

EQUITY TWO PLC

INTERIM REPORT FOR THE NINE MONTHS ENDED 31ST DECEMBER 2017

EQUITY TWO PLC

Review of performance for the Nine months ended 31st December 2017

A revenue of Rs. 101.6 Mn was recorded by the company for the nine months ended 31st December 2017, marking an increase of 18% over the comparable period. Sourcing of new tenants towards the latter part of the year 2016 and reaching full occupancy, contributed to the aforesaid increase in revenue.

Company's direct costs for the same period declined by 14% to reach Rs. 18.8 Mn, supported by the reduced repair and maintenance costs as well as due to full absorption of several overhead on achieving full occupancy. Moreover, administrative and other operating expenditure of the company also reduced by 31% , as a result of the absence of commission charges payable on new tenancies relative to the comparative nine months of previous year.

Supported by the above reasons, Equity Two PLC recorded a YoY increase of 41% in its operating profits, which stood at Rs. 80.1 Mn for the nine months concluded 31st December 2017.

Investment income derived from the company's short term investments strengthened the finance income for the period under review, which reached Rs. 2.6 Mn. Also, academically, finance expenses recorded a decline of 8% over the previous period to reach Rs.2.6mn for the period under consideration, as a result of an IFRS adjustment on refundable deposits.

Accordingly, for the nine months concluded, Equity Two PLC registered a profit before tax of Rs. 80.1 Mn and a profit after tax of Rs. 56.5 Mn, which observed considerable YoY growth rates of 47% and 46% respectively.

We believe market conditions for the business remain strong in short to medium term, however, restricted access via the main entrance is a continuing hindrance to be resolved.

Carsons Management Services (Private) Limited Managers

09th February 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			Nine months ended			31.03.2017 (Audited)
	31st December			31st December			
	2017	2016	Change %	2017	2016	Change %	
Revenue	34,040	31,108	9	101,558	86,191	18	118,907
Direct cost	(6,181)	(6,706)	(8)	(18,823)	(21,884)	(14)	(28,349)
	27,859	24,402	14	82,735	64,307	29	90,558
Other income	145	207	(30)	2,889	585	394	1,538
Administrative and other operating expenses	(1,861)	(3,167)	(41)	(5,508)	(7,937)	(31)	(10,832)
Results from operating activities	26,143	21,442	22	80,116	56,955	41	81,264
Finance income	1,505	151	897	2,609	239	992	923
Finance costs	(907)	(779)	16	(2,614)	(2,829)	(8)	(3,582)
Net finance costs	598	(628)	(195)	(5)	(2,590)	(100)	(2,659)
Profit before taxation	26,741	20,814	28	80,111	54,365	47	78,605
Income tax expense	(7,059)	(3,311)	113	(20,674)	(8,126)	154	(11,956)
Deferred taxation	(992)	(2,912)	(66)	(2,968)	(7,650)	(61)	(10,023)
Profit for the period	18,690	14,591	28	56,469	38,589	46	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	18,690	14,591	28	56,469	38,589	46	56,830
Earnings per share (Rs.)	0.60	0.47		1.82	1.24		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 31st December	2017	2016	31.03.2017 (Audited)
ASSETS			
Non-current assets			
Investment properties	1,145,547	1,145,466	1,145,466
Total non-current assets	1,145,547	1,145,466	1,145,466
Current assets			
Trade and other receivables	18,368	19,466	19,835
Fair value through profit or loss financial assets	64,356	-	-
Cash and cash equivalents	9,672	23,162	5,891
Total current assets	92,396	42,628	25,726
Total assets	1,237,943	1,188,094	1,171,192
EQUITY AND LIABILITIES			
Equity			
Stated capital	444,092	444,092	444,092
Capital reserves	750	750	750
Revenue reserves	611,848	580,538	555,379
Total equity	1,056,690	1,025,380	1,000,221
Non-current liabilities			
Refundable rental deposits	42,704	37,698	38,494
Deferred tax liability	113,688	108,267	110,720
Employee benefits	1,407	2,383	1,333
Total non-current liabilities	157,799	148,348	150,547
Current liabilities			
Trade and other payables	4,086	2,141	5,911
Deferred revenue	4,260	5,362	4,671
Current tax liabilities	15,108	6,863	9,842
Total current liabilities	23,454	14,366	20,424
Total liabilities	181,253	162,714	170,971
Total equity and liabilities	1,237,943	1,188,094	1,171,192
Net assets per share (Rs.)	34.09	33.08	32.27

The Statement of Financial Position as at 31st December 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

09th February 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 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	-	-	56,469	56,469
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	56,469	56,469
Balance as at 31st December 2017 (Unaudited)	444,092	750	611,848	1,056,690
Balance as at 1st April 2016	444,092	750	548,149	992,991
Profit for the period	-	-	38,589	38,589
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	38,589	38,589
First & final dividends 2015/16	-	-	(6,200)	(6,200)
Balance as at 31st December 2016 (Unaudited)	444,092	750	580,538	1,025,380

Figures in brackets indicate deductions.

EQUITY TWO PLC
STATEMENT OF CASH FLOW

(All figures are in Sri Lankan Rupees Thousands)

For the Nine months ended 31st December	2017	2016	31.03.2017 (Audited)
Cash flows from operating activities			
Profit before taxation	80,111	54,365	78,605
Adjustments for:			
Finance costs	2,614	2,829	3,582
Finance income	(2,609)	(239)	(923)
Provision for employee benefits	74	90	337
Amortization of deferred revenue	(2,457)	(2,017)	(2,755)
Operating profit before working capital changes	77,733	55,028	78,846
(Increase) / decrease in trade and other receivables	1,467	(442)	(811)
Increase / (decrease) in trade and other payables	(1,824)	(17,838)	(14,067)
Operating profit after working capital changes	77,376	36,748	63,968
Rental deposits received	3,641	7,814	7,904
Employee benefits paid	-	-	(1,013)
Income tax paid	(15,408)	(4,074)	(4,925)
Net cash generated from / (used in) operating activities	65,609	40,488	65,934
Cash flows from investing activities			
Additions to investment properties	(81)	(110)	(110)
Investment in fair value through profit or loss financial assets	(62,400)	-	-
Interest received	653	239	923
Net cash generated from / (used in) investing activities	(61,828)	129	813
Cash flows from financing activities			
Net amounts settled on related company borrowings including interest	-	(6,171)	(16,654)
Dividend paid	-	(16,654)	(49,572)
Net cash generated from / (used in) financing activities	-	(22,825)	(66,226)
Net increase / (decrease) in cash and cash equivalents	3,781	17,792	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	9,672	23,162	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 31st December 2017 was Rs. 444,092,098/- consists of 31,000,000 fully paid Ordinary Shares.

7. Related party transactions

For the Nine months ended 31st December	2017	2016
Transactions with the parent company		
Settlements on short term advances obtained	-	16,654
Interest on short-term advances obtained	-	797
Transactions with affiliate companies		
Receiving of services	3,462	3,431
Rent received	15,503	15,503

EQUITY TWO PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All figures are in Sri Lankan Rupees Thousands)

08. Twenty major shareholders as at 31st December 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	2,253,035	7.27
3 Mr. K.C. Vignarajah	100,034	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	39,818	0.13
8 Mr. L.L. Hettiarachchi	33,804	0.11
9 Mr. I. Paulraj	33,450	0.11
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	23,900	0.08
14 People's Leasing & Finance PLC / Dr.H.S.D.Soyas & Mrs. G. Soysa	19,000	0.06
15 Mrs. S. Vignarajah	18,278	0.06
16 Seylan Bank PLC /Mr.S.N.C.W.M.B.C. Kandegedera	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 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 31st December 2017

Market Capitalization of the Public Holding	Rs.173.17 Million
Number of public shareholders	1,973
Percentage of ordinary shares held by the public	11.17%

10. Directors shareholding as at 31st December 2017

	No. of Shares as at 31.12.17
Mr. D. C. R. Gunawardena (Chairman)	-
Mr. K. C. N. Fernando	3,600
Mr. A. P. Weeratunge	-
Mr. E. H. Wijenaike	-
Mr. P. D. D. Fernando	-

INVESTOR INFORMATION

11. Share valuation

For the Three months ended 31st December 2017

Market value per share (Rs.)	50.00
Highest price per share for the period (Rs.)	65.00
Lowest price per share for the period (Rs.)	38.00

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