

CEYLON INVESTMENT PLC

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

A CARSON CUMBERBATCH COMPANY

CEYLON INVESTMENT PLC

Managers' Review

For the period ended 30th September 2016

Update on the market

The quarter ending September 2016 saw the equity market extend its recovery with the All Share Price Index increasing by 4.00% and the S&P SL20 index by 9.61%. Market participation in term of daily average turnover saw a sharp increase in August with large stakes of NDB changing hands and interest shown in John Keells Holdings and Distilleries. Market direction continues to be dominated by economic news and events, with higher interest rates subduing market rallies. The Central bank increased policy rates in July 2016 resulting in the increase of overall market interest rates and investors finding the longer term debentures and government bonds more attractive. We continue to monitor credit growth and forex reserves which will be key determinants of central bank policy direction going forward.

Market capitalization of the CSE was Rs.2,79 billion as at end June 2016 which was lower than the Rs. 3 trillion mark achieved in December 2015. The CSE currently trades at a historical PER of 13.4x in line with its historical average. Subdued economic activity due to tighter monetary policy has resulted in earnings growth expectations at a moderate 14% for the current financial year based on our universe of stock coverage. As long term investors we view with concern that market growth has averaged 1.07% CAGR for the last 5 years.

The CSE recorded three consecutive months of foreign inflows with net foreign buying of Rs. 3.2 billion. This has been largely attributable to a spillover effect from global investors looking to emerging markets for higher returns and yields. Large disparities in economic growth rates between developed economies and emerging economies is a key fundamental reason for global investors to revisit the emerging market proposition. Furthermore, events such as Brexit, negative yields and economic growth concerns have resulted in the 'lower risk' labeling of developed economies coming into question.

Looking forward, current market valuations provide investors higher potential returns as the economy eventually moves into a better economic footing. Several companies on the CSE have begun expanding into regional markets providing a new platform of growth. New reforms and trade agreements with regional countries also provide brighter prospects for the Sri Lankan economy, as well as commitments into infrastructure projects. Investor expectations for policy consistency especially on taxation will impact confidence in markets going forward.

Financials and portfolio performance

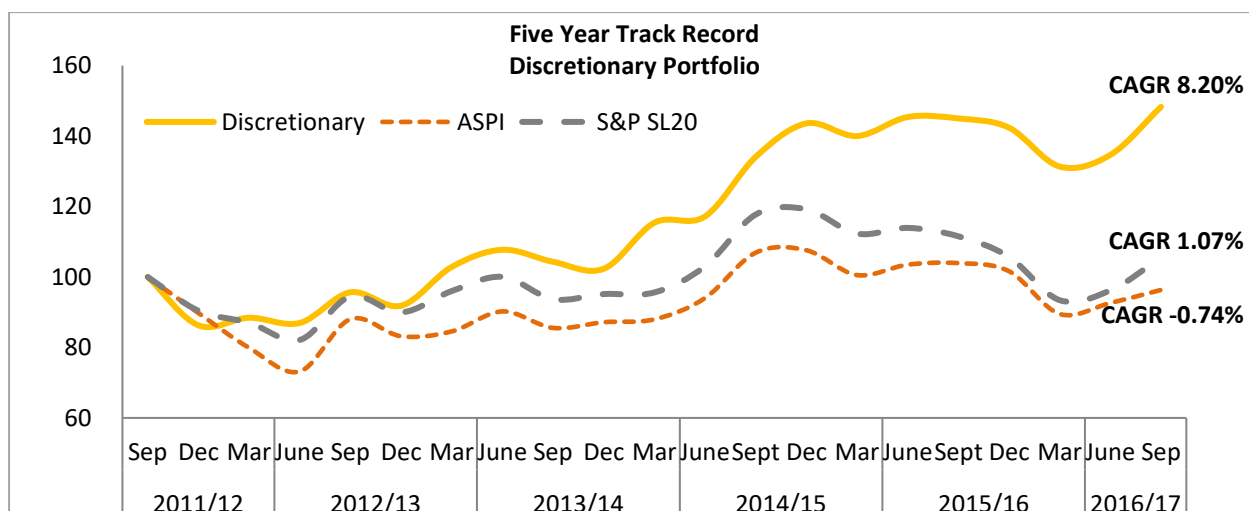
Ceylon Investment PLC, together with its share of associate company's profit reported a profit after tax of Rs. 256.99 Mn for the period of six months ended 30th September 2016, compared to a profit of Rs. 388.21 Mn reported for the same period last year, a reflection of the subdued market activity when compared with last year. As at end September 2016 the Company's earnings per share stood at Rs. 2.58 and Net Asset Value when the portfolio is valued at market prices was Rs. 92.36 per share, an increase of 1 % for the period. This highlights a steep discount of 40% in the traded market price per share of Rs. 55.40.

As at	30/09/2016	31/03/2016	Change %
ASPI	6,534.77	6,071.88	8
NAV per share (Rs.)	92.36	91.54	1
Market price per share (Rs.)	55.40	52.70	5
Discount of NAV to market price per share	40%	42%	

The total portfolio which also consist of the net assets value share of associate company depreciated from Rs. 9.28 Bn to Rs. 9.22 Bn during the period of review. The discretionary component of the portfolio is made up of a trading portfolio and long term portfolio, which are actively managed. The non- discretionary component refers to the strategic holding. The composite performance is detailed below:

	As at			As at 30-Sep-16 (Dividend adjusted) *	Dividend adjusted performance
	30-Sep-16	31-Mar-16	Change %		
Discretionary portfolio (Rs. '000) *	4,546,168	4,066,809	11.79%	4,692,480	15.38%
Total Portfolio (Rs.'000)*	9,220,284	9,278,745	-0.63%	9,366,596	0.95%
ASPI (Points)	6,534.77	6,071.88	7.62%		7.62%
S&P 20 (Points)	3,617.32	3,204.44	12.88%		12.88%

**After adding back the total cash outflow from the distribution of dividend by the Company which was Rs. 146.31 Mn during the period.*



Despite outperforming the All Share Price Index by 8.94% CAGR over a five year period the return of the discretionary portfolio over this time period has been 8.20% CAGR. The 5 year CAGR -0.74% return provided by the All Share Price Index is pale in comparison to the Treasury bill return of 9.02%. We expect this anomaly to be rectified as Sri Lanka's economic development moves to a faster trajectory based on economic plans announced by the government.

The prevailing uncertainty for the CY 2016 in markets has provided Ceylon Investment an opportunity to deploy further cash into the equity market acquiring fundamentally strong companies that trade at a discount to their intrinsic values. During this financial year we took positions in Tokyo Cement due to its direct exposure to the growing construction industry and added onto our existing positions such as Sampath Bank, Hatton National Bank, etc. We hold approximately 3.8% cash in the discretionary portfolio and will look to further increase equity exposure as opportunities arise. The discretionary portfolio remains largely bullish on the banking, finance & insurance sector, manufacturing sector and food & beverage sector. In terms of single company exposure the main stocks are to Hatton National Bank, Sampath Bank and Commercial Bank which are fundamentally strong and show strong growth potential.

Our successful strategy which has prevailed for well over a decade remains focused on a bottom up investment selection where it is very much investee company focused with a bias on medium to long term stock picking.

Guardian Fund Management Limited
Investment Managers

07th November 2016

CEYLON INVESTMENT PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All figures are in Sri Lankan Rupees '000)

	Three months ended			Six months ended			31.03.2016
	30th September			30th September			
	2016	2015	Change %	2016	2015	Change %	Audited
Revenue	39,280	125,731	(69)	118,177	229,895	(49)	322,032
Impairment loss on available for sale financial assets	(8,033)	-	(100)	(13,892)	-	(100)	(45,661)
Net change in fair value of fair value through profit or loss financial assets	91,012	(12,777)	(812)	99,949	16,833	494	(89,878)
Profit on investment activities	122,259	112,954	8	204,234	246,728	(17)	186,493
Other operating income	-	-	-	-	99	100	99
Administrative and other operating expenses	(12,304)	(16,055)	(23)	(23,972)	(29,355)	(18)	(54,733)
Profit from operations	109,955	96,899	13	180,262	217,472	(17)	131,859
Finance expense	(4)	(4)	-	(71)	(12)	492	(18)
Profit from operations after finance expense	109,951	96,895	13	180,191	217,460	(17)	131,841
Share of profit of equity accounted investee net of tax	52,876	149,475	(65)	77,876	174,040	(55)	162,922
Profit before taxation	162,827	246,370	(34)	258,067	391,500	(34)	294,763
Income tax expense	(347)	(1,615)	(79)	(1,070)	(3,291)	(67)	(7,548)
Profit for the period	162,480	244,755	(34)	256,997	388,209	(34)	287,215
Other comprehensive income							
Items that are / or may be reclassified to profit or loss							
Share of other comprehensive income / (expense) of equity accounted investee net of tax	18,415	(384,026)	(105)	(615,697)	(486,996)	26	(3,570,466)
Net change in fair value of available for sale financial assets	387,305	5,320	7,180	449,408	89,465	402	(360,276)
Transfer of realized gains on disposal of available for sale financial assets	2,937	(83,643)	(104)	(10,588)	(131,937)	(92)	(173,444)
Foreign currency differences arising on translation of available for sale financial assets	15	6,990	(100)	1,912	7,344	(74)	13,767
Other comprehensive income / (expense) for the period	408,672	(455,359)	(190)	(174,965)	(522,124)	(66)	(4,090,419)
Total comprehensive income/(expense) for the period	571,152	(210,604)	(371)	82,032	(133,915)	(161)	(3,803,204)
Earnings per share (Rs.)	1.63	2.46		2.58	3.90		2.89
Dividend per share (Rs.)*	-	-		-	-		1.50

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

Figures in brackets indicate deductions.

CEYLON INVESTMENT PLC
STATEMENT OF FINANCIAL POSITION

(All figures are in Sri Lankan Rupees '000)

As at 30th September	2016	2015	31.03.2016 Audited
ASSETS			
Non-current assets			
Investment in equity accounted investee	4,674,116	8,401,428	5,211,936
Available for sale financial assets	3,590,139	3,291,177	2,937,166
Total non-current assets	8,264,255	11,692,605	8,149,102
Current assets			
Trade and other receivables	1,491	5,194	10,138
Fair value through profit or loss financial assets	864,508	811,973	793,451
Current tax assets	510	-	-
Cash and cash equivalents	92,694	485,839	338,017
Total current assets	959,203	1,303,006	1,141,606
Total assets	9,223,458	12,995,611	9,290,708
EQUITY AND LIABILITIES			
Equity			
Stated capital	763,497	763,497	763,497
Capital reserves	187,141	187,141	187,141
Revenue reserves	8,235,047	11,967,266	8,153,015
Total equity	9,185,685	12,917,904	9,103,653
Current liabilities			
Trade and other payables	36,090	29,323	183,841
Current tax liabilities	-	43,917	1,389
Bank overdraft	1,683	4,467	1,825
Total current liabilities	37,773	77,707	187,055
Total liabilities	37,773	77,707	187,055
Total equity and liabilities	9,223,458	12,995,611	9,290,708
Net assets per ordinary share - (Rs.)	92.36	129.89	91.54

The Statement of Financial Position as at 30th September 2016 and the related Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flow for the period then ended as disclosed in pages 4 to 7 have been drawn up from unaudited accounts.

I certify that these Financial Statements comply with the requirements of the Companies Act No. 07 of 2007.

(Sgd).

V. R. Wijesinghe

Financial Controller

Carsons Management Services (Private) Limited.

Approved & Signed on behalf of the Investment Managers,

(Sgd).

W. Y. R. Fernando (Mrs.)

Director

Guardian Fund Management Limited

07th November 2016

Colombo

Approved & Signed on behalf of the Board,

(Sgd).

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

Chairperson

(Sgd).

D. C. R. Gunawardena

Director

CEYLON INVESTMENT PLC
STATEMENT OF CHANGES IN EQUITY

(All figures are in Sri Lankan Rupees '000)

	Stated capital	Capital reserves	Revenue reserves	Total equity
Balance as at 1st April 2015	673,530	187,141	12,241,499	13,102,170
Super gain tax for the year of assessment 2013/14 *	-	-	(41,803)	(41,803)
Adjusted balance as at 1st April 2015	673,530	187,141	12,199,696	13,060,367
Profit for the year	-	-	287,215	287,215
Other comprehensive expense for the year	-	-	(4,090,419)	(4,090,419)
Total comprehensive expense for the year	-	-	(3,803,204)	(3,803,204)
Unclaimed dividend forfeited	-	-	4,214	4,214
Scrip Dividend	89,967	-	(98,514)	(8,547)
Cash dividend	-	-	(149,177)	(149,177)
Balance as at 31st March 2016 (Audited)	763,497	187,141	8,153,015	9,103,653
Balance as at 1st April 2016	763,497	187,141	8,153,015	9,103,653
Profit for the period	-	-	256,997	256,997
Other comprehensive expense for the period	-	-	(174,965)	(174,965)
Total comprehensive income for the period	-	-	82,032	82,032
Balance as at 30th September 2016 (Unaudited)	763,497	187,141	8,235,047	9,185,685
Balance as at 1st April 2015	673,530	187,141	12,241,499	13,102,170
Super gain tax for the year of assessment 2013/14 *	-	-	(41,803)	(41,803)
Adjusted balance as at 1st April 2015	673,530	187,141	12,199,696	13,060,367
Profit for the period	-	-	388,209	388,209
Other comprehensive expense for the period	-	-	(522,124)	(522,124)
Total comprehensive expense for the period	-	-	(133,915)	(133,915)
Scrip Dividend	89,967	-	(98,515)	(8,548)
Balance as at 30th September 2015 (Unaudited)	763,497	187,141	11,967,266	12,917,904

* As per the provisions of Part III of the Finance Act, No. 10 of 2015, although the Company did not become liable to pay Super Gains Tax as standalone entity, Rs. 41.8 Mn was paid as Super Gain Tax on the basis that the Company is part of the Bukit Darah PLC group, of which the consolidated profit before tax exceeded the threshold stipulated in the aforesaid Act. According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards and hence the expense of Super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

CEYLON INVESTMENT PLC

STATEMENT OF CASH FLOWS

(All figures are in Sri Lankan Rupees '000)

For the six months ended 30th September

	2016	2015	31.03.2016 Audited
Cash flows from operating activities			
Profit before taxation	258,067	391,500	294,763
Adjustments for:			
Impairment loss on available for sale financial assets	13,892	-	45,661
Net change in fair value of fair value through profit or loss financial assets	(99,949)	(16,833)	89,878
Finance expense	71	12	18
Share of profit of equity accounted investee net of tax	(77,876)	(174,040)	(162,922)
Operating profit before changes in working capital	94,205	200,639	267,398
Decrease in trade and other receivables	8,646	11,032	6,088
Net increase in investments	(197,241)	(37,183)	(301,847)
Increase/(decrease) in trade and other payables	(1,439)	(1,242)	8,479
Cash generated from / (used) in operations	(95,829)	173,246	(19,882)
Super gain tax paid	-	-	(26,856)
Income tax paid	(2,969)	(1,676)	(5,896)
Net cash generated from / (used in) operating activities	(98,798)	171,570	(52,634)
Cash flows from investing activities			
Dividend received from equity accounted investee	-	-	79,195
Net cash generated from investing activities	-	-	79,195
Cash flows from financing activities			
Finance expense paid	(71)	(12)	(18)
Dividend paid	(146,312)	(242,657)	(242,822)
Net cash used in financing activities	(146,383)	(242,669)	(242,840)
Net decrease in cash and cash equivalents during the period	(245,181)	(71,099)	(216,279)
Cash and cash equivalents at the beginning of the period	336,192	552,471	552,471
Cash and cash equivalents at the end of the period	91,011	481,372	336,192
Statement of cash and cash equivalents			
Short-term deposits	87,844	477,845	337,417
Cash at bank	4,850	7,994	600
Total cash and cash equivalents	92,694	485,839	338,017
Bank overdraft	(1,683)	(4,467)	(1,825)
Net cash and cash equivalents for the purpose of statement of cash flows	91,011	481,372	336,192

Figures in brackets indicate deductions

CEYLON INVESTMENT PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

1 Basis of Preparation of Interim Financial Statements

The Interim Financial Statements of the Company have been prepared in consistence with the accounting policies and methods applied for the year ended 31st March 2016.

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

2 For the six months ended 30th September	2016	2015
Dividend income	83,249	61,150
Interest income	4,393	12,060
Net gain from disposal of fair value through profit or loss financial assets	9,007	19,220
Net gain from disposal of available for sale financial assets	21,528	137,465
	118,177	229,895

3 Profit on investment activities

The Company recorded a profit of Rs.204.2 Mn from investment activities for the six months ended 30th September 2016.

4 Valuation of investment portfolio	Carrying value/ Fair value as at 30.09.2016	Carrying value/ Fair value as at 30.09.2015	Carrying value/ Fair value as at 31.03.2016
Summary of investment portfolio			
Strategic investments - Investment in equity accounted investee (4.1)	4,674,116	8,401,428	5,211,936
Available for sale financial assets (4.2)	3,590,139	3,291,177	2,937,166
Fair value through profit or loss financial assets (4.3)	864,508	811,973	793,451
	9,128,764	12,504,578	8,942,553

4.1 Strategic investments - Investment in equity accounted investee	Carrying value/ Fair value as at 30.09.2016	Carrying value/ Fair value as at 30.09.2015	Carrying value/ Fair value as at 31.03.2016
Rubber Investment Trust Limited	296	296	296
Company's share of Associate Company's reserves	4,673,820	8,401,132	5,211,640
	4,674,116	8,401,428	5,211,936

4.2 Available for sale financial assets	Fair value as at 30.09.2016	Fair value as at 30.09.2015	Fair value as at 31.03.2016
Sector	30.09.2016	30.09.2015	31.03.2016
Bank, Finance & Insurance	1,987,594	1,993,892	1,660,356
Beverage, Food & Tobacco	295,204	369,757	277,352
Construction & Engineering	54,600	48,400	41,600
Diversified	145,469	186,306	146,827
Healthcare	-	37,292	28,204
Hotels & Travels	123,787	163,265	135,409
Motors	-	43,777	34,387
Manufacturing	522,283	-	202,777
Telecommunications	218,053	204,894	191,736
Unit trusts	243,138	242,620	218,507
Total investment in equity securities - Quoted	3,590,128	3,290,203	2,937,155
Unquoted investments	11	974	11
Total investment in available for sale financial assets	3,590,139	3,291,177	2,937,166

CEYLON INVESTMENT PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

4.3 Fair value through profit or loss financial assets

Sector	Fair value	Fair value	Fair value
	as at 30.09.2016	as at 30.09.2015	as at 31.03.2016
Bank, Finance & Insurance	313,898	310,729	308,759
Beverage, Food & Tobacco	73,595	85,328	64,004
Constructing and Engineering	45,209	18,886	19,179
Diversified	170,518	167,981	146,479
Healthcare	31,584	22,490	22,848
Hotels & Travels	6,125	7,323	4,660
Land & Property	10,350	49,135	48,926
Manufacturing	116,143	23,524	15,964
Power and Energy	16,764	26,100	8,273
Unit trusts	80,322	100,477	154,359
Total investment in fair value through profit or loss financial assets	864,508	811,973	793,451

The total fair value of the investment portfolio, including the investment in Associate Company based on the net asset value which is arrived after fair valuation of it's investment portfolio, including cash and cash equivalents amounts to Rs.9.22 Bn as at 30th September 2016 (2015 - Rs.12.91 Bn).

5 Price Index movements	As at	As at	As at
	30.09.2016	30.09.2015	31.03.2016
All Share Price Index (points)	6,535	7,051	6,072
S&P SL 20 Index (points)	3,617	3,826	3,204

6 Events after the reporting period

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

7 Commitments and contingencies

7.1 Capital expenditure commitments

No material capital commitments exist as at the reporting date.

7.2 Contingencies

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

8 Comparative Figures

Comparative figures have been rearranged where necessary to conform to the classification and presentation as at 30th September 2016.

9 Liabilities for Expenditure

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

10 Stated Capital

Stated Capital of the Company amounted to Rs.763.4 Mn which consists of 99,451,059 Ordinary Shares.

11 Related party transactions

For six months ended 30th September	Value of the transactions	
	2016	2015
Transactions with the parent company		
Dividend paid	-	57,987
Transactions with affiliate companies		
Receiving of services	15,359	16,572

CEYLON INVESTMENT PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

12 Twenty Major Shareholders as at 30th September 2016

Name of Shareholder	No. of Shares	%
1 Ceylon Guardian Investment Trust PLC A/C No 3	64,010,916	64.36
2 Associated Electrical Corporation Ltd	1,332,000	1.34
3 Mrs. M.L. De Silva	1,317,802	1.33
4 Mr. K.C. Vignarajah	1,309,040	1.32
5 Miss. G.I.A. De Silva	1,289,578	1.30
6 Mellon Bank N.A.-Commonwealth Of Massachusetts	1,169,046	1.18
7 Thurston Investments Limited	1,062,031	1.07
8 Mr. Y.H. Abdulhussein	966,170	0.97
9 Mr. G.J.W. De Silva	862,126	0.87
10 Oakley Investments Limited	803,171	0.81
11 Mrs. S.E. Lokhandwalla	576,558	0.58
12 Waldock Mackenzie Ltd/Mr. H.M. Abdulhussein	531,177	0.53
13 Commercial Bank Of Ceylon Ltd/K.C.Vignarajah	500,843	0.50
14 Waldock Mackenzie Ltd/Mr. M.A.N. Yoosufali	463,700	0.47
15 Mr. H.A. Van Starrex	453,861	0.46
16 Bank Of Ceylon No. 1 Account	446,206	0.45
17 Mercantile Bank (Agency) Private Limited	412,937	0.42
18 Mellon Bank N.A.-The Frontier Emerging Markets Fund	397,090	0.40
19 Miss.N.K.R.H. De Silva	387,941	0.39
20 Miss. G.N.A. De Silva	384,652	0.39

13 Public Holding

Ordinary Shares of the Company held by the public as at 30th September 2016 were as follows :

Number of public shareholders	2,634
Percentage of public holding	35.25%

14 Directors Shareholding as at 30th September 2016

	No. of shares
Mrs. M.A.R.C. Cooray (Appointed Chairperson w.e.f. 1st September 2016)	-
Mr. I. Paulraj (Resigned w.e.f. 15th August 2016)	257
Mr. D. C. R. Gunawardena	257
Mr. A. P. Weeratunge	-
Mr. V. M. Fernando	-
Mr. K. Selvanathan	-
Mr.T.C.M. Chia	-
Mrs.W.Y.R. Fernando (Appointed w.e.f. 15th August 2016)	-

15 Investor Information

Market Performance - Ordinary Shares

<i>For the three months ended</i>	30.09.2016
Market value per share (Rs.)	55.40
Highest price per share (Rs.)	61.00
Lowest price per share (Rs.)	49.60
Market capitalization (in rupees thousands)	5,509,589

Corporate Information

Name of Company

Ceylon Investment PLC
(A Carson Cumberbatch Company)

Domicile and Legal Form

Ceylon Investment PLC is a Public Quoted Company with limited liability domiciled in Sri Lanka. The Company was incorporated in Sri Lanka in 1919.

Company Registration No.

PQ 68

Principal Activity and Nature of Operations

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

Parent Enterprise and Ultimate Parent Enterprise

Ceylon Guardian Investment Trust PLC is the immediate Parent Company of Ceylon Investment PLC. In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Ceylon Guardian Investment Trust PLC and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Ceylon Guardian Investment Trust PLC.

Directors

Mrs. M.A.R.C. Cooray (Appointed Chairperson w.e.f. 1st September 2016)
Mr. I. Paulraj (Resigned w.e.f. 15th August 2016)
Mr. D. C. R. Gunawardena
Mr. A.P. Weeratunge
Mr. V. M. Fernando
Mr. K. Selvanathan
Mr.T.C.M. Chia
Mrs.W.Y.R. Fernando (Appointed w.e.f. 15th August 2016)

Number of Employees

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

Bankers

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

Auditors

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

Investment Managers

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

Managers & Secretaries

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

Registered Office and Principal Place of Business

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

Corporate Website

www.carsoncumberbatch.com