

CEYLON INVESTMENT PLC

INTERIM REPORT FOR THE THREE MONTHS ENDED 30TH JUNE 2019

A CARSON CUMBERBATCH COMPANY

CEYLON INVESTMENT PLC

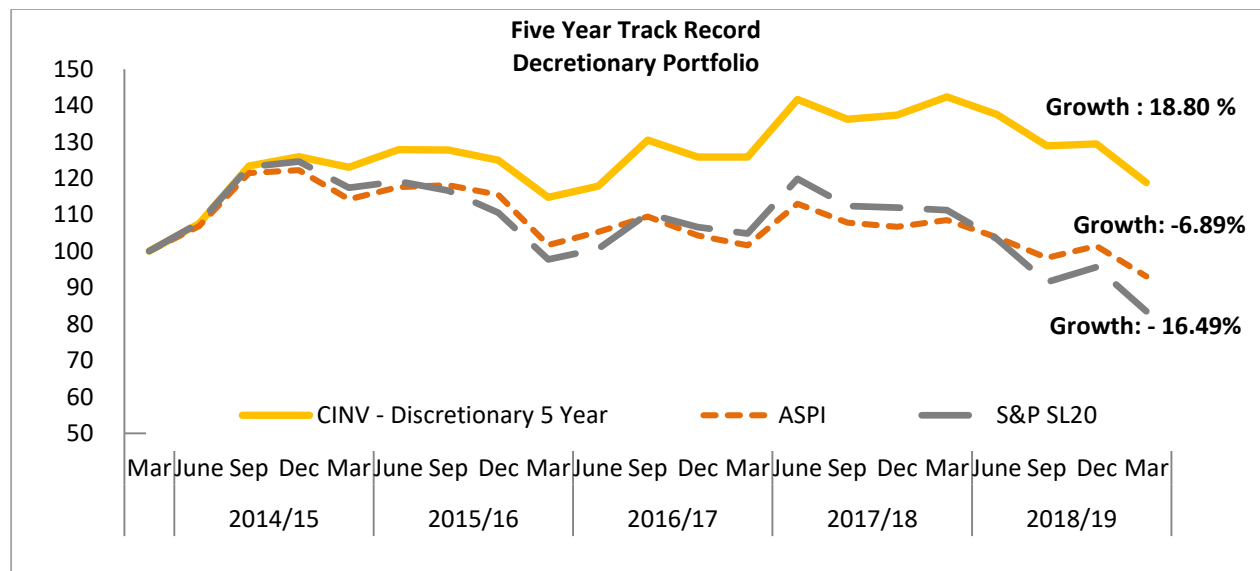
Managers' Review

For the period ended 30th June 2019

The Ceylon Investment portfolio is separated into a discretionary and non-discretionary portfolio. The discretionary component of the portfolio is further segregated into a longer term portfolio based on value investing and a trading portfolio to take advantage of market fluctuations both of which are actively managed. The non-discretionary component refers to the strategic holdings of the company. Accordingly, the company recorded a loss after tax of Rs. 142.0 Mn for the three months' period ended 30th June 2019, which is mainly due to the unrealized loss of Rs. 172.8 Mn on fair value adjustments on the Equity investments of the discretionary portfolio.

Portfolio performance

Ceylon Investment's philosophy of value investing has resulted in a strong outperformance over the ASPI benchmark by 25.69%. During the last 5-year period ending March 2019, the ASPI declined by 6.89% in comparison to the discretionary portfolio increase of 18.80%. 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%.



The investment climate remained challenging throughout the quarter with the economy still performing below capacity and the tragic Easter Sunday bombings impacting economic activity negatively. As a result, market direction during the quarter continued to be on a downward trend. We continued to practice our strategy of buying value stocks which led to the portfolio being a net buyer throughout the quarter as the market declined. The portfolio deployed into long term opportunities within the finance and diversified sectors. The top stock exposures for Ceylon Investment include Central Finance, Commercial Bank and Hatton National Bank.

	As at		Change %	As at 30-June-19 (Dividend adjusted) *	Dividend adjusted performance
	30-Jun-19	31-Mar-19			
Discretionary portfolio (Rs. '000) *	3,532,435	3,679,749	-4.00%	3,544,321	-3.68%
Total Portfolio (Rs.'000)*	7,104,668	7,264,307	-2.20%	7,116,554	-2.03%
ASPI (Points)	5,372	5,557	-3.32%		-3.32%
S&P 20 (Points)	2,497	2,739	-8.85%		-8.85%

****After adding back the total cash outflow from the distribution of dividend by the Company which was Rs. 11.88 Mn during the period.***

The total portfolio depreciated from Rs. 7.26 Bn to Rs. 7.10 Bn during the period of review. The discretionary component also recorded a negative performance of 3.68% for the period while All Share Price Index dropped by 3.32%. 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

Ceylon Investment PLC together with its share of associate company's loss, reported a loss after tax of Rs. 142.0 Mn for the period ended 30th June 2019, compared to a loss after tax of Rs. 203.6 Mn in the previous year. The negative financial performance was mainly due to the continuous downward movement in the equity market resulting in a fair value loss of Rs. 172.8 in the fair value through profit or loss financial assets, recognized in profit or loss as per SLFRS 9.

Accordingly, the Company's net assets as at 30 June 2019, valued at market price, declined 2% from the last year to Rs. 71.23 per share. However, the trading price of Rs. 35.50 per share still indicates a steep discount of 50% to the NAV.

As at	30/06/2019	31/03/2019	Change %
ASPI	5,372	5,557	(3.32)
NAV per share (Rs.)	71.23	72.64	(1.95)
Market price per share (Rs.)	35.50	36.50	(2.74)
Discount of NAV to market price per share	50%	50%	

Update on the market

The All Share Price Index declined by 3.32% for the quarter while the S&P SL 20 Index declined by 8.85%. The month of April experienced a net foreign inflow, thereafter foreign selling persisted leading to a net outflow of Rs. 234 mn for the quarter. Corporate earnings affected by the economic downturn have shown weakness in the recent quarter resulting in investors taking a cautious approach. The Monetary Policy Committee of the Central Bank cut policy rates and overall fixed deposit rates through the imposition of a ceiling rate on deposit

taking institutions. The resulting lower interest rate environment is expected to drive retail investor interest into the share market in search of return. CSE valuations continue to indicate that the market valuations are attractive with a historical PER of 8.7x being recorded as at the quarter ended.

Guardian Fund Management Limited

Investment Managers

5th August 2019

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

(All figures are in Sri Lankan Rupees '000)

	Three months ended			
	30th June			
	2019	2018	Change %	31.03.2019 Audited
Revenue	63,402	72,114	(12)	169,018
Net change in fair value of fair value through profit or loss financial assets	(172,778)	(251,382)	(31)	(1,054,018)
Profit / (loss) on investment activities	(109,376)	(179,268)	(39)	(885,000)
Administrative and other operating expenses	(17,256)	(12,648)	36	(69,987)
Profit / (loss) from operations	(126,632)	(191,916)	(34)	(954,987)
Finance expense	(99)	-	100	(7,174)
Profit / (loss) from operations after finance expense	(126,731)	(191,916)	(34)	(962,161)
Share of profit / (loss) of equity accounted investee net of tax	(13,346)	(10,744)	24	(210,967)
Profit / (loss) before taxation	(140,077)	(202,660)	(31)	(1,173,128)
Income tax expense	(1,894)	(947)	100	(13,174)
Profit / (loss) for the period	(141,971)	(203,607)	(30)	(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	1,020	(37,772)	(103)	(62,274)
Other comprehensive income / (expense) for the period	1,020	(37,772)	(103)	(62,274)
Total comprehensive expense for the period				
	(140,951)	(241,379)	(42)	(1,248,576)
Earnings/(loss) per share (Rs.)	(1.43)	(2.05)		(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 30th June	2019	2018	31.03.2019 Audited
ASSETS			
Non-current assets			
Investment in equity accounted investee	3,572,233	3,833,959	3,584,558
Total non-current assets	3,572,233	3,833,959	3,584,558
Current assets			
Trade and other receivables	3,689	1,818	10,972
Investment in equity and debt securities	2,983,890	3,776,769	3,144,916
Investment in unit trusts	352,998	455,430	176,849
Current tax assets	6,784	14,242	7,442
Investment in fixed deposits	271,984	51,330	263,494
Cash and cash equivalents	27,518	180,004	98,284
Total current assets	3,646,863	4,479,593	3,701,957
Total assets	7,219,096	8,313,552	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	6,132,820	7,328,770	6,273,771
Total equity	7,083,458	8,279,408	7,224,409
Current liabilities			
Trade and other payables	31,683	32,370	58,312
Short term borrowing	100,099	-	-
Bank overdraft	3,856	1,774	3,794
Total current liabilities	135,638	34,144	62,106
Total liabilities	135,638	34,144	62,106
Total equity and liabilities	7,219,096	8,313,552	7,286,515
Net assets value per share - (Rs.)	71.23	83.25	72.64

The Statement of Financial Position as at 30th June 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,

Approved & Signed on behalf of the Board,

(Sgd).

K. Selvanathan

Director

Guardian Fund Management Limited

05th August 2019

(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
Loss for the period	-	-	(141,971)	(141,971)
Other comprehensive income for the year	-	-	1,020	1,020
Total comprehensive expense for the year	-	-	(140,951)	(140,951)
Balance as at 30th June 2019 (Unaudited)	763,497	187,141	6,132,820	7,083,458
Balance as at 1st April 2018	763,497	187,141	7,570,149	8,520,787
Loss for the period	-	-	(203,607)	(203,607)
Other comprehensive expense for the period	-	-	(37,772)	(37,772)
Total comprehensive expense for the period	-	-	(241,379)	(241,379)
Balance as at 30th June 2018 (Unaudited)	763,497	187,141	7,328,770	8,279,408

Figures in brackets indicate deductions

CEYLON INVESTMENT PLC
STATEMENT OF CASH FLOWS

(All figures are in Sri Lankan Rupees '000)

For the three months ended 30th June

	2019	2018	31.03.2019 Audited
Cash flows from operating activities			
Profit / (loss) before taxation	(140,077)	(202,660)	(1,173,128)
Adjustments for:			
Net change in fair value of fair value through profit or loss financial assets	172,778	251,382	1,054,018
Finance expense	99	-	7,174
Share of profit of equity accounted investee net of tax	13,346	10,744	210,967
Operating profit before changes in working capital	46,146	59,466	99,031
Net decrease / (increase) in trade and other receivables	7,283	3,909	(5,245)
Net decrease / (increase) in investments	(187,901)	15,782	123,580
Net increase in investment in fixed deposits	(8,490)	(51,330)	(263,494)
Net decrease in trade and other payables	(14,744)	489	15,372
Cash generated from / (used in) operations	(157,706)	28,316	(30,756)
Current tax paid	(1,236)	(4,925)	(10,352)
Net cash generated from / (used in) operating activities	(158,942)	23,391	(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	-	-	(7,174)
Short term borrowings	100,000	-	-
Dividend paid	(11,886)	(43,930)	(80,675)
Net cash generated from / (used in) financing activities	88,114	(43,930)	(87,849)
Net increase / (decrease) in cash and cash equivalents during the period	(70,828)	(20,539)	(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 year	23,662	178,230	94,490
Statement of cash and cash equivalents			
Placements with banking institutions	-	173,522	55,836
Securities purchased under resale agreements	22,385	-	11,628
Cash at bank	5,133	6,482	30,820
Total cash and cash equivalents	27,518	180,004	98,284
Bank overdraft	(3,856)	(1,774)	(3,794)
Cash and cash equivalents for the cash flow statement purpose	23,662	178,230	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 three months ended 30th June	2019	2018
Dividend income	54,865	45,156
Interest income on financial assets carried at amortised cost	9,102	3,596
Net gain / (loss) from disposal of Financial assets at FVTPL	(565)	23,362
	63,402	72,114

3 Profit / (loss) on investment activities

The Company recorded a loss of Rs.109.3 Mn from investment activities for the three months ended 30th June 2019.

4 Valuation of investment portfolio

	Carrying value/ Fair value as at 30.06.2019	Carrying value/ Fair value as at 31.06.2018	Carrying value/ Fair value as at 31.03.2019
Summary of investment portfolio			
Strategic investments - Investment in equity accounted investee (4.1)	3,572,233	3,833,959	3,584,558
Investment in equity and debt securities - Fair value through profit or loss (4.2)	2,983,890	3,776,769	3,144,916
Investment in unit trusts (4.3)	352,998	455,430	176,849
	6,909,121	8,066,158	6,906,323

4.1 Strategic investments - Investment in equity accounted investee

	Carrying value/ Fair value as at 30.06.2019	Carrying value/ Fair value as at 31.06.2018	Carrying value/ Fair value as at 31.03.2019
Rubber Investment Trust Limited	296	296	296
Company's share of Associate Company's reserves	3,571,937	3,833,663	3,584,262
	3,572,233	3,833,959	3,584,558

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

Sector	Fair value as at 30.06.2019	Fair value as at 31.06.2018	Fair value as at 31.03.2019
Bank	900,835	1,612,579	1,068,293
Finance	791,593	656,414	763,668
Insurance	177,943	212,029	204,870
Beverage, Food & Tobacco	220,862	143,812	221,158
Construction & Engineering	44,298	52,623	40,555
Diversified	439,499	517,293	438,489
Healthcare	21,907	23,117	19,578
Footwear & Textiles	70,106	78,810	70,106
Hotels & Travels	54,325	71,575	57,144
Land & Property	10,500	10,850	11,480
Manufacturing	77,696	120,361	73,021
Power and Energy	5,137	10,369	5,485
Telecommunications	169,179	266,927	171,059
Total investment in equity and debt securities - Quoted	2,983,880	3,776,759	3,144,906
Unquoted investments	10	10	10
Total investment in equity and debt securities - Fair value through profit or loss	2,983,890	3,776,769	3,144,916

CEYLON INVESTMENT PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

4.3 Investment in unit trusts

	Fair value as at 30.06.2019	Fair value as at 31.06.2018	Fair value as at 31.03.2019
The Sri Lanka Fund	127,333	155,778	133,053
Guardian Acuity Equity Fund	4,435	21,783	4,547
Guardian Acuity Money Market Fund	221,230	260,240	39,249
Guardian Acuity Money Market Gilt Fund	-	17,629	-
Total investment in unit trusts	352,998	455,430	176,849

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.7.15 Bn as at 30th June 2019 (2018 - Rs.8.29 Bn).

	As at 30.06.2019	As at 31.06.2018	As at 31.03.2019
5 Price Index movements			
All Share Price Index (points)	5,372	6,195	5,557
S&P SL 20 Index (points)	2,497	3,389	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 30th June 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 three months ended 30th June	2019	2018
Transactions with affiliate companies		
Receiving of services	11,321	8,207

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 June 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	1,312,772	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. Y.H. Abdulhussein	986,170	0.99
8	Mr. G.J.W. De Silva	862,150	0.87
9	Miss R.H. Abdulhussein	803,461	0.81
10	Oakley Investments (Private) Limited	803,171	0.81
11	Pershing LLC S/A Averbach Grauson & Co.	628,099	0.63
12	Miss N.K.R.H. De Silva	552,236	0.56
13	People's Leasing & Finance PLC/Mr.H.M. Abdulhussein	547,311	0.55
14	People's Leasing & Finance PLC/Mr.M.A.N.Yoosufali	503,000	0.51
15	Commercial Bank Of Ceylon Ltd/K.C.Vignarajah	500,843	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	Miss G.N.A. De Silva	384,677	0.39
20	Mr. L.H. Abeysundera	380,991	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 30th June 2019;	
Market Capitalization of the Public Holding	Rs.1.20 Billion
Percentage of public holding	34.06%
Number of public shareholders	2,486

14 Directors Shareholding as at 30th June 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

30.06.2019

Market value per share (Rs.)	35.50
Highest price per share (Rs.)	39.80
Lowest price per share (Rs.)	33.00
Market capitalization (in rupees thousands)	3,530,513

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