

EQUITY TWO PLC
Review of Operations

Your Company, despite owning a building in the prime financial and business hub in Colombo continue to be negatively impacted by the high security zoning of the area and consequently continue to command low rental yield.

The company recorded a turnover of Rs. 7.66mn for the first half of the financial year which is a decrease of 15% when compared to the similar period in the last financial period. The main reason for the drop in revenue is due to lower occupancy rate compared to the previous period. However the Company managed to secure occupancy of 90% despite all the obstacles before us.

The direct operating cost of the company amounted to Rs. 2.99mn for the period against the Rs. 3.76mn recorded in the corresponding period. The direct cost of the company continue to be managed effectively and curtailing maintenance expenses only to the essentials. Other operating income of the company decreased to Rs. 1.23mn mainly due to the lower interest rates on short term investments compared to the amount recorded of Rs. 1.83mn in the corresponding period.

Overall, your company managed to record a net profit of Rs. 3.65mn against Rs. 3.79mn recorded in the corresponding period.

With the ending of decades of civil war in the country, we expect security restrictions to ease off in time to come. Under these circumstances Equity Two PLC has the strength to transform itself into a prime office space creating wealth for shareholders through better rental income flows and an appreciation in property values. Until such time we will continue to ensure high occupancy levels and stringent cost control practices to ensure that the company operates minimally at breakeven levels as a survival strategy.

Carsons Management Services (Private) Limited
Managers

9th November 2009

EQUITY TWO PLC
Income Statement

(All figures are in Sri Lankan Rupees '000)

	Quarter ended 30th September			Six months ended 30th September			Year ended 31.03.09 (Audited)
	2009	2008	Change %	2009	2008	Change %	
Revenue	4,016	4,493	(11)	7,662	8,985	(15)	18,073
Direct operating cost	<u>(1,502)</u>	(1,707)	(12)	<u>(2,994)</u>	(3,760)	(20)	(8,027)
	2,514	2,786	(10)	4,668	5,225	(11)	10,046
Other operating income	581	906	(36)	1,229	1,826	(33)	4,208
Fair value adjustment - Investment properties	-	-	-	-	-	-	(90,020)
	3,095	3,692	(16)	5,897	7,051	(16)	(75,766)
Administrative and other operating expenses	<u>(702)</u>	(717)	(2)	<u>(1,252)</u>	(1,577)	(21)	(3,109)
	2,393	2,975	(20)	4,645	5,474	(15)	(78,875)
Profit/(loss) from operations	2,393	2,975	(20)	4,645	5,474	(15)	(78,875)
Finance expenses	(26)	(61)	(57)	(61)	(130)	(53)	(212)
Profit/(loss) before taxation	<u>2,367</u>	2,914	(19)	<u>4,584</u>	5,344	(14)	(79,087)
Income tax expenses	(497)	(856)	(42)	(938)	(1,566)	(40)	(4,093)
	<u>1,870</u>	2,058	(9)	<u>3,646</u>	3,778	(3)	(83,180)
Profit/(loss) for the period	1,870	2,058	(9)	3,646	3,778	(3)	(83,180)
Earnings/(loss) per ordinary share (Rs.)	0.06	0.07		0.12	0.12		(2.68)

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

Figures in brackets indicate deductions/negative changes.

EQUITY TWO PLC
Balance Sheet

	As at		31.03.09
	2009	2008	(Audited)
As at 30th September	2009	2008	31,03.09
(All figures are in Sri Lankan Rupees '000)			(Audited)
ASSETS			
Non-Current Assets			
Property, plant & equipment	539	690	646
Investment properties	<u>520,000</u>	610,020	520,000
	520,539	610,710	520,646
Current Assets			
Trade & other receivables	4,274	3,912	4,044
Tax recoverable/credit	646	1,040	-
Amounts due from related companies	35,992	31,049	29,406
Cash at bank & in hand	<u>340</u>	839	6,141
	41,252	36,840	39,591
Total Assets	561,791	647,550	560,237
EQUITY & LIABILITIES			
Equity			
Stated capital	444,092	444,092	444,092
Capital reserves	750	750	750
Revenue reserves	42,034	125,346	38,388
Total Equity	486,876	570,188	483,230
Non-Current Liabilities			
Long-term borrowings	-	2,817	532
Rental and other deposits	1,942	1,942	1,942
Retirement benefit obligations	998	863	966
Deferred taxation	<u>67,722</u>	66,515	67,722
	70,662	72,137	71,162
Current Liabilities			
Trade & other payables	1,205	654	1,173
Tax payable	-	-	101
Long-term borrowings repayable within one year	<u>3,048</u>	4,571	4,571
	4,253	5,225	5,845
Total Liabilities	74,915	77,362	77,007
Total Equity & Liabilities	561,791	647,550	560,237
Net assets per share (Rs.)	15.71	18.39	15.59

The Balance Sheet as at 30th September 2009 and the Statements of Income, Changes in Equity and Cash Flow for the six months then ended as disclosed in pages 2 to 4 have been drawn up from unaudited accounts.

I certify that these Financial Statements comply with the requirements of the Companies Act No. 7 of 2007.

(Sgd.)

V.R. Wijesinghe
Financial Controller

Approved & signed on behalf of the Managers,

(Sgd.)
A. P. Weeratunge
Director

Approved & signed on behalf of the Board,

(Sgd.)
D. C. R. Gunawardena
Chairman

(Sgd.)
K. C. N. Fernando
Director

Carsons Management Services (Private) Limited
9th November, 2009

EQUITY TWO PLC
Statement of Changes in Equity

(All figures are in Sri Lankan Rupees '000)

	Stated Capital	Capital Reserves	Fair Value Adjustment Reserve	Accumulated Loss	Total Equity
Balance as at 1st April 2008 (Audited)	444,092	750	148,062	(25,254)	567,650
Loss for the year	-	-	-	(83,180)	(83,180)
Transfers	-	-	(90,020)	90,020	-
Dividend - First & Final	-	-	-	(1,240)	(1,240)
Balance as at 31st March 2009 (Audited)	444,092	750	58,042	(19,654)	483,230
Profit for the period	-	-	-	3,646	3,646
Balance as at 30th September 2009 (Unaudited)	444,092	750	58,042	(16,008)	486,876

Balance as at 1st April 2008 (Audited)	444,092	750	148,062	(25,254)	567,650
Profit for the period	-	-	-	3,778	3,778
Dividend - First & Final	-	-	-	(1,240)	(1,240)
Balance as at 30th September 2008 (Unaudited)	444,092	750	148,062	(22,716)	570,188

Cash Flow Statement
For the six months ended 30th September

(All figures are in Sri Lankan Rupees '000.)

	2009	2008	Year ended 31. 03. 2009 (Audited)
Net cash generated from / (used in) operating activities	(4,975)	(4,002)	5,443
Net cash generated from / (used in) investing activities	1,229	1,755	(112)
Net cash generated from / (used in) financing activities	(2,055)	(3,526)	(5,802)
Net increase/(decrease) in cash and cash equivalents	(5,801)	(5,773)	(471)
Cash and cash equivalents at the beginning of the year	6,141	6,612	6,612
Cash and cash equivalents at the end of the year	340	839	6,141

Statement of cash and cash equivalents

Cash at bank and in hand	340	839	6,141
	340	839	6,141

Figures in brackets indicate deductions/negative changes.

EQUITY TWO PLC
Notes to the Interim Financial Statements
1. Basis of preparation of Interim Financial Statements

The Interim Financial Statements of the Company have been prepared on the basis of the same accounting policies and methods applied for the year ended 31st March 2009 and are in compliance with Sri Lanka Accounting Standards 35 - "Interim Financial Reporting".

2. Events occurring after the Balance Sheet date

Subsequent to the Balance Sheet date, no circumstances have arisen which require adjustments to or disclosures in the Interim Financial Statement.

3. Contingent Liabilities

There were no material Contingent Liabilities since the last Balance Sheet date.

4. Comparative Figures

Previous year's figures and phrases have been rearranged wherever necessary to conform to the current year's presentation.

5. Stated Capital

Stated Capital of the Company consist of 31,000,000 fully paid Ordinary Shares.

6. Public Holding

The percentage of shares held by public as at 30th September 2009 was 11.17%.

7. Investor Information

Share Valuation	30.09.09	30.09.08	31.03.09
Market value per share (Rs.)	13.25	11.25	9.50
Highest price per share for the period (Rs.)	14.50	14.50	11.75
Lowest price per share for the period (Rs.)	11.00	10.25	7.00

8. Directors shareholdings

	No of shares as at 31.03.2009
Mr. D.C.R. Gunawardena	-
Mr. K.C.N. Fernando	3,600
Mr. A.P. Weeratunge	-

9. Twenty major shareholders as at 30th September 2009

Name of the Shareholder	No.of Shares	%
Equity One PLC	27,532,525	88.81
Bank of Ceylon A/C Ceybank Unit Trust	768,800	2.48
Mr. S.N.C.W.M.B.C. Kandegedara	521,500	1.68
Miss. J. Aloysius	79,500	0.26
Mr. I. Paulraj	51,000	0.16
Mr. D. B. N. Samaratunge	35,000	0.11
Trade-Mart Services (Pvt) Ltd.	33,300	0.11
Mr. R. U.G. Bulumulle	30,000	0.10
Dr. C.A. Twerenbold	29,800	0.10
Nowgem Jewellers (Pvt) Ltd	29,500	0.10
Dr. R. M.M. Rinoza	28,000	0.09
Mr. M.N. Alawdeen	26,900	0.09
Mrs. H.L.P. Fernando	25,000	0.08
Mr. A.A. Noordeen	23,800	0.08
Applesed Partners Ceylon (Pvt) Ltd	21,300	0.07
Merchant Bank of Sri Lanka Limited/Union Investments Ltd	20,200	0.07
Mr. E.K. Premaratne	17,200	0.06
Mr. J.B. Hirdaramani	16,000	0.05
Mr. D.C. Wimalasena	16,000	0.05
Mrs. J. Aloysius	15,900	0.05

EQUITY TWO PLC
Interim Financial Statements
for the six months ended
30th September 2009

Name of Company	Equity Two PLC (A Carson Cumberbatch Company)
Company Registration No.	PQ 34
Legal Form	A Public Quoted Company with limited liability (Incorporated in Sri Lanka in 1990)
Directors	D. C. R. Gunawardena (Chairman) K. C. N. Fernando A. P. Weeratunge
Bankers	Standard Chartered Bank Bank of Ceylon Deutsche Bank
Auditors	Messrs. KPMG Ford, Rhodes, Thornton & Company Chartered Accountants 32A, Sir Mohamed Macan Markar Mawatha, Colombo 03 Sri Lanka
Managers & Secretaries	Carsons Management Services (Private) Limited 61, Janadhipathi Mawatha, Colombo 01 Sri Lanka
Registered Office	61, Janadhipathi Mawatha, Colombo 01 Sri Lanka
Place of Business	61, Janadhipathi Mawatha, Colombo 01 Sri Lanka
Corporate Website	www.carsoncumberbatch.com