

CEYLON INVESTMENT PLC

INTERIM REPORT FOR THE NINE MONTHS ENDED 31ST DECEMBER 2017

A CARSON CUMBERBATCH COMPANY

CEYLON INVESTMENT PLC

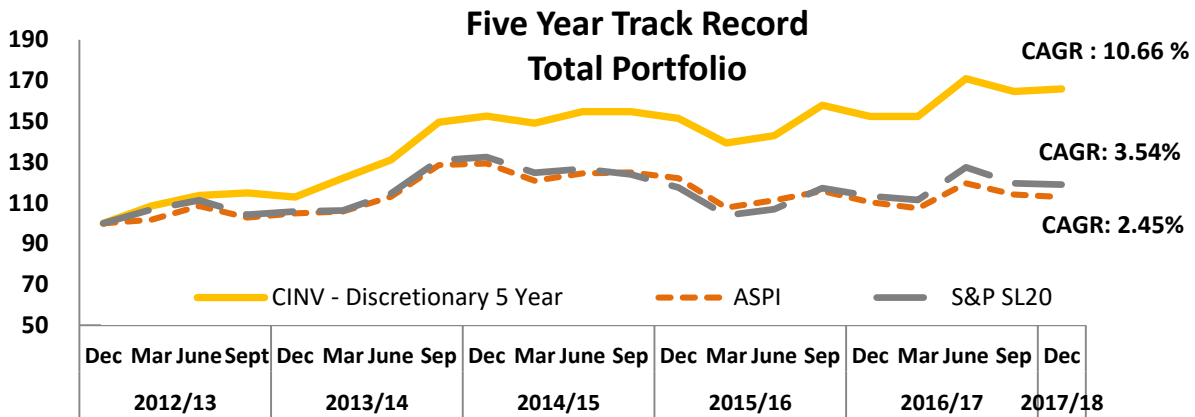
Managers' Review

For the period ended 31st December 2017

Financials and portfolio performance

The Ceylon Investment portfolio is segmented into discretionary and non – discretionary components. The discretionary component of the portfolio is made up of a trading portfolio and long term portfolio, which are actively managed. The non- discretionary component refers to the strategic holding.

The discretionary portfolio has provided an impressive performance of 10.66% CAGR over a five-year period compared to the ASPI performance of 2.45%. The three year return for the portfolio was 3.09% CAGR thereby outperforming the ASPI which gave a return of -4.44% CAGR. The superior performance relative to market is a result of a successfully implemented value investing strategy practiced by Ceylon Investment.



	As at			As at 31-Dec-17 (Dividend adjusted)	Dividend adjusted performance
	31-Dec-17	31-Mar-17	Change %		
Discretionary portfolio (Rs. '000) *	4,648,966	4,362,201	6.57%	4,818,633	10.46%
Total Portfolio (Rs.'000)*	8,640,054	8,730,496	-1.04%	8,809,721	0.91%
ASPI (Points)	6,369.26	6,061.94	5.07%		5.07%
S&P 20 (Points)	3,671.72	3,438.88	6.77%		6.77%

***After adding back the total cash outflow from the distribution of dividend by the Company which was Rs. 169.7 Mn during the period.**

The discretionary portfolio maintained its equity exposure for the quarter ending Dec 2017 with overall market valuations remaining attractive. The portfolio bought shares to the value of Rs.249 million whilst selling Rs. 416 million. Buying was focused mostly on Central Finance PLC which is a leading company within the leasing sector. The Company has seen share price fall to attractive levels due to higher interest rates and adverse taxation policies on vehicles. With interest rates coming off their peaks the net interest margins are expected to improve. We continue to monitor the non-performing loans and provisioning given the challenging macro-

economic conditions. The portfolio also subscribed to the Sampath Bank rights issue which was attractively priced. The bank has been performing well with strong ROE's led by above sector average loan growth and cost rationalization. The portfolio was also rationalized by reducing exposures to banking sector shares which have come up with numerous rights issues in order to raise capital to fulfil Basel III requirements. The discretionary portfolio remains largely exposed to the banking, finance & insurance sector, food & beverage sector and diversified sector.

Ceylon Investment continues to practice a value driven investment strategy with stock investing based on medium to long term outlooks. The total portfolio depreciated from Rs. 8.73 Bn to Rs. 8.64 Bn during the period of review. Ceylon Investment PLC together with its share of associate company's profit, reported a profit after tax of Rs. 331.45 Mn for the period of nine months ended 31st December 2017, compared to a profit of Rs. 215.12 Mn reported for the same period last year. As at end December 2017 the Company's earnings per share stood at Rs. 3.33 and Net Asset Value when the portfolio is valued at market prices was Rs. 86.69 per share, an increase of 0.8% for the period. This highlights a steep discount of 48% in the traded market price per share of Rs. 44.70.

As at	31/12/2017	31/03/2017	Change %
ASPI	6,369.26	6,061.94	5.1
NAV per share (Rs.)	86.69	86.00	0.8
Market price per share (Rs.)	44.70	40.00	11.8
Discount of NAV to market price per share	48%	53%	

Update on the market

The All Share Price Index fell by 1.07% for the quarter ending Dec 2017 with largest detractors being Nestle and Sri Lanka Telecom while top contributors were Ceylon Tobacco and Dialog Axiata. Foreign activity was mixed in the quarter with net foreign buying in October and December of Rs. 2.2 billion and selling in November of Rs. 1.7 billion. Market activity began to taper down leading up to year-end with uncertainty prevailing on announced fiscal budgetary items and seasonal factors.

Market earnings expectations for the next financial year is expected recover to approximately 12% through financial services sector and improved consumption patterns. However, the earnings forecast may be reduced after taking into account the 'debt repayment levy' on financial services. The historical PER of the Colombo Stock Exchange was recorded at 10.6x as at 31st December 2017 revealing that the CSE remains undervalued compared to historical multiples.

As of the end of Dec-17 the macro-economy is on a better footing with much improved gross official reserves due to stronger capital inflows and less demand pressures within the economy. Fiscal consolidation continues to gain momentum but may be tested with the upcoming local government elections. Strengthening trade with key countries through trade agreements will offer the Sri Lankan economy access to different markets and can improve economic activity going forward. However, concerns still remain with respect to overall debt levels and need for foreign investment.

Guardian Fund Management Limited

Investment Managers

9th February 2018

CEYLON INVESTMENT PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All figures are in Sri Lankan Rupees '000)

	Three months ended			Nine months ended			31.03.2017 Audited
	31st December			31st December			
	2017	2016	Change %	2017	2016	Change %	
Revenue	148,413	49,965	197	301,635	168,142	79	297,938
Impairment loss on available for sale financial assets	(7,218)	(24,730)	(71)	(15,615)	(38,622)	(60)	(95,215)
Net change in fair value of fair value through profit or loss financial assets	(22,700)	(47,101)	(52)	29,166	52,848	(45)	(2,782)
Profit / (loss) on investment activities	118,495	(21,866)	(642)	315,186	182,368	73	199,941
Administrative and other operating expenses	(12,864)	(14,278)	(10)	(38,992)	(38,250)	2	(50,235)
Profit / (loss) from operations	105,631	(36,144)	(392)	276,194	144,118	92	149,706
Finance expense	-	-	-	(3)	(71)	(96)	(71)
Profit from operations after finance expense	105,631	(36,144)	(392)	276,191	144,047	92	149,635
Share of profit of equity accounted investee net of tax	31,837	(5,491)	(680)	56,459	72,385	(22)	510,433
Profit / (loss) before taxation	137,468	(41,635)	(430)	332,650	216,432	54	660,068
Income tax expense	(403)	(241)	67	(1,197)	(1,311)	(9)	(7,254)
Profit / (loss) for the period	137,065	(41,876)	(427)	331,453	215,121	54	652,814
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	38,797	35,869	8	(433,666)	(579,828)	(25)	(1,245,490)
Net change in fair value of available for sale financial assets	(13,756)	(162,857)	(92)	262,291	286,551	(8)	200,791
Transfer of realized (gains) / losses on disposal of available for sale financial assets	(40,681)	26,067	(256)	(92,476)	15,479	(697)	4,835
Foreign currency differences arising on translation of available for sale financial assets	567	-	100	237	1,912	(88)	7,444
Other comprehensive income / (expense) for the period	(15,073)	(100,921)	(85)	(263,614)	(275,886)	(4)	(1,032,420)
Total comprehensive income / (expense) for the period	121,992	(142,797)	(185)	67,839	(60,765)	(212)	(379,606)
Earnings / (losses) per share (Rs.)	1.38	(0.42)		3.33	2.16		6.56
Dividend per share (Rs.)*				-	-		1.75

* 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 31st December	2017	2016	31.03.2017 Audited
ASSETS			
Non-current assets			
Investment in equity accounted investee	3,991,088	4,704,494	4,368,295
Available for sale financial assets	3,405,408	3,471,432	3,276,179
Total non-current assets	7,396,496	8,175,926	7,644,474
Current assets			
Trade and other receivables	3,391	4,733	22,733
Fair value through profit or loss financial assets	1,183,549	848,122	968,707
Current tax assets	7,438	793	3,315
Cash and cash equivalents	61,254	43,581	116,648
Total current assets	1,255,632	897,229	1,111,403
Total assets	8,652,128	9,073,155	8,755,877
EQUITY AND LIABILITIES			
Equity			
Stated capital	763,497	763,497	763,497
Capital reserves	187,141	187,141	187,141
Revenue reserves	7,670,341	8,092,250	7,602,502
Total equity	8,620,979	9,042,888	8,553,140
Current liabilities			
Trade and other payables	29,904	28,686	200,089
Bank overdraft	1,245	1,581	2,648
Total current liabilities	31,149	30,267	202,737
Total liabilities	31,149	30,267	202,737
Total equity and liabilities	8,652,128	9,073,155	8,755,877
Net assets per ordinary share - (Rs.)	86.69	90.93	86.00

The Statement of Financial Position as at 31st December 2017 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 3 to 5 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
Head of Finance
Carsons Management Services (Private) Limited.

Approved & Signed on behalf of the Investment Managers,

(Sgd).
K. Selvanathan
Director
Guardian Fund Management Limited
9th February 2018

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 2016	763,497	187,141	8,153,015	9,103,653
Profit for the year	-	-	652,814	652,814
Other comprehensive expense for the year	-	-	(1,032,420)	(1,032,420)
Total comprehensive expense for the year	-	-	(379,606)	(379,606)
Unclaimed dividend forfeited	-	-	3,132	3,132
Dividend	-	-	(174,039)	(174,039)
Balance as at 31st March 2017 (Audited)	763,497	187,141	7,602,502	8,553,140
Balance as at 1st April 2017	763,497	187,141	7,602,502	8,553,140
Profit for the period	-	-	331,453	331,453
Other comprehensive expense for the period	-	-	(263,614)	(263,614)
Total comprehensive income for the period	-	-	67,839	67,839
Balance as at 31st December 2017 (Unaudited)	763,497	187,141	7,670,341	8,620,979
Balance as at 1st April 2016	763,497	187,141	8,153,015	9,103,653
Profit for the period	-	-	215,121	215,121
Other comprehensive expense for the period	-	-	(275,886)	(275,886)
Total comprehensive expense for the period	-	-	(60,765)	(60,765)
Balance as at 31st December 2016 (Unaudited)	763,497	187,141	8,092,250	9,042,888

CEYLON INVESTMENT PLC
STATEMENT OF CASH FLOWS

(All figures are in Sri Lankan Rupees '000)

For the nine months ended 31st December

	2017	2016	31.03.2017 Audited
Cash flows from operating activities			
Profit before taxation	332,650	216,432	660,068
Adjustments for:			
Impairment loss on available for sale financial assets	15,615	38,622	95,215
Net change in fair value of fair value through profit or loss financial assets	(29,166)	(52,848)	2,782
Finance expense	3	71	71
Share of profit of equity accounted investee net of tax	(56,459)	(72,385)	(510,433)
Operating profit before changes in working capital	262,643	129,892	247,703
Decrease/(increase) in trade and other receivables	19,342	5,404	(12,595)
Net increase in investments	(160,468)	(270,769)	(399,196)
Decrease in trade and other payables	(518)	(8,843)	(8,347)
Cash generated from / (used in) operations	120,999	(144,316)	(172,435)
Income tax paid	(5,320)	(3,493)	(6,565)
Net cash generated from / (used in) operating activities	115,679	(147,809)	(179,000)
Cash flows from investing activities			
Dividend received from equity accounted investee	-	-	103,191
Net cash generated from investing activities	-	-	103,191
Cash flows from financing activities			
Finance expense paid	(3)	(71)	(71)
Dividend paid	(169,667)	(146,312)	(146,312)
Net cash used in financing activities	(169,670)	(146,383)	(146,383)
Net decrease in cash and cash equivalents during the period	(53,991)	(294,192)	(222,192)
Cash and cash equivalents at the beginning of the period	114,000	336,192	336,192
Cash and cash equivalents at the end of the period	60,009	42,000	114,000
Statement of cash and cash equivalents			
Short-term deposits	43,235	40,160	116,109
Cash at bank	18,019	3,421	539
Total cash and cash equivalents	61,254	43,581	116,648
Bank overdraft	(1,245)	(1,581)	(2,648)
Net cash and cash equivalents for the purpose of statement of cash flows	60,009	42,000	114,000

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 2017.

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 Revenue

For the nine months ended 31st December	2017	2016
Dividend income	74,779	102,958
Interest income	4,572	5,401
Net gain from disposal of fair value through profit or loss financial assets	1,158	22,703
Net gain from disposal of available for sale financial assets	221,126	37,080
	301,635	168,142

3 Profit on investment activities

The Company recorded a profit of Rs.315.2 Mn from investment activities for the nine months ended 31st December 2017.

4 Valuation of investment portfolio

	Carrying value/ Fair value as at 31.12.2017	Carrying value/ Fair value as at 31.12.2016	Carrying value/ Fair value as at 31.03.2017
Summary of investment portfolio			
Strategic investments - Investment in equity accounted investee (4.1)	3,991,088	4,704,494	4,368,295
Available for sale financial assets (4.2)	3,405,408	3,471,432	3,276,179
Fair value through profit or loss financial assets (4.3)	1,183,549	848,122	968,707
	8,580,045	9,024,048	8,613,181

4.1 Strategic investments - Investment in equity accounted investee

	Carrying value/ Fair value as at 31.12.2017	Carrying value/ Fair value as at 31.12.2016	Carrying value/ Fair value as at 31.03.2017
Rubber Investment Trust Limited	296	296	296
Company's share of Associate Company's reserves	3,990,792	4,704,198	4,367,999
	3,991,088	4,704,494	4,368,295

4.2 Available for sale financial assets

Sector	Fair value as at 31.12.2017	Fair value as at 31.12.2016	Fair value as at 31.03.2017
Bank, Finance & Insurance	2,008,502	1,955,660	1,835,458
Beverage, Food & Tobacco	126,025	65,561	65,742
Construction & Engineering	47,000	49,600	47,600
Diversified	415,003	430,774	414,241
Footwear & Textiles	114,401	168,981	153,209
Hotels & Travels	66,952	111,016	79,889
Manufacturing	201,127	310,800	289,750
Telecommunications	244,369	197,375	212,413
Unit trusts	182,018	181,654	177,866
Total investment in equity securities - Quoted	3,405,397	3,471,421	3,276,168
Unquoted investments	11	11	11
Total investment in available for sale financial assets	3,405,408	3,471,432	3,276,179

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 as at	Fair value as at	Fair value as at
	31.12.2017	31.12.2016	31.03.2017
Bank, Finance & Insurance	336,394	301,998	288,074
Constructing and Engineering	30,776	45,603	42,372
Diversified	196,103	210,416	188,756
Healthcare	27,776	29,120	27,552
Hotels & Travels	4,261	5,992	5,326
Land & Property	12,320	10,000	14,140
Manufacturing	126,744	140,114	134,112
Power and Energy	11,625	22,261	12,040
Unit trusts	437,550	82,618	256,335
Total investment in fair value through profit or loss financial assets	1,183,549	848,122	968,707

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.8.64 Bn as at 31st December 2017 (2016 - Rs.9.07Bn).

5 Price Index movements	As at	As at	As at
	31.12.2017	31.12.2016	31.03.2017
All Share Price Index (points)	6,369	6,228	6,062
S&P SL 20 Index (points)	3,672	3,496	3,439

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 31st December 2017.

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 nine months ended 31st December	Value of the transactions	
	2017	2016
Transactions with affiliate companies		
Expenses on CSR activities	-	2,500
Receiving of services	25,026	23,216

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 31st December 2017

	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	1,600,000	1.61
3	Mrs. M.L. De Silva	1,317,802	1.33
4	Mr. K.C. Vignarajah	1,312,760	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	1,052,515	1.06
8	Mr. Y.H. Abdulhussein	966,170	0.97
9	Mr. G.J.W. De Silva	862,126	0.87
10	Oakley Investments (Private) Limited	803,171	0.81
11	Miss R.H. Abdulhussein	783,461	0.79
12	Miss N.K.R.H. De Silva	552,236	0.56
13	People's Leasing & Finance PLC/Mr.H.M. Abdulhussein	510,659	0.51
14	Commercial Bank Of Ceylon Ltd/K.C,Vignarajah	500,843	0.50
15	People's Leasing & Finance PLC /Mr.M.A.N.Yoosufali	500,478	0.50
16	Mr. N.K.A.D. De Silva	495,241	0.50
17	Bank of Ceylon No. 1 Account	446,206	0.45
18	Mercantile Bank (Agency) Private Limited	412,937	0.42
19	Mellon Bank N.A.-The Frontier Emerging Markets Fund	397,090	0.40
20	Miss G.N.A. De Silva	384,652	0.39

13 Public Holding

The Company is in compliance with the Minimum Public Holding requirements for Companies listed on the Main Board as per Rule 7.13.1 (a) of the Listing Rules of Colombo Stock Exchange, under Option 5, i.e. Float-Adjusted Market Capitalization less than Rs. 2.5 Billion with 500 Public Shareholders and a Public Holding percentage of 20%.

The Company's Public Holding as at 31st December 2017;

Market Capitalization of the Public Holding	Rs.1.58 Billion
Percentage of public holding	35.63%
Number of public shareholders	2,607

14 Directors Shareholding as at 31st December 2017

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

15 Investor Information

Market Performance - Ordinary Shares

For the three months ended

	31.12.2017
Market value per share (Rs.)	44.70
Highest price per share (Rs.)	57.00
Lowest price per share (Rs.)	40.40
Market capitalization (in rupees thousands)	4,445,462

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
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

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.
Tele: +94-11-2039200
Fax: +94-11-2439777

Managers & Secretaries

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

Registered Office and Principal Place of Business

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

Corporate Website

www.carsoncumberbatch.com