Equity

TWO

Equity Two PLC

Annual Report 2019/2020

A Carson Cumberbatch Company

Contents

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

Chairman's Statement

Dear Shareholder,

I warmly welcome you to the 30th Annual General Meeting of the Company. On behalf of the board, I present to you the Annual Report and Audited Financial Statements for the financial year ended 31st March 2020.

The year elapsed has been very unforgiving towards many industries, commencing with the horrific Easter Sunday attacks. Subsequently, when Sri Lanka was nearing complete recovery we had to conclude the year with fears of a global pandemic on the horizon. This decelerated the demand and growth prospects and spiked operational costs across multiple sectors, including ours.

Nevertheless, the year was characterised by several exciting developments in the Colombo real estate market. The official declaration of the Port City as a part of Sri Lanka opened opportunities to investors, the inauguration of one of the landmark premium retail shopping experiences altered the city's skyline, and an influx of new commercial spaces added to the city's office stock significantly, while road infrastructure developments improved connectivity both into and within the city.

Yet, the Colombo real estate market is not without its challenges. During the year, we witnessed a sluggish demand for the city's newly completed residential projects with the premium segment bearing the lowest absorption of all. Furthermore, in recent years, financial institutions have seemingly opted for a more cautious approach in lending to construction related projects in an attempt to reduce their exposure to the sector. The ever-increasing cost of construction, relatively high interest rates and a shortage of skilled labour were among some of the industry's other challenges that exert pressure on the industry and its investment payback.

On the commercial spaces front, the projects nearing completion within the Central Business District will most likely lead to an oversupply of office spaces, weighing down on rental yields and occupancy rates across both Grade A and B segments in the medium term, unless demand picks up beyond organic growth. To elaborate, Sri Lanka should capitalise on its locational strengths to become a strong service-oriented economy equipped to host international corporates and facilitate their expansion, while encouraging local establishments to widen their horizons into the export market and thrive. This would require well-articulated strategy, careful planning and execution and the development of necessary infrastructure. Along with this, the improvement of ease of doing business through appropriate modifications to relevant economic policies, laws, and regulations is essential to position Sri Lanka as an attractive regional business hub.

Furthermore, the introduction of real estate specific investment vehicles and timely government incentives would go a long way in increasing the liquidity of the local real estate market. To this end, the recent reduction in policy interest rates coupled with the reduction in statutory reserves ratio with the intention of boosting credit flows across all industries to stimulate economic growth was welcomed by many. Further, the recent inclusion of interest on housing loans to form part of the qualifying payments for personal income tax is a step in the right direction to increase house ownership. Additionally, the recent downward VAT revision on condominium sales encourages vertical living in times where we face the problem of land becoming progressively more expensive, making individual housing in the city unaffordable to many middle income earners. Such initiatives also help to unlock the true value of Government's high spend on urban infrastructure, making living in the bounds of the city increasingly appealing to many.

During the year under review, the Company was able to achieve a top line of Rs. 141.3 Mn, which is a 1.7% decrease YoY, as it was weighed down by the lower occupancy of 77% compared to 91% of the comparable year. However, the full impact of the occupancy reduction was mitigated to some extent through upward rental revisions. The Company's bottom-line before tax decreased by 58.4% YoY to be at Rs. 110.1 Mn, since the corresponding year had recorded a substantial fair valuation gain on the investment property vis-à-vis the current year. However, disregarding the revaluation impact for both years, the de-growth stands at only 1%. Accordingly, an interim dividend of Rs. 0.85 per share, translating into a 32.1% payout on net profit is proposed by the Board of Directors for shareholder approval at the forthcoming Annual General Meeting of the Company.

Considering all these factors, the prospects of real estate and construction sectors in the near term are at crossroads, and we are yet to witness the residual impact the COVID-19 pandemic will leave behind. Nevertheless, we can reasonably expect Sri Lanka to bounce back and achieve fast economic recovery. More importantly, I hope that Sri Lanka will set the right economic policies and other supporting infrastructure to drive the country to become the go-to regional business hub for the world business community in time to come.

As my parting words, I would like to extend my sincere thanks to the shareholders, valued tenants, regulatory authorities and other stakeholders for their unwavering faith and loyal support to the Company during these strenuous times. 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. Further, I offer my appreciation and best wishes to all our valued staff members for their efforts throughout the year to positively contribute towards Company performance.

Stay safe and stay well!

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

Colombo
20th July 2020

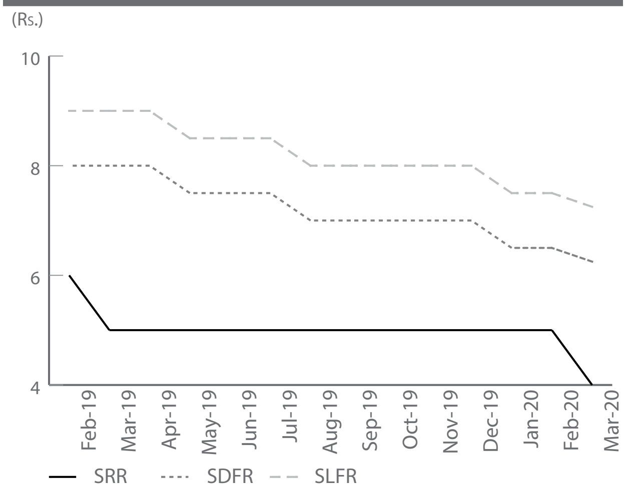
Management Discussion and Analysis

MACRO-OVERVIEW

Affected by the devastating Easter Sunday incident, Sri Lanka recorded a slow economic growth of 2.3% in 2019 which was a step down from the previous year's 3.3%. Industrial sector has grown at a rate of 2.7% out of which construction industry has expanded at a rate of 4.0%, contributing a total of 6.9% to the country's GDP.

Following the April 2019 incident, the accommodative monetary policy stance adopted by the Central Bank of Sri Lanka throughout the year by reducing statutory reserve ratios of Licensed Commercial Banks (LCBs) and decreasing policy interest rates in May, August, and January of the FY 20 by 50bps at each instance supported its view to stimulate economic activity by boosting credit flows to the private sector. Furthermore, in an attempt to revive disrupted businesses due to the COVID-19 global pandemic, policy rates were further reduced by 25bps and statutory reserve ratio of LCBs by 1.0% in March 2020.

CBSL's Accommodative Monetary Policy Stance in 2019/20



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

Sri Lanka witnessed strengthening of its gross official reserves from USD 6.9 Bn to USD 7.6 Bn during 2019 as a result of the two new International Sovereign Bonds, the receipt of the two tranches of the funds facility from IMF and the purchase of foreign exchange by the Central Bank from the domestic market. This increase was despite the heavy debt repayments that fell over the second half of the year. Moreover, the rupee appreciated against the US dollar marginally by 0.6% over 2019 mainly as a result of the significant contraction in trade deficit by USD 2.3 Bn YoY mainly through policy induced gold and vehicle importation reductions. This was in a year where the tourism sector of the country, which contributes substantially towards foreign currency earnings, heavily underperformed almost for three whole quarters.

However, FDI inflows to the country saw a reduction from USD 2.1 Bn in 2018 to USD 1.2 Bn as scares over safety and security concerns of local business climate clouded over most parts of the year.

INDUSTRY SNAPSHOT

Over the years, we have seen steady growth in Colombo land prices making it a fruitful long-term investment vehicle. Colombo and its suburbs continued the trend through 2019 with a 10.4% overall growth with commercial lands value appreciating at 10.3% according to the Land Valuation Index compiled by CBSL. However, this is a slower growth as opposed to the 17.9% of 2018. Further, the growth of value added to GDP from real estate activity including ownership of dwellings has been sluggish at 2.4% when compared to 3.9% in 2018.

Real estate developers and property managers face the challenge of filling vacant spaces in the present market, as evidenced by the lower than average absorption of the new Grade A office spaces introduced recently. Based on the ongoing development activities, over the next few years, there is a sizeable stock of premium spaces to be introduced to the Central Business District (CBD) bounds, which will undoubtedly place further pressure on occupancy rates and rental yields over the medium term.

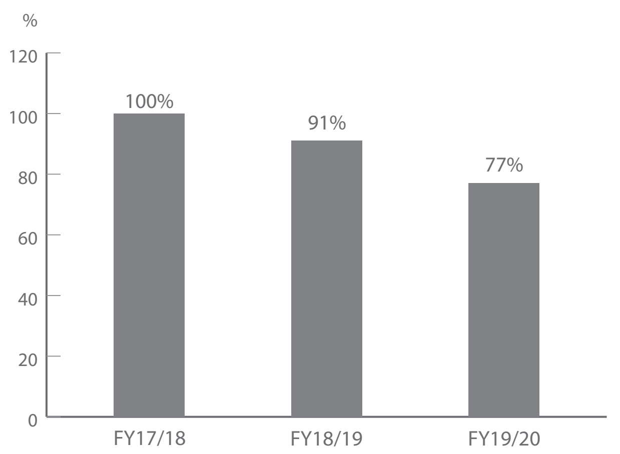
During the year, we witnessed one of the milestone events of declaration of the newly reclaimed 269Ha of land belonging to the upcoming Colombo Port City as part of Sri Lanka. With its International Financial City (IFC) expected to be up and running by 2023, the business capital of the country is on the verge of a further 12 Mn square feet of Grade A commercial space being added to its inventory. Based on the success of attracting sufficient foreign or local investors to occupy the added spaces, it would generate a significant amount of employment opportunities and positively contribute to spur the economic activity of the country over the long term.

During the year we witnessed completion of the Southern Expressway Extension project, and Phase III of the Outer-Circular Highway project among several other infrastructure development activities. Due to improved connectivity, this will further have a positive impact on the demand for properties of the CBD. To complement the aforementioned physical infrastructure, it is vital that we strengthen our regulatory and policy infrastructure as well in order to attract and retain the global investment community since none of these developments will amount to much in the eyes of the global investor if we fail to facilitate the required regulatory and policy framework for realisation of their true economic value.

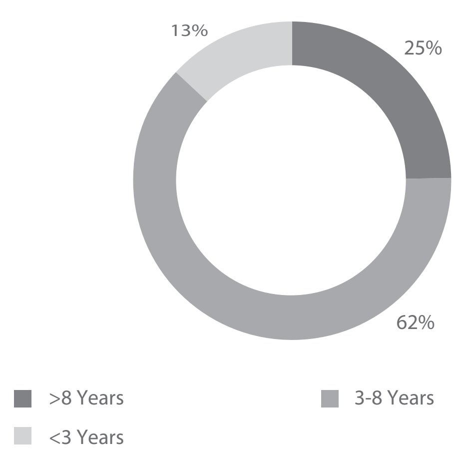
OUR BUSINESS

The Company's occupancy for the FY 2019/20 witnessed a reduction from 91% of last year to 77%.

Historical Occupancy



Tenancy Age Analysis



Accordingly, the total revenue of the Company decreased by 1.7% over the comparable financial year to reach Rs. 141.3 Mn. Direct costs for the year increased by 5.7% to be at Rs. 38.3 Mn, mainly as a result of the increase in rates and insurance related expenditure. The resultant Gross Profit of Rs. 102.9 Mn is a decrease of 4.1% over the comparable period.

The valuation carried out at the end of the financial year valued the Company's investment properties at a level similar to that of the previous year with a marginal gain of Rs. 1.5 Mn, as opposed to the gain recognised in the comparable year of Rs. 155 Mn.

Accordingly, the Company recorded a profit from operations of Rs. 98.6 Mn, which is a reduction of 61.9% YoY. However, upon eliminating the effects of the aforementioned fair valuation of both the current as well as the comparable periods, and with the increase in net finance income by Rs. 5.3 Mn over the previous year as a result of the increase in cash and cash equivalents available for interest-earning investment, the decrease in profit before tax was Rs. 1.1 Mn or 1%, which is a direct reflection of the revenue decrease.

The Company recorded a profit after tax of Rs. 82.1 Mn, which is a decrease of 56.8% over the comparable year's Rs. 190.1 Mn mainly due to the aforementioned valuation gains recorded in the corresponding year.

Accordingly, dividend per share of Rs. 0.85 is proposed for the financial year ended 31st March 2020 to be approved at the forthcoming Annual General Meeting of the Company. This translates to a 32.1% payout from the Company's profit.

FUTURE OUTLOOK

As we pass through the times saddled with doubts over when will the prevailing pandemic end, the prospects of the local real estate market too remain uncertain with regard to the exact magnitude of the pandemic's impact over the medium term, depending on the time it takes to recover. This may also result in delays and cost overruns of development projects due to temporary halt of construction work, pushing some of the more cash-tight developers under a pile of debt.

Management Discussion and Analysis

The immediate effect of the pandemic felt by us as a business was somewhat cushioned given the very nature of our operations being to rent business spaces for longer term. However, as a considerate property manager, during these strenuous times, we understand that some of our tenants might be facing difficulties in meeting their financial obligations due to tightened business prospects. As such, we have extended our support to identify the tenants most affected by the year's events, and renegotiated their immediate rent commitments and/or offered deferred payment plans. In terms of medium term impact, depending on the time it takes for the economic and business constituents to bounce back to pre-pandemic levels, we expect the task of sourcing new tenants for vacant spaces of our premises to be a challenging one. Nevertheless, considering the prime locations of our properties and with the superior and customised service for tenants on offer, we look confidently to achieve optimum operational capacity yet again in the future.

Carsons Management Services (Private) Limited
Managers

20th July 2020

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 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

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.

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

Key Responsibilities

Board of Directors	• Responsible for approval of ERM framework • Set risk appetite thresholds • Approves Business Plans • Reviews Reports - Risk dashboard and summary of risk register
Audit Committee	• Considers adequacy of risk management and internal control framework • Reviews risk management reports/Dashboard/Risk Register • Reviews reports of internal and external auditors
Management Team	• Defines and sets risk appetite and considers new and emerging risks • Develops / monitors suitable action plans to mitigate/manage risks • Considers actions to improve risk management processes • Provides 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

The COVID 19 pandemic has caused disruption to many local and global business and economic activities. The Company has been closely monitoring the impact of the pandemic on the operations as at year end and into the immediate future.

Risk	Impact	Risk response / strategies
Business Risks	Unexpected disputes with contactors and tenants could affect profitability of the business. 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 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 into comprehensive and clear agreements, we ensure that communication gaps and disputes are minimised to a greater extent. We have entered into comprehensive rent agreements with our tenants and have built strong relationships with our anchor tenants over the years. We have seen a significant improvement in development activities in the surrounding area, along with relieved restrictions and access via Janadhipathi Mawatha. We maintain close and meaningful relationships with relevant government and local authorities and institutes.
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 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. The Company is maintaining adequate cash and cash equivalents reserves with banks and financial institutions to meet financial commitments.
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.	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. The cash and cash equivalents are held with the bank and financial institution counterparties, which are rated AAA(lka) to BBB+(lka), based on Fitch Ratings. Some of our tenants are presently facing financial constraints in meeting their payable commitments as a result of the business impact of COVID-19. We have identified such heavily affected tenants and renegotiated their immediate rent commitments and/or offered deferred payment plans to ensure minimal pressure on cash flows of both parties. Further, we have obtained refundable rental deposits from external tenants as per tenant agreements.

Risk	Impact	Risk response / strategies
Foreign Exchange risk	Foreign currency risk is the risk of volatility in foreign exchange rates.	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 mechanism will be considered.
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.	Financial strength of the parent company, Carson Cumberbatch PLC, is used via Group treasury in negotiating the rates, with financial institutions. As at the reporting date, borrowings of the Company consisted of variable financial liabilities. However, no financial assets were linked to variable rates.
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.	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 to clear out any ambiguity over the same. - Human resource policies are focused on encouraging continuous training & development and ensuring appropriate compensation as per market rates to retain and develop talented employees.
Systems and process risks	The risk of direct or indirect losses due to inadequate or failed internal processes and systems.	Maintain detailed procedure manuals and provide training & guidelines for new recruits. The internal audit function of the Group carryout 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.	The management together with the Carsons group legal division proactively identifies 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 per need basis. - Provide comments on draft laws to government and 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. - To minimize the spread of COVID 19, Government and health authorities have issued guidelines and rules to operate business activities. The Company has implemented all possible measures for the safety of the staff and tenants, adhering to said guidelines and rules.

Risks arising from unforeseen events such as natural disasters 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 2020. 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 20th July 2020.

1. GENERAL

Equity Two PLC is a public quoted company with limited liability incorporated in Sri Lanka in 1990.

2. THE PRINCIPAL ACTIVITIES OF THE COMPANY

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

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

3. REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Chairman's Statement and Management Discussion & Analysis on pages 01 to 04 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.

4. FINANCIAL STATEMENTS

The financial statements which comprise the Statement of Profit or Loss and other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and Notes to the financial statements of the Company for the year ended 31st March 2020 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.

4.1. Revenue

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

4.2. Financial results and appropriations

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

(In Sri Lankan Rupees thousands) **For the year ended 31st March**	**2020**	**2019**
Profit / (loss) for the year	82,053	190,055
Other comprehensive income/ (expenses) for the year	(48)	121
Total comprehensive income for the year	82,005	190,176
Retained earnings as at the beginning of the year	276,950	240,851
Retained earnings before appropriations / adjustments	358,955	431,027
Dividends paid	-	(46,500)
Transfer to fair value adjustment reserve	2,920	(107,577)
Retained earnings as at the end of the year	361,875	276,950

4.3. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are given on pages 28 to 36.

4.4. Investment properties

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

A professional valuation was performed as at 31st March 2020 by Mr. S. Sivaskantha, F. I. V (Sri Lanka) of Perera Sivaskantha and Company, incorporated Valuers. The details of the movements in fair value of investment properties of the Company during the year and their carrying value as at 31st March 2020 are presented in Note 17 to the financial statements

4.5. Capital expenditure

The details of capital expenditure of the Company are given in Notes 17 to the Financial Statements.

4.6. Reserves

The movements of total reserves of the Company are set out in the Statement of Changes in Equity and Note 22 to the financial statements.

5. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The financial statements comprise of *inter alia:*

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

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

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

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

They are also responsible for taking reasonable measures to safeguard the assets of the Company and 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 that were due and payable,

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

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

6. OUTSTANDING LITIGATION

There is no litigation currently pending against the Company.

7. 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.

7.1. Remuneration of Directors

Directors' remuneration, for the financial year ended 31st March 2020 is given in Note 13 to the Financial Statements.

7.2. Directors' Interest in Contracts and Shares

Directors' interests in contracts of the Company are disclosed in note 32 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 2020	31st March 2019
Mr. D. C. R. Gunawardena (Chairman)	-	-
Mr. A. P. Weeratunge	-	-
Mr. E. H. Wijenaike	-	-
Mr. K. C. N. Fernando - Vacated Office w.e.f. 14/06/2020	3,600	3,600
Mr. P. D. D. Fernando - Vacated Office w.e.f. 14/06/2020	-	-

8. DIRECTORS

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

8.1. Director to retire by rotation

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

8.2 Directors' Vacation of Office

Messrs. K. C. N. Fernando and P.D.D. Fernando who were re-appointed to the Board at the Annual General Meeting (AGM) held on 14th June 2019 for a period of one year till 14th June 2020, have vacated the office of Directors with effect from 14th June 2020 in terms of Section 210(2) (b) of the Companies Act, No. 07 of 2007 as the Company was unable to convene the AGM on or before the 14th of June 2020 to consider the re-appointment of the said Directors, due to the prevailing COVID-19 pandemic situation in the country.

8.3. Proposed Appointment to the Board of Directors

The Nomination Committee of the Company and the Board of Directors have recommended the appointment of Messrs. K.C.N. Fernando and P.D.D. Fernando who are over 70 years of age, to the Board of the Company pursuant to Article 67 of the Articles of Association of the Company, subject to obtaining the approval of the Shareholders of the Company at the forthcoming Annual General Meeting scheduled to be held on 4th September 2020.

In terms of Section 211 of the Companies Act, No. 07 of 2007, the approval of the Shareholders is sought by way of Ordinary Resolutions for the appointment of Messrs. K.C.N. Fernando and P.D.D. Fernando as Directors of the Company with immediate effect for a period of one year and that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to them.

The requisite Resolutions to give effect to the above is set out in the Notice convening the Annual General Meeting of the Company.

Upon Shareholders approving the appointments of Messrs. K.C.N. Fernando and P.D.D. Fernando, Mr. P.D.D. Fernando would be a Non-Executive Independent Director and Mr. K.C.N. Fernando would be an Executive Director of the Company.

9. INDEPENDENT AUDITORS

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

A sum of Rs. 210,000/- was paid to them by the Company as audit fees for the year ended 31st March 2020 (2019 - Rs. 200,000/-). Fees paid to Auditors on audit related services are given in Note 13 to the financial statements.

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

The Audit Committee reviewed the appointment of the Auditors, its effectiveness and its relationship with the Company 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.

9.2. Independent Auditors' Report

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

10. SIGNIFICANT EVENTS DURING THE YEAR

There were no significant events during the year.

11. COMPLIANCE WITH RULES OF THE COLOMBO STOCK EXCHANGE

The Board has ensured that the Company complies with the Corporate Governance Rules as per the Listing Rules of the Colombo Stock Exchange (CSE). However the Company became non-compliant with Rule 7.10.2.(a) of the Listing Rules of the CSE subsequent to the vacation of office by Mr. P.D.D. Fernando - Non-Executive/Independent Director on 14th June 2020. The Company made an immediate disclosure to the CSE in accordance with Rule 7.10.7.(a) prepared in conformity with Appendix 7C of the Listing Rules of the CSE.

Subject to Shareholder approval of the appointment of Mr. P.D.D. Fernando at the Annual General Meeting scheduled for Friday, the 4th of September 2020, the Company would be compliant with Rule 7.10.2 of the Listing Rules of the Colombo Stock Exchange.

11.1. 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. A.P. Weeratunge	Executive
Mr. E.H. Wijenaike*	Non-Executive / Independent
Mr. K.C.N. Fernando – Vacated Office w.e.f. 14/06/2020	Executive
Mr. P.D.D. Fernando - Vacated Office w.e.f. 14/06/2020	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 20th July 2020, 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, and in spite of being on the Board for more than nine years since he was not directly involved in the management of the Company.

11.2. Directors' Attendance at the Board Meetings

During the period under review, the Board of Directors had only two Board meetings as the 4th quarter Board meeting could not be held due to the COVID-19 pandemic situation in the country. The attendance of the Directors at the said meetings were as follows:

Directors	Meetings Attended (Out of two)
Mr. D. C. R. Gunawardena (Chairman)	2/2
Mr. A.P. Weeratunge	2/2
Mr. E.H. Wijenaike	2/2
Mr. K.C.N. Fernando - Vacated Office w.e.f. 14/06/2020	2/2
Mr. P.D.D. Fernando - Vacated Office w.e.f. 14/06/2020	2/2

11.3 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.

11.4. 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 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. D. C. R. Gunawardena	Non-Executive Director of CCPLC
Mr. F. Mohideen	Non-Executive/ Independent Director of CCPLC
Mr. A. S. Amaratunga	Non-Executive/ Independent Director of CCPLC

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

11.5. 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 hT. As per 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 Director 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 nor 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 financial year, the Committee had only one (01) Meeting, as the 4th Quarter Meeting could not be held due to the COVID-19 pandemic situation.

Remuneration Committee Members	Meetings Attended (Out of one)
Mr. T. de Zoysa (Chairman)	1/1
Mr. D. C. R. Gunawardena	1/1
Mr. R. Theagarajah	-
Mr. W. M. R. S. Dias	1/1

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.

11.6 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. D. C. R. Gunawardena	Non-Executive Director 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 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 financial year, the Committee had only one (01) Meeting, as the 4th Quarter Meeting could not be held due to the COVID-19 pandemic situation.

Nomination Committee Members	Meetings Attended (Out of one)
Mr. T. de Zoysa (Chairman)	1/1
Mr. D. C. R. Gunawardena	1/1
Mr. R. Theagarajah	-
Mr. W. M. R. S. Dias	1/1

11.7 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 the 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.

11.7.1. 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 2020, did not exceed 10% of Equity or 5% of the Total Assets of the Company as at 31st March 2020.

The details of the Related Party Transactions are given in Note 32 to the Financial Statements.

1. Non-Recurrent Related Party Transactions.

There were no Non-Recurrent Related Party Transactions entered into 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 2020.

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	Information
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 into during the financial year	Rs. 19,062,960/-
Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	13.49%
Terms and Conditions of the Related Party Transactions	Based on the rental agreement entered into between the companies

12. 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 05 to 17 in the Annual Report.

13. 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 2020 was 06 (2019 - 05).

14. EQUITABLE TREATMENT TO SHAREHOLDERS

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

15. DIVIDEND

Subject to the approval of the Shareholders at the Annual General Meeting, the Board of Directors recommended a First & Final dividend of 85 cents per ordinary share for the year ended 31st March 2020. (2019 - Rs. 1.50 per ordinary share).

The dividend payable has not been accounted for until it is approved at the forthcoming Annual General Meeting.

16. SOLVENCY TEST

Taking into account the said distribution, the Directors are satisfied that the Company would meet the Solvency Test requirement under section 56 (2) of the Companies Act No. 07 of 2007 immediately after the distribution.

The Company's Auditors, KPMG, Chartered Accountants have issued a Certificate of Solvency confirming same.

17. STATED CAPITAL

The Stated Capital of the Company as at 31st March 2020 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 were satisfied that all statutory dues have been paid up to date or have been provided for in the financial statements.

19. GOING CONCERN

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

20. ENVIRONMENTAL 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.

21. MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS

There were no material issues relating to employees and industrial relations during the year ended 31st March 2020.

22. 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 33 to the Financial Statements.

23. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The contingent liabilities and commitments made on account of capital expenditure as at 31st March 2020 are given in note 29 to the Financial Statements.

24. CORPORATE DONATIONS

There were no donations made during the year ended 31st March 2020 (2019 - Nil).

25. IMPACT OF COVID-19 PANDEMIC

The business impact of the COVID-19 pandemic to the Company is given in Note 34 to the financial statements.

26. SHARE INFORMATION

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

27. TWENTY MAJOR SHAREHOLDERS WITH COMPARATIVES

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

	Name of the Shareholders	31st March 2020		31st March 2019	
		No. of Shares	%	No. of Shares	%
1	EQUITY ONE LIMITED A/C NO.1	27,532,525	88.81	2,7532,525	88.81
2	BANK OF CEYLON A/C CEYBANK UNIT TRUST	2,279,187	7.35	2,275,602	7.34
3	MR. K.C. VIGNARAJAH	100,071	0.32	100,057	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	MRS. C.L. RAMANAYAKE	50,000	0.16	50,000	0.16
7	MISS. V.K. RAMANAYAKE	50,000	0.16	50,000	0.16
8	MR. L.L. HETTIARACHCHI	33,800	0.11	33,804	0.11
9	MR. I. PAULRAJ	32,128	0.10	32,128	0.10
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	23,496	0.08
14	PEOPLE'S LEASING & FINANCE PLC/DR.H.S.D.SOYSA & MR SOYSA	19,000	0.06	19,000	0.06
15	MRS. S. VIGNARAJAH	18,309	0.06	18,307	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. H.P. BONIFASS	12,450	0.04	11,900	0.04

28. 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 20th July 2020.

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.

29. ANNUAL GENERAL MEETING

The 30th Annual General Meeting of the Company will be held on Friday, the 4th of September 2020 at 11.30 am by means of audio or audio and visual technology. The Notice of the Annual General Meeting, setting out the business which will be transacted thereat is on page 55 of the Annual Report.

Signed on behalf of the Board,

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

(Sgd.)
E.H. Wijenaike
Director

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

Carsons Management Services (Private) Limited
Secretaries

Colombo
20th July 2020

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.

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

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.

NALAKE FERNANDO - Vacated office on 14th June 2020

Nalake Fernando is a Director of Carsons Management Services (Private) Limited. He ceased to be a Director of the Property Management Companies of the Carson Cumberbatch Group, namely Equity One Limited and Equity Two PLC with effect from 14th June 2020. He is a Director of Association for Individuals with learning Differences. He was the Country Representative for Sri Lanka of Dalekeller & Associates Ltd, Designers and Skidmore Ownings & Merrill Architects. He was also a Director of SKC Management Services Ltd.

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

DONALD FERNANDO - Vacated office on 14th June 2020

Donald Fernando is the Managing Director of Fernando Rajapakse Associates (Private) Limited - Consulting Engineers and Project Managers and Director, Saramanda Lanka (Guarantee) Limited. He ceased to be a Director of Equity One Limited and Equity Two PLC with effect from 14th June 2020.

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 Three (03) 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 Three)	
Mr.V.P. Malalasekera (Chairman)	2/3
Mr.F. Mohideen	3/3
Mr.D.C.R. Gunawardena	3/3
Mr.H. Selvanathan	3/3
Mr.M. Selvanathan	3/3
Mr.S.K. Shah	3/3

A Meeting of the RPTRC was scheduled for March 2020 and could not be held due to the COVID 19 pandemic situation in the country.

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 2019 to 31st March 2020 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
20th July 2020

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.

The Audit Committee consists of the following Members :

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

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)	4/5
Mr.D.C.R. Gunawardena	5/5
Mr.F. Mohideen	5/5
Mr.A.S. Amaratunga	5/5

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, including Key Audit Matters and to deliberate the draft Financial Report and Accounts at the completion stage of the audit. 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 2019/2020 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.

Based on the audit reporting requirements, 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 financial statements of Equity Two PLC for the year ended 31st March 2020 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 2021, 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
20th July 2020

Financial Calendar

Financial year end	31st March 2020
30th Annual General Meeting	**4th September 2020**

Announcement of Results

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

1st Quarter ended 30th June 2019	13th August 2019
2nd Quarter ended 30th September 2019	14th November 2019
3rd Quarter ended 31st December 2019	14th February 2020
4th Quarter ended 31st March 2020	29th May 2020

Independent Auditor's Report

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
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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, 2020, 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, 2020, 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 3.5 (accounting policies) and Note 17 (Investment properties), the fair value of investment properties amounted to Rs.1,518Mn as at 31 March 2020 (2019 - 1,511Mn)

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 (86% 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 professional qualifications 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 in particular rental rates, capitalization rates and occupancy rates based on our knowledge of the business and industry and internal benchmarks.
- Discussions with the management and the external valuer in relation to the possible impact on the key assumptions and the resulting valuation due to COVID 19.
- Compare with alternative valuation methods 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

20 July 2020

Statement of Profit or Loss and Other Comprehensive Income

(All figures are in Sri Lankan Rupees thousands)

For the year ended 31st March	Note	2020	2019
Revenue	11	141,254	143,637
Direct cost		(38,312)	(36,258)
		102,942	107,379
Other income	12	3,118	3,714
Net gains arising from changes in fair value of investment properties	17	1,480	154,969
		107,540	266,062
Administrative and other operating expenses		(8,970)	(7,622)
Results from operating activities	13	98,570	258,440
Finance income	14.1	15,354	10,096
Finance costs	14.2	(3,827)	(3,821)
Net finance income	14	11,527	6,275
Profit before taxation		110,097	264,715
Income tax expense	15.1	(23,713)	(27,158)
Deferred taxation	15.2	(4,331)	(47,502)
Profit for the year		82,053	190,055
Other comprehensive income / (expense)			
Items that will never be reclassified into profit and loss			
Actuarial gain / (loss) from valuation of employee benefits	25.2	(67)	168
Related tax		19	(47)
Total other comprehensive income / (expense) for the year		(48)	121
Total comprehensive income for the year		82,005	190,176
Earnings per share (Rs.)	16	2.65	6.13

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	2020	2019
ASSETS			
Non-current assets			
Investment properties	17	1,518,342	1,511,498
Total non-current assets		1,518,342	1,511,498
Current assets			
Trade and other receivables	18	24,448	11,869
Fair value through profit or loss financial assets	19	27,189	3,395
Investment in fixed deposits		91,109	125,687
Current tax assets		1,263	8,085
Cash and cash equivalents	20	102,048	20,558
Total current assets		246,057	169,594
Total assets		1,764,399	1,681,092
EQUITY AND LIABILITIES			
Equity			
Stated capital	21	444,092	444,092
Capital reserves	22.1	750	750
Revenue reserves	22.2	844,134	762,129
Total equity		1,288,976	1,206,971
Non-current liabilities			
Refundable rental deposits	23	35,162	34,289
Deferred tax liability	24	319,294	314,982
Employee benefits	25	1,473	1,156
Total non-current liabilities		355,929	350,427
Current liabilities			
Trade and other payables	26	60,436	110,505
Deferred revenue	27	8,889	13,189
Loans and borrowings	28	50,169	-
Total current liabilities		119,494	123,694
Total liabilities		475,423	474,121
Total equity and liabilities		1,764,399	1,681,092
Net assets per share (Rs.)		41.58	38.93

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 20th July 2020.

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.)
E.H. Wijenaike
Director

Colombo,
20th July 2020

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 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
Balance as at 1st April 2019	444,092	750	485,179	276,950	1,206,971
Profit for the year	-	-	(2,920)	84,973	82,053
Other comprehensive expense for the year	-	-	-	(48)	(48)
Total comprehensive income for the year	-	-	(2,920)	84,925	82,005
Balance as at 31st March 2020	444,092	750	482,259	361,875	1,288,976

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	2020	2019
Cash flows from operating activities			
Profit before taxation		110,097	264,715
Adjustments for:			
Finance costs	14.2	3,827	3,821
Finance income	14.1	(15,354)	(10,096)
Net gain arising from changes in fair value of investment properties	17	(1,480)	(154,969)
Provision for employee benefits	25.1	250	283
Amortization of deferred revenue	27	(3,959)	(3,950)
Operating profit before working capital changes		93,381	99,804
(Increase) / decrease in trade and other receivables		(12,579)	1,874
Increase / (decrease) in trade and other payables		(46,758)	97,635
Operating profit after working capital changes		34,044	199,313
Rental deposits received	23	-	4,696
Rental deposits refunded	23	(3,126)	(4,675)
Employee benefits paid	25	-	(678)
Income tax paid		(16,891)	(53,847)
Net cash generated from / (used in) operating activities		14,027	144,809
Cash flows from investing activities			
Additions to investment properties	17	(5,364)	(1,039)
Disposal of / (investment in) fair value through profit or loss financial assets		(23,794)	22,551
Withdrawal of / (investments in) fixed deposits		34,578	(125,687)
Interest received		15,354	10,096
Net cash generated from / (used in) investing activities		20,774	(94,079)
Cash flows from financing activities			
Dividend paid		(3,311)	(43,554)
Loans obtained		50,000	-
Net cash generated from / (used in) financing activities		46,689	(43,554)
Net increase / (decrease) in cash and cash equivalents		81,490	7,176
Cash and cash equivalents at the beginning of the year		20,558	13,382
Cash and cash equivalents at the end of the year (note 20)		102,048	20,558

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

The Company had 06 (2019 – 05) employees as at the reporting date.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Company comprise of 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 20th July 2020.

2.2 Basis of measurement

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

- Investment properties are measured at fair value as explained in Note 17;
- 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.

This is the first set of the Company's annual financial statements in which SLFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 3.

2.3 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.

2.4 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.

2.4.1 Judgments

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 notes;

- **Note 3.5: Determination of owner-occupied properties and investment properties**

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

2.4.2 Assumptions and estimation uncertainties

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:

- **Note 25: 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.

2.4.2.1 Measurement of fair values

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

The 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 much as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

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

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

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

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

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

- Note 3.5 – Investment Property
- Note 3.2 – Financial Instruments

2.5 Materiality and aggregation

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

2. 6 COVID-19 Uncertainty

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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 adopted SLFRS 16 with an initial application date of 1st April 2019.

SLFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying assets and lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

SLFRS 16, replaces existing leasing guidance, including LKAS 17: Leases, IFRIC 4: Determining whether an arrangement contains a lease, SIC -15: Operating Leases – Incentives and SIC-27: Evaluating the Substance of transactions involving the legal form of a lease.

SLFRS 16 does not have a material impact on the Company as the Company leases out its fully owned investment property. The Company is not required to make any adjustments on transition to SLFRS 16 for leases in which it acts as a lessor. Therefore, there was no adjustment made to the retained earnings on the transition as at 1st April 2019.

3.1 Foreign currency

3.1.1 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 the statement of profit or loss.

3.2 Financial instruments

3.2.1 Recognition and initial measurement

Trade receivable and debt securities issues are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the 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 not at FVTPL, is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.2.2 Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI (fair value through other comprehensive income) – debt investment; FVOCI – equity investment; or FVTPL (fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the 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 include trade and other receivables, investment in fixed deposits and cash and cash equivalents.

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

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

On initial recognition of an equity investment that is not held for trading, the 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 by the Company is classified as FVTPL.

3.2.3 Financial assets – Business model assessment

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 sale 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.

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

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

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

3.2.5 Financial assets – subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit or loss.
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 recognised in the statement of profit or loss. Any gain or loss on derecognition is recognised in the statement of 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 recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income (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 recognised as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the statement of profit or loss.

3.2.6 Financial liabilities – Classification, subsequent measurement and gains and losses

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

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

3.2.7 Derecognition

3.2.7.1 Financial asset

The Company derecognises 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 or 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 they transfer assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

3.2.7.2 Financial liabilities

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

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

3.2.8 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the 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.

3.2.9 Impairment

3.2.9.1 Non-derivative financial assets

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

The Company measures loss allowances at an amount equal to lifetime ECLs. Using the Simplified approach in accordance with SLFRS 9 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 are 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 including forward-looking information.

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

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

3.2.9.2 Non-Financial Assets

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

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

3.3 Stated capital

3.3.1 Ordinary shares

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

3.4 Leases

Policy applicable from 1st April 2019

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

This policy is applied to contracts entered into, or changed, on or after 1st April 2019.

3.4.1 As a Lessor

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

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

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

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

3.5 Investment property

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

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

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

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant & equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of 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 Statement of Profit or Loss.

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

3.6 Employee benefits

3.6.1 Short-term employee benefits

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

3.6.2 Defined contribution plans

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

3.6.2.1 Employees' Provident Fund

All employees of the Company are members of the Employees' Provident Fund to which the Company contributes 12% of such employees' basic salary & allowances.

3.6.2.2 Employees' Trust Fund

The company contributes 3% of the salary of each employee to the Employees' Trust fund.

3.6.3 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 plan is the present value of the defined benefit obligation as at the reporting date.

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

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

The liability is not externally funded.

3.7 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.

3.8 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 recognised because it is not probable that an outflow of resources will be required to settle the obligation.

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

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

3.9 Revenue

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

3.9.1 Rental income

Rental income from investment property is recognised 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. Rental income from other property are recognised as Other Income.

3.9.2 Other Income - on accrual basis.

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

3.10 Expenditure recognition

3.10.1 Operating expenses

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

3.10.2 Finance income and finance costs

Finance income comprises of interest income on funds invested.

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

Finance costs comprise of 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 the Statement of 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.

3.11 Income tax expense

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

3.11.1 Current taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any. Current tax payable also includes any tax liability arising from the declaration of dividends.

3.11.2 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.

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

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

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

A deferred tax asset is 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.

3.12 Fair Value Measurement

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

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

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

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

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

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

4. RELATED PARTY TRANSACTIONS

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

5. EVENTS AFTER THE REPORTING PERIOD

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

6. CASH FLOWS

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

6.1 Cash and cash equivalents

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

7. EARNINGS PER SHARE

The Company 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 generate distinguish revenue and expenses for such segment.

The operating results arising from providing the properties on rental business by the Company is reviewed regularly by the Company's Chief Operating Decision Maker to make decisions about resources 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 Standards which will become applicable for financial periods beginning on or after 1st January 2020. Accordingly, the Company has not applied the following new standards in preparing these financial statements.

- Amendments to references to conceptual framework in Sri Lanka Financial Reporting Standards
- Definition of a business (Amendments to SLFRS 3)
- Definition of material (Amendments to LKAS 1 and LKAS 8)

The Company does not expect there will be a significant impact on its financial statements as a result of the above.

(All figures are in Sri Lankan Rupees thousands)

	For the year ended 31st March	2020	2019
11.	**REVENUE**		
	Property rental income	141,254	143,637
		141,254	143,637
12.	**OTHER INCOME**		
	Parking fees	605	600
	On services provided to tenants	2,513	3,114
		3,118	3,714
13.	**PROFIT FROM OPERATIONS**		
	Profit from operations is stated after charging all expenses including the following:		
	Auditors' remuneration - audit services	210	200
	Auditors' remuneration - audit related services	-	115
	Professional service costs (note 13.1)	81	157
	Support service fees	4,039	4,069
	Personnel costs (note 13.2)	24,742	22,534
13.1	**Professional service costs**		
	Valuation services	2	83
	Other services	79	74
		81	157
13.2	**Personnel costs**		
	Salaries, wages and other related expenses	23,115	21,034
	Defined benefit plan cost - Employee benefits (note 25.1)	250	283
	Defined contribution plan cost - EPF and ETF	1,377	1,217
		24,742	22,534
	The above include:		
	Directors' emoluments	-	-
	Non executive directors' fees	330	400
		330	400
14.	**NET FINANCE INCOME**		
14.1	**Finance income**		
	Interest income from fixed deposits	8,914	8,474
	Net change in fair value of fair value through profit or loss financial assets	6,416	1,584
	Interest income on loans given to officers of the Company	24	38
		15,354	10,096
14.2	**Finance costs**		
	Interest expense on bank borrowings	169	-
	Unwinding of interest on refundable rental deposits	3,658	3,821
		3,827	3,821
	Net finance income / (cost)	11,527	6,275

(All figures are in Sri Lankan Rupees thousands)

	For the year ended 31st March	2020	2019
15.	**TAX EXPENSE**		
15.1	**Income tax expense**		
	Current tax expense for the year (note 15.3)	23,940	27,345
	Over provision for previous years	(227)	(187)
		23,713	27,158
15.2	**Deferred taxation**		
	On origination of temporary differences (note 24.1)	4,331	47,502
		4,331	47,502
		28,044	74,660
15.3	**Reconciliation between the accounting profit and the taxable profit**		
	Accounting profit before taxation for the year	110,097	264,715
	Adjustments on;		
	- Aggregate disallowable expenses	2,472	1,376
	- Aggregate allowable expenses	(14,199)	(14,963)
	Notional adjustments arising on application of LKAS/SLFRS	(8,225)	1,500
	Net gains arising from changes in fair value of investment properties	(1,480)	(154,969)
	Finance income	(15,354)	(10,096)
	Adjusted profit from operations for taxation	73,311	87,563
	Interest income	15,354	10,096
	Total assessable income	88,665	97,659
	Taxable income	88,665	97,659
	Taxation thereon (note 15.4 (a))	23,940	27,345

15.4 (a) The income tax provision of the Company is calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the notices issued by the Department of Inland Revenue on the instructions of the Ministry of Finance on 12th February 2020 notice-No. PN/IT/2020-03 on the subject "Implementation of Proposed Changes to the Inland Revenue Act, No. 24 of 2017" and amended by the notice-No. PN/IT/2020-03 (Revised) issued by the Department of Inland Revenue dated on 8th April 2020.

As the proposed changes are effective from 01st January 2020, the Department of Inland Revenue has issued a notice No. PN/IT/2020-06 dated 06th May 2020, providing instructions on the subject "Computation of Income Tax Payable and Payments for the Year of Assessment 2019/2020". As per the said instructions issued, taxable income computed for the full year needs to be apportioned over the two periods by applying the pro rata basis based on the time (i.e. 9 months and 3 months) and the relevant tax rates for two periods should be applied accordingly. Company has computed the current tax based on the above instructions and remitted the tax payments on the same basis. The Company has adopted the above on the basis that formal amendments to the Inland Revenue Act No. 24 of 2017 would be made in the near future.

In terms of above, the income tax provision of the Company has been calculated on adjusted profit at the standard rate of 28% up to 31st December 2019 and 24% thereafter.

However, the legislative process relating to amendment to the laws need to be completed in order for the tax rate to be considered as substantively enacted as at the reporting date. Therefore, the difference between computing current tax liability for the fourth quarter using the proposed rate of 24% and the existing rate of 28% amounts to Rs. 886,654/-.

(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 income tax on interest income derived through Fixed Income Unit Trust.

(c) Deferred tax has been computed using a tax rate of 28%, which is the substantively enacted rate as at the reporting date, because, the Inland Revenue department notice-No. PN/IT/2020-03 (Revised) has not been enacted as of the reporting date (2019-28%).

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	2020	2019
Amount used as the numerator		
Profit for the year	82,053	190,055
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.)	2.65	6.13

16.1 Diluted earnings per share

There were no potentially dilutive ordinary shares as at 31 March 2020 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would require restatement of earnings per share.

17. INVESTMENT PROPERTIES

17.1 Details of investment properties

	Freehold Land	Freehold Building	Other equipments	Total as at 31st March 2020	Total as at 31st March 2019
Balance as at beginning of the year	1,040,339	420,211	50,948	1,511,498	1,355,490
Additions during the year	-	3,230	2,134	5,364	1,039
Change in fair value of investment properties	11,695	938	(11,153)	1,480	154,969
Balance as at the end of the year	1,052,034	424,379	41,929	1,518,342	1,511,498

17.2 Valuation of investment properties

Property and location	Method of valuation	Extent (Perch)	Historical Cost	Fair value as at 31st March 2020	Fair value as at 31st March 2019
No. 61 Janadhipathi Mawatha, Colombo 01	Investment approach	28.51	129,443	561,511	556,535
No. 55 Janadhipathi Mawatha, Colombo 01	Investment approach	57.55	429,780	956,831	954,963
			559,223	1,518,342	1,511,498

The Investment Properties of the Company comprise of commercial properties that are leased to external and related party tenants. The lease agreements are typically entered for 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.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

17.3 Fair value hierarchy

The fair values of the investment properties were 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 valued. Fair values were determined with reference to the entity's ability to generate economic benefit by using the asset and recent market transactions for similar properties in the same location as the respective Companies' investment properties.

Under prevailing circumstances, it is premature to ascertain the full impact COVID-19 would have on the real estate market as the pandemic is still evolving. However, all the available information in the market have been taken into account in determining the fair value of the properties as at the reporting date by the Property Valuer.

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

Valuation 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 70% - 85%	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 into 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 2020 (2019 - 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	2020	2019
18.	**TRADE AND OTHER RECEIVABLES**		
	Financial		
	Trade receivables	21,612	8,728
	Other receivables	1,753	2,274
	Loans given to company officers (note 18.1)	155	424
		23,520	11,426
	Non-financial		
	Prepaid expenses	457	443
	Advance payments	471	-
		928	443
		24,448	11,869
18.1	**Loans given to company officers**		
	Balance as at the beginning of the year	424	492
	Loans granted during the year	159	421
	Settlements during the year	(428)	(489)
	Balance as at the end of the year	155	424
19.	**FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS**		
	Investments in Units Trust (note 19.1)	27,189	3,395
		27,189	3,395

	As at 31st March	2020			2019		
19.1	**Investments in Unit trusts**	**No. of units**	**Cost**	**Fair value**	**No. of units**	**Cost**	**Fair value**
	Guardian Acuity Money Market Fund	1,399,237	26,610	27,189	193,032	3,363	3,395
			26,610	27,189		3,363	3,395

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

19.2	**Fair value hierarchy**	**Level 1**	**Level 2**	**Level 3**	**Total**
	As at 31st March 2020				
	Investments in Units Trust	-	27,189	-	27,189
	As at 31st March 2019				
	Investments in Units Trust	-	3,395	-	3,395

	As at 31st March	2020	2019
20.	**CASH AND CASH EQUIVALENTS**		
	Cash at bank and in hand	102,048	20,558
	Cash and cash equivalents for the purpose of cash flow statement	102,048	20,558
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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share on a show of hands by individuals present in person or by proxy at a meeting of shareholders or one vote per share in the case of a poll.

	As at 31st March	2020	2019
22.	**CAPITAL AND REVENUE RESERVES**		
22.1	**Capital reserves**		
	Machinery replacement reserve (note. 22.1.1.)	750	750
		750	750

(All figures are in Sri Lankan Rupees thousands)

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.

	As at 31st March	2020	2019
22.2	**Revenue reserves**		
	Retained earnings	361,875	276,950
	Fair value adjustment reserve (note 22.2.1)	482,259	485,179
		844,134	762,129

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

22.2.1 Fair value adjustment reserve

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

	As at 31st March	2020	2019
23.	**REFUNDABLE RENTAL DEPOSITS**		
	Balance as at the beginning of the year	34,289	44,199
	Receipts during the year	-	4,696
	Refunds during the year	(3,126)	(4,675)
	Amount transferred from / (to) deferred revenue	341	(13,752)
	Unwinding of interest on refundable deposits	3,658	3,821
	Balance as at the end of the year	35,162	34,289
24.	**DEFERRED TAX LIABILITY**		
	Balance as at the beginning of the year	314,982	267,433
	Charge for the year (note 24.1)	4,312	47,549
	Balance as at the end of the year	319,294	314,982
24.1	**Charge for the year**		
	The amounts recognised in the statement of profit or loss are as follows;		
	Investment properties (note 24.4)	4,400	47,392
	Employee benefits	(69)	110
		4,331	47,502
	The amount recognised in the statement of other comprehensive income is as follows;		
	Employee benefits	(19)	47
		(19)	47
	Net deferred tax charged for the year	4,312	47,549
24.2	**Deferred tax asset**		
	Tax effect on employee benefits	412	324
	Total deferred tax asset	412	324
24.3	**Deferred tax liability**		
	Tax effect on investment properties	319,706	315,306
	Total deferred tax liability	319,706	315,306
	Net deferred tax liability	319,294	314,982

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. 4.4 mn (2019 - Rs. 47.4 mn) on the temporary differences arising from gains on fair valuation of investment properties have been accounted during the year.

	As at 31st March	2020	2019
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	1,156	1,719
	Current service cost	123	102
	Interest cost	127	181
	Actuarial (gain) / loss	67	(168)
	Payments made during the year	-	(678)
	Balance as at the end of the year	1,473	1,156
25.1	**The amounts recognised in the Statement of profit or loss are as follows;**		
	Current service cost	123	102
	Interest cost	127	181
	Charge for the year	250	283
25.2	**The amount recognised in the Statement of Other Comprehensive Income is as follows;**		
	Actuarial (gain) / loss	67	(168)
	(Gain) / charge for the year	67	(168)

25.3 Liability on employee benefits as at 31st March 2020 amounting to Rs. 1,473,031 (2019 - Rs. 1,155,674) 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	10.5% p.a. (2019 -11% p.a.)
Rate of pay increase	10% p.a. (2019 - 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 benefit obligation by the amounts shown below.

As at 31st March	2020	2019
1% increase in discount rate	(118)	(95)
1% decrease in discount rate	133	107
1% increase in salary escalation rate	137	111
1% decrease in salary escalation rate	(123)	(100)

25.5 The employee benefits liability is not externally funded.

(All figures are in Sri Lankan Rupees thousands)

	As at 31st March	2020	2019
26.	**TRADE AND OTHER PAYABLES**		
	Financial		
	Trade payables	4	41
	Other payables	58,812	109,061
		58,816	109,102
	Non-financial		
	Accrued expenses and provisions	1,620	1,403
		1,620	1,403
		60,436	110,505
27.	**DEFERRED REVENUE**		
	Balance as at the beginning of the year	13,189	3,387
	Amount transferred from / (to) refundable deposits	(341)	13,752
	Amortization of deferred revenue	(3,959)	(3,950)
	Balance as at the end of the year	8,889	13,189
28.	**LOANS AND BORROWINGS**		
	Loans obtained during the year	50,000	-
	Accrued interest	169	-
	Balance as at the end of the year	50,169	-

The unsecured short term facility has been obtained from Commercial Bank of Ceylon PLC at interest rate equivalent to the market rate and is repayable on 20th August 2020.

29. CAPITAL EXPENDITURE COMMITMENTS, CONTINGENT LIABILITIES AND LITIGATIONS AND CLAIMS

29.1 Capital expenditure commitments

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

29.2 Contingent liabilities

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

29.3 Litigations and claims

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

	For the year ended 31st March	2020	2019
30.	**DIVIDEND PER SHARE**		
	Dividends proposed / paid during the year		
	First interim dividend	-	46,500
	Dividends proposed during the year		
	First interim dividend		
	Total dividend	-	46,500
	Dividend per share (Rs.)	-	1.50
	Proposed Final dividend*		
	Total dividend	26,350	-
	Dividend per share (Rs.)	0.85	-
	Total dividend per share (Rs.)	0.85	1.50

* After satisfying the Solvency Test in accordance with section 57 of the Companies Act, No. 7 of 2007, the Directors have recommended the payment of a first and final dividend of 85 cents per ordinary share for the year ended 31st March 2020 amounting to Rs 26,350,000/ which is to be approved at the forthcoming Annual General Meeting. In accordance with Sri Lanka Accounting Standard (LKAS 10) - "Events after the reporting period" this proposed first and final dividend has not been recognised as a liability as at 31st March 2020.

31. FINANCIAL INSTRUMENTS

Financial risk management - Overview

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.

31.1 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 and Financial institutions and in government securities.

31.1.1 Exposure to credit risk

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

As at 31st March	2020	2019
Credit risk		
Trade and other receivables	23,520	11,426
Less; Revenue on lease agreements recongized on straight line basis	(15,561)	(7,637)
	7,959	3,789
Fair value through profit or loss financial assets	27,189	3,395
Investment in fixed deposits	91,109	125,687
Cash and cash equivalents	102,048	20,558
	228,305	153,429

31.1.2 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.

(All figures are in Sri Lankan Rupees thousands)

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	2020	2019
Refundable rental deposits		
Carrying value	35,162	34,289
Face value	44,785	47,910

The company 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 into 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	2020	2019
Revenue on lease agreements recognised on straight line basis	15,561	7,637
1–30 days	4,750	185
31–90 days	1,301	906
	21,612	8,728

No circumstances have arisen that would require impairment in respect of trade and other receivables as at the year end (2019 - Nil).

31.1.3 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.

31.1.4 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.

31.1.5 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.

31.1.6 Cash and cash equivalents

The Company held cash and cash equivalents of Rs. 102 mn as at 31st March 2020 (2019: Rs. 20.6 mn), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the banking and financial institution counterparties, which are rated AAA(lka) to AA–(lka), based on Fitch Ratings.

As at 31st March	2020	2019
Cash at bank and in hand	102,048	20,558
	102,048	20,558

31.2 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.

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

As at 31st March 2020	Carrying amount	Contractual cash flows			
		Total	3 months or less	4-12 months	More than 1 year
Non-derivative financial liabilities					
Refundable rental deposits	35,162	44,785	3,126	11,167	30,492
Trade payables	4	4	4	-	-
Loans and borrowings	50,169	50,169	50,169	-	-
Other payables	58,812	58,812	11,205	47,607	-
	144,147	153,770	64,504	58,774	30,492

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

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

31.2.2 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 units 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. 102 mn (2019: Rs. 20.6 mn).

(All figures are in Sri Lankan Rupees thousands)

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 into a period of two years with a renewal clause.

Other payables mainly consist of rent received in advance, therefore not expected to settle and will be set-off against future rental income.

31.3 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.

31.4 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 recognised. The following table analyses the fair value of financial instruments together with the carrying amounts shown in the statement of financial position.

31.5 Fair values Vs. carrying amounts

31st March 2020	Financial Assets at fair value through profit and loss	Financial Assets at amortized cost	Financial Assets at fair value through Other Comprehensive Income	Financial Liabilities at fair value through profit and loss	Financial liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	102,048	-	-	-	102,048	102,048
Fair value through profit or loss financial assets	27,189	-	-	-	-	27,189	27,189
Investment in fixed deposits	-	91,109	-	-	-	91,109	91,109
Trade and other receivables	-	23,520	-	-	-	23,520	23,520
	27,189	216,677	-	-	-	243,866	243,866
Refundable rental and other deposits	-	-	-	-	35,162	35,162	35,162
Trade and other payables	-	-	-	-	58,816	58,816	58,816
Loans and borrowings	-	-	-	-	50,169	50,169	50,169
	-	-	-	-	144,147	144,147	144,147

31st March 2019	Financial Assets at fair value through profit and loss	Financial Assets at amortized cost	Financial Assets at fair value through Other Comprehensive Income	Financial Liabilities at 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

32. 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.

32.1 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.

32.2 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	2020	2019
32.2.1 Key management personnel compensation		
Short-term employee benefits / fees	330	400
Post-employment benefits	-	-
Termination benefits	-	-
Other long-term benefits	-	-
	330	400

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

32.3 Other related party transactions

32.3.1 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 2020	Value of the transactions 2019
Parent company				
Equity One Limited	D. C. R. Gunawardena	Dividend paid net of dividend tax	-	35,517
Fellow subsidiaries				
Carsons Management Services (Private) Limited (CMSL)	K. C. N. Fernando A. P. Weeratunge	Support service fees paid	4,040	4,069
		Secretarial fees paid	450	453
		Computer fees paid	182	184
		Rental income received	19,063	16,340
		Parking fees received	420	420
Guardian Fund Management Limited	A. P. Weeratunge	Rental income received	7,246	6,211
		Parking fees received	125	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 borrowings are charged interest at market rate linked to AWPLR, if applicable.

32.3. 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.

33. EVENTS AFTER THE REPORTING DATE.

After satisfying the Solvency Test in accordance with section 57 of the Companies Act, No. 7 of 2007, the Directors have recommended the payment of a first and final dividend of 85 cents per ordinary share for the year ended 31st March 2020 amounting to Rs 26,350,000/ which is to be approved at the forthcoming Annual General Meeting. In accordance with Sri Lanka Accounting Standard (LKAS 10) - "Events after the reporting period" this proposed first and final dividend has not been recognised as a liability as at 31st March 2020.

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

34. IMPACT DUE TO COVID - 19

Considering the nature of the business we are in – long term letting of business spaces – the immediate impact of the ongoing pandemic on the business of the Company is limited. However, we have offered concessions for several affected, long-term tenants of our premises in the form of short-term rent revisions or deferred payment plans.

However, in terms of medium term impact, since the demand for our business is highly dependent on the market conditions of other industries and businesses and considering the subdued economic activities projected, we expect sourcing of new tenants for the existing vacant space of the Company to take longer than under normal circumstances and would be much more challenging. In such event, the management will continue to take appropriate and timely actions as and when required.

In preparing these Financial Statements, the Company has considered the "Guidance Notes on Accounting Considerations of the COVID-19 Outbreak (updated on 11th May 2020)" issued by The Institute of Chartered Accountants of Sri Lanka.

35. COMPARATIVE FIGURES

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

36. 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		2020	2019	2018	2017	2016
Trading results						
Revenue		141,254	143,637	135,969	118,907	105,286
Profit before taxation		110,097	264,715	316,799	78,605	193,925
Income tax expense		(28,044)	(74,660)	(183,951)	(21,979)	(20,185)
Profit for the year		82,053	190,055	132,848	56,626	173,740
Other comprehensive income / (expense) for the year		(48)	121	(81)	204	(42)
Total comprehensive income for the year		82,005	190,176	132,767	56,830	173,698
Stated capital and reserves						
Stated capital		444,092	444,092	444,092	444,092	444,092
Reserves		844,884	762,879	619,203	556,129	548,899
Shareholders' funds		1,288,976	1,206,971	1,063,295	1,000,221	992,991
Assets employed						
Investment properties		1,518,342	1,511,498	1,355,490	1,145,356	1,145,356
Non-current assets		1,518,342	1,511,498	1,355,490	1,145,356	1,145,356
Current assets		246,057	169,594	53,071	25,726	24,394
Current liabilities		(119,494)	(123,694)	(31,915)	(20,424)	(44,767)
Net current assets / liabilities		126,563	45,900	21,156	5,302	(20,373)
Assets employed		1,644,905	1,557,398	1,376,646	1,150,768	1,124,983
Non-current liabilities		(355,929)	(350,427)	(313,351)	(150,547)	(131,992)
Net assets		1,288,976	1,206,971	1,063,295	1,000,221	992,991
Cash flow statement						
Net cash inflows / (outlows) from;						
Operating activities		14,027	144,809	98,825	65,934	32,309
Investing activities		20,774	(94,079)	(21,669)	813	(1,436)
Financing activities		46,689	(43,554)	(69,665)	(66,226)	(42,420)
Net increase / (decrease) in cash & cash equivalents		81,490	7,176	7,491	521	(11,547)
Ratios and statistics						
Dividend per share*	(Rs.)	0.85	1.50	2.25	1.40	0.20
Dividend yield	(%)	1.88	2.83	3.14	2.35	0.31
Dividend payout	(%)	32.08	24.47	52.45	76.50	3.57
Return on shareholders' funds	(%)	6.37	15.75	12.49	5.66	17.50
Earnings per share	(Rs.)	2.65	6.13	4.29	1.83	5.60
Earnings yield	(%)	5.85	11.57	5.98	3.07	8.62
P/E ratio	(times)	17.09	8.65	16.71	32.62	11.61
Market price per share **	(Rs.)	45.30	53.00	71.70	59.70	65.00
Net assets per share	(Rs.)	41.58	38.93	34.30	32.27	32.03
Current ratio	(times)	2.06	1.37	1.66	1.26	0.54
Market capitalization	(Rs.'000)	1,404,300	1,643,000	2,222,700	1,850,700	2,015,000

* 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	2020	2019
Revenue	141,254	143,637
Other income	3,118	3,714
Finance Income	15,354	10,096
	159,726	157,447
Cost of materials and services bought from outside	(22,709)	(21,346)
Value added	137,017	136,101

Distributed as follows:	2020	%	2019	%
To employees				
as remuneration	24,742	18	22,534	17
To government				
as taxation*	23,713	17	27,158	20
To providers of capital				
as dividend**	-	-	46,500	34
Retained in the business				
as deferred taxation	4,331	3	47,502	34
as unwinding of discount	3,658	3	3,821	3
as retained profits/(loss) net of provisions, fair value adjustment and dividends	80,573	59	(11,414)	(8)
	137,017	100	136,101	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	2020	2019
Number of Shareholders	1,966	1,961

3 Distribution and Composition of Shareholders

The number of shares held by Non-Residents as at 31st March 2020 was 124,382 (2019 - 124,382) which amounts to 0.40% (2019 - 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	1,842	265,942	0.8579	8	2,802	0.0090	1,850	268,744	0.8669
1001-10,000	92	287,351	0.9269	1	5,000	0.0161	93	292,351	0.9431
10,001-100,000	18	410,542	1.3243	2	116,580	0.3761	20	527,122	1.7004
100,001-1,000,000	1	100,071	0.3228	0	0	0.0000	1	100,071	0.3228
Above 1,000,000	2	29,811,712	96.1668	0	0	0.0000	2	29,811,712	96.1668
Grand Total	**1,995**	**30,875,618**	**99.60**	**11**	**124,382**	**0.40**	**1,966**	**31,000,000**	**100.00**

4

Categories of Shareholders	2020		
	No. of Shareholders	No. of Shares	%
Individuals	1,923	1,011,872	3.26
Institutions	43	29,988,128	96.74
Total	1,966	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 2020

Market Capitalization of the Public Holding	Rs.156.44 Million
Percentage of ordinary shares held by the public	11.17%
Number of Public Shareholders	1,963

6 Dividends

The Directors have recommended the payment of a Final Dividend of 85 Cents per ordinary Share for the year ended 31st March 2020 which is subject to approval by the Shareholders at the Annual General Meeting.

7 Market performance - Ordinary shares

For the year ended 31st March	2020	2019
As at 31st March (Rs.)	45.30	53.00
Highest (Rs.)	63.00	74.80
Lowest (Rs.)	40.60	42.00
Value of shares traded (Rs.)	766,690	2,546,025
No. of shares traded	15,564	46,520
Volume of transactions (Nos.)	235	394

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. 1,404,300,000/- as at 31st March, 2020 (2019 - Rs. 1,643,000,000/-).

9 Value of the properties - Land and building

Location	Extent (in perch)	Number of Buildings	Market value 2020 Rs.'000	Date of professional valuation
No. 61, Janadhipathi Mawatha, Colombo 01	28.51	01	561,511	March 2020
No. 55, Janadhipathi Mawatha Colombo 01	57,55	01	956,831	March 2020

10 Number of employees

The number of employees of the Company at the end of the year was 06 (2019 - 05).

Notice of Meeting

NOTICE is hereby given that the 30th Annual General Meeting of EQUITY TWO PLC will be held at the 8th Floor of No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka on Friday, 4th September 2020 at 11.30 a.m. by means of audio or audio and visual technology for the following purposes:

1. To 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 77 years of age and that he be appointed as a Director of the Company with immediate effect for a period of one year."

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

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

3. To consider the Annual Report of the Board of Directors including the financial statements of the Company for the financial year ended 31st March 2020 together with the Report of the Auditors thereon.

4. To declare a dividend as recommended by Directors.

5. To re-elect Mr. E.H. Wijenaike, who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.

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

By Order of the Board

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

Carsons Management Services (Private) Limited
Secretaries

Colombo
20th July 2020

Notes

1. This Notice and the submission of the Form of Proxy should be read in conjunction with the **'Procedure to be followed at the Annual General Meeting of the Company scheduled for 4th September 2020'**, which is enclosed with the Notice convening the AGM.
2. The notice convening the AGM together with the procedure to be followed at the AGM will be posted to the Shareholders. The documents will also be made available on the Colombo Stock Exchange website **www.cse.lk** and on the Group's website **www.carsoncumberbatch.com** and you may access same directly through the URL link **http://www.carsoncumberbatch.com/investor_information/investor_information_equity_two_plc.php**
3. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
4. The completed Form of Proxy must be submitted to the Company **not later than 4.45 p.m. on 2nd September 2020** or via email to **ETWOAGM2020@carcumb.com** or by fax to +94 11-2337671 or handed over or posted to the Registered Office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
5. A person representing a Corporation is required to submit a certified copy of the resolution authorizing him/her to act as the representative of the Corporation. A representative need not be a member.
6. The transfer books of the Company will remain open.

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,
Ajith Prashantha Weeratunge or failing him,
Eranjith Harendra Wijenaike

As *my/our proxy to attend the 30th Annual General Meeting of EQUITY TWO PLC to be held at the 8th Floor of No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka on Friday, 4th September 2020 at 11.30 a.m. by means of audio or audio and visual technology and any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	**Against**
1.	To 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;		
2.	To 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;		
3.	To declare 85 Cents per share as a final dividend for the financial year ended 31st March 2020 as recommended by the Directors.		
4.	To re-elect Mr. E.H. Wijenaike, who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.		
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.		

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

……………………………………….
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.

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address, and sign in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 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 submitted to the Company **not later than 4.45 p.m. on 2nd September 2020** or via email to **ETWOAGM2020@carcumb.com** or by fax to +94 11-2337671 or handed over or posted to the Registered Office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
6. Shareholders who are unable to participate at the meeting through the online meeting platform (i.e. Zoom platform) may appoint a proxy as his/her/its proxy by forwarding the duly completed Form of Proxy not later than 4.45 p.m. on 2nd September 2020, clearly indicating their vote under each matter set out in the Form of Proxy as per the instructions set out in the **'Procedure to be followed at the Annual General Meeting of the Company scheduled for 4th September 2020', attached with this Notice.**
7. Shareholders could also appoint a member of the Board to act as their proxy if they so choose. The Shareholders who wish to appoint a Director as his/her/its proxy must forward the duly completed Form of Proxy clearly indicating their vote under each matter set out in the Form of Proxy and forward same together with the **Registration Form (Annexure 1)**, attached herewith to the Company.

Please fill in the following details:

Name	:	…………………………………………………………
Address	:	…………………………………………………………
		…………………………………………………………
Jointly with		…………………………………………………………
Share folio No.	:	…………………………………………………………
NIC 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. A.P. Weeratunge
	Mr. E.H. Wijenaike
	Mr. K.C.N. Fernando (vacated office w. e. f. 14th June 2020)
	Mr. P. D. D. Fernando (vacated office w. e. f. 14th June 2020)
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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