

8th August 2008

**Ceylon
Investment
PLC**

**Discount to actual net asset value to
reduce**

Non Core Coverage

**Strategic View
Positive**

**Ticker
CINV**

**Share Price*
Rs.80.25**

**Market Cap*
Rs.1,938 mn**

**ASPI*
2,466.56**

**MPI*
2,931.72**

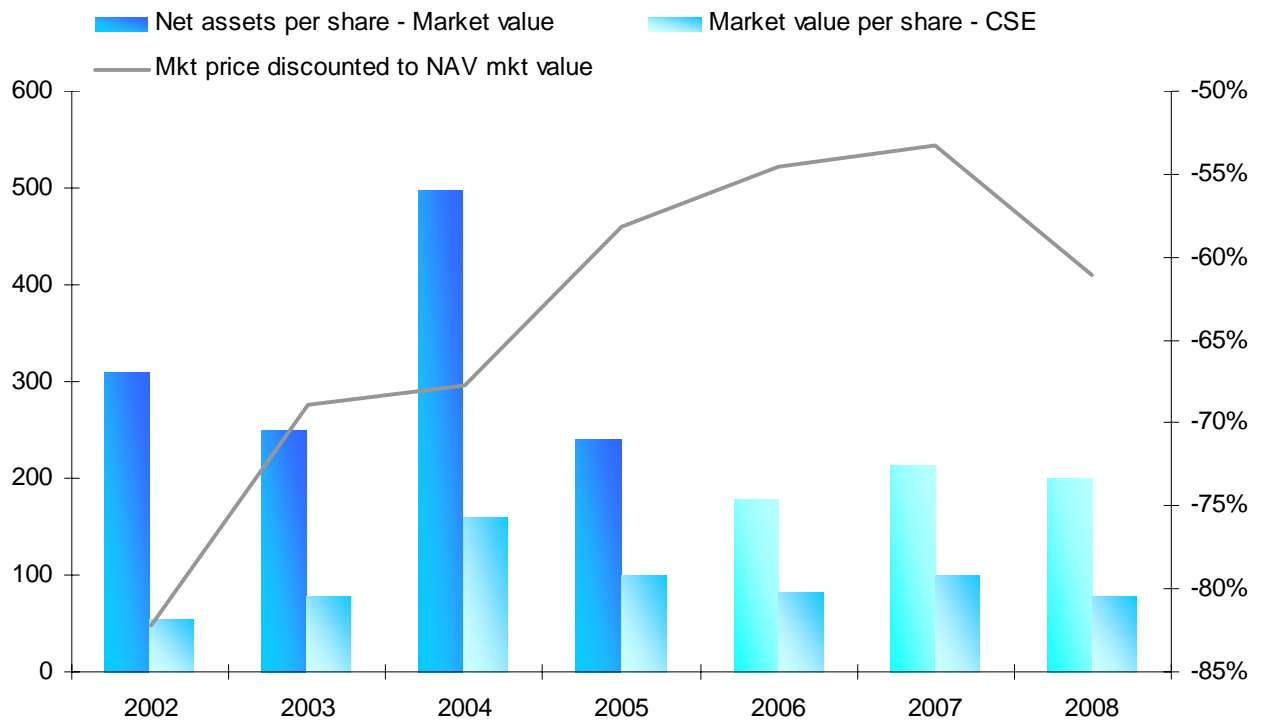
Analyst

**Tharini
Satkunanathan**

- ◆ Ceylon Investment trades at a discount of over 50% to the market value of its investments.
- ◆ Whilst there is no immediate catalyst that we can identify for this discount to narrow, in the longer term we take a positive view that the market price of the Ceylon Investment PLC will come close to the actual net asset value of the company.
- ◆ The new company's act which allows companies to buy back their own shares, has created an opportunity for companies such as CINV to buy back its own shares.
- ◆ With it's shares trading at such a large discount to their underlying asset value, a buy back of its own shares would appear to be one of the best investment option available for the company.
- ◆ Though we are positive on CINV we are more positive on the parent Ceylon Guardian Investment Trust which has greater share liquidity.

*CSE DATA as at 8th of August
2008

As shown below, CINV's market price has been trading at a discount to the value of its net assets, though over the long term the discount has been declining. The discount to value was 82% in March 2002, but as at March 2007, the discount stood at 53%. The discount however somewhat increased as at March 2008 to 61%. We believe such a substantial discount is not warranted and that in the longer term, this discount will continue to narrow.

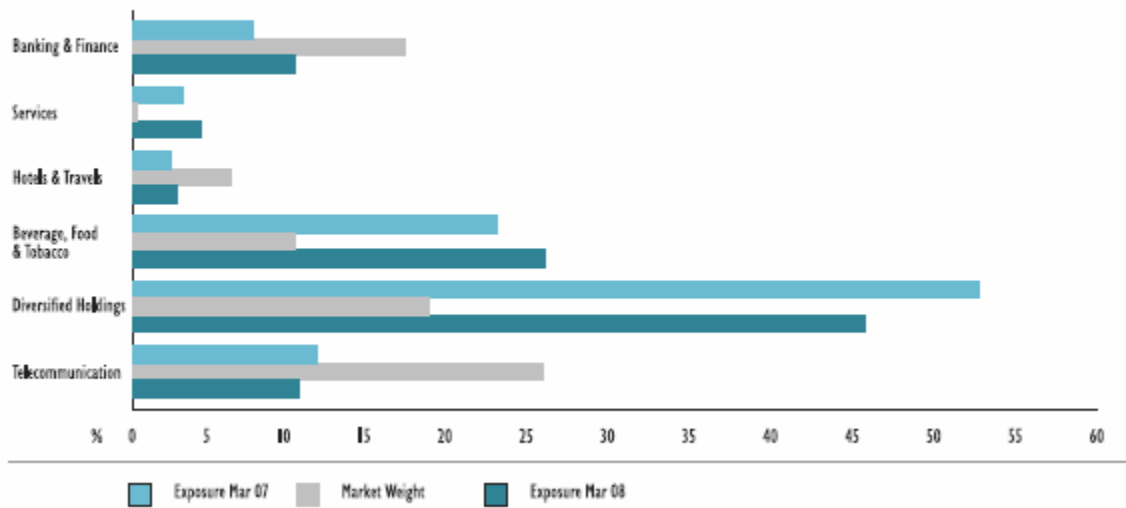


The equity portfolio for Ceylon Investment as at 31st March 2008 is summarized below.

Rs. '000	31.03.08	31.03.07
Long-term	1,869,653	2,322,663
Short-term	66,067	136,827
Strategic	2,856,338	2,828,593

Source: Ceylon Investment

Sector Exposure



Source: Ceylon Investment

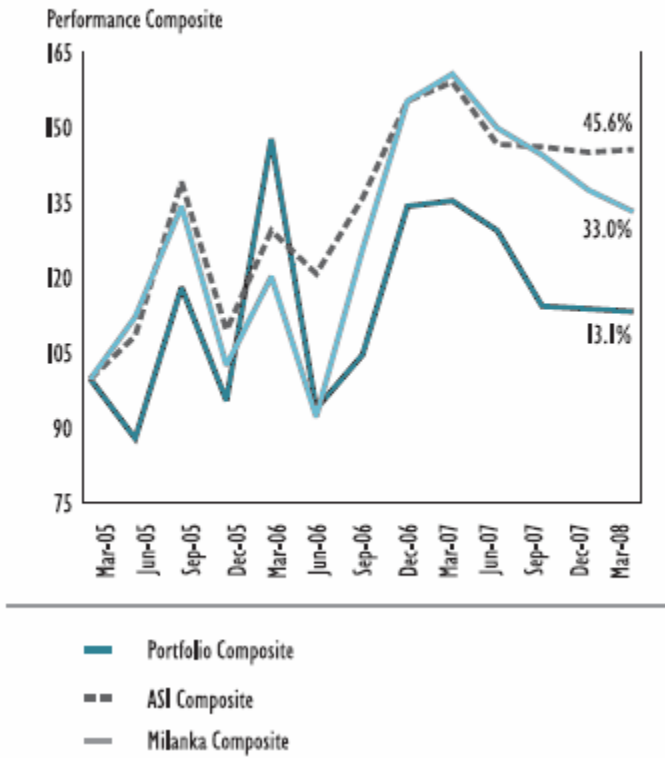
Largest Equity Holdings - excluding Carsons Group Companies

	Mkt Value Rs. mn	% of Portfolio
1. John Keells Holding PLC	575.42	29.7
2. Ceylon Gold Stores PLC	235.05	12.1
3. Hayleys PLC	178.16	9.2
4. Distilleries Co. of Sri Lanka	171.16	8.8
5. Aitken Spence PLC	113.99	5.9

Source: Ceylon Investment

The performance of Ceylon Investment's Portfolio as disclosed by the company is detailed below.

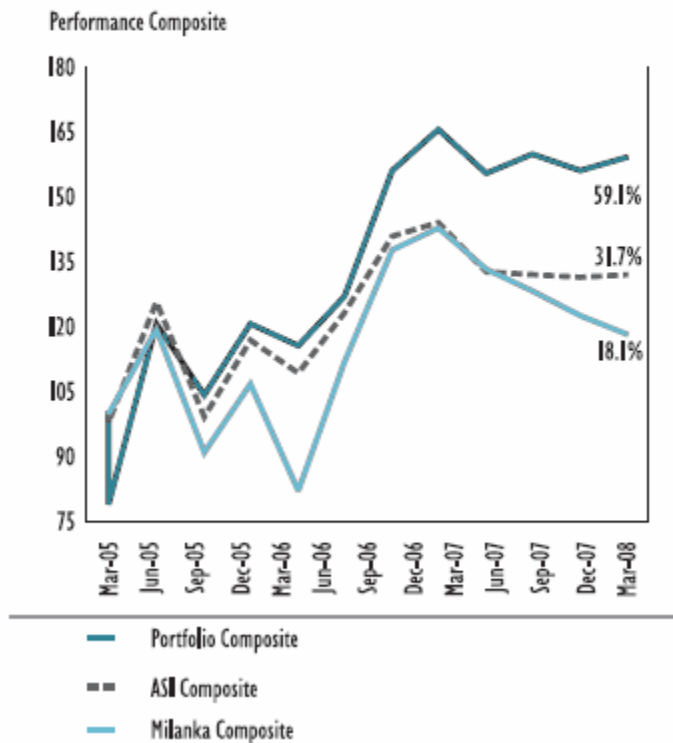
Long-term Portfolio Performance - Last 3 Years



Source: Ceylon Investment

CINV stated that profits was mainly by way of capital gains secured by the sale of some selected long-term investments, short-term trading profits of Rs.0.79 million and a negative mark to market value adjustment of Rs.6.03 million.

Trading Portfolio Performance Since Inception



Source: Ceylon Investment

Shareholder Wealth

	31.03.2004	31.03.2005	31.03.2006	31.03.2007	31.03.2008	Cumulative 5 years
Start of the year - quantity	1,000	1,556	3,500	6,222	6,222	1,000
- wealth	78,000	249,278	352,625	505,556	625,333	78,000
Bonus issue - quantity	222	1,167	1,556	-	-	2,944
Rights issue - quantity	333	778	1,167	-	-	2,278
- cost	16,667	38,889	58,333	-	-	113,889
Dividends - per share Rs.	1.50	1.50	1.50	1.50	1.75	
- value	2,333	5,250	9,333	9,333	10,889	37,139
End of the year - quantity	1,556	3,500	6,222	6,222	6,222	6,222
- wealth	251,611	357,875	514,889	634,667	496,222	522,472
Shareholder wealth gain %	165.8	24.2	25.3	25.5	(20.6)	172.3

Source: Ceylon Investment



Financial Review for the year ended March 2008

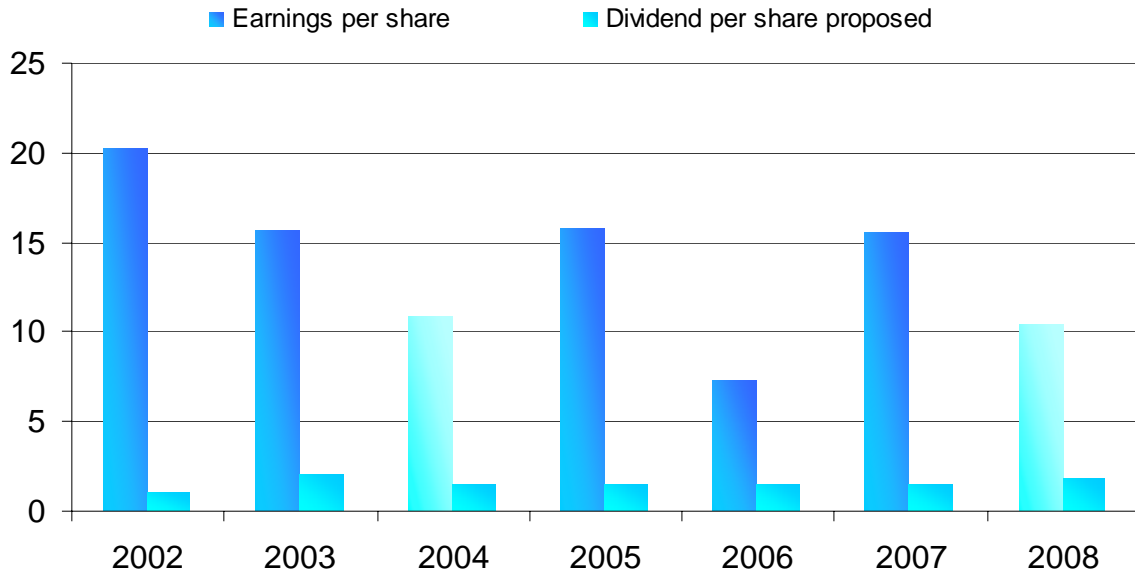
The value of Ceylon Investment's Total Portfolio was Rs.4.79 billion for the year ended March 2008, a decline of 9.5%YoY from Rs.5.29 billion. Of this, the Long Term Portfolio amounted to Rs.4.72 billion whilst the Trading Portfolio was Rs.156.3 million.

The company's revenue for the period under review declined 20%YoY to Rs.267 million. Profit after Taxation also fell, to Rs.250 million from Rs.375 million, a notable 33%YoY drop. The holding in Rubber Investment Trust, resulted in Profits of Associate Company of Rs.230 million. Net Capital Gains of Rs.63 million on the long and short term portfolios were made and a mark to market provision of a negative Rs.6.03 million on the short term portfolio. However, the company notes that the total unrealised gain on the short-term portfolio from the date of commencing this activity is a positive Rs.21.99 million.

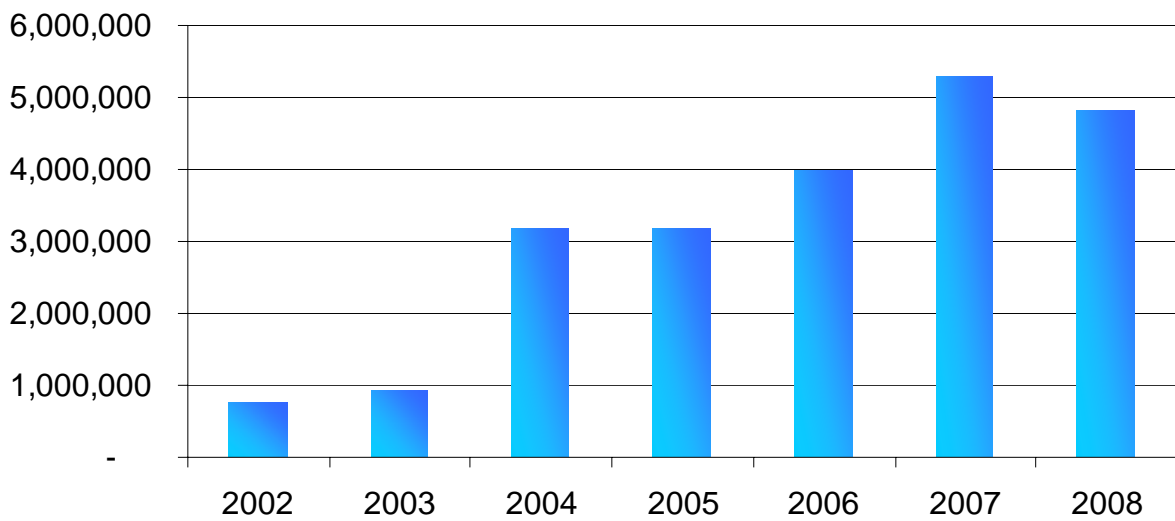
CINV also states that their average annualised portfolio performance over the last three years was 20.5% and last five years was 51.9%. And that the level of activity of the short-term portfolio reduced whilst changes were made to the long-term portfolio. During the year, acquisitions worth Rs.66 million were dominated by gaining exposure to sectors such as the F&B, telecom and healthcare sectors.

Additional Data

EPS & DPS



Market value of investments (Rs. '000)





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