Two

Annual Report 2010/11

Equity Two PLC

A Carson Cumberbatch Company

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Chairman's Statement

Dear shareholders,

It is with great pleasure, optimism and enthusiasm, that I welcome you to the 21st Annual General Meeting of the Company and present to you the Annual Report and audited Financial Statements of Equity Two PLC for the year ended 31st March 2011.

This is a remarkable year for all of us. The biggest hindrance to the Company's performance, the absence of free access to our property which I have surfaced for many years in the past, has been resolved to a greater degree of satisfaction. During the year alternate access roads to the property were fully opened for vehicular and pedestrian traffic. The rapid development activities surrounding the area are already evident and the government plans to develop the city of Colombo as a commercial and a tourist hub in the region would further the value appreciation of properties located therein. It will take time but let me assure you that your company too can expect to reap the peace dividend in a matter of time. The property will now seek the real value and returns on investment, which will benefit our tenants and in turn the loyal shareholders of the Company.

We are at an important phase as far as our country's economy is concerned. Sri Lanka's economy continues to prosper in its endeavours and emerged as one of the fastest growing economies in Asia. The nation re-emerged through the total defeat of a terrorist movement under the leadership of His Excellency the President, Mahinda Rajapaksa and his government two years ago, and successfully moved towards being a middle-income nation. Over the last few years Government launched many initiatives to develop the infrastructure of the country such as highways, ports, new airports etc. The results of these initiatives gradually started reflecting in the economic growth and corporate profits. The economy grew by an impressive rate of 8% in the year 2010 contributed by all the key sectors of the economy. We also witnessed a significant growth in overall corporate profits capitalizing from the economic growth and the opening of vast northern and eastern province markets for trading and business activities. The government initiatives on providing the necessary infrastructure for sustainable growth in local businesses and also to attract foreign direct investments to the country is highly commendable. During the year Government also introduced reforms to monetary and fiscal policies to support private sector business growth. New business activities are evolving and the country is reaping the benefits of peace.

The Company recorded a turnover of Rs. 19.4mn during the year under review when compared to the revenue of Rs. 15.6mn in the corresponding period. The net profit for the period was Rs. 29.5mn against Rs. 4.6mn recorded in the previous financial year. The detailed analysis of financial performance is given in the review of operation to follow.

The opening of access roads to the property has brought newfound optimism. The expanding economic activities would definitely mean increased demand for commercial premises. Therefore, a rentable commercial premise in the calibre of Equity Two, given its presence in the best strategic business location in the city of Colombo would give the Company a distinct advantage. Arising from the strategic positioning of the building, recent developments around the area would further the earning potential of the Company and its value appreciation.

Finally, my colleagues join me in thanking our shareholders who had been with us through difficult times and assure you that we will make our best effort to realize the Company's full potential.
I thank all our tenants, business associates, financiers, regulatory authorities and stakeholders who worked with us during the year extending their support and co-operation to run the business.
I would also like to thank the members of the staff who have worked tirelessly throughout the year. I place on record my appreciation to the members of the audit committee for their guidance and my colleagues on the Board for their valuable inputs. We stay committed to serve all our stakeholders. On behalf of the Board of Directors, I pledge that we will continue to add shareholder value through the execution of prudent business strategies.

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

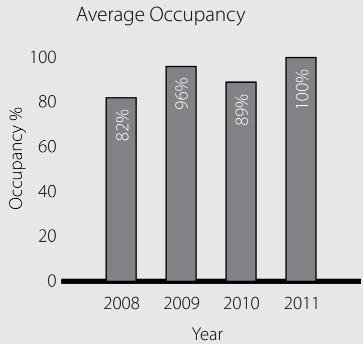
Colombo
5th May 2011

Review of Operations

During the year we saw a significant improvement in the economic conditions within the country. Resurgence of business confidence, strong performance from the private sector, improvements in infrastructure and positive fiscal and monetary policy initiatives from the Government of Sri Lanka were witnessed in the year gone by which is already reflected in the economic indices and the GDP growth rate for the year 2010. However the real estate sector is yet to make a significant contribution to the economic growth of the country after the slump of the sector couple of years ago. Equity Two PLC is in possession of a seven storied office complex in a prime land extent of 86 perches in Colombo Fort. Part of this land (57.6 perches) was acquired by the Company few years ago and is vacant and ready for future development. Along with the ongoing development projects covering the city of Colombo, this property will deliver attractive value enhancements in the years to come.

The company registered a turnover of Rs. 19.4 mn for the year under review against the corresponding period's turnover of Rs. 15.6mn, which is an increase of 24%. The Company met its full occupancy levels during the year with the expansion of the business of the Carsons group companies, who are the anchor tenant of the building. The direct operating cost of the company for the period amounted to Rs. 10.4 mn for the period against the Rs. 7.9 mn recorded in the corresponding period. Administrative and other operating expenditure amounted to Rs. 4.3 mn compared to the previous year's figure of Rs. 3 mn. Increased operational costs and provisions made on account of overdue rental of a past tenant amounting to Rs. 0.6 mn has led to this increase in costs as against the comparative period. Other operating income consist of interest income to the value of Rs.2.4 mn accruing from advances granted to related companies and investments on call deposits and treasury bills.

Profit from operations grew marginally by 5% to Rs. 9.1 mn from Rs. 8.7 mn recorded for the corresponding period. The government, through its budget for the fiscal year 2011/12 reduced the corporate tax rates applicable for the years of assessment commencing from 2011/12 from 35% to 28%. This resulted in a reversal of deferred tax provision in the books of the Company by Rs.11.7mn, resulting in a net tax reversal for the period amounting to Rs. 20.3 mn. The fair value adjustment on the land and building of the Company which are categorized under investment properties arrived at a net appreciation of Rs. 0.3 mn. The valuation gain from the land amounted to Rs. 43 mn which got netted off with the value depreciation of the building amounting to Rs. 42.7 mn. The Company during the year paid off its long term bank borrowings obtained from Bank of Ceylon, in full.



In conclusion, your company managed to record a net profit after taxation of Rs. 29.5 mn, in contrast to Rs.4.6 mn it managed for the corresponding period. However, it should be noted that reversal of deferred taxation, which is a future benefit, contributed substantially to the increase in profit after tax figure. Company also recorded an appreciation of Rs 26.4mn of its net assets as against the comparative period.

The security restrictions are being eased off across the surrounding area of the property and major development plans are being announced. In consequence of the recent developments surrounding the area where 'Equity Two' is located, we foresee further value additions to the tenants by means of extended and more convenient access, as well as to our dear shareholders in the form of increased rental yields and capital appreciation. Equity Two has capabilities and strength, to transform itself into a prime office space provider in the heart of the city of Colombo. The time spent for survival is now over. 'Equity Two' would now need to stand up, capitalize on its strengths and capabilities and should proceed towards being a prime office space provider in the city.

Carsons Management Services (Private) Limited
Managers

Colombo
5th May 2011

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

The details set out herein provide the pertinent information required by the Companies Act, No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and recommended best accounting practices. The Annual Report was approved by the Directors on 5th May 2011.

GENERAL

The Directors have pleasure in presenting to the Shareholders their report together with the audited financial statements for the year ended 31st March 2011 of Equity Two PLC, a public limited liability company incorporated in Sri Lanka in 1990.

PRINCIPAL ACTIVITY OF THE COMPANY

Equity Two PLC, a real estate company of the Carsons Group is engaged in letting of office space for commercial purposes.

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

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Chairman's Statement and Review of Operations on pages 2 to 5 provide an overall assessment of the business performance of the Company and its future developments.

These reports together with audited financial statements reflect the state of affairs of the Company.

FINANCIAL STATEMENTS

The Financial Statements which include the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity, Summary of significant accounting policies and Notes to the Financial Statements of the Company for the year ended 31st March 2011 are set out on pages 25 to 52 These financial statements do comply with the requirements of the Section 151 of the Companies Act, No 7 of 2007.

Significant accounting policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 29 to 41 There have been no changes in the Accounting Policies adopted by the Company during the year under review.

Financial results

The financial results of the Company for the financial years ended were as follows;

For the year ended 31st March	2011	2010
Profit for the year	**29,489**	4,620
Accumulated loss brought forward from previous year	**(15,034)**	(19,654)
Profit / (loss) before appropriations	**14,455**	(15,034)
Dividend paid	**(3,100)**	-
Transfer to fair value adjustment reserve	**(273)**	-
Retained earnings/(Accumulated loss) carried forward	**11,082**	(15,034)

Reserves

As at 31st March 2011, the Company's total reserves stood at Rs. 70.1 mn (2010 - Rs. 43.8 mn) comprising fair value adjustment reserves of Rs. 58.3 mn (2010 - Rs. 58 mn) and revenue reserves of Rs. 11.1 mn (2010 - (Rs. 15 mn)), and machinery replacement reserve of Rs. 0.75 mn (2010 - Rs. 0.75 mn).

The movements are set out in the Statement of Changes in Equity and Notes 12.1 and 12.2 to the Financial Statements.

Capital Expenditure

Details of the capital expenditure undertaken by the Company during the year were as follows;

	2011	2010
Investment properties	**5,927**	-
Property, plant and equipment	**494**	15

VALUATION OF INVESTMENT PROPERTIES

Company has recognised the carrying value of investment property (land & building) held to earn rental income and for capital appreciation in the Balance Sheet on 'fair value' in accordance with Sri Lanka Accounting Standard No. 40 (Revised 2005) - 'Investment Property'.

Accordingly, a professional valuation was performed by Mr. K. Arthur Perera, A.M.I.V. (Sri Lanka), an independent professional valuer, based on which a fair value adjustment on investment properties were recognized in the financial statements to the value of Rs. 0.27 mn during the year, being Rs. 43 mn on the appreciation of land and Rs. 42.7 mn on account of depreciation of the building (2010 - Nil).

As at the period end, the carrying value of the investment properties stood at Rs. 526.2 mn. Details of Investment properties are given in Note 8 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment are given in Note 7 to the Financial statements. There was no significant change in the property, plant and equipment since the last financial year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibilities of the Directors, in relation to the financial statements are detailed in the following paragraphs, while the responsibilities of the Auditors are set out in the Independent Auditors' Report.

According to the Companies Act No. 7 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, 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.

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; and
- Reasonable and prudent judgments and estimates have been made.

The Directors are responsible for ensuring that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company, and for ensuring that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting and Auditing Standards Act. No. 15 of 1995, and meet with the requirements of the Companies Act, No. 7 of 2007.

They are also responsible for taking reasonable measures to safeguard the assets of the Company 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 has adequate resources to continue in operation, for the foreseeable future from the date of signing these financial statements.

The Directors are also of the view that they have discharged their responsibilities as set out in this statement.

INDEPENDENT AUDITORS' REPORT

The Independent Auditors' Report on the Financial Statements is given on page 24 of the Annual Report.

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. 7 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.

Remuneration of Directors

Directors' remuneration in respect of the Company for the financial year ended 31st March 2011 is given in Note 3 to the Financial Statements, on page 42.

Directors' Interest in Contracts and shares

Directors' interests in transactions of the company are disclosed in Note 21 to these financial statements and have been declared at meetings of the 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, while they had the following interests in ordinary shares of the Company.

Directors	No of shares as at 31st March 2011	No. of shares as at 1st April 2010
Mr. D.C.R. Gunawardena	-	-
Mr. K.C.N. Fernando	**3,600**	3,600
Mr. A.P. Weeratunge	-	-
Mr. E.H. Wijenaike	-	-
Mr. P.D.D. Fernando	-	-

DIRECTORS

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

Directors to Retire by Rotation

In terms of Articles 72, 73 and 74 of the Articles of Association of the Company, Mr. A.P. Weeratunge retires by rotation and being eligible offers himself for re-election.

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AUDITORS

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

A sum of Rs. 99,000/- was paid to them by the Company as audit fees for the year ended 31st March 2011 (2010 - Rs. 87,000/-). In addition, they were paid Rs. 85,000/- by the company for non-audit related services.

The retiring Auditors have expressed their willingness to continue in office. A Resolution to re-appoint them as Auditors of the company and authorizing 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, including the level of audit and non-audit fees paid to the Auditors.

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 did not have any interest with the Company that would impair their independence.

SIGNIFICANT EVENTS DURING THE YEAR

There were no significant events during the year.

RELATED PARTY TRANSACTIONS EXCEEDING 10% OF THE EQUITY OR 5% OF THE TOTAL ASSETS OF THE COMPANY

The transactions carried out by the Company with its related parties during the year ended 31st March 2011, did not exceed 10% of the shareholder equity or 5% of the total assets as at 31st March 2011.

The amounts due from related parties and the details of the related party transactions are given in Note 10 & 21 on pages 46 and 51 to the Financial Statements, respectively.

CORPORATE GOVERNANCE

Given below is the status of compliance of Corporate Governance Rules as per the Listing Rules of the Colombo Stock Exchange (CSE).

Board of Directors

The following Directors held office as at the balance sheet date and their brief profiles are given on page 17 of the Annual Report.

Name of the Director	Executive/ Non-executive/ Independent
Mr. D.C.R. Gunawardena *	Executive
Mr. K.C.N. Fernando	Executive
Mr. A.P. Weeratunge	Executive
Mr. E.H.Wijenaike	** Non-Executive / Independent
Mr. P.D.D. Fernando	*** Non-Executive / Independent

* Mr. D. C. R. Gunawardena having assumed Non-Executive responsibilities with effect from 15th April 2011, is categorised as a Non – Executive Director.

** The Board has determined that Mr. E.H. Wijenaike is an Independent, Non- Executive Director in spite of being a Director of Equity One PLC, in which majority of other Directors of the Board are also Directors and also being a Director of Equity One PLC, which has a significant shareholding in the Company, as he is not directly involved in the management of the Company.

*** The Board has determined that Mr. P.D.D. Fernando is an Independent, Non- Executive Director in spite of being a Director of Equity One PLC, in which majority of other Directors of the Board are also Directors and also being a Director of Equity One PLC, which has a significant shareholding in the Company, as he is not directly involved in the management of the Company.

Remuneration Committee

As per the Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange, the Remuneration Committee of Carson Cumberbatch PLC (CCPLC), the ultimate parent Company, functions as the Remuneration Committee of the Company and comprises of the following members -

Remuneration Committee Members	Executive/ Non-executive/ Independent
Mr. I. Paulraj - Chairman	Non- Executive/Independent Director of CCPLC
Mr. M. Moonesinghe	Non- Executive/Independent Director of CCPLC
Mr. H. Selvanathan *	Executive Director of CCPLC
Mr. M. Selvanathan *	Executive Director of CCPLC
Mr. D.C.R. Gunawardena **	Executive Director of CCPLC

* Mr. H. Selvanathan and Mr. M. Selvanathan have stepped down from the CCPLC Remuneration Committee with effect from 15th April 2011.

** Mr. D. C. R. Gunawardena having assumed Non-Executive responsibilities with effect from 15th April 2011, is categorised as a Non – Executive Director of CCPLC.

The committee has formulated a remuneration policy based on market and industry factors and individual performance, for all group Companies.

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under Note 3 on page 42 of this Annual Report.

Executive Directors are not compensated for their role on the Board.

Audit Committee

As per the Rule 7.10.6 of the Listing Rules of the Colombo Stock Exchange the Audit Committee of Carson Cumberbatch PLC (CCPLC), the ultimate parent Company functions as the Audit Committee of the Company and comprises the following members.

Audit Committee Members	Executive/ Non-executive/ Independent
Mr. Vijaya Malalasekera	Non Executive/Independent Director of CCPLC
Mr. Chandima Gunawardena *	Executive Director of CCPLC
Mr. Faiz Mohideen	Non- Executive/Independent Director of CCPLC

* Mr. D. C. R. Gunawardena having assumed Non-Executive responsibilities with effect from 15th April 2011, is categorised as a Non – Executive Director of CCPLC.

Additionally, Mr. T. Rodrigo acts as the Expert Advisory member to the Property Sector.

The Audit Committee Report is given on page 18 of this Annual Report.

Directors Meeting Attendance

Three (03) Board Meetings were convened during the financial year and the attendance of the Directors were as follows:

Director	Meetings attended (out of 3)
Mr. D.C.R. Gunawardena	3
Mr. K.C.N. Fernando	3
Mr. A.P. Weeratunge	3
Mr. E.H. Wijenaike	3
Mr. P.D.D. Fernando	2

Internal control and Risk Management

The ultimate responsibility to establish, monitor and review a company 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 crytalisation of risk elements to a greater extent, employment of external support structures would also be necessary based on the risk assessments made thereon.

The delegation of the 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 respective Audit Committees. 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 health of the company resource base and governance requirements.

This allows the Board to have total control of the fulfilment 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 Company is given on page 20.

HUMAN RESOURCES

The Company 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 around new business priorities and to ensure that its employees are developing the skills and knowledge required for the future success of the Company.

The number of persons employed by the Company as at 31st March 2011 was 04 (31st March 2010 - 04).

ENVIRONMENTAL PROTECTION

The Company is 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 operates 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 operates.

EQUITABLE TREATMENT TO SHAREHOLDERS

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

DIVIDENDS

A interim dividend of Rs. 0.10 per share amounting to a total of Rs. 3.1 mn was paid during the year.

Subject to the approval of the shareholders at the Annual General Meeting, a final dividend of Rs. 0.20 per share is recommended by the Directors for the year ended 31st March 2011. The dividend payable has not been accounted for until it is approved at the forthcoming Annual General Meeting.

SOLVENCY TEST

Taking into account the said distribution, the Directors are satisfied that the Company would meet the solvency test requirement under Section 56(2) of the Companies Act No. 07 of 2007 immediately after the distribution. The Company's Auditors have issued a Certificate of Solvency confirming the same.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2011 was Rs. 444,092,098/- consisting of 31,000,000 Ordinary Shares.

There was no change in the Stated Capital of the Company during the year.

STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief were satisfied that all statutory dues have been paid up to date or have been provided for in the Financial Statements.

GOING CONCERN

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared based on the going concern concept.

EVENTS AFTER THE BALANCE SHEET DATE

After satisfying the Solvency Test in accordance with Section 57 of the Companies Act No. 7 of 2007, the Directors have recommended the payment of a subject to final dividend of Rs. 0.20 per share, for the year ended 31st March 2011, the resulting payout would amount to Rs. 6,200,000/-. The proposed dividend is subject to approval of the shareholders at the forthcoming Annual General Meeting.

In accordance with Sri Lanka Accounting Standard No. 12 (Revised 2005) "Events after the Balance Sheet Date" this proposed final dividend has not been recognised as a liability as at 31st March 2011.

Subsequent to the Balance Sheet date, no circumstances have arisen, which required adjustments to or disclosures in the Financial Statements, other than the above.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Contingent Liabilities and Commitments made on account of capital expenditure as at 31st March 2011 are given in Note 18 to the Financial Statements.

CORPORATE DONATIONS

There were no donations granted during the year.

TWENTY MAJOR SHAREHOLDERS

The parent company, Equity One PLC holds 88.81% of the total ordinary shares in issue of the Company.

The twenty major shareholders with comparatives.

As at 31st March	2011		2010	
Name of the shareholder	No. of shares	%	No. of shares	%
Equity One PLC	27,532,525	88.81	27,532,525	88.81
Bank of Ceylon A/C Ceybank Unit Trust	1,313,000	4.24	1,040,100	3.36
Seylan Bank PLC/Mr. S.N.C.W.M. B.C. Kandegedara	199,800	0.64	-	-
Mr. S.N.C.W.M.B.C. Kandegedara	133,500	0.43	627,400	2.02
Mr. K.C. Vignarajah	74,900	0.24	2,900	0.01
Mr. W.A.S.P. De Seram	51,400	0.17	-	-
Mr. I. Paulraj	51,000	0.16	51,000	0.16
Mr. L.L. Hettiarachchi	42,300	0.14	16,900	0.05
Tranz Dominion, L.L.C.	30,000	0.10	16,600	0.05
Miss. C.M. Wickramasekera	25,100	0.08	19,800	0.06
Mr. U.G. Bulumulle	25,000	0.08	29,000	0.09
Mr. A.A. Noordeen	23,900	0.08	23,900	0.08
Mr. P. Somadasa	23,000	0.07	15,400	0.05
Merchant Bank of Sri Lanka Limited / Union Investments Limited	20,200	0.07	20,200	0.07
Mr. P.V.T. Jayasekera	17,800	0.06	-	-
Miss. D.A.S. Weerasinghe	17,500	0.06	-	-
Mr. D.C. Wimalasena	16,000	0.05	16,000	0.05
Mr. J.B. Hirdaramani	16,000	0.05	16,000	0.05
Mr. W.A.R.J. De Seram	16,000	0.05	-	-
Mrs. J. Aloysius	15,900	0.05	15,900	0.05

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

SHARE INFORMATION

The details relating to earnings, net assets, market value per share and information on share trading is given on pages 53 and 55 to 56 of the Annual Report.

ANNUAL REPORT

The Board of Directors approved the Company's Financial Statements together with the reviews which form part of the Annual Report on 5th May 2011.

The appropriate number of copies of the Report would be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standard Monitoring Board and the Registrar of Companies within the given time frames.

ANNUAL GENERAL MEETING

21st Annual General Meeting of the Company will be held on Tuesday, 21st day of June 2011 at 2.30 p.m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7.

The Notice of the Annual General Meeting is on page 57 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)	(Sgd.)
D.C.R. Gunawardena	**K.C.N. Fernando**
Chairman	*Director*

Colombo

5th May 2011

Profiles of the Directors

Chandima Gunawardena
Chandima Gunawardena is a Director of Carson Cumberbatch PLC. He serves as a Director in most of the Carsons Group Companies in Sri Lanka and overseas. He is a member of the Group's Strategic Planning Forum. He also serves as a member of the Audit Committees of the Group in Sri Lanka and overseas. Mr. Gunawardena has over three decades of experience in varied fields of business and commercial activities and has held senior positions in the Corporate Sector. He is a Fellow of the Chartered Institute of Management Accountants, UK.

Nalake Fernando
Nalaka Fernando is a Director of the Property Management Companies of the Carson Cumberbatch Group - Equity One PLC, Equity Three (Private) Limited, Equity Seven Limited, Equity Lands (Private) Limited. He is also a director of Carsons Management Services (Private) Limited and in some of the Boards of the Malaysian Plantation Companies of the Carsons Group. Was the Country representative for Sri Lanka with Dalekeller & Associates Ltd., Designers and Skidmore Ownings & Merrill Architects. Counts over 37 years of work experience. Was a Director of SKC Management Services Ltd. Holds a Technician's Certificate of the Institute of Work Study Practitioners of UK.

Ajith Weeratunge
Ajith Weeratunge is a Director of the Carson Cumberbatch Group's Management Company, Carsons Management Services (Private) Limited and holds the position of Director Finance. He is also a Director of the Property Sector Companies of the Group including Equity One PLC and Equity Seven Limited. He is also a Director of the Groups Investment Holding sector - Ceylon Investment PLC and Rubber Investments Trust Limited. Accounts for more than 30 years of finance related experience in the mercantile sector and has held positions in Lanka Walltile Ltd., Union Apparels (Pvt) Ltd., John Keells Holdings PLC, Phoenix Industries (Pvt) Ltd and Ceylon Brewery PLC. He is a Fellow member of the Chartered Institute of Management Accountants of UK.

Eranjith Wijenaike
Eranjith Wijenaike is a Director of Equity One PLC. Managing Director of Central Finance Company PLC, Deputy Chairman of Nations Trust Bank, an associate company of Central Finance. Served as a member of the Board since inception of the Bank. He is a Director of several other listed companies both within and outside the Central Finance Group with over 27 years of management experience. Holds a Bachelor's Degree in Commerce and a Postgraduate Diploma in Finance and Management.

Donald Fernando
Donald Fernando is a Director of Equity One PLC and the Managing Director of Conimex Limited – Civil and Structural Engineers and Director of Fernando Rajapakse Associates (Private) Limited – Consulting Engineers and Project Managers. He graduated in Civil Engineering from the University of Ceylon, and holds a B.Sc(Eng.) Degree. He was attached to The Sri Lanka Ports Authority and London Borough of Greenwich, London as a Civil Engineer. He is a Chartered Engineer who gained Membership of the Institution of Civil Engineers, London and the Institution of Engineers, Sri Lanka. He is also a Structural Engineer and is a Corporate Member of the Society of Structural Engineers, Sri Lanka.

Audit Committee Report

The Audit Committee of Carson Cumberbatch PLC (CCPLC), the ultimate Parent Company, is the Audit Committee of the Company, as provided for by the Colombo Stock Exchange Listing Rules.

The members of the Audit Committee are as follows :

Audit Committee members	Executive / Non-Executive / Independent
Mr. Vijaya Malalasekera	Non-Executive, Independent (CCPLC)
Mr. Chandima Gunawardena	Executive*(CCPLC)
Mr. Faiz Mohideen	Non-Executive, Independent (CCPLC)

* Mr. D. C. R. Gunawardena having assumed Non-Executive responsibilities with effect from 15th April 2011, is categorised as a Non – Executive Director.

Mr. Vijaya Malalasekera is a Non-Executive, Independent Director of CCPLC and a Non-Executive Director of Ceylon Tobacco Company PLC.

Mr. Chandima Gunawardena is a Director of CCPLC and in most of its' Group Companies.

Mr. Faiz Mohideen, a Non-Executive, Independent Director of CCPLC, was the former Deputy Secretary to the Treasury and a former Director of Bank of Ceylon and Securities and Exchange Commission of Sri Lanka.

In addition, Mr. Tennyson Rodrigo is the Expert Advisor to the Audit Committee for the Property Sector.

The audit aspects of Equity Two PLC are conducted within the Agenda of CCPLC - Audit Committee and the Committee is advised by Mr. Tennyson Rodrigo as a member of the Panel of Expert Advisors to the Audit Committee of CCPLC, for the Property Sector, Investment Sector and the Leisure Sector of the Group. Mr. Rodrigo is a Director of Good Hope PLC and was the former Managing Director and Chief Executive of Capital Development and Investment Company PLC and was the former Chairman of the Audit Committee of Eagle Insurance Company Limited.

CCPLC - Audit Committee held 04 Meetings during the financial year to discuss matters relating to the Company and the attendance of the Members of the Audit Committee was as follows :

Meetings attended (out of four)	
Mr. Vijaya Malalasekera	04
Mr. Chandima Gunawardena	04
Mr. Faiz Mohideen	04

Mr. Tennyson Rodrigo, the Expert Advisor attended all 04 Audit Committee Meetings.

The Audit Committee Meetings were also attended by the internal auditors and senior management staff members.

The Committee has also met the external auditors twice during the year, i.e. to discus the audit scope and to deliberate the draft Financial Report and Accounts. The draft Financial Report and Accounts were discussed with the external auditors, without the management being present.

In accordance with the audit plan formulated and approved by the Audit Committee for the financial year 2010/2011, the Group Internal Audit (GIA) carried out a detailed audit of key processes of Property Sector companies.

The findings and contents of the Group Internal Audit reports have been discussed with the management and subsequently the audit reports were circulated to the Audit Committee and to the management.

The objectives of the GIA work was to have an independent review of the system of internal controls as established by the management, its adequacy and integrity vis-à-vis objectives served and to determine the extent of adherence to the controls by staff responsible for the function and to take corrective/ preventive action where necessary.

The interim financial statements of Equity Two PLC have been reviewed by the Audit Committee Members at Audit Committee Meetings. The draft financial statements of Equity Two PLC for the year ended 31st March 2011 have also been reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs. KPMG Ford Rhodes Thornton & Company, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required, by the Managers, Carsons Management Services (Private) Limited that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

The Audit Committee has determined that Messrs.KPMG Ford Rhodes Thornton & Company, Auditors are independent on the basis that they do not carry out any management related function of the Company.

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG Ford Rhodes Thornton & Company as Auditors for the financial year ending 31st March 2012, subject to the approval of the shareholders of Equity Two PLC at the Annual General Meeting.

The purpose of the Audit Committee of CCPLC, the Audit Committee of Equity Two PLC is as follows :

> To assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process and the process for monitoring compliance with Company policies and procedures, laws and regulations and the code of conduct and the identification of and management of risks that would impact on the Company/Group's business objectives.

(Sgd)
Vijaya Malalasekera
Chairman - Audit Committee

Carson Cumberbatch PLC
5th May 2011

Risk Management

In the backdrop of increasing corporate failures locally as well as internationally and increasing financial and other challenges, organizations cannot afford to ignore or neglect risks anymore. This is why risk management has become an integral part of our business and the management.

Risks are identified within a formal risk management process, which defines risk areas and includes a risk scoring methodology based on the assessed impact of the risk event and likelihood of its occurrence. The principal risks thus identified are considered and reviewed at various stages within our business process continuously.

Business and Operational Risk

One of the key business risks faced by the property owned by the Company being located within the High Security Zone in Colombo Fort.

However we have seen a significant improvement from the conditions which prevailed through the current year; thinned restrictions and enabled access to the area where the building is located. Development activities are in progress surrounding the area, in line with the government's vision to convert the city in to a leading commercial and tourist hub in the Asian region.

Further, risks from unpredictable events such as terrorism, natural disasters, fire etc. may directly affect the continuity of the business. Appropriate precautionary steps on handling threats from fire through regular fire drills are conducted with the participation of experts. Appropriate, adequate and comprehensive insurance covers have been obtained to mitigate the possible risks from these threats with provisions for financial assistance for rebuilding and against loss of business.

Operational risks mainly cover the areas of system failures, continuity of decision making, dealing with contingencies, ensuring efficiency in operations and correct application of recommended management practices. Operational risks are managed by identifying areas of risk, formulating plans for their management, promoting best practices, implementing internal control and systems, monitoring compliances etc. The availability of a business continuity plan ensures that operations would continue in the event of a contingency.

Foreign Currency Risk

The Company has no impact from currency risks as income and expenses arising from its operations and assets and liabilities are denominated in Sri Lankan Rupees which is the functional currency of the Company.

Liquidity and Credit Risk

Irrespective of difficulties in marketing and demanding good rentals, the company has managed to generate sufficient cash flows from rental income to meet day to day operational expenses. The credit risk of the Company is the exposure to rent receivable from its tenants. The Company follows a careful credit evaluation process before entering into any rent agreements, whereas rental deposits can be used to recover any unpaid rents. 90% of the area in occupation is rented out to Carsons Group Companies which minimises the credit risk. Hence the impact of liquidity and credit risk is low.

Interest Rate Risk

Interest rate risk is the risk arising due to the volatility of the interest rates in the markets affecting the future cash flows. The Company repaid the bank borrowings in full during the year, which it had obtained from Bank of Ceylon at a very concessionary interest rate. Therefore the exposure to interest rate risk is very minimal.

Legal and Regulatory Compliance

The regulatory and legal compliance of Equity Two PLC comes through the management services company of the Carson Cumberbatch Group, Carsons Management Services (Private) Limited, which ensures compliance with all regulatory and legal provisions applicable. The legal function pro-actively identifies and sets up appropriate systems and processes for legal and regulatory compliances in respect of the Company's operations. Hence impact of this risk to the Company is low.

FINANCIAL CALENDER

Financial year end	31st March 2011
21st Annual General Meeting	21st June 2011

ANNOUNCEMENT OF RESULTS

Interim Financial Statements published in terms of the Listing Rules of the Colombo Stock Exchange

1st Quarter ended 30th June 2010	15th July 2010
2nd Quarter ended 30th September 2010	12th November 2010
3rd Quarter ended 31st December 2010	14th February 2011

FINANCIAL REPORTS

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Financial Reports

Independent Auditors' Report

KPMG Ford, Rhodes, Thornton & Co.
(Chartered Accountants)
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TO THE SHAREHOLDERS OF EQUITY TWO PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Equity Two PLC, which comprise the balance sheet as at 31 March 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 25 to 52 of the Annual Report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2011 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2011 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

Ford Rhodes Thornton & Co.

CHARTERED ACCOUNTANTS
Colombo, 05 May 2011.

Income Statement

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

For the year ended 31st March	Note	2011	2010
Revenue	1	**19,361**	15,563
Direct cost		**(10,362)**	(7,937)
		8,999	7,626
Other income	2	**4,144**	4,136
Fair value adjustment - Investment properties		**273**	-
		13,416	11,762
Administrative and other operating expenses		**(4,262)**	(3,030)
Profit from operations		**9,154**	8,732
Finance expenses	4	**(24)**	(93)
Profit before taxation		**9,130**	8,639
Income tax (expenses) / reversal	5	**20,359**	(4,019)
Profit for the year		**29,489**	4,620
Earnings per share (Rs.)	6	**0.95**	0.15
Dividends per share *(Rs.)		**0.20**	0.10

The Accounting Policies and Notes from pages 29 to 52 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

* Dividends per share is based on proposed and interim dividends for the year.

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Balance Sheet

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

As at 31st March	Note	2011	2010
Assets			
Non Current Assets			
Property, plant & equipment	7	**734**	445
Investment properties	8	**526,200**	520,000
Total non-current assets		**526,934**	520,445
Current Assets			
Trade and other receivables	9	**3,558**	4,457
Amounts due from related companies	10	**31,397**	31,720
Short-term investments		**3,745**	-
Cash at bank and in hand		**2,330**	6,079
Total current assets		**41,030**	42,256
Total assets		**567,964**	562,701
Equity and Liabilities			
Equity			
Stated capital	11	**444,092**	444,092
Capital reserves	12.1	**750**	750
Revenue reserves	12.2	**69,397**	43,008
Total equity		**514,239**	487,850
Non Current Liabilities			
Refundable rental deposits	14	**1,321**	1,795
Retirement benefit obligations	15	**1,284**	1,149
Deferred taxation	16	**46,480**	69,149
Total non current liabilities		**49,085**	72,093
Current Liabilities			
Trade and other payables	17	**3,721**	924
Long-term borrowings repayable within one year	13	**-**	1,831
Current taxation		**919**	3
Total current liabilities		**4,640**	2,758
Total liabilities		**53,725**	74,851
Total equity and liabilities		**567,964**	562,701
Net assets per share (Rs.)		**16.59**	15.74

The Accounting Policies and Notes from pages 29 to 52 form an integral part of these Financial Statements.

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

(Sgd.)
V.R. Wijesinghe
Financial Controller
Carsons Management Services (Private) Limited

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed on behalf of the Managers,

(Sgd.)
A.P. Weeratunge
Director

Carsons Management Services (Private) Limited.

Approved and signed on behalf of the Board,

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

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

Colombo,
5th May 2011

Statement of Changes in Equity

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

	Note	Stated Capital	Machinery Replacement Reserve	Fair Value Adjustment Reserve	Retained Earnings / (Accumulated Loss)	Total Equity
Balance as at 1st April 2009		444,092	750	58,042	(19,654)	483,230
Profit for the year		-	-	-	4,620	4,620
Balance as at 31st March 2010	11, 12.1 & 12.2	444,092	750	58,042	(15,034)	487,850
Balance as at 1st April 2010		**444,092**	**750**	**58,042**	**(15,034)**	**487,850**
Profit for the year		**-**	**-**	**-**	**29,489**	**29,489**
Transfers		**-**	**-**	**273**	**(273)**	**-**
Dividend paid		**-**	**-**	**-**	**(3,100)**	**(3,100)**
Balance as at 31st March 2011	**11, 12.1 & 12.2**	**444,092**	**750**	**58,315**	**11,082**	**514,239**

The Accounting Policies and Notes from pages 29 to 52 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

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Cash Flow Statement

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

For the year ended 31st March	Note	2011	2010
Cash Flows from Operating Activities			
Profit before taxation		9,130	8,639
Adjustments for:			
Finance cost	4	24	93
Interest income	2	(2,378)	(2,264)
Depreciation on property, plant & equipment	3	201	202
Fair value adjustment on investment properties	8	(273)	-
Profit on disposal of property, plant & equipment		-	(26)
Provision for trade debtors		620	-
Write-off of property, plant & equipment	3	4	13
Provision for retirement benefit plans - Gratuity	15	797	183
Operating profit before working capital changes		8,125	6,840
Decrease / (increase) in trade and other receivables		289	(413)
Decrease / (increase) in amounts due from related companies		323	(50)
Increase in trade and other payables		2,766	46
Operating profit after working capital changes		11,503	6,423
Rental deposits refunded / recovered	14	(474)	(147)
Finance expenses paid		(24)	(93)
Gratuity paid	15	(662)	-
Income tax paid		(1,394)	(2,690)
Net cash generated from operating activities		8,949	3,493
Cash Flows from Investing Activities			
Purchase of property, plant & equipment	7	(494)	(15)
Additions to investment properties	8	(5,927)	-
Interest received		2,368	-
Sales proceeds on disposal of property, plant & equipment		-	27
Net cash (used in) / generated from investing activities		(4,053)	12
Cash Flows from Financing Activities			
Dividend paid		(3,069)	(295)
Loans paid during the year	13	(1,831)	(3,272)
Net cash used in financing activities		(4,900)	(3,567)
Net decrease in cash and cash equivalents		(4)	(62)
Cash and cash equivalents at the beginning of the year		6,079	6,141
Cash and cash equivalents at the end of the year (Note A)		6,075	6,079
Note A			
Cash and Cash Equivalents			
Short-term investments		3,745	-
Cash at bank and in hand		2,330	6,079
		6,075	6,079

The Accounting Policies and Notes from pages 29 to 52 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Significant Accounting Policies

1 REPORTING ENTITY

Equity Two PLC is a limited liability company which is incorporated and domiciled in Sri Lanka. The shares of the Company have a primary listing on the Colombo Stock Exchange.

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

The business activities of the Company are focused on the Real Estate Sector, providing office premises on rental. There were no significant changes in the nature of the principal activities of the Company during the financial year under review..

The Company had 04 (2010 - 04) employees at the end of the financial year.

2 STATEMENT OF COMPLIANCE

The Financial Statements of the Company comprise the Balance Sheet, Statements of Income, Changes in Equity and Cash Flows together with Accounting policies and Notes to the Financial Statements.

These statements are prepared in accordance with the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of Companies Act, No. 7 of 2007.

The Financial Statements for the year ended 31st March 2011 were authorized for issue by the Board of Directors on 5th May 2011.

3 BASIS OF PREPARATION

3.1 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently, except for the fair value of investment properties as stated in the respective Notes to the financial statements.

3.2 Functional and Presentation currency

Items included in the financials are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'), which is Sri Lankan Rupees.

All foreign currency transactions are converted into functional currency at the rates of exchange prevailing at the time the transactions are effected.

At each balance sheet date, foreign currency monetary items are translated using closing rate, non – monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rate at the date when the fair values were determined.

The financial statements are presented in Sri Lankan Thousands (Rs. '000) unless otherwise stated, which is the Company's presentation currency.

Figures in brackets indicate deductions / negative changes.

3.3 Materiality and Aggregation

Each material class of similar items is presented aggregated in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

4 USES OF ESTIMATES AND JUDGMENTS

The preparation of Financial Statements 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 estimate is revised and in any future periods affected. Information about significant areas of estimation and uncertainty that have the most significant effect on the amounts recognised in the Financial Statements are described below. Estimates

4.1 Assessment of Impairment

The Company assesses at each Balance Sheet date whether there is objective evidence that an asset or portfolio of assets is impaired. The recoverable amount of an is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to present value using appropriate discount rates that reflects the current market assessments of the time value of money and risks specific to the asset.

Fair value less cost to sell will be based on the available market information as at the date of assessment.

4.2 Current Taxation

Current tax liabilities are provided for in the Financial Statements applying the relevant tax statutes and regulations which the management believes reflect actual liability. There can be instances where the stand taken by the Company on transactions is contested by

Revenue Authorities. Any additional costs on account of these issues are accounted for as a tax expense at the point liability is confirmed on the Company.

4.3 Defined Benefit Plan - Gratuity

The cost of defined benefit plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to uncertainty

4.4 Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the level of future taxable profits together with future tax planning strategies.

4.5 Valuation of Investment Property

The fair values of the investment properties are determined using the market rates as at the end of the reporting period. Such involves making assumptions about possible earning capacity, current and future economic and market conditions. Due to the long-term nature of these underlying assumptions, such estimates are subject to uncertainty Judgments

4.6 Owner Occupied Properties and Investment Property

The land & buildings held to earn rental income and for capital appreciation are classified as investment properties. Transfers are made to investment properties when and only when there is a change in use evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development with a view to sell. Transfers are made from investment property when and only when there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sell.

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. 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 recognized in the income statement.

When the Company completes 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 recognized in the income statement.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements and deviations if any, have been disclosed accordingly.

Assets and bases of their valuation

Assets classified as current assets in the Balance Sheet are cash and those which are expected to realise in cash, during the normal operating cycle of the Company's business, or within one year from the Balance Sheet date, whichever is shorter. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the Balance Sheet date.

5.1 Property, Plant & Equipment and Depreciation

I. Basis of Recognition

All items of property, plant & equipment are initially recorded at cost. Where items of property, plant & equipment are subsequently revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the balance sheet date.

The cost of property, plant & equipment is the cost of purchase or construction together with any incidental expenses incurred in bringing the assets to its intended use. Expenditure incurred for the purpose of acquiring, extending or improving assets which are of a permanent nature, enabling to carry on the business or to increase the earning capacity of the business are treated as capital expenditure.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured.

Subsequent to the initial recognition of the asset at cost, the property, plant & equipment are carried at cost / revalued amounts less accumulated depreciation thereon and accumulated impairment losses if any.

II. Restoration Cost

Expenditure incurred on repairs or maintenance of property, plant & equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognized as an expense when incurred.

III. Depreciation

The provision for depreciation is calculated using the straight-line method on the cost or valuation of different classes of assets and over periods appropriate to the estimated useful lives of each of such different classes of assets.

	Number of years
Motor vehicles	4 - 5
Furniture fittings and office equipments	5 - 10
Machinery and equipment	10 – 12.5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

IV. 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 recognized in to the Other Income / (expenses) in the Income Statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

5.2 Investment Property

Investment property is property held either to earn rental income or capital appreciation or fro 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 balance sheet date.

Formal valuations are carried out every 3 years by qualified valuers. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Investment properties are derecognised 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 recognized in the Income Statement 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 as an owner occupied property becomes an investment property, the Company accounts for such 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 income statement. When the Company completes 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 Income Statement.

5.3 Capital Work-in-Progress

Capital work-in-progress represents the accumulated cost of materials and other costs directly related to the construction of an asset. Capital in progress is transferred to the respective asset accounts at the time it is substantially completed and ready for its intended use.

5.4 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised as part of the cost of the asset in accordance with Sri Lanka Accounting Standard 20 "Borrowing Costs". Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

Exchange differences arising from borrowing costs are capitalised to the relevant qualifying asset to the extent of interest rate differential.

5.5 Trade and Other Receivables

Trade and other receivables are carried at original invoice amount less provision for impairment of trade receivables when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

The carrying amount of the asset is reduced and the amount of the loss is recognised, if any, in the income statement under administrative and other operating expenses. When a trade receivable is uncollectible, it is written off against the provision for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative and other operating expenses in the income statement.

5.6 Cash & Cash Equivalents

Cash & cash equivalents are defined as cash in hand and bank, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of the Cash Flow Statement, cash & cash equivalents comprise of cash in hand and bank deposits held in banks and investments in money market instruments, net of short-term loans and bank overdraft.

5.7 Impairment of assets

The Company assesses assets or groups of assets for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying value of assets may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Individual assets are grouped for impairment testing purposes at the lowest level at which there are identifiable cash flows that are largely independent from the cash flows of other groups of assets. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered to be impaired and is written down to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment date. Where that is the case, the carrying amount of the asset is increased to its recoverable amount. Such an increase cannot exceed the carrying amount of the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The recoverable amount of an asset is the higher of its fair value less costs to sell or its value in use. Any decrease in the carrying value is recognised as an expense in the Income Statement in the reporting period in which the impairment loss occurs.

For assets that do not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which that asset belongs. Management judgment is applied to establish cash generating units. Financial Statements

Liabilities and Provisions

5.8 Liabilities

Liabilities classified as current liabilities in the Balance Sheet are those obligations payable on demand or within one year from the Balance Sheet date. Items classified as non-current liabilities are those obligations which expire beyond a period of one year from the Balance Sheet date.

All known liabilities have been accounted for in preparing these Financial Statements. Provisions and liabilities are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

5.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

5.10 Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events the existence of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company 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. The Company does not recognise a contingent liability but discloses 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. The Company does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

5.11 Retirement Benefit Obligations (Gratuity)

I. Defined Benefit Plan - Gratuity

The Company is liable to pay retirement benefits under the Payment of Gratuity Act, No. 12 of 1983.

Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and compensation. The liability recognized in the balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the balance sheet date together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the 'projected unit credit method' as required by SLAS 16 (Revised 2006) – "Retirement Benefit".

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of long term Government Bonds or high quality corporate bonds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the income statement.

The assumptions based on which the results of the actuarial valuation was determined, are included in Note 15 to the financial statements.

II. Defined Contribution Plans - Employees' Provident Fund and Employee's Trust Fund
All employees who are eligible for Provident Fund contributions and Trust Fund contributions are covered by relevant contribution funds in line with the respective statutes. Employer's contributions to the defined contribution plans are recognized as an expense in the Income Statement when incurred. The employer has no further payment obligations once the contributions have been paid.

5.12 Interest-Bearing Loans and Borrowings

Interest-bearing bank loans are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of development properties and property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

5.13 Stated Capital

The Companies Ordinary shares are classified as equity.

Income Statement

5.14 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes, and after eliminating sales within the Company. The following specific criteria are used for the purpose of recognition of revenue:

I. Rental Income

Rental income arising on investment properties is accounted for on straight- line basis over the lease terms.

II. Interest Income

Interest income is recognized on an accrual basis.

III. Gains or losses on the disposal of property, plant & equipment

Net gains and losses of a revenue nature resulting from the disposal of property, plant & equipment have been accounted for in the Income Statement.

5.15 Expenditure Recognition

I. 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 has been charged to revenue in arriving at the profit or loss for the year. Provision has also been made for bad and doubtful debts, all known liabilities and depreciation on property, plant & equipment.

II. Finance Expenses

Interest expenses are recognised on an accrual basis.

5.16 Income Tax Expenses

Income tax expenses comprise current and deferred tax. Income tax expenses are recognized in the Income Statement except to the extent that it relates to the items recognised directly in equity, in which case it is recognized in Statement of Changes in Equity.

I. Current Taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to Revenue Authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

The provision for current tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act.

The relevant details are disclosed in respective notes to the Financial Statements.

II. Deferred Taxation

Deferred Taxation is provided based on the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The balance in the deferred taxation account represents, the tax applicable to the difference between the written down values of the assets for tax purposes on which tax depreciation has been claimed and the net book values of such assets, offset by the provision for retirement benefit which is deductible for current tax purposes only upon payment.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

III. Economic Service Charge (ESC)

As per the provisions of Economic Service Charge Act No. 13 of 2006 and amendments thereto, is payable on "Liable Turnover" and is deductible from the income tax payments. Any unclaimed ESC can be carried forward and settle against the income tax payable in the four subsequent years.

IV. Social Responsibility Levy (SRL)

As per the provisions of Finance Act, No. 5 of 2005 and amendments thereto, the SRL was introduced with effect from 1st January 2005. SRL is payable at the rate of 1.5% on all taxes and levies chargeable as specified in the First Schedule of the Act.

5.17 Earnings per share

The Company presents basic and diluted 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 in issue during the period.

Cash Flow

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

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.

Events after the Balance Sheet Date

All material and significant events which occur after the Balance Sheet date have been considered and disclosed in Note 19.

6 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.

7 PRESENTATION

I. Offsetting Income and Expenses

Income and expenses are not offset unless required or permitted by accounting standards.

II. Offsetting Assets and Liabilities

Assets and liabilities are offset and the net amount reported in the Balance Sheet only where there is:

- a current enforceable legal right to offset the asset and liability; and
- an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously

8 DIRECTORS' RESPONSIBILITY

The Board of Directors are responsible for the preparation and presentation of the Financial Statements.

This is more fully described under the relevant clause in the Directors' Report.

9 COMPARATIVE FIGURES

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

10 NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT BALANCE SHEET DATE

The Institute of Chartered Accountants of Sri Lanka (ICASL) has issued a new volume of Sri Lanka Accounting Standards – 2011, applicable for financial periods beginning on or after 1, January 2012. These new Accounting Standards are prefixed as both SLFRS and LKAS which correspond to the relevant International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

Accordingly, these Standards have not been applied in preparing these financial statements as they were not effective for the year ended 31st March 2011.

The Company is currently in the process of evaluating the potential effects of these Standards on its financial statements and the impact on the adoption of these Standards have not been quantified as at Balance Sheet date.

Notes to the Financial Statements

(All figures in Notes to the Financial Statements are in Sri Lanka Rs.'000 unless otherwise stated)

For the year ended 31st March		2011	2010
1	**REVENUE**		
	Gross revenue - rental income	**21,684**	17,431
	Less: Value Added Tax (VAT)	**(2,323)**	(1,868)
	Net revenue	**19,361**	15,563
2	**OTHER INCOME**		
	Interest income	**2,378**	2,264
	Profit on disposal of property, plant & equipment	**-**	26
	Other income	**1,766**	1,846
		4,144	4,136
3	**PROFIT FROM OPERATIONS**		
	Profit from operations is stated after charging all expenses including the following:		
	Auditors' remuneration - Audit fee	**99**	87
	- Non audit services	**85**	-
	Depreciation	**201**	202
	Management and Secretarial fees	**691**	692
	Profit on disposal of property, plant & equipment	**-**	14
	Provision for trade debtors	**620**	-
	Personnel costs (Note 3.1)	**4,882**	3,424
3.1	**Personnel Costs**		
	Salaries, wages and other related expenses	**3,847**	3,028
	Defined benefit plan cost - Gratuity	**797**	183
	Defined contribution plan cost - EPF and ETF	**238**	213
		4,882	3,424
	The above include:		
	Directors' emoluments	**-**	-
	Directors' fees	**125**	-
		125	-
4	**FINANCE EXPENSES**		
	Interest expense on long-term borrowings	**24**	93
		24	93

For the year ended 31st March	2011	2010

5 INCOME TAX EXPENSES

5.1 Current tax (Note 5.2)

Current tax expense for the year	2,210	2,061
Under provision for the previous period	100	531
	2,310	2,592
Deferred Taxation (Note 5.4)		
Adjustment resulting from change in tax rate	(11,666)	-
Provision / (reversal) made during the year	(11,003)	1,427
	(22,669)	1,427
	(20,359)	4,019

5.2 Reconciliation between the Accounting Profit and the Taxable Income

Accounting profit for the year before taxation	9,130	8,639
Tax effects of;		
- Aggregate disallowable items	2,774	710
- Aggregate allowable claims	(2,061)	(2,329)
Fair Value adjustment - Investment properties	(273)	-
Interest Income after adjustments	(2,489)	(2,348)
Tax adjusted profit from operations	7,081	4,672
Interest Income after adjustments	2,489	2,348
Total Statutory Income	9,570	7,020
Utilization of tax losses - (Note 5.7)	(3,349)	(2,457)
Taxable income	6,221	4,563
Taxation thereon - (Note 5.5)	2,177	1,597
Social Responsibility Levy - (Note 5.6)	33	24
Deemed dividend tax	-	440
Under provision in respect of previous year	100	531
Total tax charge for the year	2,310	2,592

5.3 Analysis of Tax Losses

Tax losses brought forward	16,423	18,852
Adjustment on finalization of liability	(152)	28
Utilisation of tax losses during the year	(3,349)	(2,457)
Tax losses carried forward	12,922	16,423

For the year ended 31st March		2011	2010
5.4	**Deferred tax reversal / (charge) for the year**		
	Property, plant & equipment	**(54)**	(50)
	Investment properties	**(24,787)**	691
	Retirement benefit obligations	**42**	(64)
	Tax losses	**2,130**	850
	Net deferred tax charge / (reversal) for the year	**(22,669)**	1,427

5.5 In terms of the provisions of the Inland Revenue Act No. 10 of 2006 and amendments made thereto the Taxable Income of the Company is liable for taxation at 35% (2010 - 35%).

5.6 The Company is liable for Social Responsibility Levy at 1.5% of Income Tax (2010 - 1.5%).

5.7 The utilisation of tax losses is restricted to 35% of current year's Statutory Income. Unabsorbed tax losses can be carried forward indefinitely.

5.8 Deferred taxation has been provided using the future tax rate of 28%. (2010 -35%).

6 EARNINGS PER SHARE

Earnings per Share of Rs. 0.95 (2010 - Rs. 0.15) is calculated on profit for the year over the weighted average number of ordinary shares in issue during the year.

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

For the year ended 31st March	2011	2010
Amount used as the Numerator		
Profit for the year	**29,489**	4,620
Amount used as the Denominator		
Weighted average number of ordinary shares in issue during the year	**31,000,000**	31,000,000
Earnings per Share (Rs.)	**0.95**	0.15

7 PROPERTY, PLANT & EQUIPMENT

7.1	Machinery & Equipment	Furniture & Fittings	Total as at 31st March 2011	Total as at 31st March 2010
Cost				
Balance as at the beginning of the year	20,932	2,742	**23,674**	25,127
Write off during the year	(80)	-	**(80)**	(1,295)
Disposals during the year	-	-	**-**	(173)
Additions during the year	494	-	**494**	15
Balance as at the end of the year	21,346	2,742	**24,088**	23,674
Accumulated Depreciation				
Balance as at the beginning of the year	20,717	2,512	**23,229**	24,481
On Write-offs	(76)	-	**(76)**	(1,282)
On disposals	-	-	**-**	(172)
Charge for the year	44	157	**201**	202
Balance as at the end of the year	20,685	2,669	**23,354**	23,229
Net Book Value				
As at 31st March 2011	**661**	**73**	**734**	-
As at 31st March 2010	215	230	**-**	445

7.2 Property, plant & equipment includes fully depreciated assets having a gross carrying amount of Rs. 23,112,018/- (2010 - Rs. 21,907,062/-).

7.3 No borrowing costs were capitalized into Property, Plant and Equipment during the year (2010 - Nil).

8 INVESTMENT PROPERTIES

	Land	Building	As at 31st March 2011	As at 31st March 2010
Balance as at the beginning of the year	301,210	218,790	**520,000**	520,000
Additions	-	5,927	**5,927**	-
Gain/(loss) on fair value adjustment	43,030	(42,757)	**273**	-
Balance as at the end of the year	344,240	181,960	**526,200**	520,000

8.2 Valuation of Investment Properties

Investment properties were valued by Mr K. Arthur perera, A.M.I.V (Sri Lanka), an independent professional valuer as at 31st March 2011, the details of which are as follows;

Property	Method of valuation	Extent (Acres)	Historical Cost Rs. Mn	Fair Value 2011 Rs. Mn	Fair Value 2010 Rs. Mn
61, Janadhipathi Mawatha Colombo 1.	Market approach	0.54	467.9	526.2	520.0

8.3 Investments Properties Mortgaged

The investment properties are given as primary mortgage for the loan facility obtained from Bank of Ceylon, which was paid in full during the year. The release of mortgage has been since secured.

	2011	2010
9 TRADE AND OTHER RECEIVABLES		
Trade debtors	**1,654**	1,497
Deposits, prepayments and other receivables	**2,027**	1,898
Loans given to Company Officers (Note 9.1)	**497**	1,062
	4,178	4,457
Provision for trade debtors	**620**	-
	3,558	4,457
9.1 Loans given to Company Officers		
Balance as at the beginning of the year	**1,062**	366
Loans granted during the year	**35**	1,127
Settled during the year	**(600)**	(431)
Balance as at the end of the year	**497**	1,062
10 AMOUNTS DUE FROM RELATED COMPANIES		
Equity One PLC	**31,379**	31,720
Agro Harapan Lestari (Pvt) Ltd	**18**	-
	31,397	31,720

The advances provided to Equity One PLC yields interest at 7% per annum.

	2011	2010
11 STATED CAPITAL		
Issued and Fully Paid		
Balance as at the beginning of the year (31,000,000 ordinary shares)	**444,092**	444,092
Balance as at the end of the year (31,000,000 ordinary shares)	**444,092**	444,092

	2011	2010

12 RESERVES

12.1 Capital Reserves

	2011	2010
Balance as at the beginning of the year	**750**	750
Balance as at the end of the year	**750**	750
Represented by:		
Machinery replacement reserve (Note 12.3)	**750**	750
	750	750

12.2 Revenue Reserves

	2011	2010
Balance as at the beginning of the year	**43,008**	38,388
Net movement during the year	**26,389**	4,620
Balance as at end of the year	**69,397**	43,008
Represented by:		
Retained earnings / (Accumulated loss)	**11,082**	(15,034)
Fair value adjustment reserve (Note 12.4)	**58,315**	58,042
	69,397	43,008

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

12.3 Machinery replacement reserve

This represents the amounts set aside by the Directors to meet any contingencies.

12.4 Fair Value Adjustment Reserve

Any gains arising from fair value adjustment of investment properties will be transferred from retained earnings/accumulated loss to fair value adjustment reserve at Balance Sheet Date, and any losses arising will be transferred to fair value adjustment reserve to the extent that the loss does not exceed the balance held in the said reserve as at the date of transfer.

13 LONG TERM BORROWINGS

	2011	2010
Bank Borrowings - Bank of Ceylon		
Balance as at the beginning of the year	**1,831**	5,103
Less: Payments made during the year	**(1,831)**	(3,272)
Balance as at the end of the year	-	1,831
Less: Installments falling due within one year	-	(1,831)
Installments falling due after one year	-	-

13.1 A term loan of Rs. 32 mn was obtained through the Bank of Ceylon during the financial year ended 31st March 1998. The loan, repayable within ten years, after a grace period of two years, carried an interest of 7% per annum in the first year and 8.5% per annum thereafter. The interest is inclusive of a commission of 1% payable to Bank of Ceylon.

This loan was subsequently rescheduled during the financial year 2003 with the following concessions being awarded to the Company:

1 To extend the two-year grace period to five years from the date of grant, with no extension to the loan repayment period.

2 To reduce the interest rate from 8.5% to 3% p.a. w.e.f. 7th January 2002.

13.2 The loan was secured by a primary mortgage over the Company's land and building (Investment properties). This loan was fully settled during the financial year.

	2011	2010
14 REFUNDABLE RENTAL DEPOSITS		
Balance as at the beginning of the year	1,795	1,942
Refunds made / (recovered) during the year	(474)	(147)
Balance as at the end of the year	1,321	1,795

The above rental deposit is repayable upon termination of the respective tenancy agreements.

15 RETIREMENT BENEFIT OBLIGATIONS

Retirement Benefit Plan - Gratuity

	2011	2010
15.1 The movement in the liabilities recognised in the balance sheet is as follows:		
Balance as at the beginning of the year	1,149	966
Provision for the year (Note 15.2)	797	183
Payments made during the year	(662)	-
Balance as at the end of the year	1,284	1,149
15.2 The amounts recognized in the income statement are as follows;		
Current service cost	67	60
Interest cost	138	123
Actuarial (gain)/loss	592	-
Provision for the year	797	183

15.4 The gratuity liability as at 31st March 2011 amounting to Rs. 1,284,015/- (2010 - Rs. 1,148,912/-) is made based on an actuarial valuation carried out by Mr. M. Poopalanathan of Messrs Actuarial Consultants (Pvt) Ltd, as recommended by the Sri Lanka Accounting Standards No. 16 (Revised 2006) - "Employee Benefits", the "Projected Unit Credit " (PUC) method has been used in this valuation. The actuarial valuation of gratuity liability as at 31 March 2010 was carried out by Mr. Piyal s. Goonatilleke of Messrs. Piyal Goonatilake & Associates.

The principal assumptions used are:

- Rate of discount — 10% p.a.
- Rate of pay increase — 12% p.a.
- Retirement age — 55 years
- Mortality — A 67 / 70 mortality table issued by institute of Actuaries, London was used
- Withdrawal rate — 5% for age upto 49 and zero thereafter
- The company is a going concern.

15.5 The above provision is not externally funded.

	2011	2010
16 DEFFERRED TAXATION		
Balance as at the beginning of the year	**69,149**	67,722
Adjustment resulting from change in tax rate (Note 16.3)	**(11,666)**	-
Provision made during the year (Note 5.4)	**(11,003)**	1,427
Balance as at the end of the year	**46,480**	69,149
16.1 Deferred tax assets		
Tax effect on defined benefit plan - Gratuity	**360**	402
Tax effect on tax losses	**3,618**	5,748
Total deferred tax assets	**3,978**	6,150
16.2 Deferred tax liabilities		
Tax effect on property, plant & equipment	**50**	104
Tax effect on investment properties	**50,408**	75,195
Total deferred tax liabilities	**50,458**	75,299
Net deferred tax liabilities	**46,480**	69,149

16.3 Impact Due to Corporate Income Tax Rate Change

As provided for in "SLAS 14 - Income taxes", deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted by the balance sheet date.

As per the amendment made to the Inland Revenue Act, No. 10 of 2006, by the amendment act No. 22 of 2011 that the corporate income tax rates would be reduced to 28% (from the currently enacted 35%) with effect from 1 April 2011 and accordingly, deferred tax asset and liability have been computed based on such reduced corporate tax rates. This resulted in a reversal of Rs. 11.7 mn to the Income Statement as disclosed in Note 5.

	2011	2010
17 TRADE AND OTHER PAYABLES		
Trade creditors	**435**	348
Unclaimed dividend	**40**	9
Provisions, accruals and other payables	**3,246**	567
	3,721	924

18 COMMITMENTS AND CONTINGENCIES

18.1 Capital Expenditure Commitments

The Company does not have any significant capital commitments as at the Balance Sheet date.

18.2 Contingent Liabilities

There were no material contingent liabilities as at the Balance Sheet date.

19 EVENTS AFTER THE BALANCE SHEET DATE

After satisfying the Solvency Test in accordance with Section 57 of the Companies Act No. 7 of 2007, the Directors have recommended the payment of a final dividend of Rs. 0.20 per share, for the year ended 31st March 2011, the resulting payout would amount to Rs. 6,200,000/-. The proposed dividend is subject to approval of the shareholders at the forthcoming Annual General Meeting.

In accordance with Sri Lanka Accounting Standard No. 12 (Revised 2005) "Events after the Balance Sheet Date" this proposed final dividend has not been recognised as a liability as at 31st March 2011.

Subsequent to the Balance Sheet date, no circumstances have arisen which required adjustments to or disclosure in the Financial Statements, other than the above.

20 COMPARATIVE FIGURES

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

21 Related Party Transactions

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 30 (Revised 2005) "Related Party Disclosures ", the details of which are reported below.

21.2 Transactions with Related Companies

Name of the Company	Names of the Director/s	Nature of Transactions
21.2.1 Transactions with parent company		
Equity One PLC	D.C.R. Gunawardena K.C.N. Fernando A.P. Weeratunge E.H. Wijenaike P.D.D. Fernando	No Short-term advances granted to Equity One PLC (2010 - Rs. 1,000,000) and settlements made during the year amounted to Rs. 2,477,927/- (2010 - Rs. 2,263,522/-) respectively. Interest charged on said advances amounted to Rs. 2,136,948/- (2010 - Rs. 2,263,522/-). Dividends paid during the year amounted to Rs. 2,753,252/- (2010 - Rs. Nil) to Equity One PLC.
21.1.2 Transactions with affiliated companies		
Carsons Management Services (Private) Limited (CMSL)	D.C.R. Gunawardena * K. C. N. Fernando A.P. Weeratunge	The Company paid the following fees to CMSL during the year under review: Computer charges - Rs. 185,094/- (2010 - Rs. 185,255/-) Secretarial fees - Rs. 74,037/- (2010 - Rs. 74,102/-) Management fees - Rs. 616,979/- (2010 - Rs. 617,515/-) An amount of Rs. 5,787.302/- (2010 - Rs. 5,008,040/-) was received from Carsons Management Services (Private) Limited as rental income.

Name of the Company	Names of the Director/s	Nature of Transactions
21.1.2 Transactions with affiliated companies (Contd.)		
Guardian Fund Management Limited.	D. C. R. Gunawardena*	An amount of Rs. 582,192/- (2010 - Rs. 424,578/-) was received from Guardian Fund Management Limited as rental income.
Carsons Airline Services (Private) Limited	D.C.R. Gunawardena	An amount of Rs.396,880/- (2010 - Rs. Nil) was received from Carsons Airline Services (Private) Limited as rental income.

21.1.2 Transactions with Companies under common control

Agro Harapan Lestari (Private) Limited	An amount of Rs. 8,533,246/- (2010 - Rs. 6,969,011/-) was received from Agro Harapan Lestari (Private) Limited as rental income.
AHL Business Solutions (Pvt) Ltd	An amount of Rs. 1,417,786/- (2010 - Rs. Nil) was received from AHL Business Solutions (Pvt) Ltd as rental income.

* Mr. D.C.R. Gunawardena relinquished his duties and responsibilities as a Director with effect from 15th April 2011.

There were no material related party transactions other than disclosed above. The balances outstanding as at the balance sheet date are disclosed in the Note 10 to the financial statements.

21.2 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard 30 (Revised 2006) "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 Company and its parent Company (including executive and non executive directors) and their immediate family members have been classified as Key Management Personnel of the Company.

Compensation for Key Management Personnel (Board of Directors) incurred over the period are disclosed in Note 3.

Five Year Summary

(All figures in the Five Year Summary are in Sri Lankan Rs. '000 unless otherwise stated)

Year ended 31st March	2011	2010	2009	2008	2007
Trading Results					
Revenue (Net)	**19,361**	15,563	18,073	14,931	14,288
Profit/(loss) before taxation	**9,130**	8,639	(79,087)	5,314	(24,044)
Income tax (expenses)/reversal	**20,359**	(4,019)	(4,093)	(2,342)	(13,009)
Profit/(loss) for the year	**29,489**	4,620	(83,180)	2,972	(37,053)
Share Capital and Reserves					
Stated capital	**444,092**	444,092	444,092	444,092	444,092
Reserves	**70,147**	43,758	39,138	123,558	120,586
Shareholders' Funds	**514,239**	487,850	483,230	567,650	564,678
Assets Employed					
Property, plant & equipment	**734**	445	646	739	2,146
Investment properties	**526,200**	520,000	520,000	610,020	610,020
Non-current assets	**526,934**	520,445	520,646	610,759	612,166
Current assets	**41,030**	42,256	39,591	36,182	35,381
Current liabilities	**(4,640)**	(2,758)	(5,845)	(5,424)	(5,862)
Working capital	**36,390**	39,498	33,746	30,758	29,519
Assets employed	**563,324**	559,943	554,392	641,517	641,685
Non-current liabilities	**(49,085)**	(72,093)	(71,162)	(73,867)	(77,007)
Net assets	**514,239**	487,850	483,230	567,650	564,678
Ratios and Statistics					
Dividend per share** (Rs.)	**0.20**	0.10	-	0.04	-
Return on shareholders' funds (%)	**5.73**	0.95	(17.21)	0.52	(6.56)
Earnings/(loss) per share (Rs.)	**0.95**	0.15	(2.68)	0.10	(1.20)
Market price per share* (Rs.)	**27.20**	16.50	9.50	13.75	11.50
P/E ratio (times)	**28.59**	110.71	-	143.42	-
Net assets per share (Rs.)	**16.59**	15.74	15.59	18.31	18.22
Current ratio (times)	**8.84**	15.32	6.77	6.67	6.04
Dividend payout ratio **	**21%**	67%	-	40%	-

* As at 31st March.

** Based on proposed dividend

TWO

Statement of Value Added

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

For the year ended 31st March	2011		2010	
Revenue	19,361		15,563	
Other income	4,144		4,136	
Appreciation of fair value of investment properties	273		-	
	23,778		19,699	
Cost of material and services bought from outside	(9,541)		(7,341)	
Value added	14,237		12,358	
Distributed as follows:		%		%
To employees				
as remuneration	4,882	34.28	3,424	27.71
To Government				
as taxation *	2,310	16.22	2,592	20.97
To providers of Capital				
as interest on borrowings	24	0.17	93	0.75
as dividend	3,100	21.77	-	-
Retained in the Business				
as fair value adjustment on investment properties	273	1.92	-	-
as deferred tax	-	-	1,427	11.55
as depreciation	201	1.40	202	1.63
as retained profits (net of reversal of deferred taxation)	3,447	24.23	4,620	37.39
	14,237	100.00	12,358	100.00

The Value Added Statement shows the quantum of wealth generated by the activities of the Company and its applications.

* Excluding Value Added Tax.

Information to Shareholders and Investors

1 Stock Exchange Listing

Equity Two PLC, is a Public Quoted Company, the ordinary shares of which are listed on the main board of the Colombo Stock Exchange of Sri Lanka.

Stock exchange code for Equity Two PLC shares is "ETWO".

2 Shareholders Base

Ordinary Shareholders

As at 31st March	2011	2010
Number of Shareholders	**2,416**	2,555

Distribution and Composition of Shareholders

The Number of Shares held by non-residents as at 31st March 2011 was 41,300 which amounts to 0.13%.

	Residents			Non-Residents			Total		
Distribution of Shares	No. of Share-holders	No. of Shares	%	No. of Share-holders	No. of Shares	%	No. of Share-holders	No. of Shares	%
1 - 1,000	2,154	423,900	1.37	10	4,300	0.01	2,164	428,200	1.38
1,001 - 10,000	216	741,575	2.39	2	7,000	0.02	218	748,575	2.41
10,001 - 100,000	29	614,400	1.98	1	30,000	0.10	30	644,400	2.08
100,001 - 1,000,000	2	333,300	1.08	-	-	-	2	333,300	1.08
Above 1,000,000	2	28,845,525	93.05	-	-	-	2	28,845,525	93.05
Total	2,403	30,958,700	99.87	13	41,300	0.13	2,416	31,000,000	100.00

Categories of Shareholders	2011		
	No. of Shareholders	No. of Shares	%
Individuals	**2,362**	**1,727,344**	5.57
Institutions	**54**	**29,272,656**	94.43
Total	**2,416**	**31,000,000**	100.00

3 Market Performance - Ordinary Shares

For the year	2011	2010
At 31st March (Rs.)	**27.20**	16.50
Highest (Rs.)	**35.90**	19.50
Lowest (Rs.)	**24.20**	8.75
Value of shares traded (Rs.)	**51,298,170**	56,576,525
No. of shares traded	**1,685,700**	4,384,700
Volume of transactions (Nos.)	**1,271**	3,031

4 Market Capitalisation

Market capitalisation of the Company which is the number of ordinary shares in issue multiplied by the market value of an ordinary share was Rs. 843,200,000/- as at 31st March, 2011 (2010 - Rs. 511,500,000/-).

5 Public Holding

The percentage of ordinary shares held by public as at 31st March 2011 was 11.17% (2010 - 11.17%).

6 Dividend

The Directors have recommended a final dividend of Rs. 0.20 per Share for the year ended 31st March 2011.

7 Value of Property - Land and Building

Location	Extent (in acres)	Historical Cost Rs.mn	Market Value Rs.mn	Date of professional Valuation
Colombo 01	0.54	467.9	526.2	March 2011

8 Number of employees

The number of employees at the end of the year was 4 (2010 - 4).

Notice of Meeting

NOTICE IS HEREBY GIVEN that the TWENTY FIRST Annual General Meeting of EQUITY TWO PLC will be held on Tuesday the 21st day of June 2011 at 2.30 p.m. at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 7, for the following purposes :

1. To receive and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2011, together with the Independent Auditors' Report thereon.

2. To declare a dividend as recommended by the Directors.

3. To re-elect Mr. A.P. Weeratunge, who retires in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.

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

By Order of the Board

CARSONS MANAGEMENT SERVICES (PRIVATE) LIMITED
Secretaries

Colombo,
5th May 2011

Notes

1) A member is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A Form of Proxy accompanies this notice.

2) The completed Form of Proxy must be deposited at the Registered Office, No.61, Janadhipathi Mawatha, Colombo 1, not later than 2.30 p.m. on 19th June 2011.

3) A person representing a Corporation is required to carry a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a member.

4) The transfer books of the Company will remain open.

5) Security Check
We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the security personnel stationed at the entrance lobby.

Notes

Form of Proxy

*I/ We..
of ....
being *a Member/Members of EQUITY TWO PLC hereby appoint ....
.... of ....
bearing NIC No./ Passport No. .... or failing him/her

Don Chandima Rajakaruna Gunawardena	of Colombo, or failing him,
Kurukulasuriya Calisanctus Nalake Fernando	of Colombo, or failing him,
Ajith Prashantha Weeratunge	of Colombo, or failing him,
Eranjith Harendra Wijenaike	of Colombo, or failing him,
Panthiage Donald Dunstan Fernando	

as *my/our proxy to attend at the Annual General Meeting of the Company to be held on Tuesday, the 21st day of June 2011 at 2.30 p.m., at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 07 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
(i)	To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2011, together with the Independent Auditors' Report thereon.	☐	☐
(ii)	To declare 20 Cents per share as a Final dividend for the financial year ended 31st March 2011 as recommended by the Directors.	☐	☐
(iii)	To re-elect Mr. A.P. Weeratunge who retires in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.	☐	☐
(iv)	To re-appoint Messrs. KPMG Ford, Rhodes, Thornton & Company, 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.	☐	☐

Signed this .... day of .... Two Thousand and Eleven.

....
Signature /s

Note:

a) * Please delete the inappropriate words.

b) 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.

c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.

d) 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, by signing 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 54 of the Articles of Association of the Company:

   (1) 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.

   (2) An instrument appointing a proxy shall be in writing and:

      a) in the case of an individual shall be signed by the appointer or by his attorney; and

      b) in the case of a corporation shall be either under the common seal or signed by its attorney or by an authorized officer on behalf of the corporation

4. In terms of Article 50 of the Articles of Association of the Company:
   "Where there are joint registered 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 should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1 not later than 2.30 p.m. on 19th June 2011.

Please fill in the following details

Name : ....

Address : ....

Jointly with : ....

Share folio no. : ....

Corporate Information

Name of the Company	Equity Two PLC (A Carson Cumberbatch Company)
Company Registration No	PQ 34
Legal Form	A Public Quoted Company with Limited Liability Incorporated in Sri Lanka in 1990. Official listing of the Colombo Stock Exchange was obtained in September 1994.
Parent Company	Equity One PLC
Directors	D.C.R. Gunawardena (Chairman) K.C.N. Fernando A.P. Weeratunge E.H. Wijenaike P.D.D. Fernando
Place of Business	No. 61, Janadhipathi Mawatha, Colombo 01, Sri Lanka.
Bankers	Standard Chartered Bank Bank of Ceylon Deutsche Bank AG
Auditors	Messrs. KPMG Ford, Rhodes, Thornton & Co. 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: +94-11-4739200 Fax No: +94-11-4739300
Registered Office	No. 61, Janadhipathi Mawatha, Colombo 01, Sri Lanka. Telephone No: +94-11-4739200 Fax No: +94-11-4739300
Corporate Website	www.carsoncumberbatch.com

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