

CEYLON INVESTMENT PLC

INTERIM REPORT FOR THE SIX MONTHS
ENDED 30TH SEPTEMBER 2007



A CARSON CUMBERBATCH COMPANY

Review of Operations

Ceylon Investment PLC and its associate company Rubber Investment Trust Limited, reported an after tax earnings of Rs. 77.6 Mn for the half year ended 30th September 2007, recording a growth of 54% from the comparative figure reported for the same period last year. Although the mainstream investment business showed a decline in profits due to a downturn in the equity markets, overall earnings were held up by the growth in share of associate company profits derived mainly through the oil palm plantation businesses of the Carson Cumberbatch Group. The profit from the investment business was Rs. 21.5 Mn and this was further reduced by provisioning on the short-term portfolio of Rs. 7.6 Mn resulting from the drop in market prices of the portfolio holdings. This provisioning can be reversed once market conditions improve. The share of associate company profits increased to Rs. 98.9 Mn.

Corporate performance where investments are concerned, reflects the conditions that prevailed in the equity markets during this time. The All Share Index declined by 8.4% during the period, from 2,790 to 2,556, and this temporarily impacted our long-term and short term portfolio values. Though the recent market downturn is mainly attributed to the security issues currently prevailing in the country and a general weakening of the macro economic indicators, we do not see any permanent concerns, particularly where our long-term holdings are concerned. Our stock selections and investment thinking opts for long-term investment commitments to corporates that display sound fundamentals, backed by strong growth in earnings, sustainable business models and expansion possibilities. As such, temporary fluctuations in market conditions pose no serious concerns for the business model being pursued by Guardian.

However, where the temporary drop in the indices impacted us most, was in our short-term actively managed portfolio, an activity introduced to the Company relatively recently to exploit changing market fortunes. Due to the prevailing subdued activity levels in the market and the scarcity of new issues and listings, the short-term portfolio has not had adequate opportunities to trade and realize gains during this period. Nevertheless, we see the strength of this segment of our business to be the ability to add quick value during market upturns, thus enabling us to maintain shareholder returns, liquidity and profitability in a manner that balances off the gestation periods of the long-term portfolio.

Market Review

The market started on a volatile note at the beginning of the financial year due to security concerns in the Colombo city. Low investor confidence due to weakening economic fundamentals such as the rise in interest rates, inflation and a depreciating currency prompted selling, thus breaking the ASI 2,500 index barrier and recording a low of ASI 2,355 during the calendar year 2007. A trend reversal was experienced in the latter part of the second quarter, with the market gaining lost ground during the months of August and September, mainly driven by speculative trading. The All Share Price Index (ASPI) closed at 2,556.6 and the Milanka Price Index (MPI) closed at 3,459.9 as at end September 2007, accounting for a depreciation of 8.4% and 9.8% respectively.

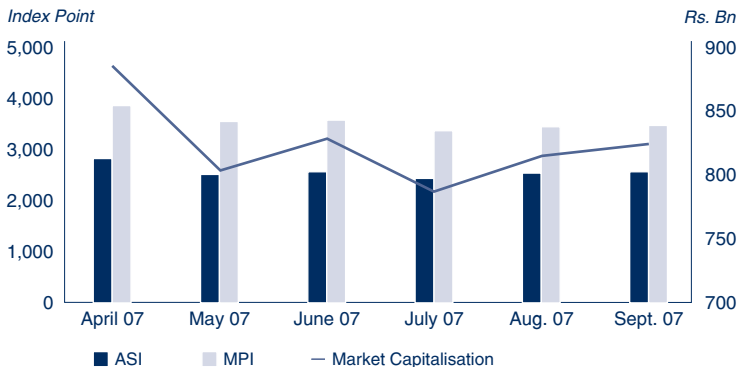
Review of Operations (Contd.)

What was most noteworthy during this period was the significant number of strategic deals that took place on the Bourse, thus pointing towards the varied forms of opportunities available to investors in our market - driven by both fundamental business value as well as strategic and synergistic business acquisitions.

	Mar. 07	Apr. 07	May 07	Jun. 07	July 07	Aug. 07	Sept. 07
Ave Turnover Rs. Mn	442	265	627	252	113	356	449
Market Cap Rs. Bn	869.3	884.7	804.3	828.5	787.1	814.6	824.3
Market P/E	15.0	13.2	12.0	12.4	11.78	12.19	12.31
ASI - Monthly Return	0%	0.8%	-10.8%	+2.5%	-5.1%	+3.5%	+1.2%

The market capitalization of the Colombo Stock Exchange stood at US \$ 7.3 Bn as at end September 2007. A net foreign inflow of Rs. 5,160 Mn has been recorded for the calendar year.

Movement in the ASI, MPI and Market Capitalisation



Investment Performance and Strategy

The total value of the Company portfolio was Rs. 2.14 Bn as at 30th September 2007 compared to Rs. 2.46 Bn beginning April 2007, a decline of 13%. The net profit before tax for the period under review on investment portfolio operations was Rs. 13.9 Mn, with net income mainly comprising dividends in the absence of trading gains. The short-term component of the portfolio declined by 3.6% during this period, while the comparable ASPI decline for the same period was 8.4%.

The trading portfolio will continue to hold the core stocks which are fundamentally strong with growth potential. As such, we do not see a need for liquidating our short-term holdings prematurely at this juncture, and will await better market conditions to recommence active trading. We did not make any major acquisitions into the long-term portfolio due to the prevailing uncertainty in the market, preferring to postpone such purchases and sales to a time when the market regains its proper standing.

Review of Operations (*Contd.*)

Future Outlook

The economy expanded by 6.1% in the first quarter of the year in comparison to a growth of 7.9% recorded in the corresponding period of the previous year. GDP growth for the year 2007 has been revised down to 7% from 7.8% as forecasted previously. As a result, listed companies will not experience the same levels of growth as they did the previous year, and as such earnings growth of the market has been down graded to approximately 20% for the year. We remain positive as we envisage 'value buying' into selected stocks by investors who have a longer term outlook.

Performances of international markets have overall been positive during the period despite issues such as the sub prime mortgage crisis that primarily affected the U.S financial system. Most equity markets have, however, bounced back - particularly regional markets that have surpassed all prior indicators. As such, given the right conditions we may see the re-entry of foreign portfolio investors to the local market in due course.

Therefore, we are confident that our strategy of segmenting the portfolio to long-term investments and short-term trading is likely to pay off in the future since the Company will be able to exploit both short-term market opportunities for trading, while enhancing capital growth on the core stocks in the long-term.

Carsons Management Services (Private) Limited

Managers

5th November, 2007

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 31.03.07 (Audited)
	2007	2006	Change %	2007	2006	Change %	
Revenue	19,414	17,649	10	40,627	68,031	(40)	332,282
Cost of investments disposed	–	(21,350)	(100)	(5,100)	(42,263)	(88)	(152,526)
	19,414	(3,701)	(625)	35,527	25,768	38	179,756
Mark to market value adjustment for short-term investments	2,545	10,232	(75)	(7,600)	4,670	(263)	28,028
Other income	–	–	–	–	–	–	1,282
	21,959	6,531	236	27,927	30,438	(8)	209,066
Administrative expenses	(2,135)	(1,857)	15	(4,376)	(3,474)	26	(7,772)
Profit from operations	19,824	4,674	324	23,551	26,964	(13)	201,294
Finance cost	(5,423)	(1,711)	217	(9,578)	(4,095)	134	(7,852)
Profit from ordinary activities	14,401	2,963	386	13,973	22,869	(39)	193,442
Share of associate company's profit	50,294	(11,262)	(547)	98,915	41,411	139	217,523
Profit/(loss) before taxation	64,695	(8,299)	(880)	112,888	64,280	76	410,965
Taxation	(21,758)	2,916	(846)	(35,279)	(13,955)	153	(35,952)
Profit/(loss) for the period	42,937	(5,383)	(898)	77,609	50,325	54	375,013
Earnings/(loss) per share (Rs.)	1.78	(0.22)	(898)	3.21	2.08	54	15.53
Dividend per share (Rs.)	–	–	–	–	–	–	1.50

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.

Balance Sheet

Provisional Financial Statements

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

	2007	2006 (Restated)	As at 31.03.07 (Audited)
ASSETS			
Non-Current Assets			
Investment in associate	1,435,040	1,126,489	1,352,286
Other investments	1,061,705	860,335	1,049,575
	<u>2,496,745</u>	<u>1,986,824</u>	<u>2,401,861</u>
Current Assets			
Trade and other receivables	160	5,806	1,002
Income tax recoverable	1,962	1,010	1,495
Short-term investments	128,457	102,773	136,827
Cash at bank	1,138	4,752	732
	<u>131,717</u>	<u>114,341</u>	<u>140,056</u>
Total assets	<u>2,628,462</u>	<u>2,101,165</u>	<u>2,541,917</u>
EQUITY AND LIABILITIES			
Stated Capital and Reserves			
Stated capital	506,074	506,074	506,074
Capital reserves	632,503	538,933	610,598
Revenue reserves	1,365,923	999,845	1,324,533
Shareholders' funds	<u>2,504,500</u>	<u>2,044,852</u>	<u>2,441,205</u>
Current Liabilities			
Creditors and accruals	3,074	3,999	2,628
Short-term loans	117,300	52,314	97,500
Bank overdraft	3,588	-	584
	<u>123,962</u>	<u>56,313</u>	<u>100,712</u>
Total equity and liabilities	<u>2,628,462</u>	<u>2,101,165</u>	<u>2,541,917</u>
Net assets per share - Book Value (Rs.)	103.72	84.69	101.10
Net assets per share - Market Value (Rs.)	185.04	232.41	214.98

The Balance Sheet as at 30th September 2007 and the related Statements of Income, Changes in Equity and Cash Flow for the six months then ended have been drawn up from unaudited accounts.

Approved and signed on behalf of the Managers,

Approved and signed on behalf of the Board,

(Sgd.)

M. Selvanathan
Director

(Sgd.)

D.C.R. Gunawardena
Director

(Sgd.)

P.C.P. Tissera
Director

Carsons Management Services (Private) Limited
5th November 2007

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 2006 (Audited)	506,074	516,395	985,739	2,008,208
Net profit for the year	–	–	375,013	375,013
Appreciation of associate company's reserves	–	94,203	–	94,203
Dividend paid for 2006	–	–	(36,219)	(36,219)
Balance as at 31st March 2007 (Audited)	506,074	610,598	1,324,533	2,441,205
Net profit for the six months	–	–	77,609	77,609
Appreciation of associate company's reserves	–	21,905	–	21,905
Dividend paid for 2007	–	–	(36,219)	(36,219)
Balance as at 30th September 2007 (Unaudited)	506,074	632,503	1,365,923	2,504,500
Balance as at 1st April 2006 (Audited)	506,074	516,395	985,739	2,008,208
Appreciation of associate company's reserves	–	22,538	–	22,538
Net profit for the six months	–	–	50,325	50,325
Dividend paid for 2006	–	–	(36,219)	(36,219)
Balance as at 30th September 2006 (Unaudited)	506,074	538,933	999,845	2,044,852

Figures in brackets indicate deductions.

Cash Flow Statement

Provisional Financial Statements

<i>(All figures in Sri Lankan Rupees '000)</i>			Year ended
<i>For the six months ended 30th September</i>	2007	2006	31.03.07 (Audited)
Net cash generated from operating activities	13,821	52,920	5,002
Net cash used in financing activities	(36,219)	(36,220)	(38,092)
Net increase/(decrease) in cash & cash equivalents	(22,398)	16,700	(33,090)
Cash & cash equivalents at the beginning of the period	(97,352)	(64,262)	(64,262)
Cash & cash equivalents at the end of the period	(119,750)	(47,562)	(97,352)
Statement of Cash & Cash Equivalents			
Cash at bank	1,138	4,752	732
	1,138	4,752	732
Bank overdraft	(3,588)	-	(584)
Short-term loans	(117,300)	(52,314)	(97,500)
	(119,750)	(47,562)	(97,352)

Figures in brackets indicate deductions.

Notes to the Interim Financial Statement

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 2007 and are in compliance with Sri Lanka Accounting Standard 35 - 'Interim Financial Reporting'. Further, provision of the new Companies Act No. 7 of 2007 have been considered in preparing the Interim Financial Statements of the Company/Associates.

2. Events Occurring after the Balance Sheet date

Subsequent to the Balance Sheet date no circumstances have arisen which would require adjustments to or disclosure in the Interim Financial Statements.

3. Contingent Liability

There are no changes of a material nature in the contingent liabilities since the last annual Balance Sheet date.

4. Sector Investment Portfolio

4.1 Investment in Associate

	Cost as at 30.09.07	Market Value as at 30.09.07	Cost as at 31.03.07	Market Value as at 31.03.07
Rubber Investment Trust Limited*	349	2,446,200	349	2,828,593
Company's share of associate companys' net assets	1,434,691	–	1,351,937	–
	<u>1,435,040</u>	<u>2,446,200</u>	<u>1,352,286</u>	<u>2,828,593</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.

4.2 Long-Term Investments

Sector	Cost as at 30.09.07	Market Value as at 30.09.07	Cost as at 31.03.07	Market Value as at 31.03.07
Bank, Finance & Insurance	161,525	138,972	161,525	184,193
Beverage, Food & Tobacco	197,740	475,934	197,739	501,670
Diversified	473,108	1,061,999	473,108	1,277,555
Hotels & Travels	56,582	47,813	56,582	51,797
Services	7,797	69,191	7,797	77,867
Telecommunications	164,609	219,791	152,474	229,246
Unquoted Investments	344	344	350	350
Total equity securities	<u>1,061,705</u>	<u>2,014,044</u>	<u>1,049,575</u>	<u>2,322,678</u>

Notes to the Interim Financial Statement

Provisional Financial Statements

4.3 Short-Term Investments

Sector	Market Value as at 30.09.07	Market Value as at 31.03.07
Beverage, Food & Tobacco	53,212	52,710
Diversified	13,738	16,506
Hotels & Travels	9,122	9,883
Land & Property	3,822	3,510
Telecommunications	48,563	54,218
Total equity securities	128,457	136,827

4.4 Price Index Movements

	As at 30.09.07	As at 31.03.07
ASPI	2,557	2,790
Milanka	3,460	3,838

5. Investor Information

Market Performance - Ordinary Shares

	30.09.07 Rs.	30.09.06 Rs.	31.03.07 Rs.
Market value per share	85.00	78.50	100.50
Highest price per share	87.00	93.00	124.00
Lowest price per share	68.50	60.00	60.00
Market capitalisation (Rs. mn.)	2,052	1,895	2,427

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
P.C.P. Tissera

Bankers

Standard Chartered Bank
HSBC
Commercial Bank
Deutsche Bank

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

Fund Manager

Guardian Fund Management Limited
No. 61, Janadhipathi Mawatha
Colombo 1, Sri Lanka
Telephone No. +94-11-4739200
Fax No. +94-11-4739300

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