

EQUITY TWO PLC

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2018

A CARSON CUMBERBATCH COMPANY

## **EQUITY TWO PLC**

### **Review of performance for the Six months ended 30th September 2018**

The two properties of the Company remained fully occupied during the six months under discussion. Accordingly, rental income of the Company observed an increase of 5% over the comparative period to reach Rs. 71.2 Mn, mainly contributed by the rent reviews.

The 13% YoY increase in the direct costs to Rs. 14.2 Mn is predominantly stemming from the increase in staff related expenses as well increased property related repair and maintenance charges. Meanwhile the Other Income reflected a decrease of 87% YoY due to the one off cost recovery related to rates and taxes in the comparable period.

As such, the profit derived from operating activities for the current period remained largely unchanged over the corresponding six months at Rs. 53.9 Mn. Meanwhile, investment income generated through the utilization of operational cash for short term investment interest bearing assets resulted in increase in finance income to Rs. 2.58 Mn. Also, the finance cost increased by 5% YoY, reaching Rs. 1.78 Mn due to non-cash IFRS adjustment on refundable deposits.

Accordingly, Equity Two PLC reported a profit before tax of Rs. 54.7 Mn for the first six months of the financial year 18/19, largely in line with the comparative period. The income tax charge increased by 8% due to the increase in interest income and elimination of IFRS adjustments for income tax computations whilst the deferred tax increased by 8% YoY. Accordingly, the net profit recorded by the Company for the six months ended 30th September 2018 was observed at Rs. 37.9 Mn.

At present, favourable market conditions prevail, however the gradually emerging competition from the new entrants will pose increased competition in medium to long-term. Regrettably, the entry barrier through Janadhipathi Mawatha to the premises continues to deprive the full benefit out of the properties to the tenants.

### **Carsons Management Services (Private) Limited Managers**

05th November 2018

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			31.03.2018 (Audited)
	30th September			30th September			
	2018	2017	Change %	2018	2017	Change %	
Revenue	36,351	33,580	8	71,231	67,518	5	135,969
Direct cost	(7,512)	(6,125)	23	(14,261)	(12,642)	13	(27,180)
	28,839	27,455	5	56,970	54,876	4	108,789
Other income	193	2,574	(93)	364	2,744	(87)	5,004
Net gains arising from changes in fair value of investment properties	-	-	-	-	-	-	209,690
	29,032	30,029	(3)	57,334	57,620	-	323,483
Administrative and other operating expenses	(1,666)	(1,706)	(2)	(3,394)	(3,647)	(7)	(7,755)
<b>Results from operating activities</b>	<b>27,366</b>	<b>28,323</b>	<b>(3)</b>	<b>53,940</b>	<b>53,973</b>	<b>-</b>	<b>315,728</b>
Finance income	1,619	902	79	2,582	1,104	134	4,611
Finance costs	(827)	(921)	(10)	(1,784)	(1,707)	5	(3,540)
<b>Net finance income / (costs)</b>	<b>792</b>	<b>(19)</b>	<b>(4,268)</b>	<b>798</b>	<b>(603)</b>	<b>(232)</b>	<b>1,071</b>
<b>Profit before taxation</b>	<b>28,158</b>	<b>28,304</b>	<b>(1)</b>	<b>54,738</b>	<b>53,370</b>	<b>3</b>	<b>316,799</b>
Income tax expense	(7,428)	(7,325)	1	(14,718)	(13,615)	8	(27,207)
Deferred taxation	(976)	(983)	(1)	(2,143)	(1,976)	8	(156,744)
<b>Profit for the period</b>	<b>19,754</b>	<b>19,996</b>	<b>(1)</b>	<b>37,877</b>	<b>37,779</b>	<b>-</b>	<b>132,848</b>
<b>Other comprehensive income</b>							
Actuarial loss from valuation of employee benefits	-	-	-	-	-	-	(112)
Related tax	-	-	-	-	-	-	31
<b>Total other comprehensive expense for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(81)</b>
<b>Total comprehensive income for the period</b>	<b>19,754</b>	<b>19,996</b>	<b>(1)</b>	<b>37,877</b>	<b>37,779</b>	<b>-</b>	<b>132,767</b>
<b>Earnings per share (Rs.)</b>	<b>0.64</b>	<b>0.65</b>		<b>1.22</b>	<b>1.22</b>		<b>4.29</b>
<b>Dividend per share (Rs.)</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>		<b>2.25</b>

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	2018	2017	31.03.2018 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	1,355,490	1,145,486	1,355,490
<b>Total non-current assets</b>	<b>1,355,490</b>	<b>1,145,486</b>	<b>1,355,490</b>
<b>Current assets</b>			
Trade and other receivables	14,354	19,501	13,743
Fair value through profit or loss financial assets	12	39,406	25,946
Short term investment	54,472	-	-
Cash and cash equivalents	2,556	9,167	13,382
<b>Total current assets</b>	<b>71,394</b>	<b>68,074</b>	<b>53,071</b>
<b>Total assets</b>	<b>1,426,884</b>	<b>1,213,560</b>	<b>1,408,561</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	444,092	444,092	444,092
Capital reserves	750	750	750
Revenue reserves	656,330	593,158	618,453
<b>Total equity</b>	<b>1,101,172</b>	<b>1,038,000</b>	<b>1,063,295</b>
<b>Non-current liabilities</b>			
Refundable rental deposits	45,865	43,027	44,199
Deferred tax liability	269,576	112,697	267,433
Employee benefits	1,103	1,382	1,719
<b>Total non-current liabilities</b>	<b>316,544</b>	<b>157,106</b>	<b>313,351</b>
<b>Current liabilities</b>			
Trade and other payables	3,550	3,666	9,924
Deferred revenue	3,571	3,870	3,387
Current tax liabilities	2,047	10,918	18,604
<b>Total current liabilities</b>	<b>9,168</b>	<b>18,454</b>	<b>31,915</b>
<b>Total liabilities</b>	<b>325,712</b>	<b>175,560</b>	<b>345,266</b>
<b>Total equity and liabilities</b>	<b>1,426,884</b>	<b>1,213,560</b>	<b>1,408,561</b>
Net assets per share (Rs.)	35.52	33.48	34.30

The Statement of Financial Position as at 30th September 2018 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**

Director 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

05th November 2018

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 2017	444,092	750	555,379	1,000,221
Profit for the year	-	-	132,848	132,848
Other comprehensive income for the year	-	-	(81)	(81)
Total comprehensive income for the year	-	-	132,767	132,767
Forfeited dividends	-	-	57	57
First interim dividend 2017/18	-	-	(69,750)	(69,750)
Balance as at 31st March 2018	444,092	750	618,453	1,063,295
<b>Balance as at 01st April 2018</b>	<b>444,092</b>	<b>750</b>	<b>618,453</b>	<b>1,063,295</b>
Profit for the period	-	-	37,877	37,877
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	37,877	37,877
<b>Balance as at 30th September 2018 (Unaudited)</b>	<b>444,092</b>	<b>750</b>	<b>656,330</b>	<b>1,101,172</b>
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

*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	2018	2017	31.03.2018 (Audited)
<b>Cash flows from operating activities</b>			
Profit before taxation	54,738	53,370	316,799
<b>Adjustments for:</b>			
Finance costs	1,784	1,707	3,540
Finance income	(2,582)	(1,104)	(4,611)
Net gain arising from changes in fair value of investment properties	-	-	(209,690)
Provision for employee benefits	62	49	274
Amortization of deferred revenue	(1,646)	(1,615)	(3,329)
<b>Operating profit before working capital changes</b>	<b>52,356</b>	<b>52,407</b>	<b>102,983</b>
(Increase) / decrease in trade and other receivables	(611)	334	6,092
Increase / (decrease) in trade and other payables	(6,374)	(2,245)	3,985
<b>Operating profit after working capital changes</b>	<b>45,371</b>	<b>50,496</b>	<b>113,060</b>
Rental deposits received	1,712	3,641	4,210
Employee benefits paid	(678)	-	-
Income tax paid	(31,275)	(12,539)	(18,445)
<b>Net cash generated from / (used in) operating activities</b>	<b>15,130</b>	<b>41,598</b>	<b>98,825</b>
<b>Cash flows from investing activities</b>			
Additions to investment properties	-	(20)	(334)
Disposal of /(investment in) fair value through profit or loss financial assets	25,934	(38,900)	(25,946)
Investment in short term deposit	(54,472)	-	-
Interest received	2,582	598	4,611
<b>Net cash generated from / (used in) investing activities</b>	<b>(25,956)</b>	<b>(38,322)</b>	<b>(21,669)</b>
<b>Cash flows from financing activities</b>			
Dividend paid	-	-	(69,665)
<b>Net cash generated from / (used in) financing activities</b>	<b>-</b>	<b>-</b>	<b>(69,665)</b>
Net increase / (decrease) in cash and cash equivalents	(10,826)	3,276	7,491
Cash and cash equivalents at the beginning of the period	13,382	5,891	5,891
<b>Cash and cash equivalents at the end of the period</b>	<b>2,556</b>	<b>9,167</b>	<b>13,382</b>

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 2018 except as disclosed in note 1.1 - "adoption of SLFRS 09 - Financial Instruments", 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.

**1.1 Adoption of SLFRS 09 - Financial Instruments**

The Company has initially adopted SLFRS 9 Financial Instruments with effect from 1st April 2018 in preparation of its financial statements. The effect of applying this standard is described below.

**Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous LKAS 39 categories for financial assets held to maturity, loans and receivables and available for sale.

The impact of SLFRS 9 on the classification and measurement of financial assets is set out below.

The following table depicts the reconciliation of original measurement categories and carrying value in accordance with LKAS 39 and the new measurement categories under SLFRS 9 for the Company's financial assets as at 1st April 2018.

**Impairment of financial assets**

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' (ECL) model. SLFRS 9 requires the Company to record an allowance for ECL for all financial assets measured at amortised cost and other debt financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows and the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

	<b>Original classification under LKAS 39</b>	<b>New classification under SLFRS 9</b>	<b>Original carrying amount under LKAS 39</b>	<b>New carrying amount under SLFRS 9</b>
<b>Financial assets</b>				
Trade and other receivables	Loans and receivables	Amortised cost	13,488	13,488
Investment in unit trust - unquoted	FVTPL	FVTPL	25,946	25,946
Cash at bank and cash in hand	Loans and receivables	Amortised cost	13,382	13,382

**1.2 Transition**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

Comparative periods have been not been restated. Any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 are recognised in retained earnings and reserves as at 1st April 2018. Accordingly, the information presented for comparative periods do not reflect the requirements of SLFRS 9 but rather those of LKAS 39.

**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 2018 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	<b>2018</b>	<b>2017</b>
<b>Transactions with affiliate companies</b>		
Receiving of services	<b>2,308</b>	2,308
Rent received	<b>11,275</b>	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 2018**

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	2,271,102	7.33
3 Mr. K.C. Vignarajah	100,049	0.32
4 Mrs. C.A.D.S. Woodward	61,100	0.20
5 Tranz Dominion,L.L.C.	55,480	0.18
6 Miss. V.K. Ramanayake	50,000	0.16
7 Mrs. C.L. Ramanayake	50,000	0.16
8 Mr. L.L. Hettiarachchi	33,804	0.11
9 Mr. I. Paulraj	32,128	0.10
10 People's Leasing & Finance PLC/Hi Line Trading (Pvt) Ltd	25,337	0.08
11 Miss C.M. Wickramasekera	25,300	0.08
12 Union Investments Private Ltd	25,200	0.08
13 Mr. A.A. Noordeen	23,496	0.08
14 People's Leasing & Finance PLC/Dr.H.S.D.Soyas & Mrs. G. Soysa	19,000	0.06
15 Mrs. S. Vignarajah	18,298	0.06
16 Seylan Bank PLC/Mr.S.N.C.W.M.B.C. Kandegeedara	16,200	0.05
17 Mr. J.B. Hirdaramani	16,000	0.05
18 Mrs. J. Aloysius	15,900	0.05
19 Mrs. H.I.P. Fernando	15,000	0.05
20 Mr. P.K. Jinadasa	12,200	0.04

**9. Public holding**

The Company is in compliance with the Minimum Public Holding requirements for Companies listed on the Diri Savi Board as per Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange, under Option 2, i.e. Float-Adjusted Market Capitalization of less than Rs.1 Billion with 200 Public Shareholders and a Public Holding percentage of 10%.

**The Company's Public Holding as at 30th September 2018**

Market Capitalization of the Public Holding	Rs.145.81 Million
Percentage of ordinary shares held by the public	11.17%
Number of public shareholders	1,962

**10. Directors shareholding as at 30th September 2018**

	No. of Shares as at 30.09.18
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 Six months ended 30th September 2018

Market value per share (Rs.)	42.10
Highest price per share for the period (Rs.)	72.00
Lowest price per share for the period (Rs.)	42.00



## **CORPORATE INFORMATION**

<b>Name of the Company</b>	Equity Two PLC (A Carson Cumberbatch Company)
<b>Company Registration Number</b>	PQ 34
<b>Legal Form</b>	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.
<b>Parent and ultimate controlling entity</b>	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.
<b>Directors</b>	Mr. D.C.R. Gunawardena (Chairman) Mr. K.C.N. Fernando Mr. A.P. Weeratunge Mr. E.H. Wijenaike Mr. P. D. D. Fernando
<b>Place of Business</b>	61, Janadhipathi Mawatha, Colombo 01, Sri Lanka. Tel : +94 11 2039 200 Fax: +94 11 2039 300
<b>Bankers</b>	Standard Chartered Bank Deutsche Bank AG. Commercial Bank of Ceylon PLC
<b>Auditors</b>	Messrs. KPMG Chartered Accountants No.32A, Sir Mohamed Macan Marker Mawatha, Colombo 03, Sri Lanka. Tel: +94 11 5426426 Fax:+94 11 2445872
<b>Managers &amp; Secretaries</b>	Carsons Management Services (Private) Limited 61, Janadhipathi Mawatha, Colombo 01, Sri Lanka. Tel : +94 11 2039 200 Fax: +94 11 2039 300
<b>Registered Office</b>	61, Janadhipathi Mawatha, Colombo 01, Sri Lanka. Tel : +94 11 2039 200 Fax: +94 11 2039 300