

EQUITY TWO PLC

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

A CARSON CUMBERBATCH COMPANY

EQUITY TWO PLC**Review of performance for the Six months ended 30th September 2016**

For the six months ended 30th September 2016, Equity Two PLC registered a Revenue of Rs. 55.1 Mn against the revenue of Rs. 54.3 Mn recorded for the first half of financial year 2015/16. The year-on-year marginal increase is attributable towards new tenants sourced and rent revisions negated by tenant withdrawal at the beginning of the period. Direct cost for the period increased by 33.1% to reach Rs. 15.2 Mn, mainly on account of increase of staff related expenses, revisions in rates and taxes and Repair & maintenance expenses incurred to maintain service standards of the two buildings.

As of the end of period under review, the company has repaid a considerable portion of borrowings, amount so paid being Rs. 10.6 Mn, obtained from parent company, Equity One PLC, for renovation of the building at No: 55, Janadhipathi Mawatha. Accordingly, finance cost for the six months under consideration declined by 30% over the two comparable periods to stand at Rs. 2.1 Mn.

Equity Two PLC concluded the quarter with a cumulative profit of Rs. 24.0 Mn, which is a decrease of 9.6% against earnings of the comparable period, resulting from higher direct cost.

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

07th November 2016
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 | | | 31.03.2016 (Audited) |
|---|--------------------|----------------|-------------|------------------|----------------|-------------|-------------------------|
| | 30th September | | | 30th September | | | |
| | 2016 | 2015 | Change % | 2016 | 2015 | Change % | |
| Revenue | 29,338 | 27,374 | 7 | 55,083 | 54,303 | 1 | 105,286 |
| Direct cost | (7,918) | (5,862) | 35 | (15,178) | (11,433) | 33 | (26,546) |
| | 21,420 | 21,512 | - | 39,905 | 42,870 | (7) | 78,740 |
| Other income | 189 | 123 | 54 | 378 | 276 | 37 | 545 |
| Net gains arising from changes in fair value of investment properties | - | - | - | - | - | - | 126,659 |
| | 21,609 | 21,635 | - | 40,283 | 43,146 | (7) | 205,944 |
| Administrative and other operating expenses | (2,741) | (2,296) | 19 | (4,770) | (4,490) | 6 | (7,576) |
| Results from operating activities | 18,868 | 19,339 | (2) | 35,513 | 38,656 | (8) | 198,368 |
| Finance income | 40 | 226 | (82) | 88 | 484 | (82) | 813 |
| Finance costs | (1,033) | (1,380) | (25) | (2,050) | (2,913) | (30) | (5,256) |
| Net finance costs | (993) | (1,154) | (14) | (1,962) | (2,429) | (19) | (4,443) |
| Profit before taxation | 17,875 | 18,185 | (2) | 33,551 | 36,227 | (7) | 193,925 |
| Current taxation | (2,610) | (840) | 211 | (4,815) | (1,882) | 156 | (3,378) |
| Deferred taxation | (2,478) | (3,839) | (35) | (4,738) | (7,785) | (39) | (16,807) |
| Profit for the period | 12,787 | 13,506 | (5) | 23,998 | 26,560 | (10) | 173,740 |
| Other comprehensive income | | | | | | | |
| Actuarial loss from valuation of employee benefits | - | - | - | - | - | - | (42) |
| Other comprehensive expenses for the period | - | - | - | - | - | - | (42) |
| Total comprehensive income for the period | 12,787 | 13,506 | (5) | 23,998 | 26,560 | (10) | 173,698 |
| Earnings per share (Rs.) | 0.41 | 0.44 | | 0.77 | 0.86 | | 5.60 |
| Dividend per share (Rs.) | - | - | | - | - | | 0.20 |

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 | 2016 | 2015 | 31.03.2016 (Audited) |
|--------------------------------------|------------------|------------------|-------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investment properties | 1,145,356 | 1,016,503 | 1,145,356 |
| Total non-current assets | 1,145,356 | 1,016,503 | 1,145,356 |
| Current assets | | | |
| Trade and other receivables | 21,605 | 21,642 | 19,024 |
| Cash and cash equivalents | 6,418 | 11,364 | 5,370 |
| Total current assets | 28,023 | 33,006 | 24,394 |
| Total assets | 1,173,379 | 1,049,509 | 1,169,750 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Stated capital | 444,092 | 444,092 | 444,092 |
| Capital reserves | 750 | 750 | 750 |
| Revenue reserves | 565,947 | 401,001 | 548,149 |
| Total equity | 1,010,789 | 845,843 | 992,991 |
| Non-current liabilities | | | |
| Refundable rental deposits | 36,901 | 32,535 | 29,082 |
| Deferred tax liability | 105,355 | 91,595 | 100,617 |
| Employee benefits | 2,353 | 1,995 | 2,293 |
| Total non-current liabilities | 144,609 | 126,125 | 131,992 |
| Current liabilities | | | |
| Trade and other payables | 7,577 | 68,344 | 35,807 |
| Deferred revenue | 6,142 | 7,311 | 6,149 |
| Current tax liabilities | 4,262 | 1,886 | 2,811 |
| Total current liabilities | 17,981 | 77,541 | 44,767 |
| Total liabilities | 162,590 | 203,666 | 176,759 |
| Total equity and liabilities | 1,173,379 | 1,049,509 | 1,169,750 |
| Net assets per share (Rs.) | 32.61 | 27.29 | 32.03 |

The Statement of Financial Position as at 30th September 2016 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

Financial Controller

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

(Sgd).

D.C.R. Gunawardena

Chairman

(Sgd).

K.C.N. Fernando

Director

07th November 2016

Colombo

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 2015 | 444,092 | 750 | 380,768 | 825,610 |
| Super Gain Tax for the year of Assessment 2013/14 * | - | - | (127) | (127) |
| Adjusted balance as at 1st April 2016 | 444,092 | 750 | 380,641 | 825,483 |
| Profit for the year | - | - | 173,740 | 173,740 |
| Other comprehensive expenses for the year | - | - | (42) | (42) |
| Total comprehensive income for the year | - | - | 173,698 | 173,698 |
| Forfeited dividends | - | - | 10 | 10 |
| Dividends 2014/15 | - | - | (6,200) | (6,200) |
| Balance as at 31st March 2016 | 444,092 | 750 | 548,149 | 992,991 |
| Balance as at 31st March 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 |
| Dividends 2015/16 | - | - | (6,200) | (6,200) |
| Balance as at 30th September 2016 (Unaudited) | 444,092 | 750 | 565,947 | 1,010,789 |
| Balance as at 1st April 2015 | 444,092 | 750 | 380,768 | 825,610 |
| Super Gain Tax for the year of Assessment 2013/14 * | - | - | (127) | (127) |
| Adjusted balance as at 1st April 2016 | 444,092 | 750 | 380,641 | 825,483 |
| Profit for the period | - | - | 26,560 | 26,560 |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive income for the period | - | - | 26,560 | 26,560 |
| Dividends 2014/15 | - | - | (6,200) | (6,200) |
| Balance as at 30th September 2015 (Unaudited) | 444,092 | 750 | 401,001 | 845,843 |

* As per the provisions of Part III of the Finance Act, No. 10 of 2015, although the Company did not become liable to pay Super Gains Tax as a stand-alone entity, Rs. 127,000/- was paid as Super Gain Tax on the basis that the Company is part of the Bukit Darah PLC group, of which the consolidated profit before tax exceeded the threshold as stipulated in the aforesaid Act. According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards and hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

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 | 2016 | 2015 | 31.03.2016 (Audited) |
|--|-----------------|-----------------|-------------------------|
| Cash flows from operating activities | | | |
| Profit before taxation | 33,551 | 36,227 | 193,925 |
| Adjustments for: | | | |
| Finance costs | 2,050 | 2,913 | 5,256 |
| Finance income | (88) | (484) | (813) |
| Net gain arising from changes in fair value of investment properties | - | - | (126,659) |
| Provision for employee benefits | 60 | 61 | 317 |
| Amortization of deferred revenue | (1,282) | (683) | (1,846) |
| Operating profit before working capital changes | 34,291 | 38,034 | 70,180 |
| (Increase) / decrease in trade and other receivables | (2,581) | (5,359) | (2,741) |
| Increase / (decrease) in trade and other payables | (18,033) | (18,804) | (36,079) |
| Operating profit after working capital changes | 13,677 | 13,871 | 31,360 |
| Rental deposits received | 7,814 | 7,007 | 7,007 |
| Rental deposits refunded | - | - | (4,578) |
| Income tax paid | (3,364) | (910) | (1,480) |
| Net cash generated from / (used in) operating activities | 18,127 | 19,968 | 32,309 |
| Cash flows from investing activities | | | |
| Additions to investment properties | - | (55) | (2,249) |
| Interest received | 88 | 484 | 813 |
| Net cash generated from / (used in) investing activities | 88 | 429 | (1,436) |
| Cash flows from financing activities | | | |
| Dividend paid | (6,167) | (6,200) | (6,170) |
| Net amounts settled on related company borrowings including interest | (11,000) | (19,750) | (36,250) |
| Net cash generated from / (used in) financing activities | (17,167) | (25,950) | (42,420) |
| Net increase / (decrease) in cash and cash equivalents | 1,048 | (5,553) | (11,547) |
| Cash and cash equivalents at the beginning of the period | 5,370 | 16,917 | 16,917 |
| Cash and cash equivalents at the end of the period | 6,418 | 11,364 | 5,370 |

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 2016 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 2016 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 | 2016 | 2015 |
|--|--------|--------|
| Transactions with the parent company | | |
| Settlements on short term advances obtained | 11,000 | 19,750 |
| Interest on short-term advances obtained | 770 | 1,707 |
| Transactions with affiliate companies | | |
| Receiving of services | 2,287 | 604 |
| Rent received | 10,336 | 9,396 |

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 2016

| Name of Shareholders | Number of Shares | % |
|---|------------------|-------|
| 1 Equity One PLC A/C No.1 | 27,532,525 | 88.81 |
| 2 Bank of Ceylon A/C Ceybank Unit Trust | 2,228,843 | 7.19 |
| 3 Mr. K.C. Vignarajah | 95,480 | 0.31 |
| 4 Mr. H.W.M. Woodward | 61,100 | 0.20 |
| 5 Tranz Dominion,L.L.C. | 55,480 | 0.18 |
| 6 Seylan Bank PLC/Mr.S.N.C.W.M.B.C. Kandegedara | 55,100 | 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 | 28,337 | 0.09 |
| 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 Mr. J.B. Hirdaramani | 16,000 | 0.05 |
| 15 Mrs. J. Aloysius | 15,900 | 0.05 |
| 16 Mrs. H.I.P. Fernando | 15,000 | 0.05 |
| 17 Miss. V.K. Ramanayake | 15,000 | 0.05 |
| 18 Mr. A. Seneviratne Epa | 13,000 | 0.04 |
| 19 Mr. P.K. Jinadasa | 12,200 | 0.04 |
| 20 Pan Asia Banking Corporation Plc./Mr.Ravindra Erle Rambukwelle | 12,000 | 0.04 |

9. Public holding

Ordinary Shares of the Company held by the public as at 30th September 2016 are as follows;

| | |
|-------------------------------|--------|
| Number of public shareholders | 2,002 |
| Percentage of public holding | 11.17% |

10. Directors shareholding as at 30th September 2016

| | No. of Shares as at 30.09.16 |
|-------------------------------|------------------------------|
| D.C.R. Gunawardena (Chairman) | - |
| K.C.N. Fernando | 3,600 |
| A.P. Weeraratunge | - |
| E.H. Wijenaïke | - |
| P. D. D. Fernando | - |

INVESTOR INFORMATION

11. Share valuation

For the three months ended 30th September 2016

| | |
|--|-------|
| Market value per share (Rs.) | 60.10 |
| Highest price per share for the period (Rs.) | 72.50 |
| Lowest price per share for the period (Rs.) | 55.00 |

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. The Company is listed on the Diri Savi Board |
| Parent and ultimate controlling entity | Equity One PLC * 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 PLC * and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Equity One PLC * |
| Directors | Mr. D. C. R. Gunawardena (Chairman) Mr. K. C. N. Fernando Mr. A. P. Weeratunge Mr. E. H. Wijenaikie 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 |

** Equity One PLC - de-listed from the CSE on 2nd November 2016*