



ANNUAL REPORT 2020/21
A CARSON CUMBERBATCH COMPANY

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This report can be accessed online at
<http://www.carsoncumberbatch.com>

Chairman's Statement

Dear Shareholder,

I warmly welcome you to the 39th Annual General Meeting of the Company. On behalf of the Board, I present to you the Annual Report and Audited Financial Statements for the financial year ended 31st March 2021.

The year ended was a test of survival and self-reliance for most individuals and businesses alike. My heart goes out to all those who lost their loved ones to the COVID-19 pandemic and to those who simply underwent difficulties in making ends meet. I extend my sincere gratitude to all who continue to work tirelessly towards helping the country contain the spread of the virus. At the same time, we all must be mindful of the fact that the spread has not yet subsided and self-discipline is the most effective medicine of all.

We commenced the financial year amid uncertainty, facing the debilitating impacts brought on by the COVID-19 pandemic. It has been over a year since Sri Lanka had its first lockdown which had continued intermittently in different forms of travel restrictions even as of today. This has resulted in many businesses looking at things from new perspectives. Some large corporates have managed to perform well under these circumstances; whilst, the narrative has played out differently for many others. Nevertheless, it is apparent that every organisation took a defensive approach through curtailing overall costs and discretionary expenditure to cope with the pandemic's impact on cash flows. A number of companies downgraded their tenancies from premium spaces to more affordable locations, while some downsized their operations, and some others completely vacated the market to fully embrace a work-from-home solution until things get back to normalcy. This is reflected in the increased vacancy rates during the year, especially in terms of Grade A premises. Even with discounts and payment deferment plans offered to some of the more heavily impacted tenants, the property managers were able to maintain the floor rates for the most part of the year, with the view that the market will recover from this short-lived trough. However, thoughts are divided on the permanency of impact these factors will leave behind for the commercial office segment.

Due to several underlying reasons, the future direction of the commercial office segment in Sri Lanka is uncertain. The manner in which corporates will structure their offices in time to come is yet to be seen. Further, the recently introduced and the substantial upcoming pipeline of Grade A office space stock will very likely impact the absorption rates unless we see a strong improvement of corporate performance and an appetite for expansion, as well as new businesses coming in to take up these spaces.

In spite of these ambiguities, I believe that offices in prime commercial areas, and especially those within the central business district will continue to attract decent tenancies. However, with the premium-end taking longer time to fill, the market for our properties will continue to be reasonable, even though it will likely take longer than preceding years to attract tenants for vacancies. Furthermore, the limited space available for vehicle parking continues to be one of our primary challenges when sourcing tenants for our properties situated in Janadhipathi Mawatha.

Further elaborating on the challenges to the real estate industry, the local currency depreciated quite significantly over the second half of the financial year. Consequently, cost escalations of certain imported materials, machinery and equipment pose a challenge for the future prospects of real estate development industry. Further, as more and more professionals and skilled workers leave the country for better opportunities, the talent pool available locally is drying up. It will be challenging to see how things will unfold at a macro level over the coming years.

To overcome some of the broader challenges, I hope Sri Lanka will implement the right policies and regulations, and foster an inviting environment for investors. Such measures will undoubtedly usher in the birth of many new businesses, while enabling existing businesses to prosper, and help the international business community to find the local market appealing through strategies that are aligned with the Government's efforts towards ensuring the Port City's success and spearheading the attraction of FDIs to the country. I strongly believe that the aforementioned actions will ensure the growth of the commercial real estate market. However, on the flipside, failing to achieve these will result in a substantial oversupply of office spaces.

Moreover, the planned infrastructure development projects geared towards improving connectivity to the suburbs of Colombo will contribute towards uplifting living standards of the public via urbanisation. As people begin to feel commute as less of a hassle, the suburban residential markets will thrive in time to come, while the Central Business District will continue to attract high commercial and retail investments. The planned revitalisation project of state-owned real estate assets in the prime of Colombo will also influence the real estate dynamics of the country. Furthermore, the present low interest rate environment and the recent introduction of attractive housing loan directives by the Central Bank of Sri Lanka work in favour of promoting home ownership in Sri Lanka. It is my firm belief that low interest rates to encourage home ownership should continue to be promoted via attractive rates, payment plans, and mortgage packages.

Chairman's Statement

On the matter of improving the future prospects of our industry, I would like to congratulate the Colombo Stock Exchange on the recent introduction of Real Estate Investment Trusts to the market in an attempt to make the industry accessible to more investors. I trust that with practical conduct it will continue to evolve to include broader investment parameters, and further cost efficiencies that would drive higher investor and operator appeal.

During the year, the revenue of the Group reduced by 5% to Rs. 280.4 Mn in light of the reduction in occupancy from 81% to 71% and due to rent revisions offered to some of the affected tenants to ease off COVID-induced pressure on their businesses. Accompanied by the gain in fair valuation of investment properties to the effect of Rs. 60.6 Mn as opposed to the marginal fair value loss of Rs. 2.4 Mn recognised last year, the profit before tax of the Group grew by 17% to reach Rs. 254.1 Mn due to the aforementioned fair value gain. Consequently, an interim dividend of Rs. 1.00 per share was declared and paid for in the financial year ended 31st March 2021, translating into a payout of 32% on the operational net profit of the Company excluding fair value gain on investment properties and substantial deferred tax reversal during the year.

In the near term, the commercial real estate market in Colombo is by-and-large a place for the buyers. With hope, we look forward to the COVID fears being eradicated from the world in time to come, with successful vaccine take-up enabling us to live as before, while returning business prospects to normal as well.

I would like to take this opportunity to welcome Mr. Sivanandan Marimuthu who joined the Board of the Company in September, 2020. We value the knowledge and experience you bring to the table and wish you a successful journey with us. In closing, I would like to offer my sincere thanks to the shareholders, valued tenants, regulatory authorities and other stakeholders for their loyal support to the Group. I would also like to thank the members of the Audit Committee, Nomination Committee, Remuneration Committee, and the Related Party Transactions Review Committee for their invaluable contribution. Further, I extend my appreciation and best wishes to all our valued staff members for their contributions throughout the year towards the Group's performance.

Stay safe and stay well!

(Sgd.)

D.C.R. Gunawardena

Chairman

Colombo

22nd June 2021

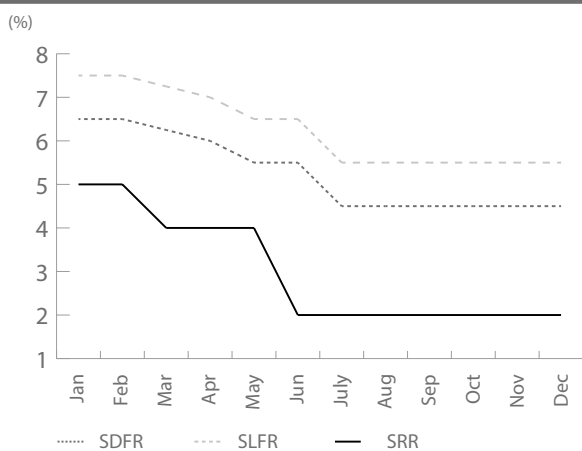
Management Discussion and Analysis

MACRO OVERVIEW

The Sri Lankan economy contracted in 2020 by 3.6% owing to the adversities of COVID-19, in comparison to the slow but positive growth of 2.3% recorded in the previous year, which was also weighed down by the Easter attacks. With multiple lockdowns affecting the smooth run of physically-engaging industries such as construction and manufacturing, the industrial sector witnessed a de-growth of 6.9%, while the construction industry alone contracted by 13.2%, contributing a total of 6.2% to the country's GDP versus the previous year's contribution of 6.9%.

With the aim of reviving dwindling business sentiment, the Central Bank of Sri Lanka (CBSL) practiced a stability-focused monetary policy during 2020, which drove a downward adjustment of interest rates. During the year, policy interest rates were brought down by a total of 250 bps, staggered across five instances. Similarly, the statutory reserve ratio on rupee deposits of licensed commercial banks was reduced by 300 bps in an attempt to increase money supply to the market.

CBSL's Accommodative Monetary Policy Stance in 2020



Source: Based on data extracted from Central Bank of Sri Lanka

With sizeable foreign debt servicing, gross official reserves of the country depleted from USD 7.6 Bn to USD 5.7 Bn in 2020. Despite non-essential import restrictions that were introduced, the rupee came under pressure in March and April, and again towards the latter part of 2020, driven by speculative behaviour due to sovereign downgrades and the gradual increase in imports. During 2020, the Rupee depreciated against the Dollar by 2.6%, to reach LKR 185.52 by year-end. Tourism earnings during the year, which reduced to USD 682 Mn from last year's USD 3,607 Mn in light of COVID-driven global travel restrictions did not support the Rupee in retaining its value as well.

Furthermore, FDI inflows to the country including loans to BOI companies displayed a reduction from USD 1.2 Bn in 2019 to USD 0.7 Bn in 2020 due to pandemic-related investment uncertainties and travel restrictions that affected foreign investors in general. However, remittances from migrant workers increased from USD 6.7 Bn of last year to USD 7.1 Bn, mainly due to extended foreign stays following closures of several international borders, increased use of formal remittance channels due to hardships in physical travel, and a possible increase in amounts remitted to local families to overcome COVID pressures on domestic financials.

INDUSTRY SNAPSHOT

With project timelines getting pushed back due to lockdowns and associated labour complications, a majority of the anticipated commercial stock pipeline for the year 2020 ran over to 2021. Even without these introductions, the absorption rate of the overall office space market recorded a downturn, especially in the premium segment considering the recent additions to the commercial stock of Colombo. During the year, some companies experiencing severe cash flow impacts due to COVID-19 opted to downgrade in terms of space and annual rent cost. Even though this trend can be reasonably expected to bounce back as businesses recover, the huge commercial stock in the pipeline for the coming years raises the concern of a possible oversupply of Grade A premises. Failure to attract a quick take-up of these properties will exert pressure on the rental yields of the premium and affordable segments alike.

The residential real estate market in and around Colombo can be expected to grow over the medium term, especially with respect to the affordable segment. The growing middle-income earning population together with the planned road and community infrastructure projects by the government will help towards the take-up of residential units in Colombo and suburbs. Constrained by appreciating land prices and the fixed costs associated with constructing single-family units, the market for vertical units continues to be favourable. Further, the CBSL direction to fix interest rate for mortgage-backed housing loans for a period of five years at the rate of 7% will help expand home ownership of Sri Lankans. To benefit from the prevailing low interest rate environment especially on mortgage-backed housing loans, many banks have seen their lending portfolio on housing loans grow, which is positive in terms of both social and economic implications.

The appreciating trend of Colombo land prices continued throughout 2020 as well, with a growth rate of 4.6% recorded during the year. Similarly, commercial lands appreciated at a rate of 4.5% according to the Land Valuation Index compiled

Management Discussion and Analysis

by the CBSL. However, when compared against the previous year's strong appreciation of 10.3%, it is evident that significant momentum has been lost in 2020, which is understandable, considering the prevailing situation and the events of the year.

Further, it is worth noting that the value added to GDP from real estate activity including ownership of dwellings have contracted by 1.2% during the year, compared to the 2.4% growth seen in 2019.

Nevertheless, loans and advances granted by Commercial Banks to the construction industry expanded at a rate of 12.6% in 2020, making up a total of 21.1% of the total loan book, which includes personal loans.

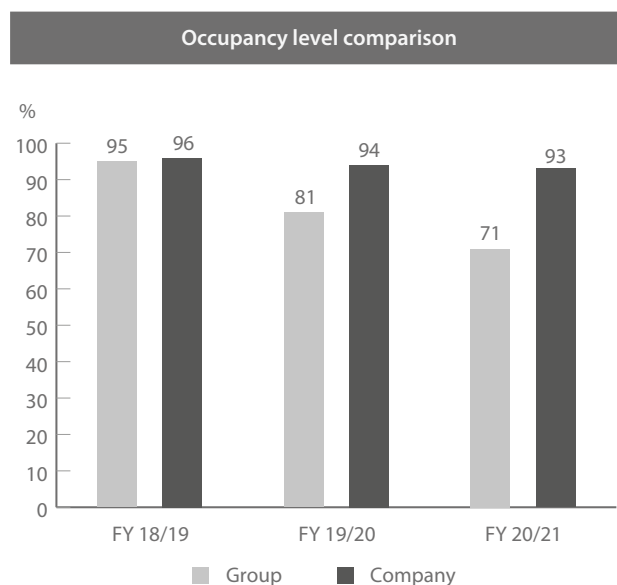
During 2020, road infrastructure development projects progressed amid mobility restrictions, physical distancing, and multiple localised lockdowns that were enforced periodically. Even during a year where attention was shifted towards the development of healthcare infrastructure, the spend on road infrastructure was Rs. 226.1 Bn, which was 48% more than the previous year. While the Southern expressway's links to several townships were declared open during the year, the physical construction progress of the Kadawatha to Meerigama section of the Central Expressway had progressed by 5.4% by year-end. In addition, the land acquisition under Phase I of Ruwanpura Expressway has achieved 60% completion by the end of 2020. These will play a key role in wide-basing urbanisation and improving peoples' lifestyles, which will ultimately drive real estate demand in the suburbs as well.

The Port City is ready to kick off its next phase of development, with a substantial portion of infrastructure work having neared completion by the end of 2020. An important milestone was the Bill on the Colombo Port City Economic Commission gazetted in March 2021, which provided direction regarding the regulatory framework and governance mechanisms of the Port City Special Economic Zone. It is commendable to see policy infrastructure progressing hand in hand with physical infrastructure to create a regulatory demarcation of the project as well, thereby specially gearing it towards attracting timely FDIs. To this end, the recently introduced Real Estate Investment Trusts (REITs) by the Colombo Stock Exchange would provide opportunities to both small and retail investors to benefit from the growth of prime real estate properties, which otherwise would have been out of reach.

OUR BUSINESS

Occupancy of the investment properties of the Company reduced marginally from 94% to 93% over the financial year. However, the same for the Group was a decline from 81% to 71% following lapse of several tenancy agreements. In order

to support our valued tenants who have been affected due to COVID driven business pressures, we have offered them short-term rent re-negotiations and rent deferments. These discounts offered along with the aforementioned reduction in occupancy led the Group to achieve a Rs. 280.4 Mn top-line, which is a 5% reduction in comparison to the previous year.



Direct costs of the Group reduced by 11% on the back of cost curtailing measures by the management following COVID, realising a gross profit of Rs. 198 Mn, which is 3% less than that of the previous year.

As per the investment property valuation exercise carried out at the end of the financial year, the Group's investment properties saw a fair valuation gain of Rs. 60.6 Mn.

As a result, the Group recorded a profit from operating activities of Rs. 241.4 Mn, which is 28% more than that of previous year, driven mainly by aforementioned fair valuation gain. The net finance income of the Group witnessed a reduction of Rs. 14.3 Mn over the comparable year attributable to both the significant reduction in market rates for deposits throughout the year, as well as to short-term loans obtained to maintain liquidity. Disregarding the valuation gains of both years, the profit before tax of the Group decreased by 12% to reach Rs. 193.5 Mn.

The Group recognised a profit after tax of Rs. 343.8 Mn, which is a 114% growth from the comparable year mainly due to deferred tax reversal of Rs. 136 Mn in light of the decrease in the corporate income tax rate from 28% to 24%.

On a standalone basis, the revenue of Equity One Limited increased by 8% to reach Rs. 150.1 Mn mainly due to upwards rent revisions. The valuation exercise resulted in a fair valuation gain of the Company's two investment properties of Rs. 32.9 Mn. The net finance income of the Company witnessed a YoY increase of Rs. 36.6 Mn primarily due to the receipt of dividend income from Equity Two PLC. This led the Company to record a profit before tax of Rs. 190 Mn, which is an 82% increase over the previous year. Similarly, eliminating the effects of the fair valuation exercise of both the current as well as the comparable periods, the increase in profit before tax is 45%, with the main reason being the aforementioned receipt of dividend income. The profit after tax of Rs. 238.9 Mn is an increase of 213% over the preceding year's Rs. 76.4 Mn backed by the reversal of deferred tax of Rs. 78.1 Mn, as well as the aforementioned dividend income.

An interim dividend of Rs. 1.00 per share was declared and paid for the financial year ended 31st March 2021, translating into a payout of 32% on net profit of the Company, excluding fair value gain on investment properties and aforementioned deferred tax reversal.

FUTURE OUTLOOK

COVID-19 has clouded most industries including ours with uncertainty over medium-to-long-term direction. As cash-tight companies find affordable commercial spaces more attractive, the short-term demand for small-scale and sub-premium commercial properties have not been affected as much as the premium segment of the market. However, the rates of Grade B properties could be challenged in the near-term, following discounts offered for the Grade A market to fill their vacant spaces.

Therefore, sourcing tenants to fill the vacant floors of our buildings will continue to be challenging in the immediate post-COVID environment, as prospective occupiers have adopted a wait-out approach to avoid pressing contractual obligations on their cash flows during these uncertain times. However, we believe our portfolio of investment properties wield an edge over the competition due to their prime locations in Colombo. We expect to leverage this positioning to attract new tenants to our buildings no sooner the market looks forward to occupy once again.

Carsons Management Services (Private) Limited
Managers

22nd June 2021

Profiles of Directors

CHANDIMA GUNAWARDENA (CHAIRMAN)

Chandima Gunawardena serves as a Non-Independent, Non-Executive Director of most of the Carsons Group Companies in Sri Lanka and overseas. He is also a Director of Bukit Darah PLC.

Since assuming Non- Executive status in the Group, he serves as an advisor to the Group's Strategic Planning and Management forums in Sri Lanka and serves on Board Committees, including the Audit Committees of the Group in Sri Lanka and overseas covering all operating sectors of the Group.

Mr. Gunawardena has over four decades of experience in varied fields of business and commercial activities and has held senior positions in Corporate, Mercantile and State Institutions. He was appointed to the Carsons Group Directorate in 1990.

He has served in the Management Committee of The Ceylon Chamber of Commerce for over 10 years and was a Founder Council member of the Sri Lanka Institute of Directors (SLID) and continued to serve in the council for over 10 years.

He is a Fellow of the Chartered Institute of Management Accountants, UK.

AJITH WEERATUNGE

Ajith Weeraratunge is an Executive Director of Carsons Management Services (Private) Limited, which is the management arm of Carson Cumberbatch PLC.

He is also a Director of Group's Real Estate Sector's Equity One Limited and Equity Two PLC the Group's Investment Holding Sector's Ceylon Investment PLC, Rubber Investment Trust Limited and Guardian Fund Management Limited and Leisure Sector's Equity Hotels Limited. He has been recently appointed as a Director of Group's plantation sector holding company, Goodhope Asia Holdings Ltd.

He carries approximately 40 years of finance related experience in several leading companies in the mercantile sector.

He is a Fellow member of the Chartered Institute of Management Accountants of UK.

ERANJITH WIJENAIKE

Eranjith Wijenaike is a Director of Equity Two PLC, Equity One Limited and Managing Director of Central Finance Company PLC. He is also a Director of Tea Smallholder Factories PLC and Central Industries PLC. He holds a Bachelor's Degree in Commerce and a Postgraduate Diploma in Finance and Management.

SUBRAMANIAM MAHENDRARAJAH

Subramaniam Mahendrarajah is a Director of Indo-Malay PLC, Selinsing PLC, Shalimar (Malay) PLC, Guardian Capital Partners PLC, Equity One Limited and Leechman & Company (Private) Limited. He is also the Group Finance Director of Sri Krishna Group of Companies. He has over 40 years experience in the fields of manufacturing, trading, financial services and management. He is also the Past President of the Rotary Club of Colombo Down Town and is the recipient of the prestigious 'Service above Self' award from Rotary International.

NALAKE FERNANDO

Vacated office 14/06/2020 & appointed w.e.f. 04/09/2020

Nalake Fernando is a Director of the Property Management Companies of the Carson Cumberbatch Group, namely Equity One Limited, Equity Two PLC and Equity Three (Private) Limited. He is also a Director of Carsons Management Services (Private) Limited, as well as Association for Individuals with learning Differences. He was the Country Representative for Sri Lanka of Dalekeller & Associates Ltd, Designers and Skidmore Ownings & Merrill Architects. He was also a Director of SKC Management Services Ltd.

He counts over 40 years of work experience and holds a Technician's Certificate of the Institute of Work Study Practitioners of UK.

DONALD FERNANDO

Vacated office 14/06/2020 & appointed w.e.f. 04/09/2020

Donald Fernando is a Director of Equity One Limited, Equity Two PLC and is the Managing Director of Fernando Rajapakse Associates (Private) Limited - Consulting Engineers and Project Managers. He is also a Director of Saramanda Lanka (Guarantee) Limited.

In 1965, earned a B.Sc (Eng.) Degree in civil engineering from the University of Ceylon. Civil Engineer with The Sri Lanka Ports Authority till 1969. From 1969 to 1982 worked as a Civil Engineer in London. Member of the Institution of Civil Engineers, London in 1969. He is a Member of the Institution of Engineers, Sri Lanka and a Member of the Society of Structural Engineers, Sri Lanka.

SIVANANDAN MARIMUTHU

Appointed w.e.f. 15/09/2020

Siva Marimuthu is a career banker with over 25 years of experience having served international banks in senior leadership capacities. He holds a Masters in Business Administration from the University of Wollongong – Australia, a Bachelor of Commerce from Loyola College, India and is also a CIMA Passed Finalist.

Siva's experience in the banking sector is extensive, being a part of the country management team for Standard Chartered Bank Sri Lanka. He has contributed across all key functions such as Retail Banking, Banking Operations, Operational Risk Management, Compliance and Assurance, Project Implementations, Administration and Audit. He also has headed the Country Audit and Operational Risk Function for Standard Chartered Bank, Sri Lanka.

Siva played a key role in ensuring bank's risk and compliance processes are in order, having implemented the operational risk framework, customer due diligence, anti-money laundering processes, design of risk assessment tools and core bank system implementations at Standard Chartered Bank.

Currently, Siva consults SME's and shares his extensive experience with them.

Annual Report of the Board of Directors on the Affairs of the Company

The Board of Directors of Equity One Limited have pleasure in presenting to the Shareholders their Report together with the Audited Financial Statements for the year ended 31st March 2021.

The details set out herein provide the pertinent information required by the Companies Act, No. 07 of 2007 and are guided by recommended best Accounting Practices.

The Annual Report was approved by the Board of Directors on 22nd June 2021.

1. GENERAL

Equity One Limited (the "Company") is a public limited liability Company incorporated in Sri Lanka in 1981.

2. THE PRINCIPAL ACTIVITIES OF THE COMPANY AND ITS SUBSIDIARIES

The principal activities of the Company and its subsidiaries are letting of office and warehouse premises for commercial purposes.

There were no significant changes in nature of the principal activities of the Company and the Group during the financial year under review.

3. REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Chairman's Statement and Management Discussion & Analysis on pages 01 to 05 provide an overall assessment of the business performance of the Company and the Group and its future developments. These reports together with the audited consolidated financial statements reflect the state of affairs of the Company and the Group.

4. FINANCIAL STATEMENTS

The consolidated financial statements which comprise the Statement of Profit or Loss and other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and Notes to the financial statements of the Company and the Group for the year ended 31st March 2021 are set out on pages 17 to 58. These financial statements do comply with the requirements of the Companies Act, No. 07 of 2007.

4.1 Revenue

Detailed analysis of the revenue of the Company and the Group are set out in Note 11 to the Financial Statements.

4.2 Financial results and appropriation

An abridgement of the financial performance of the Company and the Group is presented in the table below:

(In Rupees thousands)				
For the year ended 31st March	2021	2020	2021	2020
Profit / (loss) for the year	343,806	160,621	238,936	76,408
Other comprehensive income/ (expenses) for the year	(388)	(119)	(177)	(71)
Total comprehensive income for the year	343,418	160,502	238,759	76,337
Retained earnings as at the beginning of the year	510,966	351,340	98,464	17,093
Retained earnings before appropriations/ adjustments	854,384	511,842	337,223	93,430
Forfeited dividends	-	12	-	12
Dividends paid	(84,676)	-	(84,676)	-
Transfer to fair value adjustment reserve	(191,690)	8,285	(111,014)	5,022
Total comprehensive income attributable to NCI	(12,963)	(9,173)	-	-
Retained earnings as at the end of the year	565,055	510,966	141,533	98,464

4.3 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are given on pages 21 to 32.

4.4 Investment Properties

The Company and the Group have recognized the carrying value of investment property held to earn rental income and for capital appreciation in the Balance Sheet on 'fair value' in accordance with Sri Lanka Accounting Standards (LKAS 40) – 'Investment Property'.

A professional valuation was performed as at 31st March 2021 by Mr. S. Sivaskantha, F. I. V (Sri Lanka) of Perera Sivaskantha and Company, incorporated Valuers. The details of the movements in fair value of investment properties of the Company and the Group during the year and their carrying value as at 31st March 2021 are presented in Note 18 to the financial statements

4.5 Property, plant and equipment

Details of property, plant and equipment are given in note 19 to the financial statements.

4.6 Capital Expenditure

The details of capital expenditure of the Group are given in Notes 18, 19, and 33 to the Financial Statements.

4.7 Reserves

The movements of total reserves of both the Company and Group are set out in the Statement of Changes in Equity and Notes 25 and 26 to the financial statements.

5. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibilities of the Directors, in relation to the Financial Statements are detailed in the following paragraphs, whilst the responsibilities of the Auditors are set out in the Independent Auditors' Report.

According to the Companies Act, No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, the Directors are required to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the performance for the said period.

The financial statements comprise of *inter alia*:

- a Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year,

- a Statement of Profit or Loss and Other Comprehensive Income of the Company, which presents a true and fair view of the Profit and Loss and Other Comprehensive Income of the Company for the financial year.

In preparing these financial statements, the Directors are required to ensure that:

- appropriate accounting policies have been selected and applied consistently, while material departures, if any, have been disclosed and explained;
- all applicable Accounting Standards have been complied with;
- reasonable and prudent judgments and estimates have been made; and
- provides the information required by and otherwise comply with the Companies Act, No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Directors are responsible for ensuring that the Company and the Group maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company in order to ensure that its Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and meet with the requirements of the Companies Act, No. 07 of 2007.

They are also responsible for taking reasonable measures to safeguard the assets of the Company and the Group and in this regard to give proper consideration to the establishment and effective operation of appropriate systems of internal control with a view to prevent, detect and rectify fraud and other irregularities.

These financial statements have been prepared on a going concern basis since the Directors are of the view that the Company and the Group have adequate resources to continue in operation in the foreseeable future from the date of approving these financial statements. The Directors are also of the view that they have discharged their responsibilities as set out in this statement.

The Directors confirm that to the best of their knowledge,

- all taxes, duties and levies payable to the statutory bodies,
- all contributions, levies and taxes payable on behalf of and in respect of the employees and

Annual Report of the Board of Directors on the Affairs of the Company

- all other known statutory dues that were due and payable

by the Company and the Group as at the reporting date have been paid, or where relevant provided for in these financial statements.

6. OUTSTANDING LITIGATION

There is no litigation currently pending against the Company or the Group.

7. INTERESTS REGISTER

The Company maintains an Interests Register conforming to the provisions of the Companies Act, No. 07 of 2007.

All Directors have made declarations as provided for in Section 192 (2) of the Companies Act aforesaid.

The relevant details as required by the Companies Act, No. 07 of 2007 have been entered in the Interests Register during the year under review.

The Interests Register is available for inspection as required under the Companies Act, No. 07 of 2007.

7.1 Remuneration of Directors

Directors' remuneration, for the financial year ended 31st March 2021 is given in Note 13.3 to the Financial Statements.

7.2 Directors' Interest in Contracts and Shares

Directors' Interest in contracts of the Company and the Group are disclosed in note 35 to the financial statements and have been declared at Meetings of the Board of Directors. The Directors have had no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the Company nor in the ordinary shares of the Company as of 31st March 2021.

8. DIRECTORS

The names of the Directors who served during the year are given under Corporate Information provided in the inner back cover of the Annual Report.

8.1 Changes to the Board

Messrs. P. D. D. Fernando and K. C. N. Fernando who were over 70 years of age were re-appointed as Directors of the Company in terms of Section 210 of the Companies Act, No.07 of 2007 at the Annual General Meeting (AGM) held on 14th June 2019 for a further period of one year commencing from the conclusion of the said AGM. i.e. till 14th June 2020.

However, due to the COVID-19 pandemic situation in the Country, the AGM of the Company could not be held on or prior to 14th June 2020 and therefore, Messrs. P.D.D. Fernando and K.C.N. Fernando vacated office on 14th June 2020.

At the Annual General Meeting (AGM) held on 4th September 2020, Messrs. P. D. D. Fernando and K. C. N. Fernando were appointed in terms of Section 211 of the Companies Act, No.07 of 2007 and pursuant to Article 67 of the Articles of Association of the Company as Directors of the Company effective 4th September 2020 for a period of one year from the conclusion of the AGM and that the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not be applicable to them.

8.2 Appointment of Directors who have reached 70 years of age

8.2.1 Messrs. P. D. D. Fernando - Non-Executive/Independent Director and K. C. N. Fernando - Executive Director who were over 70 years of age were appointed as Directors of the Company in terms of Section 210 of the Companies Act, No.07 of 2007 at the AGM held on 4th September 2020 for a period of one year commencing from the conclusion of the said AGM, i.e. till 4th September 2021.

Upon the recommendation of the Nomination Committee of the Company and the Board, it is recommended that Messrs. P. D. D. Fernando and K. C. N. Fernando who are over 70 years of age be re-appointed as Directors of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not be applicable to them.

8.2.2 Upon the recommendation of the Nomination Committee of the Company and the Board, it is also recommended that Mr. D.C.R. Gunawardena who is 70 years of age be re-appointed as a Director of the Company for a period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not be applicable to him.

8.3 Retirement at the first Annual General Meeting following the appointment as a Director

In terms of Article 67 of the Article of the Company, Mr. S. Marimuthu retires from the Board and being eligible offers himself for re-election.

8.4 Directors to Retire by Rotation

In terms of Articles 71, 72 and 73 of the Articles of Association of the Company, Mr. E. H. Wijenaiké retires by rotation and being eligible offers himself for reelection.

8.5 Board of Directors

The following Directors held office during the period under review.

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

Mr. K.C.N. Fernando (Vacated office 14/06/2020 & appointed w.e.f. 04/09/2020)

Mr. E.H. Wijenaiké

Mr. A.P. Weeratunge

Mr. S. Mahendrarajah

Mr. P.D.D. Fernando (Vacated office 14/06/2020 & appointed w.e.f. 04/09/2020)

Mr. S. Marimuthu (Appointed w.e.f. 15/09/2020)

9. INDEPENDENT AUDITORS

Company's Auditors during the year under review were Messrs. KPMG, Chartered Accountants.

A sum of Rs. 357,000/- and Rs. 699,000/- was paid to them by the Company and the Group respectively, as audit fees for the year ended 31st March 2021 (2020 - Rs. 357,000/- and Rs. 699,000/-). Fees paid to Auditors on audit related services are given in Note 13 to the financial statements.

The retiring Auditors have expressed their willingness to continue in office. A resolution to re-appoint them as auditors of the Company and authorising the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee reviewed the appointment of the Auditors, its effectiveness and its relationship with the Company and its subsidiaries, including the level of audit and non-audit fees paid to the Auditors.

9.1 Auditors' relationship or any interest with the Company

The Directors are satisfied that, based on written representations made by the Independent Auditors to the Board, the Auditors do not have any interest with the Company and its subsidiaries that would impair their independence.

9.2 Independent Auditors' Report

The Independent Auditors' Report on the financial statements is given on pages 15 to 16 of the Annual Report.

10. SIGNIFICANT EVENTS DURING THE YEAR

10.1 Company

There were no significant events for the Company during the year.

10.2 Subsidiaries

There were no significant events for the Subsidiaries during the year.

11. INTERNAL CONTROL AND RISK MANAGEMENT

The ultimate responsibility to establish, monitor and review a Group-wide internal control system rests with the Board of Directors. The intensity, depth and the tolerance limits for each component of the internal control system would be based on the weight of the element of risk imposed on the sustenance of the business by the respective area of operation. Whilst a strong internal control system would mitigate the crystallization of risk elements to a greater extent, employment of external support structures would also be necessary based on the risk assessments made thereon.

Effective maintenance of internal controls and risk identification and mitigation is handed down to the respective members of senior management within the guidelines of benchmark policies, procedures and authority limits clearly laid down.

Group Internal Audit, whose scope of scrutiny is entirely driven by the grading of the risk involved will be monitoring and providing the feedback to the management and the Audit Committee. Regular submission of compliance and internal solvency certificates vouched by the heads of the respective divisions as a mandatory agenda item keeps the Directors abreast of the position of the Company and the Group's resource base and governance requirements.

This allows the Board to have total control of the fulfillment of governance requirements by providing opportunity to take timely preventive action in case of potential deterioration of status quo. More detailed description of the risk management strategies of the Group is given in notes to the financial Statements.

Annual Report of the Board of Directors on the Affairs of the Company

12. HUMAN RESOURCES

The Company and the Group continued to invest in human capital development and implement effective human resource practices and policies to develop and build an efficient and effective workforce aligned to its business priorities and to ensure that its employees are developing the skills and knowledge required for future success of the Company and the Group.

The number of persons employed by the Company and the Group as at 31st March 2021 were 12 and 18 (2020 - 12 and 18) respectively.

13. EQUITABLE TREATMENT TO SHAREHOLDERS

The Company endeavours at all times to ensure equitable treatment to all shareholders.

14. DIVIDENDS

14.1 The Company paid a Final Dividend of Rs.1.10 per ordinary share for the year ended 31st March 2020 amounting to Rs. 44,353,903/- on 11th September 2020.

14.2 The Company paid a First Interim Dividend of Rs.1/- per ordinary share for the year ended 31st March 2021 amounting to Rs.40,321,730/- on 31st March 2021.

15. SOLVENCY TEST

Taking into account the said distributions, the Directors were satisfied that the Company would meet the solvency requirement under Section 56(2) of the Companies Act, No. 07 of 2007 immediately after the distributions.

The Company's Auditors, Messrs. KPMG, Chartered Accountants have issued a Certificate of Solvency for the dividends mentioned above confirming the same.

16. STATED CAPITAL

The stated capital of the Company as at 31st March 2021 was Rs. 1,085.6 Mn consisting of 40,321,730 ordinary shares. There was no change in the stated capital of the Company during the year.

17. STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments have been paid up to date or have been provided for in these financial statements.

18. GOING CONCERN

The Board of Directors is satisfied that the Company and the Group have adequate resources to continue its operations in the foreseeable future. Accordingly, these financial statements are prepared based on the going concern concept.

19. ENVIRONMENTAL PROTECTION

The Company and the Group are sensitive to the needs of the environment and makes every endeavour to comply with the relevant environmental laws, regulations and best practices applicable in the country. After making adequate inquiries from the management, the Directors are satisfied that the Company and its subsidiaries operate in a manner that minimizes the detrimental effects on the environment and provides services that have a beneficial effect on the customers and the communities within which the Company and its subsidiaries operate.

20. MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS

There were no material issues relating to employees and industrial relations during the year ended 31st March 2021.

21. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, no circumstances have arisen, which would require adjustments to or disclosures in the financial statements, other than those disclosed in note 37 to the Financial Statements.

22. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The contingent liabilities and commitments made as at 31st March 2021 are given in note 33 to the Financial Statements.

23. CORPORATE DONATIONS

There were no donations made during the year ended 31st March 2021 (2020 - Nil).

24. IMPACT OF COVID-19 PANDEMIC

The business impact of the COVID-19 pandemic to the Group is given in Note 38 to the Financial statements.

25. ANNUAL REPORT

The Board of Directors have approved the Audited consolidated financial statements of the Company and the Group together with the Reviews and other Reports which form part of the Annual Report on 22nd June 2021. The Annual Report would be submitted to the Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies within the given time frames.

26. ANNUAL GENERAL MEETING

As permitted by Article 42(b) of the Articles of Association of the Company, the 39th Annual General Meeting of the Company will be held on Wednesday, 28th of July 2021 at 4.00 p.m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7, Sri Lanka by means of audio or audio and visual technology.

The Notice of the Annual General Meeting, setting out the business which will be transacted thereat is on page 61 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)

D. C. R. Gunawardena

Chairperson

(Sgd.)

K. C. N. Fernando

Director

(Sgd.)

K. D. De Silva (Mrs.)

Director

Carsons Management Services (Private) Limited

Secretaries

Colombo

22nd June 2021

Financial Calendar

Financial year end	31st March 2021
38th Annual General Meeting	4th September 2020
39th Annual General Meeting	28th July 2021

Independent Auditor's Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
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TO THE SHAREHOLDERS OF EQUITY ONE LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Equity One Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 17 to 58 of this annual report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and Group's financial reporting process.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan FCA	M.N.M. Shameel ACA	Ms. C.T.K.N. Perera ACA
A.M.R.P. Alahakoon ACA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA
Ms. P. M. K. Sumanasekara FCA, W. A. A. Weerasekara CFA, ACMA, MRICS

Independent Auditor's Report



AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: <http://slaasc.com/auditing/auditorsresponsibility.php>. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

A handwritten signature in black ink, appearing to read 'KPMG', written over a faint, larger 'KPMG' logo.

Chartered Accountants

Colombo, Sri Lanka

22 June 2021

Statement of Profit or Loss and other Comprehensive Income

(All figures are in Sri Lankan Rupees thousands)

For the year ended 31st March	Note	Group		Company	
		2021	2020	2021	2020
Revenue	11	280,421	296,001	150,104	139,111
Direct costs		(82,403)	(92,072)	(37,569)	(44,539)
		198,018	203,929	112,535	94,572
Other income	12	4,621	8,935	3,430	5,817
Net gain arising from changes in fair value of investment properties	18	60,557	(2,412)	32,911	(3,528)
		263,196	210,452	148,876	96,861
Administrative and other operating expenses		(21,837)	(21,211)	(12,287)	(10,709)
Results from operating activities	13	241,359	189,241	136,589	86,152
Finance income	14.1	25,525	35,478	60,138	20,829
Finance costs	14.2	(12,794)	(8,402)	(6,743)	(4,082)
Net finance income	14	12,731	27,076	53,395	16,747
Investment property written off due to fire related damages net of insurance receipts	15	-	1,613	-	1,613
Profit before taxation		254,090	217,930	189,984	104,512
Income tax expense	16.1	(46,275)	(51,361)	(29,175)	(26,466)
Deferred taxation	16.1	135,991	(5,948)	78,127	(1,638)
Profit for the year		343,806	160,621	238,936	76,408
Profit for the year attributable to:					
Equity holders of the parent		330,820	151,443	238,936	76,408
Non controlling interest		12,986	9,178	-	-
		343,806	160,621	238,936	76,408
Other comprehensive income					
Items that will never be reclassified into profit and loss					
Actuarial (loss) / gain from valuation of employee benefits	29.3	(511)	(165)	(233)	(98)
Related tax on employee benefits		123	46	56	27
Other comprehensive income / (expense) for the year		(388)	(119)	(177)	(71)
Total comprehensive income for the year		343,418	160,502	238,759	76,337
Total comprehensive income attributable to:					
Equity holders of the parent		330,455	151,329	238,759	76,337
Non controlling interest		12,963	9,173	-	-
		343,418	160,502	238,759	76,337
Earnings per share (Rs.)	17	8.20	3.76	5.93	1.89

The notes from pages 21 to 58 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Financial Position

(All figures are in Sri Lankan Rupees thousands)

As at 31st March	Note	Group		Company	
		2021	2020	2021	2020
ASSETS					
Non-current assets					
Investment properties	18	4,545,012	4,462,950	2,455,404	2,422,343
Property, plant and equipment	19	524	386	524	386
Investment in subsidiaries	20	-	-	552,048	552,048
Investment in fixed deposits		-	25,554	-	25,554
Total non-current assets		4,545,536	4,488,890	3,007,976	3,000,331
Current assets					
Trade and other receivables	21	77,014	46,907	119,614	51,365
Fair value through profit or loss financial assets	22	5,303	47,540	834	20,351
Investment in fixed deposits		355,015	205,936	200,006	114,827
Cash and cash equivalents	23	14,926	187,535	6,976	82,433
Total current assets		452,258	487,918	327,430	268,976
Total assets		4,997,794	4,976,808	3,335,406	3,269,307
EQUITY AND LIABILITIES					
EQUITY					
Stated capital	24	1,085,584	1,085,584	1,085,584	1,085,584
Capital reserves	25	13,236	13,236	13,236	13,236
Revenue reserves	26	2,645,257	2,399,478	1,610,415	1,456,332
Total equity attributable to equity holders of the parent		3,744,077	3,498,298	2,709,235	2,555,152
Non controlling interest		154,067	146,305	-	-
Total equity		3,898,144	3,644,603	2,709,235	2,555,152
Non-current liabilities					
Refundable rental deposits	27	88,862	73,164	46,850	38,002
Deferred tax liability	28	925,479	1,061,593	528,670	606,853
Employee benefits	29	4,448	3,201	2,349	1,727
Total non-current liabilities		1,018,789	1,137,958	577,869	646,582
Current liabilities					
Trade and other payables	30	29,061	77,940	7,847	6,658
Deferred revenue	31	17,418	15,478	8,762	6,589
Loans and borrowings	32	21,006	100,337	21,006	50,169
Current tax liabilities		13,376	492	10,687	4,157
Total current liabilities		80,861	194,247	48,302	67,573
Total liabilities		1,099,650	1,332,205	626,171	714,155
Total equity and liabilities		4,997,794	4,976,808	3,335,406	3,269,307
Net assets per share (Rs.)					
		92.85	86.76	67.19	63.37

The Notes from pages 21 to 58 form an integral part of these 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. These financial statements were approved by the Board on 22 June 2021.

Approved and signed on behalf of the managers,

Approved and signed on behalf of the board,

(Sgd.)

A.P. Weeraratunge

Director

Carsons Management Services (Private) Limited

(Sgd.)

D.C.R. Gunawardena

Chairman

(Sgd.)

K.C.N. Fernando

Director

Colombo

22 June 2021

Statement of Changes in Equity

(All figures are in Sri Lankan Rupees thousands)

Group	Stated capital	Capital reserves			Revenue reserves			Total equity attributable to holders of the parent	Non controlling interest	Total equity
		Capital accretion reserve	Machinery replacement reserve	Other capital reserves	General reserve	Fair value adjustment reserve	Retained earnings			
Balance as at 1st April 2019	1,085,584	158	5,109	7,969	39	1,896,758	351,340	3,346,957	137,132	3,484,089
Profit for the year	-	-	-	-	-	(8,285)	159,728	151,443	9,178	160,621
Other comprehensive expense for the year	-	-	-	-	-	-	(114)	(114)	(5)	(119)
Total comprehensive income/(expense) for the year	-	-	-	-	-	(8,285)	159,614	151,329	9,173	160,502
Forfeited dividends	-	-	-	-	-	-	12	12	-	12
Balance as at 31st March 2020	1,085,584	158	5,109	7,969	39	1,888,473	510,966	3,498,298	146,305	3,644,603
Balance as at 1st April 2020	1,085,584	158	5,109	7,969	39	1,888,473	510,966	3,498,298	146,305	3,644,603
Profit for the year	-	-	-	-	-	191,690	139,130	330,820	12,986	343,806
Other comprehensive expense for the year	-	-	-	-	-	-	(365)	(365)	(23)	(388)
Total comprehensive income for the year	-	-	-	-	-	191,690	138,765	330,455	12,963	343,418
Final dividend 2019/20	-	-	-	-	-	-	(44,354)	(44,354)	(2,947)	(47,301)
First interim dividend 2020/21	-	-	-	-	-	-	(40,322)	(40,322)	(2,254)	(42,576)
Balance as at 31st March 2021	1,085,584	158	5,109	7,969	39	2,080,163	565,055	3,744,077	154,067	3,898,144

Company	Stated capital	Capital reserves			Revenue reserves			Total equity
		Capital accretion reserve	Machinery replacement reserve	Other capital reserves	General reserve	Fair value adjustment reserve	Retained earnings	
Balance as at 1st April 2019	1,085,584	158	5,109	7,969	39	1,362,851	17,093	2,478,803
Profit for the year	-	-	-	-	-	(5,022)	81,430	76,408
Other comprehensive expense for the year	-	-	-	-	-	-	(71)	(71)
Total comprehensive income/(expense) for the year	-	-	-	-	-	(5,022)	81,359	76,337
Forfeited dividends	-	-	-	-	-	-	12	12
Balance as at 31st March 2020	1,085,584	158	5,109	7,969	39	1,357,829	98,464	2,555,152
Balance as at 1st April 2020	1,085,584	158	5,109	7,969	39	1,357,829	98,464	2,555,152
Profit for the year	-	-	-	-	-	111,014	127,922	238,936
Other comprehensive expense for the year	-	-	-	-	-	-	(177)	(177)
Total comprehensive income for the year	-	-	-	-	-	111,014	127,745	238,759
Final dividend 2019/20	-	-	-	-	-	-	(44,354)	(44,354)
First interim dividend 2020/21	-	-	-	-	-	-	(40,322)	(40,322)
Balance as at 31st March 2021	1,085,584	158	5,109	7,969	39	1,468,843	141,533	2,709,235

The notes from pages 21 to 58 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Cash Flows

(All figures are in Sri Lankan Rupees thousands)

	Note	Group		Company	
For the year ended 31st March		2021	2020	2021	2020
Cash flows from operating activities					
Profit before taxation		254,090	217,930	189,984	104,512
Adjustments for:					
Finance costs	14.2	12,794	8,402	6,743	4,082
Interest income	14.1	(24,512)	(22,293)	(18,356)	(14,167)
Net change in fair value of fair value through profit or loss financial assets	14.1	(1,013)	(13,185)	(483)	(6,662)
Dividend income	14.1	-	-	(41,299)	-
Net gains arising from changes in fair value of investment properties		(60,557)	2,412	(32,911)	3,528
Depreciation on property, plant and equipment	19	186	1,909	186	1,909
Amortization of deferred revenue	31	(8,484)	(8,447)	(4,595)	(4,048)
Provision for employee benefits	29	736	642	389	391
Operating profit before working capital changes		173,240	187,370	99,658	89,545
(Increase) / decrease in trade and other receivables		(30,107)	(11,452)	(19,588)	1,585
Increase / (decrease) in trade and other payables		(50,041)	(49,168)	564	(1,078)
Operating profit after working capital changes		93,092	126,750	80,634	90,052
Rental deposits received	27	17,903	4,019	11,164	4,019
Rental deposits refunded	27	-	(21,463)	-	(6,484)
Cash generated from operations		110,995	109,306	91,798	87,587
Income tax paid		(33,391)	(50,707)	(22,645)	(30,043)
Employee benefits paid	29	-	(908)	-	(908)
Net cash generated from / (used in) operating activities		77,604	57,691	69,153	56,636
Cash flows from investing activities					
Additions to the investment properties	18	(21,505)	(38,490)	(150)	(5,259)
Purchase of property, plant and equipment	19	(324)	(194)	(324)	(194)
Investment in fixed deposits		(123,525)	8,606	(59,625)	(25,972)
Net movement of amount due from related companies		-	-	(44,180)	(36,864)
Interest received		24,512	22,293	13,875	13,303
Net movement in fair value through profit or loss financial assets		43,250	5,795	20,000	23,066
Dividends received		-	-	41,299	-
Net cash generated from / (used in) investing activities		(77,592)	(1,990)	(29,105)	(31,920)
Cash flows from financing activities					
Interest paid		(4,906)	-	(2,454)	-
Loans obtained / (settled)		(79,000)	100,000	(29,000)	50,000
Dividend paid		(88,715)	-	(84,051)	-
Net cash generated from / (used in) financing activities		(172,621)	100,000	(115,505)	50,000
Net increase / (decrease) in cash and cash equivalents					
Net increase / (decrease) in cash and cash equivalents		(172,609)	155,701	(75,457)	74,716
Cash and cash equivalents at the beginning of the year		187,535	31,834	82,433	7,717
Cash and cash equivalents at the end of the year	23	14,926	187,535	6,976	82,433

The notes from pages 21 to 58 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

1. REPORTING ENTITY

Equity One Limited is a Limited Liability Company which is incorporated and domiciled in Sri Lanka.

The registered office and the principal place of business of the Company is located at No. 61 Janadhipathi Mawatha, Colombo 1 and No. 65C Dharmapala Mawatha, Colombo 7 respectively.

The consolidated financial statements as at and for the year ended 31st March 2021 comprise of financial information of the Company and its Subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

The business activities of the Company and the Group are focused on the real estate sector providing office and warehouse premises on rental basis. There were no significant changes to the nature of the principal activities of the Company and the Group during the financial year under review.

A list of subsidiaries is set out in Note 20 to the financial statements. Out of the two subsidiaries, Equity Two PLC is listed on the Colombo Stock Exchange.

The Group and Company had 18 and 12 (2020 – 18 and 12) employees as at the reporting date.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Company and the Group comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows together with the notes to the financial statements.

The consolidated financial statements have been prepared in accordance with Sri Lanka Accounting Standards (LKAS / SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act, No. 7 of 2007.

These consolidated financial statements were authorized for issue by the Board of Directors on 22nd June 2021.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for the following material items in the statement of financial position;

- Investment properties are measured at fair value as explained in Note 18;
- Defined benefit obligations are measured at its present value, based on an actuarial valuation as explained in Note 29.

These financial statements have been prepared on the basis that the Company and the Group would continue as a going concern for the foreseeable future.

2.3 Going concern basis of accounting

These financial statements have been prepared on the basis that the Group would continue as a going concern for the foreseeable future.

2.4 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). The consolidated financial statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency.

2.5 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with LKAS/SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2.5.1 Judgements

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are included in the following notes;

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

- Note 3.7: Determination of owner-occupied properties and investment properties

In determining whether a property qualifies as an investment property, the Group makes a judgment whether the property generates independent cash flows other than those that are attributable not only to the property but also to the other assets. Judgment is also applied in determining if ancillary services provided are significant, to arrive at whether a property does or does not qualify as an investment property.

2.5.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year are included in the following notes:

- Note 29: Defined benefit plans

The assessment of the defined benefit obligation involves a significant element of assumptions; including discount rates, future salary increases, mortality rates and due to the long-term nature of these plans, such estimates are subject to uncertainty.

2.5.2.1 Measurement of fair values

A number of Group's accounting policies and disclosures require the measurement of fair values, for both financial and non- financial assets and liabilities.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as much as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values are included in the following notes:

- Note 18 – Investment Property
- Note 3.3 – Financial Instruments

2.6 Materiality and aggregation

Each material class of similar items is presented in aggregate in the financial statements. Items of dissimilar nature or function are presented separately unless immaterial.

2.7 COVID-19 uncertainty

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these Condensed Consolidated Financial Statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to business arising from the actions by governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn;
- the effectiveness of Government and Central Bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn and consequent impact on property values, occupancy levels and rentals.

3. SIGNIFICANT ACCOUNTING POLICIES

A number of new standards are effective from 1 April 2020, but they do not have a material effect on the Group's financial statements. The Group has consistently applied the following accounting policies to all periods presented in these financial statements.

3.1 Basis of consolidation

The Group's Financial Statements comprise consolidation of the Financial Statements of the Company, and its subsidiaries in terms of the Sri Lanka Accounting Standards- SLFRS 10 on "Consolidated Financial Statements".

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

The cost of acquisition is measured at the fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition. Subsequent to acquisition, the Company continues to recognise the investment in Subsidiaries at cost.

The total profit / loss of the subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income, and the proportion of the profit or loss after taxation applicable to outside shareholders is shown under the heading 'Non-Controlling Interest'. All assets and liabilities of the Company and its Subsidiaries are included in the Group Financial Position. The interest of the outside shareholders in the net assets of the Group is stated separately in the Consolidated Statement of Financial Position within Equity under the heading 'Non-Controlling Interest'.

There are no restrictions on the ability of subsidiaries to transfer funds to the Company (The Parent) in the form of cash dividend or repayment of loans and advances.

The directors have concluded that the Group controls its subsidiaries as it has majority control and voting rights over the said subsidiaries.

Set out below are the Group's principal subsidiaries as at 31st March 2021.

Name of entity	Place of business	% of Ownership interest held by the Group	Principal Activities
Equity Two PLC	Colombo/ Sri Lanka	88.8%	Real estate sector providing office premises on rental basis
Equity Three (Pvt) Limited	Colombo/ Sri Lanka	100%	Real estate sector providing office premises on rental basis

3.1.2 Non-controlling interest

For each business combination, the Group elects to measure any non-controlling interests in the acquiree at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in the statement of profit or loss.

3.1.3 Loss of control

When a Group loses control over a Subsidiary, it derecognises the assets and liabilities of the Subsidiary and any related NCI (if applicable) and other components of equity. Any resulting gain or loss is recognised in the statement of profit or loss. Any remaining interest in the former Subsidiary is measured at fair value when control is lost.

3.1.4 Goodwill

Goodwill recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

3.1.5 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-Group transactions, are eliminated.

3.1.6 Accounting for Investment in subsidiaries

When separate financial statements are prepared, investments in subsidiaries are accounted for using the cost method. Investments in subsidiaries are stated in the Company's Statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

3.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate as at that date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in the statement of profit or loss.

3.3 Financial instruments

3.3.1 Recognition and initial measurement

Trade receivable and debt securities issues are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability not at FVTPL, is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.3.2 Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI (Fair Value through Other Comprehensive Income) – debt investment; FVOCI – equity investment; or FVTPL (Fair Value Through Profit or Loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL.

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets classified under amortised cost include trade and other receivables, investment in fixed deposits, and cash and cash equivalents.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL.

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investment in unit trust by the Group is classified as FVTPL.

3.3.3 Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume, and timing of sales of financial assets in prior periods, the reasons for such sales, and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

3.3.4 Financial Assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs. (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual cash flows such that it would not meet this condition.

3.3.5 Financial assets – subsequent measurement, and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit or loss.
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Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

Financial assets at Amortised Cost	<p>These assets are subsequently measured at amortised cost using the effective interest method.</p> <p>The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment are recognised in the statement of profit or loss. Any gain or loss on derecognition is recognised in the statement of profit or loss.</p>
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3.3.6 Financial liabilities – Classification, subsequent measurement, and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the statement of profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the statement of profit or loss. Any gain or loss on derecognition is also recognised in the statement of profit or loss.

Financial liabilities measured at amortised cost include loans and borrowings, refundable rental and other deposits, bank overdrafts, and trade and other payables.

3.3.7 Derecognition

3.3.7.1 Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby they transfer assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

3.3.7.2 Financial liabilities

The Group derecognizes a financial liability when its contractual obligation is discharged or cancelled or expired. The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of profit or loss.

3.3.8 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and Company currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.3.9 Impairment

3.3.9.1 Non-derivative financial assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs using the simplified approach in accordance with SLFRS 09. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that are relevant and available without undue cost or effort.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

3.3.9.2 Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired include the following observable data:

- significant financial difficulty of the debtors;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of the original contractual arrangement with the debtor on terms that the Group would not consider otherwise.

3.3.9.3 Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of an impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.4 Stated capital

3.4.1 Ordinary shares

Ordinary shares are classified as equity. Costs attributable to the issue of ordinary shares are recognized as an expense.

3.5 Leases

At inception, the Group assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

3.5.1 As a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group applies the derecognition and impairment requirements in SLFRS 9 to the receivables from the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "Property Rental Revenue."

3.6 Property, plant and equipment

3.6.1 Recognition and measurement

Property, plant & equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the following:

- the cost of material and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- when the Company and the Group have an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

3.6.2 Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company and the Group. Ongoing repairs and maintenance are expensed as incurred.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

3.6.3 Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives as follows;

Class of Asset	Number of Years
Plant & machinery	5-27
Motor vehicles	4-5
Furniture, fittings & office equipment	5-16
Computer	3-5

Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted where appropriate.

3.6.4 Disposal

The gains or losses arising on disposal or retirement of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised net within other income in the statement of profit or loss.

3.7 Investment property

Investment property is property held either to earn rental income or capital appreciation or for both, but not for sale on the ordinary course of business, use in production, or supply of goods and services, or for administrative purposes. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions as at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in the statement of profit or loss.

Investment properties are derecognized when either they have been disposed of or when the Investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by commencement/ end of owner occupation, commencement of development with a view to sale, commencement of an operating lease to another party or completion of construction or development.

For a transfer from Investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company and the Group as an owner-occupied property becomes an Investment property, the Company and the Group accounts for such a property in accordance with the policy stated under property, plant & equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss. When the Company and the Group complete the construction or development of a self-constructed Investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in the statement of profit or loss. When an Investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

3.8 Employee benefits

3.8.1 Short-term employee benefits

The Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees, and the obligation can be estimated reliably.

3.8.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of profit or loss in the periods during which related services are rendered by employees.

3.8.2.1 *Employees' Provident Fund*

All employees of the Company & its Subsidiaries are members of the Employees' Provident Fund to which the Group and Company contribute 12% of such employees' basic salary & allowances.

3.8.2.2 *Employees' Trust Fund*

The Company & its Subsidiaries contribute 3% of the salary of each employee to the Employees' Trust Fund.

3.8.3 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The liability recognized in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation as at the reporting date.

The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. Such actuarial valuations will be carried out every year. The liability is not externally funded. All actuarial gains or losses are recognized immediately in other comprehensive income.

A provision has been made for retirement gratuities from the first year of service for all employees in conformity with the LKAS 19. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded.

3.9 Provisions

A provision is recognized if, as a result of a past event, the Company and the Group have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.10 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company and the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. In such event, the Company and the Group do not recognize a contingent liability but disclose its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company and the Group. The Company and the Group do not recognize contingent assets but disclose their existence where inflows of economic benefits are probable, but not virtually certain. In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

3.11 Revenue

The Group revenue represents sales to customers outside the Group and sales within the Group which are intended for internal consumption.

In arriving at the revenue for consolidation financial statements, sales within the Group are eliminated.

The following specific criteria are used for the purpose of recognition of revenue;

3.11.1 Rental income

Rental income from investment property is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Rental income from other properties are recognized as other income.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

3.11.2 Other Income - on accrual basis

Net gains and losses of a revenue nature resulting from the disposal of property, plant & equipment have been accounted for in the statement of profit or loss and disposal of investments are accounted for in the statement of profit or loss on the basis of realized net profit.

3.12 Expenditure Recognition

3.12.1 Operating expenses

All expenses incurred in day-to-day operations of the business and in maintaining the property, plant & equipment in a state of efficiency have been charged to revenue in arriving at the profit or loss for the year.

3.12.2 Finance income and finance costs

Finance income comprises interest income on funds invested and dividend income.

Interest income is recognized as it accrues in the statement of profit or loss, using the effective interest method.

Dividend income is recognised in the statement of profit or loss on the date that the Company's and the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.13 Income tax expense

Income tax expense comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

3.13.1 Current taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of

previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any. Current tax payable also includes any tax liability arising from the declaration of dividends.

3.13.2 Deferred taxation

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company and the Group expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, based on the level of future taxable profit forecasts and tax planning strategies.

3.14 Fair Value Measurement

SLFRS 13 "fair value measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

A number of Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active, if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognized in the statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

4. RELATED PARTY TRANSACTIONS

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies / decisions of the other, irrespective of whether a price is charged.

5. EVENTS AFTER THE REPORTING PERIOD

All material and important events which occur after the reporting date have been considered and disclosed in notes to the financial statements.

6. STATEMENT OF CASH FLOWS

Interest paid and dividend paid are classified as financing cash flows while interest received and dividend received are classified as investing cash flows, for the purpose of presentation of Cash Flow Statement which has been prepared using the "Indirect Method."

6.1 Cash and cash equivalents

Cash and Cash Equivalents comprise cash balances that are subject to insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

7. EARNINGS PER SHARE

The Company and the Group present basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

8. DIVIDENDS ON ORDINARY SHARES

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Company.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

9. SEGMENT REPORTING

An operating segment is a component within the Group that engage in business activities for which it may generate distinguish revenue and expenses for such segment.

The operating results arising from providing office premises on rental business of the Group as a whole is reviewed regularly by the Group's Chief Operating Decision maker to make decisions about resources to be allocated and to assess its performance. The Group has only one segment hence no separate disclosure is given for operating segment.

10. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for the Group and Company annual periods beginning after 1 April 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements;

- 1) Onerous contracts - Cost of fulfilling a contract (Amendments to LKAS 37) – The amendments apply for annual reporting periods beginning on or after 01 January 2022.
- 2) Property, plant and equipment: Proceeds before intended use (Amendments to LKAS 16) – The amendment applies to annual reporting periods beginning on or after 01 January 2022.
- 3) Classification of liabilities as current or non-current (Amendments to LKAS 1) – The amendment applies to annual reporting periods beginning on or after 01 January 2023.
- 4) Annual improvements to SLFRS Standards from 2018 to 2020 – The amendments are effective for annual reporting periods beginning on or after 01 January 2022.

- 5) Reference to Conceptual Framework (Amendments to SLFRS 3) –The amendment applies to annual reporting periods beginning on or after 1 January 2022.

The Directors do not expect a significant impact on its financial statements resulting from the application of the above.

For the year ended 31st March		Group		Company	
		2021	2020	2021	2020
11. REVENUE					
Property rental income		280,421	296,001	150,104	139,111
		280,421	296,001	150,104	139,111
For the year ended 31st March		Group		Company	
		2021	2020	2021	2020
12. OTHER INCOME					
Parking fees		450	605	-	-
On services provided to tenants		4,171	8,330	3,430	5,817
		4,621	8,935	3,430	5,817
For the year ended 31st March		Group		Company	
		2021	2020	2021	2020
13. PROFIT FROM OPERATIONS					
Profit from operations is stated after charging all expenses including the following:					
Auditors' remuneration - audit services		699	699	357	357
Auditors' remuneration - audit related services		244	212	123	106
Professional services cost (note 13.1)		510	1,231	257	1,150
Depreciation (note 13.2)		186	1,909	186	1,909
Support Service fee		8,778	9,005	3,990	4,114
Personnel costs (note 13.3)		46,589	57,786	22,848	28,635
13.1 Professional services cost					
Valuation services		475	5	222	3
Other services		35	1,226	35	1,147
		510	1,231	257	1,150
13.2 Depreciation					
Depreciation is included in the Statement of Profit or Loss under the following headings:					
Direct costs		-	1,725	-	1,725
Administrative and other operating expenses		186	184	186	184
		186	1,909	186	1,909

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

For the year ended 31st March	Group		Company	
	2021	2020	2021	2020
13.3 Personnel costs				
Salaries, wages and other related expenses	42,604	53,890	20,798	26,602
Defined benefit plan cost - Employee benefits (note 29.2)	736	642	389	391
Defined contribution plan cost - EPF and ETF	3,249	3,254	1,661	1,642
	46,589	57,786	22,848	28,635
The above include:				
Non-executive directors' fees	1,100	495	550	165
	1,100	495	550	165

For the year ended 31st March	Group		Company	
	2021	2020	2021	2020
14. NET FINANCE INCOME				
14.1 Finance income				
Interest income	24,512	22,293	13,875	13,303
Interest income on related party lendings	-	-	4,481	864
Net change in the fair value through profit or loss financial assets	1,013	13,185	483	6,662
Dividend income	-	-	41,299	-
	25,525	35,478	60,138	20,829
14.2 Finance costs				
Interest expenses on short term bank borrowings	4,575	337	2,291	169
Unwinding of interest on refundable deposits (note 27)	8,219	8,065	4,452	3,913
	12,794	8,402	6,743	4,082
Net finance income	12,731	27,076	53,395	16,747

For the year ended 31st March	Group		Company	
	2021	2020	2021	2020
15. INVESTMENT PROPERTY WRITTEN-OFF DUE TO FIRE RELATED DAMAGES NET OF INSURANCE RECEIPTS				
Receipts on insurance claim (note 15.1)	-	1,613	-	1,613
	-	1,613	-	1,613

- 15.1** Due to the damage caused by the accidental fire incident on 23rd December 2018, at the Company's investment property situated at Vauxhall Lane, Rs. 14,477,907/- was written off during the financial year ended 31st March 2019. On the insurance claim submitted therein for property damages, the Company received a total settlement of Rs. 16.8 mn in two tranches of Rs. 15.2 mn in financial year 2018/19 and Rs. 1.6 mn in financial year 2019/20.

For the year ended 31st March		Group		Company	
		2021	2020	2021	2020
16. CURRENT TAXATION					
16.1 Income tax expense					
Income tax expense for the year (note 16.2)		47,712	52,707	30,091	27,573
Over provision in respect of previous years		(1,437)	(1,346)	(916)	(1,107)
		46,275	51,361	29,175	26,466
Deferred taxation					
On origination and reversal of temporary differences (note 28.1)		(135,991)	5,948	(78,127)	1,638
		(135,991)	5,948	(78,127)	1,638
Current tax expense for the year		(89,716)	57,309	(48,952)	28,104
16.2 Reconciliation between accounting profit and taxable profit					
Accounting profit before taxation		254,090	217,930	189,984	104,512
Aggregate disallowable expenses		7,397	9,847	5,769	7,213
Aggregate allowable expenses		(25,744)	(25,858)	(3,427)	(11,373)
Dividend Income		(41,299)	-	(41,299)	-
Net gain arising from changes in fair value of investment properties		(60,557)	2,412	(32,911)	3,528
Notional adjustments arising on application of LKAS/SLFRS		(20,519)	(9,120)	(16,829)	(1,759)
Finance Income		(30,166)	(35,478)	(18,929)	(20,829)
Tax losses incurred during the year (note 16.5 (c))		20,060	-	-	-
Transactions adjusted on consolidation		41,299	-	-	-
Utilisation of tax losses (note 16.5 (c))		(21)	-	-	-
Adjusted business income		144,540	159,733	82,358	81,292
Investment income - interest income		30,166	35,478	18,929	20,829
Investment income - dividend income		41,299	-	41,299	-
Total Taxable Income		216,005	195,211	142,586	102,121
Income tax on business profit (note 16.4 (a))		34,690	43,128	19,766	21,949
Income tax on interest income (note 16.4 (a))		7,240	9,579	4,543	5,624
Income tax on dividend income (note 16.4 (b))		5,782	-	5,782	-
Income tax expense for the year		47,712	52,707	30,091	27,573
16.3 Analysis of tax losses					
Tax loss incurred during the year		20,060	-	-	-
Utilization of tax losses during the year (note 16.5 (c))		(21)	-	-	-
Tax losses carried forward		20,039	-	-	-

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

16.4 Company

- (a) In terms of the provisions of the Inland Revenue Act, No 24 of 2017 and amendments thereto, the Company is liable to taxation at 24% (2020 - 28% & 24%).
- (b) As per the First Schedule of the Inland Revenue Act No 24 of 2017 and amendments thereto, Dividend income received by the Company is liable to income tax at 14%.

16.5 Group

- (a) Group tax expenses is based on the taxable profit of individual companies within the Group. At present, the tax laws of Sri Lanka do not provide for Group taxation.
- (b) In terms of the provisions of the Inland Revenue Act, No. 24 of 2017 and amendments thereto, Companies within the Group are liable to taxation at a tax rate of 24% (2020 - 28% & 24%).
- (c) As per section 19 of the Inland Revenue Act No. 24 of 2017 and amendments thereto, any unclaimed tax losses incurred during the year could be carried forward for further six years. Such losses can be set off against profits without any limitation but subjecting to source of income as provided in the Act. Equity Three (Pvt) Limited in the Group has carried forward tax losses which are available to be set off against future tax profits of the subsidiary company.
- (d) Deferred tax has been computed using a tax rate of 24%.

17. EARNINGS PER SHARE

Earnings per share is calculated on the profit attributable to the shareholders of Equity One Limited over the weighted average number of ordinary shares outstanding, as required by the Sri Lanka Accounting Standard (LKAS 33) - "Earnings per share".

The following reflect the income and share data used in the earnings per share computation:

For the year ended 31st March	Group		Company	
	2021	2020	2021	2020
Amount used as the numerator				
Profit attributable to the ordinary shareholders of the Company	330,820	151,443	238,936	76,408
Amount used as the denominator				
Weighted average number of ordinary shares outstanding during the year (In thousands)	40,322	40,322	40,322	40,322
Earnings per share (Rs)	8.20	3.76	5.93	1.89

17.1 Diluted earnings per share

There were no potentially dilutive ordinary shares as at 31 March 2021 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would require restatement of earnings per share.

	Freehold land	Freehold building	Other equipment	Capital work-in Progress	Total as at 31st March 2021	Total as at 31st March 2020
For the year ended 31st March						
INVESTMENT PROPERTIES						
Group						
Balance as at the beginning of the year	3,609,121	743,264	83,058	27,507	4,462,950	4,426,872
Additions during the year		12,209	36,803	(27,507)	21,505	38,490
Changes in fair value of investment properties (note 18.4)	93,082	(10,829)	(21,696)	-	60,557	(2,412)
	3,702,203	744,644	98,165	-	4,545,012	4,462,950
Company						
Balance as at the beginning of the year	2,125,904	257,001	39,438	-	2,422,343	2,420,612
Additions during the year	-	-	150		150	5,259
Changes in fair value of investment properties (note 18.4)	38,117	3,389	(8,595)	-	32,911	(3,528)
	2,164,021	260,390	30,993	-	2,455,404	2,422,343

Property and location	Method of valuation	Land Extent (Perch)	Historical cost	Fair value 2021	Fair value 2020
18.3 Details of investment properties					
Equity One Limited.					
Dharmapala Mw., Colombo 7	Investment approach	94	120,438	1,524,620	1,488,322
Vauxhall Lane, Colombo 2	Market/ Depreciated replacement cost	180.05	237,348	930,785	934,020
Equity Two PLC.					
No. 61 Janadhipathi Mawatha, Colombo 01	Investment approach	28.51	129,766	561,075	561,511
No. 55 Janadhipathi Mawatha, Colombo 01	Investment approach	57.55	429,780	950,521	948,173
Equity Three (Private) Limited.					
George R. De Silva Mw., Colombo 13	Market/ Depreciated replacement cost	82.13	90,228	578,011	530,924
				4,545,012	4,462,950

The Investment Properties of the Group comprise number of commercial properties that are leased to external and related party tenants. The lease agreements are typically entered in to two to five year periods with the option for subsequent renewals.

Changes in fair value adjustments on investment properties (gain/loss), which are unrealized, are recognised in the Statement of Profit or Loss. Accordingly, the total net gain on such changes in fair value, net of related deferred tax, is recorded in the fair value adjustment reserve as at the reporting date.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

18.4 Fair value hierarchy

The fair value of the investment properties was determined by an external, independent property valuer, Mr. S. Sivaskantha, F.I.V. (Sri Lanka) of Perera Sivaskantha & Company, having appropriate recognised professional qualifications and recent experience in the location and category of the properties valued. Fair values were determined with reference to the entities' ability to generate economic benefits by using the asset and recent market transactions for similar properties in the same location as the respective investment properties of the Group.

Key considerations relating to COVID 19

Majority of the Group's investment properties are rented out to long-standing tenants and as a result of COVID 19 there was no significant drop in the rents charged to the tenants except for temporary concessional arrangements. The Group has not lost any tenants as a result of COVID 19. Therefore, the management is of the view that the impact of COVID 19 would not have a material impact on the investment property valuations which was also reflected in the independent valuation report obtained by management.

The fair value measurement for the investment properties have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Description	Location	Valuation technique	Significant Unobservable inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Land & Building	Colombo	Investment Approach The valuation method considers the present value of net cash flows to be generated from the property taking into account the expected rental income, occupancy rate and other costs not paid by the tenants. The expected net cash-flows are capitalized using expected rate of return.		The estimated fair value would increase/ (decrease) if –
			Contractual rentals agreed with the tenants.	Contractual rentals were higher/ (lower)
			Occupancy Rate 70% - 85%	Occupancy rate was higher/(lower)
			Capitalization rate 5- 6%	Capitalization rate was (higher)/ lower
			Repair and insurance 20%	Repair and insurance was (higher)/ lower
			Valuer has used market price per perch for excess land in existing location using a range of prices for similar lands based on adjusted fair value taking in to account of other valuation considerations. Market price per perch range between Rs 9,000,000/- to Rs 12,800,000/-	Market value per perch was higher/ (lower)

Description	Location	Valuation technique	Significant Unobservable inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Land & Building	Colombo	Depreciated replacement cost approach	Construction cost per square feet Rs. 4,000 - Rs. 6,250.	Cost per square feet was higher/ (lower)
		In this approach, the market value of a property is estimated as a function of the current cost to purchase or replace the property. Accordingly, adjustments are made to account for all forms of depreciation (physical, functional, and economic; as applicable) to determine the market value of the property.	Valuer has used market price per perch for excess land in existing location using a range of prices for similar lands based on adjusted fair value taking in to account of other valuation considerations. Market price per perch range between Rs 4,500,000/- to Rs 5,800,000/-	Market value per perch was higher/ (lower)
			Depreciation rate for the usage of assets 67.5% - 72.5%	Depreciation rate for usage (higher)/ lower

Sensitivity Analysis

Significant judgement is required when evaluating the inputs into fair value determination of investment properties. Reasonably possible changes at the reporting date to one of the relevant assumptions, holding other assumptions constant, would have affected the fair value of the properties by the amounts shown below. The effect of the COVID-19 pandemic has meant that the range of reasonably possible changes is wider for the 2021 figures than that for the comparative year.

As at 31st March	Group		Company	
	Increase	Decrease	Increase	Decrease
Discount rate				
2021: 2% movement	(618,624)	1,345,474	(325,647)	760,223
2020: 1% movement	(350,811)	509,658	(183,870)	276,081
Occupancy rate				
2021: 10% movement	298,501	(298,501)	134,184	(134,184)
2020: 5% movement	142,896	(142,896)	64,963	(64,963)
Repairs and Insurance				
2021: 10% movement	(427,529)	427,529	(210,936)	210,936
2020: 5% movement	(210,231)	210,231	(102,112)	102,112
Construction cost per sqft				
2021: Rs. 1,000 movement	19,751	(19,751)	8,896	(8,896)
2020: Rs. 1,000 movement	21,395	(21,395)	9,705	(9,705)

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

Leases as Lessor

The Group leases out its investment properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 3.5 sets out information about the operating leases of investment property.

Rental income recognised by the Group and Company during the year ended 31st March 2021 was Rs. 280.4 Mn and Rs. 150.1 Mn (2020 Rs. 296 Mn and Rs. 139.1 Mn).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

As at 31st March	Group		Company	
	2021	2020	2021	2020
Less than one year	216,581	248,148	81,993	137,748
One to two years	193,188	155,384	66,586	80,497
Two to three years	108,579	145,989	62,919	67,082
Three to four years	73,041	99,014	70,580	62,919
Four to five years	68,319	71,454	66,633	70,580
More than five years	297,559	357,105	290,472	357,105
	957,267	1,077,094	639,183	775,931

18.5 No items of the investment properties of the Company and the Group were pledged as security for liabilities as at the reporting date.

18.6 There were no restrictions on titles of the investment properties of the Company and the Group, as at the reporting date.

18.7 Capitalization of borrowing costs into investment properties

No borrowing cost capitalized for the year ended 31st March 2021 (2020 - Rs. Nil).

18.8 Contractual obligations to construct and develop investment properties

There were no contractual obligations entered to construct and develop investment properties as at the reporting date.

18.9 All the direct operating expenses of the Company and the Group are incurred on investment properties generating rental income.

	Machinery and equipment	Furniture and fittings	Motor vehicles	Total as at 31 March 2021	Total as at 31 March 2020
19. PROPERTY, PLANT AND EQUIPMENT					
19.1 Group / Company					
Cost					
As at the beginning of the year	2,735	681	9,200	12,616	12,422
Additions during the year	324	-	-	324	194
As at the end of the year	3,059	681	9,200	12,940	12,616
Accumulated Depreciation					
As at the beginning of the year	2,364	666	9,200	12,230	10,321
Charge for the year	182	4	-	186	1,909
As at the end of the year	2,546	670	9,200	12,416	12,230
Carrying amount as at the end of the year	513	11	-	524	386

19.2 Details of fully depreciated assets in property, plant and equipment are as follows;

	Group		Company	
As at 31st March	2021	2020	2021	2020
Machinery and equipment	2,271	2,026	2,271	2,026
Furniture and fittings	641	641	641	641
Motor vehicles	9,200	9,200	9,200	9,200
	12,112	11,867	12,112	11,867

19.3 There were no restrictions to the title of property, plant and equipment of the Company and the Group, as at the reporting date. Further, no items were pledged as security.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

As at 31st March		Company	
		2021	2020
20. INVESTMENTS IN SUBSIDIARIES			
Investments in subsidiaries (note 20.1)		552,048	552,048
		552,048	552,048

As at 31st March		2021		2020	
		No. of shares	Cost	No. of shares	Cost
20.1 Details of investment in subsidiaries					
Quoted					
	27,532,525	448,834		27,532,525	448,834
Equity Two PLC		448,834			448,834
Unquoted					
Equity Three (Private) Limited	5,399,997	103,214		5,399,997	103,214
		103,214			103,214
Total investment in subsidiaries		552,048			552,048

As at 31st March		Group		Company	
		2021	2020	2021	2020
21. TRADE AND OTHER RECEIVABLES					
Financial					
Trade receivables	63,208	34,672		35,495	12,591
Other receivables	9,946	10,066		706	825
Amounts due from related companies (note 35.4)	-	-		81,044	36,864
Loans given to company staff (note 21.1)	769	708		508	554
	73,923	45,446		117,753	50,834
Non-financial					
Prepaid expenses	2,607	989		1,861	531
Advance payments	484	472		-	-
	3,091	1,461		1,861	531
	77,014	46,907		119,614	51,365
21.1 Loans given to company staff					
Balance as at the beginning of the year	708	1,551		554	1,128
Loans granted during the year	1,000	977		540	817
Settlements during the year	(939)	(1,820)		(586)	(1,391)
Balance as at the end of the year	769	708		508	554

As at 31st March		Group		Company	
		2021	2020	2021	2020
22. FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS					
Investments in Unit Trust (note 22.1)		5,303	47,540	834	20,351
		5,303	47,540	834	20,351

As at 31st March 2021		Group		Company	
No. of units		Cost	Fair value	No. of units	Fair value
22.1 Investments in Unit Trust					
Guardian Acuity Money Market Fund	259,308	5,269	5,303	40,779	822
		5,269	5,303		822

As at 31st March 2020		Group		Company	
No. of units		Cost	Fair value	No. of units	Fair value
Guardian Acuity Money Market Fund	2,446,551	46,534	47,540	1,047,314	19,924
		46,534	47,540		19,924

Valuation of unit trust is based on the unit price published by the unit trust managers, Guardian Acuity Asset Management Limited as at 31st March.

As at 31st March 2021		Level 1	Level 2	Level 3	Total
22.2 Fair value hierarchy					
Group					
As at 31st March 2021					
Investments in Unit Trust		-	5,303	-	5,303
		-	5,303	-	5,303
As at 31st March 2020					
Investments in Unit Trust			47,540		47,540
			47,540		47,540
Company					
As at 31st March 2021					
Investments in Unit Trust		-	834	-	834
		-	834	-	834
As at 31st March 2020					
Investments in Unit Trust			20,351		20,351
			20,351		20,351

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(All figures are in Sri Lankan Rupees thousands)

As at 31st March	Group		Company	
	2021	2020	2021	2020
23. CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	14,926	187,535	6,976	82,433
Cash and cash equivalents for the purpose of cash flow statement	14,926	187,535	6,976	82,433

As at 31st March	Group		Company	
	2021	2020	2021	2020
24. STATED CAPITAL				
Issued and fully paid				
As at the beginning of the year (40,321,730 ordinary shares)	1,085,584	1,085,584	1,085,584	1,085,584
As at the end of the year (40,321,730 ordinary shares)	1,085,584	1,085,584	1,085,584	1,085,584

The holders of ordinary shares are entitled to receive dividends as declared from time to time and on a poll are entitled to one vote per share at General Meetings of the Company.

As at 31st March	Group		Company	
	2021	2020	2021	2020
25. CAPITAL RESERVES				
Capital accretion reserve	158	158	158	158
Machinery replacement reserve	5,109	5,109	5,109	5,109
Other capital reserves	7,969	7,969	7,969	7,969
	13,236	13,236	13,236	13,236

- 25.1** Capital accretion reserve, machinery replacement reserve and other capital reserves represent amounts set aside by the Directors for future expansion and to meet any contingencies.

The movements of the above reserves are given in the Statement of Changes in Equity.

As at 31st March	Group		Company	
	2021	2020	2021	2020
26. REVENUE RESERVES				
General reserve (note 26.1)	39	39	39	39
Fair value adjustment reserve (note 26.2)	2,080,163	1,888,473	1,468,843	1,357,829
Retained earnings	565,055	510,966	141,533	98,464
	2,645,257	2,399,478	1,610,415	1,456,332

26.1 General reserve

General reserve represents the amounts set aside by the Directors for future expansion and to meet any contingencies.

26.2 Fair value adjustment reserve

The fair value adjustment reserve holds unrealised fair valuation gains on investment properties net of related deferred taxation as at the balance sheet date. Accordingly, gains arising, net of related deferred taxes, from fair value adjustment of investment properties will be transferred from retained earnings to fair value adjustment reserve and any losses arising, net of related deferred taxes, will be transferred to retained earnings from fair value adjustment reserve to the extent that loss does not exceed the balance held in the said reserve.

The movements of the above reserves are given in the Statement of Changes in Equity.

As at 31st March	Group		Company	
	2021	2020	2021	2020
27. REFUNDABLE RENTAL DEPOSITS				
Balance as at the beginning of the year	73,164	87,369	38,002	41,722
Receipts during the year	17,903	4,019	11,164	4,019
Transferred to deferred revenue (note 31)	(10,424)	(4,826)	(6,768)	(5,168)
Refunds during the year	-	(21,463)	-	(6,484)
Unwinding of interest on refundable deposits (note 14.2)	8,219	8,065	4,452	3,913
	88,862	73,164	46,850	38,002

As at 31st March	Group		Company	
	2021	2020	2021	2020
28. DEFERRED TAX LIABILITIES				
Balance as at the beginning of the year	1,061,593	1,055,691	606,853	605,242
Charge for the year (note 28.1)	(136,114)	5,902	(78,183)	1,611
Balance as at the end of year	925,479	1,061,593	528,670	606,853
28.1 Charge for the year				
The amounts recognised in the Statement of Profit or Loss are as follows;				
Investment properties	(131,133)	5,873	(78,103)	1,494
Employee benefits	(49)	75	(24)	144
Tax losses	(4,809)	-	-	-
	(135,991)	5,948	(78,127)	1,638
The amount recognised in the Statement of Other Comprehensive Income is as follows;				
Employee benefits	(123)	(46)	(56)	(27)
	(123)	(46)	(56)	(27)
Net deferred tax charged for the year	(136,114)	5,902	(78,183)	1,611

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

As at 31st March		Group		Company	
		2021	2020	2021	2020
28.2 Deferred tax asset					
Tax effect on employee benefits		1,068	896	564	484
Tax effect on tax losses		4,809	-	-	-
Total deferred tax asset		5,877	896	564	484
28.3 Deferred tax liabilities					
Tax effect on investment properties and property, plant and equipment		931,356	1,062,489	529,234	607,337
Total deferred tax liability		931,356	1,062,489	529,234	607,337
Net deferred tax liability		925,479	1,061,593	528,670	606,853

The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the Company can control the timing of the reversal of these temporary differences.

28.4 Taxation on fair value gains and the impact on the rate reduction

As per the Inland Revenue Act No. 24 of 2017, gains on sale of business assets including lands which are used in the production of income are liable for taxation at 24% (2020 - 28%). As per the "Guideline on Application of Tax Rates in Measurement of Current Tax and Deferred Tax in LKAS 12" issued by Financial Reporting Standard Implementation and Interpretation Committee (FRSIIIC) have been accounted during the year. Accordingly, a deferred tax liability reversal of Rs. 136.1 Mn and Rs. 78.1 Mn (2020 - Deferred tax charge of Rs. 5.9 Mn and Rs. 1.6 Mn) on the temporary differences were adjusted during the year for the Group and the Company respectively. The impact of reduction in tax rate to 24% from 28% for deferred taxation as at 31st March 2020 amounts to Rs. 151.7 Mn and Rs. 86.7 Mn deferred tax reversal for the Group and the Company respectively.

As at 31st March		Group		Company	
		2021	2020	2021	2020
29. EMPLOYEE BENEFITS					
29.1 The movement in the liabilities recognised in the Statement of Financial Position is as follows:					
Balance as at the beginning of the year		3,201	3,302	1,727	2,146
Current service cost		400	279	182	236
Interest cost		336	363	207	155
Actuarial (gains) / losses		511	165	233	98
Payments made during the year		-	(908)	-	(908)
Balance as at the end of the year		4,448	3,201	2,349	1,727

As at 31st March	Group		Company	
	2021	2020	2021	2020
29.2 The amount recognised in the Statement of Profit or Loss are as follows;				
Current service cost	400	279	182	236
Interest cost	336	363	207	155
Charge for the year	736	642	389	391
29.3 The amount recognised in the Statement of Other Comprehensive Income is as follows;				
Actuarial (gains) / losses	511	165	233	98
(Gain) / charge for the year	511	165	233	98
Amounts recognized in the total comprehensive income	1,247	807	622	489

- 29.4** Liability on employee benefits as at 31st March 2021 amounting to Rs. 2,349,104/- and Rs. 4,448,269 /- (2020 - Rs. 1,727,493/- and Rs. 3,200,524/-) for the Company and the Group respectively is made based on an actuarial valuation carried out by Mr. M. Poopalanathan (AIA) of Messrs. Actuarial and Management Consultants (Pvt) Ltd. As recommended by the Sri Lanka Accounting Standards (LKAS 19) - 'Employee benefits', the 'Projected Unit Credit (PUC)' method has been used in this valuation.

The principal assumptions used are:

Rate of discount	7.5% p.a. (2020 - 10.5% p.a)
Rate of pay increase	10% p.a. (2020 - 10% p.a)
Retirement age	55 years
Mortality	A 67/70 mortality table, issued by the Institute of Actuaries, London was used.

Withdrawal rate 5% for age up to 49 and zero thereafter.
The Group is a going concern.

29.5 Sensitivity Analysis

Reasonably possible changes to one of the relevant actuarial assumptions as at the reporting date, holding other assumptions constant, would have affected the employee benefits by the amounts shown below,

As at 31st March	Group		Company	
	2021	2020	2021	2020
1% increase in discount rate	(353)	(234)	(170)	(116)
1% decrease in discount rate	402	263	194	130
1% increase in salary escalation rate	413	280	205	143
1% decrease in salary escalation rate	(369)	(252)	(184)	(129)

- 29.6** The above provision is not externally funded.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

As at 31st March		Group		Company	
		2021	2020	2021	2020
30. TRADE AND OTHER PAYABLES					
Financial					
Trade payables		240	39	105	35
Other payables		2,068	12,837	1,513	945
		2,308	12,876	1,618	980
Non financial					
Other payables		18,058	57,457	-	-
Provisions and accrued expenses		8,695	7,607	6,229	5,678
		26,753	65,064	6,229	5,678
		29,061	77,940	7,847	6,658

As at 31st March		Group		Company	
		2021	2020	2021	2020
31. DEFERRED REVENUE					
Balance as at the beginning of the year		15,478	19,099	6,589	5,469
Amount transferred from refundable deposits (note 27)		10,424	4,826	6,768	5,168
Amortization of deferred revenue		(8,484)	(8,447)	(4,595)	(4,048)
Balance as at the end of the year		17,418	15,478	8,762	6,589

As at 31st March		Group		Company	
		2021	2020	2021	2020
32. LOANS AND BORROWINGS					
Balance as at the beginning of the year		100,337	-	50,169	-
Loans obtained during the year		21,000	100,000	21,000	50,000
Accrued Interest		4,575	337	2,291	169
Repayments during the year		(104,906)	-	(52,454)	-
Balance as at the end of the year		21,006	100,337	21,006	50,169

The unsecured short term facilities were obtained from Commercial Bank of Ceylon PLC at interest rate equivalent to the market rate based on AWPLR.

33. COMMITMENTS AND CONTINGENCIES

33.1 Capital expenditure commitments

There were no significant financial commitments for the Company and the Group as at 31st March 2021.

33.2 Contingent liabilities

There were no material contingent liabilities as at the reporting date.

33.3 Litigations and claims

There were no material litigations and claims against the Company and the Group as at the reporting date.

34. FINANCIAL INSTRUMENTS

Financial risk management - Overview

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Group's Board of Directors has overall responsibility for the establishment and supervision of the Group's risk management framework. The Board of Directors has delegated this function to Carsons Management Services (Private) Limited, the management company, which is responsible for developing and monitoring the Group's risk management policies and reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to risk limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee of Carson Cumberbatch PLC, the parent company, oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its supervision role by Group Internal Audit. Group Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

34.1 Credit risk

Credit risk is the risk of a financial loss to the Group, if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and which arises primarily from the Group's receivables from customers, and placements in deposits with banking institutions.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

34.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows.

As at 31st March	Group		Company	
	2021	2020	2021	2020
Credit risk				
Trade and other receivables	73,923	45,446	117,753	50,834
Less; Revenue on lease agreements recognized on straight line basis	(41,032)	(20,777)	(21,903)	(5,216)
	32,891	24,669	95,850	45,618
Investment in fixed deposits	355,015	231,490	200,006	140,381
Fair value through profit or loss financial assets	5,303	47,540	834	20,351
Cash and cash equivalents	14,926	187,535	6,976	82,433
	408,135	491,234	303,666	288,783

34.1.2 Trade receivables

The Group's exposure to credit risk on 'Trade receivables' is influenced mainly by the individual characteristics of each customer, and primarily arising on the rent receivable from its tenants.

The Group has obtained refundable rental deposits from non-related party tenants, covering the rental income for a period of 3-6 months, which provides cover to the Group in the event of a default. Details of the refundable rental and other deposits held by the Group as at the reporting date is as follows.

As at 31st March	Group		Company	
	2021	2020	2021	2020
Refundable rental deposits				
Carrying value	88,862	73,164	46,850	38,002
Face value	107,769	89,866	56,245	45,081

The sector also follows a careful credit evaluation process for new tenants before entering into rent agreements with such parties.

The terms of the lease agreements provide that the tenants should pay rental in advance on a monthly basis, which provides further cover against a default.

The age analysis of trade receivables at the end of the reporting period that were not impaired was as follows.

As at 31st March	Group		Company	
	2021	2020	2021	2020
Trade receivables	63,208	34,672	35,495	12,591
Less: Revenue on lease agreements recognized on straight line basis	(41,032)	(20,777)	(21,903)	(5,216)
Net trade receivables	22,176	13,895	13,592	7,375
1-30 days	8,194	11,716	3,367	6,497
31-90 days	13,982	2,179	10,225	878
	22,176	13,895	13,592	7,375

There were no circumstances that would require impairment in respect of trade and other receivable as at the year end (2020 - Nil).

34.1.3 Other receivables

A significant component of other receivables of the Group comprises of deposits placed with suppliers in securing their services, with whom the Group regularly transacts with and have dues outstanding against.

34.1.4 Fair value through profit or loss financial assets - investment in unit trusts

The Group has invested in the following unit trust;

Name of the fund	Fund category	Fund's investment instruments
Guardian Acuity Money Market Fund	Money market fund	Fixed income securities within the maturity period less than 365 days

Guardian Acuity Asset Management Limited, a joint venture company of Ceylon Guardian Investment Trust PLC and Acuity Partners Limited is the Investment Manager of the unit trust funds that the Group has invested in. The Group continuously monitors the performance, asset allocation, credit quality and maturity profiles of these funds in order to assess and mitigate the credit risk.

34.1.5 Investments in Fixed Deposits

The Company has invested in fixed deposits with banking and financial institutions. The Company continuously monitors the stability and credit worthiness including credit ratings of these financial institutions in order to assess and mitigate the credit risk. The Company held fixed deposits of Rs. 355 Mn and Rs. 200 Mn as at 31st March 2021 for the Group and the Company respectively, which represents its maximum credit exposure on these assets. The Fixed deposits are held with the banking and financial institution counterparties, with maturity profile of less than 1 year, which are rated AAA(lka) to A (lka), based on Fitch Ratings.

34.1.6 Cash and cash equivalents

The Group and Company held cash and cash equivalents of Rs. 14.9 Mn and Rs. 7 Mn as at 31st March 2021 respectively (2020: Rs. 187.5 Mn and Rs 82.4 Mn), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AAA(lka) to A(lka) based on Fitch Ratings.

As at 31st March	Group		Company	
	2021	2020	2021	2020
Cash and cash equivalents	14,926	187,535	6,976	82,433
	14,926	187,535	6,976	82,433

34.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

34.2.1 The following are the remaining contractual maturities of financial liabilities as at the end of the reporting period:

As at 31st March 2021	Carrying amount	Contractual cash flows					
		Total	3 months or less	4-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Refundable rental deposits	88,862	107,769	13,897	27,793	8,861	46,113	11,105
Trade Payables	240	240	240	-	-	-	-
Loans and borrowings	21,006	21,006	21,006	-	-	-	-
Other payables	2,068	2,068	2,068	-	-	-	-
	112,176	131,083	37,211	27,793	8,861	46,113	11,105

As at 31st March 2020	Carrying amount	Contractual cash flows					
		Total	3 months or less	4-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Refundable rental deposits	73,164	89,866	3,126	17,621	32,590	31,595	4,934
Trade Payables	39	39	39	-	-	-	-
Loans and borrowings	100,337	100,337	100,337	-	-	-	-
Other payables	12,837	12,837	1,676	11,161	-	-	-
	186,377	203,079	105,178	28,782	32,590	31,595	4,934

The amounts disclosed in the above table represent the contractual undiscounted cash outflows relating to non-derivative financial liabilities and which are usually not closed out before contractual maturity.

34.2.2 Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains a portion of its assets in highly liquid form - demand deposits in order to meet its contractual obligations during the normal course of its operations. As at the reporting date, the Group maintains 'cash and cash equivalents' amounting to Rs. 14.9 Mn (2020 - Rs 187.5 Mn), in fixed deposit amounting to Rs. 355 Mn (2020 - 205.9 Mn) and investments in fair value through profit or loss - unit trust amounting to Rs. 5.3 Mn (2020 - Rs. 47.5 Mn).

The Group is of the view that the liabilities arising on the Refundable Rental Deposits with the expiration of the rent agreements in the forthcoming financial year, will be renewed by the respective tenants for a further tenure. Typically, the rent agreements of the Group are entered in to a period of two to five years with a renewal clauses.

34.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates which will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the returns.

34.3.1 Interest rate risk

The Group's interest bearing financial assets / liabilities are factored on variable rates of interest, accordingly the Group's exposure to interest rate risk is given below.

Profile

As at the end of the reporting period the interest rate profile of the Group's interest-bearing financial instruments as reported to the Management of the Group was as follows.

As at 31st March	Group		Company	
	2021	2020	2021	2020
Variable rate instruments				
Financial liabilities	21,006	100,337	21,006	50,169
	21,006	100,337	21,006	50,169

Sensitive analysis for variable rate instruments

A change of 1% in interest rates at the end of the reporting period would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Group	Group Profit / (loss)		Company Profit / (loss)	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
31st March 2021				
Variable rate instruments	(210)	210	(210)	210
31st March 2020				
Variable rate instruments	(1,003)	1,003	(502)	502

34.4 Accounting classifications and fair values

Financial instruments are measured either at fair value or amortised cost. The Accounting Policies in notes to the financial statements describe how the classes of financial instruments are measured, and how the relevant income and expenses, including fair value gains and losses, are recognized. The following table analyses the fair value of financial instruments together with the carrying amounts shown in the Statement of Financial Position.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

Fair value vs. Carrying amount

As at 31st March 2021	Financial assets at fair value through profit and loss	Financial assets at amortized cost	Financial assets at fair value through Other Comprehensive Income	Financial liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	14,926	-	-	14,926	14,926
Investment in fixed deposits	-	355,015	-	-	355,015	355,015
Fair value through profit or loss financial assets	5,303	-	-	-	5,303	5,303
Net trade receivables	-	22,176	-	-	22,176	22,176
	5,303	392,117	-	-	397,420	397,420
Refundable rental deposits	-	-	-	88,862	88,862	88,862
Trade and other payables	-	-	-	2,308	2,308	2,308
Loans and borrowings	-	-	-	21,006	21,006	21,006
	-	-	-	112,176	112,176	112,176

As at 31st March 2020	Financial assets at fair value through profit and loss	Financial assets at amortized cost	Financial assets at fair value through Other Comprehensive Income	Financial liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	187,535	-	-	187,535	187,535
Investments in fixed deposits	-	231,490	-	-	231,490	231,490
Fair value through profit or loss financial assets	47,540	-	-	-	47,540	47,540
Net trade receivables	-	13,895	-	-	13,895	13,895
	47,540	432,920	-	-	480,460	480,460
Refundable rental deposits	-	-	-	73,164	73,164	73,164
Trade and other payables	-	-	-	12,876	12,876	12,876
Loans and borrowings	-	-	-	100,337	100,337	100,337
	-	-	-	186,377	186,377	186,377

35. RELATED PARTY TRANSACTIONS

The Group carried out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24 (LKAS 24) "Related party disclosures", the details of which are reported below.

35.1 Parent and ultimate controlling entity

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.

35.2 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard (LKAS 24) - "Related party disclosures", Key Management personnel (KMP) are those having authority and responsibility for planning and controlling the activities of the entity. Accordingly, the Directors of the Group and Company (including executive and non-executive directors) and Director - Finance of Carsons Management Services (Private) Limited have been classified as Key Management Personnel of the same.

For the year ended 31st March		Group		Company	
		2021	2020	2021	2020
35.2.1	Key Management Personnel compensation				
	Short-term employee benefits - Directors fees	1,100	495	550	165
	- Nomination committee fees	-	-	-	-
	Post-employment benefits	-	-	-	-
	Termination benefits	-	-	-	-
	Other long-term benefits	-	-	-	-
		1,100	495	550	165

No other transactions have taken place during the year, other than those disclosed above, between the Group and Company and their KMP.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

35.3 Transactions with related companies

Name and the nature of the relationship	Name/s of the common Director/s	Nature of transactions	Value of the transaction			
			Group	Company	2021	2020
Subsidiaries						
Equity Two PLC	D. C. R. Gunawardena K. C. N. Fernando A. P. Weeraratunge E. H. Wijenaike P. D. D. Fernando	Dividends received Cost reimbursement received	- -	41,299 8,022	- -	- 9,628
Equity Three (Private) Limited	K. C. N. Fernando	Short-term loans provided Settlements made on short-term loan provided Interest on short term loan provided Cost reimbursement received	- - - -	39,700 - 4,481 2,770	- - - -	54,500 18,500 864 3,225
Fellow subsidiaries						
Carsons Management Services (Private) Limited (CMSL)	K. C. N. Fernando A. P. Weeraratunge	Support service fee paid Secretarial fees paid Computer charges paid Rental income received Parking fees received	8,778 948 570 20,597 350	9,005 961 578 23,320 420	3,990 444 300 - -	4,114 450 304 1,350 -
Guardian Fund Management Limited	A. P. Weeraratunge	Rental income received Parking fees received	6,793 100	7,246 125	- -	- -
Lion Brewery Ceylon PLC	D. C. R. Gunawardena	Cost reimbursement received	45	18	45	18
Ceylon Beverage Holdings PLC	D. C. R. Gunawardena	Cost reimbursement received	16	5	16	5

Rent charged from related companies are based on the rent agreements signed between the respective companies.

Support service fees and other expenses charged are based on the respective services provided by Carsons Management Services (Private) Limited (CMSL) as per the service agreements signed between the companies.

Related Company lending and borrowings are charged interest at market rate linked to AWPLR.

As at 31st March	Group		Company	
	2021	2020	2021	2020
35.4 Amounts due from related companies				
Equity Three (Private) Limited	-	-	81,044	36,864
	-	-	81,044	36,864

As at 31st March	% of equity interest	
	2021	2020
35.5 Group entities		
Equity Two PLC	88.8%	88.8%
Equity Three (Private) Limited	100.0%	100.0%

35.6 Transactions, Arrangements and Agreements involving KMP and their close family members (CFM)

CFM of a KMP are those family members who are expected to influence, or be influenced by that individual in their dealings with the entity. They may include;

- (a) the individual's domestic partner and children;
- (b) children of the individual's domestic partner; and
- (c) dependents of the individual or the individual's domestic partner's CFM are related parties to the entity.

There were no transactions with CFM during the year.

For the year ended 31st March	Company	
	2021	2020
36. DIVIDEND PER SHARE		
Dividends paid during the year		
Final dividend (2019/20)	44,354	-
Interim dividend (2020/21)	40,322	-
Final / interim dividends	84,676	-
Dividends proposed during the year		
First interim dividend		
Total dividend	40,322	-
Dividend per share (Rs.)	1.00	-
Final dividend		
Total dividend	-	44,354
Dividend per share (Rs.)	-	1.10
Total dividend per share (Rs.)	1.00	1.10

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

37. EVENTS AFTER THE REPORTING DATE

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

38. IMPACT DUE TO COVID - 19

Considering the nature of the business we are in – long term letting of Commercial space – the immediate impact of the ongoing pandemic on the business of the Group is limited. However, we have offered concessions for several affected tenants in the form of short-term rent revisions or rent deferred payment plans. In terms of medium term impact, since the demand for our business is highly dependent on the market conditions of other industries and businesses and considering the subdued economic activities projected, we expect sourcing of new tenants for the existing vacant space of the Group to take longer than under normal circumstances and would be much more challenging.

39. COMPARATIVE FIGURES

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

40. DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and presentation of these financial statements. This is more fully described under the relevant clause in the Director's Report.

Five Year Summary

(All figures are in Sri Lankan Rupees thousands)

For the year ended/As at 31st March	2021	2020	2019	2018	2017
Trading results					
Revenue	280,421	296,001	310,677	289,025	254,744
Profit before taxation	254,090	217,930	723,129	894,153	156,674
Income tax expenses	89,716	(57,309)	(213,818)	(774,521)	(51,045)
Profit for the year	343,806	160,621	509,311	119,632	105,629
Shareholders' funds					
Stated capital	1,085,584	1,085,584	1,085,584	1,085,584	1,085,584
Reserves	2,658,493	2,412,714	2,261,373	1,803,466	1,728,970
Minority interest	154,067	146,305	137,132	120,333	112,505
Total equity	3,898,144	3,644,603	3,484,089	3,009,383	2,927,059
Assets employed					
Current assets	452,258	487,918	342,545	155,138	45,880
Current liabilities	(80,861)	(194,247)	(146,219)	(73,968)	(66,596)
Working capital	371,397	293,671	196,326	81,170	(20,716)
Non-current assets	4,545,536	4,488,890	4,434,125	3,929,555	3,221,806
Assets employed	4,916,933	4,782,561	4,630,451	4,010,725	3,201,090
Non-current liabilities	(1,018,789)	(1,137,958)	(1,146,362)	(1,001,342)	(274,031)
Net assets	3,898,144	3,644,603	3,484,089	3,009,383	2,927,059
Cash flow statement					
Net cash inflows / (outflows) from:					
Operating activities	77,604	57,691	224,187	172,283	128,714
Investing activities	(77,592)	(1,990)	(178,697)	(125,806)	(3,576)
Financing activities	(172,621)	100,000	(34,367)	(37,751)	(123,692)
Net increase / (decrease) in cash & cash equivalents	(172,609)	155,701	11,123	8,726	1,446
Ratios and statistics					
Dividend per share* (Rs.)	1.00	1.10	0.75	0.75	0.75
Dividend payout (%)	16.86	58.20	9.62	41.04	30.49
Return on shareholders' funds (%)	8.83	4.33	14.58	3.63	3.52
Earnings per share (Rs.)	8.20	3.76	12.10	2.60	2.46
Net assets per share (Rs.)	92.85	86.76	83.01	71.65	69.80
Current ratio (Times)	5.59	2.51	2.34	2.10	0.69

Notes :

* Based on final / interim dividends.

Notes

Notice of Meeting

NOTICE is hereby given that the 39th Annual General Meeting of **EQUITY ONE LIMITED** will be held at the 8th Floor of No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka on Wednesday, 28th July 2021 at 4.00 p.m. by means of audio or audio and visual technology for the following purposes:

1. To consider the Annual Report of the Board of Directors including the financial statements of the Company for the financial year ended 31st March 2021, together with the Report of the Auditors thereon.
2. To re-elect Mr. S. Marimuthu as a Director in terms of Article 67 of the Articles of Association of the Company.
3. To re-elect Mr. E.H. Wijenaike, who retires by rotation in terms of Articles 71, 72 and 73 of the Articles of Association of the Company.

4. To re-appoint Mr. P. D. D. Fernando as a Director of the Company who is over seventy years of age and to consider and if deemed fit to pass the following resolution;

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. P. D. D. Fernando who is 78 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

5. To re-appoint Mr. K. C. N. Fernando as a Director of the Company who is over seventy years of age and to consider and if deemed fit to pass the following resolution;

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. K. C. N. Fernando who is 74 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

6. To re-appoint Mr. D. C. R. Gunawardena as a Director of the Company who is seventy years of age and to consider and if deemed fit to pass the following resolution;

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. D. C. R. Gunawardena who is 70 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

7. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act, No.07 of 2007 and to authorize the Directors to determine their remuneration.

By Order of the Board

(Sgd.)

K. D. De Silva (Mrs)

Director

Carsons Management Services (Private) Limited
Secretaries

Colombo

22nd June 2021

Notice of Meeting

Notes:

1. This Notice and the submission of the Form of Proxy should be read in conjunction with the **'Procedure to be followed at the Annual General Meeting of the Company scheduled for 28th July 2021'**, which is enclosed with the Annual Report.
2. The Annual Report 2020/21 and the Notice convening the Annual General Meeting (AGM), together with the Procedure to be followed at the AGM will be posted to the Shareholders, provided that the postal department is in operation at the time of posting the said documents. In the event restrictions are imposed to control the COVID-19 pandemic and the postal operations are curtailed at the time of posting, the Notice convening the AGM will be published in one issue of a daily newspaper/e-newspaper in Sinhala, English and Tamil languages.
3. The documents will also be made available on the Group's website **www.carsoncumberbatch.com** and you may access same directly through the URL link **http://www.carsoncumberbatch.com/investor_information/annual_reports_2020_2021/eq1-annual-report-2020-21.pdf**
4. Having considered the prevailing COVID-19 pandemic situation in the country and the health and safety guidelines issued by the Health Authorities in order to prevent the spread of COVID-19, the Board of Directors decided on 22nd June 2021 to convene the AGM of the Company through an "audio-visual" technology in conformity with the applicable regulatory provisions and Article 42(b) of the Articles of Association of the Company.
5. Shareholders who wish to participate at the AGM through the online platform are kindly requested to complete and forward the **"Registration Form (Annexure 1)"** as morefully explained in the said **"Procedure to be followed at the Annual General Meeting of the Company scheduled for 28th July 2021"** enclosed with the Annual Report.
6. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
7. The completed **Form of Proxy and Registration Form (Annexure 1)**, as relevant, must be submitted to the Company **not later than 4.45 p.m. on 26th July 2021**,
 - via email to **EONEAGM2021@carcumb.com**, or
 - via WhatsApp or Viber to mobile no. +94 764 765 463 or +94 712 791 246, or
 - by hand or post to the registered office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
8. A person representing a Corporation is required to submit a certified copy of the resolution authorizing him/her to act as the representative of the Corporation. A representative need not be a member.
9. The transfer books of the Company will remain open

Form of Proxy

* I/We
 of
 being *a Shareholder/Shareholders of **EQUITY ONE LIMITED**
 hereby appoint
 ofbearing NIC No./ Passport No.
 or failing him/her.

Don Chandima Rajakaruna Gunawardena	or failing him,
Kurukulasuriya Calisanctus Nalake Fernando	or failing him,
Eranjith Harendra Wijenaik	or failing him,
Ajith Prashantha Weeratunge	or failing him,
Subramaniam Mahendrarajah	or failing him,
Panthiage Donald Dunstan Fernando	or failing him,
Sivanandan Marimuthu	

As *my/our proxy to attend the 39th Annual General Meeting of EQUITY ONE LIMITED to be held on Wednesday, 28th July 2021 at 4.00 p.m. at the 8th Floor of No. 65C, Dharmapala Mawatha, Colombo 7, by means of audio or audio and visual technology and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To re-elect Mr. S. Marimuthu as a Director in terms of Article 67 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. E.H. Wijenaik, who retires by rotation in terms of Articles 71, 72 and 73 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Mr. P. D. D. Fernando who is over seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Mr. K. C. N. Fernando who is over seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Mr. D. C. R. Gunawardena who is seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act, No.07 of 2007 and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day ofTwo Thousand and Twenty One.

.....
 Signature/s

Notes

- *Please delete the inappropriate words.
- A Shareholder entitled to attend and vote at a General Meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a Shareholder of the Company.
 A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the General Meeting of the Shareholders.
- A Shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- Instructions are noted on the reverse hereof.

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address, and sign in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 53 of the Articles of Association of the Company:
 - (i) Any Shareholder entitled to attend and vote at a meeting shall be entitled to appoint another person (whether a Shareholder or not) as his proxy to attend and vote instead of him. A proxy so appointed shall have the same right as the Shareholder to vote on a show of hands or on a poll and to speak at the meeting.
 - (ii) The instrument appointing a proxy shall be in writing and:
 - a) in the case of an individual shall be signed by the appointor or by his attorney; and
 - b) in the case of a Corporation shall be either under its common seal or signed by its attorney or by an authorised officer on behalf of the Corporation.
4. In terms of Article 49 of the Articles of Association of the Company:

Where there are joint-holders of any share any one (01) of such persons may vote and be reckoned in a quorum at any meeting either personally or by Proxy as if he were solely entitled thereto and if more than one (01) of such joint-holders be so present at any meeting one (01) of such persons so present whose name stands first in the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Shareholder in whose name any share stands shall for the purpose of this Article be deemed joint holders thereof.
5. To be valid the completed **Form of Proxy** together with the **Registration Form (Annexure 1)** should be submitted to the Company **not later than 4.45 p.m. on 26th July 2021**,
 - via email to EONEAGM2021@carcumb.com or
 - via WhatsApp or Viber to mobile no. +94 764 765 463 or +94 712 791 246, or
 - by hand or post to the registered office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
6. Shareholders who are unable to participate at the meeting through the online meeting platform (i.e. Zoom platform) may appoint a proxy as his/her/its proxy by forwarding the duly completed Form of Proxy not later than 4.45 p.m. on 26th July 2021, clearly indicating their vote under each matter set out in the Form of Proxy as per the instructions set out in the '**Procedure to be followed at the Annual General Meeting of the Company scheduled for 28th July 2021**', attached with this Notice.
7. Shareholders could also appoint a member of the Board to act as their proxy if they so choose. The Shareholders who wish to appoint a Director as his/her/its proxy must forward the duly completed Form of Proxy clearly indicating their vote under each matter set out in the Form of Proxy and forward same together with the **Registration Form (Annexure 1)**, attached herewith to the Company.

Please fill in the following details:

Name & contact no. of Shareholder :

Folio No. :

Name & contact no. of Proxyholder :

NIC No. of the Proxyholder :

Corporate Information

NAME OF THE COMPANY

Equity One Limited
(A Carson Cumberbatch Company)

COMPANY REGISTRATION NO.

PQ 19 PB

LEGAL FORM

A Public Company with Limited Liability Incorporated
in Sri Lanka in 1981

PARENT AND CONTROLLING ENTITY

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 (Vacated office 14/06/2020 &
appointed w.e.f. 04/09/2020)
Mr. E.H. Wijenaikie
Mr. A.P. Weeratunge
Mr. S. Mahendrarajah
Mr. P.D.D. Fernando (Vacated office 14/06/2020 &
appointed w.e.f. 04/09/2020)
Mr. S. Marimuthu (Appointed w.e.f. 15/09/2021)

PLACE OF BUSINESS

No. 65C, Dharmapala Mawatha,
Colombo 7,
Sri Lanka.

BANKERS

Citi Bank NA
Standard Chartered Bank
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
Deutsche Bank AG

AUDITORS

Messrs. KPMG
Chartered Accountants,
No 32A, Sir Mohamed Macan Marker Mawatha,
Colombo 03,
Sri Lanka.

MANAGERS & SECRETARIES

Carsons Management Services (Private) Limited
No. 61, Janadhipathi Mawatha,
Colombo 01,
Sri Lanka.
Telephone No: +94-11-2039200
Fax No: +94-11-2039300

REGISTERED OFFICE

No.61, Janadhipathi Mawatha,
Colombo 01,
Sri Lanka.
Telephone No: +94-11-2039200
Fax No: +94-11-2039300

CORPORATE WEBSITE

www.carsoncumberbatch.com

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