

EQ2

EQUITY TWO PLC

ANNUAL REPORT 2020/21
A CARSON CUMBERBATCH COMPANY

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

Chairman's Statement

Dear Shareholder,

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

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

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

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

In spite of these ambiguities, I believe that offices in prime commercial areas, and especially those within the central business district will continue to attract decent tenancies. However, with

the premium-end taking longer time to fill, the market for our properties will continue to be reasonable, even though it will likely take longer than preceding years to attract tenants for vacancies. Furthermore, the limited space available for vehicle parking continues to be one of our primary challenges when sourcing tenants for our properties.

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

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

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

On the matter of improving the future prospects of our industry, I would like to congratulate the Colombo Stock Exchange on the recent introduction of Real Estate Investment Trusts to the market in an attempt to make the industry accessible to more investors. I trust that with practical conduct it will continue to

Chairman's Statement

evolve to include broader investment parameters, and further cost efficiencies that would drive higher investor and operator appeal.

During the year, the revenue of the Company reduced by 11% to Rs. 125.3 Mn in light of the reduction in occupancy from 77% to 73% and due to the rent revisions offered to some of the affected tenants to ease off COVID-induced pressure on their businesses. This contraction of the top-line has led the Company's profit before tax to reduce by 17% to Rs. 91.3 Mn as opposed to the preceding year. The investment properties of the Company continued to be valued at similar levels to that of the comparable year, with a marginal gain of Rs. 1.6 Mn. Consequently, an interim dividend of Rs. 0.65 per share was declared and paid for the financial year ended 31st March 2021, translating into a payout of 28% on the net profit of the Company excluding fair value gain on investment properties and substantial deferred tax reversal during the year.

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

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

Stay safe and stay well!

(Sgd.)

D.C.R. Gunawardena

Chairman

Colombo

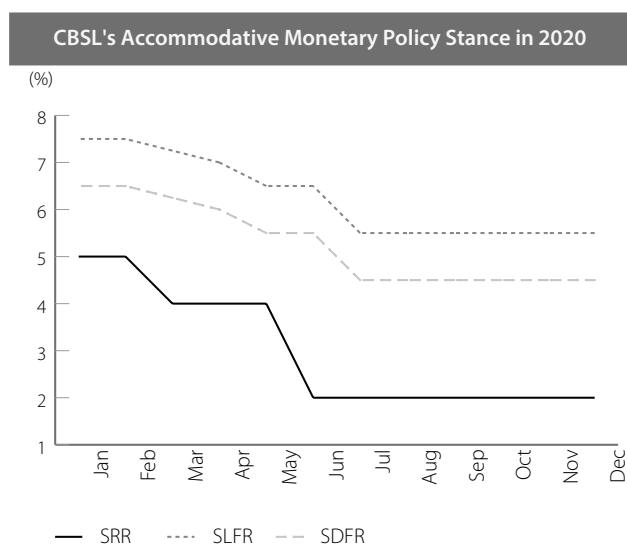
22nd June 2021

Management Discussion and Analysis

MACRO OVERVIEW

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

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



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

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

Furthermore, FDI inflows to the country including loans to BOI companies displayed a reduction from USD 1.2 Bn in 2019 to USD 0.7 Bn in 2020 due to pandemic-related investment

uncertainties and travel restrictions that affected foreign investors in general. However, remittances from migrant workers increased from USD 6.7 Bn of last year to USD 7.1 Bn, mainly due to extended foreign stays following closures of several international borders, increased use of formal remittance channels due to hardships in physical travel, and a possible increase in amounts remitted to local families to overcome COVID pressures on domestic financials.

INDUSTRY SNAPSHOT

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

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

The appreciating trend of Colombo land prices continued throughout 2020 as well, with a growth rate of 4.6% recorded during the year. Similarly, commercial lands appreciated at a rate of 4.5% according to the Land Valuation Index compiled by the CBSL. However, when compared against the previous year's strong appreciation of 10.3%, it is evident that significant momentum has been lost in 2020, which is understandable, considering the prevailing situation and the events of the year.

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

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

Management Discussion and Analysis

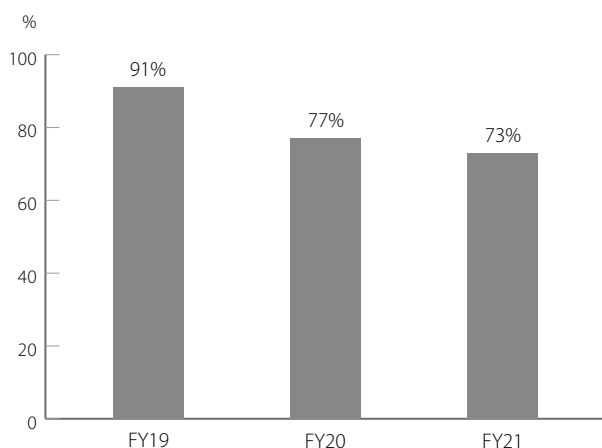
During 2020, road infrastructure development projects progressed amid mobility restrictions, physical distancing, and multiple localised lockdowns that were enforced periodically. Even during a year where attention was shifted towards the development of healthcare infrastructure, the spend on road infrastructure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

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

OUR BUSINESS

Occupancy of the investment properties of the Company reduced marginally from 77% to 73% over the financial year. In order to support our valued tenants who have been affected due to COVID driven business pressures, we have offered them short-term rent re-negotiations. These discounts offered along with the aforementioned reduction in occupancy led the Company to achieve a Rs. 125.3 Mn top-line, which is an 11% reduction in comparison to the previous year.

Occupancy level comparison



Direct costs of the Company reduced by 12% on the back of cost curtailing measures by the management following COVID, realising a gross profit of Rs. 91.4 Mn, which is 11% less than that of the previous year.

As prime real estate in Colombo continued to hold its value, the valuation of the Company's investment properties remained in line with that of the previous year, with a marginal fair valuation gain of Rs. 1.6 Mn.

As a result, the Company recorded a profit from operating activities of Rs. 86.1 Mn, which is 13% less than that of previous year, driven mainly by top-line reduction. The net finance income of the Company witnessed a reduction of Rs. 6.4 Mn over the comparable year attributable to both the significant reduction in market rates for deposits throughout the year, as well as to short-term loans obtained to maintain liquidity, which have been since settled in full by the end of the financial year. Disregarding the valuation gains of both years, the profit before tax of the Company decreased by 17% to reach Rs. 89.7 Mn.

The Company recognised a profit after tax of Rs. 116.1 Mn, which is a 41% growth from the comparable year mainly due to deferred tax reversal of Rs. 41.9 Mn in light of the decrease in the corporate income tax rate from 28% to 24%.

An interim dividend of Rs. 0.65 per share was declared and paid for the financial year ended 31st March 2021, translating into a payout of 28% on net profit of the Company, excluding fair value gain on investment properties and aforementioned deferred tax reversal.

FUTURE OUTLOOK

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

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

Carsons Management Services (Private) Limited
Managers

22nd June 2021

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, will minimise the significant impact to achievement of business objectives.

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

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

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

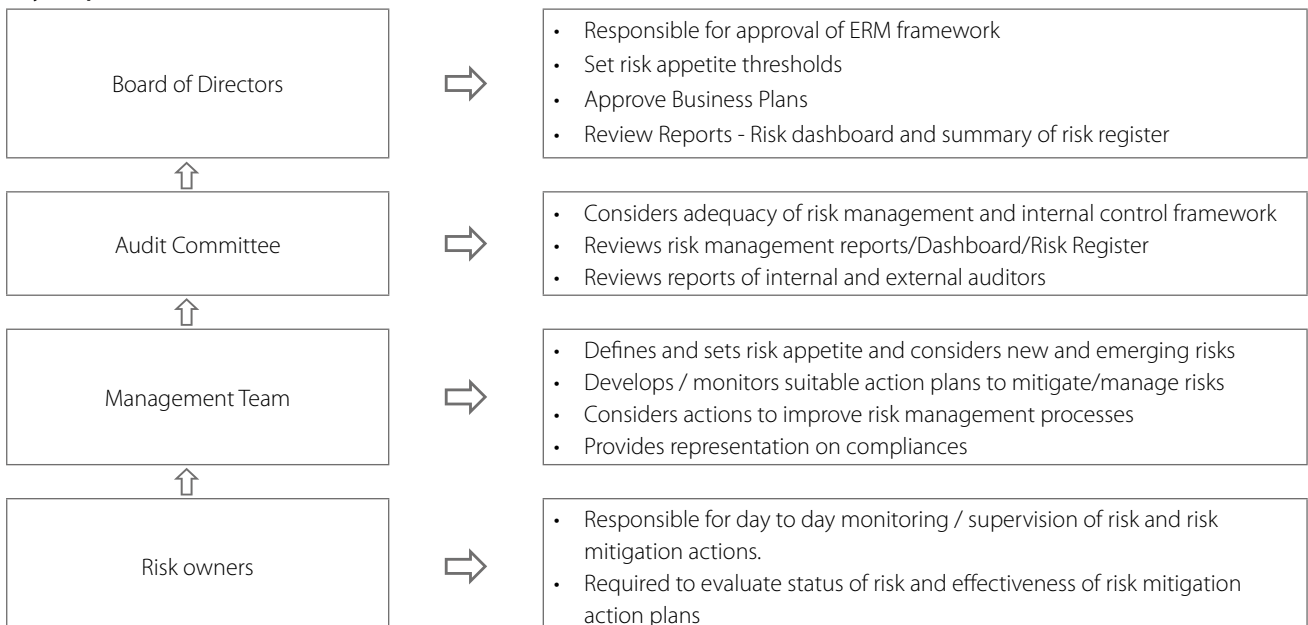
Risk management also ensures that the relevant internal control systems are in place and provides assurance to the Management/ Board of Directors that processes are robust and are working effectively.

ENTERPRISE RISK MANAGEMENT PROCESS



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

Key Responsibilities



Risk Management

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 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 rating	Risk response / strategies
Business Risks	<p>Unexpected disputes with contractors and tenants could affect profitability of the business.</p> <p>The properties owned by the company are situated within the high security zone in Colombo Fort. Although Janadhipathi Mawatha was opened as a throughfare, access to our buildings still remain restricted due to the guard fence.</p>	Moderate	<p>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.</p> <p>We have seen a significant improvement in development activities in the surrounding area, along with relieved restrictions and access via Janadhipathi Mawatha.</p> <p>Regular building maintenance and periodic structural integrity evaluations by Chartered Structural Engineers, ensure the safety of buildings and its occupants.</p>
Liquidity Risk	<p>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.</p>	Low	<p>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.</p> <p>In addition, the Company has access to short-term financing facilities extended from the parent company, Equity One Limited and its parent company, Carson Cumberbatch PLC if required.</p> <p>(Please refer note 31, 'Financial instruments' in the financial statements for further details).</p>

Risk	Impact	Risk rating	Risk response / strategies
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.	Low	<p>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.</p> <ul style="list-style-type: none"> - Continuous and regular evaluation of credit worthiness of tenants. - Ongoing monitoring and follow up of receivable balances. <p>The cash and cash equivalents are held with the bank and financial institution counterparties, which are rated AAA(lka) to A(lka), based on Fitch Ratings.</p> <p>(Please refer note 31, 'Financial instruments' in the financial statements for further details).</p>
Foreign Exchange Risk	Foreign currency risk is the risk of volatility in foreign exchange rates.	Low	<p>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.</p>
Interest Rate Risk	Interest rate risk is the risk arising due to the volatility of interest rates in the markets, thus affecting future cash flows.	Low	<p>Financial strength of the parent company, Carson Cumberbatch PLC, is used via group treasury in negotiating the rates, with financial institutions.</p> <p>(Please refer note 31, 'Financial instruments' in the financial statements for further details).</p>
Human Resource Risk	Attracting, developing and retaining talented employees are essential to deliver the Company's objectives. Failure to determine the appropriate mix of skills required to implement the Company strategies and failure to retain or develop the right number of appropriately qualified staff could affect the achievement of the Company's objectives.	Low	<p>The following initiatives have been implemented by the Company.</p> <ul style="list-style-type: none"> - Ensure recruitments are carried out to hire employees with required qualifications, knowledge and experience. - Availability of detailed job descriptions and role profiles for each job. - Human resource policies are focused on encouraging continuous training & development and ensuring appropriate compensation as per market rates to retain and develop employees.

Risk Management

Risk	Impact	Risk rating	Risk response / strategies
Systems and Process Risk	The risk of direct or indirect losses due to inadequate or failed internal processes and systems.	Low	<p>Maintain detailed procedure manuals and provide training & guidelines for new recruits.</p> <p>The internal audit function of the Group carryout regular reviews on internal control systems and processes and recommends process improvements if shortcomings are noted.</p>
Legal and Regulatory Compliance	Failure to comply with regulatory and legal framework applicable to the Company.	Low	<p>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.</p> <ul style="list-style-type: none"> - Arrange training programs and circulate updates for key employees on new / revised laws & regulations on a 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. <p>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.</p>

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 2021. 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 22nd June 2021.

1. GENERAL

Equity Two PLC (“the Company”) 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 2021 are set out on pages 28 to 57. 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	2021	2020
Profit / (loss) for the year	116,099	82,053
Other comprehensive income/ (expenses) for the year	(211)	(48)
Total comprehensive income for the year	115,888	82,005
Retained earnings as at the beginning of the year	361,875	276,950
Retained earnings before appropriations / adjustments	477,763	358,955
Dividends paid	(46,500)	-
Transfer to fair value adjustment reserve	(43,464)	2,920
Retained earnings as at the end of the year	387,799	361,875

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

4.3 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are given on pages 32 to 40.

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 2021 by Mr. S. Sivaskantha, F. I. V (Sri Lanka) of Perera Sivaskantha and Company, incorporated Valuers. The details of the movements in fair value of investment properties of the Company during the year and their carrying value as at 31st March 2021 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.

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 2021 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 2021	31st March 2020
Mr. D. C. R. Gunawardena (Chairman)	-	-
Mr. K. C. N. Fernando (Vacated office 14/06/2020 & appointed w.e.f. 04/09/2020)	3,600	3,600
Mr. E. H. Wijenaik	-	-
Mr. A. P. Weeratunge	-	-
Mr. P. D. D. Fernando (Vacated office 14/06/2020 & appointed w.e.f. 04/09/2020)	-	-
Mr. S. Marimuthu (Appointed w.e.f. 15/09/2020)	550	-

8. DIRECTORS

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

8.1 Changes to the Board

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

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

8.1.3 At the Annual General Meeting (AGM) held on 4th September 2020, Messrs. P. D. D. Fernando - Non-Executive/Independent Director and K. C. N. Fernando - Executive Director were appointed in terms of Section 211 of the Companies Act, No.07 of 2007 and pursuant to Article 68 of the Articles of Association of the Company as Directors of the Company effective 4th September 2020 for a period of one year from the conclusion of the AGM and that the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not be applicable to them.

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

8.2 Appointment of Directors who have reached 70 years of age

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

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

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

8.3 Director to retire by rotation

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

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

In terms of Article 68 of the Articles of Association of the Company, Mr. S. Marimuthu retires from the Board and being eligible offers himself for re-election.

9. CORPORATE GOVERNANCE

The Board has ensured that the Company complies with the Listing Rules of the Colombo Stock Exchange (CSE). However, due to the COVID-19 pandemic situation in the Country, the AGM of the Company could not be held on or prior to 14th June 2020 and therefore, Messrs. P. D. D. Fernando - Non-Executive/Independent Director and K. C. N. Fernando - Executive Director who were reappointed as Directors in terms of Section 210 of the Companies Act, No.07 of 2007 at the AGM held on 14th June 2019 for

a period of one year commencing from the conclusion of the said AGM, vacated office on 14th June 2020.

As such, the Company became non-compliant with Rule 7.10.2.(a) of the Listing Rules of the CSE in relation to 'Compliance with minimum number of Independent Directors' subsequent to the vacation of office by Mr. P. D. D. Fernando - Non-Executive/Independent Director on 14th June 2020. As required by the Listing Rules, the Company made disclosures to the CSE in accordance with Rule 7.10.7 (a) prepared in conformity with Appendix 7C of the Listing Rules of the CSE.

Subsequently, at the Annual General Meeting held on 4th September 2020, Messrs. P. D. D. Fernando - Non-Executive/Independent Director and K. C. N. Fernando - Executive Director were appointed to the Board. As such, with effect from 4th September 2020 the Company was compliant with Rule 7.10.2(a) of the Listing Rules of the CSE in relation to 'Compliance with minimum number of Independent Directors'.

9.1. Board of Directors

The following Directors held office as at the reporting date and their brief profiles are given on page 20 of the Annual Report.

Director	Executive / Non-Executive / Independent
Mr. D. C. R. Gunawardena (Chairman)	Non-Executive
Mr. A.P. Weeratunge	Executive
Mr. E.H. Wijenaikē*	Non-Executive / Independent
Mr. K.C.N. Fernando (Vacated office 14/06/2020 & appointed w.e.f. 04/09/2020)	Executive
Mr. P.D.D. Fernando ** (Vacated office 14/06/2020 & appointed w.e.f. 04/09/2020)	Non-Executive / Independent
Mr. S. Marimuthu *** (Appointed w.e.f. 15/09/2020)	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 22nd June 2021, 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. Wijenaikie 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 is not directly involved in the management of the Company.

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

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

9.2 Directors' Attendance at the Board Meetings

As permitted by Article 83(1)(b) of the Articles of Association of the Company, the Board of Directors had 3 virtual Board Meetings by means of Microsoft Teams during the financial year.

Director	Meetings Attended (Out of three)
Mr. D. C. R. Gunawardena (Chairman)	3/3
Mr. A.P. Weeratunge	3/3
Mr. E.H. Wijenaikie	3/3
Mr. K.C.N. Fernando (Vacated office 14/06/2020 & appointed w.e.f. 04/09/2020)	2/2
Mr. P.D.D. Fernando (Vacated office 14/06/2020 & appointed w.e.f. 04/09/2020)	2/2
Mr. S. Marimuthu (Appointed w.e.f. 15/09/2020)	2/2

9.3 Board Evaluation

Each Director individually appraises the Board's performance to ensure discharging its responsibilities satisfactorily. This process takes in to account and evaluates all aspects in relation to Board responsibilities.

Independent observations made by the Directors are collated and addressed by the Nomination Committee of the Company and recommended as relevant to the Board of Directors for consideration.

9.4. 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. A. S. Amaratunga (Appointed Chairman w.e.f. 01/01/2021)	Non-Executive/Independent Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC
Mr. Y. H. Ong (Appointed w.e.f. 01/01/2021)	Non-Executive/ Independent Director of CCPLC
Mr. V. P. Malalasekera (Ceased to be Chairman & Member w.e.f. 31/12/2020)	Non-Executive/Independent Director of CCPLC
Mr. F. Mohideen (Ceased to be a Member w.e.f. 31/12/2020)	Non-Executive/Independent Director of CCPLC

The following members ceased to be members of the Audit Committee subsequent to their resignation as Non-Executive/ Independent Directors of CCPLC w.e.f. 31st December 2020.

- Mr. V. P. Malalasekera – (Chairman)
- Mr. F. Mohideen

The Audit Committee Report is given on pages 23 to 24 of this Annual Report.

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9.5. Remuneration Committee

The Parent Company of the Company is Equity One Limited (EQIT) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of EQIT. As per 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 Charter requires the Committee to meet at least twice a year. As allowed by the Remuneration Committee Charter, the Committee held three (03) virtual meetings during the period under review.

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

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

9.6 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 Charter requires the Committee to meet at least twice a year. As allowed by the Nomination Committee Charter, the Committee held three (03) virtual meetings during the period under review.

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

9.7 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. W.M.R.S. Dias (Appointed Chairman w.e.f. 01/01/2021)	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
Mr. R. Theagarajah (Appointed Member w.e.f. 01/01/2021)	Non-Executive/Independent Director of CCPLC
Mr. V. P. Malalasekera (Ceased to be Chairman & Member w.e.f. 31/12/2020)	Non-Executive/Independent Director of CCPLC
Mr. F. Mohideen (Ceased to be a Member w.e.f. 31/12/2020)	Non-Executive/Independent Director of CCPLC

The following members ceased to be members of the Related Party Transactions Review Committee subsequent to their resignation as Non-Executive/Independent Directors of CCPLC w.e.f 31st December 2020.

- Mr. V. P. Malalasekera (Chairman)
- Mr. F. Mohideen

The Related Party Transactions Review Committee Report is given on pages 21 to 22 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.

9.7.1 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

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transactions carried out by the Company with its Related Parties during the year ended 31st March 2021, did not exceed 10% of Equity or 5% of the Total Assets of the Company as at 31st March 2021.

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 2021.

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. 17,871,525/-
Aggregate value of Related Party Transactions as a % of Net Revenue	14.27%
Terms and Conditions of the Related Party Transactions	Based on the rental agreement entered into between the companies
Aggregate value of all Related Party Transactions entered into during the financial year with the same related party*	Rs. 22,793,836/-
Aggregate value of all Related Party Transactions entered during the financial year with the same related party as a % of Net Revenue	18.20%

*Please refer note 32.3.1 for details.

10. 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 2021 (2020 - Rs. 210,000/-). 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.

10.1. Auditors' relationship or any interest with the Company

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

10.2. Independent Auditors' Report

The Independent Auditors' Report on the financial statements is given on pages 26 to 27 of the Annual Report.

11. SIGNIFICANT EVENTS DURING THE YEAR

There were no significant events during the year.

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 08 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 2021 was 06 (2020 - 06).

14. EQUITABLE TREATMENT TO SHAREHOLDERS

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

15. DIVIDEND

15.1 A Final Dividend of 85 Cents per ordinary share amounting to Rs.26,350,000/- for the year ended 31st March 2020 was paid on 09th September 2020 to the Shareholders of the Company who had provided accurate bank account details and to the Shareholders who had not provided accurate bank account details or had not provided any bank account details the dividends was paid on 25th September 2020.

15.2 A First Interim Dividend of 65 Cents per ordinary share amounting to Rs.20,150,000/- for the year ended 31st March 2021 was paid on 30th March 2021 to the Shareholders of the Company who had provided

accurate bank account details and to the Shareholders who had not provided accurate bank account details or had not provided any bank account details the dividends was paid on 20th April 2021.

16. SOLVENCY TEST

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

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

17. STATED CAPITAL

The Stated Capital of the Company as at 31st March 2021 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 2021.

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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 2021 are given in note 29 to the Financial Statements.

24. CORPORATE DONATIONS

There were no donations made during the year ended 31st March 2021 (2020 - 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 60 to 61 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 2021		31st March 2020	
		No. of Shares	%	No. of Shares	%
1	EQUITY ONE LIMITED A/C NO.1	27,532,525	88.81	27,532,525	88.81
2	BANK OF CEYLON A/C CEYBANK UNIT TRUST	2,279,187	7.35	2,279,187	7.35
3	MR. K.C. VIGNARAJAH	100,846	0.33	100,071	0.32
4	MRS. C.A.D.S. WOODWARD	61,100	0.20	61,100	0.20
5	TRANZ DOMINION, L.L.C.	55,480	0.18	55,480	0.18
6	MISS. V.K. RAMANAYAKE	50,000	0.16	50,000	0.16
7	MRS. C.L. RAMANAYAKE	50,000	0.16	50,000	0.16
8	MR. L.L. HETTIARACHCHI	33,191	0.11	33,800	0.11
9	MR. I. PAULRAJ	31,290	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 & MRS. G. SOYSA	19,000	0.06	19,000	0.06
15	MRS. S. VIGNARAJAH	18,309	0.06	18,309	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	DIALOG FINANCE PLC/A.S.M SHIYAM	14,781	0.04	-	-
20	MR. H.P. BONIFASS	13,100	0.04	12,450	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 22nd June 2021.

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

As permitted by Article 43(b) of the Articles of Association of the Company, the 31st Annual General Meeting of the Company will be held on Wednesday, 28th July 2021 at 2.00 p. m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7, Sri Lanka by means of audio or audio and visual technology.

The Notice of the Annual General Meeting, setting out the business which will be transacted thereat is on page 62 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)

D. C. R. Gunawardena

Chairman

(Sgd.)

K. C. N. Fernando

Director

(Sgd.)

K. D. De Silva (Mrs.)

Director

Carsons Management Services (Private) Limited

Secretaries

Colombo

22nd June 2021

Profiles of the Directors

CHANDIMA GUNAWARDENA (Chairman)

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

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

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

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

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

AJITH WEERATUNGE

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

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

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

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

ERANJITH WIJENAIKE

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

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

Nalake Fernando is a Director of the Property Management Companies of the Carson Cumberbatch Group, namely Equity One Limited, Equity Two PLC and Equity Three (Private) Limited.

He is also a Director of Carsons Management Services (Private) Limited, as well as Association for Individuals with learning Differences. He was the Country Representative for Sri Lanka of Dalekeller & Associates Ltd, Designers and Skidmore Ownings & Merrill Architects. He was also a Director of SKC Management Services Ltd.

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

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

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

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

SIVANANDAN MARIMUTHU - Appointed w.e.f. 15/09/2020

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

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

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

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

Related Party Transactions Review 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 Related Party Transactions Review Committee (RPTRC) of CCPLC functions as the RPTRC of the Company.

Composition of the Committee

Mr.V.P. Malalasekera, Member/Chairman and Mr.F. Mohideen, Member of the RPTRC resigned from the Board of CCPLC w.e.f. 31st December 2020 and ceased to be Members of the RPTRC w.e.f. 31st December 2020.

On 1st January 2021 Mr.W.M.R.S. Dias, Non-Executive, Independent Director of CCPLC was appointed Chairman of the RPTRC and Mr.R. Theagarajah, Non-Executive, Independent Director of CCPLC was appointed as a Member of the RPTRC.

The Members of the RPTRC are as follows :

RPTRC Members	Executive/Non-Executive /Independent
Mr.W.M.R.S. Dias (<i>Appointed Chairman w.e.f. 1st January 2021</i>)	Non-Executive, Independent (CCPLC)
Mr.D.C.R. Gunawardena	Non-Executive (CCPLC)
Mr.H. Selvanathan	Executive (CCPLC)
Mr.M. Selvanathan	Executive (CCPLC)
Mr.S.K. Shah	Executive (CCPLC)
Mr.R. Theagarajah (<i>Appointed Member w.e.f. 1st January 2021</i>)	Non-Executive, Independent (CCPLC)
Mr.V.P. Malalasekera (<i>Ceased to be Member/Chairman w.e.f. 31st December 2020</i>)	Non-Executive, Independent (CCPLC)
Mr.F. Mohideen (<i>Ceased to be a Member w.e.f. 31st December 2020</i>)	Non-Executive, Independent (CCPLC)

Meetings of the Related Party Transactions Review Committee

As allowed by the Carsons Group Related Party Transactions Compliance Code (Carsons Group RPT Code), CCPLC-RPTRC held Four (04) Virtual Meetings during the financial year. In addition, the approval of the RPTRC Members were sought via 15 Circular Resolutions, as well as 06 Circular Letters were circulated for their information during the financial year.

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

	Meetings (virtual) attended (out of 04)
Mr.W.M.R.S. Dias (Chairman)*	01
Mr.D.C.R. Gunawardena	04
Mr.H. Selvanathan	01
Mr.M. Selvanathan	-
Mr.S.K. Shah	04
Mr.R. Theagarajah**	01
Mr.V.P. Malalasekera***	03
Mr.F. Mohideen****	01

*Appointed Chairman w.e.f. 1st January 2021

**Appointed Member w.e.f. 1st January 2021

***Ceased to be Member/Chairman w.e.f. 31st December 2020

****Ceased to be a Member w.e.f. 31st December 2020

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 Carsons Group 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.

Related Party Transactions Review Committee Report

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 Carsons Group 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 Carsons Group RPT 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 the KMPs so designated, as relevant.

The Related Party Transactions of the Company for the period 1st April 2020 to 31st March 2021 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.)

W.M.R.S. Dias

Chairman – Related Party Transactions Review Committee
Carson Cumberbatch PLC

Colombo
22nd June 2021

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.

Mr.V.P. Malalasekera, Member/Chairman and Mr.F. Mohideen, Member of the Audit Committee resigned from the Board of CCPLC w.e.f. 31st December 2020 and ceased to be Members of the Audit Committee w.e.f. 31st December 2020.

On 1st January 2021 Mr.A.S. Amaratunga, Member of the Audit Committee was appointed Chairman of the Audit Committee and Mr.Y.H. Ong, Non-Executive, Independent Director of CCPLC was appointed a Member of the Audit Committee.

The Audit Committee consists of the following Members:

Audit Committee Members	Executive/Non-Executive/Independent
Mr.A.S. Amaratunga (<i>Appointed Chairman w.e.f. 1st January 2021</i>)	Non-Executive, Independent (CCPLC)
Mr.D.C.R. Gunawardena	Non-Executive (CCPLC)
Mr.Y.H. Ong (<i>Appointed Member w.e.f. 1st January 2021</i>)	Non-Executive, Independent (CCPLC)
Mr.V.P. Malalasekera (<i>Ceased to be Member/Chairman w.e.f. 31st December 2020</i>)	Non-Executive, Independent (CCPLC)
Mr.F. Mohideen (<i>Ceased to be a Member w.e.f. 31st December 2020</i>)	Non-Executive, Independent (CCPLC)

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

Mr.D.C.R. 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.Y.H. Ong is a Non-Executive, Independent Director of CCPLC. He is also an Independent Non-Executive Director, Member of the Executive Committee, Audit Committee and the Board Risk Committee of United Overseas Bank Ltd., Singapore. Mr.Ong had served at Ernst & Young, Singapore for 30 years and was involved in audit and financial advisory work etc.

Mr.V.P. Malalasekera was a Non-Executive, Independent Director of CCPLC upto 31st December 2020 and was a former Director

of Ceylon Tobacco Company PLC. Mr.F. Mohideen was a Non-Executive, Independent Director of CCPLC upto 31st December 2020 and was a former Deputy Secretary to the Treasury, a former Director of Bank of Ceylon and Securities and Exchange Commission of Sri Lanka.

Meetings of the Audit Committee

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

As allowed by the CCPLC-Audit Committee Charter, CCPLC-Audit Committee held Seven (07) virtual Meetings during the financial year to discuss matters relating to the Company.

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

	Meetings (virtual) attended (out of seven)
Mr.A.S. Amaratunga (Chairman)	07
Mr.D.C.R. Gunawardena	07
Mr.Y.H. Ong *	02
Mr.V.P. Malalasekera**	05
Mr.F. Mohideen***	05

*Appointed Member w.e.f. 1st January 2021

**Ceased to be Member/Chairman w.e.f. 31st December 2020

***Ceased to be a Member w.e.f. 31st December 2020

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 Chairman-Audit Committee issues a written update for circulation to the Board following the Audit Committee Meetings, as relevant, indicating the important matters discussed and decisions taken in respect of the Company. In addition, Minutes/ extracts of the Minutes of Audit Committee Meetings are circulated to the Board of Directors.

Audit Committee Report

Purpose of the Audit Committee

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.

Financial Statements

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 discussed Audit Matters tabled by Messrs. KPMG for inclusion in the audit report.

The financial statements of Equity Two PLC for the year ended 31st March 2021 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.

Internal Audit

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

The Audit Committee approved the audit plan for the financial year 2020/2021 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.

External Audit

The External Auditors' Letter of Engagement, was reviewed and discussed by the Committee with them and management prior to the commencement of the audit, and the Committee followed up on the issues raised by the External Auditors.

The Members of the Audit Committee have determined that the independence of Messrs.KPMG, Chartered Accountants has not been impaired by any event or service that gives rise to a conflict of interest. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The Members of the Audit Committee have 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 2022, subject to the approval of the shareholders of Equity Two PLC at the Annual General Meeting.

(Sgd.)

A.S. Amaratunga
Chairman – Audit Committee
Carson Cumberbatch PLC

22nd June 2021

Financial Calendar

Financial year end	31st March 2021
31st Annual General Meeting	28th July 2021

Announcement of Results

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

1st Quarter ended 30th June 2020	14th August 2020
2nd Quarter ended 30th September 2020	13th November 2020
3rd Quarter ended 31st December 2020	12th February 2021
4th Quarter ended 31st March 2021	31st May 2021

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, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 28 to 57 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, 2021, 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.1,520Mn as at 31 March 2021.

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 (89% 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.
- Compare with alternative valuation methods in order to determine the highest and best use of the property.
- Discussions with management and the external valuer and comparing the key assumptions used against externally published market comparable 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 sensitivity of the key assumptions to the valuation of investment properties due to COVID 19.
- 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.

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

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

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



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.

Chartered Accountants
Colombo, Sri Lanka

22 June 2021

Statement of Profit or Loss and other Comprehensive Income

(All figures are in Sri Lankan Rupees thousands)

For the year ended 31st March	Note	2021	2020
Revenue	11	125,255	141,254
Direct cost		(33,880)	(38,312)
		91,375	102,942
Other income	12	1,121	3,118
Net gains arising from changes in fair value of investment properties	17	1,590	1,480
		94,086	107,540
Administrative and other operating expenses		(7,951)	(8,970)
Results from operating activities	13	86,135	98,570
Finance income	14.1	11,216	15,354
Finance costs	14.2	(6,051)	(3,827)
Net finance income	14	5,165	11,527
Profit before taxation		91,300	110,097
Income tax expense	15.1	(17,100)	(23,713)
Deferred taxation	15.2	41,899	(4,331)
Profit for the year		116,099	82,053
Other comprehensive income / (expense)			
Items that will never be reclassified into profit and loss			
Actuarial gain / (loss) from valuation of employee benefits	25.2	(278)	(67)
Related tax		67	19
Total other comprehensive income / (expense) for the year		(211)	(48)
Total comprehensive income for the year		115,888	82,005
Earnings per share (Rs.)	16	3.75	2.65

The notes from pages 32 to 57 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	2021	2020
ASSETS			
Non-current assets			
Investment properties	17	1,520,255	1,518,342
Total non-current assets		1,520,255	1,518,342
Current assets			
Trade and other receivables	18	29,375	24,448
Fair value through profit or loss financial assets	19	4,469	27,189
Investment in fixed deposits		155,009	91,109
Current tax assets		-	1,263
Cash and cash equivalents	20	6,739	102,048
Total current assets		195,592	246,057
Total assets		1,715,847	1,764,399
EQUITY AND LIABILITIES			
Equity			
Stated capital	21	444,092	444,092
Capital reserves	22.1	750	750
Revenue reserves	22.2	913,522	844,134
Total equity		1,358,364	1,288,976
Non-current liabilities			
Refundable rental deposits	23	42,013	35,162
Deferred tax liability	24	277,328	319,294
Employee benefits	25	2,099	1,473
Total non-current liabilities		321,440	355,929
Current liabilities			
Trade and other payables	26	22,296	60,436
Deferred revenue	27	8,656	8,889
Current tax liabilities		5,091	-
Loans and borrowings	28	-	50,169
Total current liabilities		36,043	119,494
Total liabilities		357,483	475,423
Total equity and liabilities		1,715,847	1,764,399
Net assets per share (Rs.)		43.82	41.58

The Notes from pages 32 to 57 form an integral part of these financial statements.

I certify that these financial statements are in compliance with the requirements of Companies Act No. 7 of 2007.

(Sgd.)

V.R. Wijesinghe

Director - Finance

Carsons Management Services (Private) Limited

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board on 22 June 2021.

Approved and signed on behalf of the managers,

Approved and signed on behalf of the board,

(Sgd.)

A.P. Weeratunge

Director

Carsons Management Services (Private) Limited

(Sgd.)

D.C.R. Gunawardena

Chairman

(Sgd.)

K.C.N. Fernando

Director

Colombo

22 June 2021

Statement of Changes in Equity

(All figures are in Sri Lankan Rupees thousands)

	Stated capital	Capital reserve	Revenue reserves		Total equity
		Machinery replacement reserve	Fair value adjustment reserve	Retained earnings	
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
Balance as at 1st April 2020	444,092	750	482,259	361,875	1,288,976
Profit for the year	-	-	43,464	72,635	116,099
Other comprehensive expense for the year	-	-	-	(211)	(211)
Total comprehensive income for the year	-	-	43,464	72,424	115,888
Final dividend 2019/20	-	-	-	(26,350)	(26,350)
First interim dividend 2020/21	-	-	-	(20,150)	(20,150)
Balance as at 31st March 2021	444,092	750	525,723	387,799	1,358,364

The notes from pages 32 to 57 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	2021	2020
Cash flows from operating activities			
Profit before taxation		91,300	110,097
Adjustments for:			
Finance costs	14.2	6,051	3,827
Finance income	14.1	(10,685)	(8,938)
Net change in the fair value through profit or loss financial assets	14.1	(531)	(6,416)
Net gain arising from changes in fair value of investment properties	17	(1,590)	(1,480)
Provision for employee benefits	25.1	348	250
Amortization of deferred revenue	27	(3,888)	(3,959)
Operating profit before working capital changes		81,005	93,381
(Increase) / decrease in trade and other receivables		(4,927)	(12,579)
Increase / (decrease) in trade and other payables		(38,677)	(46,758)
Operating profit after working capital changes		37,401	34,044
Rental deposits received	23	6,739	-
Rental deposits refunded	23	-	(3,126)
Income tax paid		(10,746)	(16,891)
Net cash generated from / (used in) operating activities		33,394	14,027
Cash flows from investing activities			
Additions to investment properties	17	(323)	(5,364)
Disposal of / (investment in) fair value through profit or loss financial assets		23,251	(17,378)
Withdrawal of /(investments in) fixed deposits		(63,900)	34,578
Interest received		10,685	8,938
Net cash generated from / (used in) investing activities		(30,287)	20,774
Cash flows from financing activities			
Dividends paid		(45,963)	(3,311)
Loans obtained/ (settled)		(50,000)	50,000
Interest paid		(2,453)	-
Net cash generated from / (used in) financing activities		(98,416)	46,689
Net increase / (decrease) in cash and cash equivalents		(95,309)	81,490
Cash and cash equivalents at the beginning of the year		102,048	20,558
Cash and cash equivalents at the end of the year (note 20)		6,739	102,048

The notes from pages 32 to 57 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

1. REPORTING ENTITY

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

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

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

The Company had 06 (2020 – 06) employees as at the reporting date.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

- Investment properties are measured at fair value as explained in Note 17;
- Defined benefit obligations are measured at its present value, based on an actuarial valuation as explained in Note 25.

2.3 Going concern basis of accounting

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

2.4 Functional and presentation currency

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

2.5 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.

2.5.1 Judgements

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are 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.

2.5.2 Assumptions and estimation uncertainties

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

- Note 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.

2.5.2.1 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 are included in the following notes:

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

2.6 Materiality and aggregation

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

2.7 COVID-19 uncertainty

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these 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

The Company has consistently applied the accounting policies to all periods presented in these financial statements.

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.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

3.2 Financial instruments

3.2.1 Recognition and initial measurement

Trade receivable and debt securities issued 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.

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 of profit or loss. Any gain or loss on derecognition is also recognised in the statement of profit or loss.

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

3.2.7 Derecognition

3.2.7.1 Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all 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 derecognized.

3.2.7.2 Financial liabilities

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

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

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 09. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

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

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).

3.2.9.2 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 include the following observable data:

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

3.2.9.3 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 an impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

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

3.3 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

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.

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 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 on the ordinary course of business, use in production, or supply of goods and services, or for administrative purposes. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

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

Investment properties are 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 a property in accordance with the policy stated under property, plant & equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of Profit or Loss. When the Company 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. The Company has a present legal or constructive obligation to pay these amounts as a result of past service provided by the employees, and the obligation can be estimated reliably.

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 recognized as an employee benefit expense in the Statement of Profit or Loss in the periods during which related services are rendered by employees.

3.6.2.1 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.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

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

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

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

The liability is not externally funded.

3.7 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 recognized 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 recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognize contingent assets but discloses 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 recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Rental income from other properties are 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 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 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 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 recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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 recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are

reduced to the extent that it is no longer probable that the related tax benefit will be realised, based on the level of future taxable profit forecasts and tax planning strategies.

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

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

4. RELATED PARTY TRANSACTIONS

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

5. EVENTS AFTER THE REPORTING PERIOD

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

6. STATEMENT OF CASH FLOWS

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

6.1 Cash and cash equivalents

Cash and Cash Equivalents comprise cash balances that are subject to insignificant risk of changes in fair value and are used by the 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

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

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

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

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

For the year ended 31st March		2021	2020
11.	REVENUE		
	Property rental income	125,255	141,254
		125,255	141,254

For the year ended 31st March		2021	2020
12.	OTHER INCOME		
	Parking fees	450	605
	On services provided to tenants	671	2,513
		1,121	3,118

For the year ended 31st March		2021	2020
13.	PROFIT FROM OPERATIONS		
	Profit from operations is stated after charging all expenses including the following:		
	Auditors' remuneration - audit services	210	210
	Auditors' remuneration - audit related services	121	-
	Professional service costs (note 13.1)	163	81
	Support service fees	3,948	4,040
	Personnel costs (note 13.2)	20,123	24,742
13.1	Professional service costs		
	Valuation services	163	2
	Other services	-	79
		163	81
13.2	Personnel costs		
	Salaries, wages and other related expenses	18,416	23,115
	Defined benefit plan cost - Employee benefits (note 25.1)	348	250
	Defined contribution plan cost - EPF and ETF	1,359	1,377
		20,123	24,742
	The above include:		
	Directors' emoluments	-	-
	Non executive directors' fees	550	330
		550	330

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

For the year ended 31st March		2021	2020
14.	NET FINANCE INCOME		
14.1	Finance income		
	Interest income from fixed deposits	10,650	8,914
	Net change in the fair value through profit or loss financial assets	531	6,416
	Interest income on loans given to staff of the Company	35	24
		11,216	15,354
14.2	Finance costs		
	Interest expenses on short term bank borrowings	2,284	169
	Unwinding of interest on refundable deposits (note 23)	3,767	3,658
		6,051	3,827
	Net finance income	5,165	11,527
For the year ended 31st March		2021	2020
15.	TAX EXPENSE		
15.1	Income tax expense		
	Current tax expense for the year (note 15.3)	17,620	23,940
	Over provision for previous years	(520)	(227)
		17,100	23,713
15.2	Deferred taxation		
	On origination of temporary differences (note 24.1)	(41,899)	4,331
		(41,899)	4,331
	Tax expense	(24,799)	28,044
15.3	Reconciliation between the accounting profit and the taxable profit		
	Accounting profit before taxation for the year	91,300	110,097
	Adjustments on;		
	- Aggregate disallowable expenses	1,301	2,472
	- Aggregate allowable expenses	(14,231)	(14,199)
	Notional adjustments arising on application of LKAS/SLFRS	(3,364)	(8,225)
	Net gains arising from changes in fair value of investment properties	(1,590)	(1,480)
	Finance income	(11,216)	(15,354)
	Adjusted profit from operations for taxation	62,200	73,311
	Interest income	11,216	15,354
	Total assessable Income	73,416	88,665
	Taxable income	73,416	88,665
	Taxation thereon (note 15.4 (a))	17,620	23,940

15.4 (a) In terms of the provisions of the Inland Revenue Act, No. 24 of 2017 and amendments thereto, the Company is liable to income tax at 24% (2020-28% & 24%).

(b) Deferred tax has been computed using a tax rate of 24%.

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	2021	2020
Amount used as the numerator		
Profit for the year	116,099	82,053
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)	3.75	2.65

16.1 Diluted earnings per share

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

17. INVESTMENT PROPERTIES

17.1 Details of investment properties

	Freehold land	Freehold building	Other equipment	Total as at 31st March 2021	Total as at 31st March 2020
Balance as at beginning of the year	1,052,034	424,379	41,929	1,518,342	1,511,498
Additions during the year	-	-	323	323	5,364
Change in fair value of investment properties	9,794	3,030	(11,234)	1,590	1,480
Balance as at the end of the year	1,061,828	427,409	31,018	1,520,255	1,518,342

17.2 Valuation of investment properties

	Method of valuation	Land Extent (Perch)	Historical Cost	Fair value as at 31st March 2021	Fair value as at 31st March 2020
No. 61 Janadhipathi Mawatha, Colombo 01	Investment approach	28.51	129,766	561,075	561,511
No. 55 Janadhipathi Mawatha, Colombo 01	Investment approach	57.55	429,780	959,180	956,831
			559,546	1,520,255	1,518,342

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

Key considerations relating to COVID 19

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

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

Valuation techniques and significant unobservable inputs

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

Description	Location	Valuation technique	Significant Unobservable inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Land & Building	Colombo -01	Investment Approach The valuation method considers the present value of net cash flows to be generated from the property taking into account the expected rental income, occupancy rate and other costs not paid by the tenants. The expected net cash-flows are capitalized using expected rate of return.	Contractual rentals agreed with the tenants.	The estimated fair value would increase/ (decrease) if – Contractual rentals were higher/ (lower)
			Occupancy Rate 70% - 72.5%	Occupancy rate was higher/ (lower)
			Capitalization rate 6%	Capitalization rate was (higher)/ lower
			Repair and insurance 20%	Repair and insurance was (higher)/lower
			Valuer has used market price per perch for excess land in existing location using a range of prices for similar lands based on adjusted fair value taking in to account of other valuation considerations. Market price per perch range between Rs 9,000,000/- to Rs 12,500,000/-	Market value per perch was higher/ (lower)

Sensitivity Analysis

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

As at 31st March	Increase	Decrease
Capitalisation rate		
2021: 2% movement	(292,977)	585,251
2020: 1% movement	(166,942)	233,578
Occupancy rate		
2021: 10% movement	164,317	(164,317)
2020: 5% movement	77,933	(77,933)
Repairs and Insurance		
2021: 10% movement	(216,593)	216,593
2020: 5% movement	(108,119)	108,119

Leases as lessor

The Company leases out its investment property. The Company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 3.4 sets out information about the operating leases of investment property.

Rental income recognised by the Company during the year ended 31st March 2021 was Rs. 125,254,948 (2020 Rs. 141,253,960).

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

As at 31st March	2021	2020
Less than one year	130,164	107,494
One to two years	125,222	71,738
Two to three years	44,194	78,907
Three to four years	875	36,095
Four to five years	-	875
More than five years	-	-
	300,455	295,109

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 2021 (2020 - 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.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

18. TRADE AND OTHER RECEIVABLES

As at 31st March	2021	2020
Financial		
Trade receivables	26,461	21,612
Other receivables	1,753	1,753
Loans given to company staff (note 18.1)	261	155
	28,475	23,520
Non-financial		
Prepaid expenses	416	457
Advance payments	484	471
	900	928
	29,375	24,448

18.1 Loans given to company staff

Balance as at the beginning of the year	155	424
Loans granted during the year	460	159
Settlements during the year	(354)	(428)
Balance as at the end of the year	261	155

19. FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

As at 31st March	2021	2020
Investments in Unit Trust (note 19.1)	4,469	27,189
	4,469	27,189

19.1 Investments in Unit trusts

As at 31st March 2021	2021			2020		
	No. of units	Cost	Fair value	No. of units	Cost	Fair value
Guardian Acuity Money Market Fund	218,529	4,447	4,469	1,399,237	26,610	27,189
		4,447	4,469		26,610	27,189

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

19.2 Fair value hierarchy

	Level 1	Level 2	Level 3	Total
As at 31st March 2021				
Investments in Unit Trust	-	4,469	-	4,469
As at 31st March 2020				
Investments in Unit Trust	-	27,189	-	27,189

20. CASH AND CASH EQUIVALENTS

As at 31st March	2021	2020
Cash at bank and in hand	6,739	102,048
Cash and cash equivalents for the purpose of cash flow statement	6,739	102,048

21. STATED CAPITAL

As at 31st March	2021	2020
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 on a poll are entitled to one vote per share at General Meetings of the Company.

22. CAPITAL AND REVENUE RESERVES

As at 31st March	2021	2020
22.1 Capital reserves		
Machinery replacement reserve (note. 22.1.1.)	750	750
	750	750

22.1.1 Machinery replacement reserve represent 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	2021	2020
22.2 Revenue reserves		
Retained earnings	387,799	361,875
Fair value adjustment reserve (note 22.2.1)	525,723	482,259
	913,522	844,134

The movements 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.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

23. REFUNDABLE RENTAL DEPOSITS

As at 31st March	2021	2020
Balance as at the beginning of the year	35,162	34,289
Receipts during the year	6,739	-
Refunds during the year	-	(3,126)
Amount transferred from / (to) deferred revenue (note 27)	(3,655)	341
Unwinding of interest on refundable deposits (note 14.2)	3,767	3,658
Balance as at the end of the year	42,013	35,162

24. DEFERRED TAX LIABILITY

As at 31st March	2021	2020
Balance as at the beginning of the year	319,294	314,982
Charge for the year (note 24.1)	(41,966)	4,312
Balance as at the end of the year	277,328	319,294

24.1 Charge for the year

The amounts recognised in the Statement of Profit or Loss are as follows;

Investment properties	(41,874)	4,400
Employee benefits	(25)	(69)
	(41,899)	4,331

The amount recognised in the Statement of Other Comprehensive Income is as follows;

Employee benefits	(67)	(19)
	(67)	(19)
Net deferred tax charged for the year	(41,966)	4,312

24.2 Deferred tax asset

Tax effect on employee benefits	504	412
Total deferred tax asset	504	412

24.3 Deferred tax liability

Tax effect on investment properties	277,832	319,706
Total deferred tax liability	277,832	319,706
Net deferred tax liability	277,328	319,294

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

As per the Inland Revenue Act No. 24 of 2017, gains on sale of business assets including lands which are used in the production of income are liable for taxation at 24% (2020 - 28%). As per the "Guideline on Application of Tax Rates in Measurement of Current Tax and Deferred Tax in LKAS 12" issued by Financial Reporting Standard Implementation and Interpretation Committee (FRSIIC) have been accounted during the year. Accordingly, a deferred tax liability reversal of Rs. 41.9 Mn (2020 - Deferred tax charge of Rs. 4.3 Mn) on the temporary differences were adjusted during the year. The impact of reduction in tax rate to 24% from 28% for deferred taxation as at 31st March 2020 amounts to a Rs. 45.6 Mn deferred tax reversal.

25. EMPLOYEE BENEFITS

The movement of the liability recognised in the Statement of Financial Position is as follows:

As at 31st March	2021	2020
Balance as at the beginning of the year	1,473	1,156
Current service cost	193	123
Interest cost	155	127
Actuarial (gain) / loss	278	67
Payments made during the year	-	-
Balance as at the end of the year	2,099	1,473

25.1 The amounts recognised in the Statement of Profit or Loss are as follows;

Current service cost	193	123
Interest cost	155	127
Charge for the year	348	250

25.2 The amount recognised in the Statement of Other Comprehensive Income is as follows;

Actuarial (gain) / loss	278	67
Charge for the year	278	67

25.3 Liability on employee benefits as at 31st March 2021 amounting to Rs. 2,099,165 (2020 - Rs. 1,473,031) 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	7.5% p.a. (2020 -10.5% p.a.)
Rate of pay increase	10% p.a. (2020 - 10% p.a)
Retirement age	55 years
Mortality	A 67 /70 mortality table issued by The Institute of Actuaries, London was used
Withdrawal rate	5% for age up to 49 and zero thereafter

The company is a going concern.

25.4 Sensitivity analysis

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

As at 31st March	2021	2020
1% increase in discount rate	(182)	(118)
1% decrease in discount rate	208	133
1% increase in salary escalation rate	208	137
1% decrease in salary escalation rate	(185)	(123)

25.5 The employee benefits liability is not externally funded.

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(All figures are in Sri Lankan Rupees thousands)

26. TRADE AND OTHER PAYABLES

As at 31st March	2021	2020
Financial		
Trade payables	130	4
Other payables	1,938	1,356
	2,068	1,360
Non-financial		
Accrued expenses and provisions	2,170	1,620
Other payables	18,058	57,456
	20,228	59,076
	22,296	60,436

27. DEFERRED REVENUE

As at 31st March	2021	2020
Balance as at the beginning of the year	8,889	13,189
Amount transferred from/ (to) refundable deposits (note 23)	3,655	(341)
Amortization of deferred revenue	(3,888)	(3,959)
Balance as at the end of the year	8,656	8,889

28. LOANS AND BORROWINGS

As at 31st March	2021	2020
Balance as at the beginning of the year	50,169	-
Loans obtained during the year	-	50,000
Accrued Interest	2,284	169
Repayments during the year	(52,453)	-
Balance as at the end of the year	-	50,169

The unsecured short term facility was obtained from Commercial Bank of Ceylon PLC at interest rate equivalent to the market rate based on AWPLR. The loan was fully settled as at 31st March 2021.

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

29.1 Capital expenditure commitments

The Company does not have any 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.

30. DIVIDEND PER SHARES

As at 31st March	2021	2020
30.1 Dividends paid during the year		
Final dividend (2019/20)	26,350	-
Interim dividend (2020/21)	20,150	-
Final / interim dividends	46,500	-
30.2 Dividends proposed during the year		
First interim dividend		
Total dividend	20,150	-
Dividend per share (Rs.)	0.65	-
Final dividend		
Total dividend	-	26,350
Dividend per share (Rs.)	-	0.85
Total dividend per share (Rs.)	0.65	0.85

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 the 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.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

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 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 end of the reporting period was as follows.

As at 31st March	2021	2020
Credit risk		
Trade and other receivables	28,475	23,520
Less; Revenue on lease agreements recognized on straight line basis	(18,803)	(15,561)
	9,672	7,959
Fair value through profit or loss financial assets	4,469	27,189
Investment in fixed deposits	155,009	91,109
Cash and cash equivalents	6,739	102,048
	175,889	228,305

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.

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	2021	2020
Refundable rental deposits		
Carrying value	42,013	35,162
Face value	51,524	44,785

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

The sector also follows a careful credit evaluation process for new tenants before entering 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	2021	2020
Trade receivables	26,461	21,612
Less: Revenue on lease agreements recognized on straight line basis	(18,803)	(15,561)
Net trade receivables	7,658	6,051
1-30 days	4,389	4,750
31-90 days	3,269	1,301
	7,658	6,051

No circumstances have arisen that would require impairment in respect of trade and other receivables as at the year end (2020 - 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 the following unit trust;

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

Guardian Acuity Asset Management Limited, a joint venture company of Ceylon Guardian Investment Trust PLC and Acuity Partners Limited is the Investment Manager of the unit trust funds that the 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 deposits

The Company has invested in fixed deposits with banking and financial institutions. The Company continuously monitors the stability and credit worthiness including credit ratings of these financial institutions in order to assess and mitigate the credit risk. The Company held fixed deposits of Rs. 155 Mn as at 31st March 2021, which represents its maximum credit exposure on these assets. The Fixed deposits are held with the banking and financial institution counterparties, with maturity profile of less than 1 year, which are rated AAA(lka) to A(lka), based on Fitch Ratings.

31.1.6 Cash and cash equivalents

The Company held cash and cash equivalents of Rs. 6.7 Mn as at 31st March 2021 (2020: Rs. 102 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 A(lka), based on Fitch Ratings.

As at 31st March	2021	2020
Cash at bank and in hand	6,739	102,048
	6,739	102,048

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.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

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

As at 31st March 2021	Carrying amount	Total	Contractual cash flows		
			3 months or less	4-12 months	More than 1 year
Non-derivative financial liabilities					
Refundable rental deposits	42,013	51,524	-	3,126	48,398
Trade payables	130	130	130	-	-
Other payables	1,938	1,938	1,938	-	-
	44,081	53,592	2,068	3,126	48,398

As at 31st March 2020	Carrying amount	Total	Contractual cash flows		
			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	1,356	1,356	1,356	-	-
	86,691	96,314	54,655	11,167	30,492

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

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. 6.7 mn (2020: Rs. 102 mn).

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

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 optimising the returns.

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 recognized. The following table analyses the fair value of financial instruments together with the carrying amounts shown in the Statement of Financial Position.

31st March 2021	Financial Assets at fair value through profit and loss	Financial Assets at Amortized Cost	Financial Assets at fair value through Other Comprehensive Income	Financial Liabilities at fair value through profit and loss	Financial liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	6,739	-	-	-	6,739	6,739
Fair value through profit or loss financial assets	4,469	-	-	-	-	4,469	4,469
Investment in fixed deposits	-	155,009	-	-	-	155,009	155,009
Net trade receivables	-	7,658	-	-	-	7,658	7,658
	4,469	169,406	-	-	-	173,875	173,875
Refundable rental and other deposits	-	-	-	-	42,013	42,013	42,013
Trade and other payables	-	-	-	-	2,068	2,068	2,068
	-	-	-	-	44,018	44,018	44,018
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
Net trade receivables	-	6,051	-	-	-	6,051	6,051
	27,189	199,208	-	-	-	226,397	226,397
Refundable rental and other deposits	-	-	-	-	35,162	35,162	35,162
Trade and other payables	-	-	-	-	1,360	1,360	1,360
Loans and borrowings	-	-	-	-	50,169	50,169	50,169
	-	-	-	-	86,691	86,691	86,691

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

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) and Director - Finance of Carsons Management Services (Private) Limited have been classified as Key Management Personnel of the Company.

For the year ended 31st March	2021	2020
Short-term employee benefits / fees	550	330
Post-employment benefits	-	-
Termination benefits	-	-
Other long-term benefits	-	-
	550	330

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	
			2021	2020
Parent company				
Equity One Limited	D. C. R. Gunawardena	Dividends paid	41,299	-
	K. C. N. Fernando	Cost reimbursement paid	8,022	9,628
	E. H. Wijenaikie			
	P. D. D. Fernando			
	A. P. Weeratunge			
Fellow subsidiaries				
Carsons Management Services (Private) Limited (CMSL)	K. C. N. Fernando	Support service fees paid	3,948	4,040
		A. P. Weeratunge	Secretarial fees paid	444
		Computer fees paid	180	182
		Rental income received	17,872	19,063
		Parking fees received	350	420
Guardian Fund Management Limited	A. P. Weeratunge	Rental income received	6,793	7,246
		Parking fees received	100	125
Equity Three (Private) Limited	K. C. N. Fernando	Cost reimbursement received	56	113

- 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 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

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

34. IMPACT DUE TO COVID - 19

Considering the nature of the business we are in – long term letting of Commercial space – the immediate impact of the ongoing pandemic on the business of the Company is limited. However, we have offered concessions for affected tenants in the form of short-term rent revisions. 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.

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 thousands)

For the year ended/As at 31st March	2021	2020	2019	2018	2017	
Trading results						
Revenue	125,255	141,254	143,637	135,969	118,907	
Profit before taxation	91,300	110,097	264,715	316,799	78,605	
Income tax expense / (reversal)	24,799	(28,044)	(74,660)	(183,951)	(21,979)	
Profit / (loss) for the year	116,099	82,053	190,055	132,848	56,626	
Other comprehensive income /(expense) for the year	(211)	(48)	121	(81)	204	
Total comprehensive income / (expense) for the year	115,888	82,005	190,176	132,767	56,830	
Shareholders' funds						
Stated capital	444,092	444,092	444,092	444,092	444,092	
Reserves	914,272	844,884	762,879	619,203	556,129	
Shareholders' funds	1,358,364	1,288,976	1,206,971	1,063,295	1,000,221	
Assets employed						
Investment properties	1,520,255	1,518,342	1,511,498	1,355,490	1,145,356	
Non-current assets	1,520,255	1,518,342	1,511,498	1,355,490	1,145,356	
Current assets	195,592	246,057	169,594	53,071	25,726	
Current liabilities	(36,043)	(119,494)	(123,694)	(31,915)	(20,424)	
Net current assets / liabilities	159,549	126,563	45,900	21,156	5,302	
Assets employed	1,679,804	1,644,905	1,557,398	1,376,646	1,150,768	
Non-current liabilities	(321,440)	(355,929)	(350,427)	(313,351)	(150,547)	
Net assets	1,358,364	1,288,976	1,206,971	1,063,295	1,000,221	
Cash flow statement						
Net cash inflows / (outflows) from:						
Operating activities	33,394	14,027	144,809	98,825	65,934	
Investing activities	(30,287)	20,774	(94,079)	(21,669)	813	
Financing activities	(98,416)	46,689	(43,554)	(69,665)	(66,226)	
Net increase / (decrease) in cash & cash equivalents	(95,309)	81,490	7,176	7,491	521	
Ratios and statistics						
Dividend per share*	(Rs.)	0.65	0.85	1.50	2.25	1.40
Dividend yield	(%)	1.20	1.88	2.83	3.14	2.35
Dividend payout	(%)	17.33	32.08	24.47	52.45	76.50
Return on shareholders' funds	(%)	8.55	6.37	15.75	12.49	5.66
Earnings per share	(Rs.)	3.75	2.65	6.13	4.29	1.83
Earnings yield	(%)	6.92	5.85	11.57	5.98	3.07
P/E ratio	(times)	14.45	17.09	8.65	16.71	32.62
Market price per share **	(Rs.)	54.20	45.30	53.00	71.70	59.70
Net assets per share	(Rs.)	43.82	41.58	38.93	34.30	32.27
Current ratio	(times)	5.43	2.06	1.37	1.66	1.26
Market capitalization	(Rs.'000)	1,680,200	1,404,300	1,643,000	2,222,700	1,850,700

Notes :

* Based on proposed / interim dividends

** As at 31st March.

Statement of Value Added

(All figures are in Sri Lankan Rupees thousands)

For the year ended 31st March	2021	2020
Revenue	125,255	141,254
Other income	1,121	3,118
Finance Income	11,216	15,354
	137,592	159,726
Cost of materials and services bought from outside	(21,708)	(22,540)
Value added	115,884	137,186

Distributed as follows:

For the year ended 31st March	2021	%	2020	%
To employees				
as remuneration	20,123	17	24,742	18
To government				
as taxation*	17,100	15	23,713	17
To providers of capital				
as dividend**	46,500	40	-	-
as interest on loans	2,284	2	169	-
Retained in the business				
as deferred taxation	(41,899)	(36)	4,331	3
as unwinding of discount	3,767	3	3,658	3
as retained profits/(loss) net of provisions, fair value adjustment and dividends	68,009	59	80,573	59
	115,884	100	137,186	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 Shareholders base

As at 31st March	2021	2020
Number of Shareholders	1,976	1,966

3 Frequency distribution of shareholdings as at 31st March 2021

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	1,854	267,800	0.86	8	2,802	0.01	1,862	270,602	0.87
1001-10,000	90	283,856	0.91	1	5,000	0.02	91	288,856	0.93
10,001-100,000	18	411,404	1.32	2	116,580	0.38	20	527,984	1.70
100,001-1,000,000	1	100,846	0.32	-	-	-	1	100,846	0.33
Above 1,000,000	2	29,811,712	96.16	-	-	-	2	29,811,712	96.17
Grand Total	1,965	30,875,618	99.60	11	124,382	0.40	1,976	31,000,000	100.00

4 Categories of Shareholders

Categories of Shareholders	2021		
	No. of Shareholders	No. of Shares	%
Individuals	1,933	1,004,026	3.24
Institutions	43	29,995,974	96.76
Total	1,976	31,000,000	100.00

The number of shares held by Non-Residents as at 31st March 2021 was 124,382 (2020 - 124,382) which amounts to 0.40% (2020 - 0.40%) of the total number of ordinary shares.

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 2021

Market Capitalization of the Public Holding	Rs.187.69 Million
Percentage of ordinary shares held by the public	11.17%
Number of Public Shareholders	1,972

6 Dividends

(a) A Final Dividend of 85 Cents per ordinary share for the year ended 31st March 2020 was paid on 09th September 2020 to the Shareholders of the Company who had provided accurate bank account details and to the Shareholders who had not provided accurate bank account details or had not provided any bank account details the dividends were paid on 25th September 2020.

(b) A First Interim Dividend of 65 Cents per ordinary share for the year ended 31st March 2021 was paid on 30th March 2021 to the Shareholders of the Company who had provided accurate bank account details and to the Shareholders who had not provided accurate bank account details or had not provided any bank account details the dividends were paid on 20th April 2021.

7 Market performance - Ordinary shares

For the year ended 31st March	2021	2020
As at 31st March (Rs.)	54.20	45.30
Highest (Rs.)	70.00	63.00
Lowest (Rs.)	40.90	40.60
Value of shares traded (Rs.)	3,117,119	766,690
No. of shares traded	57,234	15,564
Volume of transactions (Nos.)	423	235

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. 1,680,200,000/- as at 31st March 2021 (2020 - Rs. 1,404,300,000/-).

9 Value of the properties - Land and building

Location	Extent (in perch)	Number of Buildings	Market value 2021 Rs. '000	Date of professional valuation
No. 61, Janadhipathi Mawatha, Colombo 01	28.51	01	561,075	March 2021
No. 55, Janadhipathi Mawatha, Colombo 01	57.55	01	959,180	March 2021

10 Number of employees

The number of employees of the Company at the end of the year was 06 (2020 - 06).

Notice of Meeting

NOTICE is hereby given that the 31st Annual General Meeting of EQUITY TWO PLC will be held on Wednesday, 28th July 2021 at 2.00 p.m. at the 8th Floor of No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka by means of audio or audio and visual technology for the following purposes:

1. To consider the Annual Report of the Board of Directors including the financial statements of the Company for the financial year ended 31st March 2021, together with the Report of the Auditors thereon.
2. To re-elect Mr. S. Marimuthu as a Director in terms of Article 68 of the Articles of Association of the Company.
3. To re-elect Mr. A. P. Weeraratunge, who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.
4. To re-appoint Mr. P. D. D. Fernando as a Director of the Company who is over seventy years of age and to consider and if deemed fit to pass the following resolution;

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

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

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be

applicable to Mr. K. C. N. Fernando who is 74 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

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

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

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

By Order of the Board

(Sgd.)

K. D. De Silva (Mrs)

Director
Carsons Management Services (Private) Limited
Secretaries

Colombo

22nd June 2021

Notes:

1. This Notice and the submission of the Form of Proxy should be read in conjunction with the 'Procedure to be followed at the Annual General Meeting of the Company scheduled for 28th July 2021', which is enclosed with the Annual Report.
2. The Annual Report 2020/21 and the Notice convening the Annual General Meeting (AGM), together with the Procedure to be followed at the AGM will be posted to the Shareholders, provided that the postal department is in operation at the time of posting the said documents. In the event restrictions are imposed to control the COVID-19 pandemic and the postal operations are curtailed at the time of posting, the Notice convening the AGM will be published in one issue of a daily newspaper/e-newspaper in Sinhala, English and Tamil languages.
3. The documents will also be made available on the 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/annual_reports_2020_2021/eq2-annual-report-2020-21.pdf
4. Having considered the prevailing COVID-19 pandemic situation in the country and the health and safety guidelines issued by the Health Authorities in order to prevent the spread of COVID-19, the Board of Directors decided on 22nd June 2021 to convene the AGM of the Company through an "audio-visual" technology in conformity with the applicable regulatory provisions and Article 43(b) of the Articles of Association of the Company.
5. Shareholders who wish to participate at the AGM through the online platform are kindly requested to complete and forward the "Registration Form (Annexure 1)" as more fully explained in the said "Procedure to be followed at the Annual General Meeting of the Company scheduled for 28th July 2021" enclosed with the Annual Report.
6. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
7. The completed Form of Proxy and Registration Form (Annexure 1), as relevant, must be submitted to the Company not later than 4.45 p.m. on 26th July 2021,
 - via email to ETWOAGM2021@carcumb.com, or
 - via WhatsApp or Viber to mobile no. +94 764 765 463 or +94 712 791 246, or
 - by hand or post to the registered office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
8. A person representing a Corporation is required to submit a certified copy of the resolution authorizing him/her to act as the representative of the Corporation. A representative need not be a member.
9. The transfer books of the Company will remain open.

Form of Proxy

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

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

as *my/our proxy to attend at the 31st Annual General Meeting of EQUITY TWO PLC to be held on Wednesday, 28th July 2021 at 2.00 p.m. at the 8th Floor of No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka by means of audio or audio and visual technology and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To re-elect Mr. S. Marimuthu as a Director in terms of Article 68 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. A. P. Weeratunge who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Mr. P. D. D. Fernando who is over seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Mr. K. C. N. Fernando who is over seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Mr. D. C. R. Gunawardena who is seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act, No.07 of 2007 and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day ofTwo Thousand and Twenty One.

.....
Signature/s

Notes

*Please delete the inappropriate words.

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

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address, and sign in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 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** together with the **Registration Form (Annexure 1)** should be submitted to the Company **not later than 4.45 p.m. on 26th July 2021**,
 - via email to ETWOAGM2021@carcumb.com or
 - via WhatsApp or Viber to mobile no. +94 764 765 463 or +94 712 791 246, or
 - by hand or post to the registered office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
6. Shareholders who are unable to participate at the meeting through the online meeting platform (i.e. Zoom platform) may appoint a proxy as his/her/its proxy by forwarding the duly completed Form of Proxy **not later than 4.45 p.m. on 26th July 2021**, clearly indicating their vote under each matter set out in the Form of Proxy as per the instructions set out in the '**Procedure to be followed at the Annual General Meeting of the Company scheduled for 28th July 2021**', attached with this Notice.
7. Shareholders could also appoint a member of the Board to act as their proxy if they so choose. The Shareholders who wish to appoint a Director as his/her/its proxy must forward the duly completed **Form of Proxy** clearly indicating their vote under each matter set out in the Form of Proxy and forward same together with the **Registration Form (Annexure 1)**, attached herewith to the Company.

Please fill in the following details:

Name & contact no. of Shareholder :

CDS Account No. / Folio No. :

Name & contact no. of Proxyholder :

NIC No. of the Proxyholder :

Corporate Information

Name of the Company	Equity Two PLC (A Carson Cumberbatch Company)
Company Registration No.	PQ 34
Legal Form	A Public Quoted Company with Limited Liability incorporated in Sri Lanka in 1990 Official listing of the Colombo Stock Exchange was obtained in November 1994
Parent and Controlling Entity	Equity One Limited is the immediate Parent Company of Equity Two PLC. In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Equity One Limited and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Equity One Limited
Directors	Mr. D.C.R. Gunawardena (Chairman) Mr. K.C.N. Fernando (vacated office 14/06/2020 & appointed w.e.f. 04/09/2020) Mr. A.P. Weeratunge Mr. E.H. Wijenaikē Mr. P.D.D. Fernando (vacated office 14/06/2020 & appointed w.e.f. 04/09/2020) Mr. S. Marimuthu (Appointed w. e. f. 15/09/2020)
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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