

CEYLON INVESTMENT PLC

INTERIM REPORT FOR THE NINE MONTHS ENDED 31ST DECEMBER 2019

A CARSON CUMBERBATCH COMPANY

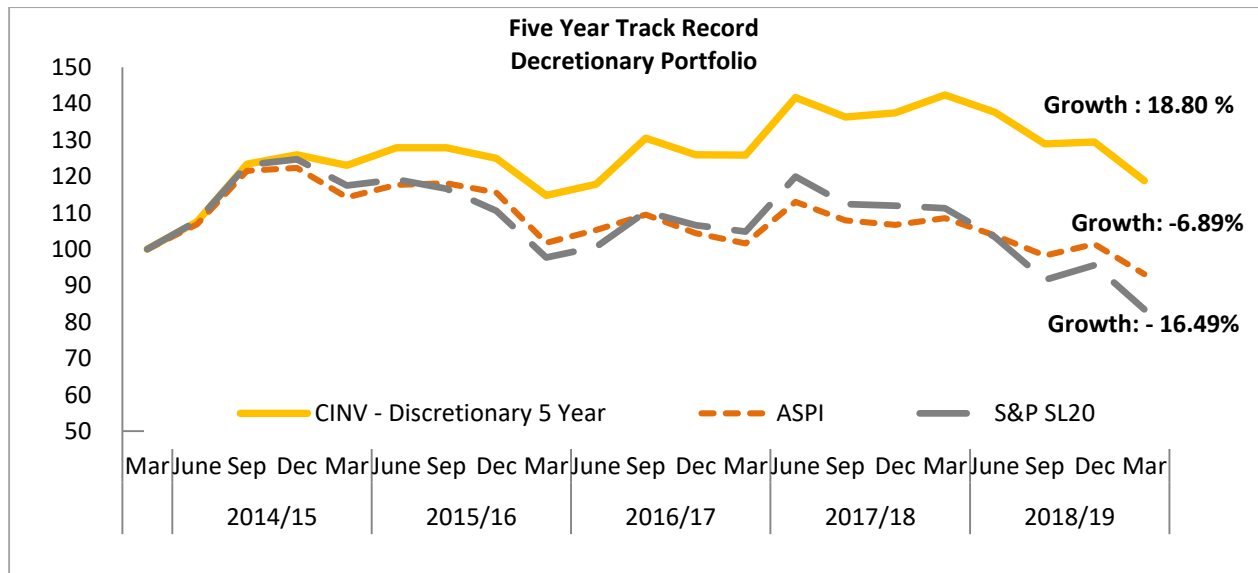
CEYLON INVESTMENT PLC

Managers' Review For the period ended 31st December 2019

The Ceylon Investment portfolio was valued at 8.70 bn as at 31st December 2019 which is segregated into two components being a strategic portfolio and discretionary portfolio. The discretionary portfolio which was Rs. 4.18 Bn as at 31st December 2019, invests in listed companies that are selected using fundamental analysis. The discretionary portfolio grew by Rs. 507.35 mn from Rs. 3.68 bn in March 2019 taking advantage of positive market momentum. Accordingly, the company recorded a profit after tax of Rs. 787 mn for the nine months' period ended 31st December 2019, which is mainly due to the unrealized gain of Rs. 393 Mn on fair value adjustments on the Equity investments of the discretionary portfolio.

Portfolio performance

For the 5-year period ending March 2019 the discretionary portfolio increased by 18.80%, whereas the ASPI declined by 6.89%. Ceylon Investment's philosophy of value investing has resulted in a strong outperformance over the ASPI benchmark by 25.69%. The portfolio has also outperformed the ASPI over the last three years where it recorded a performance of 3.91% compared to ASPI which dropped by 8.48%.



Despite the challenging economic environment from slower growth and relatively high debt levels the Colombo Stock Exchange experienced a significant recovery during the quarter. The conclusion of the presidential election and expected fiscal stimulus has improved sentiment within the CSE and business environment. Monetary policy indications by CBSL have pointed towards a lower interest rate climate which spurred retail interest in the CSE. We continued to practice our strategy of value investing which led to the portfolio being a net seller throughout the quarter. The portfolio reduced positions within the food & beverage and construction sectors. The top stock exposures for Ceylon Investment include Commercial Bank and Hatton National Bank.

	As at		Change %	As at 31-Dec-19 (Dividend adjusted) *	Dividend adjusted performance
	31-Dec-19	31-Mar-19			
Discretionary portfolio (Rs. '000) *	4,187,098	3,679,749	13.79%	4,199,165	14.12%
Total Portfolio (Rs.'000)*	8,708,633	7,264,307	19.88%	8,720,700	20.05%
ASPI (Points)	6,129	5,557	10.30%		10.30%
S&P 20 (Points)	2,937	2,739	7.23%		7.23%

****After adding back the total cash outflow from the distribution of dividend by the Company which was Rs. 12.06Mn during the period.***

The total portfolio increased by Rs. 1.44 bn during the nine-month period. The discretionary component recorded a performance of 14.12% for the period compared to the All Share Price Index gain of 10.30%. At Guardian we do not let ourselves be influenced by the short term fluctuations of a stock price but study the company's ability to compete sustainably and grow fundamentally.

Financial Performance

Financial Performance

Ceylon Investment PLC together with its share of associate company's profit, reported a profit after tax of Rs. 786.8 Mn for the period ended 31st December 2019, compared to a loss after tax of Rs. 597.9 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. 392.9 Mn from fair value through profit or loss financial assets, recognized in profit or loss as per SLFRS 9.

Accordingly, the Group's net assets as at 31 December 2019, valued at market price, increased 15.14% from the previous year to Rs. 83.64 per share. However, the trading price of Rs. 51.50 per share still indicates a steep discount of 38% to the NAV.

As at	31/12/2019	31/03/2019	Change %
ASPI	6,129	5,557	10.30
NAV per share (Rs.)	83.64	72.64	15.14
Market price per share (Rs.)	51.50	36.50	41.10
Discount of NAV to market price per share	38%	50%	

Update on the market

The All Share Price Index gained 6.8% for the quarter resulting in the nine-month return improving to 10.3%. Foreign investors were largely on the selling side influenced by global conditions, weaker economic variables and corporate earnings. The Monetary Policy Committee of the Central Bank continued its stance of lowering interest rates in order to stimulate growth within the economy. Recently introduced fiscal stimulus by way of reduced taxation is expected to improve consumer sentiment but sustainability in the medium term will need to be determined. CSE valuations continue to indicate that the market valuations are attractive with a historical PER of 11x being recorded as at the quarter ended.

Overseas Investments

The Ceylon Guardian Group commenced its overseas investment initiative during this quarter. In order to facilitate the venture, a fund structure was set up in Mauritius. The structure is fully regulated by the Financial Services Commission of Mauritius, the regulatory authority responsible for the regulation, supervision and inspection of all financial services other than banking institutions and global business in Mauritius. A total of USD 4.5 Mn was infused into the structure by 3 group companies, namely Ceylon Guardian Investment Trust PLC, Ceylon Investment PLC and Rubber Investment Trust Limited as per the remittance limits set out in the Foreign Exchange (Classes of Capital Transactions in Foreign Exchange Carried On by Authorized Dealers) Regulations No. 1 of 2017. We hope to commence deploying the funds into identified opportunities in Asian stock markets such as India, Bangladesh, Singapore and other countries as opportunities are identified.

Guardian Fund Management Limited

Investment Managers

6th February 2020

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			31.03.2019 Audited
	31st December			31st December			
	2019	2018	Change %	2019	2018	Change %	
Revenue	66,890	38,639	73	198,387	123,853	60	169,018
Net change in fair value of fair value through profit or loss financial assets	263,726	40,788	547	392,824	(569,184)	(169)	(1,054,018)
Profit / (loss) on investment activities	330,616	79,427	316	591,211	(445,331)	(233)	(885,000)
Administrative and other operating expenses	(18,582)	(16,027)	16	(56,376)	(51,995)	8	(69,987)
Profit / (loss) from operations	312,034	63,400	392	534,835	(497,326)	(208)	(954,987)
Finance expense	(1,191)	(3,303)	(64)	(3,914)	(4,195)	(7)	(7,174)
Profit / (loss) from operations after finance expense	310,843	60,097	417	530,921	(501,521)	(206)	(962,161)
Share of profit / (loss) of equity accounted investee net of tax	162,776	27,006	503	266,194	(86,585)	(407)	(210,967)
Profit / (loss) before taxation	473,619	87,103	444	797,115	(588,106)	(236)	(1,173,128)
Income tax expense	(3,593)	(4,135)	(13)	(10,337)	(9,822)	5	(13,174)
Profit / (loss) for the period	470,026	82,968	467	786,778	(597,928)	(232)	(1,186,302)
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	(87,796)	26,543	(431)	307,282	(10,209)	(3,110)	(62,274)
Other comprehensive income / (expense) for the period	(87,796)	26,543	(431)	307,282	(10,209)	(3,110)	(62,274)
Total comprehensive income / (expense) for the period	382,230	109,511	249	1,094,060	(608,137)	(280)	(1,248,576)
Earnings/(loss) per share (Rs.)	4.73	0.83		7.91	(6.01)		(11.93)
Dividend per share (Rs.)*	-	-		-	-		0.50

* 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 31st December

	2019	2018	31.03.2019 Audited
ASSETS			
Non-current assets			
Investment in equity accounted investee	4,158,035	3,785,683	3,584,558
Investment in equity accounted investee - pending allotment	363,500	-	-
Total non-current assets	4,521,535	3,785,683	3,584,558
Current assets			
Trade and other receivables	3,075	10,599	10,972
Investment in equity and debt securities	3,423,223	3,341,945	3,144,916
Investment in unit trusts	271,377	149,717	176,849
Current tax assets	846	8,625	7,442
Investment in fixed deposits	114,385	732,242	263,494
Cash and cash equivalents	17,108	19,107	98,284
Total current assets	3,830,014	4,262,235	3,701,957
Total assets	8,351,549	8,047,918	7,286,515
EQUITY AND LIABILITIES			
Equity			
Stated capital	763,497	763,497	763,497
Capital reserves	187,141	187,141	187,141
Revenue reserves	7,367,831	6,962,012	6,273,771
Total equity	8,318,469	7,912,650	7,224,409
Current liabilities			
Trade and other payables	30,585	31,162	58,312
Short term borrowing	-	100,626	-
Bank overdraft	2,495	3,480	3,794
Total current liabilities	33,080	135,268	62,106
Total liabilities	33,080	135,268	62,106
Total equity and liabilities	8,351,549	8,047,918	7,286,515
Net assets value per share - (Rs.)	83.64	79.56	72.64

The Statement of Financial Position as at 31st December 2019 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,

(Sgd).

K. Selvanathan

Director

Guardian Fund Management Limited

06th February 2020

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 2018	763,497	187,141	7,570,149	8,520,787
Loss for the year	-	-	(1,186,302)	(1,186,302)
Other comprehensive expense for the year	-	-	(62,274)	(62,274)
Total comprehensive expense for the year	-	-	(1,248,576)	(1,248,576)
Forfeiture of unclaimed dividends	-	-	1,924	1,924
Dividend	-	-	(49,726)	(49,726)
Balance as at 31st March 2019 (Audited)	763,497	187,141	6,273,771	7,224,409
Balance as at 1st April 2019	763,497	187,141	6,273,771	7,224,409
Profit for the period	-	-	786,778	786,778
Other comprehensive income for the period	-	-	307,282	307,282
Total comprehensive income for the period	-	-	1,094,060	1,094,060
Balance as at 31st December 2019 (Unaudited)	763,497	187,141	7,367,831	8,318,469
Balance as at 1st April 2018	763,497	187,141	7,570,149	8,520,787
Loss for the period	-	-	(597,928)	(597,928)
Other comprehensive expense for the period	-	-	(10,209)	(10,209)
Total comprehensive expense for the period	-	-	(608,137)	(608,137)
Balance as at 31st December 2018 (Unaudited)	763,497	187,141	6,962,012	7,912,650

Figures in brackets indicate deductions

CEYLON INVESTMENT PLC
STATEMENT OF CASH FLOWS

(All figures are in Sri Lankan Rupees '000)
For the nine months ended 31st December

	2019	2018	31.03.2019 Audited
Cash flows from operating activities			
Profit / (loss) before taxation	797,115	(588,106)	(1,173,128)
Adjustments for:			
Net change in fair value of fair value through profit or loss financial assets	(392,824)	569,184	1,054,018
Finance expense	3,914	4,195	7,174
Share of profit/(loss) of equity accounted investee net of tax	(266,194)	86,585	210,967
Operating profit before changes in working capital	142,011	71,858	99,031
Net decrease / (increase) in trade and other receivables	7,897	(4,872)	(5,245)
Net decrease / (increase) in investments	(343,511)	438,517	123,580
Net decrease / (increase) in fixed deposits	149,109	(732,242)	(263,494)
Net increase / (decrease) in trade and other payables	(15,661)	(436)	15,372
Cash generated from / (used in) operations	(60,155)	(227,175)	(30,756)
Current tax paid	(3,741)	(8,183)	(10,352)
Net cash generated from / (used in) operating activities	(63,896)	(235,358)	(41,108)
Cash flows from investing activities			
Dividend received from equity accounted investee	-	-	24,678
Net cash generated from investing activities	-	-	24,678
Cash flows from financing activities			
Finance expense paid	(3,914)	(4,195)	(7,174)
Short term borrowings	-	100,626	-
Dividend paid	(12,067)	(44,215)	(80,675)
Net cash generated from / (used in) financing activities	(15,981)	52,216	(87,849)
Net increase / (decrease) in cash and cash equivalents during the period	(79,877)	(183,142)	(104,279)
Cash and cash equivalents at the beginning of the year	94,490	198,769	198,769
Cash and cash equivalents at the end of the period	14,613	15,627	94,490
Statement of cash and cash equivalents			
Placements with banking institutions	-	-	55,836
Securities purchased under resale agreements	11,895	12,739	11,628
Cash at bank	5,213	6,368	30,820
Total cash and cash equivalents	17,108	19,107	98,284
Bank overdraft	(2,495)	(3,480)	(3,794)
Cash and cash equivalents for the cash flow statement purpose	14,613	15,627	94,490

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 2019.

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 nine months ended 31st December	2019	2018
Dividend income	116,433	87,090
Interest income on financial assets carried at amortised cost	23,735	37,391
Net gain / (loss) from disposal of Financial assets at FVTPL	58,219	(628)
	198,387	123,853

3 Profit / (loss) on investment activities

The Company recorded a profit of Rs. 591.2 Mn from investment activities for the nine months ended 31st December 2019.

4 Valuation of investment portfolio

	Fair value hierarchy	Carrying value/ Fair value as at 31.12.2019	Carrying value/ Fair value as at 31.12.2018	Carrying value/ Fair value as at 31.03.2019
Summary of investment portfolio				
Strategic investments - Investment in equity accounted investee (4.1)		4,158,035	3,785,683	3,584,558
Strategic investments - Investment in equity accounted investee - pending allotment (4.2)		363,500	-	-
Investment in equity and debt securities - Fair value through profit or loss-Quoted (4.3)	Level 1	3,423,213	3,341,934	3,144,906
Investment in equity and debt securities - Fair value through profit or loss-Unquoted (4.3)	Level 3	10	11	10
Investment in unit trusts (4.4)	Level 2	271,377	149,717	176,849
		8,216,135	7,277,345	6,906,323

4.1 Strategic investments - Investment in equity accounted investee

	Fair value as at 31.12.2019	Carrying value/ Fair value as at 31.12.2018	Carrying value/ Fair value as at 31.03.2019
Rubber Investment Trust Limited	296	296	296
Company's share of Associate Company's reserves	4,157,739	3,785,387	3,584,262
	4,158,035	3,785,683	3,584,558

4.2 Strategic investments - Investment in equity accounted investee - pending allotment

	Fair value as at 31.12.2019	Carrying value/ Fair value as at 31.12.2018	Carrying value/ Fair value as at 31.03.2019
Guardian Value Fund LLC	357,139	-	-
Guardian Fund Management LLC	6,361	-	-
	363,500	-	-

The Ceylon Investment PLC invested USD 2Mn to commence its overseas investment initiative during the quarter. In order to facilitate the venture, a fund structure was set up in Mauritius. The structure is fully regulated by the Financial Services Commission of Mauritius, the regulatory authority responsible for the regulation, supervision and inspection of all financial services other than banking institutions and global business in Mauritius.

CEYLON INVESTMENT PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

4.3 Investment in equity and debt securities- Fair value through profit or loss

Sector	Fair value as at 31.12.2019	Fair value as at 31.12.2018	Fair value as at 31.03.2019
Bank	998,452	1,285,858	1,068,293
Finance	1,001,300	638,831	763,668
Insurance	196,496	216,959	204,870
Beverage, Food & Tobacco	237,042	161,969	221,158
Construction & Engineering	2,180	43,986	40,555
Diversified	485,754	532,228	438,489
Healthcare	16,199	19,085	19,578
Footwear & Textiles	91,770	77,115	70,106
Hotels & Travels	61,505	65,646	57,144
Land & Property	8,000	11,550	11,480
Manufacturing	154,804	91,098	73,021
Power and Energy	-	7,753	5,485
Telecommunications	169,711	189,856	171,059
Total investment in equity and debt securities - Quoted	3,423,213	3,341,934	3,144,906
Unquoted investments	10	11	10
Total investment in equity and debt securities - Fair value through profit or loss	3,423,223	3,341,945	3,144,916

4.4 Investment in unit trusts

	Fair value as at 31.12.2019	Fair value as at 31.12.2018	Fair value as at 31.03.2019
The Sri Lanka Fund	64,384	144,718	133,053
Guardian Acuity Equity Fund	5,387	4,999	4,547
Guardian Acuity Money Market Fund	201,606	-	39,249
Total investment in unit trusts	271,377	149,717	176,849

The total fair value of the investment portfolio, including the investment in Associate Companies 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. 8.34 Bn as at 31st December 2019 (2018 - Rs.7.92 Bn).

5 Price Index movements	As at 31.12.2019	As at 31.12.2018	As at 31.03.2019
All Share Price Index (points)	6,129	6,052	5,557
S&P SL 20 Index (points)	2,937	3,135	2,739

6 Events after the reporting period

No circumstances have arisen since the reporting date, which would require adjustments to or disclosure 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 2019.

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

	Value of the transactions	
For nine months ended 31st December	2019	2018
Transactions with affiliate companies		
Receiving of services	36,396	34,789

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 2019

	Name of Shareholder	No. of Shares	%
1	Ceylon Guardian Investment Trust PLC A/C No 3	65,577,052	65.94
2	Associated Electrical Corporation Ltd	1,700,000	1.71
3	Mrs. M.L. De Silva	1,317,899	1.33
4	Mr. K.C. Vignarajah	1,312,788	1.32
5	Miss G.I.A. De Silva	1,289,602	1.30
6	Thurston Investments Limited	1,052,515	1.06
7	Mr. G.J.W. De Silva	862,150	0.87
8	Mr. Y.H. Abdulhussein	843,170	0.85
9	Oakley Investments (Private) Limited	803,171	0.81
10	Miss R.H. Abdulhussein	673,718	0.68
11	Miss N.K.R.H. De Silva	552,236	0.56
12	People S Leasing & Finance PLC/Mr.M.A.N.Yoosufali	507,000	0.51
13	Commercial Bank Of Ceylon Ltd/K.C,Vignarajah	500,843	0.50
14	Mr. N.K.A.D. De Silva	495,241	0.50
15	Bank Of Ceylon No. 1 Account	446,206	0.45
16	People S Leasing & Finance PLC/Mr.H.M. Abdulhussei	415,010	0.42
17	Mercantile Bank (Agency) Private Limited	412,937	0.42
18	Miss G.N.A. De Silva	384,677	0.39
19	Mr. L.H. Abeysundera	380,991	0.38
20	Aitken Spence PLC-A/C No. 2	378,940	0.38

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 2019;

Market Capitalization of the Public Holding	Rs.1.744 Billion
Percentage of public holding	34.06%
Number of public shareholders	2,600

14 Directors Shareholding as at 31st December 2019

	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

	31.12.2019
Market value per share (Rs.)	51.50
Highest price per share (Rs.)	57.80
Lowest price per share (Rs.)	38.00
Market capitalization (in rupees thousands)	5,121,730

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: +94-11-2439777

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