

CEYLON INVESTMENT PLC

INTERIM REPORT

SIX MONTHS ENDED 30.09.2009

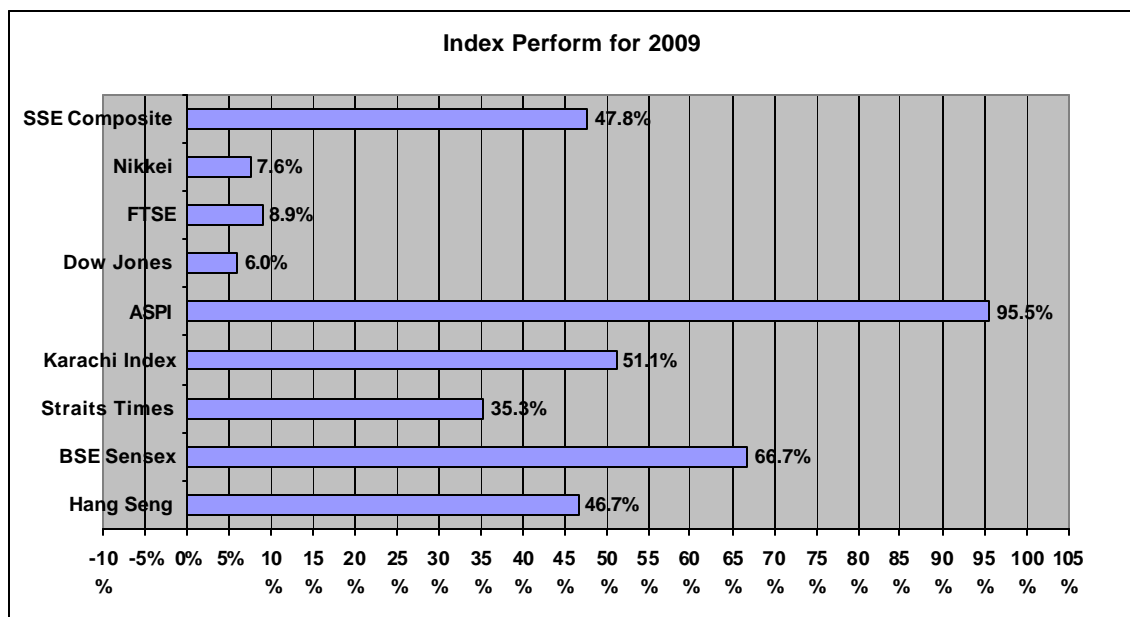
Ceylon Investment PLC

Interim report for the six months ended 30th September 2009

Ceylon Investment PLC and its Associate company Rubber Investment Trust Limited, reported an after tax profits of Rs. 429 mn for the half year ended 30th September 2009, recording a growth of 28% from the comparative figure reported for the same period last year. The mainstream investment business of the company showed an increase in profits with dramatic turn around at the Colombo Bourse during the period of review. Hence profits from investment activities were Rs.205 mn derived from dividend income, interest income and realized gains.

Ceylon Investment PLC has recommended a share repurchase of 20% of the issued shares at an attractive price of Rs.189 for shareholders, keeping in line with the underlying net asset value of the share based on the 30th June 2009 interim financials. The total re-purchase is valued at Rs.913 mn.

Although the global economy is expected to shrink in 2009 by 0.5% - 1.0% with most developed economies facing recessions, many global equity markets have slowly and steadily recovered in 2009 since the anticipated fallout has been milder than expected. The front runners in the market recovery have been the Asian countries, driven by internal developments and the success of government stimulus packages. In the first quarter of the financial year activity at the Colombo Bourse too declined with most investors shunning the equity market given the fear of the financial crisis faced by the USA and Europe spreading to Asian countries and the All Share Index was in negative territory during this period. However due to remarkable turn of events in Sri Lanka with the end of the war, the Colombo bourse is up 106.1% as per market highs recorded for the year 2009 and is rated the second best performing market in the world.

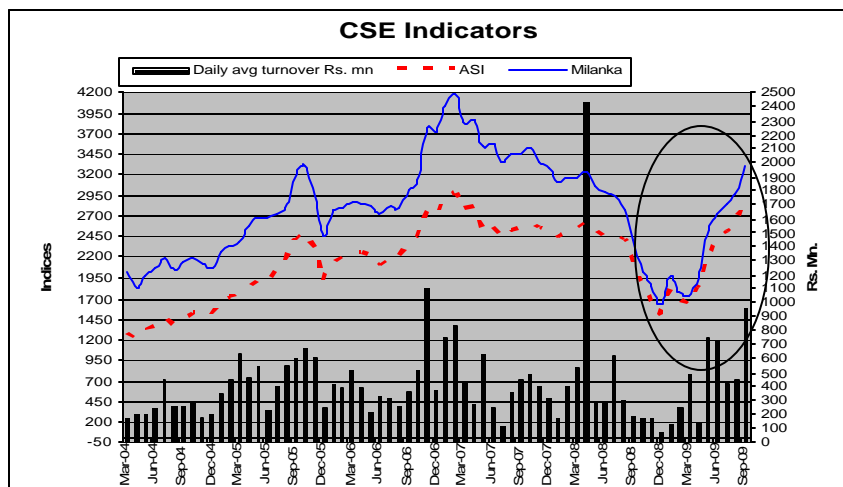


Despite the Sri Lankan economy feeling the pains of the global economic meltdown, it has remained resilient and has expanded at a slower rate of 1.5% in Qtr 1 and 2.1% in Qtr2 in 2009 compared to a annual growth rate of 6.0% recorded in 2008. The agriculture sector has been the main driving force in the economy and has grown by 4.4% followed by the industry sector and service sector recording growth of 3.0% & 1.1% respectively.

Private remittances improved from a slow growth posted earlier on in the year with the confidence gained with the end to the three decade terrorist problem in Sri Lanka in May 2009. Gross official reserves, excluding ACU receipts too improved to US\$4,500 mn in Oct 09 from US\$1,753mn end Dec08. Also foreign reserves too improved to US\$4,000 mn from US\$2,991mn end Dec08. Key economic indicators such as interest rates have been tapering down with low inflation; and the exchange rate has been stable with much foreign inflow of funds for Government of Sri Lanka bonds at attractive yields and foreign direct investments.

During the period under review, the company built positions in identified companies in selected sectors such as banking & finance, retail, food & beverage and diversified sectors which we have identified to be the growth sectors in the future. A bottom up approach was applied when selecting the stocks taking into account financials, industry presence and management. The Company now stands at a fresh phase of growth in its history, where having realized profits for its shareholders and returned a part of their investment at a capital gain, it has also re-invested for the economic turnaround and the peace dividend in the country. Sri Lanka presents a unique opportunity for investors who would benefit from the upside created by the dramatic turnaround in the country's fortunes.

Market Review



The beginning of year 2009 and financial year 2009/10 commenced on a gloomy note amidst the accentuated military offensive in the North East and the global financial crisis.

Investor confidence at the Colombo bourse was at its lowest with most investors shunning equities thus attributing to low average turnover levels. However the turn of fortunes with the elimination of terrorism from our country sent the stock market to unseen heights amidst the build up of investor euphoria. The All Share Index (ASPI) appreciated by 79.4% during the period, from 1638 to 2938, and the Milanka Price Index (MPI) appreciated by 89.9% during the period from 1736 to 3297. The market crossed the all time high of 3016 index which was recorded in February 2007 and is currently seen testing new barriers of 3100 index levels.

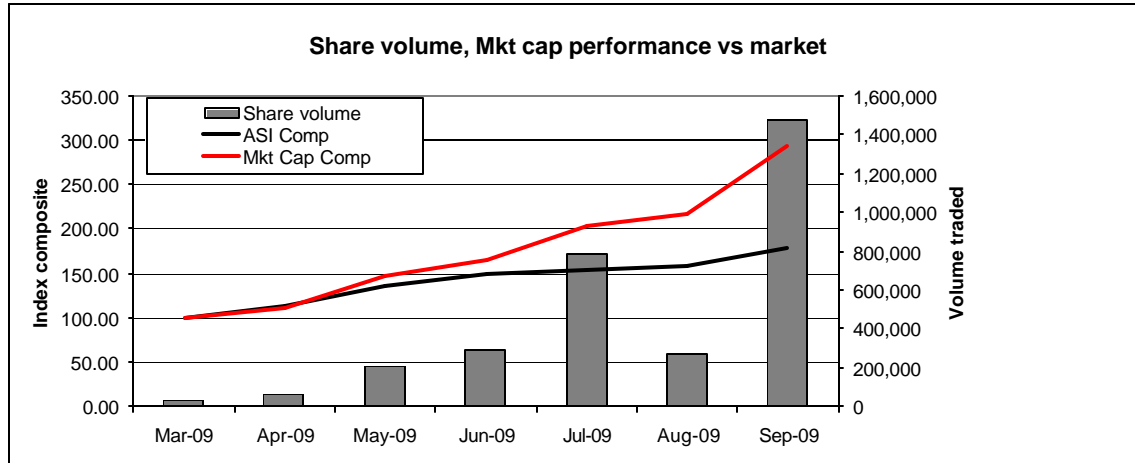
	31st Mar 09	30th Jun 09	30th Sept 09	Movement for F/Y
ASPI	1638.1	2432.1	2938.6	79.4%
Milanka	1736.2	2721.6	3297.4	89.9%
Avg.T/O Rs.mn	488	736	963	97.3%
Mkt Cap Rs. bn	533.75	781.77	941.51	76.4%
Mkt P/E ratio	5.8	9.9	13.8	137.9%

The market capitalization of the Colombo Stock Exchange stood at US\$ 8.3 Billion as at end September 2009. Subsequently, for the first time the market capitalization of the CSE crossed the Rs.1 trillion mark. A net foreign inflow of Rs.785 Million has been recorded for the calendar year to date mostly due to buying by foreign investors in high market capitalized blue chip shares. The average turnover from less than Rs.500 mn has improved to Rs.1,000 mn during the period of review with market P/E ratio re-rating to 13 -14 P/E averages we have seen historically. By regional standards this still appears to be a modest PE for an emerging market, and hence we anticipate the market to continue on its upward trend in the medium term.

Investment performance and strategy

The total value of the Company portfolio was Rs.6 bn as at 30th September 2009 compared to Rs. 3.2 bn end March 2009, an increase of 87%, while the comparable ASPI movement for the same period increased 79.4%. With the adoption of market value accounting for all portfolios, the long term portfolio too has been brought to reflect current value. The Company equity portfolio has been segmented into long term and short term/trading to achieve multiple investment objectives for the shareholders.

Shareholder wealth gained 205% during the half year with a share price appreciation of 193% and dividend of Rs.7.00 per share.



Future outlook

We forecast the market to record new highs with improved earnings and greater investment by corporates, re-rating of the market to average P/E levels of 14 - 15 seen in the past and the improvement of economic fundamentals. The Colombo Bourse is likely to see foreign fund inflows in the medium term and we envisage the next bull phase of the market to be driven by foreign buying. Also the drop in interest rates is likely to fuel funds to the equity market from bank deposits, treasury bills etc. We are positive on the country's future and will look to accumulate and build the core portfolio with above average weightings on our sectors of choice.

The global economies are seen to be slowly recovering and coming out of recession, and global GDP growth figures to be positive in year 2010. Hence we believe that in the New Year more foreign portfolio investments are likely to flow to Asia and to Sri Lanka given more stability in the region. Also we can anticipate a shift from fixed income investments to more risky asset class equities by foreign funds. Hence emerging and frontier markets are likely to bounce back, given positive investor sentiment.

As such we are confident that our aggressive strategy of stock accumulation is likely to pay off in the long term. We feel that the current resource base of the company can be used to invest for the next phase of shareholder growth, branching out into both listed equities and stakes in Greenfield venture capital projects.

Guardian Fund Management Limited
Investment Managers

Colombo
5th November 2009

Ceylon Investment PLC
Income Statement

Provisional Financial Statements

(All figures in Sri Lankan Rupees '000)

	For the quarter ended 30th September			For the six months ended 30th September			Year ended	
	Note	2009 (Unaudited)	2008 (Unaudited)	Change %	2009 (Unaudited)	2008 (Unaudited)	Change %	31.03.09 (Audited)
Revenue		61,652	27,679	123	267,439	394,760	(32)	958,695
Cost of investments disposed		(42,798)	(114,679)	(63)	(184,462)	(278,245)	(34)	(711,760)
		18,854	(87,000)	(122)	82,977	116,515	(29)	246,935
Other income	2	39,481	109,909	(64)	129,281	181,008	(29)	306,221
Administrative expenses		(4,527)	(1,969)	130	(7,205)	(4,136)	74	(7,549)
Other expenses	3	-	(57,901)	(100)	-	(79,475)	(100)	(127,706)
Profit from operations		53,808	(36,961)	(246)	205,053	213,912	(4)	417,901
Finance cost		-	(29)	(100)	-	(128)	(100)	(1,506)
Profit from operations after finance cost		53,808	(36,990)	(245)	205,053	213,784	(4)	416,395
Share of associate company's profit / (loss)		98,482	29,589	233	234,409	123,748	89	(170,548)
Profit before taxation		152,290	(7,401)	(2,158)	439,462	337,532	30	245,847
Taxation		(4,305)	(1,749)	146	(10,349)	(2,722)	280	(5,647)
Profit for the period		147,985	(9,150)	(1,717)	429,113	334,810	28	240,200
Earnings per share (Rs.)		6.13	(0.38)	(1,717)	17.77	13.87	28	9.95
Dividend per share (Rs.)		-	-	-	-	-	-	7.00

Change % column represents the percentage changes in the current period's results compared to comparative period of previous year.

Figures in brackets indicate deductions/negative changes.

Ceylon Investment PLC

Balance Sheet

Provisional Financial Statements

(All figures in Sri Lankan Rupees '000)
As at 30th September

	2009 (Unaudited)	2008 (Unaudited)	As at 31.03.09 (Audited)
ASSETS			
Non-Current Assets			
Investment in associate	1,923,251	2,003,964	1,558,978
Other investments	1,591,257	1,369,804	775,614
Total non current assets	3,514,508	3,373,768	2,334,592
Current Assets			
Trade and other receivables	4,267	91	2,637
Income tax recoverable		1,138	730
Short-term investments	211,036	71,020	45,743
Amounts due from related companies	-	306,221	-
Short term Deposits	951,739	78,652	4,719
Cash at bank	6,517	3,156	836,661
Total current assets	1,173,559	460,278	890,490
Total assets	4,688,067	3,834,046	3,225,082
EQUITY AND LIABILITIES			
Stated Capital and Reserves			
Stated capital	506,074	506,074	506,074
Capital reserves	1,120,790	1,049,800	899,109
Revenue reserves	3,041,145	2,273,820	1,753,783
Shareholders' funds	4,668,009	3,829,694	3,158,966
Current Liabilities			
Creditors and accruals	460	473	2,769
Income tax payable	10,355	-	-
Unclaimed Dividends	9,243	3,879	3,374
Bank overdraft	-	-	59,973
Total current liabilities	20,058	4,352	66,116
Total equity and liabilities	4,688,067	3,834,046	3,225,082
Net assets per share - Book Value (Rs.)	193.33	158.61	130.83
Net assets per share - Market Value (Rs.)	238.79	162.31	132.52

The Balance Sheet as at 30th September 2009 and the related Statements of Income, Changes in Equity and Cash Flow for the period then ended 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.)

J. L. R. Wijeratne

Financial Controller

Carsons Management Services (Private) Limited

Approved and signed on behalf of the Investment Managers, Approved and signed on behalf of the Board,

(Sgd.)

W. Y. R. Fernando

Director

Guardian Fund Management Limited

5th November 2009

(Sgd.)

A. P. Weeratunge

Director

(Sgd.)

D.C.R. Gunawardena

Director

Ceylon Investment PLC

Statement of Changes in Equity

Provisional Financial Statements

(All figures in Sri Lankan Rupees '000)

	Stated Capital	Capital Reserve	Revenue Reserve	Total Equity
Balance as at 1st April 2008 (Audited)	506,074	1,195,438	2,331,786	4,033,298
Profit for the year	-	-	240,200	240,200
Movement in associate company's reserves	-	(296,329)	-	(296,329)
Loss on Revaluation	-	-	(775,948)	(775,948)
Dividend paid	-	-	(42,255)	(42,255)
Balance as at 31st March 2009 (Audited)	506,074	899,109	1,753,783	3,158,966
Profit for the period	-	-	429,113	429,113
Movement in associate company's reserves	-	221,681	-	221,681
Proceeds from share buy back made by associate	-	-	348,390	348,390
Surplus on Revaluation	-	-	678,880	678,880
Dividend paid	-	-	(169,021)	(169,021)
Balance as at 30th September 2009 (Unaudited)	506,074	1,120,790	3,041,145	4,668,009
Balance as at 1st April 2008 (Audited)	506,074	1,195,438	2,331,786	4,033,298
Movement in associate company's reserves	-	(145,638)	-	(145,638)
Loss on Revaluation	-	-	(350,521)	(350,521)
Profit for the period	-	-	334,810	334,810
Dividend paid	-	-	(42,255)	(42,255)
Balance as at 30th September 2008 (Unaudited)	506,074	1,049,800	2,273,820	3,829,694

Figures in brackets indicate deductions.

Ceylon Investment PLC

Cash Flow Statement

Provisional Financial Statements

(All figures in Sri Lankan Rupees '000)
For the six months ended 30th September

	2009	2008	Year ended 31.03.09 (Audited)
Net cash generated from operating activities	340,001	87,234	787,338
Net cash used in financing activities	(163,152)	(41,168)	(41,673)
Net increase/(decrease) in cash & cash equivalents	176,849	46,066	745,665
Cash & cash equivalents at the beginning of the period	781,407	35,742	35,742
Cash & cash equivalents at the end of the period	958,256	81,808	781,407

Statement of Cash & Cash Equivalents

Short term Deposits	951,739	78,652	4,719
Cash at bank*	6,517	3,156	836,661
	958,256	81,808	841,380
Bank overdraft	-	-	(59,973)
	958,256	81,808	781,407

* includes interest bearing savings accounts.
Figures in brackets indicate deductions.

Ceylon Investment PLC
Notes to the Interim Financial Statements
 Provisional Financial Statements

1 Basis of Preparation of Interim Financial Statements

The Interim Financial Statements of the Company and its associate have been prepared in consistence with the accounting policies and methods applied for the year ended 31st March 2009 and are in compliance with Sri Lanka Accounting Standard 35 - 'Interim Financial Reporting'. Further, provision of the Companies Act No. 7 of 2007 have been considered in preparing the Interim Financial Statements of the Company and its associate.

	Rs'000	Rs'000
	30th September 2009	30th September 2008
2 Other income		
Mark to market value adjustment for long-term investments	44,453	
Mark to market value adjustment for short-term investments	82,378	
Realization of revaluation gains on disposal of shares	2,450	181,008
	<u>129,281</u>	<u>181,008</u>

	30th September 2009	30th September 2008
3 Other expenses		
Mark to market value adjustment for long-term investments	-	60,875
Mark to market value adjustment for short-term investments	-	18,600
	<u>-</u>	<u>79,475</u>

4 Events Occurring after the Balance Sheet date

The Shareholders of the Company have approved at an extraordinary general meeting held on 29th October 2009 a proposal to repurchase shares at 1:5 ratio from the shareholders at Rs 189/- per share.
 There were no events other than above which require disclosure or adjustment in these Financial Statements.

5 Contingent Liability

There were no changes of a material nature in the contingent liabilities since the last Annual Report Balance Sheet date.

6 Sector Investment Portfolio

6.1 Investment in Associate

	Cost as at 30.09.09	Market Value as at 30.09.09	Cost as at 31.03.09	Market Value as at 31.03.09
Rubber Investment Trust Limited*	349	3,020,937	349	1,599,826
Company's share of associate company's net assets	<u>1,922,902</u>	<u>-</u>	<u>1,558,629</u>	<u>-</u>
	<u>1,923,251</u>	<u>3,020,937</u>	<u>1,558,978</u>	<u>1,599,826</u>

*The Directors' valuation of Rubber Investment Trust Limited (RITL) is based on the net asset value of the RITL which is arrived at based on the market value of the investment portfolio of RITL.

6.2 Long-Term Investments

Sector	Market Value as at 30.09.09	Market Value as at 31.03.09
Rubber Investment Trust Limited*	349	349
Bank, Finance & Insurance	207,726	24,171
Beverage, Food & Tobacco	255,919	155,925
Diversified	920,707	385,653
Healthcare	46,400	24,703
Hotels & Travels	34,665	28,175
Telecommunications	-	31,147
Unquoted Investments	125,840	125,840
Total net carrying value of other investments	<u>1,591,257</u>	<u>775,614</u>

Ceylon Investment PLC

Notes to the Interim Financial Statements

Provisional Financial Statements

6.3 Short-Term Investments

Sector	Market Value as at	Market Value as at
Rs. '000	30.09.09	31.03.09
Bank, Finance and Insurance	122,459	523
Beverage, Food & Tobacco	9,973	35,224
Chemicals & Pharmaceutacals	10,475	-
Construction & Engineering	16,075	-
Diversified	32,746	7,371
Hotels & Travels	17,245	-
Land & Property	2,063	-
Power & Energy	-	2,625
Total equity securities	211,036	45,743

6.4 Price Index Movements

	As at	As at
	30.09.09	31.03.09
ASPI	2,939	1,638
Milanka	3,297	1,736

7 Investor Information

Market Performance - Ordinary Shares

	30.09.09	30.09.08	31.03.09
	Rs.	Rs.	Rs.
Last traded price per share	170.00	75.00	58.00
Highest price per share during the period	168.50	86.00	65.50
Lowest price per share during the period	165.00	75.00	47.00
Market capitalisation (Rs. mn.)	4,105	1,811	1,400

8 Stated Capital

	As at	As at	As at
	30.09.09	30.09.08	31.03.09
Fully paid ordinary shares	24,145,803	24,145,803	24,145,803

9 Public Holding

The Percentage of shares held by Public as at 30th September 2009 was 33.09%.

10 Directors Shareholding as at 31st March 2009

	No. of Shares
Mr. I Paulraj	50
Mr. D C R Gunawardena	50
Mr. A. P. Weeratunge	-

11 Restatement of Comparative Figures

Comparative figures have been restated where necessary to conform to the classification and presentation as at 30th September 2009.

Ceylon Investment PLC
Notes to the Interim Financial Statements
12 Twenty Major Shareholders as at 30th September 2009

Name	Total Shares	%
1 CEYLON GUARDIAN INVESTMENT TRUST PLC	13,588,066	56.28
2 CARSON CUMBERBATCH PLC A/C NO. 01	2,563,479	10.62
3 THURSTON INVESTMENTS LIMITED	487,990	2.02
4 J.B. COCOSHELL (PVT) LTD	480,826	1.99
5 WALDOCK MACKENZIE LTD/MR. H.M.S. ABDULHUSSEIN 5212	326,788	1.35
6 MRS. M.L. DE SILVA	297,957	1.23
7 MISS G.I.A. DE SILVA	250,475	1.04
8 AITKEN SPENCE PLC-A/C NO. 2	196,828	0.82
9 MR. G.J.W. DE SILVA	194,753	0.81
10 PERSHING LLC S/A AVERBACH GRAUSON & CO.	188,000	0.78
11 OAKLEY INVESTMENTS LIMITED	156,000	0.65
12 MR. K.C. VIGNARAJAH	152,259	0.63
13 WALDOCK MACKENZIE LTD/MR. M.A.N. YOOSUFALI	152,045	0.63
14 MISS R.H. ABDULHUSSEIN	147,201	0.61
15 DFCC BANK A/C 1	137,920	0.57
16 COCOSHELL ACTIVATED CARBON COMPANY LIMITED	123,146	0.51
17 COMMERCIAL BANK OF CEYLON LTD/K.C.VIGNARAJAH	121,598	0.50
18 MR. Y.H. ABDULHUSEEIN	110,901	0.46
19 EST.OF.LAT N.K.A. DE SILVA	110,233	0.46
20 MISS G.N.A. DE SILVA	95,840	0.40

Corporate Information

Name of Company

Ceylon Investment PLC
(A Carson Cumberbatch Company)

Company Registration No.

PQ 68

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.

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

The Company's parent enterprise is
Ceylon Guardian Investment Trust PLC, which is incorporated in Sri Lanka

The Company's Ultimate Holding Company
and controlling entity is Carson Cumberbatch PLC, which is incorporated in Sri Lanka.

Number of Employees

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

Directors

I. Paulraj (Chairman)
D.C.R. Gunawardena
A. P. Weeratunge

Bankers

Standard Chartered Bank
HSBC
Commercial Bank of Ceylon PLC
Deutsche Bank AG Colombo

Auditors

Messrs. KPMG Ford, Rhodes, Thornton & Company
Chartered Accountants
No. 32A, Sir Mohamed Macan Markar Mawatha, Colombo 3
Sri Lanka

Managers & Secretaries

Carsons Management Services (Private) Limited
No. 61, Janadhipathi Mawatha,
Colombo 1, Sri Lanka
Telephone No. +94-11-4739200
Fax No. +94-11-4739300

Investment Manager

Guardian Fund Management Limited
No. 61, Janadhipathi Mawatha
Colombo 1, Sri Lanka
Telephone No. +94-11-4739200
Fax No. +94-11-4739385

Registered Office and Principal Place of Business

No. 61, Janadhipathi Mawatha,
Colombo 1, Sri Lanka.
Telephone No. +94-11-4739200 &
+94-11-2337665
Fax No. +94-11-4739300

Corporate Website

www.carsoncumberbatch.com