

EQUITY TWO PLC

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2017

A CARSON CUMBERBATCH COMPANY

EQUITY TWO PLC

Review of performance for the Six months ended 30th September 2017

Company recorded a revenue of Rs. 67.5 Mn for the six months concluded 30th September 2017, achieving a YoY increase of 23% as a result of it securing full occupancy at its two properties half way in to the period.

Meanwhile, direct costs declined by 17% to reach Rs. 12.6 Mn for the period, primarily due to the reduction in costs incurred on repair and maintenance activities and recovery of certain expenses from its tenants as per the rent agreements. Further, administrative and other operating expenses too recorded a 24% decline during the period to reach Rs. 3.6 Mn owing to absence of commission charges payable on new letting relative to the comparative six months.

Accordingly, the operating profit of the Company registered a YoY improvement of 52% to reach Rs. 54.0 Mn in comparison to Rs. 35.5 Mn reported in the previous comparative period.

Finance income of the Company for the period ended 30th September 2017, stood at Rs. 1.1 Mn, derived from the investment income from company's short term investments. Concurrently, the finance costs of the Company which stood at Rs. 1.7 Mn for the six months under review, observed a contraction of 17% over the corresponding period, due to the settlement of borrowings obtained from the parent company, Equity One Limited, for the renovation of the building situated at no. 55, Janadhipathi Mawatha.

Thus, for the six months concluded, the Profit Before Tax of Equity Two PLC observed a considerable YoY increase of 59% to reach Rs. 53.4 Mn whilst the net profit improved by 57% relative to the corresponding period, to reach Rs. 37.8 Mn from Rs. 24.0 Mn.

We believe that the business holds considerable potential going forward, considering the developments taking place in the market place and in the vicinity. Yet, the restriction of access to the buildings on Janadhipathi Mawatha via the main entrances, continues to be a major concern to date.

Carsons Management Services (Private) Limited Managers

06th November 2017
Colombo

EQUITY TWO PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All figures are in Sri Lankan Rupees Thousands)

	Three months ended			Six months ended			31.03.2017 (Audited)
	30th September			30th September			
	2017	2016	Change %	2017	2016	Change %	
Revenue	33,580	29,338	14	67,518	55,083	23	118,907
Direct cost	(6,125)	(7,918)	(23)	(12,642)	(15,178)	(17)	(28,349)
	27,455	21,420	28	54,876	39,905	38	90,558
Other income	2,574	189	1,262	2,744	378	626	1,538
Administrative and other operating expenses	(1,706)	(2,741)	(38)	(3,647)	(4,770)	(24)	(10,832)
Results from operating activities	28,323	18,868	50	53,973	35,513	52	81,264
Finance income	902	40	2,155	1,104	88	1,155	923
Finance costs	(921)	(1,033)	(11)	(1,707)	(2,050)	(17)	(3,582)
Net finance costs	(19)	(993)	(98)	(603)	(1,962)	(69)	(2,659)
Profit before taxation	28,304	17,875	58	53,370	33,551	59	78,605
Income tax expense	(7,325)	(2,610)	181	(13,615)	(4,815)	183	(11,956)
Deferred taxation	(983)	(2,478)	(60)	(1,976)	(4,738)	(58)	(10,023)
Profit for the period	19,996	12,787	56	37,779	23,998	57	56,626
Other comprehensive income							
Actuarial gain from valuation of employee benefits	-	-	-	-	-	-	284
Related tax	-	-	-	-	-	-	(80)
Total other comprehensive income for the period	-	-	-	-	-	-	204
Total comprehensive income for the period	19,996	12,787	56	37,779	23,998	57	56,830
Earnings per share (Rs.)	0.65	0.41		1.22	0.77		1.83
Dividend per share (Rs.)	-	-		-	-		1.40

Change % represent the percentage change in current period's results compared to the comparative period of previous year.

Figures in brackets indicate deductions.

EQUITY TWO PLC
STATEMENT OF FINANCIAL POSITION

(All figures are in Sri Lankan Rupees Thousands)

As at 30th September	2017	2016	31.03.2017 (Audited)
ASSETS			
Non-current assets			
Investment properties	1,145,486	1,145,356	1,145,466
Total non-current assets	1,145,486	1,145,356	1,145,466
Current assets			
Trade and other receivables	19,501	21,605	19,835
Fair value through profit or loss financial assets	39,406	-	-
Cash and cash equivalents	9,167	6,418	5,891
Total current assets	68,074	28,023	25,726
Total assets	1,213,560	1,173,379	1,171,192
EQUITY AND LIABILITIES			
Equity			
Stated capital	444,092	444,092	444,092
Capital reserves	750	750	750
Revenue reserves	593,158	565,947	555,379
Total equity	1,038,000	1,010,789	1,000,221
Non-current liabilities			
Refundable rental deposits	43,027	36,901	38,494
Deferred tax liability	112,697	105,355	110,720
Employee benefits	1,382	2,353	1,333
Total non-current liabilities	157,106	144,609	150,547
Current liabilities			
Trade and other payables	3,666	7,577	5,911
Deferred revenue	3,870	6,142	4,671
Current tax liabilities	10,918	4,262	9,842
Total current liabilities	18,454	17,981	20,424
Total liabilities	175,560	162,590	170,971
Total equity and liabilities	1,213,560	1,173,379	1,171,192
Net assets per share (Rs.)	33.48	32.61	32.27

The Statement of Financial Position as at 30th September 2017 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 2 to 6 have been drawn up from unaudited financial statements.

I certify that these financial statements are in compliance with the requirements of Companies Act No. 7 of 2007.

(Sgd).

V.R. Wijesinghe

Head of Finance

Carsons Management Services (Private) Limited

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed on behalf of the managers,

Approved and signed on behalf of the board,

(Sgd).

A.P. Weeratunge

Director

Carsons Management Services (Private) Limited

06th November 2017

Colombo

(Sgd).

D.C.R. Gunawardena

Chairman

(Sgd).

K.C.N. Fernando

Director

EQUITY TWO PLC
STATEMENT OF CHANGES IN EQUITY
(All figures are in Sri Lankan Rupees Thousands)

	Stated capital	Capital reserves	Revenue reserves	Total equity
Balance as at 1st April 2016	444,092	750	548,149	992,991
Profit for the year	-	-	56,626	56,626
Other comprehensive income for the year	-	-	204	204
Total comprehensive income for the year	-	-	56,830	56,830
First & final dividends 2015/16	-	-	(6,200)	(6,200)
First interim dividends 2016/17	-	-	(43,400)	(43,400)
Balance as at 31st March 2017	444,092	750	555,379	1,000,221
Balance as at 1st April 2017	444,092	750	555,379	1,000,221
Profit for the period	-	-	37,779	37,779
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	37,779	37,779
Balance as at 30th September 2017 (Unaudited)	444,092	750	593,158	1,038,000
Balance as at 1st April 2016	444,092	750	548,149	992,991
Profit for the period	-	-	23,998	23,998
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	23,998	23,998
First & final dividends 2015/16	-	-	(6,200)	(6,200)
Balance as at 30th September 2016 (Unaudited)	444,092	750	565,947	1,010,789

Figures in brackets indicate deductions.

EQUITY TWO PLC
STATEMENT OF CASH FLOW

(All figures are in Sri Lankan Rupees Thousands)

For the Six months ended 30th September	2017	2016	31.03.2017 (Audited)
Cash flows from operating activities			
Profit before taxation	53,370	33,551	78,605
Adjustments for:			
Finance costs	1,707	2,050	3,582
Finance income	(1,104)	(88)	(923)
Provision for employee benefits	49	60	337
Amortization of deferred revenue	(1,615)	(1,282)	(2,755)
Operating profit before working capital changes	52,407	34,291	78,846
(Increase) / decrease in trade and other receivables	334	(2,581)	(811)
Increase / (decrease) in trade and other payables	(2,245)	(18,033)	(14,067)
Operating profit after working capital changes	50,496	13,677	63,968
Rental deposits received	3,641	7,814	7,904
Employee benefits paid	-	-	(1,013)
Income tax paid	(12,539)	(3,364)	(4,925)
Net cash generated from / (used in) operating activities	41,598	18,127	65,934
Cash flows from investing activities			
Additions to investment properties	(20)	-	(110)
Investment in fair value through profit or loss financial assets	(38,900)	-	-
Interest received	598	88	923
Net cash generated from / (used in) investing activities	(38,322)	88	813
Cash flows from financing activities			
Net amounts settled on related company borrowings including interest	-	(6,167)	(16,654)
Dividend paid	-	(11,000)	(49,572)
Net cash generated from / (used in) financing activities	-	(17,167)	(66,226)
Net increase / (decrease) in cash and cash equivalents	3,276	1,048	521
Cash and cash equivalents at the beginning of the period	5,891	5,370	5,370
Cash and cash equivalents at the end of the period	9,167	6,418	5,891

Figures in brackets indicate deductions.

EQUITY TWO PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All figures are in Sri Lankan Rupees Thousands)

1. Basis of preparation of Interim Financial Statements

The Interim Financial Statements of the Company has been prepared on the basis of the same accounting policies and methods applied for the year ended 31st March 2017 and are in compliance with Sri Lanka Accounting Standard LKAS 34 - "Interim Financial Reporting". The provisions of the Companies Act No. 7 of 2007 have been considered in preparing these Interim Financial Statements.

2. Events after the reporting period

Subsequent to the reporting period, no circumstances have arisen which would require adjustments to or disclosure in the financial statements.

3. Contingent liabilities and capital commitments

There were no material contingent liabilities and capital commitments.

4. Liabilities for expenditure

There were no liabilities for management fees or any similar expenditure not provided for in the interim financial statements.

5. Comparative figures

Previous period's figures and phrases have been re-arranged wherever necessary to conform to the current period's presentation.

6. Stated capital

The Stated Capital of the Company as at 30th September 2017 was Rs. 444,092,098/- consists of 31,000,000 fully paid Ordinary Shares.

7. Related party transactions

For the Six months ended 30th September	2017	2016
Transactions with the parent company		
Settlements on short term advances obtained	-	11,000
Interest on short-term advances obtained	-	770
Transactions with affiliate companies		
Receiving of services	2,308	2,287
Rent received	10,336	10,336

EQUITY TWO PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All figures are in Sri Lankan Rupees Thousands)

08. Twenty major shareholders as at 30th September 2017

Name of Shareholders	Number of Shares	%
1 Equity One Limited A/C No.1	27,532,525	88.81
2 Bank of Ceylon A/C Ceybank Unit Trust	2,251,055	7.26
3 Mr. K.C. Vignarajah	100,017	0.32
4 Mr. H.W.M. Woodward (Deceased)	61,100	0.20
5 Mr. S.S.R. Ramanayake	57,025	0.18
6 Tranz Dominion, L.L.C.	55,480	0.18
7 Mr. L.L. Hettiarachchi	33,804	0.11
8 Mr. I. Paulraj	33,450	0.11
9 Waldock Mackenzie Ltd / Hi-Line Trading (Pvt) Ltd	25,337	0.08
10 Miss C.M. Wickramasekera	25,300	0.08
11 Union Investments Private Ltd	25,200	0.08
12 Mr. A.A. Noordeen	23,900	0.08
13 Mrs. S. Vignarajah	18,278	0.06
14 Seylan Bank PLC / Mr.S.N.C.W.M.B.C. Kandedgedara	16,200	0.05
15 Mr. J.B. Hirdaramani	16,000	0.05
16 Mrs. J. Aloysius	15,900	0.05
17 Mrs. H.I.P. Fernando	15,000	0.05
18 Miss. V.K. Ramanayake	15,000	0.05
19 Mr. P.K. Jinadasa	12,200	0.04
20 Pan Asia Banking Corporation PLC / Mr.Ravindra Erle Rambukwelle	11,900	0.04

9. Public holding

Ordinary Shares of the Company held by the public as at 30th September 2017 are as follows;

Number of public shareholders	1,981
Percentage of public holding	11.17%

10. Directors shareholding as at 30th September 2017

	No. of Shares as at 30.09.17
Mr. D. C. R. Gunawardena (Chairman)	-
Mr. K. C. N. Fernando	3,600
Mr. A. P. Weeratunge	-
Mr. E. H. Wijenaikie	-
Mr. P. D. D. Fernando	-

INVESTOR INFORMATION

11. Share valuation

For the Three months ended 30th September 2017

Market value per share (Rs.)	60.50
Highest price per share for the period (Rs.)	64.90
Lowest price per share for the period (Rs.)	45.00

CORPORATE INFORMATION

Name of the Company	Equity Two PLC (A Carson Cumberbatch Company)
Company Registration Number	PQ 34
Legal Form	A Public Quoted Company with Limited Liability incorporated in Sri Lanka in 1990. Official listing of the Colombo Stock Exchange (CSE) was obtained in November 1994.
Parent and ultimate controlling entity	Equity One Limited is the immediate Parent Company of Equity Two PLC. In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Equity One Limited and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Equity One Limited.
Directors	Mr. D. C. R. Gunawardena (Chairman) Mr. K. C. N. Fernando Mr. A. P. Weeratunge Mr. E. H. Wijenaïke Mr. P. D. D. Fernando
Place of Business	61, Janadhipathi Mawatha, Colombo 01, Sri Lanka. Tel : +94 11 2039 200 Fax: +94 11 2039 300
Bankers	Standard Chartered Bank Deutsche Bank AG. Commercial Bank of Ceylon PLC
Auditors	Messrs. KPMG Chartered Accountants No.32A, Sir Mohamed Macan Marker Mawatha, Colombo 03, Sri Lanka. Tel: +94 11 5426426 Fax:+94 11 2445872
Managers & Secretaries	Carsons Management Services (Private) Limited 61, Janadhipathi Mawatha, Colombo 01, Sri Lanka. Tel : +94 11 2039 200 Fax: +94 11 2039 300
Registered Office	61, Janadhipathi Mawatha, Colombo 01, Sri Lanka. Tel : +94 11 2039 200 Fax: +94 11 2039 300