

# CEYLON INVESTMENT PLC

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2017

A CARSON CUMBERBATCH COMPANY

# CEYLON INVESTMENT PLC

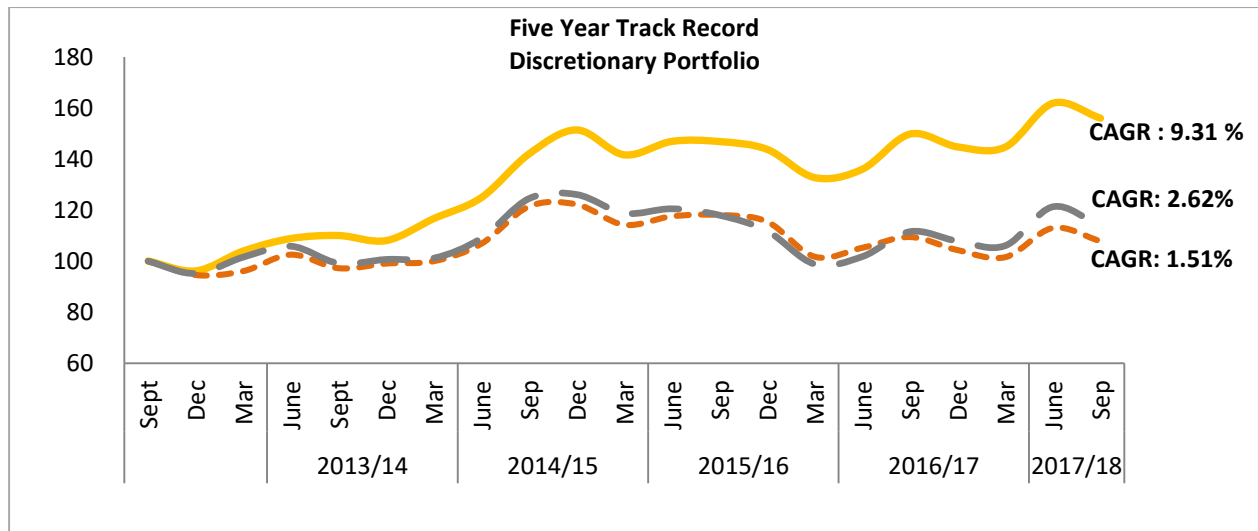
## Managers' Review

For the period ended 30th September 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 9.31% CAGR over a five-year period compared to the ASPI performance of 1.51%. The three year return for the portfolio was 3.53% CAGR thereby outperforming the ASPI which gave a return of -3.89% CAGR. The superior performance relative to market is a result of a successfully implemented value investing strategy practiced by Ceylon Investment.



The portfolio has been a net seller for the quarter ending September 2017 with total sales of Rs. 236 million and buying of Rs. 83 million. Selling from the discretionary portfolio mainly centered around Tokyo Cement and Sampath Bank. Both stocks have provided strong capital gains for the portfolio of Rs. 85 million collectively during the quarter. The country's infrastructure drive has resulted in growing demand for Tokyo Cement and recent capacity expansions are yet to be fully utilized. However, a surge in the share price has resulted in the potential growth of the company being somewhat 'factored in' and we have taken steps to gradually reduce positions despite the share having further upside. We expect the company to continue to perform well with continued cost management exercises and strong demand. The portfolio participated in the HNB rights issue based on its allocation. The discretionary portfolio remains largely exposed to the banking, finance & insurance sector, food & beverage sector and diversified sector.

	As at		Change %	As at 30-Sep-17 (Dividend adjusted)	Dividend adjusted performance
	30-Sep-17	31-Mar-17			
Discretionary portfolio (Rs. '000) *	4,603,565	4,362,201	5.53%	4,773,185	9.42%
Total Portfolio (Rs.'000)*	8,524,019	8,730,496	-2.37%	8,693,639	-0.42%
ASPI (Points)	6,438.24	6,061.94	6.21%		6.21%
S&P 20 (Points)	3,687.97	3,438.88	7.24%		7.24%

*\*After adding back the total cash outflow from the distribution of dividend by the Company which was Rs. 169.6 Mn during the period.*

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. 8.52 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. 194.38 Mn for the period of three months ended 30<sup>th</sup> September 2017, compared to a profit of Rs. 256.99 Mn reported for the same period last year. As at end September 2017 the Company's earnings per share stood at Rs. 1.95 and Net Asset Value when the portfolio is valued at market prices was Rs. 85.46 per share, a decrease of 0.6% for the period. This highlights a steep discount of 41% in the traded market price per share of Rs. 50.40.

As at	30/09/2017	31/03/2017	Change %
ASPI	<b>6,438.24</b>	6,061.94	6.2
NAV per share (Rs.)	<b>85.46</b>	86.00	(0.6)
Market price per share (Rs.)	<b>50.40</b>	40.00	26.0
Discount of NAV to market price per share	<b>41%</b>	53%	

## Update on the market

The All Share Price Index fell by 4.58% for the quarter ending Sept 2017 with heavy weights dragging down the index. Despite foreign buying persisting, market turnover reduced and selling pressure was observed resulting in the overall decline. Average daily turnover for the quarter was recorded at 903 million which improved significantly in September. Net foreign buying for the quarter was Rs. 6.7 billion after adjusting for the strategic stake outflow of Rs. 10.5 billion for Singer Sri Lanka.

Market earnings witnesses a general slowdown to 3.6% YoY for quarter ending June 2017. The slowdown is largely attributable to tight monetary policy influencing consumption and rising input costs for companies. The historical PER of the Colombo Stock Exchange was recorded at 10.7x as at 30<sup>th</sup> September 2017 revealing that the CSE remains undervalued compared to historical multiples.

The strengthening gross official reserves has resulted in more stability in the economy but debt burdens into the medium term remains a challenge for the country. Fiscal consolidation continues to improve and the implementation of the new Inland Revenue Act will see further progress made on this front. Infrastructure related projects are expected to keep the economy growing and effort on trade agreements with key partner countries can improve the trade deficit over the medium term. However, concerns still remain with respect to overall debt levels and need for foreign investment.

## Guardian Fund Management Limited

Investment Managers

6<sup>th</sup> November 2017

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			31.03.2017 Audited
	30th September			30th September			
	2017	2016	Change %	2017	2016	Change %	
<b>Revenue</b>	<b>82,945</b>	39,280	111	<b>153,222</b>	118,177	30	297,938
Impairment loss on available for sale financial assets	(8,397)	(8,033)	5	(8,397)	(13,892)	(40)	(95,215)
Net change in fair value of fair value through profit or loss financial assets	(53,166)	91,012	(158)	51,866	99,949	(48)	(2,782)
<b>Profit on investment activities</b>	<b>21,382</b>	122,259	(83)	<b>196,691</b>	204,234	(4)	199,941
Administrative and other operating expenses	(12,946)	(12,304)	5	(26,128)	(23,972)	9	(50,235)
<b>Profit from operations</b>	<b>8,436</b>	109,955	(92)	<b>170,563</b>	180,262	(5)	149,706
Finance expense	(3)	(4)	(25)	(3)	(71)	(96)	(71)
<b>Profit from operations after finance expense</b>	<b>8,433</b>	109,951	(92)	<b>170,560</b>	180,191	(5)	149,635
Share of profit of equity accounted investee net of tax	(9,819)	52,876	(119)	24,622	77,876	(68)	510,433
<b>Profit / (loss) before taxation</b>	<b>(1,386)</b>	162,827	(101)	<b>195,182</b>	258,067	(24)	660,068
Income tax expense	(470)	(347)	35	(794)	(1,070)	(26)	(7,254)
<b>Profit / (loss) for the period</b>	<b>(1,856)</b>	162,480	(101)	<b>194,388</b>	256,997	(24)	652,814
<b>Other comprehensive income</b>							
<b>Items that are or may be reclassified to profit or loss</b>							
Share of other comprehensive income / (expense) of equity accounted investee net of tax	(523,608)	18,415	(2,943)	(472,463)	(615,697)	(23)	(1,245,490)
Net change in fair value of available for sale financial assets	(171,118)	387,305	(144)	276,047	449,408	(39)	200,791
Transfer of realized (gains) / losses on disposal of available for sale financial assets	(51,795)	2,937	(1,864)	(51,795)	(10,588)	389	4,835
Foreign currency differences arising on translation of available for sale financial assets	(1,692)	15	(11,380)	(330)	1,912	(117)	7,444
<b>Other comprehensive income / (expense) for the period</b>	<b>(748,213)</b>	408,672	(283)	<b>(248,541)</b>	(174,965)	42	(1,032,420)
<b>Total comprehensive income / (expense) for the period</b>	<b>(750,069)</b>	571,152	(231)	<b>(54,153)</b>	82,032	(166)	(379,606)
<b>Earnings / (losses) per share (Rs.)</b>	<b>(0.02)</b>	1.63		<b>1.95</b>	2.58		6.56
<b>Dividend per share (Rs.)*</b>				-	-		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 30th September	2017	2016	31.03.2017 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in equity accounted investee	3,920,454	4,674,116	4,368,295
Available for sale financial assets	3,489,311	3,590,139	3,276,179
<b>Total non-current assets</b>	<b>7,409,765</b>	<b>8,264,255</b>	<b>7,644,474</b>
<b>Current assets</b>			
Trade and other receivables	708	1,491	22,733
Fair value through profit or loss financial assets	1,054,863	864,508	968,707
Current tax assets	5,790	510	3,315
Cash and cash equivalents	61,042	92,694	116,648
<b>Total current assets</b>	<b>1,122,403</b>	<b>959,203</b>	<b>1,111,403</b>
<b>Total assets</b>	<b>8,532,168</b>	<b>9,223,458</b>	<b>8,755,877</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	763,497	763,497	763,497
Capital reserves	187,141	187,141	187,141
Revenue reserves	7,548,349	8,235,047	7,602,502
<b>Total equity</b>	<b>8,498,987</b>	<b>9,185,685</b>	<b>8,553,140</b>
<b>Current liabilities</b>			
Trade and other payables	31,530	36,090	200,089
Bank overdraft	1,651	1,683	2,648
<b>Total current liabilities</b>	<b>33,181</b>	<b>37,773</b>	<b>202,737</b>
<b>Total liabilities</b>	<b>33,181</b>	<b>37,773</b>	<b>202,737</b>
<b>Total equity and liabilities</b>	<b>8,532,168</b>	<b>9,223,458</b>	<b>8,755,877</b>
Net assets per ordinary share - (Rs.)	85.46	92.36	86.00

The Statement of Financial Position as at 30th September 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  
6th November 2017

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
<b>Balance as at 1st April 2017</b>	<b>763,497</b>	<b>187,141</b>	<b>7,602,502</b>	<b>8,553,140</b>
Profit for the period	-	-	194,388	194,388
Other comprehensive expense for the period	-	-	(248,541)	(248,541)
Total comprehensive expense for the period	-	-	(54,153)	(54,153)
Balance as at 30th September 2017 (Unaudited)	763,497	187,141	7,548,349	8,498,987
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

**CEYLON INVESTMENT PLC**  
**STATEMENT OF CASH FLOWS**

(All figures are in Sri Lankan Rupees '000)

For the six months ended 30th September

	2017	2016	31.03.2017 Audited
<b>Cash flows from operating activities</b>			
Profit before taxation	195,182	258,067	660,068
<b>Adjustments for:</b>			
Impairment loss on available for sale financial assets	8,397	13,892	95,215
Net change in fair value of fair value through profit or loss financial assets	(51,866)	(99,949)	2,782
Finance expense	3	71	71
Share of profit of equity accounted investee net of tax	(24,622)	(77,876)	(510,433)
<b>Operating profit before changes in working capital</b>	<b>127,094</b>	<b>94,205</b>	<b>247,703</b>
Decrease/(increase) in trade and other receivables	22,025	8,646	(12,595)
Net increase in investments	(31,897)	(197,241)	(399,196)
Increase/(decrease) in trade and other payables	1,061	(1,439)	(8,347)
<b>Cash generated from / (used in) operations</b>	<b>118,283</b>	<b>(95,829)</b>	<b>(172,435)</b>
Income tax paid	(3,269)	(2,969)	(6,565)
<b>Net cash generated from / (used in) operating activities</b>	<b>115,014</b>	<b>(98,798)</b>	<b>(179,000)</b>
<b>Cash flows from investing activities</b>			
Dividend received from equity accounted investee	-	-	103,191
<b>Net cash generated from investing activities</b>	<b>-</b>	<b>-</b>	<b>103,191</b>
<b>Cash flows from financing activities</b>			
Finance expense paid	(3)	(71)	(71)
Dividend paid	(169,620)	(146,312)	(146,312)
<b>Net cash used in financing activities</b>	<b>(169,623)</b>	<b>(146,383)</b>	<b>(146,383)</b>
Net decrease in cash and cash equivalents during the period	(54,609)	(245,181)	(222,192)
Cash and cash equivalents at the beginning of the period	114,000	336,192	336,192
<b>Cash and cash equivalents at the end of the period</b>	<b>59,391</b>	<b>91,011</b>	<b>114,000</b>
<b>Statement of cash and cash equivalents</b>			
Short-term deposits	44,524	87,844	116,109
Cash at bank	16,518	4,850	539
Total cash and cash equivalents	61,042	92,694	116,648
Bank overdraft	(1,651)	(1,683)	(2,648)
Net cash and cash equivalents for the purpose of statement of cash flows	59,391	91,011	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**

<b>For the six months ended 30th September</b>	<b>2017</b>	<b>2016</b>
Dividend income	49,840	83,249
Interest income	3,124	4,393
Net gain / (loss) from disposal of fair value through profit or loss financial assets	(9,588)	9,007
Net gain from disposal of available for sale financial assets	109,846	21,528
	<b>153,222</b>	<b>118,177</b>

**3 Profit on investment activities**

The Company recorded a profit of Rs.196.7 Mn from investment activities for the six months ended 30th September 2017.

**4 Valuation of investment portfolio**

	<b>Carrying value/ Fair value as at 30.09.2017</b>	<b>Carrying value/ Fair value as at 30.09.2016</b>	<b>Carrying value/ Fair value as at 31.03.2017</b>
<b>Summary of investment portfolio</b>			
Strategic investments - Investment in equity accounted investee (4.1)	3,920,454	4,674,116	4,368,295
Available for sale financial assets (4.2)	3,489,311	3,590,139	3,276,179
Fair value through profit or loss financial assets (4.3)	1,054,863	864,508	968,707
	<b>8,464,628</b>	<b>9,128,763</b>	<b>8,613,181</b>

**4.1 Strategic investments - Investment in equity accounted investee**

	<b>Carrying value/ Fair value as at 30.09.2017</b>	<b>Carrying value/ Fair value as at 30.09.2016</b>	<b>Carrying value/ Fair value as at 31.03.2017</b>
Rubber Investment Trust Limited	296	296	296
Company's share of Associate Company's reserves	3,920,158	4,673,820	4,367,999
	<b>3,920,454</b>	<b>4,674,116</b>	<b>4,368,295</b>

**4.2 Available for sale financial assets**

<b>Sector</b>	<b>Fair value as at 30.09.2017</b>	<b>Fair value as at 30.09.2016</b>	<b>Fair value as at 31.03.2017</b>
Bank, Finance & Insurance	2,068,503	1,987,594	1,835,458
Beverage, Food & Tobacco	67,248	295,204	65,742
Construction & Engineering	51,600	54,600	47,600
Diversified	417,110	145,469	414,241
Hotels & Travels	71,492	123,787	79,889
Manufacturing	399,663	522,283	442,959
Telecommunications	227,452	218,053	212,413
Unit trusts	186,232	243,138	177,866
<b>Total investment in equity securities - Quoted</b>	<b>3,489,300</b>	<b>3,590,128</b>	<b>3,276,168</b>
Unquoted investments	11	11	11
<b>Total investment in available for sale financial assets</b>	<b>3,489,311</b>	<b>3,590,139</b>	<b>3,276,179</b>

**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
	30.09.2017	30.09.2016	31.03.2017
Bank, Finance & Insurance	351,991	313,898	288,074
Beverage, Food & Tobacco	-	73,595	-
Constructing and Engineering	43,391	45,209	42,372
Diversified	202,194	170,518	188,756
Healthcare	28,224	31,584	27,552
Hotels & Travels	4,660	6,125	5,326
Land & Property	12,320	10,350	14,140
Manufacturing	145,612	116,143	134,112
Power and Energy	12,455	16,764	12,040
Unit trusts	254,016	80,322	256,335
<b>Total investment in fair value through profit or loss financial assets</b>	<b>1,054,863</b>	<b>864,508</b>	<b>968,707</b>

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.8.52 Bn as at 30th September 2017 (2016 - Rs.9.22 Bn).

5 Price Index movements	As at	As at	As at
	30.09.2017	30.09.2016	31.03.2017
All Share Price Index (points)	6,438	6,535	6,062
S&P SL 20 Index (points)	3,688	3,617	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 30th September 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 six months ended 30th September	Value of the transactions	
	2017	2016
<b>Transactions with affiliate companies</b>		
Receiving of services	16,681	15,359



**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 2017**

	<b>Name of Shareholder</b>	<b>No. of Shares</b>	<b>%</b>
1	Ceylon Guardian Investment Trust PLC A/C No 3	64,010,916	64.36
2	Associated Electrical Corporation Ltd	1,593,200	1.60
3	Mrs. M.L. De Silva	1,317,802	1.33
4	Mr. K.C. Vignarajah	1,309,760	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	Waldock Mackenzie Ltd/Mr. H.M. Abdulhussein	513,772	0.52
14	Commercial Bank Of Ceylon Ltd/K.C.Vignarajah	500,843	0.50
15	Waldock Mackenzie Ltd/Mr. M.A.N. Yoosufali	500,000	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 Fun	397,090	0.40
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 2017 were as follows :

Number of public shareholders	2,622
Percentage of public holding	35.63%

**14 Directors Shareholding as at 30th September 2017**

	<b>No. of shares</b>
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	-
Mrs.W.Y.R. Fernando (Resigned with effect from 30th September 2017)	-

**15 Investor Information**

Market Performance - Ordinary Shares

*For the three months ended*

	<b>30.09.2017</b>
Market value per share (Rs.)	50.40
Highest price per share (Rs.)	62.00
Lowest price per share (Rs.)	49.50
Market capitalization (in rupees thousands)	5,012,333

## 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 (Resigned with effect from 30th September 2017)

### 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](http://www.carsoncumberbatch.com)