

CEYLON INVESTMENT PLC

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2020

A CARSON CUMBERBATCH COMPANY

CEYLON INVESTMENT PLC

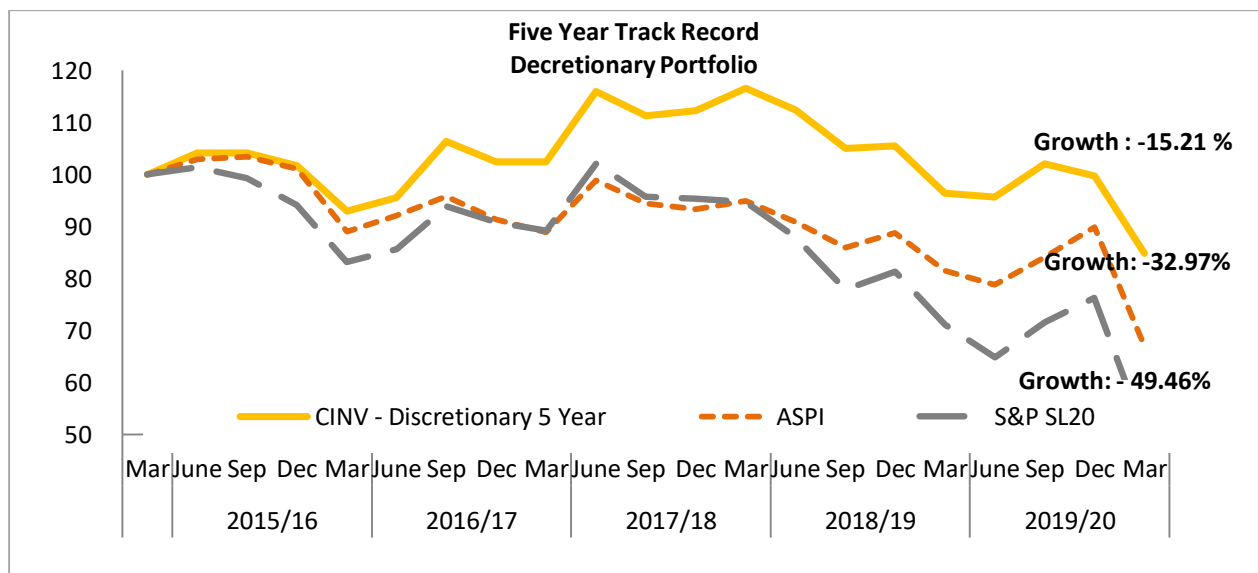
Managers' Review

For the period ended 30th September 2020

The portfolio benefitted from the overall improved investor sentiment where it experienced a sharp appreciation from Rs.6.42 billion as at March 2020 to Rs.10.13 billion in September 2020. The discretionary portfolio, which focuses on stock investing from a bottom-up basis continues to actively pursue companies that display strong fundamentals with a longer term investment horizon. The upward movement in the equity market resulted in Ceylon Investment reporting a consolidated profit after tax of Rs. 861.8 Mn which was largely driven by a gain of Rs. 451.2 Mn from fair value through profit or loss financial assets, recognized in profit or loss as per SLFRS 9 which is influenced by share price movements.

Portfolio Performance

The long term performance of the portfolio as shown by its 5-year discretionary portfolio decline of -15.21% outpaced the ASPI decline of 32.97% as at March 2020. Our investment philosophy of long-term stock picking has resulted in a strong outperformance over the ASPI benchmark by 17.76%.



The positive sentiment in the Colombo Stock Exchange led to the actively managed discretionary portfolio rising by 20.24% to Rs.3.35 billion and the total portfolio rising by 57.93% to Rs. 10.13bn for the six month time period. Despite the optimism in the share market, the economic direction remains uncertain with the pandemic continuing to inflict heavy damage onto the global economy. The Colombo Stock Exchange continued its recovery for the quarter and the performance for the six months ended recorded a gain of 30.90%. Lower interest rates has spurred local institutional, high net worth Individuals and retail interest in the CSE despite foreign investors continuing to exit. The portfolio was a net seller during the quarter as we took opportunity to sell shares that saw sharp movements past our intrinsic prices particularly in the manufacturing sector. The top stock exposures for Ceylon Investment include Commercial Bank and Hatton National Bank.

	As at		Change %	As at 30-Sep-20 (Dividend adjusted) *	Dividend adjusted performance
	30-Sep-20	31-Mar-20			
Discretionary portfolio (Rs. '000) *	3,348,927	2,789,092	20.07%	3,353,523	20.24%
Total Portfolio (Rs.'000)*	10,134,223	6,419,959	57.85%	10,138,819	57.93%
ASPI (Points)	5,985	4,572	30.90%		30.90%
S&P 20 (Points)	2,463	1,947	26.49%		26.49%

****After adding back the total cash outflow from the distribution of dividend by the Group, which was Rs.4.6 Mn during the period.***

The total portfolio for the six months ended increased by 57.93% and the discretionary component increased by 20.24%, both after adjusting for payment of dividends. The All Share Price Index for this time-period provided a robust return of 30.90% and the larger firms represented by the S&P SL20 also provided a strong return of 26.49%.

Financial Performance

Ceylon Investment together with its share of associate company's profit reported a profit after tax of Rs. 861.8 Mn for the period ended 30th September 2020, compared to a profit after tax of Rs. 316.8 Mn in the previous year. The positive financial performance was driven by the upward movement in the equity market resulting in a profit of Rs. 451.2 Mn from fair value through profit or loss financial assets, recognized in profit or loss as per SLFRS 9. The profits recorded on a quarterly basis are volatile due to the accounting standards requiring change in fair value, which largely reflects the change in share prices of investee companies, to be recognized in the income statement.

Accordingly, the Companies net assets as at 30th September 2020, valued at market price, increased 54.77% from the previous year to Rs. 99.53 per share. However, the trading price of Rs. 71.00 per share still indicates a steep discount of 29% to the NAV.

As at	9/30/2020	3/31/2020	Change %
ASPI	5,985	4,572	30.90
NAV per share (Rs.)	99.53	64.31	54.77
Market price per share (Rs.)	71.00	29.10	143.99
Discount of NAV to market price per share	29%	55%	

Update on the market

The All Share Price Index has had a strong recovery since the easing of the countrywide lockdown in April and May 2020, where it has gained 30.91% for the six months ended. Easing of monetary policy and lower interest rates have had a larger role to play in the market upturn. Policies announced with regard to encouraging domestic production also saw share prices of local manufacturing firms listed on the Colombo Stock Exchange increasing rapidly. Successful containment of Covid-19 spread is also essential to maintain equity market optimism and reduce the economic fallout. The economy will also need to focus on overcoming structural hurdles such as the high debt burden and servicing obligations, declining tourism receipts and curtailing declining GDP growth. CSE valuations continue to indicate that the market valuations remain attractive with a historical PER of 10.1x recorded as at the quarter end.

Guardian Fund Management Limited

Investment Managers

12th Nov 2020

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

(All figures are in Sri Lankan Rupces '000)

	Three months ended			Six months ended			31.03.2020
	30th September			30th September			
	2020	2019	Change %	2020	2019	Change %	Audited
Revenue	75,472	68,095	11	147,420	131,497	12	227,437
Net change in fair value of fair value through profit or loss financial assets	169,848	301,876	(44)	451,169	129,098	249	(655,281)
Profit / (loss) on investment activities	245,320	369,971	(34)	598,589	260,595	130	(427,844)
Administrative and other operating expenses	(15,249)	(20,538)	(26)	(28,385)	(37,794)	(25)	(72,126)
Profit / (loss) from operations	230,071	349,433	(34)	570,204	222,801	156	(499,970)
Finance expense	(7,348)	(2,624)	180	(15,743)	(2,723)	478	(5,189)
Profit / (loss) from operations after finance expense	222,723	346,809	(36)	554,461	220,078	152	(505,159)
Share of profit / (loss) of equity accounted investees, net of tax	142,557	116,764	22	317,351	103,418	207	(131,114)
Profit / (loss) before taxation	365,280	463,573	(21)	871,812	323,496	169	(636,273)
Income tax expense	(3,159)	(4,850)	(35)	(10,020)	(6,744)	49	(9,072)
Profit / (loss) for the period	362,121	458,723	(21)	861,792	316,752	172	(645,345)
Other comprehensive income							
Items that are or may be reclassified to profit or loss							
Share of other comprehensive income/(expense) of equity accounted investees, net of tax	2,929,634	394,058	643	2,853,859	395,078	622	(186,077)
Other comprehensive income / (expense) for the period	2,929,634	394,058	643	2,853,859	395,078	622	(186,077)
Total comprehensive income / (expense) for the period	3,291,755	852,781	286	3,715,651	711,830	422	(831,422)
Earnings/(loss) per share (Rs.)	3.57	4.53		8.50	3.13		(6.37)
Dividend per share (Rs.)*	-	-		-	-		1.00

* 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	2020	2019	31.03.2020 Audited
ASSETS			
Non-current assets			
Investment in equity accounted investees	6,785,296	4,083,055	3,630,867
Total non-current assets	6,785,296	4,083,055	3,630,867
Current assets			
Fair value through profit or loss financial assets	2,824,906	3,144,772	2,428,330
Investment in fixed deposits	166,113	110,550	118,180
Investment in unit trusts	78,030	609,697	155,050
Trade and other receivables	1,377	938	752
Current tax assets	1,166	2,927	4,187
Cash and cash equivalents	620,204	68,782	428,807
Total current assets	3,691,796	3,937,666	3,135,306
Total assets	10,477,092	8,020,721	6,766,173
EQUITY AND LIABILITIES			
Equity			
Stated capital	838,033	763,497	763,497
Capital reserves	187,141	187,141	187,141
Revenue reserves	9,061,200	6,985,601	5,445,000
Total equity	10,086,374	7,936,239	6,395,638
Current liabilities			
Trade and other payables	50,392	30,124	29,260
Short term borrowings	340,326	50,000	341,275
Bank overdraft	-	4,358	-
Total current liabilities	390,718	84,482	370,535
Total liabilities	390,718	84,482	370,535
Total equity and liabilities	10,477,092	8,020,721	6,766,173
Net assets value per share - (Rs.)	99.53	79.80	64.31

The Statement of Financial Position as at 30th September 2020 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
Director - Finance
Carsons Management Services (Private) Limited.

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved & Signed on behalf of the Investment Managers,

Approved & Signed on behalf of the Board,

(Sgd).

K. Selvanathan
Director
Guardian Fund Management Limited

12th November 2020

(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 2019	763,497	187,141	6,273,771	7,224,409
Loss for the year	-	-	(645,345)	(645,345)
Other comprehensive expense for the year	-	-	(186,077)	(186,077)
Total comprehensive expense for the year	-	-	(831,422)	(831,422)
Forfeiture of unclaimed dividends	-	-	2,651	2,651
Balance as at 31st March 2020 (Audited)	763,497	187,141	5,445,000	6,395,638
Balance as at 1st April 2020	763,497	187,141	5,445,000	6,395,638
Profit for the period	-	-	861,792	861,792
Other comprehensive income for the period	-	-	2,853,859	2,853,859
Total comprehensive income for the period	-	-	3,715,651	3,715,651
Dividend	74,536	-	(99,451)	(24,915)
Balance as at 30th September 2020 (Unaudited)	838,033	187,141	9,061,200	10,086,374
Balance as at 1st April 2019	763,497	187,141	6,273,771	7,224,409
Profit for the period	-	-	316,752	316,752
Other comprehensive income for the period	-	-	395,078	395,078
Total comprehensive income for the period	-	-	711,830	711,830
Balance as at 30th September 2019 (Unaudited)	763,497	187,141	6,985,601	7,936,239

Figures in brackets indicate deductions

CEYLON INVESTMENT PLC
STATEMENT OF CASH FLOWS

(All figures are in Sri Lankan Rupees '000)

For the six months ended 30th September

	2020	2019	31.03.2020 Audited
Cash flows from operating activities			
Profit / (loss) before taxation	871,812	323,496	(636,273)
Adjustments for:			
Net change in fair value of fair value through profit or loss financial assets	(451,169)	(129,098)	655,281
Finance expense	15,743	2,723	5,189
Share of profit/(loss) of equity accounted investee net of tax	(317,351)	(103,418)	131,114
Operating profit before changes in working capital	119,035	93,703	155,311
Net decrease / (increase) in trade and other receivables	(625)	10,034	10,220
Net decrease / (increase) in investments	131,613	(303,606)	83,104
Net decrease / (increase) in fixed deposits	(47,933)	152,944	145,314
Net increase / (decrease) in trade and other payables	813	(16,248)	(14,335)
Cash generated from / (used in) operations	202,903	(63,173)	379,614
Current tax paid	(6,999)	(2,229)	(5,817)
Net cash generated from / (used in) operating activities	195,904	(65,402)	373,797
Cash flows from investing activities			
Investment in equity accounted investees	-	-	(363,500)
Dividend received from equity accounted investee	16,781	-	-
Net cash generated from / (used in) investing activities	16,781	-	(363,500)
Cash flows from financing activities			
Finance expense paid	(16,692)	(2,723)	(3,914)
Short term borrowings obtained	-	50,000	340,000
Dividend paid	(4,596)	(11,941)	(12,066)
Net cash generated from / (used in) financing activities	(21,288)	35,336	324,020
Net increase / (decrease) in cash and cash equivalents during the period	191,397	(30,066)	334,317
Cash and cash equivalents at the beginning of the year	428,807	94,490	94,490
Cash and cash equivalents at the end of the period	620,204	64,424	428,807
Statement of cash and cash equivalents			
Placements with banking institutions	502,542	56,988	-
Securities purchased under resale agreements	28,276	8,356	251,476
Cash at bank	89,386	3,438	177,331
Total cash and cash equivalents	620,204	68,782	428,807
Bank overdraft	-	(4,358)	-
Cash and cash equivalents for the cash flow statement purpose	620,204	64,424	428,807

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 2020.

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

2 Revenue

For the six months ended 30th September

	2020	2019
Dividend income	71,090	80,941
Interest income on financial assets carried at amortised cost	23,136	17,208
Net gain / (loss) from disposal of financial assets at FVTPL	53,194	33,348
	147,420	131,497

3 Profit / (loss) on investment activities

The Company recorded a profit of Rs. 598.6 Mn from investment activities for six months ended 30th September 2020.

4 Valuation of investment portfolio

	Fair value hierarchy	Carrying value/ Fair value as at 30.09.2020	Carrying value/ Fair value as at 30.09.2019	Carrying value/ Fair value as at 31.03.2020
Summary of investment portfolio				
Strategic investments - Investment in equity accounted investee (4.1)		6,785,296	4,083,055	3,630,867
Investment in equity securities - Fair value through profit or loss-Quoted (4.2)	Level 1	2,824,896	3,144,762	2,428,320
Investment in equity securities - Fair value through profit or loss-Unquoted (4.2)	Level 3	10	10	10
Investment in unit trusts (4.3)	Level 2	78,030	609,697	155,050
		9,688,232	7,837,524	6,214,247

4.1 Strategic investments - Investment in equity accounted investee

	Carrying value/ Fair value		Carrying value/ Fair value		Carrying value/ Fair value	
	Cost	Fair value	Cost	Fair value	Cost	Fair value
	as at 30.09.2020		as at 30.09.2019		as at 31.03.2020	
Rubber Investment Trust Limited	296	6,417,917	296	4,083,055	296	3,253,034
Guardian Value Fund LLC	357,139	361,683	-	-	357,139	371,769
Guardian Fund Management LLC	6,361	5,696	-	-	6,361	6,064
	363,796	6,785,296	296	4,083,055	363,796	3,630,867

4.2 Investment in equity securities- Fair value through profit or loss

Sector	Fair value as at 30.09.2020	Fair value as at 30.09.2019	Fair value as at 31.03.2020
Banks	769,058	962,969	674,366
Diversified Financials	792,625	847,383	792,699
Insurance	165,914	185,912	177,436
Food Beverage & Tobacco	346,886	324,791	216,780
Food & Staples Retailing	57,711	133,365	95,382
Capital Goods	344,423	264,680	184,244
Consumer Durables & Apparel	-	81,402	44,603
Health Care Equipment & Services	-	18,323	10,945
Consumer Services	51,292	56,739	34,271
Real Estate	6,950	10,570	6,000
Materials	135,503	112,373	74,314
Telecommunication Services	154,534	146,255	117,280
Total investment in equity securities - Quoted	2,824,896	3,144,762	2,428,320
Unquoted investments	10	10	10
Total investment in equity securities - Fair value through profit or loss	2,824,906	3,144,772	2,428,330

4.3 Investment in unit trusts

	Fair value as at 30.09.2020	Fair value as at 30.09.2019	Fair value as at 31.03.2020
The Sri Lanka Fund	-	130,797	66,157
Guardian Acuity Equity Fund	5,039	4,840	3,844
Guardian Acuity Money Market Fund	72,991	474,060	85,049
Total investment in unit trusts	78,030	609,697	155,050

CEYLON INVESTMENT PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

5 Impact of COVID-19

The recent detection of new COVID-19 infected clusters and the consequent quarantine curfews imposed in multiple areas of the country subsequent to the interim financial statements reporting date have had no impact on the continuity of the business operations of the Company, as the Colombo Stock Exchange is continuing its normal operations even as of the date of approval of these financial statements. Further, the Company maintains a strict disciplined approach of picking fundamentally strong stocks that have potential to grow in the medium to long term. The management will continue to monitor new developments and events in the evolving market dynamics and take appropriate and timely actions as and when required.

	As at 30.09.2020	As at 30.09.2019	As at 31.03.2020
6 Price Index movements			
All Share Price Index (points)	5,985	5,738	4,572
S&P SL 20 Index (points)	2,463	2,760	1,947

7 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, other than the above.

8 Commitments and contingencies

8.1 Capital expenditure commitments

No material capital commitments exist as at the reporting date.

8.2 Contingencies

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

9 Comparative Figures

Comparative figures have been rearranged where necessary to conform to the classification and presentation as at 30th September 2020.

10 Liabilities for Expenditure

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

11 Stated Capital

Stated Capital of the Company amounted to Rs.838.0 Mn which consists of 101,338,041 Ordinary Shares.

12 Related party transactions

For six months ended 30th September	Value of the transactions	
	2020	2019
Transactions with the parent company		
Dividend paid	65,577	-
Transactions with associate company		
Dividend received	16,781	-
Transactions with affiliate companies		
Receiving of services	20,632	23,943

13 Twenty Major Shareholders as at 30th September 2020

	Name of Shareholder	No. of Shares	%
1	Ceylon Guardian Investment Trust PLC A/C No 3	66,822,185	65.94
2	Associated Electrical Corporation Ltd	1,732,278	1.71
3	Mrs. M.L. De Silva	1,342,922	1.33
4	Mr. K.C. Vignarajah	1,340,145	1.32
5	Miss G.I.A. De Silva	1,314,088	1.30
6	Thurston Investments Limited	1,072,499	1.06
7	Mr. G.J.W. De Silva	878,519	0.87
8	Mr. Y.H. Abdulhussein	830,984	0.82
9	Oakley Investments (Private) Limited	818,421	0.81
10	Miss R.H. Abdulhussein	686,510	0.68
11	Miss N.K.R.H. De Silva	562,721	0.56
12	People's Leasing & Finance PLC/Mr.M.A.N.Yoosufali	513,500	0.51
13	Commercial Bank Of Ceylon Ltd/K.C.Vignarajah	510,352	0.50
14	Mr. N.K.A.D. De Silva	504,644	0.50
15	Bank Of Ceylon No. 1 Account	454,678	0.45
16	Mercantile Bank (Agency) Private Limited	412,939	0.41
17	People's Leasing & Finance PLC/Mr.H.M. Abdulhussei	404,299	0.40
18	Miss G.N.A. De Silva	391,980	0.39
19	Seylan Bank PLC / S.R. Fernando	388,974	0.38
20	Mr. L.H. Abeysundera	388,225	0.38

CEYLON INVESTMENT PLC**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

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

14 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 the 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 30th September 2020;	
Market Capitalization of the Public Holding	Rs.2.45 Billion
Percentage of ordinary shares held by the public	34.06%
Number of public shareholders	2,585

15 Directors Shareholding as at 30th September 2020**No. of shares**

Mrs. M.A.R.C. Cooray (Chairperson)	-
Mr. D. C. R. Gunawardena	2,157
Mr. A. P. Weeratunge	-
Mr. V. M. Fernando	-
Mr. K. Selvanathan	-
Mr.T.C.M. Chia	-

16 Investor Information

Market Performance - Ordinary Shares

<i>For the three months ended</i>	30.09.2020
Market value per share (Rs.)	71.00
Highest price per share (Rs.)	80.00
Lowest price per share (Rs.)	33.60
Market capitalization (in rupees thousands)	7,195,001

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 (Chairperson)
Mr. D. C. R. Gunawardena
Mr. A.P. Weeratunge
Mr. V. M. Fernando
Mr. K. Selvanathan
Mr.T.C.M. Chia

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: +94-11-2039285

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