 2015		Distribution paid or payable by the Fund	
Unit holder	Relationship	No. of Units	Total interest held
		Rs.	%
		Value of units held	Distribution paid or payable by the Fund
		Rs.	Rs.
Ceylon Investment PLC	Affiliate of the Management Company	973,805	13%
Rubber Investment Trust Ltd	Affiliate of the Management Company	3,039,016	41%
Guardian Capital Partners PLC	Affiliate of the Management Company	1,727,731	23%
Key Management Personnel		2,061	0.03%
Other Key Management Personnel		30,121	0.41%

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16.6 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:

	For the 10 month period ended 31 December 2015 Rs.	Payable as at 31 December 2015 Rs.
Management fees - Guardian Acuity Asset Management Limited	1,541,836	164,779
Trustee fees - Deutsche Bank AG	1,478,482	159,974
The Bank balance held at Deutsche Bank AG as at 31 December		763,022

17. RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE

	2015 Rs.
Net Asset Value as per Financial Statements	777,676,308
Income Tax (Receivables)/Payable	(389,082)
Unrealised Loss on Financial Assets Held for Trading	248,874
Published Net Asset Value	777,536,100
Number of units outstanding	7,417,568
Net Asset Value per Unit	104.82



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