

E Q U I T Y  
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EQUITY TWO PLC | ANNUAL REPORT 2021/22

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

# Chairman's Statement

## Dear Shareholder

On behalf of the Board, it is with great pleasure that I welcome you to the 32nd Annual General Meeting of the Company. Herewith I present to you the Annual Report and Audited Financial Statements for the financial year ended 31st March 2022.

Over the past three years and counting, Sri Lanka faced rather unfortunate circumstance of having to navigate through extremely rough waters, with new challenges being presented in quick succession, prior to even the dust completely settling on the previous one. The 2018 political turmoil was followed by the unfortunate Easter Sunday terrorist attacks of 2019. As we were just beginning to gain our balance back as a country, the pandemic came into being, with hitherto unprecedented socio-economic effects and challenges to life as we know it. Now, as we slowly recover from the pandemic and its aftermath, we are faced with the gravest economic crisis the country has experienced post-independence.

I believe it is high time that Sri Lanka brings about a complete overhaul of policy reforms across the board, regardless of political affiliations. The immediate requirement would be a well thought-out fiscal policy as a spring-board to get us out of the present economic trough, while minimising the burden on the poor. This needs to be followed by developing national policies with long-term visions designed to leave a better country for the generations to come. Most importantly, this should be done in all-party cohesion so that even if shifts in the power base occur, the policies will remain unchanged.

To this end, the government services require a complete revamp reflecting economic sense. A healthy balance must be struck between earning and non-earning infrastructure spending, along with solid revenue plans to convert them into profit centres. Subsidising for political gains needs to be avoided at all levels. Socially marginalised communities should be looked after via well thought-out and executed programmes. It is high time that Sri Lanka looks for new avenues to bring in value additions for our raw exports whilst venturing into out-of-the-ordinary modes to derive foreign earnings to the country. This will necessitate to have the required skillset in the country and the laws and regulations framework to back it up. Ease of doing business, political stability, and policy consistency needs to be drastically improved to even consider attracting impactful FDIs. Such

forward planning will spur the business environment, enable expansions, curtail unemployment and boost per capita income.

However, it can be said without a doubt that we all must prepare for the tough times ahead. In today's adverse economic backdrop of steep Rupee depreciation, abrupt inflation, high interest rates, and scarcity of essential goods for day-to-day living, businesses too undoubtedly feel the pressure of costs creep-up and eroding margins, which naturally redirect short-term strategies towards rethinking and repositioning the status quo or even lean towards activating a survival plan.

These macro-pressures have created a brand-new set of challenges for your Company as well in terms of cost escalation of repairs and maintenance, increasing asset replacement costs, and operational costs along with high double-digit inflation. Further, the restrictive corporate discretionary spending power on tenancy rentals limits our approachable market in terms of attracting prospective tenants to fill vacancies in a timely manner. On a secondary level, prevailing fuel shortages, increasing of transport costs, and various other difficulties will extend the work-from-home trend beyond what COVID would have typically necessitated, thereby reducing the immediate market need for office premises.

Global supply chain disruptions due to COVID are yet to reach normalcy. To add to this misery, such disruptions are further aggravated by nations at war. In this context, our business too will face many challenges, including construction-related raw material scarcity, unprecedented levels of construction costs, and other operational cost increases, which will in turn impact our bottom line. Any new entrants who were planning to venture into the market, including those mid-way through constructions will find it difficult to justify increasing budgets in the immediate future and also will have to battle-out delays due to the aforementioned supply disruptions.

However, in the lead-up to the present high interest environment, the local real estate market performed well, with both commercial and residential properties gaining in value. Further, condominium and housing markets continued to show traction as investors and homeowners used them as safe asset classes and to hedge against possible increases in construction costs respectively. However, in the present high interest environment, the values built up thus far will possibly be put to test.

## Chairman's Statement

In contrast, the story played a little differently for the Colombo commercial spaces' leasing market. With the entirety of the past two years clouded with varying intensities of COVID, companies adopted a work-from-home culture wherever possible, resulting in the leasing market undergoing a period of hibernation. Towards the end of the financial year, corporates began to gradually return to normalcy, with the slowdown of the virus's spread, primarily due to the successful vaccination drive. However, the ongoing macro-economic pressures, particularly the high interest rates, will force many corporates to delay, or in some cases, even withdraw their premises' expansion or upgrading plans. The upcoming significant pipeline of commercial stock in and around the Central Business District will exert further pressure on the segment's ability to push for sustainable absorption levels.

However, as mentioned previously, the premiumisation of Colombo properties continues to bear fruit, evidenced by the gain in fair valuation of our investment properties of Rs. 46.9 Mn during the year further to the Rs. 1.6 Mn recorded in the preceding year.

With respect to the operational front, the Company achieved a revenue of Rs. 133.6 Mn, which is a growth of 7% over last year attributable to year-on-year upward rental revisions and the low base of comparable revenue due to the concessions offered to tenants in light of COVID during last year. Accompanied by the aforementioned fair valuation gain, the profit before tax of the Company increased by 51% to reach Rs. 138.1 Mn. An interim dividend of Rs. 0.65 per share was declared and paid for in the financial year ended 31st March 2022, translating into a payout of 28% on the operational net profit of the Company, excluding fair value gain on investment properties and related deferred taxation.

Considering the prevailing economic conditions, we can anticipate the real estate market to go through a period of turbulence going forward, as many ambiguities lead towards misalignments of thoughts. Disposal decisions could be due to a number of reasons including mortgage-pushed sales, need for liquidity, or invest at high market rates, etc. However, some localised buyers will view real estate as a safer asset class over financial instruments, while the continuing Rupee depreciation against the greenback invites foreign investors to invest in local real estate stock as bargain hunting. The shift of equilibrium these factors bring into the market will determine its course over the medium-term.

As my parting sentiments, I would like to offer my gratitude to the shareholders, valued tenants, regulatory authorities and other stakeholders for their enduring 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 commitment and contribution. Further, I extend my sincere thanks and best wishes to all our valued staff members for their invaluable contributions throughout the year.

Let's all do our part for a better tomorrow!

(Sgd.)

**D.C.R. Gunawardena**  
Chairman

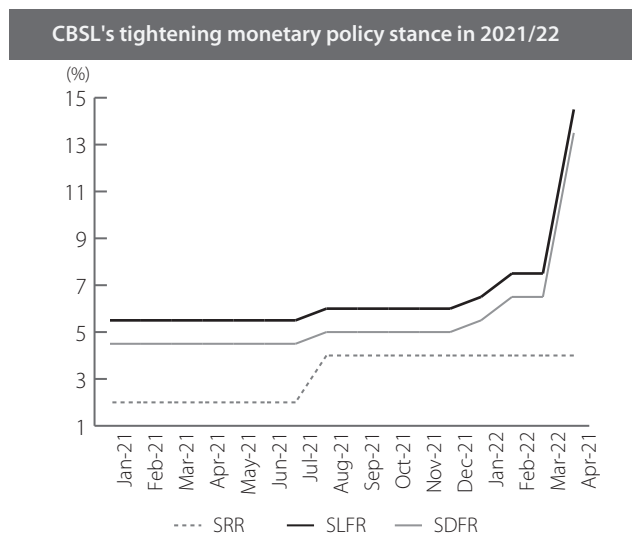
Colombo  
3rd June 2022

# Management Discussion and Analysis

## MACRO OVERVIEW

Following the 3.6% contraction experienced by the Sri Lankan economy in 2020 due to adversities brought around by COVID, the country recorded a rebound of 3.7% in 2021, as we drew closer towards putting the pandemic behind us. With the gradual easing of pandemic-related disturbances, and the push from pent-up demand, the industrial sector too contributed towards this recovery with a growth of 5.3%. The construction industry maintained its share of GDP at 6.1%, while recommencing growth at a slow rate of 1.9%, compared to the -13.2% constriction witnessed in the previous year.

The accommodative monetary policy stance practiced throughout 2020 in favour of reviving downed business sentiment at the onset of the pandemic continued until August of 2021, at which point CBSL commenced its monetary tightening stance on the idea of arresting inflationary pressures. Despite the total increase in policy interest rates being merely 50bps during 2021, following the economic pressures of early-2022, we have seen the CBSL taking corrective actions to increase policy rates by a further 850bps during the first four months of the year.



Source: Central Bank of Sri Lanka ("CBSL") Annual Report - 2021

In an environment of subdued foreign exchange inflows, with sizeable external debt service commitments, and the Central Bank's intervention in the foreign exchange market led

the country's gross official reserves to further decline from USD 5.7 Mn to USD 3.1 Mn by the end of 2021. In spite of this effort, the Rupee depreciated against the US Dollar by 7% during 2021 to reach LKR 200.43 by the end of the year. However, our currency depreciated further by an alarming 70% during the period from January to April of 2022. With COVID taking its toll on international tourism, the USD 4 Bn industry was only able to bring in merely USD 0.5 Bn in 2021. Further, worker remittances too fell to USD 5.5 Bn in 2021 compared to the per-year average of USD 7 Bn it produced during the period from 2014 - 2019.

## INDUSTRY SNAPSHOT

On the commercial properties front, the drop witnessed in "Grade A" market absorption rates following the outbreak of COVID due to businesses downgrading and/or adopting remote working began experiencing recovery towards the end of the year. However, the recent influx of major office spaces to the market and the upcoming long-term commercial pipeline including Port City could weigh in on overall market vacancy rates and rental yields. Therefore, if we are to make Port City a success story and cascade its benefits towards the local economy with respect to real estate, retail, tourism, healthcare, education, and most importantly, knowledge and technical know-how transfers, we still have a considerable way to go in order to rebuild investor confidence and attract much sought after FDIs.

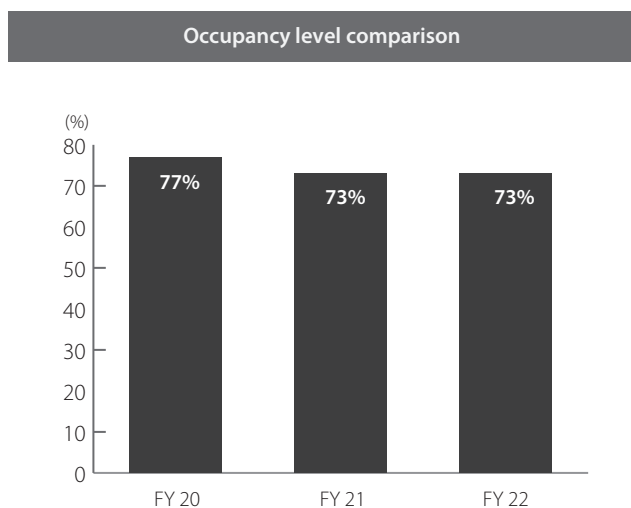
When considering urban land values, the slowdown witnessed in Colombo land price growth in 2020 has bounced back strongly in the first half of 2021 with a 6.8% gain over the six months backed by the 6.1% growth in commercial land values according to the CBSL's Land Value Index. Following the low interest rate environment that prevailed during the year and inflationary pressures, investors favoured real estate investment avenues while house hunters were in a position to borrow at affordable rates to invest in real estate. This is evident in the 49% uptick witnessed in condominium property volumes by the final quarter of 2021 compared to a year ago, particularly seen in the growth of mid-to-luxury properties. However, in the low interest environment that prevailed during 2021, banking industry loans and advances to the Construction industry grew at 8.5% to reach LKR 1,608 Bn by the end of the year.

## Management Discussion and Analysis

The unprecedented LKR depreciation towards the latter part of the financial year and global supply chain disruptions that continue to-date have resulted in drastic effects on construction costs and raw material availability, delaying ongoing development project timelines further. The prices of most construction raw material have increased exorbitantly over the final quarter of FY22, making city living further unaffordable to many. With decent road networks in and around Colombo suburbs and the expressway network seamlessly connecting outstation areas to the capital city, it is only rational that individuals tend to invest off-Colombo. To this end, over the medium to long-term, we believe suburban and off-Colombo real estate, especially residential, will continue to gain traction and would result in multiple potential hubs. The completion of the Mirigama-Kurunegala section of the Central Expressway, kicking off the preliminary construction activities of the Pothuhera-Galagedara section, and the progress made in land acquisition and resettlement for the Kurunegala-Dambulla section of the expressway are key highlights of the year.

### OUR BUSINESS

Occupancy of the investment properties of the Company remained unchanged from the level of 73% recorded last year. However, the Company was able to achieve a Rs. 133.6 Mn top-line, which is a 7% growth from previous year. This is mainly owing to year-on-year upward rental revisions and the low base of comparable revenue due to the concessions offered to tenants in light of COVID during the previous year.



Direct costs of the Company increased by 21% on the back of staff-related cost increments and maintenance expenditure, realising a gross profit of Rs. 92.4 Mn, retaining the same level as the previous year.

As per the investment property valuation exercise carried out at the end of the financial year, the Company's investment properties saw a fair valuation gain of Rs. 46.9 Mn, further to the Rs. 1.6 Mn of last year.

As a result, the Company recorded a profit from operating activities of Rs. 132.4 Mn, which is 54% more than that of the previous year, driven mainly by the aforementioned fair valuation gain. The net finance income of the Company witnessed an increase of Rs. 0.5 Mn over the comparable year, attributable to the settlement of the short-term loans obtained for liquidity purposes during the initial months of COVID last year. Disregarding the valuation gains of both years, the profit before tax of the Company increased by 2% to reach Rs. 91.2 Mn.

During the year under review, the Company recorded a deferred tax charge of Rs. 14.7 Mn mainly on the fair valuation gain of the investment properties, as opposed to the reversal of Rs. 41.9 Mn recorded last year which was the result of the reduction in the applicable tax rate from 28% to 24%. Resultantly, the Company recorded a profit after tax of Rs. 104.4 Mn, which is a 10% reduction from the comparable year.

Consequently, an interim dividend of Rs. 0.65 per share was declared and paid for the financial year ended 31st March 2022, translating into a payout of 28% on net profit of the Company, excluding fair value gain on investment properties and related deferred tax.

### FUTURE OUTLOOK

With dwindling economic conditions, eroding business confidence, tightening margins and rising interest costs, we are essentially facing a short to medium-term stance adopted by corporates to tighten sub-critical expenditure. Therefore, the demand for upgrades or expansion of business premises will likely remain low in the coming period, making it all the more challenging for us to source prospective tenants for our vacancies. However, we believe our premium-location value proposition will continue to bear fruits for us, which we will leverage to optimise rental yields.

**Carsons Management Services (Private) Limited**  
Managers

3rd June 2022

# 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 minimize 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

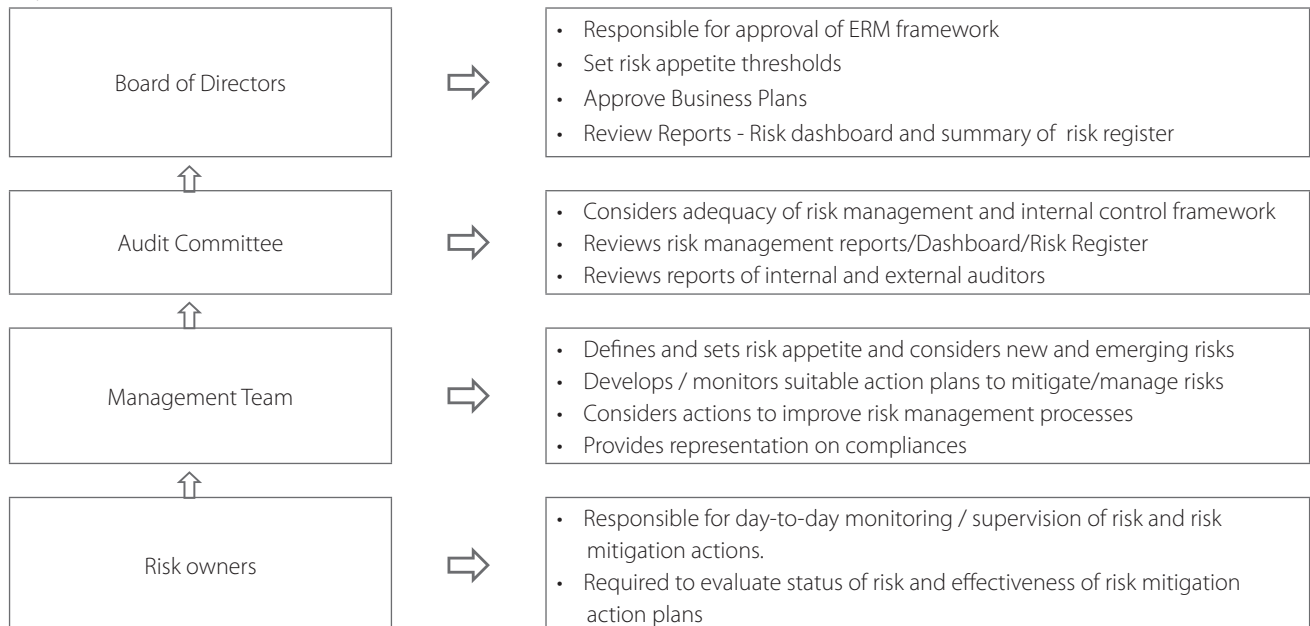
Risk management also ensures that the relevant internal control systems are in place and provides assurance to the Management/ Board of Directors that processes are robust and are working effectively.

## 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. This situation has been worsened due to the current economic challenges faced by Sri Lanka. The Company has been closely monitoring the impact of the pandemic and economic condition on the operations as at year end and into the immediate future.

Risk	Impact	Risk rating	Risk response / strategies
Business	<p>Recent changes in macro-economic conditions of Sri Lanka will have direct impact on business activities of the company. Some of the key challenges are given below.</p> <p>The steep increase in construction costs and the scarcity of spare parts and other related maintenance equipment pose a risk to the smooth operation of the business.</p> <p>Further, the on-going interruptions to the supply of electricity through the national grid and diesel pose a risk to the smooth operation of the business. This has resulted in cost escalations trying to source timely utilities for our premises.</p> <p>These recent developments along with the economic impact to the discretionary spending power of prospective tenants also put pressure on our ability to quickly fill in the vacant spaces at our premises.</p> <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>The management has taken steps to order and maintain the stocks of critical spare parts crucial for day-to-day operations of the Company.</p> <p>Management is also taking its best endure to source required utilities to ensure minimum disruption to the operations of the tenants.</p> <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. However, on going protest activities against government has impacted the mobility to and from our premises to some extent. We expect these restrictions to ease off gradually.</p> <p>Regular building maintenance and periodic structural integrity evaluations by Chartered Structural Engineers, ensure the safety of buildings and its occupants.</p>
Liquidity	<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	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"> <li>- Continuous and regular evaluation of credit worthiness of tenants.</li> <li>- Ongoing monitoring and follow up of receivable balances.</li> </ul> <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	Foreign currency risk is the risk of volatility in foreign exchange rates.	Low	<p>Even though the Company's income and expenses arising from its operations, assets and liabilities are denominated in Sri Lankan Rupees which is the functional currency of the Company, expenses stemming from these have seen notable escalations following recent Rupee depreciation. Especially renovation and maintenance costs, insurance premiums, cost of importing machinery and spare parts etc. The continuous lack of availability of foreign currency at Bank levels further adds to the challenge.</p> <p>It will be inevitable that the industry will have to revise the rent income gradually to cover the aforesaid cost increases at the renewal of rent agreements.</p>
Interest Rate	Interest rate risk is the risk arising due to the volatility of interest rates in the markets, thus affecting future cash flows. With the adjustment of policy rates by Central Bank, interest rates have shown a sharp increase.	Low	<p>The Company has no borrowing commitment as at the reporting date, hence the direct negative impact on the sharp increase in interest rate is minimal.</p> <p>(Please refer note 31, 'Financial instruments in the financial statements for further details).</p>
Human Resource	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"> <li>- Ensure recruitments are carried out to hire employees with required qualifications, knowledge and experience.</li> <li>- Availability of detailed job descriptions and role profiles for each job.</li> <li>- Human resource policies are focused on encouraging continuous training &amp; development and ensuring appropriate compensation as per market rates to retain and develop employees.</li> </ul>

## 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 &amp; Guidelines for new recruits.</p> <p>The internal audit function of the Carsons Group carryout regular reviews on internal control systems and processes and recommends process improvements if shortcomings are noted.</p>
Legal and Regulatory	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"> <li>- Arrange training programs and circulate updates for key employees on new / revised laws &amp; regulations on a need basis.</li> <li>- Provide comments on draft laws to government and regulatory authorities.</li> <li>- Obtain comments and interpretations from external legal consultants on areas that require clarity.</li> <li>- Obtain compliance certificates from management on a quarterly basis on compliance with relevant laws and regulations.</li> </ul> <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 of losses 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 2022. 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 3rd June 2022.

## 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 of 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 2022 are set out on pages 26 to 56. These financial statements comply with the requirements of the Companies Act, No. 07 of 2007.

### 4.1. Revenue

Detailed analysis of the revenue of the Company is 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:

<b>(In Sri Lankan Rupees thousands)</b>		
For the year ended 31st March	<b>2022</b>	<b>2021</b>
Profit for the year	104,389	116,099
Other comprehensive income/ (expenses) for the year	726	(211)
Total comprehensive income for the year	105,115	115,888
Retained earnings as at the beginning of the year	387,799	361,875
Retained earnings before appropriations / adjustments	492,914	477,763
Forfeited dividends	29	-
Dividends paid	(20,150)	(46,500)
Transfer to fair value adjustment reserve	(32,178)	(43,464)
<b>Retained earnings as at the end of the year</b>	<b>440,615</b>	<b>387,799</b>

# 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 30 to 38.

## 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 2022 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 2022 are presented in Note 17 to the financial statements.

## 4.5. Capital expenditure

The details of capital expenditure of the Company is 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 financial performance 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 maintain 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 2022 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 2022	31st March 2021
Mr. D. C. R. Gunawardena (Chairman)	-	-
Mr. K. C. N. Fernando	3,600	3,600
Mr. E. H. Wijenaik	-	-
Mr. A. P. Weeraratunge	-	-
Mr. P. D. D. Fernando	-	-
Mr. S. Marimuthu	550	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 Appointment of Directors who are over 70 years of age

Messrs. P. D. D. Fernando, K.C.N. Fernando and D. C. R. Gunawardena 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 28th July 2021 for a further period of one year commencing from the conclusion of the said AGM. i.e. till 27th July 2022.

Upon the recommendation of the Nomination Committee of the Company and the Board, it is recommended that Messrs. P. D. D. Fernando, K. C. N. Fernando and D. C. R. Gunawardena 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. Director to retire by rotation

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

## 9. CORPORATE GOVERNANCE

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

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

## 9.1. Board of Directors

The following Directors held office as at the reporting date and their brief profiles are given on page 19 of the Annual Report.

Directors	Executive / Non-Executive / Independent
Mr. D. C. R. Gunawardena (Chairman)	Non-Executive
Mr. A.P. Weeratunge	Executive
Mr. E.H. Wijenaik *	Non-Executive / Independent
Mr. K.C.N. Fernando	Executive
Mr. P.D.D. Fernando **	Non-Executive / Independent
Mr. S. Marimuthu ***	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 25th May 2022, 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. Wijenaik 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, during the period under review, the Board of Directors had three (03) virtual Board Meetings through Microsoft Teams and the attendance of the Directors were as follows;

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

## 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 and comprises of the following members.

### Composition

Audit Committee Members	Executive / Non-Executive/ Independent
Mr. A. S. Amaratunga (Chairman)	Non-Executive/ Independent Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC
Mr. Y. H. Ong	Non-Executive/ Independent Director of CCPLC

The Audit Committee Report is given on pages 21 to 22 of this Annual Report.

## 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 and comprises of the following members.

### 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 Remuneration Committee has established a formal and transparent procedure for the development of a remuneration policy which will be reviewed by the Committee when deemed necessary.

The remuneration policy has been formulated based on market and industry factors with appropriate incentives to encourage enhanced performance and also in a fair and responsible manner 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 two (02) virtual meetings during the period under review.

Remuneration Committee Members	Meetings Attended (Out of Two)
Mr. T. de Zoysa (Chairman)	1/2
Mr. D. C. R. Gunawardena	2/2
Mr. R. Theagarajah	2/2
Mr. W. M. R. S. Dias	2/2

### Reporting and Responsibilities

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

Aggregated remuneration paid to the Non-Executive Directors of the Company are disclosed under note 13 on page 39 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

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

## 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 two (02) virtual meetings during the period under review.

Nomination Committee Members	Meetings Attended (Out of Two)
Mr. T. de Zoysa (Chairman)	1/2
Mr. D. C. R. Gunawardena	2/2
Mr. R. Theagarajah	2/2
Mr. W. M. R. S. Dias	2/2

## 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 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 and the meetings were held on a quarterly basis.

## Composition

Related Party Transactions Review Committee Members	Executive / Non-Executive/ Independent
Mr. W.M.R.S. Dias (Chairman)	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 until 30/06/2021 & Non-Executive Director of CCPLC w.e.f. 01/07/2021
Mr. R. Theagarajah	Non-Executive, Independent Director of CCPLC

The Related Party Transactions Review Committee Report is given on page 20 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 transactions carried out by the Company with its Related Parties during the year ended 31st March 2022, did not exceed 10% of Equity or 5% of the Total Assets of the Company as at 31st March 2022.

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 2022.



## 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 CCPLC Group subsidiary
Nature of the Transaction	Rental income
Aggregate value of Related Party Transactions entered into during the financial year	Rs. 21,786,240/-
Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	16.31%
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. 26,730,240/-
Aggregate value of all Related Party Transactions entered during the financial year with the same related party as a % of Net Revenue	20.01%

\* Details of the transactions are given in note 32.3.1.

## 10. INDEPENDENT AUDITORS

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

A sum of Rs. 231,000/- (2021 - Rs. 210,000/- ) were paid to them by the Company as audit fees for the year ended 31st March 2022. 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 24 to 25 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.

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

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 continue 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 and the Group.

The number of persons employed by the Company as at 31st March 2022 was 06 (2021 - 06).

### 14. EQUITABLE TREATMENT TO SHAREHOLDERS

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

### 15. DIVIDEND

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

15.2 A First Interim Dividend of 65 Cents per ordinary share for the year ended 31st March 2022 was paid on 30th March 2022 to the Shareholders of the Company who have provided accurate bank account details. The Shareholders who have not provided accurate bank account details or have not provided any bank account details the dividends were to be paid on 12th April 2022. However, the Government declared 11th April and 12th April 2022 as Public Holidays and the Sri Lanka Department of Post being closed on the said dates, the 2nd payment of the said Interim Dividend could not be dispatched to Shareholders on 12th April 2022. As such, the said payment was dispatched on 18th April 2022 once operations commenced at the Sri Lanka Department

of Post subsequent to the Sinhala and Tamil New Year holidays.

### 16. SOLVENCY TEST

At the time of approving the above 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 said 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 2022 was Rs. 441.1 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 2022.

**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 COMMITMENTS**

The contingent liabilities and commitments made on account of capital expenditure as at 31st March 2022 are given in note 29 to the Financial Statements.

**24. CORPORATE DONATIONS**

There were no donations made during the year ended 31st March 2022 (2021 - Nil).

**25. IMPACT OF COVID-19 PANDEMIC AND CHALLENGING ECONOMIC ENVIRONMENT**

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

**26. SHARE INFORMATION**

Information relating to share trading are given on pages 59 and 60 of this 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 as at 31st March 2022.

	Name of the Shareholders	31st March 2022		31st March 2021	
		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	2,201,508	7.10	2,279,187	7.35
3	MR. K.C. VIGNARAJAH	103,876	0.34	100,846	0.33
4	TRANZ DOMINION, L.L.C.	55,480	0.18	55,480	0.18
5	MRS. C.A.D.S. WOODWARD	52,079	0.17	61,100	0.20
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	33,191	0.11
9	MR. P. SOMADASA	28,092	0.09	5,990	0.02
10	AMANA BANK PLC/HI-LINE TRADING PVT LTD	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	MR. I. PAULRAJ	17,288	0.06	31,290	0.10
17	MR. S.N.C.W.M.B.C. KANDEGEDARA	16,200	0.05	-	-
18	MR. J.B. HIRDARAMANI	16,000	0.05	16,000	0.05
19	MRS. J. ALOYSIUS	15,900	0.05	15,900	0.05
20	DIALOG FINANCE PLC/A.S.M.SHIYAM	14,781	0.05	14,781	0.05

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

## 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 3rd June 2022.

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 32nd Annual General Meeting of the Company will be held on Wednesday, 29th June 2022 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  
3rd June 2022

# 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 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 is also a Director of Group's oil palm plantation sector holding company, Goodhope Asia Holdings Ltd.

He carries over 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**

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**

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. He worked as a Civil Engineer with The Sri Lanka Ports Authority till 1969. From 1969 to 1982 worked as a Chartered Civil Engineer in London. In 1969 he became a Member of the Institution of Civil Engineers, London. He is also a Member of the Institution of Engineers, Sri Lanka and a Member of the Society of Structural Engineers, Sri Lanka.

## **SIVANANDAN MARIMUTHU**

Siva Marimuthu is a Director of Equity One Limited, Equity Two PLC, Industrial Asphalts PLC, Knightsbridge Technologies (Pvt) Ltd. and Silverfalls (Pvt) Limited.

Siva 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

The Members of the RPTRC are as follows:

RPTRC Members	Executive/Non-Executive/ Independent
Mr.W.M.R.S. Dias (Chairman)	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	Non-Executive (CCPLC)
Mr.R. Theagarajah	Non-Executive, Independent (CCPLC)

## Meetings of the Related Party Transactions Review Committee

CCPLC-RPTRC held One (01) virtual Meeting in each calendar quarter and a total of Four (04) RPTRC Meetings were held during the financial year. In addition, the approval of the RPTRC Members were sought via 10 Circular Resolutions, as well as 12 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)	4/4
Mr.D.C.R. Gunawardena	4/4
Mr.H. Selvanathan	3/4
Mr.M. Selvanathan	4/4
Mr.S.K. Shah	4/4
Mr.R. Theagarajah	3/4

## Purpose of the Committee

The objective of the RPTRC is to review all Related Party Transactions (RPTs) of the Listed Companies of the Carsons Group, other than those exempted by the 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.

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 2021 to 31st March 2022 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  
3rd June 2022

# Audit Committee Report

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

The Audit Committee consists of the following Members:

Audit Committee Members	Executive/Non-Executive/Independent
Mr.A.S. Amaratunga (Chairman)	Non-Executive, Independent (CCPLC)
Mr.D.C.R. Gunawardena	Non-Executive (CCPLC)
Mr.Y.H. Ong	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, Member of MAS Holdings-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 an Independent Non-Executive Director, Chairman of the Audit Committee and Member of the Nominating Committee of Singapore Power Ltd. and Capitaland Group Pte Ltd. He has served as Independent Director of United Overseas Bank Ltd., Singapore. Mr.Ong had also served at Ernst & Young, Singapore for 30 years and was involved in audit and financial advisory work.

## 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 eight (08) 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 08)
Mr.A.S. Amaratunga (Chairman)	8/8
Mr.D.C.R. Gunawardena	8/8
Mr.Y.H. Ong	8/8

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. Committee also provides the opportunity to the External Auditors to provide matters of importance via a private audience.

Following the Audit Committee Meetings, the Chairman-Audit Committee issues a written update for circulation to the Board, 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.

## 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. Also, to select the Company's External Auditors and implement a direct reporting relationship with them and ensuring their independence.

## Financial Statements

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



## Audit Committee Report

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 2022 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-a-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 2021/2022 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 2023, 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

3rd June 2022



**Financial Calendar**

Financial year end

31st March 2022

32nd Annual General Meeting

29th June 2022

**Announcement of Results**

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

1st Quarter ended 30th June 2021

13th August 2021

2nd Quarter ended 30th September 2021

12th November 2021

3rd Quarter ended 31st December 2021

14th February 2022

4th Quarter ended 31st March 2022

31st May 2022

# Independent Auditor's Report



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

Tel +94 - 11 542 6426  
Fax +94 - 11 244 5872  
+94 - 11 244 6058  
Internet www.kpmg.com/lk

## TO THE SHAREHOLDERS OF EQUITY TWO PLC

### Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Equity Two PLC ("the Company"), which comprise the statement of financial position as at March 31, 2022, 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 26 to 56 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, 2022, 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.1,570 Mn as at 31 March 2022.

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 (88% of total

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.

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 the ongoing economic recession.
- 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.

P. Y. S. Perera FCA	C. P. Jayatilake FCA	T. J. S. Rajakarier FCA
W. J. C. Perera FCA	Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara FCA
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 FCA	Ms. C.T.K.N. Perera ACA	A.M.R.P. Alahakoon ACA
Ms. P.M.K. Sumanasekara FCA		

**Principals:** S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, 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  
3rd June 2022

# Statement of Profit or Loss and other Comprehensive Income

(All figures are in Sri Lankan Rupees thousands)

For the year ended 31st March	Note	2022	2021
<b>Revenue</b>	11	133,566	125,255
Direct cost		(41,122)	(33,880)
Other income	12	92,444	91,375
Net gain arising from changes in fair value of investment properties	17	963	1,121
Administrative and other operating expenses		46,878	1,590
<b>Results from operating activities</b>	13	140,285	94,086
Finance income	14.1	(7,864)	(7,951)
Finance costs	14.2	132,421	86,135
Net finance income	14	9,632	11,216
<b>Profit before taxation</b>		(3,996)	(6,051)
Income tax expense	15.1	5,636	5,165
Deferred taxation	15.2	138,057	91,300
<b>Profit for the year</b>		(19,002)	(17,100)
		(14,666)	41,899
		104,389	116,099
<b>Other comprehensive income / (expense)</b>			
<b>Items that will never be reclassified into profit and loss</b>			
Actuarial gain / (loss) from valuation of employee benefits	25.2	956	(278)
Related tax	24.1	(230)	67
<b>Total other comprehensive income / (expense) for the year</b>		726	(211)
<b>Total comprehensive income for the year</b>		105,115	115,888
Earnings per share (Rs.)	16	3.37	3.75

The notes from pages 30 to 56 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	2022	2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	17	1,570,418	1,520,255
<b>Total non-current assets</b>		<b>1,570,418</b>	<b>1,520,255</b>
<b>Current assets</b>			
Trade and other receivables	18	28,333	29,375
Fair value through profit or loss financial assets	19	43,719	4,469
Investment in fixed deposits		74,681	155,009
Cash and cash equivalents	20	76,612	6,739
<b>Total current assets</b>		<b>223,345</b>	<b>195,592</b>
<b>Total assets</b>		<b>1,793,763</b>	<b>1,715,847</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	21	444,092	444,092
Capital reserves	22.1	750	750
Revenue reserves	22.2	998,516	913,522
<b>Total equity</b>		<b>1,443,358</b>	<b>1,358,364</b>
<b>Non-current liabilities</b>			
Refundable rental deposits	23	46,183	42,013
Deferred tax liability	24	292,224	277,328
Employee benefits	25	1,285	2,099
<b>Total non-current liabilities</b>		<b>339,692</b>	<b>321,440</b>
<b>Current liabilities</b>			
Trade and other payables	26	4,148	22,296
Deferred revenue	27	4,778	8,656
Current tax liabilities		1,787	5,091
<b>Total current liabilities</b>		<b>10,713</b>	<b>36,043</b>
<b>Total liabilities</b>		<b>350,405</b>	<b>357,483</b>
<b>Total equity and liabilities</b>		<b>1,793,763</b>	<b>1,715,847</b>
Net assets per share (Rs.)		46.56	43.82

The Notes from pages 30 to 56 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 3rd June 2022.

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

3rd June 2022

# 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	
<b>Balance as at 1st April 2020</b>	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)
<b>Balance as at 31st March 2021</b>	444,092	750	525,723	387,799	1,358,364
<b>Balance as at 1st April 2021</b>	444,092	750	525,723	387,799	1,358,364
Profit for the year	-	-	32,178	72,211	104,389
Other comprehensive income for the year	-	-	-	726	726
Total comprehensive income for the year	-	-	32,178	72,937	105,115
Forfeited dividends	-	-	-	29	29
First interim dividend 2021/22	-	-	-	(20,150)	(20,150)
<b>Balance as at 31st March 2022</b>	444,092	750	557,901	440,615	1,443,358

The notes from pages 30 to 56 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	2022	2021
<b>Cash flows from operating activities</b>			
Profit before taxation		138,057	91,300
<b>Adjustments for:</b>			
Finance costs	14.2	3,996	6,051
Finance income	14.1	(8,485)	(10,685)
Net change in the fair value through profit or loss financial assets	14.1	(1,147)	(531)
Net gain arising from changes in fair value of investment properties	17	(46,878)	(1,590)
Provision for employee benefits	25.1	142	348
Amortization of deferred revenue	27	(3,888)	(3,888)
<b>Operating profit before working capital changes</b>		81,797	81,005
(Increase) / decrease in trade and other receivables		1,042	(4,927)
Increase / (decrease) in trade and other payables		(18,264)	(38,677)
Operating profit after working capital changes		64,575	37,401
Rental deposits received	23	184	6,739
Income tax paid		(22,306)	(10,746)
<b>Net cash generated from / (used in) operating activities</b>		42,453	33,394
<b>Cash flows from investing activities</b>			
Additions to investment properties	17	(3,285)	(323)
Disposal of / (investment in) fair value through profit or loss financial assets		(38,103)	23,251
Withdrawal of / (investments in) fixed deposits		79,939	(63,900)
Interest received		8,874	10,685
<b>Net cash generated from / (used in) investing activities</b>		47,425	(30,287)
<b>Cash flows from financing activities</b>			
Dividends paid		(20,005)	(45,963)
Loans obtained / (settled)		-	(50,000)
Interest paid		-	(2,453)
<b>Net cash generated from / (used in) financing activities</b>		(20,005)	(98,416)
Net increase / (decrease) in cash and cash equivalents		69,873	(95,309)
Cash and cash equivalents at the beginning of the year		6,739	102,048
<b>Cash and cash equivalents at the end of the year</b>		76,612	6,739

The notes from pages 30 to 56 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 (2021 – 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 3rd June 2022.

### 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; and
- 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 17 – 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.

### 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

# Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

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.

**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.

# Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

## 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.

#### *Write-off*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the

amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

### 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. 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.

# Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

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.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gain or losses on the settlement of a defined plan when the settlement occurs.

## 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.

The Company has determined that any interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

#### 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 1st April 2022 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) Annual improvements to SLFRS Standards 2018- 2020 – The amendments are effective for annual reporting periods beginning on or after 01 January 2022.
- 3) 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.
- 4) Reference to Conceptual Framework (Amendments to SLFRS 3) – The amendment applies to annual reporting periods beginning on or after 01 January 2022.
- 5) 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.
- 6) Disclosure of Accounting Policies (Amendments to LKAS 1)- The amendment applies to annual reporting periods beginning on or after 01 January 2023.
- 7) Definition of Accounting Estimates (Amendments to LKAS 8)- The amendment applies to annual reporting periods beginning on or after 01 January 2023.
- 8) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)- The amendment applies to annual reporting periods beginning on or after 01 January 2023.

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



<b>For the year ended 31st March</b>		<b>2022</b>	<b>2021</b>
<b>11. REVENUE</b>			
Property rental income		133,566	125,255
		<b>133,566</b>	<b>125,255</b>

<b>For the year ended 31st March</b>		<b>2022</b>	<b>2021</b>
<b>12. OTHER INCOME</b>			
Parking fees from tenants		540	450
On other services provided to tenants		423	671
		<b>963</b>	<b>1,121</b>

<b>For the year ended 31st March</b>		<b>2022</b>	<b>2021</b>
<b>13. PROFIT FROM OPERATIONS</b>			
Profit from operations is stated after charging all expenses including the following:			
Auditors' remuneration - audit services		231	210
Auditors' remuneration - audit related services		70	121
Professional service costs (note 13.1)		199	163
Support service fees		3,900	3,948
Personnel costs (note 13.2)		25,323	20,123
<b>13.1 Professional service costs</b>			
Valuation services		84	163
Other services		115	-
		<b>199</b>	<b>163</b>
<b>13.2 Personnel costs</b>			
Salaries, wages and other related expenses		23,792	18,416
Defined benefit plan cost - Employee benefits (note 25.1)		142	348
Defined contribution plan cost - EPF and ETF		1,389	1,359
		<b>25,323</b>	<b>20,123</b>
The above include:			
Directors' emoluments		-	-
Non executive directors' fees		605	550
		<b>605</b>	<b>550</b>

## Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

For the year ended 31st March		2022	2021
<b>14.</b>	<b>NET FINANCE INCOME</b>		
<b>14.1</b>	<b>Finance income</b>		
	Interest income from fixed deposits and savings accounts	7,059	10,650
	Interest income from securities purchased under resale agreements and treasury bills	1,410	-
	Net change in the fair value through profit or loss financial assets	1,147	531
	Interest income on loans given to staff of the Company	16	35
		<u>9,632</u>	<u>11,216</u>
<b>14.2</b>	<b>Finance costs</b>		
	Interest expenses on short term bank borrowings	-	2,284
	Unwinding of interest on refundable deposits (note 23)	3,996	3,767
		<u>3,996</u>	<u>6,051</u>
	Net finance income	<u>5,636</u>	<u>5,165</u>
For the year ended 31st March		2022	2021
<b>15.</b>	<b>TAX EXPENSE</b>		
<b>15.1</b>	<b>Income tax expense</b>		
	Current tax expense for the year (note 15.3)	19,172	17,620
	Over provision for previous years	(170)	(520)
		<u>19,002</u>	<u>17,100</u>
<b>15.2</b>	<b>Deferred taxation</b>		
	On origination of temporary differences (note 24.1)	14,666	(41,899)
		<u>14,666</u>	<u>(41,899)</u>
	Tax expense	<u>33,668</u>	<u>(24,799)</u>
<b>15.3</b>	<b>Reconciliation between the accounting profit and the taxable profit</b>		
	Accounting profit before taxation for the year	138,057	91,300
	Adjustments on;		
	- Aggregate disallowable expenses	1,028	1,301
	- Aggregate allowable expenses	(14,418)	(14,231)
	Notional adjustments arising on application of LKAS/SLFRS	2,094	(3,364)
	Net gain arising from changes in fair value of investment properties	(46,878)	(1,590)
	Finance income	(9,632)	(11,216)
	Adjusted profit from operations for taxation	<u>70,251</u>	<u>62,200</u>
	Interest income	9,632	11,216
	Total assessable Income	<u>79,883</u>	<u>73,416</u>
	Taxable income	<u>79,883</u>	<u>73,416</u>
	Taxation thereon (note 15.4 (a))	<u>19,172</u>	<u>17,620</u>

**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% (2021-24%).

(b) Deferred tax has been computed using a tax rate of 24% (2021-24%).

(c) As per the provisions of Surcharge Tax Act No. 14 of 2022, although the Company did not become liable to pay surcharge tax as a stand-alone entity, the Company is liable for surcharge tax on the basis that the Company is part of the Carson Cumberbatch PLC group, of which the aggregate taxable income exceeded the threshold as stipulated in the aforesaid Act. Accordingly, the Company is liable for a surcharge tax of Rs. 18,177,642/- out of the taxable income of Rs. 72,710,566/- pertaining to the year of assessment 2020/21.

The said Surcharge Tax Bill was approved by the parliament on 8th April 2022, hence cannot be considered as enacted as at the reporting date. Accordingly, the Company has not provided for the surcharge tax liability in the financial statements for the year ended 31st March 2022 in accordance with the 'Statement of Alternative Treatment on Accounting for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022' issued by the Institute of Chartered Accountants of Sri Lanka on 22nd April 2022.

(d) In accordance with the Gazette No. 2282/26 enacted on 31st May 2022, Value Added Tax (VAT) as per the Value Added Tax Act No. 14 of 2002 as amended by Act No. 6 of 2005, has been increased to 12% from 8% effective from 1st June 2022.

## 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	2022	2021
<b>Amount used as the numerator</b>		
Profit for the year	104,389	116,099
<b>Amount used as the denominator</b>		
Weighted average number of ordinary shares outstanding during the year (In thousands)	31,000	31,000
Earnings per share (Rs.)	3.37	3.75

### 16.1 Diluted earnings per share

There were no potentially dilutive ordinary shares as at 31 March 2022 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.

## Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

### 17. INVESTMENT PROPERTIES

#### 17.1 Details of investment properties

	Freehold land	Freehold building	Other equipment	Total as at 31st March 2022	Total as at 31st March 2021
<b>For the year ended 31st March</b>					
Balance as at beginning of the year	1,061,828	427,409	31,018	1,520,255	1,518,342
Additions during the year	-	-	3,285	3,285	323
Change in fair value of investment properties (note 17.3)	24,067	35,685	(12,874)	46,878	1,590
Balance as at the end of the year	1,085,895	463,094	21,429	1,570,418	1,520,255

#### 17.2 Valuation of investment properties

	Method of valuation	Land Extent (Perch)	Historical Cost	Fair value as at 31st March 2022	Fair value as at 31st March 2021
<b>For the year ended 31st March</b>					
No. 61, Janadhipathi Mawatha, Colombo 01	Investment approach	28.51	133,051	583,587	561,075
No. 55, Janadhipathi Mawatha, Colombo 01	Investment approach	57.55	429,780	986,831	959,180
			562,831	1,570,418	1,520,255

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

### 17.3 Fair value hierarchy

The fair value of the investment properties was determined by an external, independent property valuer, Mr. S. Sivakantha, F.I.V. (Sri Lanka) of Perera Sivakantha & 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.

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

#### Valuation 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.		The estimated fair value would increase/ (decrease) if –
			Contractual rentals agreed with the tenants.	Contractual rentals were higher/ (lower)
			Occupancy Rate: 70% - 72.5%	Occupancy rate was higher/ (lower)
			Capitalization rate: 6.25%	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 using a range of prices for similar lands based on adjusted fair value taking into account the other valuation considerations. Market prices per perch range between Rs. 9,500,000/- to Rs. 13,500,000/-	Market value per perch was higher/ (lower)

## Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

### Sensitivity Analysis

Significant judgement is required when evaluating the inputs used for the 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.

As at 31st March	Increase	Decrease
<b>Capitalisation rate</b>		
2022: 1% movement	(164,927)	227,614
2021: 1% movement	(167,215)	233,960
<b>Occupancy rate</b>		
2022: 10% movement	167,567	(167,578)
2021: 10% movement	164,317	(164,305)
<b>Repairs and Insurance</b>		
2022: 10% movement	(220,814)	220,814
2021: 10% movement	(216,593)	216,593

### Leases as lessor

The Company leases out its investment properties. 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.

The investment properties that are leased to tenants are under operating leases with rental payable on a monthly basis. The company's rental contracts carry rental payments which are fixed in nature.

Rental income recognised by the Company during the year ended 31st March 2022 was Rs. 133,565,730 (2021: Rs. 125,254,948).

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	2022	2021
Less than one year	124,715	130,164
One to two years	47,594	125,222
Two to three years	875	44,194
Three to four years	-	875
	173,184	300,455

### 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 2022 (2021 - 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.

## 18. TRADE AND OTHER RECEIVABLES

As at 31st March	2022	2021
<b>Financial</b>		
Trade receivables	23,891	26,461
Other receivables	1,753	1,753
Loans given to company staff (note 18.1)	151	261
	25,795	28,475
<b>Non-financial</b>		
Prepaid expenses	1,009	416
Advance payments	1,529	484
	2,538	900
	28,333	29,375
<b>18.1 Loans given to company staff</b>		
Balance as at the beginning of the year	261	155
Loans granted during the year	225	460
Settlements during the year	(335)	(354)
Balance as at the end of the year	151	261

## 19. FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

As at 31st March	2022	2021
Investments in Unit Trust (note 19.1)	43,719	4,469
	43,719	4,469

### 19.1 Investments in Unit trusts

As at 31st March	2022			2021		
	No. of units	Cost	Fair value	No. of units	Cost	Fair value
Guardian Acuity Money Market Fund	2,021,445	43,499	43,719	218,529	4,447	4,469
		43,499	43,719		4,447	4,469

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
<b>As at 31st March 2022</b>				
Investments in Unit Trust	-	43,719	-	43,719
<b>As at 31st March 2021</b>				
Investments in Unit Trust	-	4,469	-	4,469

## Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

### 20. CASH AND CASH EQUIVALENTS

As at 31st March	2022	2021
Cash at bank and in hand	15,100	6,739
Placements with banking and financial institutions	61,512	-
Cash and cash equivalents for the purpose of cash flow statement	76,612	6,739

### 21. STATED CAPITAL

As at 31st March	2022	2021
<b>Issued and fully paid</b>		
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	2022	2021
<b>22.1 Capital reserves</b>		
Machinery replacement reserve (note. 22.1.1)	750	750
	750	750

22.1.1 Machinery replacement reserve represents 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	2022	2021
<b>22.2 Revenue reserves</b>		
Retained earnings	440,615	387,799
Fair value adjustment reserve (note 22.2.1)	557,901	525,723
	998,516	913,522

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.



**23. REFUNDABLE RENTAL DEPOSITS**

As at 31st March	2022	2021
Balance as at the beginning of the year	42,013	35,162
Receipts during the year	184	6,739
Refunds during the year	-	-
Amount transferred to deferred revenue (note 27)	(10)	(3,655)
Unwinding of interest on refundable deposits (note 14.2)	3,996	3,767
Balance as at the end of the year	46,183	42,013

**24. DEFERRED TAX LIABILITY**

As at 31st March	2022	2021
Balance as at the beginning of the year	277,328	319,294
Charge for the year (note 24.1)	14,896	(41,966)
Balance as at the end of the year	292,224	277,328

**24.1 Charge for the year**

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

Investment properties	14,700	(41,874)
Employee benefits	(34)	(25)
	14,666	(41,899)

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

Employee benefits	230	(67)
	230	(67)
Net deferred tax charged for the year	14,896	(41,966)

**24.2 Deferred tax asset**

Tax effect on employee benefits	308	504
Total deferred tax asset	308	504

**24.3 Deferred tax liability**

Tax effect on investment properties	292,532	277,832
Total deferred tax liability	292,532	277,832
Net deferred tax liability	292,224	277,328

**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%. As per the "Guideline on Application of Tax Rates in Measurement of Current Tax and Deferred Tax in LKAS 12" issued by Financial Reporting Standard Implementation and Interpretation Committee (FRSIIIC), a deferred tax liability reversal of Rs. 41.9 Mn on the temporary differences were adjusted for the year ended 31st March 2021 due to reduction in tax rate to 24% from 28%.

## Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

### 25. EMPLOYEE BENEFITS

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

As at 31st March	2022	2021
Balance as at the beginning of the year	2,099	1,473
Current service cost	105	193
Past service credit	(120)	-
Interest cost	157	155
Actuarial (gain) / loss	(956)	278
Balance as at the end of the year	1,285	2,099

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

Current service cost	105	193
Past service credit	(120)	-
Interest cost	157	155
Charge for the year	142	348

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

Actuarial (gain) / loss	(956)	278
Charge for the year	(956)	278

**25.3** Liability on employee benefits as at 31st March 2022 amounting to Rs. 1,284,648 (2021 - Rs. 2,099,165) 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	15.2% p.a. (2021 -7.5% p.a.)
Rate of pay increase	10% p.a. (2021 - 10% p.a)
Retirement age	60 years (2021: 55 years)
Mortality	A 67 /70 mortality table issued by The Institute of Actuaries, London was used
Withdrawal rate	5% for age up to 54 and thereafter zero (2021: 5% for age up to 49 and zero thereafter zero)

The company is a going concern.

As a result of the change in retirement age as per 'Minimum Retirement Age of Workers Act, No. 28 of 2021', past service credit was recognised during the year.

#### 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	2022	2021
1% increase in discount rate	(94)	(182)
1% decrease in discount rate	106	208
1% increase in salary escalation rate	115	208
1% decrease in salary escalation rate	(103)	(185)

## 25.5 Maturity analysis of the payments

The following payments are expected on employee benefit plan in future years:

As at 31st March	2022	2021
Less than one year	104	90
One to two years	188	179
Two to five years	230	193
Five to ten years	214	1,249
More than ten years	549	388
<b>Total</b>	<b>1,285</b>	<b>2,099</b>

25.6 The employee benefits liability is not externally funded.

## 26. TRADE AND OTHER PAYABLES

As at 31st March	2022	2021
<b>Financial</b>		
Trade payables	153	130
Other payables	2,314	1,938
	<b>2,467</b>	<b>2,068</b>
<b>Non-financial</b>		
Accrued expenses and provisions	1,681	2,170
Other payables	-	18,058
	<b>1,681</b>	<b>20,228</b>
	<b>4,148</b>	<b>22,296</b>

## 27. DEFERRED REVENUE

As at 31st March	2022	2021
Balance as at the beginning of the year	8,656	8,889
Amount transferred from refundable deposits (note 23)	10	3,655
Amortization of deferred revenue	(3,888)	(3,888)
Balance as at the end of the year	<b>4,778</b>	<b>8,656</b>

## 28. LOANS AND BORROWINGS

As at 31st March	2022	2021
Balance as at the beginning of the year	-	50,169
Loans obtained during the year	-	-
Accrued Interest	-	2,284
Repayments during the year	-	(52,453)
Balance as at the end of the year	<b>-</b>	<b>-</b>

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.

# Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

## 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 SHARE

As at 31st March		2022	2021
<b>30.1 Dividends paid during the year</b>			
Final dividend (2019/20)		-	26,350
Interim dividend		20,150	20,150
Final / interim dividends		20,150	46,500
<b>30.2 Dividends proposed during the year</b>			
First interim dividend		20,150	20,150
Dividend per share (Rs.)		0.65	0.65

## 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.

### 31.1 Credit risk

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Company's receivables from customers and placements with banking and financial institutions and 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	2022	2021
<b>Credit risk</b>		
Trade and other receivables	25,795	28,475
Less; Revenue on lease agreements recognized on straight line basis	(16,817)	(18,803)
	8,978	9,672
Fair value through profit or loss financial assets	43,719	4,469
Investment in fixed deposits	74,681	155,009
Cash and cash equivalents	76,612	6,739
	203,990	175,889

#### 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 were as follows.

As at 31st March	2022	2021
<b>Refundable rental deposits</b>		
Carrying value	46,183	42,013
Face value	51,709	51,524

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.

## Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

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

As at 31st March	2022	2021
Trade receivables	23,891	26,461
Less: Revenue on lease agreements recognized on straight line basis	(16,817)	(18,803)
Net trade receivables	7,074	7,658
1-30 days	6,962	4,389
31-90 days	105	3,269
Over 90 days	7	-
	7,074	7,658

No circumstances have arisen that would require impairment in respect of trade and other receivables as at the year end (2021 - Nil).

### 31.1.3 Other receivables

A significant component of other receivables of the Company comprises 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. 74.7 Mn as at 31st March 2022 (2021: Rs.155 Mn), 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 1 year or less, which are rated AA-(lka) to A+(lka), based on Fitch Ratings.

### 31.1.6 Cash and cash equivalents

The Company held cash and cash equivalents of Rs. 76.6 Mn as at 31st March 2022 (2021: Rs. 6.7 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	2022	2021
Cash at bank and in hand	15,100	6,739
Placements with banking and financial institutions	61,512	-
	76,612	6,739

## 31.2 Liquidity risk

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

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

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

As at 31st March 2022	Carrying amount	Total	Contractual cash flows		
			3 months or less	4-12 months	More than 1 year
<b>Non-derivative financial liabilities</b>					
Refundable rental deposits	46,183	51,709	3,126	7,404	41,179
Trade payables	153	153	153	-	-
Other payables	2,314	2,314	2,314	-	-
	48,650	54,176	5,593	7,404	41,179

As at 31st March 2021	Carrying amount	Total	Contractual cash flows		
			3 months or less	4-12 months	More than 1 year
<b>Non-derivative financial liabilities</b>					
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

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 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. 76.6 Mn (2021: Rs. 6.7 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.

## Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

### 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 2022	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	-	76,612	-	-	-	76,612	76,612
Fair value through profit or loss financial assets	43,719	-	-	-	-	43,719	43,719
Investment in fixed deposits	-	74,681	-	-	-	74,681	74,681
Net trade receivables	-	7,074	-	-	-	7,074	7,074
	43,719	158,367	-	-	-	202,086	202,086
Refundable rental and other deposits	-	-	-	-	46,183	46,183	46,183
Trade and other payables	-	-	-	-	2,467	2,467	2,467
	-	-	-	-	48,650	48,650	48,650
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
	-	-	-	-	44,081	44,081	44,081



## 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. 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	2022	2021
<b>32.2.1 Key management personnel compensation</b>		
Short-term employee benefits / fees	605	550
Post-employment benefits	-	-
Termination benefits	-	-
Other long-term benefits	-	-
	605	550

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	
			2022	2021
<b>Parent company</b>				
Equity One Limited	D. C. R. Gunawardena	Dividend paid	17,896	41,299
	K. C. N. Fernando	Cost reimbursement paid	9,706	8,022
	E. H. Wijenaik			
	P. D. D. Fernando			
	A. P. Weeratunge			
<b>Fellow subsidiaries</b>				
Carsons Management Services (Private) Limited (CMSL)	K. C. N. Fernando	Support service fees paid	3,900	3,948
	A. P. Weeratunge	Secretarial fees paid	444	444
		Computer fees paid	180	180
		Rental income received	21,786	17,872
		Parking fees received	420	350
Guardian Fund Management Limited	A. P. Weeratunge	Rental income received	8,281	6,793
		Parking fees received	120	100
Equity Three (Private) Limited	K. C. N. Fernando	Cost reimbursement received	71	56

- 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.

# Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

## 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, other than disclosed in note 15.4 (c) and 15.4 (d).

## 34. GOING CONCERN

Considering the nature of the business the Company is in - long term letting of commercial space - the immediate impact of the Covid - 19 pandemic on the business of the Company is limited. In terms of medium term impact, since the demand for the Company's business is highly dependent on the market conditions of other industries and businesses and considering the subdued economic activities projected, the Company expects 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.

Further, the challenging economic environment faced by Sri Lanka due to the current shortage of foreign currency reserves and political instability may create economic uncertainties and thus impact the normal operations of the businesses in the country. The Company is closely monitoring the economic environment of the country and the Company's operating activities are being accordingly adjusted to ensure its business continuity. However, despite the economic uncertainties, the Company recorded a profit of Rs 104.4 Mn for the year ended 31 March 2022. The Company has a positive net asset balance of Rs 1,443.4 Mn as at 31 March 2022. Moreover, tenants rental payments have a minimal risk of default in the current economic environment due to obtaining refundable deposits and rental being payable in advance on a monthly basis as per the lease agreements.

Despite the economic and political uncertainties, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the financial statements are prepared based on the going concern concept.

## 35. COMPARATIVE FIGURES

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

## 36. DIRECTORS' 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	2022	2021	2020	2019	2018	
<b>Trading results</b>						
Revenue	133,566	125,255	141,254	143,637	135,969	
<b>Profit before taxation</b>	138,057	91,300	110,097	264,715	316,799	
Income tax expense / (reversal)	(33,668)	24,799	(28,044)	(74,660)	(183,951)	
Profit / (loss) for the year	104,389	116,099	82,053	190,055	132,848	
Other comprehensive income / (expense) for the year	726	(211)	(48)	121	(81)	
<b>Total comprehensive income / (expense) for the year</b>	105,115	115,888	82,005	190,176	132,767	
<b>Shareholders' funds</b>						
Stated capital	444,092	444,092	444,092	444,092	444,092	
Reserves	999,266	914,272	844,884	762,879	619,203	
<b>Shareholders' funds</b>	1,443,358	1,358,364	1,288,976	1,206,971	1,063,295	
<b>Assets employed</b>						
Investment properties	1,570,418	1,520,255	1,518,342	1,511,498	1,355,490	
<b>Non-current assets</b>	1,570,418	1,520,255	1,518,342	1,511,498	1,355,490	
Current assets	223,345	195,592	246,057	169,594	53,071	
Current liabilities	(10,713)	(36,043)	(119,494)	(123,694)	(31,915)	
<b>Net current assets / liabilities</b>	212,632	159,549	126,563	45,900	21,156	
<b>Assets employed</b>	1,783,050	1,679,804	1,644,905	1,557,398	1,376,646	
Non-current liabilities	(339,692)	(321,440)	(355,929)	(350,427)	(313,351)	
<b>Net assets</b>	1,443,358	1,358,364	1,288,976	1,206,971	1,063,295	
<b>Cash flow statement</b>						
<b>Net cash inflows / (outflows) from:</b>						
Operating activities	42,453	33,394	14,027	144,809	98,825	
Investing activities	47,425	(30,287)	20,774	(94,079)	(21,669)	
Financing activities	(20,005)	(98,416)	46,689	(43,554)	(69,665)	
<b>Net increase / (decrease) in cash &amp; cash equivalents</b>	69,873	(95,309)	81,490	7,176	7,491	
<b>Ratios and statistics</b>						
Dividend per share*	(Rs.)	0.65	0.65	0.85	1.50	2.25
Dividend yield	(%)	1.71	1.20	1.88	2.83	3.14
Dividend payout	(%)	19.29	17.33	32.08	24.47	52.45
Return on shareholders' funds	(%)	7.23	8.55	6.37	15.75	12.49
Earnings per share	(Rs.)	3.37	3.75	2.65	6.13	4.29
Earnings yield	(%)	8.87	6.92	5.85	11.57	5.98
P/E ratio	(times)	11.28	14.45	17.09	8.65	16.71
Market price per share **	(Rs.)	38.00	54.20	45.30	53.00	71.70
Net assets per share **	(Rs.)	46.56	43.82	41.58	38.93	34.30
Current ratio	(times)	20.85	5.43	2.06	1.37	1.66
Market capitalization	(Rs:'000)	1,178,000	1,680,200	1,404,300	1,643,000	2,222,700

## 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	2022	2021
Revenue	133,566	125,255
Other income	963	1,121
Finance Income	9,632	11,216
	144,161	137,592
Cost of materials and services bought from outside	(23,663)	(21,708)
Value added	120,498	115,884

## Distributed as follows:

For the year ended 31st March	2022	%	2021	%
<b>To employees</b>				
as remuneration	25,323	21	20,123	17
<b>To government</b>				
as taxation*	19,002	16	17,100	15
<b>To providers of capital</b>				
as dividend**	20,150	17	46,500	40
as interest on loans	-	-	2,284	2
<b>Retained in the business</b>				
as deferred taxation	14,666	12	(41,899)	(36)
as unwinding of discount	3,996	3	3,767	3
as retained profits/(loss) net of provisions, fair value adjustment and dividends	37,361	31	68,009	59
	120,498	100	115,884	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	2022	2021
Number of Shareholders	2,039	1,976

## 3 Frequency distribution of shareholdings as at 31st March 2022

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	1,899	283,861	0.92	8	2,802	0.01	1,907	286,663	0.92
1001-10,000	107	337,487	1.09	1	5,000	0.02	108	342,487	1.10
10,001-100,000	19	425,382	1.37	2	107,559	0.35	21	532,941	1.72
100,001-1,000,000	1	103,876	0.34	-	-	-	1	103,876	0.34
Above 1,000,000	2	29,734,033	95.92	-	-	-	2	29,734,033	95.92
Grand Total	2,028	30,884,639	99.63	11	115,361	0.37	2,039	31,000,000	100.00

## 4 Categories of Shareholders

Categories of Shareholders	2022		
	No. of Shareholders	No. of Shares	%
Individuals	1,994	1,095,581	3.53
Institutions	45	29,904,419	96.47
Total	2,039	31,000,000	100.00

5 The number of shares held by Non-Residents as at 31st March 2022 was 115,361 (as at 31st March 2021 - 124,382) which amounts to 0.37% (2021 - 0.40%) of the total number of ordinary shares.

## 6 Public holding

The Company is in compliance with the Minimum Public Holding requirements for Companies listed on the Diri Savi Board as per Rule 7.14.1 (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 2022

Market Capitalization of the Public Holding	Rs.131.59 Million
Percentage of ordinary shares held by the public	11.17%
Number of Public Shareholders	2,035

## Information to Shareholders and Investors

### 7 Dividends

(a) 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 have provided accurate bank account details and to the Shareholders who have not provided accurate bank account details or have not provided any bank account details the dividends were paid on 20th April 2021.

(b) A First Interim Dividend of 65 Cents per ordinary share for the year ended 31st March 2022 was paid on 30th March 2022 to the Shareholders of the Company who have provided accurate bank account details and to the Shareholders who have not provided accurate bank account details or have not provided any bank account details the dividends were to be paid on 12th April 2022. However, the Government declared 11th April and 12th April 2022 as Public Holidays and the postal department being closed on the said dates, the 2nd payment of the said Interim Dividend could not be dispatched to Shareholders on 12th April 2022. As such, the said payment was dispatched on 18th April 2022 once operations commenced at the postal department subsequent to the Sinhala and Tamil New Year holidays.

### 8 Market performance - Ordinary shares

For the year ended 31st March	2021	2020
As at 31st March (Rs.)	38.00	54.20
Highest (Rs.)	79.00	70.00
Lowest (Rs.)	38.00	40.90
Value of shares traded (Rs.)	14,611,585	3,117,119
No. of shares traded	261,648	57,234
Volume of transactions (Nos.)	1,869	423

### 9 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. 1,178,000,000/- as at 31st March 2022 (2021 - Rs. 1,680,200,000/-).

### 10 Value of the properties - Land and building

Location	Extent (in perch)	Number of Buildings	Market value 2022 Rs. '000	Date of professional valuation
No. 61, Janadhipathi Mawatha, Colombo 01	28.51	01	583,587	March 2022
No. 55, Janadhipathi Mawatha, Colombo 01	57.55	01	986,831	March 2022

### 11 Number of employees

The number of employees of the Company at the end of the year was 06 (2021 - 06).



# Notice of Meeting

NOTICE is hereby given that the 32nd Annual General Meeting of EQUITY TWO PLC will be held on Wednesday, 29th June 2022 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 2022, together with the Report of the Auditors thereon.
2. To re-elect Mr. E. H. Wijenaik, who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.
3. To re-appoint Mr. P. D. D. Fernando as a Director of the Company who is over seventy years of age and to consider and if deemed fit to pass the following resolution;

**"IT IS HEREBY RESOLVED** that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. P. D. D. Fernando who is 79 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

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

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

applicable to Mr. K. C. N. Fernando who is 75 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. D. C. R. Gunawardena 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. D. C. R. Gunawardena who is 71 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 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  
3rd June 2022

## 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 29th June 2022', which is enclosed with the Annual Report.
2. The Annual Report 2021/22 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 being 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.

The documents will also be made available on the Colombo Stock Exchange website [www.cse.lk](http://www.cse.lk) and on the Group's website [www.carsoncumberbatch.com](http://www.carsoncumberbatch.com) and you may access same directly through the URL link [http://www.carsoncumberbatch.com/investor\\_information/annual\\_reports\\_2021\\_2022/eq2-annual-report-2021-22.pdf](http://www.carsoncumberbatch.com/investor_information/annual_reports_2021_2022/eq2-annual-report-2021-22.pdf)

3. As permitted by Article 43(b) of the Articles of Association of the Company, the Board of Directors decided on 3rd June 2022 to convene the AGM of the Company through an "audio-visual" technology in view of protecting public health and safety.
4. 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 29th June 2022" enclosed with the Annual Report.
5. 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.
6. 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 27th June 2022,
  - via email to [ETWOAGM2022@carcumb.com](mailto:ETWOAGM2022@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.
7. 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.
8. 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 32nd Annual General Meeting of **EQUITY TWO PLC** to be held on **Wednesday, 29th June 2022** 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.

	<b>For</b>	<b>Against</b>
1. To re-elect Mr. E. H. Wijenaik 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"/>
2. 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"/>
3. 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"/>
4. To re-appoint Mr. D. C. R. Gunawardena who is over seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act, No.07 of 2007 and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....  
Signature/s

**Notes**

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

# Form of Proxy

## INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address, and sign in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 54 of the Articles of Association of the Company:
  - (i) Any Shareholder entitled to attend and vote at a meeting shall be entitled to appoint another person (whether a Shareholder or not) as his proxy to attend and vote instead of him. A proxy so appointed shall have the same right as the Shareholder to vote on a show of hands or on a poll and to speak at the meeting.
  - (ii) The instrument appointing a proxy shall be in writing and:
    - a) in the case of an individual shall be signed by the appointor or by his attorney; and
    - b) in the case of a Corporation shall be either under its common seal or signed by its attorney or by an authorised officer on behalf of the Corporation.
4. In terms of Article 50 of the Articles of Association of the Company:

Where there are joint-holders of any share any one (01) of such persons may vote and be reckoned in a quorum at any meeting either personally or by Proxy as if he were solely entitled thereto and if more than one (01) of such joint-holders be so present at any meeting one (01) of such persons so present whose name stands first in the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Shareholder in whose name any share stands shall for the purpose of this Article be deemed joint holders thereof.
5. To be valid the completed **Form of Proxy** together with the **Registration Form (Annexure 1)** should be submitted to the Company **not later than 4.45 p.m. on 27th June 2022**,
  - via email to [ETWOAGM2022@carcumb.com](mailto:ETWOAGM2022@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 27th June 2022**, 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 29th June 2022**'; 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

<b>Name of the Company</b>	Equity Two PLC (A Carson Cumberbatch Company)
<b>Company Registration No.</b>	PQ 34
<b>Legal Form</b>	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
<b>Parent and Controlling Entity</b>	Equity One Limited is the immediate Parent Company of Equity Two PLC. 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
<b>Directors</b>	Mr. D.C.R. Gunawardena (Chairman) Mr. K.C.N. Fernando Mr. A.P. Weeratunge Mr. E.H. Wijenaikē Mr. P. D. D. Fernando Mr. S. Marimuthu
<b>Place of Business</b>	61, Janadhipathi Mawatha, Colombo 01, Sri Lanka. Tel : +94 11 2039 200 Fax: +94 11 2039 300
<b>Bankers</b>	Standard Chartered Bank Commercial Bank of Ceylon PLC Hatton National Bank PLC Nations Trust Bank PLC
<b>Auditors</b>	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
<b>Managers &amp; Secretaries</b>	Carsons Management Services (Private) Limited 61, Janadhipathi Mawatha, Colombo 01, Sri Lanka. Tel : +94 11 2039 200 Fax: +94 11 2039 300
<b>Registered Office</b>	61, Janadhipathi Mawatha, Colombo 01, Sri Lanka. Tel : +94 11 2039 200 Fax: +94 11 2039 300
<b>Corporate Website</b>	<a href="http://www.carsoncumberbatch.com">www.carsoncumberbatch.com</a>

