Equity Two PLC

Annual Report 2018/2019

EQU2ITY

A Carson Cumberbatch Company

Contents

Chairman's Statement

Dear Shareholder,

I take pleasure in welcoming you to the 29th Annual General Meeting of the Company at the end of another successful year of financial performance.

It is with a heavy heart I mark remembrance of all our nation's people who lost their lives or were injured by the Easter Sunday devastation. This came at a time when Sri Lanka's real estate and construction activities were on the rise with the influx of new major residential, commercial as well as retail spaces. The recent attacks have left its mark on Sri Lanka's attractiveness as a tourist destination and critically testing its ability to re-bounce within reasonable time frame. Tourism, being a major economic driver having considerable impact also on the real estate market and in attracting FDIs to the country, the most important assurance investors and tourists expect alike is an environment of safety and security. At this instance, as a responsible entity, we too have embarked on implementing necessary security measures for our building premises in the best interest of our tenants, as further means of up notching our service.

The city of Colombo has been the centre of focus for the recent property development projects as evidenced by its transforming skyline, with the concentration of infrastructure developments backed by strong local as well as foreign investments. However, during the year under review, we have seen the hitherto lucrative Colombo residential market slowing down as witnessed by the fall in absorption rates.

Yet, the case differs with respect to commercial spaces. Colombo "Grade A" office spaces are already at a short-supply, leaving corporates with no choice but to settle for "Grade B" facilities, driving up the prices of both segments. However, with the completion of many high-end commercial real estate projects which are presently ongoing, I believe rental yields and tenancy will be challenged in the medium to long-term.

With the now complete land reclamation for the upcoming port city and the expected completion of the International Financial Centre (IFC) by 2023, we should now have in place a sustainable strategy to attract FDI inflows for development as well as for setting up of new offices and manufacturing activities in the country. Currently occupying the 100th position on the World Bank's Ease of Doing Business Index, even though it is an improvement of 11 positions over the previous year, Sri Lanka has an uphill task ahead in terms of achieving the desired results to meet investor expectations.

Sri Lanka, currently having high interest rates among South Asian countries, adds further pressure on local business expansion. This, coupled with the island nation's ever-increasing cost of construction could hold back competitiveness and growth in real estate demand going forward.

I also believe that Sri Lanka is still far behind in encouraging real estate investment and housing benefits for all potential participants through attractive investment vehicles, which would also inject liquidity and increase the activity in the real estate segment to drive economic prosperity of the country.

The investment properties of the Company continued to grow in value during the 18/19 financial year as well. The 5.6% growth in Company revenue resulting in a top line of Rs. 143.6 mn is mainly driven by upward rent revisions whilst the occupancy reduced to 91% in the year under review against 100% in the preceding financial year. The rent revisions and valuation gain of the investment properties of Rs. 155 mn, resulted in the Company posting a profit before tax of Rs. 264.7 mn, a decrease of 16.4% over the previous financial year. However, carving out the valuation gains of both years under review, the profit before tax showcased a growth of 2.5%, driven mainly by aforementioned top line growth, and increase in finance income. Consequently, an interim dividend of Rs. 1.50 per share was declared and paid for the financial year ended 31st March 2019, translating into a payout of 56.3% based on the operational net profit of the Company excluding the fair value gain on investment property and its impact on deferred taxation.

As Sri Lanka has now arrived at a challenging phase of time saddled with uncertain policies and the impact from the global economic slowdown, the short to medium term prospects of the real estate market is at crossroads. However, as I mentioned above, whilst prioritising national security, with the implementation of consistent policies with careful monitoring and timely investor friendly amendments to encourage investments, I believe the present negativity could gradually fade out in the days ahead.

As my closing few words, I would like to offer my heartfelt gratitude to the shareholders, valued tenants, regulatory authorities, and other stakeholders for their numerous value additions and loyal support extended to the Company to ensure the continuity of the business. Further, I would also like to thank the members of the Audit Committee, Nomination Committee, Remuneration Committee, and the Related Party Transactions Review Committee for their invaluable contribution to the Company. Finally yet importantly, I extend my appreciation and best wishes to all our valued staff members for the persistent efforts made for the upliftment of the overall Company performance year on year.

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

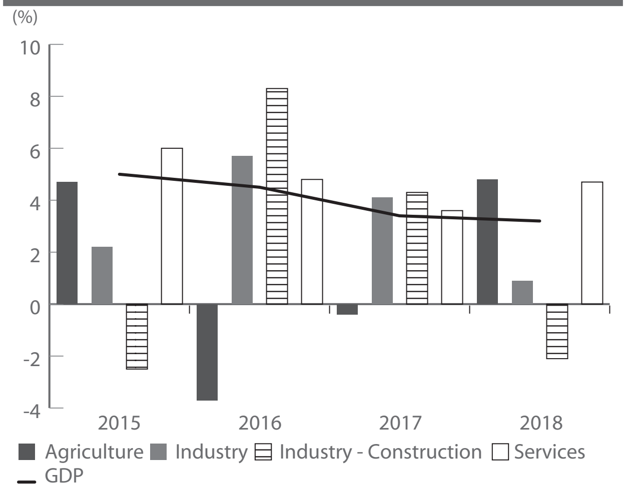
Colombo
08th May 2019

Business Review

MACRO-OVERVIEW

The country's economic growth reduced further from 3.4% in 2017 to 3.2% in 2018 due to the slow-down in the Industrial sector, which grew only by 0.9% in 2018. Construction industry, which is a component of industrial sector, has experienced a negative growth for the first time since 2015, of 2.1%. The Services sector has grown at a relatively higher rate of 4.7% driven by financial services and wholesale and retail trade activities.

SECTOR-WISE GDP GROWTH (2010 CONSTANT)

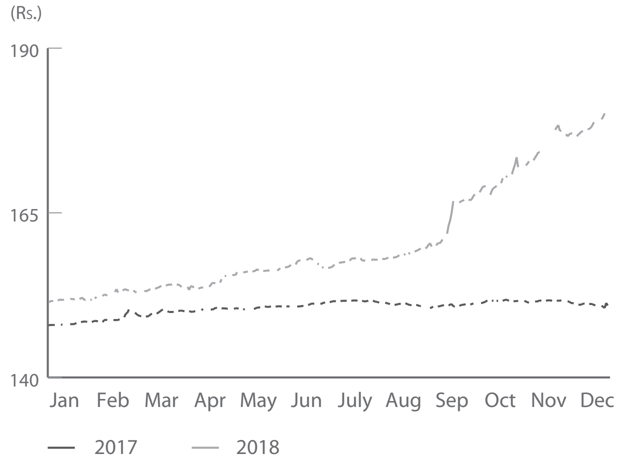


Source: Based on data extracted from Central Bank of Sri Lanka

The policy rate cut exercised by CBSL in April 2018 and maintained for the most part of the year helped to improve short-term and long-term credit growth to 17.6% and 21.7% respectively. This also led the core inflation to rebound to healthy mid-single digit levels.

2018 witnessed a net reduction in foreign reserves from USD 8 bn of previous year to USD 7 bn owing to higher foreign currency debt servicing and CBSL's net supply of foreign exchange to the domestic market. The Sri Lankan rupee depreciated against the US dollar by 16.4% during the calendar year 2018. This was due to the market based exchange rate policy adopted by CBSL with minimum intervention in order to preserve reserves for the upcoming foreign debt maturities. This, coupled with the political instability that was present from end October, had Sri Lanka witness a net foreign selling interest in local securities towards the latter part of the year. Nevertheless, the country was able to record the historically highest level of FDIs in 2018, reaching USD 2.1 bn.

LKR/USD EXCHANGE RATE



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

INDUSTRY SNAPSHOT

The continuing island-wide infrastructure development and construction efforts as a result of the peace dividend has helped the country's real estate activities to boom post-2010. Sri Lanka's gross value added to GDP at current prices from real estate activities including ownership of dwellings have witnessed an 8-year CAGR of 13% until 2018. Marking an overall upsurge across all residential, commercial, and industrial segments, Colombo district witnessed an overall land price growth of 18% in 2018 with commercial land prices appreciating by 17.4% over 2017 according to the land price index compiled by the Central Bank of Sri Lanka.

The upcoming major residential projects which are expected to reach completion in the coming years are bound to exert further pressure on the level of apartment absorption in Colombo. However, when it comes to commercial spaces, currently, the Colombo city enjoys a high overall occupancy in spite of the upward rental revisions that took place in the recent years. This combined with the shortage of "Grade A" office spaces in Colombo indicate the city's potential to absorb more commercial spaces in the short-term. However, we expect negative market conditions in the medium to long-term with more and more projects adding on to the existing rentable space, if not complemented by the growth in economic activities.

Further, cost of construction has been on the rise for the past few years. The depreciation of the rupee played a major role in inflating the cost of imported construction materials and equipment. Dearth of skilled labour and technical staff has resulted in a hike in overall construction costs and caused overruns in project timelines. As a result, many large-scale construction projects in the city have opted to source foreign workers and skilled staff.

When it comes to real estate investment landscape, in most of the other developed countries, multiple real estate investments are encouraged through the introduction of income tax concessions, attractive and flexible mortgage facilities, allowing employment retirement contributions to be partly set-off against housing investments etc. Further, availability of REITs make real estate investments affordable to many, something Sri Lanka is lagging at the moment. With increase in land prices and hefty construction costs, even primary housing investments have become a dream for many middle-income families. In this backdrop, apartments have become non-luxurious and serve as the only housing option for many middle-income households. In times like these, the proposal to introduce 15% VAT on apartment sales across all categories raises questions with regard to the reasoning behind this initiative while also contradicting the objective behind government's 'Shelter for All' housing programme. Further, vertical living must be encouraged to make maximum use of the limited land resources available in times of land becoming more and more scarce and expensive.

Moving on to the upcoming Colombo Port City, subject to the extension of adequate incentives, infrastructure, and security to the investment community, Sri Lanka is at the doorstep of FDI inflows to take advantage of the strategic location of the country. The resulting employment opportunities as well as expected immigration will have a spill over effect on the prices of existing properties in the Colombo Central Business District as observed in similar financial centre projects in other countries. However, the need would arise to upgrade the existing facilities like ours in order to remain competitive and stay on par with the level of quality and service offered within the Colombo International Financial Centre.

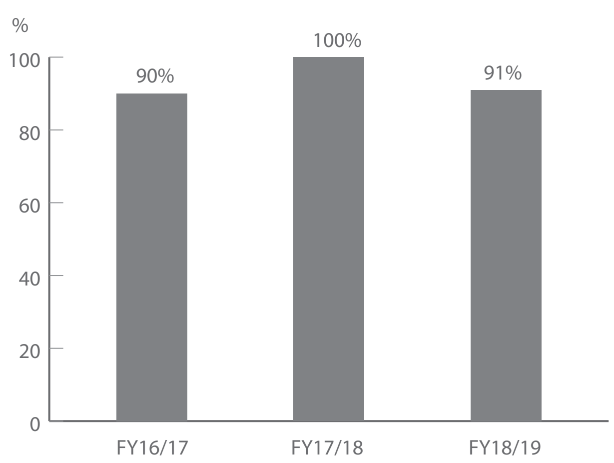
Sri Lanka is moving in the right direction with the emphasis placed on infrastructure developments. The estimated nearing completion of the Outer-Circular Highway, the Southern Expressway from Matara to Hambantota, and Phase 2 of the Central Expressway will play a major role in improving mobility of goods, cost efficiency as well as daily commuting capability, thus growing its intrinsic value to the business community. However, there are many other areas of the country such as fair and consistent application of policies, political stability, ease of doing business and investment, and maintaining law and order that still require attention if we are to attract both the global and local investment community.

The deeply saddening calamity on 21st April incident is bound to bring at least short-term uncertainty to the property market. However, we believe with strict enforcement of security measures by the government as well as private sector institutions will help re-build confidence and result in a rebound in industry activity levels.

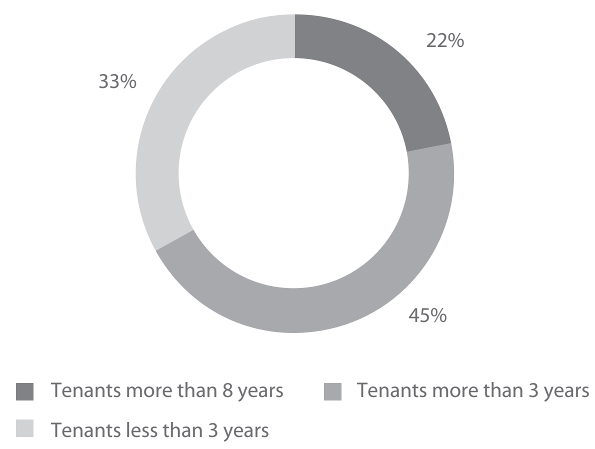
OUR BUSINESS

The 2018/19 financial year saw a drop in occupancy from 100% to 91%, mainly as a result of the vacancy at our properties during the latter part of the year.

OCCUPANCY



AGE ANALYSIS OF TENANTS



Business Review

Upward rent revisions in spite of this decrease in occupancy facilitated an overall revenue growth of 5.6% to reach Rs. 143.6 mn for the Company over the comparable financial year. Direct costs have increased by 33.4% over the previous year to Rs. 36.3 mn, mainly due to the YoY increase in staff related costs and the increase in repair and maintenance cost for up keep of the Company's investment properties.

The valuation exercise carried out during the financial year to align the investment properties with current market conditions as required by Accounting Standards witnessed a Rs. 155 mn appreciation in value. However, this year's gain is lower by 26.1% compared to the gain recorded for the previous year.

The Company's net finance income increased to Rs. 6.3 mn from previous year's Rs. 1.1 mn, mainly due to the receipt of interest on fixed deposit placements. The resultant Rs. 264.7 mn Profit Before Tax is a decrease of 16.4% over the comparable year. Eliminating the aforementioned fair value gain, the profit before tax increased by 2.5% YoY to Rs. 109.7 mn, primarily supported by the revenue growth, and increase in finance income.

The Inland Revenue Act No. 24 of 2017 which came into effect in the previous financial year raised the need to retrospective recognition of income tax at the applicable corporate tax rate for any potential gain on the sale of lands utilised for production of income. This led the Company to recognise a deferred tax of Rs. 156.7 mn for the year preceding. However, the additional charge for deferred tax for the current year is only Rs. 47.5 mn, a reduction of 69.7%. The resultant Profit After Tax was Rs. 190.1 mn, a 43.1% growth over the corresponding year's Rs. 132.8 mn.

A dividend per share of Rs. 1.50 was paid during the year, translating into a 56.3% payout from the Company profit excluding the fair value gain and its related deferred taxation.

FUTURE OUTLOOK

Due to the prevailing situation of the country, the access roads to our properties have once again been being barricaded for understandable security reasons. Supported by the anticipated improvement in the security situation in the country, our superior service and effective tenant relationship management, we believe will help us to reach full level occupancy in the near term for the now vacant spaces at our properties. Looking back, since Sri Lanka as a country has always emerged from the countless hard blows thrown at it, we believe it is possible to overcome the prevailing problems as well. Therefore, we plan to unlock the value of our properties by closely monitoring the environmental dynamics for timely investment, divestment, and restructuring decisions.

Carsons Management Services (Private) Limited
Managers

08th May 2019

Risk Management

Risk management is an integral component of businesses. This provides reasonable assurance through the process of identification and management of events, situations or circumstances that, even if risky events do occur, they would not adversely impact the achievement of business objectives. In other words, risk management practices will ensure minimum impact from any adverse events.

Enterprise Risk Management (ERM) provides a common process and terminology for all risk management activities. Its main focus is on fostering risk awareness and promoting proactive management of threats and opportunities.

In implementing the business plan, the Company has embodied enterprise risk management to its business activities. This risk management process supports;

- Corporate governance
- Quality of business planning
- Audit planning
- Project planning and implementation
- Building confidence of various stakeholder groups

Risk management also ensures that the relevant internal control systems are in place and provides assurance to the Management/Board of Directors that processes are robust and are working effectively.

Enterprise Risk Management Process

The Risk Management Governance Structure includes a reporting framework within the organisation to the Board of Directors, thereby allowing Directors to assume their supervisory responsibilities for better Corporate Governance.

We are of the view that Risk Management is one of the driving factors of operational sustainability and have identified the risk profiles as shown in the following pages. The principal risks thus identified are considered and reviewed at various stages within our business process continuously.

Key Responsibilities

Board of Directors	• Responsible for approval of the ERM framework • Set risk appetite thresholds • Approve Business Plans • Review Reports - Risk dash board and summary of risk register
Audit Committee	• Consider adequacy of risk management and the internal control framework • Review risk management reports/dash board/risk register • Review reports of internal and external auditors
Management Team	• Define and set risk appetite and consider new and emerging risks • Develop / monitor suitable action plans to mitigate/manage risks • Consider actions to improve risk management processes • Provide representation on compliances
Risk owners	• Responsible for day-to-day monitoring / supervision of risk and risk mitigation actions. • Required to evaluate status of risk and effectiveness of risk mitigation action plans.

Risk Management

Risk	Impact	Risk rating	Risk response / strategies
Business Risks	Unexpected disputes with contractors and tenants could affect the profitability of the business.	Moderate	We are extremely cautious when selecting contractors and consultants for our projects. We ensure that they are well experienced and reputed. We also evaluate their work in previous projects. By entering in to comprehensive and clear agreements, we ensure that communication gaps and disputes are minimised to a greater extent. We have entered in to comprehensive rent agreements with our tenants and have built strong relationships with our anchor tenants over the years.
	The properties owned by the company are situated within the high security zone in Colombo Fort. Although Janadhipathi Mawatha was opened as a thoroughfare, access to our buildings still remain restricted due to the guard fence.		We have seen a significant improvement in development activities in the surrounding area, along with relieved restrictions via Janadhipathi Mawatha. However, access restriction to the property via its main entrance from Janadhipathi Mawatha continue to be a significant concern to the Company.
	Changes to the laws relating to property development, income tax and capital gains tax could affect the profitability and viability of the business.		We maintain close and meaningful relationships with relevant government and local authorities and institutes lobby our concerns on rational grounds, if any.
Liquidity Risk	Inability to raise funds or effect payments when required.	Low	The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damages to the Company's reputation. The Company monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. If required the Company has an unused short-term financing facility amounting to Rs. 50 Mn from the Commercial bank.
Credit Risk	The credit risk of the Company is mainly arising from rent receivable from its tenants. The Company's objective is to seek continual revenue growth while minimizing losses incurred due to increased credit risk exposure.	Low	- This risk is mitigated to a greater extent as a result of the rent deposits collected from external tenants, which can be used to recover any unpaid rents. The Company also implements the following controls to mitigate this risk. - Continuous and regular evaluation of credit worthiness of tenants. - Ongoing monitoring and follow up of receivable balances.
Foreign Exchange risk	Foreign currency risk is the risk of volatility in foreign exchange rates.	Low	The Company has no direct impact from currency risks as income and expenses arising from its operations, assets and liabilities are denominated in Sri Lankan Rupees which is the functional currency of the Company. In the event of import of machinery, the Company will be exposed to foreign exchange risk. However, the impact of this will not be substantial as such exposures are short-term and if required short-term hedging mechanisms will be considered.

Risk	Impact	Risk rating	Risk response / strategies
Interest Rate Risk	Interest rate risk is the risk arising due to the volatility of interest rates in the markets, thus affecting future cash flows.	Low	Financial strength of the parent company, Carson Cumberbatch PLC, is used via group treasury in negotiating the rates, with financial institutions.
Human Resource Risk	Attracting, developing and retaining talented employees are essential to deliver the Company's objectives. Failure to determine the appropriate mix of skills required to implement the Company strategies and failure to retain or develop the right number of appropriately qualified staff could affect the achievement of the Company's objectives.	Low	The following initiatives have been implemented by the Company. - Ensure recruitments are carried out to hire employees with required qualifications, knowledge and experience. - Availability of detailed job descriptions and role profiles for each job. - Human resource policies are focused on encouraging continuous training & development and ensuring appropriate compensation as per market rates to retain and develop employees.
Systems and process risks	The risk of direct or indirect losses due to inadequate or failed internal processes and systems.	Low	Maintain detailed procedure manuals and provide training & guidelines for new recruits. The Internal Audit function of the Group carry out regular reviews on internal control systems and processes and recommends process improvements if shortcomings are noted.
Legal and Regulatory Compliance	Failure to comply with regulatory and legal framework applicable to the Company.	Low	- The management together with the Carsons group legal division proactively identify and set up appropriate systems and processes for legal and regulatory compliance in respect of Company's operations. - Arrange training programs and circulate updates for key employees on new / revised laws & regulations on a need basis. - Provide comments on draft laws to the relevant Regulatory Authorities. - Obtain comments and interpretations from external legal consultants on areas that require clarity. - Obtain compliance certificates from management on a quarterly basis on compliance with relevant laws and regulations.

Risks arising from unforeseen events such as natural disasters, riots, acts of terrorism & civil commotions are covered by obtaining appropriate insurance covers.

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

The Board of Directors of Equity Two PLC ("the Company") have pleasure in presenting to the Shareholders their Report together with the Audited Financial Statements for the year ended 31st March 2019. Equity Two PLC is a public quoted company with limited liability incorporated in Sri Lanka in 1990.

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 are guided by recommended best Accounting Practices.

The Annual Report was approved by the Board of Directors on 8th May 2019.

1. PRINCIPAL ACTIVITY OF THE COMPANY

The principal activity of the Company is letting of office space for commercial purposes.

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

2. BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Chairman's Statement and Business Review on pages 1 to 4 provide an overall assessment of the business performance of the Company and its future developments.

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

3. FINANCIAL STATEMENTS

The financial statements which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flow, Statement of Changes in Equity and Notes to the Financial Statements of the Company for the year ended 31st March 2019 are set out on pages 24 to 50. These financial statements comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

3.1. Revenue

The Company generated a revenue of Rs. 143.6 mn (2018 - Rs. 136 mn) for the year ended 31st March 2019. An analysis of the revenue for the period is given in note 11 to the financial statements.

3.2. Financial results and appropriations

An abridgement of the financial performance of the Company is presented in the following table.

For the year ended 31st March (In Sri Lankan Rupees thousands)	**2019**	**2018**
Profit for the year	190,055	132,848
Other comprehensive income / (expense) for the year	121	(81)
Total comprehensive income for the year	190,176	132,767
Retained earnings as at the beginning of the year	240,851	120,034
Retained earnings before appropriations	431,027	252,801
Forfeited dividends	-	57
Dividends paid	(46,500)	(69,750)
Transfer to fair value adjustment reserve	(107,577)	57,743
Retained earnings as at the end of the year	276,950	240,851

3.3. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are given on pages 28 to 36. During the year the Company adopted SLFRS 15, SLFRS 09 and the required disclosures are given in the Notes to the financial statements.

3.4. Investment properties

The Company has recognized the carrying value of investment properties in the Statement of Financial Position at 'fair value' in accordance with the Sri Lanka Accounting Standard (LKAS 40) - 'Investment Property'.

A professional valuation was performed as at 31st March 2019 by Mr. S. Sivaskantha, F.I.V. (Sri Lanka), of Perera Sivaskantha and Company, Incorporated valuers, based on which a net fair value gain on investment properties was recognized in the financial statements of the company, during the year, to the value of Rs. 155 mn (2018 - Rs. 209.7 mn).

As at 31st March 2019, the carrying value of the investment properties of the Company stood at Rs. 1,511.5 mn (2018 - Rs.1,355.5 mn).

Details of Investment Properties are given in note 17 to the financial statements

3.5. Capital expenditure

The details of capital expenditure of the Company are as follows;

For the year ended 31st March (In Sri Lankan Rupees thousands)	2019	2018
Investment properties	1,039	334

3.6. Reserves

As at 31st March 2019, the total reserves of the Company stood at Rs. 762.9 mn (2018 - Rs. 619.2 mn)

The movements and details are set out in the Statement of Changes in Equity and in note 22 to the financial statements.

4. 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. 07 of 2007 and 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.

The financial statements comprise of *inter alia:*

- a Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year:
- a Statement of Profit or Loss and Other Comprehensive Income of the Company, which presents a true and fair view of the Profit and Loss and Other Comprehensive Income of the Company for the financial year.

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

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

The Directors are responsible for ensuring that the Company 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 Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, and meet with the requirements of the Companies Act, No. 07 of 2007.

They are also responsible for taking reasonable measures to safeguard the assets of the Company and 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 in the foreseeable future from the date of approving these financial statements. The Directors are also of the view that they have discharged their responsibilities as set out in this statement.

The Directors confirm that to the best of their knowledge,

- all taxes, duties and levies payable to the statutory bodies,
- all contributions, levies and taxes payable on behalf of and in respect of the employees, and,
- all other known statutory dues as were due and payable,

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

5. INTERESTS REGISTER

The Company maintains the Interests Register conforming to the provisions of the Companies Act, No.07 of 2007. All Directors have made declarations as provided for in Section 192(2) of the Companies Act aforesaid.

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

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

5.1. Remuneration of Directors

Directors' remuneration, for the financial year ended 31st March 2019 is given in note 13 to the financial statements, on page 37.

5.2. Directors' Interest in Contracts and Shares

Directors' interests in contracts of the Company are disclosed in note 31 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 the ordinary shares of the Company as shown in the table below.

Directors	No. of shares as at	
	31st March 2019	31st March 2018
Mr. D. C. R. Gunawardena (Chairman)	-	-
Mr. K. C. N. Fernando	3,600	3,600
Mr. A. P. Weeratunge	-	-
Mr. E. H. Wijenaike	-	-
Mr. P. D. D. Fernando	-	-

6. DIRECTORS

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

6.1. Director 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.

6.2. Appointment of Directors who are over 70 years of age

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

7. CORPORATE GOVERNANCE

The Board has ensured that the Company has complied with the Corporate Governance Rules as per the Listing Rules of the Colombo Stock Exchange (CSE).

7.1. Board of Directors

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

Directors	Executive / Non-Executive / Independent
Mr. D. C. R. Gunawardena (Chairman)	Non-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

Each of the Non-Executive Directors of the Company have submitted a signed declaration on Independence/ Non-Independence as per Rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange (CSE). The said declarations were tabled at a Board Meeting of the Board of Directors of the Company held on 08th May 2019, in order to enable the Board of Directors to determine the Independence/ Non-Independence of each of the Non-Executive Directors, in terms of Rule 7.10.3(a) of the Listing Rules of the CSE.

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

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

7.2. Directors' Meetings Attendance

During the financial year the Board of Directors had three (03) Board Meetings and the attendance of the Directors were as follows;

Directors	Meetings Attended (Out of three)
Mr. D. C. R. Gunawardena (Chairman)	3/3
Mr. K. C. N. Fernando	2/3
Mr. A. P. Weeratunge	3/3
Mr. E. H. Wijenaike	2/3
Mr. P. D. D. Fernando	3/3

7.3 Board Evaluation

The 'Board Evaluation Form' of the Company focusses on the following areas;

- Core Board Responsibilities
- Board Meetings
- Committee Meetings (any/ all sub-committees)
- Relationship with Management
- Individual self-assessment
- Stakeholder and Shareholder communication/ relationship
- Suggestions/ comments

The comments made by the Directors in the Board Evaluation Form are collated by the Nomination Committee of the Company and the results and proposed actions are reported to the Board of Directors. The suggestions and recommendations made by the Directors are being reviewed and implemented by the Company.

7.4. Audit Committee

The Parent Company of the Company is Equity One Limited (EQIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of EQIT. As per the Rule 7.10.6 of the Listing Rules of the Colombo Stock Exchange, the Audit Committee of CCPLC functions as the Audit Committee of the Company.

Composition

Audit Committee Members	Executive / Non-Executive/ Independent
Mr. V. P. Malalasekera (Chairman)	Non-Executive/ Independent Director of CCPLC
Mr. F. Mohideen	Non-Executive/ Independent Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC
Mr. A. S. Amaratunga *	Non-Executive/ Independent Director of CCPLC

*Appointed w.e.f. 15th January 2019.

The Audit Committee Report is given on pages 19 to 20 of this Annual Report.

7.5. Remuneration Committee

The Parent Company of the Company is Equity One Limited (EQIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of EQIT. As per the Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange, the Remuneration Committee of CCPLC functions as the Remuneration Committee of the Company.

Composition

Remuneration Committee Members	Executive / Non-Executive/ Independent
Mr. T. de Zoysa (Chairman)	Non-Executive / Independent Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive of CCPLC
Mr. R. Theagarajah	Non-Executive/ Independent Director of CCPLC
Mr. W.M.R.S. Dias	Non-Executive/ Independent Director of CCPLC

Scope and Objective

The primary objective of the Remuneration Committee is to lead to establish a formal and transparent procedure for the development of a remuneration policy and the establishment of a remuneration structure.

A remuneration policy has been formulated based on market and industry factors and individual performance for all group Companies.

Functions and Proceedings

The Remuneration Committee recommends to the Board the remuneration to be paid to Executive Directors and Non-Executive Directors. Based on the recommendation of the Remuneration Committee, the Board approves remuneration to the respective Directors.

Other members of senior management may be invited to attend meetings to discuss the performance of the Executive Directors and make proposals as necessary. Neither, Executive or Non- Executive Directors are involved in Remuneration Committee meetings when determinations are made in relation to the remuneration of the respective Directors.

The Committee is authorised by the Board to seek appropriate professional advice internally and externally as and when it considers this necessary.

The Remuneration Committee meets at least twice a year.

During the period under review the Committee had two (02) meetings

Remuneration Committee Members	Meetings Attended (Out of two)
Mr. T. de Zoysa (Chairman)	-
Mr. D.C.R. Gunawardena	2/2
Mr. R. Theagarajah	2/2
Mr. W.M.R.S. Dias	2/2

Reporting and Responsibilities

The Committee Chairman reports to the Board on its proceedings on all matters within its duties and responsibilities. The Committee makes recommendations to the Board as deemed appropriate on any area within its limit where action or improvements are needed.

Aggregated remuneration paid to the Non-Executive Directors of the Company are disclosed under note 13 on page 37 of the Annual Report. Executive Directors are not compensated for their role on the Board.

7.6 Nomination Committee

The Parent Company of the Company is Equity One Limited (EQIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of EQIT. The Nomination Committee of CCPLC functions as the Nomination Committee of the Company.

Composition

Nomination Committee Members	Executive / Non-Executive/ Independent
Mr. T. de Zoysa (Chairman)	Non-Executive/ Independent Director of CCPLC
Mr. R. Theagarajah	Non-Executive/ Independent Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC
Mr. W.M.R.S. Dias	Non-Executive/ Independent Director of CCPLC

Scope and Objective

The primary objective of the Nomination Committee is to lead the process for Board appointments of new Directors within group companies and the nominations of members to represent the Company in group companies/ investee companies.

Functions and Proceedings

The Nomination Committee recommends new appointments to the Board. Based on the recommendation of the Nomination Committee, the Board approves the new appointments of Executive and Non-Executive Directors to the Board.

Any Director of the Board and other members of senior management may be invited to attend Meetings of the Nomination Committee. The Committee may also invite appointed external consultants to aid the Committee in the discharge of its duties.

The Committee is authorized by the Board to seek appropriate professional advice internally and externally as and when considered necessary.

The Nomination Committee meets at least twice a year.

During the period the Committee had three (03) meetings.

Nomination Committee Members	Meetings Attended (Out of three)
Mr. T. de Zoysa (Chairman)	-
Mr. R. Theagarajah	3/3
Mr. D. C. R. Gunawardena	3/3
Mr. W.M.R.S. Dias	3/3

7.7 Related Party Transactions Review Committee

The Parent Company of the Company is Equity One Limited (EQIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of EQIT. As per the Rule 9.2.3 of the Listing Rules of the Colombo Stock Exchange, the Related Party Transactions Review Committee of CCPLC functions as the Related Party Transactions Review Committee of the Company.

Composition

Related Party Transactions Review Committee Members	Executive / Non-Executive/ Independent
Mr. V. P. Malalasekera (Chairman)	Non-Executive/ Independent Director of CCPLC
Mr. F. Mohideen	Non-Executive/ Independent Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC
Mr. H. Selvanathan	Executive Director of CCPLC
Mr. M. Selvanathan	Executive Director of CCPLC
Mr. S. K. Shah	Executive Director of CCPLC

The Related Party Transactions Review Committee Report is given on page 18 of this Annual Report.

Declaration

The Directors have made self-declarations for the purpose of identifying parties related to them. The said declarations were noted at Related Party Transactions Review Committee Meetings.

The Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions, during the financial year.

Related Party Transactions Exceeding 10% of the Equity or 5% of the Total Assets of the Company

The Directors declare in terms of the requirements of the Listing Rules of the Colombo Stock Exchange that the transactions carried out by the Company with its Related Parties during the year ended 31st March 2019, did not exceed 10% of Equity or 5% of the Total Assets of the Company as at 31st March 2019.

The details of the Related Party Transactions are given in note 31 on pages 49 to 50 of the Financial Statements.

1. Non-Recurrent Related Party Transactions.

There were no Non-Recurrent Related Party Transactions entered in to by the Company, where the aggregate value of the Non-Recurrent Related Party Transactions exceeds 10% of the Shareholders' equity or 5% of the total assets, whichever is lower, of the Company as at 31st March 2019.

2. Recurrent Related Party Transactions

Information pertaining to Recurrent Related Party Transactions where the aggregate value of the Recurrent Related Party Transactions that exceeded 10% of the Gross Revenue / Income of the Company, as per the Audited Financial Statements are disclosed below;

Description	Comment
Name of the Related Party	Carsons Management Services (Private) Limited
Relationship	Fellow subsidiary
Nature of the Transaction	Rental income
Aggregate value of Related Party Transactions entered in to during the financial year	Rs. 16,339,680/-
Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	11.3%
Terms and Conditions of the Related Party Transactions	Based on the rental agreement entered in to between the companies

8. 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 components of the internal control system would be based on the weight of the elements of risk imposed on the sustenance of the business by the respective area of operation. Whilst a strong internal control system would mitigate the crystallization of risk elements to a greater extent, employment of external support structures would also be necessary based on the risk assessments made thereon.

Effective maintenance of internal controls and risk indication 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 grading of the risk involved, will be monitoring and providing feedback to the Management and the Audit Committee. Regular submission of compliance and internal solvency certificates vouched by the Heads of the respective divisions as a mandatory agenda item keeps the Directors abreast of the position of the Company's resource base and governance requirements.

This allows the Board to have total control of the fulfillment of governance requirements by providing opportunity to take timely preventive action in case of potential deterioration of status quo. A comprehensive description of the risk management strategies of the Company are given on pages 5 to 7 in the Annual Report.

9. INDEPENDENT AUDITORS

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

A sum of Rs. 200,000/- (2018 - Rs. 185,000/-) was paid to them by the Company as audit fees for the year ended 31st March 2019. Fees paid to Auditors on audit related services are given in note 13 to the financial statements.

The retiring Auditors have expressed their willingness to continue in office. A resolution to re-appoint them as Independent 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 their relationship with the Company, including the level of audit and non-audit fees paid to the Auditors.

9.1. Auditors' relationship or any interest with the Company

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

10. INDEPENDENT AUDITORS' REPORT

The Independent Auditors' Report on the financial statements is given on pages 22 to 23 of the Annual Report.

11. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no significant events during the year.

12. 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 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 2019 was 05 (2018 - 06).

13. **EQUITABLE TREATMENT TO SHAREHOLDERS**

The Company endeavors at all times to ensure equitable treatment to all Shareholders.

14. **ENVIRONMENT PROTECTION**

The Company is sensitive to the needs of the environment and makes every endeavor 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.

15. **DIVIDEND**

The Company paid a First Interim Dividend of Rs. 1.50 per ordinary share for the year ended 31st March 2019 amounting to Rs. 46,500,000/- on 26th March 2019. The details of the dividend is set out in note 29 to the Financial Statements.

16. **SOLVENCY TEST**

Taking into account the said distribution, the Directors were 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, KPMG, Chartered Accountants have issued a Certificate of Solvency for the Dividend mentioned above, confirming same.

17. **STATED CAPITAL**

The Stated Capital of the Company as at 31st March 2019 was Rs. 444.1 mn consisting of 31,000,000 ordinary shares. There was no change in the Stated Capital of the Company during the year.

18. **STATUTORY PAYMENTS**

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

19. **GOING CONCERN**

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, these financial statements are prepared based on the 'Going Concern' concept.

20. **EVENTS AFTER THE REPORTING DATE**

Subsequent to the reporting date, no circumstances have arisen, which would require adjustments to or disclosures in the financial statements, other than those disclosed in note 32 to the financial statements, if any.

21. **CONTINGENT LIABILITIES AND CAPITAL COMMITMENT**

The contingent liabilities and commitments made on account of capital expenditure as at 31st March 2019 are given in note 28 to the financial statements, if any.

22. **CORPORATE DONATIONS**

There were no donations made during the year ended 31st March 2019 (2018 - Nil).

23. **OUTSTANDING LITIGATION**

There were no outstanding litigations as at the reporting date.

24. TWENTY MAJOR SHAREHOLDERS

The Parent Company, Equity One Limited holds 88.81% of the total ordinary shares in issue of the Company.

	Name of the Shareholders	31/03/2019		31/03/2018	
		No. of Shares	%	No. of Shares	%
1	Equity One Limited A/C No.1	27,532,525	88.81	27,532,525	88.81
2	Bank of Ceylon A/C Ceybank Unit Trust	2,275,602	7.34	2,267,605	7.31
3	Mr. K.C. Vignarajah	100,057	0.32	100,037	0.32
4	Mrs. C.A.D.S. Woodward	61,100	0.20	61,100	0.20
5	TRANZ DOMINION,L.L.C.	55,480	0.18	55,480	0.18
6	Miss. V.K. Ramanayake	50,000	0.16	50,000	0.16
7	Mrs. C.L. Ramanayake	50,000	0.16	39,818	0.13
8	Mr. L.L. Hettiarachchi	33,804	0.11	33,804	0.11
9	Mr. I. Paulraj	32,128	0.10	33,450	0.11
10	People's Leasing & Finance PLC/Hi Line Trading (Pvt) Ltd	25,337	0.08	25,337	0.08
11	Miss C.M. Wickramasekera	25,300	0.08	25,300	0.08
12	Union Investments Private Ltd	25,200	0.08	25,200	0.08
13	Mr. A.A. Noordeen	23,496	0.08	23,900	0.08
14	People's Leasing & Finance PLC/Dr. H. S. D. Soysa & Mrs. G. Soysa	19,000	0.06	19,000	0.06
15	Mrs. S. Vignarajah	18,307	0.06	18,278	0.06
16	Seylan Bank PLC/Mr.S.N.C.W.M.B.C. Kandegedara	16,200	0.05	16,200	0.05
17	Mr. J.B. Hirdaramani	16,000	0.05	16,000	0.05
18	Mrs. J. Aloysius	15,900	0.05	15,900	0.05
19	Mrs. H.I.P. Fernando	15,000	0.05	15,000	0.05
20	Mr. P.K. Jinadasa	12,200	0.04	12,200	0.04

25. SHARE INFORMATION

The details relating to earnings, net assets, market value per share and information on share trading are given on pages 53 and 54 of this Annual Report.

26. ANNUAL REPORT

The information provided herein is in pursuance of the requirements of the Companies Act, No.07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Board of Directors have approved the Financial Statements of the Company together with the Reviews which form part of the Annual Report, on 8th May 2019. The appropriate number of copies of the Annual Report will be submitted to the Colombo Stock Exchange, the Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies, within applicable time frames.

27. ANNUAL GENERAL MEETING

The 29th Annual General Meeting of the Company will be held on Friday, 14th June 2019 at 2.30 p.m. at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 07, Sri Lanka.

The Notice of the Annual General Meeting, setting out the business which will be transacted thereat is on page 55 of the Annual Report.

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

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

(Sgd.)
K. D. De Silva (Mrs)
Director

Carsons Management Services (Private) Limited
Secretaries

Colombo
8th May 2019

Profiles of the Directors

CHANDIMA GUNAWARDENA

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

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

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

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

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

NALAKE FERNANDO

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

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

AJITH WEERATUNGE

Ajith Weeratunge is a Director of the Carson Cumberbatch Group's Management Company, Carsons Management Services (Private) Limited.

He is also a Director of the Group's Real Estate Sector Equity One Limited and Equity Two PLC and the Group's Investment Holding Sector-Ceylon Investment PLC, Rubber Investment Trust Limited and Guardian Fund Management Limited and the Leisure Sector-Equity Hotels Limited. He was recently appointed as a Director of the Group's plantation sector holding company, Goodhope Asia Holdings Ltd. He is also the nominee Director at Ceybank Asset Management Limited. He carries more than 35 years of finance related experience in several leading companies in the mercantile sector.

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

ERANJITH WIJENAIKE

Eranjith Wijenaike is a Director of Equity Two PLC; Equity One Limited and Managing Director of Central Finance Company PLC. He is also a Director of Tea Smallholder Factories PLC, Trans Asia Hotels PLC, Central Industries PLC and served as a founder Director of Nations Trust Bank PLC. He 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 Limited; Equity Two PLC and the Managing Director of Fernando Rajapakse Associates (Private) Limited - Consulting Engineers and Project Managers and Director, Saramanda Lanka (Guarantee) Limited.

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

Report of the Related Party Transactions Review Committee

The Parent Company of Equity Two PLC is Equity One Limited (EQIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of EQIT. As provided by the Colombo Stock Exchange Listing Rules, the Related Party Transactions Review Committee (RPTRC) of CCPLC functions as the RPTRC of the Company.

Composition of the Committee

The Members of the RPTRC are as follows :

1. Mr.V. P. Malalasekera (Chairman)
   - Non-Executive/Independent, Director of CCPLC
2. Mr. F. Mohideen
   - Non-Executive/Independent Director of CCPLC
3. Mr. D. C. R. Gunawardena
   - Non-Executive Director of CCPLC
4. Mr. H. Selvanathan
   - Executive Director of CCPLC
5. Mr. M. Selvanathan
   - Executive Director of CCPLC
6. Mr. S. K. Shah
   - Executive Director of CCPLC

Meetings of the Related Party Transactions Review Committee

CCPLC-RPTRC held Four (04) Meetings during the financial year to discuss matters relating to the Company and where necessary the approval of the Members were also sought via circulation of papers.

The attendance of the Members of the Committee were as follows:

Meetings attended (out of four)	
Mr.V.P. Malalasekera	4/4
Mr.F. Mohideen	4/4
Mr.D.C.R. Gunawardena	4/4
Mr.H. Selvanathan	3/4
Mr.M. Selvanathan	3/4
Mr.S.K. Shah	3/4

Purpose of the Committee

The objective of the RPTRC is to review all Related Party Transactions (RPTs) of the Listed Companies of the Carsons Group, other than those exempted by the 'Related Party Transactions Compliance Code' (RPT Code), prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

Policies and procedures

- The RPTRC reviews the relevant Related Party Transactions of the Listed Companies of the Carsons Group and where the Committee decides that the approval of the Board of Directors of the respective Companies are necessary to approve a Related Party Transaction, such Board approval is obtained prior to entering into the relevant Related Party Transaction.
- When reviewing a transaction, the RPTRC would decide whether the proposed transaction is carried out on an arm's length basis irrespective of whether it is recurrent or non-recurrent in nature.
- Reviewing and approval would be either by meeting of members (subject to quorum being present) or by circulation.
- In determining whether to obtain the approval of the Board of Directors for a Related Party Transaction, the RPTRC will take into account, among other factors it deems appropriate, whether the proposed RPTs pose a conflict of interest to the Directors

The self-declarations from the Directors and Key Management Personnel are obtained for the purpose of identifying parties related to them. Further, the guidelines which senior management must follow in routing Related Party Transactions to the relevant forum, including transaction threshold values and pricing where applicable, have been documented even in the case of once approved recurrent transactions which are of operational nature, which as per the RPT Code need not be repeatedly approved if within the broad thresholds.

The RPTRC in discharging its function endeavours to ensure that :

- there is compliance with the Code;
- shareholder interests are protected; and
- fairness and transparency are maintained

The Committee has a criteria for designating Carsons Group Key Management Personnel (KMP) and quarterly disclosures are made by KMPs so designated, as relevant.

The Related Party Transactions of the Company for the period 1st April 2018 to 31st March 2019 have been reviewed by the Members of the RPTRC and the comments and observations of the Committee have been communicated to the Board of Directors of the Company.

(Sgd.)
V.P. Malalasekera
Chairman – Related Party Transactions Review Committee
Carson Cumberbatch PLC

Colombo
8th May 2019

Audit Committee Report

The Parent Company of Equity Two PLC is Equity One Limited (EQIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of EQIT. As provided by the Colombo Stock Exchange Listing Rules, the Audit Committee of CCPLC functions as the Audit Committee of the Company.

During the year Mr.A.S. Amaratunga, a Non-Executive/ Independent Director of CCPLC was appointed to the Audit Committee and the Committee consists of the following Members :

Audit Committee Members	Executive/ Non-Executive/ Independent
Mr.V.P. Malalasekera	Non-Executive/ Independent (CCPLC)
Mr.D.C.R. Gunawardena	Non-Executive (CCPLC)
Mr.F. Mohideen	Non-Executive/ Independent (CCPLC)
Mr.A.S. Amaratunga (appointed w.e.f. 15th January 2019)	Non-Executive/ Independent (CCPLC)

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

Mr.Chandima Gunawardena is a Non-Executive Director of CCPLC and in most of its Group Companies. He is a Fellow of the Chartered Institute of Management Accountants, U.K.

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

Mr.Saktha Amaratunga, a Non-Executive, Independent Director of CCPLC, is also a Director of Hemas Holdings PLC, Chairman of Hemas Holdings PLC-Audit Committee and a Commissioner of PT Agro Indomas, Indonesia, a subsidiary of Carson Cumberbatch Group.

The purpose of the Audit Committee of CCPLC 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 Company's process for monitoring compliance with laws and regulations, Company policies and procedures and the code of conduct.

To ensure that the internal audit activity is well managed, so that it adds value to the organization by being objective in providing relevant assurance, contributing to the effectiveness and efficiency of governance, risk management and control processes.

The audit aspects of Equity Two PLC are conducted within the Agenda of CCPLC-Audit Committee.

CCPLC-Audit Committee held five (05) Meetings during the financial year to discuss matters relating to the Company and the attendance of the Members of the Audit Committee were as follows :

Meetings attended (out of five)	
Mr.V.P. Malalasekera (Chairman)	5/5
Mr.D.C.R. Gunawardena	4/5
Mr.F. Mohideen	4/5
Mr.A.S. Amaratunga (appointed w.e.f. 15th January 2019)	2/5

Director-Finance, Carsons Management Services (Private) Limited-Managers, internal auditors and senior management staff members of the Property Sector also attended the Audit Committee Meetings by invitation.

The Audit Committee met the External Auditors, Messrs. KPMG, twice during the year to discuss the audit scope and to deliberate the draft Financial Report and Accounts. The Committee also discussed the draft Financial Report and Accounts, with the External Auditors, without the management being present to foster an unbiased, independent dialogue.

The Audit Committee approved the audit plan for the financial year 2018/2019 and the Group Internal Audit (GIA) carried out audits on the Property Sector companies based on the plan.

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

Audit Committee Report

The interim financial statements of Equity Two PLC have been reviewed by the Audit Committee Members at Audit Committee Meetings, prior to release of same to the Regulatory Authorities and to the shareholders.

Resulting from the introduction of the new audit report requirements last year, the Audit Committee continued the process to discuss the areas which are identified as Key Audit Matters by Messrs. KPMG for reporting in the audit report, at the audit planning and completion stages.

The draft financial statements of Equity Two PLC for the year ended 31st March 2019 were reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs. KPMG, 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, Chartered Accountants, Auditors were independent on the basis that they did not carry out any management related functions of the Company.

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors for the financial year ending 31st March 2020, subject to the approval of the shareholders of Equity Two PLC at the Annual General Meeting.

(Sgd.)
V.P. Malalasekera
Chairman – Audit Committee
Carson Cumberbatch PLC

Colombo
8th May 2019

Financial Calendar

Financial year end	31st March 2019
29th Annual General Meeting	**14th June 2019**

Announcement of Results

Interim financial statements published in terms of the Listing Rules of the Colombo Stock Exchange

1st Quarter ended 30th June 2018	14th August 2018
2nd Quarter ended 30th September 2018	14th November 2018
3rd Quarter ended 31st December 2018	14th February 2019

Independent Auditor's Report

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

Tel : +94 - 11 542 6426
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Internet : www.kpmg.com/lk

To the Shareholders of Equity Two PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Equity Two PLC ("the Company"), which comprise the statement of financial position as at March 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 24 to 50 of this annual report.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Investment Property Valuation

As described in Note 3c (accounting policies) and Note 17 (Investment properties), the fair value of investment properties amounted to Rs. 1,511Mn as at 31 March 2019.

These investment properties are stated at fair value, based on valuations by a professional external valuer engaged by the entity.

Valuation of investment properties is considered a significant audit risk due to the materiality of the carrying amount (90% of total assets) and the subjective nature of property valuations using level 3 assumptions which depend on the nature of property, its location and expected future net rental values, market yields, capitalization rates and comparable market transactions. A change in the key assumptions will have a significant impact to the valuation.

Our audit procedures included;

- Assessing the objectivity, independence, competence and qualification of the external valuer.
- Assessing the appropriateness of the valuation techniques used by the external valuer, taking into account the profile of the investment properties
- Discussions with management and the external valuer and compare the key assumptions used against externally published market comparables or industry data where available and challenging the reasonableness of key assumptions based on our knowledge of the business and industry and internal benchmarks.
- Compare with the alternative valuation method in order to determine the highest and best use of the property.
- Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1798.

KPMG

Chartered Accountants
Colombo, Sri Lanka

08 May 2019

Statement of Profit or Loss and Other Comprehensive Income

(All figures are in Sri Lankan Rupees thousands)

For the year ended 31st March	Note	2019	2018
Revenue	11	143,637	135,969
Direct cost		(36,258)	(27,180)
		107,379	108,789
Other income	12	3,714	5,004
Net gains arising from changes in fair value of investment properties	17	154,969	209,690
		266,062	323,483
Administrative and other operating expenses		(7,622)	(7,755)
Results from operating activities	13	258,440	315,728
Finance income	14.1	10,096	4,611
Finance costs	14.2	(3,821)	(3,540)
Net finance income	14	6,275	1,071
Profit before taxation		264,715	316,799
Income tax expense	15.1	(27,158)	(27,207)
Deferred taxation	15.2	(47,502)	(156,744)
Profit for the year		190,055	132,848
Other comprehensive income			
Actuarial gain / (loss) from valuation of employee benefits	25.2	168	(112)
Related tax		(47)	31
Total other comprehensive income / (expense) for the year		121	(81)
Total comprehensive income for the year		190,176	132,767
Earnings per share (Rs.)	16	6.13	4.29

The notes from pages 28 to 50 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Financial Position

(All figures are in Sri Lankan Rupees thousands)

As at 31st March	Note	2019	2018
ASSETS			
Non-current assets			
Investment properties	17	1,511,498	1,355,490
Total non-current assets		1,511,498	1,355,490
Current assets			
Trade and other receivables	18	11,869	13,743
Fair value through profit or loss financial assets	19	3,395	25,946
Investment in fixed deposits		125,687	-
Current tax assets		8,085	-
Cash and cash equivalents	20	20,558	13,382
Total current assets		169,594	53,071
Total assets		1,681,092	1,408,561
EQUITY AND LIABILITIES			
Equity			
Stated capital	21	444,092	444,092
Capital reserves	22.1	750	750
Revenue reserves	22.2	762,129	618,453
Total equity		1,206,971	1,063,295
Non-current liabilities			
Refundable rental deposits	23	34,289	44,199
Deferred tax liability	24	314,982	267,433
Employee benefits	25	1,156	1,719
Total non-current liabilities		350,427	313,351
Current liabilities			
Trade and other payables	26	110,505	9,924
Deferred revenue	27	13,189	3,387
Current tax liabilities		-	18,604
Total current liabilities		123,694	31,915
Total liabilities		474,121	345,266
Total equity and liabilities		1,681,092	1,408,561
Net assets per share (Rs.)		38.93	34.30

The notes from pages 28 to 50 form an integral part of these financial statements.
I certify that these financial statements are in compliance with the requirements of the Companies Act No. 7 of 2007.

(Sgd.)
V. R. Wijesinghe
Director - Finance
Carsons Management Services (Private) Limited.

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board on 08th May 2019.

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.
08th May 2019

Statement of Changes in Equity

(All figures are in Sri Lankan Rupees thousands)

	Stated capital	Capital reserve	Revenue reserves		Total equity
		Machinery replacement reserve	Fair value adjustment reserve	Retained earnings	
Balance as at 1st April 2017	444,092	750	435,345	120,034	1,000,221
Profit for the year	-	-	(57,743)	190,591	132,848
Other comprehensive expense for the year	-	-	-	(81)	(81)
Total comprehensive income/(expense) for the year	-	-	(57,743)	190,510	132,767
Forfeited dividends	-	-	-	57	57
First interim dividend 2017/18	-	-	-	(69,750)	(69,750)
Balance as at 31st March 2018	444,092	750	377,602	240,851	1,063,295
Balance as at 1st April 2018	444,092	750	377,602	240,851	1,063,295
Profit for the year	-	-	107,577	82,478	190,055
Other comprehensive income for the year	-	-	-	121	121
Total comprehensive income for the year	-	-	107,577	82,599	190,176
First interim dividend 2018/19	-	-	-	(46,500)	(46,500)
Balance as at 31st March 2019	444,092	750	485,179	276,950	1,206,971

The notes from pages 28 to 50 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Cash Flows

(All figures are in Sri Lankan Rupees thousands)

For the year ended 31st March	Note	2019	2018
Cash flows from operating activities			
Profit before taxation		264,715	316,799
Adjustments for:			
Finance costs	14	3,821	3,540
Finance income	14	(10,096)	(4,611)
Net gain arising from changes in fair value of investment properties	17	(154,969)	(209,690)
Provision for employee benefits	25.1	283	274
Amortization of deferred revenue	27	(3,950)	(3,329)
Operating profit before working capital changes		99,804	102,983
(Increase) / decrease in trade and other receivables		1,874	6,092
Increase / (decrease) in trade and other payables		97,635	3,985
Operating profit after working capital changes		199,313	113,060
Rental deposits received	23	4,696	4,210
Rental deposits refunded	23	(4,675)	-
Employee benefits paid	25	(678)	-
Income tax paid		(53,847)	(18,445)
Net cash generated from / (used in) operating activities		144,809	98,825
Cash flows from investing activities			
Additions to investment properties	17	(1,039)	(334)
Disposal of / (investment in) fair value through profit or loss financial assets		22,551	(25,946)
Investments in fixed deposits		(125,687)	-
Interest received		10,096	4,611
Net cash generated from / (used in) investing activities		(94,079)	(21,669)
Cash flows from financing activities			
Dividend paid		(43,554)	(69,665)
Net cash generated from / (used in) financing activities		(43,554)	(69,665)
Net Increase / (decrease) in cash and cash equivalents		7,176	7,491
Cash and cash equivalents at the beginning of the year		13,382	5,891
Cash and cash equivalents at the end of the year (note 20)		20,558	13,382

The notes from pages 28 to 50 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

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 the 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 05 (2018 – 06) employees at the reporting date.

2. BASIS OF PREPARATION

a) Statement of compliance

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

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

These financial statements were authorized for issue by the Board of Directors on 08th May 2019.

b) Basis of measurement

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

- Investment properties are measured at fair value;
- Defined benefit obligations are measured at its present value, based on an actuarial valuation as explained in note 25.

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

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

- **Determination of owner-occupied properties and investment properties**

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

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

- **Defined benefit plans**

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

e) Measurement of fair values

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

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

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

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

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

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

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

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

f) Materiality and aggregation

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

Change in significant accounting policies

The Company has initially applied SLFRS 15 and SLFRS 09 from 01 April 2018.

i) SLFRS 15 Revenue from Contracts with customers

SLFRS 15 establishes a comprehensive framework for determining how much and when revenue is recognized. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

SLFRS 15 does not have a material impact the Company as the current accounting practice does not differ significantly from SLFRS 15. Therefore there was no adjustment to Retained earnings on the transition as at 1 April 2018.

ii) SLFRS 09 Financial Instruments

SLFRS 09 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 Financial Instruments: Recognition and measurement.

The Company has adopted SLFRS 09 with no revision for prior periods, as permitted by the standard.

As a result of the adoption of SLFRS 09, the Company has adopted consequential amendments to SLFRS 07 Financial Instruments: Disclosures that are applied to disclosures about 2018/19 but have not been generally applied to comparative information.

Classification and Measurement of Financial Assets and Financial Liabilities

SLFRS 09 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value Through to Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL). The classification of financial assets under SLFRS 09 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 09 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale.

Trade and other receivable, and cash and cash equivalents which were earlier classified as loans and receivable under LKAS 39, are classified as amortised cost under SLFRS 09 and unit trust investments continue to be classified as FVTPL under SLFRS 09

SLFRS 09 – "Financial Instruments" retains the existing requirement in LKAS 39 – "Financial Instruments: Recognition and Measurement" for the classification of financial liabilities. Accordingly there is no significant effect on the Company's accounting policies for classification of financial liabilities.

Impairment of Financial Assets

SLFRS 09 – "Financial Instruments" replaces the "Incurred Loss" model in LKAS 39 – "Financial Instruments Recognition and Measurement" with a forward looking "Expected Credit Loss" (ECL) model. The new model applies to financial assets that are not measured at FVTPL. ECL does not apply to equity investments and need to be measured at fair value.

For assets in the scope of the SLFRS 09 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of SLFRS 09's impairment requirements at 01 April 2018 results in no provision due to the nature of the business.

a) Foreign currency

i) Foreign currency transactions

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

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

Foreign currency differences arising on retranslation are generally recognised in Profit or Loss.

b) Financial instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets – Policy applicable from 1 April 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

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

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

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

The Company's financial assets classified under amortised cost includes trade and other receivable, investment in fixed deposits and cash and cash equivalents.

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

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

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

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

Investment in unit trust is classified as FVTPL

Financial assets – Business model assessment: Policy applicable from 1 April 2018

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Company's management;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectation about future sales activity.

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

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

Financial Assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 April 2018

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

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

- Contingent events that would change the amount or timing of cash flows;

- Terms that may adjust the contractual coupon rate, including variable-rate features;

- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets – subsequent measurement and gains and losses: policy applicable from 1 April 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets – Policy applicable prior 1 April 2018

i) Non-derivative financial assets

The Company holds financial assets that are categorized in to the 'loans and receivables' and Fair value through Profit or loss classification.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Fair value through Profit or loss

A financial asset is classified as a fair value through profit or loss. If it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein including any interest or dividend income, are recognized in profit or loss.

Fair value thorough profit or loss includes investment in unit trust

Financial liabilities – Classification, subsequent measurement and gains and losses

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

Financial liabilities measured at amortised cost include refundable rental and other deposits and trade and other payables.

Derecognition

Financial asset

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

The company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

ii) Financial liabilities

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

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

Offsetting

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

Impairment

Non-derivative financial assets

Policy applicable from 01 April 2018

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Credit-impaired financial assets

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

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

- Significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Policy applicable before 01 April 2018

Financial asset classified as 'loans and receivables' are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the company would not consider otherwise.

iii) Stated capital

Ordinary shares

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

c) Investment property

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

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

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 recognised in Profit or Loss in the year of retirement or disposal.

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

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company 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 Profit or Loss. 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 Profit or Loss.

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

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 work-in-progress is transferred to the respective asset accounts at the time it is substantially completed and ready for its intended use.

d) Employee benefits

i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

ii) Defined contribution plans

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

The Company contributes 12% and 3% of the salary of each employee to the Employees' Provident Fund and Employees' Trust Fund respectively.

iii) Defined benefit plans

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

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

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

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded.

e) Provisions

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

f) Contingent liabilities and contingent assets

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

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.

g) Revenue

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

i. Rental income

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

ii. Other Income - on accrual basis.

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

h) 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.

ii. Finance income and finance costs

Finance income comprises interest income on funds invested.

Interest income is recognised as it accrues in Profit or Loss, using the effective interest method.

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

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in Profit or Loss using the effective interest method.

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

i) Income tax expense

Income Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in Profit or Loss except to the items recognised directly in equity or in other comprehensive income.

i. Current taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

ii. Deferred taxation

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

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

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

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

4. RELATED PARTY TRANSACTIONS

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

5. EVENTS AFTER THE REPORTING PERIOD

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

6. CASH FLOWS

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

7. EARNINGS PER SHARE

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

8. DIVIDENDS ON ORDINARY SHARES

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

9. SEGMENT REPORTING

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

The operating results arising from providing office premises on rental business of the Company as a whole is reviewed regularly by the Company's Chief Operating

Decision Maker to make decisions about resource to be allocated and to assess its performance. The Company has only one segment hence no separate disclosure is given for operating segment.

10. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1 January 2019. Accordingly, the Company has not applied the following new standard in preparing these financial statements.

SLFRS 16 – 'Leases'

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.

SLFRS 16 is effective for annual Reporting periods beginning on or after 01 January 2019.

Possible impact on Financial Statements

The Company does not expect that there will be a significant impact on its Financial Statements.

(All figures are in Sri Lankan Rupees thousands)

	For the year ended 31st March	2019	2018
11	**Revenue**		
	Property rental income	143,637	135,969
		143,637	135,969
12	**Other income**		
	Parking fees	600	620
	On services provided to tenants	3,114	4,384
		3,714	5,004
13	**Profit from operations**		
	Profit from operations is stated after charging all expenses including the following:		
	Auditors' remuneration - audit services	200	185
	Auditors' remuneration - audit related services	115	100
	Professional service costs (note 13.1)	157	-
	Support service fees	4,069	4,108
	Personnel costs (note 13.2)	22,534	19,312
13.1	**Professional service costs**		
	Valuation services	83	-
	Other services	74	-
		157	-
13.2	**Personnel costs**		
	Salaries, wages and other related expenses	21,034	17,936
	Defined benefits plan cost - Employee benefits (note 25.1)	283	274
	Defined contribution plan cost - EPF and ETF	1,217	1,102
		22,534	19,312
	The above include:		
	Directors' emoluments	-	-
	Non executive directors' fees	400	450
		400	450
14	**Net Finance Income**		
14.1	**Finance income**		
	Interest income from fixed deposits	8,474	730
	Net change in fair value of fair value through profit or loss financial assets	1,584	3,831
	Interest income on loans given to officers of the Company	38	50
		10,096	4,611
14.2	**Finance costs**		
	Unwinding of interest on refundable rental deposits	3,821	3,540
		3,821	3,540
	Net finance income	6,275	1,071

(All figures are in Sri Lankan Rupees thousands)

	For the year ended 31st March	2019	2018
15	**Tax expense**		
15.1	**Income tax expense**		
	Current tax expense for the year (note 15.3)	27,345	27,565
	Over provision for previous years	(187)	(358)
		27,158	27,207
15.2	**Deferred taxation**		
	On origination of temporary differences (note 24.1)	47,502	156,744
		47,502	156,744
		74,660	183,951
15.3	**Reconciliation between the accounting profit and the taxable profit**		
	Accounting profit before taxation for the year	264,715	316,799
	Adjustments on;		
	- Aggregate disallowable expenses	1,376	1,291
	- Aggregate allowable expenses	(14,963)	(14,290)
	Notional adjustments arising on application of LKAS/SLFRS	1,500	8,168
	Net gains arising from changes in fair value of investment properties	(154,969)	(209,690)
	Finance income	(10,096)	(4,611)
	Adjusted profit from operations for taxation	87,563	97,667
	Interest income	10,096	780
	Total Statutory Income	97,659	98,447
	Taxable income	97,659	98,447
	Taxation thereon (note 15.4a)	27,345	27,565

15.4 (a) In terms of the provisions of Inland Revenue Act, No. 24 of 2017, Company will be liable to pay income tax at 28% on the taxable income.

(b) As per the directive issued by the Ministry of Finance in accordance to the section 57 & 59, of the Inland Revenue Act, No. 24 of 2017, unit trusts are considered as pass-through vehicles. Accordingly, income derived from a unit trust is identified in the company accounts using the same source and character as identified by the unit trust. The Company as a beneficiary, is therefore required to pay 28% tax on interest income derived through Fixed Income Unit Trust.

(c) Deferred tax has been computed using a tax rate of 28% (2018-28%).

16 Earnings per share

The Company's earnings per share is calculated on profit attributable to the shareholders of Equity Two PLC divided by the weighted average number of ordinary shares in issue during the year, as required by Sri Lanka Accounting Standard (LKAS 33) - "Earnings per share".

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

For the year ended 31st March	2019	2018
Amount used as the numerator		
Profit for the year	190,055	132,848
Amount used as the denominator		
Weighted average number of ordinary shares outstanding during the year (In thousands)	31,000	31,000
Earnings per share (Rs.)	6.13	4.29

17 Investment properties

17.1 Details of investment properties

	Freehold Land	Freehold Building	Other equipments	Total as at 31st March 2019	Total as at 31st March 2018
Balance as at the beginning of the year	915,750	378,875	60,865	1,355,490	1,145,466
Additions during the year	-	-	1,039	1,039	334
Change in fair value of investment properties	124,589	41,336	(10,956)	154,969	209,690
Balance as at the end of the year	1,040,339	420,211	50,948	1,511,498	1,355,490

17.2 Valuation of investment properties

Property and location	Method of valuation	Extent (Hectares)	Historical Cost	Fair value as at 31st March 2019	Fair value as at 31st March 2018
No. 61 Janadhipathi Mawatha, Colombo 01	Investment approach	0.072	128,364	556,535	486,747
No. 55 Janadhipathi Mawatha, Colombo 01	Investment approach	0.146	427,629	954,963	868,743
			555,993	1,511,498	1,355,490

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

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

(All figures are in Sri Lankan Rupees thousands)

17.3 Fair value hierarchy

The fair value of the investment property was determined by external, independent property valuer, Mr. S. Sivaskantha, F.I.V. (Sri Lanka) of Perera Sivaskantha & Company, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Company's investment properties.

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

Valuation technique and significant unobservable inputs

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

Description	Location	Valuation technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
				The estimated fair value would increase/(decrease) if –
Land & Building	Colombo 01	Investment approach	Contractual rentals agreed with the tenants.	Contractual rentals were higher/ (lower)
			Occupancy Rate 75% - 90%	Occupancy rate was higher/(lower)
			Capitalization rate 6%	Capitalization rate was (higher)/ lower
			Repair and insurance 20%	Repair and insurance were (higher)/ lower
			Valuer has used market price per perch for excess land in existing location using a range of prices for similar lands based on adjusted fair value taking in to account of other valuation considerations.	Market value per perch was higher/ (lower)

17.4 Restrictions on title and investment properties pledged as security for liabilities

There were no restrictions on titles of the investment properties as at the reporting date.

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

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

17.6 Capitalization of borrowing costs into investment properties

No borrowing cost capitalized for the year ended 31st March 2019 (2018 - Rs. Nil).

17.7 Contractual obligations to construct and develop investment properties

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

	As at 31st March	2019	2018
18	**Trade and other receivables**		
	Financial		
	Trade receivables	8,728	10,773
	Other receivables	2,274	2,223
	Loans given to company staff (note 18.1)	424	492
		11,426	13,488
	Non-financial		
	Prepaid expenses	443	255
		443	255
		11,869	13,743
18.1	**Loans given to company staff**		
	Balance as at the beginning of the year	492	596
	Loans granted during the year	421	483
	Settlements during the year	(489)	(587)
	Balance as at the end of the year	424	492
19	**Fair value through profit or loss financial assets**		
	Investments in Units Trust	3,395	25,946
		3,395	25,946

	As at 31st March	2019			2018		
19.1	**Investments in Unit trusts**	**No. of units**	**Cost**	**Fair value**	**No. of units**	**Cost**	**Fair value**
	Guardian Acuity Money Market Fund	193,032	3,363	3,395	1,648,394	22,121	25,946
			3,363	3,395		22,121	25,946

Valuation of unit trust is based on the unit price published by the Investment Managers as at 31st March.

19.2	**Fair value hierarchy**	**Level 1**	**Level 2**	**Level 3**	**Total**
	As at 31st March 2019				
	Investments in Units Trust	-	3,395	-	3,395
	As at 31st March 2018				
	Investments in Units Trust	-	25,946	-	25,946

	As at 31st March	2019	2018
20	**Cash and cash equivalents**		
	Cash at bank and in hand	20,558	13,382
	Cash and cash equivalents for the purpose of cash flow statement	20,558	13,382
21	**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
22	**Capital and revenue reserves**		
22.1	**Capital reserves**		
	Machinery replacement reserve (note. 22.1.1.)	750	750
		750	750

22.1.1. Machinery replacement reserve represent the amounts set aside by the Directors for future expansion and to meet any contingencies.

The movement of the above reserve is given in the Statement of Changes in Equity.

(All figures are in Sri Lankan Rupees thousands)

	As at 31st March	2019	2018
22.2	**Revenue reserves**		
	Retained earnings	276,950	240,851
	Fair value adjustment reserve (note 22.2.1)	485,179	377,602
		762,129	618,453

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

22.2.1 Fair value adjustment reserve

Gains arising, net of related deferred taxes, from fair value adjustment of investment properties will be transferred from retained earnings to fair value adjustment reserve and any losses arising, net of related deferred taxes, will be transferred to fair value adjustment reserve to the extent that loss does not exceed the balance held in the said reserve.

	As at 31st March	2019	2018
23	**Refundable rental deposits**		
	Balance as at the beginning of the year	44,199	38,494
	Receipts during the year	4,696	4,210
	Refunds during the year	(4,675)	-
	Amount transferred to deferred revenue	(13,752)	(2,045)
	Unwinding of interest on refundable deposits	3,821	3,540
	Balance as at the end of the year	34,289	44,199
24	**Deferred tax liability**		
	Balance as at the beginning of the year	267,433	110,720
	Charge for the year (note 24.1)	47,549	156,713
	Balance as at the end of the year	314,982	267,433
24.1	**Charge for the year**		
	The amounts recognised in the statement of profit or loss are as follows;		
	Investment properties (note 24.4)	47,392	156,821
	Employee benefits	110	(77)
		47,502	156,744
	The amount recognized in the statement of other comprehensive income is as follows;		
	Employee benefits	47	(31)
		47	(31)
	Net deferred tax charged for the year	47,549	156,713
24.2	**Deferred tax asset**		
	Tax effect on employee benefits	324	481
	Total deferred tax asset	324	481
24.3	**Deferred tax liability**		
	Tax effect on investment properties	315,306	267,914
	Total deferred tax liability	315,306	267,914
	Net deferred tax liability	314,982	267,433

24.4 Taxation on fair value gains

As per the Inland Revenue Act, No. 24 of 2017, gains on sale of business assets including lands which are used in the production of income are made liable for taxation at 28%. Accordingly, a deferred tax liability of Rs. 47.4 mn (2018 - Rs. 156.8 mn) on the temporary difference arising from gain on fair valuation of investment properties has been accounted during the year.

	As at 31st March	2019	2018
25	**Employee benefits**		
	The movement of the liability recognised in the Statement of Financial Position is as follows:		
	Balance as at the beginning of the year	1,719	1,333
	Current service cost	102	121
	Interest cost	181	153
	Actuarial (gain) / loss	(168)	112
	Payments made during the year	(678)	-
	Balance as at the end of the year	1,156	1,719
25.1	**The amounts recognised in the Statement of profit or loss are as follows;**		
	Current service cost	102	121
	Interest cost	181	153
	Charge for the year	283	274
25.2	**The amount recognised in the Statement of Other Comprehensive Income is as follows;**		
	Actuarial (gain) / loss	(168)	112
	(Gain) / loss for the year	(168)	112

25.3 Liability on employee benefits as at 31st March 2019 amounting to Rs. 1,155,674/- (2018 - Rs. 1,719,415/-) is made based on an actuarial valuation carried out by Mr. M. Poopalanathan of Messrs. Actuarial and Management Consultants (Pvt) Ltd. As recommended by Sri Lanka Accounting Standards (LKAS 19) - "Employee Benefits", the "Projected Unit Credit (PUC)" method has been used in this valuation.

The principal assumptions used are:

Rate of discount	11% p.a. (2018 -10.50% p.a.)
Rate of pay increase	10% p.a. (2018 - 10% p.a)
Retirement age	55 years
Mortality	A 67 /70 mortality table issued by The Institute of Actuaries, London was used
Withdrawal rate	5% for age up to 49 and zero thereafter

The company is a going concern.

25.4 Sensitivity analysis

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

As at 31st March	2019	2018
1% increase in discount rate	(95)	(84)
1% decrease in discount rate	107	96
1% increase in salary escalation rate	111	104
1% decrease in salary escalation rate	(100)	(94)

25.5 The employee benefits liability is not externally funded.

(All figures are in Sri Lankan Rupees thousands)

	As at 31st March	2019	2018
26	**Trade and other payables**		
	Financial		
	Trade payables	41	43
	Other payables	109,061	8,446
		109,102	8,489
	Non-financial		
	Accrued expenses and provisions	1,403	1,435
		1,403	1,435
		110,505	9,924
27	**Deferred revenue**		
	Balance as at the beginning of the year	3,387	4,671
	Amount transferred from refundable deposits	13,752	2,045
	Amortization of deferred revenue	(3,950)	(3,329)
	Balance as at the end of the year	13,189	3,387

28 Capital expenditure commitments, contingent liabilities and litigations and claims

28.1 Capital expenditure commitments

The Company does not have any significant financial or capital commitments as at the reporting date.

28.2 Contingent liabilities

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

28.3 Litigations and claims

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

	As at 31st March	2019	2018
29	**Dividend per share**		
	Dividends proposed / paid during the year		
	First interim dividend	46,500	69,750
	Dividend per share (Rs.)	1.50	2.25

30 Financial instruments

Financial risk management

The Company has exposure to the following risks arising from financial instruments.

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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

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

30.1 Credit risk

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

30.1.1 Exposure to credit risk

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

As at 31st March	2019	2018
Credit risk		
Trade and other receivables	11,426	13,488
Less; Revenue on lease agreements recognised on straight line basis	(7,637)	(9,266)
	3,789	4,222
Fair value through profit or loss financial assets	3,395	25,946
Investments in fixed deposits	125,687	-
Cash and cash equivalents	20,558	13,382
	153,429	43,550

30.1.2 Trade receivables

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

The Company has obtained refundable rental deposits from non-related tenants, covering the rental income for a period of 3-6 months, which provides cover to the Company in the event of a default. Refundable rental deposits held by the Company as at the end of the reporting period are as follows.

As at 31st March	2019	2018
Refundable rental deposits		
Carrying value	34,289	44,199
Face value	47,910	47,890

(All figures are in Sri Lankan Rupees thousands)

The terms of the lease agreements also require tenants to pay rental in advance on a monthly basis, which provides further cover against risk of a default.

The sector also follows a careful credit evaluation process for new tenants before entering in to any rent agreements with them.

The age analysis of trade receivables at the end of the reporting period was as follows;

As at 31st March	2019	2018
Revenue on lease agreements recognised on straight line basis	7,637	9,266
1–30 days	185	39
31–90 days	906	1,468
	8,728	10,773

No circumstances have arisen that would require impairment in respect of trade and other receivables as at the year end (2018- Nil).

30.1.3 Other receivables

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

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

The Company has invested in following unit trust;

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

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

30.1.5 Investment in fixed deposit

The Company has invested in fixed deposits with banking and financial institutions. The Company continuously monitors the stability and credit worthiness including credit ratings of these financial institutions in order to assess and mitigate the credit risk.

30.1.6 Cash and cash equivalents

The Company held cash and cash equivalents of Rs. 20.6 mn as at 31st March 2019 (2018: Rs.13.4 mn), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the bank and financial institution counterparties, which are rated AA–(lka), based on Fitch Ratings.

As at 31st March	2019	2018
Cash at bank and in hand	20,558	13,382
	20,558	13,382

30.2 Liquidity risk

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

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

In addition, the Company has an unutilised overdraft facility of Rs. 50 mn as at 31st March 2019 and has access to short-term financing facilities extended from the Parent Company, Equity One Limited and its Parent Company, Carson Cumberbatch PLC if required.

30.2.1 The following are the remaining contractual maturities at the end of the reporting period.

As at 31st March 2019	Carrying amount	Contractual cash flows			
		Total	3 months or less	4-12 months	More than 1 year
Non-derivative financial liabilities					
Refundable rental deposits	34,289	47,910	-	-	47,910
Trade payables	41	41	41	-	-
Other payables	109,061	109,061	109,061	-	-
	143,391	157,012	109,102	-	47,910

As at 31st March 2018	Carrying amount	Contractual cash flows			
		Total	3 months or less	4-12 months	More than 1 year
Non-derivative financial liabilities					
Refundable rental deposits	44,199	47,890	-	42,843	5,047
Trade payables	43	43	43	-	-
Other payables	8,446	8,446	8,446	-	-
	52,688	56,379	8,489	42,843	5,047

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

30.2.2 Management of liquidity risk

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

The Company maintains a portion of its assets in highly liquid form - demand deposits, placements in government securities and investments in fixed income unit trusts in order to meet its contractual obligations during the normal course of its operations. As at the reporting date, the Company maintains "cash and cash equivalents" amounting to Rs. 20.6 mn (2018 - Rs 13.4 mn).

The Company is of the view that the liabilities arise on the Refundable Rental Deposits due to the expiration of the rent agreements in the forthcoming financial year, will be renewed by the respective tenants for a further tenure. Typically, the rent agreements of the Company are entered in to a period of two years with a renewal clauses. In addition, the Company has short-term financing facility in place amounting to Rs. 50 mn from Commercial bank, if required.

(All figures are in Sri Lankan Rupees thousands)

30.3 Market risk

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

30.4 Accounting classifications and fair values

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

30.5 Fair values Vs. carrying amounts

31st March 2019	Assets at fair value through profit and loss	Assets at amortized cost	Assets at fair value through Other Comprehensive Income	Liabilities at fair value through profit and loss	Financial liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	20,558		-	-	20,558	20,558
Fair value through profit or loss financial assets	3,395	-	-	-	-	3,395	3,395
Investment in fixed deposits	-	125,687	-	-	-	125,687	125,687
Trade and other receivables	-	11,426	-	-	-	11,426	11,426
	3,395	157,671	-	-	-	161,066	161,066
Refundable rental and other deposits	-	-	-	-	34,289	34,289	34,289
Trade and other payables	-	-	-	-	109,102	109,102	109,102
	-	-	-	-	143,391	143,391	143,391

31st March 2018	Original classification under LKAS 39	New classification under SLFRS 9	Original carrying amount under LKAS 39	New carrying amount under SLFRS 9
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	13,488	13,488
Investment in units trust - unquoted	FVTPL	FVTPL	25,946	25,946
Cash and cash equivalents	Loans and receivables	Amortised cost	13,382	13,382
			52,816	52,816
Financial liabilities				
Refundable rental and other deposits	Other financial liabilities	Financial liabilities at amortised cost	44,199	44,199
Trade and other payables	Other financial liabilities	Financial liabilities at amortised cost	8,489	8,489
			52,688	52,688

31 Related party transactions

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

31.1 Parent and ultimate controlling entity

Equity One Limited is the immediate parent company of Equity Two PLC. In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Equity One Limited and Bukit Darah PLC is the Ultimate Parent and Controlling entity of Equity One Limited.

31.2 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard (LKAS 24) - "Related party disclosures", Key Management Personnel (KMP) are those having authority and responsibility for planning and controlling the activities of the entity directly or indirectly. Accordingly, the Directors of the Company, (including executive and non-executive directors) have been classified as Key Management Personnel of the Company.

For the year ended 31st March	2019	2018
31.2.1 Key management personnel compensation		
Short-term employee benefits / fees	400	450
Post-employment benefits	-	-
Termination benefits	-	-
Other long-term benefits	-	-
	400	450

No transactions have taken place during the year , except as disclosed above, between the Company and its KMP.

31.3 Other related party transactions

31.3.1 Transactions with other related parties / companies

Name and the nature of the relationship	Name/s of the common Director/s	Nature of the transactions	Value of the transactions 2019	Value of the transactions 2018
Parent company				
Equity One Limited	D. C. R. Gunawardena K. C. N. Fernando A. P. Weeratunge E. H. Wijenaike P. D. D. Fernando	Dividend paid net of dividend tax	35,517	55,753
Fellow subsidiaries				
Carsons Management Services (Private) Limited (CMSL)	K. C. N. Fernando A. P. Weeratunge	Support service fees paid	4,069	4,108
		Secretarial fees paid	453	453
		Computer fees paid	184	184
		Rental income received	16,340	14,978
		Parking fees received	420	440
Guardian Fund Management Limited	A. P. Weeratunge	Rental income received	6,211	5,693
		Parking fees received	120	120

- Rent charged from related companies are based on the rent agreements signed between the companies.
- Support service fees and other expenses charged are based on the respective services provided by CMSL as per the service agreements signed between the companies.
- Related Company lending and borrowing are charged interest at AWPLR+1%, if applicable.

31.3. 2 Transactions, Arrangements and Agreements involving KMP and their close family members (CFM)

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

(a) the individual's domestic partner and children;

(b) children of the individual's domestic partner; and

(c) dependents of the individual or the individual's domestic partner's CFM are related parties to the entity.
There were no transactions with CFM during the year.

32. Events after the reporting date.

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

33. Comparative figures

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

34. Director's responsibility

The Board of Directors is responsible for the preparation and presentation of the Financial Statements. This is more fully described under the relevant clause in the Directors' Report.

Five Year Summary

(All figures are in Sri Lankan Rupees Thousand)

For the year ended / as at 31st March		2019	2018	2017	2016	2015
Trading results						
Revenue		143,637	135,969	118,907	105,286	94,516
Profit before taxation		264,715	316,799	78,605	193,925	161,476
Income tax expense		(74,660)	(183,951)	(21,979)	(20,185)	(9,971)
Profit for the year		190,055	132,848	56,626	173,740	151,505
Other comprehensive income /(expense) for the year		121	(81)	204	(42)	(27)
Total comprehensive income for the year		190,176	132,767	56,830	173,698	151,478
Stated capital and reserves						
Stated capital		444,092	444,092	444,092	444,092	444,092
Reserves		762,879	619,203	556,129	548,899	381,518
Shareholders' funds		1,206,971	1,063,295	1,000,221	992,991	825,610
Assets employed						
Investment properties		1,511,498	1,355,490	1,145,356	1,145,356	1,016,448
Non-current assets		1,511,498	1,355,490	1,145,356	1,145,356	1,016,448
Current assets		169,594	53,071	25,726	24,394	33,200
Current liabilities		(123,694)	(31,915)	(20,424)	(44,767)	(113,228)
Net current assets / liabilities		45,900	21,156	5,302	(20,373)	(80,028)
Assets employed		1,557,398	1,376,646	1,150,768	1,124,983	936,420
Non-current liabilities		(350,427)	(313,351)	(150,547)	(131,992)	(110,810)
Net assets		1,206,971	1,063,295	1,000,221	992,991	825,610
Ratios and statistics						
Dividend per share*	(Rs.)	1.50	2.25	1.40	0.20	0.20
Dividend yield	(%)	2.83	3.14	2.35	0.31	0.33
Dividend payout	(%)	24.47	52.45	76.50	3.57	4.09
Return on shareholders' funds	(%)	15.75	12.49	5.66	17.50	18.35
Earnings per share	(Rs.)	6.13	4.29	1.83	5.60	4.89
Earnings yield	(%)	11.57	5.98	3.07	8.62	8.07
P/E ratio	(times)	8.65	16.71	32.62	11.61	12.39
Market price per share **	(Rs.)	53.00	71.70	59.70	65.00	60.60
Net assets per share	(Rs.)	38.93	34.30	32.27	32.03	26.63
Current ratio	(times)	1.37	1.66	1.26	0.54	0.29
Market capitalization	(Rs.'000)	1,643,000	2,222,700	1,850,700	2,015,000	1,878,600

* Based on proposed / interim dividends

** As at 31st March.

Statement of Value Added

(All figures are in Sri Lankan Rupees Thousand)

For the year ended 31st March	2019		2018	
Revenue	143,637		135,969	
Other income	3,714		5,004	
Finance Income	10,096		4,611	
	157,447		145,584	
Cost of materials and services bought from outside	(21,346)		(15,623)	
Value added	136,101		129,961	
Distributed as follows:		%		%
To employees				
as remuneration	22,534	17	19,312	15
To government				
as taxation*	27,158	20	27,207	21
To providers of capital				
as dividend**	46,500	34	69,750	54
Retained in the business				
as deferred taxation	47,502	34	156,744	120
as unwinding of discount	3,821	3	3,540	3
as retained profits/(loss) net of provisions, fair value adjustment and dividends	(11,414)	(8)	(146,592)	(113)
	136,101	100	129,961	100

The Statement of value added shows the quantum of wealth generated by the activities of the Company and its applications.

* Excluding Value Added Tax (VAT).

** Based on Dividends Paid

Information to Shareholders and Investors

1 **Stock Exchange Listing**

Equity Two PLC is a Public Quoted Company, the issued ordinary shares of which are listed on the Diri Savi Board of the Colombo Stock Exchange of Sri Lanka.

The Stock Exchange code for Equity Two PLC shares is "ETWO".

2 **Shareholder base**

As at 31st March	2019	2018
Number of Shareholders	1,961	1,964

3 **Distribution and Composition of Shareholders**

The number of shares held by Non-Residents as at 31st March 2019 was 124,382 (2018 - 124,382) which amounts to 0.40% (2018 - 0.40%) of the total number of ordinary shares.

Distribution of Shares	Residents			Non - Residents			Total		
	No. of Members	No. of Shares	%	No. of Members	No. of Shares	%	No. of Members	No. of Shares	%
1-1,000	1,838	266,295	0.86	8	2,802	0.01	1,846	269,097	0.87
1001-10,000	91	291,145	0.94	1	5,000	0.02	92	296,145	0.96
10,001-100,000	18	409,994	1.32	2	116,580	0.38	20	526,574	1.70
100,001-1,000,000	1	100,057	0.32	-	-	-	1	100,057	0.32
Above 1,000,000	2	29,808,127	96.16	-	-	-	2	29,808,127	96.16
Grand Total	**1,950**	**30,875,618**	**99.60**	**11**	**124,382**	**0.40**	**1,961**	**31,000,000**	**100.00**

4

Categories of Shareholders	2019		
	No. of Shareholders	No. of Shares	%
Individuals	1,920	1,015,548	3.28
Institutions	41	29,984,452	96.72
Total	1,961	31,000,000	100.00

5 **Public holding**

The Company is in compliance with the Minimum Public Holding requirements for Companies listed on the Diri Savi Board as per Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange, under Option 2, i.e. Float-Adjusted Market Capitalization of less than Rs.1 Billion with 200 Public Shareholders and a Public Holding percentage of 10%.

The Company's Public Holding as at 31st March 2019

Market Capitalization of the Public Holding	Rs.183.56 Million
Percentage of ordinary shares held by the public	11.17%
Number of Public Shareholders	1,958

6 **Dividends**

A First Interim Dividend of Rs.1/50 per ordinary share for the year ended 31st March 2019 was paid to the Shareholders on 26th March 2019.

7 Market performance - Ordinary shares

For the year ended 31st March	2019	2018
As at 31st March (Rs.)	53.00	71.70
Highest (Rs.)	74.80	77.80
Lowest (Rs.)	42.00	38.00
Value of shares traded (Rs.)	2,546,025	7,888,034
No. of shares traded	46,520	147,935
Volume of transactions (Nos.)	394	194

8 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. 1,643,000,000/- as at 31st March , 2019 (2018 - Rs. 2,222,700,000/-).

9 Value of the properties - Land and building

Location	Extent (in hectares)	Number of Buildings	Market value 2019 Rs. '000	Date of professional valuation
No. 61, Janadhipathi Mawatha, Colombo 01	0.072	01	556,535	March 2019
No. 55, Janadhipathi Mawatha Colombo 01	0.146	01	954,963	March 2019

10 Number of employees

The number of employees of the Company at the end of the year was 05 (2018 - 06).

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 29th Annual General Meeting of EQUITY TWO PLC will be held on Friday, 14th June 2019 at 2.30 p.m. at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka for the following purposes:

1. To consider the Annual Report of the Board of Directors including the financial statements of the Company for the financial year ended 31st March 2019 together with the Report of the Auditors thereon.

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

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

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. P. D. D. Fernando who is 76 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

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

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. K. C. N. Fernando who is 72 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

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

By Order of the Board

(Sgd.)
K. D. De Silva (Mrs)
Director

Carsons Management Services (Private) Limited
Secretaries

Colombo
8th May 2019

Notes

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a Shareholder 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, Sri Lanka not later than 4.45 p.m. on 12th June 2019.
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
   i. Due to the prevailing situation in the country, there will be a security check by the security personnel stationed at the meeting venue.
   ii. 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

Notes

Form of Proxy

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

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

As *my/our proxy to attend at the 29th Annual General Meeting of the Company to be held on Friday, 14th June 2019 at 2.30 p.m. at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka and any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1.	To re-elect Mr. A. P. Weeratunge who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.		
2.	To re-appoint Mr. P. D. D. Fernando who is over seventy years of age as a Director of the Company.		
3.	To re-appoint Mr. K. C. N. Fernando who is over seventy years of age as a Director of the Company.		
4.	To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act, No. 07 of 2007 and to authorise the Directors to determine their remuneration.		

Signed this ……..… day of ……………………………….Two Thousand and Nineteen.

……………………………………….
Signature/s

Notes

1. *Please delete the inappropriate words.
2. 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.
3. A Shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
4. Instructions are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address, and sign in the space provided. Please fill in the date of signature.

2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.

3. In terms of Article 54 of the Articles of Association of the Company:

   (i) Any Shareholder entitled to attend and vote at a meeting shall be entitled to appoint another person (whether a Shareholder or not) as his proxy to attend and vote instead of him. A proxy so appointed shall have the same right as the Shareholder to vote on a show of hands or on a poll and to speak at the meeting.

   (ii) The instrument appointing a proxy shall be in writing and:

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

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

4. In terms of Article 50 of the Articles of Association of the Company:

   Where there are joint-holders of any share any one (01) of such persons may vote and be reckoned in a quorum at any meeting either personally or by Proxy as if he were solely entitled thereto and if more than one (01) of such joint-holders be so present at any meeting one (01) of such persons so present whose name stands first in the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Shareholder in whose name any share stands shall for the purpose of this Article be deemed joint holders thereof.

5. To be valid the completed Form of Proxy should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1, Sri Lanka not later than 4.45 p.m. on 12th June 2019.

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 November 1994
Parent and Controlling Entity	Equity One Limited is the immediate Parent Company of Equity Two PLC. In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Equity One Limited and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Equity One Limited
Directors	Mr. D.C.R. Gunawardena (Chairman)
	Mr. K.C.N. Fernando
	Mr. A.P. Weeratunge
	Mr. E.H. Wijenaike
	Mr. P. D. D. Fernando
Place of Business	61, Janadhipathi Mawatha,
	Colombo 01, Sri Lanka.
	Tel : +94 11 2039 200
	Fax: +94 11 2039 300
Bankers	Standard Chartered Bank
	Bank of Ceylon
	Deutsche Bank AG.
Auditors	Messrs. KPMG
	Chartered Accountants
	No.32A, Sir Mohamed Macan Marker Mawatha,
	Colombo 03, Sri Lanka.
	Tel: +94 11 5426 426
	Fax:+94 11 2445 872
Managers & Secretaries	Carsons Management Services (Private) Limited
	61, Janadhipathi Mawatha,
	Colombo 01, Sri Lanka.
	Tel : +94 11 2039 200
	Fax: +94 11 2039 300
Registered Office	61, Janadhipathi Mawatha,
	Colombo 01, Sri Lanka.
	Tel : +94 11 2039 200
	Fax: +94 11 2039 300
Corporate Website	www.carsoncumberbatch.com

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