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Chairman's Statement

Dear Shareholder,

It is with great pleasure that I welcome you to the 24th Annual General Meeting of the Company. The Annual Report of the Company held in your hands comprises a review of the Company's business and the Audited Financial Statements for the year ended 31st March 2014.

The year concluded, although bearing mixed results, proved to be a good one for the country overall, as Sri Lanka demonstrated resilience yet again with an impressive GDP growth amidst an uncertain global economic backdrop. Adding further stimulus to the economy, the year under review also witnessed a steep decline in borrowing rates, giving rise to the availability of low cost financing.

Such economic fundamentals being in place which stand in favour of the Real Estate Segment of the economy, we are enthusiastic about the prospects and opportunities this brings to our business.

I am pleased to inform that your company recorded strong financial performance for the year ended 31st March 2014, with revenue of Rs. 60.7 mn, which is an increase of 282% relative to the Rs. 15.9 mn registered in the previous financial year.

The decision to refurbish and renovate the property adjoining the existing building at assessment no. 55, Janadhipathi Mawatha, was the triggering point

behind the Company's strong financial performance for the period. The building was commissioned for renovation in 2012 considering the positive sentiments prevalent at the time, such as the significant development and beautification activities taking place in the vicinity and partial road access granted to the property via the rear entrance. The latter in particular was a significant improvement as road access to the property was restricted from both ends, at the time where tight security measures were in place.

In September 2013 the company successfully concluded renovation and refurbishment activities of the said building, adding approximately 44,000 square feet of rentable area to the Company's property portfolio. Immediately after completion of renovation and refurbishment, your company also succeeded in sourcing a tenant to occupy the entire building on long term lease. Accordingly, we envisage the aforementioned property to generate a decent contribution to the company's rent roll and earnings going forward.

Subsequent to the long term tenancy agreement, Equity Two PLC received rent advances and deposits amounting to Rs. 138.7 mn. However, the total proceeds collected as such, were fully utilized to finance the cost of renovation and refurbishment activities. Accordingly, the impact on incremental cash flows will be limited in the short to medium term in spite of higher earnings, although the Company was spared the burden of carrying a long term bank loan, had the refurbishment been funded through borrowings.

Chairman's Statement

As much as we celebrate the current status enjoyed by the company, with improved occupancy and additional rentable area in possession, we also remain deeply concerned about the continued restriction of access to the Property via our main entrance from Janadhipathi Mawatha, which is a distinct disadvantage for the property. We believe this is a significant hindrance to the property's true potential. Although located in a prime office space area, the two buildings situated in Janadhipathi Mawatha are unable to charge a premium rent in par with its counterparts in the vicinity, due to the said access restrictions.

Accordingly, the Property situated at No. 61, Janadhipathi Mawatha continued to record low occupancy levels, propelled by the aforementioned access restriction issue and limited car parking facilities in comparison to the demand.

However, considering the development activities taking place in the Fort area coupled with the admirable level of beautification and township development activities underway in the vicinity, we are optimistic that the properties will be able to realize its full potential in the future. In the wake of such exciting possibilities we are optimistic about the value potential of our business.

In conclusion, I would like to thank the shareholders for the confidence they have placed in the Company and also the tenants, business associates, financiers, regulatory authorities and stakeholders who worked with us during the year extending their support and co-operation to the Company. I place on record my appreciation to the members of the Audit Committee, Remuneration Committee and Nomination Committee for their guidance and my colleagues on the Board for their valuable inputs. Last but not least, I would also like to thank the members of the staff who have worked tirelessly throughout the year.

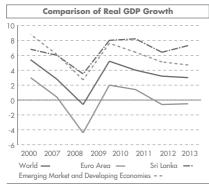
(Sgd.) **D.C.R. Gunawardena**Chairman

Colombo 12th May 2014

Business Review

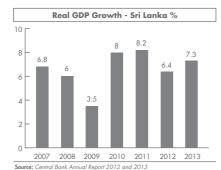
KEY ECONOMIC INDICATORS

In the global arena, despite the fact that 'uncertainty' was the theme which dominated most part of the year, 2013 ended on a hopeful note with a possible recovery on the cards, as conditions improved in the US and Euro Zone. However, the positive momentum indicated towards the latter part of the year alone was insufficient to revive the economy to desired levels, as global economic growth for the period, at 3.0%, failed to surpass the 3.2% reported last year.

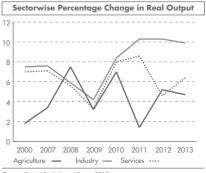


Source: IMF World Economic Outlook Database

In comparison, the year 2013 was a good one for Sri Lanka, albeit many challenges, as real GDP growth stood at a healthy 7.3% driven by both domestic and external economic activities.

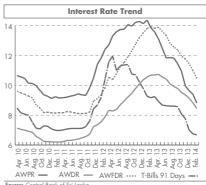


The industry sector, which reported a 9.9% YoY Growth driven by strong performance in the construction and manufacturing subsectors, constituted to 31.1% of the country's GDP for the year. The Agriculture and Service sectors too made positive contributions to the economy, of which the latter was driven by improved activity in the Wholesale/Retail and Transportation/ Communication subsectors.



Source: Central Bank Annual Report 2013

Inflation remained in single digits for a fifth consecutive year, where at the end of 2013, headline inflation stood at 6.9% on an annual average basis. Enabled by low inflation levels, the year 2013 also witnessed downward revisions on policy rates, resulting in lower interest rates, which is a positive for the real estate and property business.



Source: Central Bank of Sri Lanka

Business Review

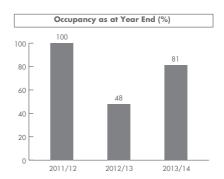
OUR BUSINESS

The highlight of financial year 2013/14 is the addition of nearly 44,000 square feet to the Company's rentable property extent, with the conclusion of renovation and refurbishment of the building at assessment no. 55, Janadhipathi Mawatha. Consequently, the total property portfolio in possession of the Company as at 31st March 2014 stood at nearly 85,000 square feet.

The said project was initially funded via related company borrowings, obtained from the parent company Equity One PLC and ultimate parent company, Carson Cumberbatch PLC. However, immediately after conclusion of renovation and refurbishment, the Company was successful in sourcing a long-term tenant to occupy the entire building, generating rent advances and deposits amounting to Rs. 138.7 mn.

Accordingly, the Company utilized the full value of rent and deposit advances received, to finance the cost of the said renovation and refurbishment activities, including part settlement of related company borrowings obtained to fund the project. As a result, the net impact to the firm's operational cash flows from the aforementioned cash receipts was minimal. Subsequent to settling a portion of related company borrowings via rent advances and deposits, total debt outstanding in the company as at year ended 31st March 2014, stood at Rs. 50.2 mn.

With the new building running at 100% occupancy as at the year end, overall occupancy of Equity Two PLC improved to 81% as at 31st March 2014 in comparison to the 48% recorded for the corresponding period.



The total property portfolio in possession of the Company was valued at Rs. 906.5 mn as at 31st March 2014. In view of the many high profile developments taking place in the vicinity coupled with the possibility of removal of access restrictions, we anticipate a further positive shift in the valuations of our properties in time to come.

FINANCIAL REVIEW

Revenue recorded by Equity Two PLC for the financial year 2013/14 amounted to Rs. 60.7 mn, up by 282% over the same for last year, triggered by increased occupancy, recording a substantial positive impact on the bottom line.

Earnings for the period received a further boost from net gains from changes in fair value of investment properties, which stood at Rs. 68.8 mn for the year under review in comparison to the Rs. 40.9 mn recorded in the corresponding year. With the increase in fair value of investment properties reported for the financial year 2013/14, deferred taxation charge for the year stood at Rs. 28.6 mn in comparison to Rs. 1.2 mn reversal in the corresponding financial year.

As opposed to the net finance income reported previously, the year under review registered a net finance cost of Rs. 0.43

mn, largely due to borrowings obtained to finance the renovation project from the parent company, Equity One PLC and the ultimate parent company, Carson Cumberbatch PLC.

The Company concluded the year with a net profit of Rs. 78.7 mn, up by 75% relative to the Rs. 44.9 mn reported for the previous financial year, driven by increased revenue. The increase in revenue in turn was triggered by higher occupancy, as mentioned earlier. However, the rent per square feet currently realized by the Company is still below that of its peers in the vicinity. This is due to the inability to demand a higher rent as a result of access restrictions through the main entrance to the property via Janadhipathi Mawatha. In the event such restrictions are completely eliminated in future, the upside potential to revenue and future earnings is immense.

Net asset value per share as at 31st March 2014 was at Rs. 21.75 whilst the same for last year was Rs. 19.21.

OUTLOOK

Considering the envisaged growth in economic activity along with the interest rate regime currently in place, the prospects for real estate and office property appear to be lucrative.

In addition, if Sri Lanka succeeds in achieving the specified targets of foreign direct investments to the country in future, it will provide a significant boost to the country's economy, which in turn will present a favourable environment to the real estate sector.

Meanwhile, the city of Colombo is currently undergoing rapid development in terms of both infrastructure and the variety of groundbreaking projects in progress such as the Colombo Port City development project etc. Accordingly, provided that the projects currently in progress materialize successfully, the Colombo skyline is likely to take a dramatic shift in time to come, as is the city.

In view of the above development trends, Sri Lanka seems to be heading towards a positive direction where growth is concerned. Thus, we are optimistic about the prospects this brings to the property sector in future, as sector performance shares a high degree of correlation with economic growth.

Carsons Management Services (Private) Limited.

12th May 2014

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

The Board of Directors of Equity Two PLC ("the Company") has pleasure in presenting to the Shareholders their Report together with the Audited Financial Statements for the year ended 31st March 2014 of Equity Two PLC, 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 12th May 2014.

PRINCIPAL ACTIVITY OF THE COMPANY

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

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

2. REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Chairman's Statement and Business Review on pages 01 to 05 provides an overall assessment of the business performance of the Company and its future developments.

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

3. FINANCIAL STATEMENTS

The financial statements which comprise of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flow, Statement of Changes in Equity and Notes to the financial statements of the Company for the year ended 31st March 2014 are set out on pages 30 to 65. These financial statements comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

3.1 Revenue

The Company generated a revenue of Rs.60.7 mn (2013 - Rs. 15.9 mn). A detailed analysis of the revenue is given in note 11 to the financial statements.

3.2 Financial results and appropriations

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

For the year ended 31st March (In Rupees thousands)	2014	2013
Profit for the year Other comprehensive income / (expense) for the year Retained earnings as at the beginning of the year	78,673 64 11,013	44,980 (7) 7,012
Retained earnings before appropriations Transfer to fair value adjustment reserve	89,750 (68,761)	51,985 (40,972)
Retained earnings as at the end of the year	20,989	11,013

3.3 Significant accounting policies

The accounting policies adopted in the preparation of these financial statements are given on pages 34 to 47.

3.4 Investment properties

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

A professional valuation was performed as at 31st March 2014 by Mr. S. Sivaskantha, F.I.V. (Sri Lanka), of Perera Sivaskantha and Company, Incorporated valuers, based on which a net fair value gain on investment properties were recognized in the financial statement to the value of Rs. 68.8 mn (2013- Rs. 41.0 mn) of the Company during the year.

As at the period end, the carrying value of the investment properties of the Company stood at Rs.906.5 mn (2013 - Rs. 725.6 mn).

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

3.5 Capital expenditure

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

For the year ended 31st March (In Sri Lanka Rupees Thousands)	2014	2013	
Investment properties	100,883	112,012	

3.6 Reserves

As at 31st March 2014, the total reserves of the Company stood at Rs. 230.0 mn (2013 - Rs. 151.3 mn).

The movements are set out in the Statement of Changes in Equity and note 21 to the financial statements.

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

4. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The financial statements comprise of inter alia:

- a Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year:
- a Statement of Comprehensive Income of the Company, which presents a true and fair view of the profit and loss and other comprehensive income of the Company for the financial year.

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

 appropriate accounting policies have been selected and applied

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

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

They are also responsible for taking reasonable measures to safeguard the assets of the Company and in this regard to give proper consideration to the establishment and effective operation of appropriate systems of internal control with a view to prevent, detect and rectify fraud and other irregularities.

These financial statements have been prepared on a going concern

basis since the Directors are of the view that the Company has adequate resources to continue in operation in the foreseeable future from the date of approving these financial statements. The Directors are also of the view that they have discharged their responsibilities as set out in this statement

The Directors confirm that to the best of their knowledge,

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

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

5. INTERESTS REGISTER

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

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

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

5.1 Remuneration of Directors

Directors' remuneration, for the financial year ended 31st March 2014 is given in note 13 to the Financial Statements, on page 48.

5.2 Directors' Interest in Contracts and Shares

Directors' interests in contracts of the Company are disclosed in note 30 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 2014	31st March 2013	
Mr. D. C. R. Gunawardena (Chairman)	-	-	
Mr. K. C. N. Fernando	3,600	3,600	
Mr. A. P. Weeratunge	-	-	
Mr. E. H. Wijenaike	-	-	
Mr. P. D. D. Fernando *	-	-	

^{* (}Stepped down from the Board w.e.f. 19th June 2013/ Appointed to the Board w.e.f. 16th July 2013)

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

6. DIRECTORS

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

6.1 Resignations and Appointments of Directors

Mr. P. D. D. Fernando who was a Non-Executive/ Independent Director, stepped down from the Board w.e.f. 19th June 2013 pursuant to Section 210 (2)(a) of the Companies Act No.07 of 2007 as he had attained the age of 70 years.

Mr. P. D. D. Fernando was appointed as a Non Executive/ Independent Director w.e.f. 16th July 2013 for a period of one year from the conclusion of the Extraordinary General Meeting held on 16th July 2013, where it was 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.

6.2 Directors to retire by rotation

In terms of Articles 72, 73 and 74 of the Articles of Association of the Company, Mr. K. C. N. Fernando retires by rotation and being eligible offers himself for re-election.

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

In terms of Articles 68 of the Articles of Association of the Company, Mr. P. D. D. Fernando retires from the Board and being eligible offers himself for re-election.

6.4 Appointment of Director who is over 70 years of age

Upon the recommendation of the Nomination Committee of the Company and the Board, it is recommended that Mr. P. D. D. Fernando who is over 70 years of age be re-appointed as a Director 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 Mr. P. D. D. Fernando.

CORPORATE GOVERNANCE

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

7.1 Board of Directors

The following Directors held office as at the reporting date and their brief profiles are given on pages 20 to 21 of the Annual Report.

Directors	Executive/ Non-Executive / Independent
Mr. D. C. R. Gunawardena (Chairman)	Non-Executive
Mr. K. C. N. Fernando	Executive
Mr. A. P. Weeratunge	Executive
Mr. E. H. Wijenaike *	Non-Executive/ Independent
Mr. P. D. D. Fernando **	Non-Executive/ Independent

^{** (}Stepped down from the Board w.e.f. 19th June 2013 / Appointed to the Board w.e.f. 16th July 2013)

Each of the Non-Executive Directors of the Company has 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 12th May 2014, in order to enable the Board of Directors to determine the Independence/ Non-Independence of each of the Non-Executive Directors, in terms of Rule 7.10.3(a) of the Listing Rules of the CSE.

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

7.2 Directors' Meetings Attendance

During the financial year the Board of Directors had three Board Meetings and the attendance of the Directors are:

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

Board Meetings	16-May- 2013	26-Nov- 2013	04-Mar- 2014	Attended/ Eligible to Attend
Non-Executive/ Independent Directors				
Mr. E. H. Wijenaike	✓	✓	✓	3/3
Mr. P. D. D. Fernando	✓	1	✓	3/3
Non-Executive Director				
Mr. D. C. R. Gunawardena	✓	1	✓	3/3
Executive Directors				
Mr. K. C. N. Fernando	✓	✓	1	3/3
Mr. A. P. Weeratunge	✓	1	✓	3/3

7.3 **Audit Committee**

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

Composition

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

The Audit Committee Report is given on page 22 to 23 of this Annual Report.

Remuneration Committee 7.4

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

Composition

Remuneration Committee Members	Executive / Non-Executive/ Independent
Mr. I. Paulraj (Chairman)	Non-Executive/ Independent Director of CCPLC
Mr. M. Moonesinghe*	Non-Executive/ Independent Director of CCPLC
Mr. D.C.R. Gunawardena	Non-Executive Director of CCPLC
Mr. R. Theagarajah**	Non-Executive/ Independent Director of CCPLC

- * Resigned from the CCPLC Board with effect from 31st March 2014 and accordingly from the Remuneration Committee with effect from 31st March 2014
- ** Appointed to the Remuneration Committee with effect from 1st April 2014

Scope and Objective

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

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

Functions and Proceedings

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

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

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

The Remuneration Committee meets at least twice a year.

During the period under review the Committee had two meetings.

Remuneration	04-	10-	Attended/
Committee	Dec-	Mar-	Eligible to
	2013	2014	Attend
Mr. I. Paulraj (Chairman)	/	/	2/2
Mr. M. Moonesinghe*	-	-	0/2
Mr. D.C.R. Gunawardena	√	✓	2/2
Mr. R. Theagarajah**	-	-	-

- * Resigned from the CCPLC Board with effect from 31st March 2014 and accordingly from the Remuneration Committee with effect from 31st March 2014
- ** Appointed to the Remuneration Committee with effect from 1st April 2014

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

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

7.5 Nomination Committee

The Nomination Committee of Equity One PLC (EQIT), the parent Company, functions as the Nomination Committee of the Company.

Composition

Nomination	Executive /
Committee	Non-Executive/
Members	Independent
Mr. S. Nagendra (Chairman)	Non-Executive/ Independent Director of EQIT
Mr. P. D. D. Fernando	Non-Executive/ Independent Director of EQIT
Mr. D.C.R.	Non-Executive
Gunawardena	Director of EQIT

Scope and Objective

The primary objective of the Nomination Committee is to lead the process for Board appointments of new Directors to the Board 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 the Chief Executive Officer/
Director-in-Charge 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 authorised by the Board to seek appropriate professional advice internally and externally as and when considered necessary.

The Nomination Committee meets at least twice a year.

During the period under review the Committee had two meetings with all members in attendance.

Nomination Committee	26- Nov- 2013	04- Mar- 2014	Attended/ Eligible to Attend
Mr. S. Nagendra (Chairman)	1	√	2/2
Mr. P. D. D. Fernando	1	1	2/2
Mr. D.C.R. Gunawardena	1	1	2/2

8. INTERNAL CONTROL AND RISK MANAGEMENT

The ultimate responsibility to establish, monitor and review a company-wide internal control system rests with the Board of Directors. The intensity, depth and the tolerance limits for each components of the internal control system would be based on the weight of the elements of risk imposed on the sustenance of the business by the respective area of operation. Whilst a strong internal control system would mitigate the crystallization of risk elements to a greater extent, employment of external support structures would also be necessary based on the risk assessments made thereon

Effective maintenance of internal controls and risk indication and mitigation is handed down to the respective members of senior management within the guidelines of benchmark policies, procedures and authority limits clearly laid down.

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

This allows the Board to have total control of the fulfillment of governance requirements by providing opportunity to take timely preventive action in case of potential deterioration of status quo. A comprehensive description of the risk management strategies of the Company are given on pages 24 to 27 in the Annual Report.

9. INDEPENDENT AUDITORS

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

A sum of Rs. 139,000/- (2013 - Rs. 125,000/-) was paid to them by the Company as audit fees for the year ended 31st March 2014. In addition to the above, the Auditors were paid Rs. 60,000/- (2013 - Rs. 83,000/-) as professional fees for non-audit services.

The retiring Auditors have expressed their willingness to continue in office. A resolution to re-appoint

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

them as Independent Auditors of the Company and authorizing the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee reviewed the appointment of the Auditors, its effectiveness and their relationship with the Company, including the level of audit and non-audit fees paid to the Auditors.

9.1 Auditors' relationship or any interest with the Company

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

10. INDEPENDENT AUDITOR'S REPORT

The Independent Auditor's Report on the financial statements is given on page 29 of the Annual Report.

11. RELATED PARTY TRANSACTIONS EXCEEDING 10% OF THE EQUITY OR 5% OF THE TOTAL ASSETS OF THE COMAPNY

There were no transactions entered into by the Company during the year under review in the ordinary course of business, the value which exceeded 10% of the Shareholders' equity or 5% of the total assets of the Company as at 31st March 2014.

The details of the related party transactions are given in note 30 on page 63 to 65 of the financial statements.

12. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The Company completed renovation and refurbishment of the building at No. 55, Janadhipathi Mawatha, Colombo 01. The project was completed in September 2013 at a total cost of Rs. 208.2 mn. The building created additional rentable space of nearly 44,000 square feet to the Company. The building was fully occupied with effect from 16th September 2013.

13. HUMAN RESOURCES

The Company continued to invest in human capital development and implement effective human resource practices and policies to develop and build an efficient and effective workforce aligned around business priorities and to ensure that its employees are developing the skills and knowledge required for the future success of the Company.

The number of persons employed by the Company as at 31st March 2014 was 05 (2013 - 4).

14. EQUITABLE TREATMENT TO SHAREHOLDERS

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

15. ENVIRONMENT PROTECTION

The Company is sensitive to the needs of the environment and makes every endeavour to comply with the relevant environmental laws, regulations and best practices applicable in the country. After making adequate inquiries from the Management, the Directors are satisfied that the Company operates in a manner that minimizes the detrimental effects on the environment and provides services that have a beneficial effect on the customers and the communities within which the Company operates.

DIVIDEND

The Directors do not recommend a dividend for the financial year ended 31st March 2014 (2013 -Nil).

17. SOLVENCY TEST

Since there is no distribution proposed for the financial year ended 31st March 2014, the measurement of the Solvency Test requirement under Section 56 (2) of the Company Act No.07 of 2007, did not grise

18. STATED CAPITAL

The Stated Capital of the Company as at 31st March 2014 was Rs.444.1 mn consisting of 31,000,000 Ordinary Shares. There was no change in the Stated Capital of the Company during the year.

19. STATUTORY PAYMENTS

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

20. GOING CONCERN

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

21. 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 31 to the financial statements, if any.

22. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The contingent liabilities and commitments made on account of capital expenditure as at 31st March 2014 are given in note 27 to the financial statements.

23. CORPORATE DONATIONS

There were no donations made during the year ended 31st March 2014. (2013 - Nil)

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

24. OUTSTANDING LITIGATIONS

There were no outstanding litigations as at the reporting date.

25. TWENTY MAJOR SHAREHOLDERS

The Parent Company, Equity One PLC holds 88.81% of the total Ordinary Shares in issue of the Company.

	As at 31st March	2014		2013	
	Name of Shareholders	No. of shares	%	No. of shares	%
1	Equity One PLC A/C No.1	27,532,525	88.81	27,532,525	88.81
2	Bank of Ceylon A/C Ceybank Unit Trust	1,825,512	5.89	1,567,454	5.06
3	Mr. K.C. Vignarajah	92,536	0.30	89,096	0.29
4	Mrs. S.C.R. Thambimuttu	69,700	0.22	69,700	0.22
5	Mr. H.W.M. Woodward	61,100	0.20	61,100	0.20
6	Seylan Bank PLC/ Mr.S.N.C.W.M.Bandara Chandrasekera Kandegedara	59,600	0.19	59,600	0.19
7	Tranz Dominion,L.L.C.	55,480	0.18	50,000	0.16
8	Mr. L.L. Hettiarachchi	46,871	0.15	55,373	0.18
9	Mr. I. Paulraj	41,000	0.13	41,000	0.13
10	Mr. H.G.N.U.C. Wijayaweera	28,650	0.09	26,650	0.09
11	Waldock Mackenzie Ltd/ Hi-Line Trading (Pvt) Ltd	28,337	0.09	28,337	0.09
12	Miss. C.M. Wickramasekera	25,300	0.08	25,300	0.08
13	Mr. U.G. Bulumulle	24,800	0.08	25,000	0.08
14	Mr. A.A. Noordeen	23,900	0.08	23,900	0.08
15	Mr. P. Somadasa	21,975	0.07	22,775	0.07
16	Mr. C.N. Pakianathan	20,360	0.07	23,600	0.08
17	Merchant Bank of Sri Lanka Limited/Union Investments Ltd.	20,200	0.07	20,200	0.07
18	Mrs. S. Vignarajah	18,278	0.06	14,778	0.05
19	Mr. J.B. Hirdaramani	16,000	0.05	16,000	0.05
20	Mrs. J. Aloysius	15,900	0.05	15,900	0.05

26. SHARE INFORMATION

The details relating to earnings, net assets, market value per share and information on share trading is given on pages 66 and 68 to 69 of this Annual Report.

27. 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 12th May 2014. The appropriate number of copies of the Annual Report will

Signed on behalf of the Board,

(Sgd.) (Sgd.)

D. C. R. Gunawardena K. C. N. Fernando

Director Director

(Sgd.)

K. D. De Silva (Mrs)

Director

Carsons Management Services (Private) Limited Secretaries

Colombo 12th May 2014 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.

28. ANNUAL GENERAL MEETING

The 24th Annual General Meeting of the Company will be held on Thursday, the 19th day of June 2014 at 2.30 P.M. at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka.

The Notice of the Annual General Meeting, setting out the business which will be transacted thereat is on page 70 of the Annual Report.

Profiles of the Directors

CHANDIMA GUNAWARDENA

Chandima Gunawardena serves as a Non-Independent, Non-Executive Director of Carson Cumberbatch PLC and in most of the Carsons Group Companies in Sri Lanka and overseas. He is also a Director of Bukit Darah PLC. Since assuming Non-Executive status in the Group, he serves as an advisor to the Group's Strategic Planning and Management forums in Sri Lanka and serves on Board Committees including the Audit Committees of the Group in Sri Lanka and overseas covering all operating sectors of the Group.

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

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

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

NALAKE FERNANDO

Nalake Fernando is a Director of the Property Management Companies of the Carson Cumberbatch Group. He is also a Director of Carsons Management Services (Private) Limited and in some of the Boards of the Malaysian Plantation Companies of the Carsons Group. He was the Country representative for Sri Lanka with 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.

ERANJITH WIJENAIKE

Eranjith Wijenaike is a Director of Equity One PLC and Managing Director of Central Finance Company PLC. He is also a Director of several other listed companies, both within and outside the Central Finance Group with over 29 years of management experience. Holds a Bachelor's Degree in Commerce and a Postgraduate Diploma in Finance and Management. Member of the Chartered Institute of Management, UK.

AJITH WEERATUNGE

Ajith Weeratunge is a Director of the Carson Cumberbatch Group's Management Company, Carsons Management Services (Private) Limited and holds the position of Head of Finance. He is also a Director of Equity One PLC, as well as the Group's Investment Holding Sector – Ceylon Investment PLC, Rubber Investment Trust Limited and Guardian Fund Management Limited. Accounts for more than 30 years of finance related experience in the mercantile sector and has held positions in Lanka Walltile Ltd., Union Apparels (Pvt) Ltd., John Keells Holdings PLC, Phoenix Industries (Pvt) Ltd

and Ceylon Beverage Holdings PLC. He is a Fellow member of the Chartered Institute of Management Accountants of UK.

DONALD FERNANDO

Donald Fernando is a Director of Equity
One PLC and the Managing Director of
Conimex (Private) Limited – Civil Engineers
and Director of Fernando Rajapakse
Associates (Private) Limited – Consulting
Engineers and Project Managers and
Director, Saramanda Lanka (Guarantee)
Limited.

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

Audit Committee Report

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

The Members of the Audit Committee are as follows :

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

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

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

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

The purpose of the Audit Committee of CCPLC is as follows:

To assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process and the Company's process for monitoring compliance with laws and regulations, Company policies and procedures and the code of conduct

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

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

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

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

The Financial Controller-Carsons Management Services (Private) Limited-Managers, internal auditors and senior management staff members also attended the Audit Committee Meetings by invitation.

The Committee met the External Auditors, Messrs. KPMG twice during the year, i.e. to discuss the audit scope and to deliberate the draft Financial Report and Accounts. The Audit Committee also met the External Auditors and discussed the draft Financial Report and Accounts, without the management being present.

The Audit Committee approved the audit plan for the financial year 2013/2014 and the Group Internal Audit (GIA) carried out a detailed audit of key processes of the Property Sector companies.

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

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

The interim financial statements of Equity Two PLC have been reviewed by the Audit Committee Members at Audit Committee Meetings.

The draft financial statements of Equity Two PLC for the year ended 31st March 2014 were reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs. KPMG, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required, by the Managers, Carsons Management Services (Private) Limited that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review

The Audit Committee has determined that Messrs.KPMG, Chartered Accountants, Auditors were independent on the basis that they did not carry out any management related functions of the Company.

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors for the financial year ending 31st March 2015, subject to the approval of the shareholders of Equity Two PLC at the Annual General Meeting.

(Sgd.)

V.P. Malalasekera

Chairman – Audit Committee

Carson Cumberbatch PLC

12th May 2014

Risk Management

Risk management has become an integral part of business and management. These practices provide reasonable assurance through the process of identification and management of events, situations or circumstances which, even if they occur, would not adversely impact the achievement of objectives of the business. In other words, risk management practices will ensure minimum impact from adverse events and will help to maximize the realization of opportunities whilst risks are managed until they are mitigated and re-assessed to be within company's risk appetite.

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

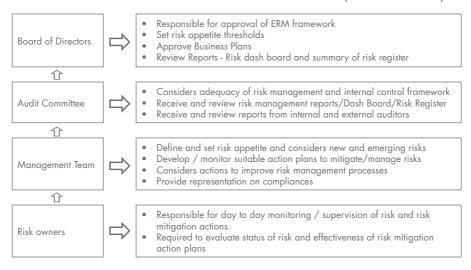
In implementing the business plan, the Company has embodied enterprise risk management to its business activities. This risk management process supports;

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

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

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

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



Risk	Impact	Risk rating	Risk response & strategies
Business Risks	Changes in the supply and demand ratio in the real estate market and other factors such as depressing property values, unexpected disputes with contractors and tenants, changes to the laws relating to property development, stamp duty, income tax and capital gains tax could affect the profitability and viability of the business. Further, property owned by company is situated within the high security zone in Colombo Fort. However, we have seen significant improvement in development activities in the surrounding area, relieved restrictions and enabled access.	Moderate	We are extremely cautious when selecting contractors and consultants for our projects. We ensure that they are well experienced, reputed and 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 also maintain close and meaningful relationships with relevant government and local authorities and institutes.
Liquidity Risk	Inability to raise funds or effect payments when required.	Moderate	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. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company has access to short-term financing facilities extended from the parent company, Equity One PLC and the ultimate parent company, Carson Cumberbatch PLC.

Risk Management

Risk	Impact	Risk rating	Risk response & strategies
Credit Risk	The credit risk of the Company is mainly derived from the rent receivable from its tenants. The Company's objective is to seek continual revenue growth while minimizing losses incurred due to increased credit risk exposure.	Low	This risk is mitigated to a greater extent as a result of the rent deposits collected from external tenants, which can be used to recover any unpaid rents. The Company implements following controls also to mitigate this risk. - Continuous and regular evaluation of credit worthiness of tenants - Ongoing monitoring and follow up of receivable balances.
Foreign Exchange Risk	Foreign currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates.	Low	The Company has no direct impact from currency risks as income and expenses arising from its operations and assets and liabilities are denominated in Sri Lankan Rupees which is the functional currency of the Company.
Interest Rate Risk	Interest rate risk is the risk arising due to the volatility of the interest rates in the markets affecting the future cash flows.	Low	Financial strength of the parent company, Carson Cumberbatch PLC is used via group treasury in negotiating the rates. However, the Company does not carry any borrowings from external financial institutions as at the reporting date.
Human Resource Risk	Attracting, developing and retaining talented employees are essential to deliver the Company's objectives. Failure to determine the appropriate mix of skills required to implement the Company strategies and failure to retain or develop the right number of appropriately qualified staff could affect the achievement of the Company's objectives.	Low	The following initiatives have been implemented by the Company. - Ensure recruitments are carried out to hire employees with required qualification, knowledge and experience - Availability of detailed job descriptions and role profiles for each job. - Human resource policies are focused on encouraging continuous training and development and ensuring appropriate compensation as per market rates to retain and develop employees.

Risk	Impact	Risk rating	Risk response & strategies
Systems and process risks	The risk of direct or indirect losses due to inadequate or failed internal processes and systems.	Low	-Maintain detail procedure manuals and provide training and guidelines for new recruits. - The internal audit function of the Group carryout regular review on internal control systems and processes and recommends process improvements if shortcomings are noted.
Legal and Regulatory Compliance	Failure to comply with regulatory and legal framework applicable to the Company.	Low	The management together with the Carsons group legal division proactively identifies and set up appropriate systems and processes for legal and regulatory compliance in respect of Company's operations. Arrange training programs and circulate updates for key employees on new / revised laws & regulations on need basis. Provide comments on draft laws to government and regulatory authorities. Obtain comments and interpretations from external legal consultants on areas that require clarity. Obtain compliance certificates from management on quarterly basis on compliance with relevant laws and regulations.

Risks arising from unforeseen events such as natural disasters are covered by obtaining appropriate and comprehensive insurance covers.

Financial Calendar

Financial year end 31st March 2014 24th Annual General Meeting 19th June 2014

Announcement of Results

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

1st Quarter ended 30th June 2013 14th August 2013 2nd Quarter ended 30th September 2013 14th November 2013 3rd Quarter ended 31st December 2013 13th February 2014

Independent Auditor's Report



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

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TO THE SHAREHOLDERS OF EQUITY TWO PLC **Report on the Financial Statements**

We have audited the accompanying financial statements of Equity Two PLC ("the Company"), which comprise the statement of financial position as at March 31, 2014, the statements of comprehensive income, changes in equity and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 30 to 65 of the annual report.

Management's Responsibility for the **Financial Statements**

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

Scope of Audit and Basis of Opinion

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

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2014 and the financial statements give a true and fair view of the financial position of the Company as at March 31, 2014, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

CHARTERED ACCOUNTANTS

Colombo, 12th May 2014.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
W.W.J.C. Perera FCA
Ms. S.M.B. Jayasekara ACA
M.K.D.C Aberyarthne ACA
G.A.U. Karunaratha ACA
Ms. B. Ms. B. Ms. B. K.D.T.N. Rodrigo ACA

Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

Statement of Comprehensive Income

(All figures are in Sri Lankan Rupees thousands)

For the year ended 31st March	Note	2014	2013
Revenue	11	60,687	15,876
Direct cost		(13,510)	(13,210)
		47,177	2,666
Other income	12	687	1,906
Net gains arising from changes in fair value of investment properties	17	68,761	40,972
		116,625	45,544
Administrative and other operating expenses		(9,086)	(2,905)
Results from operating activities	13	107,539	42,639
Finance income	14	780	1,909
Finance costs	14	(1,207)	(122)
Net finance (costs) / income	14	(427)	1,787
Profit before taxation		107,112	44,426
Current taxation	15	112	(669)
Deferred taxation	15	(28,551)	1,223
Profit for the year		78,673	44,980
Other comprehensive income			
Actuarial gain / (loss) from valuation of employee benefits	24.2	64	(7)
Total other comprehensive income / (expense) for the year		64	(7)
Total comprehensive income for the year		78,737	44,973
Earnings per share (Rs.)	16	2.54	1.45
Dividend per share (Rs.)		-	-

The notes from pages 34 to 65 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	2014	2013
ASSETS			
Non-current assets			
Investment properties	17	906,485	725,635
Total non-current assets		906,485	725,635
Current assets			
Trade and other receivables	18	12,208	4,898
Cash and cash equivalents	19	5,602	4,373
Total current assets		17,810	9,271
Total assets		924,295	734,906
EQUITY AND LIABILITIES			
Equity			
Stated capital	20	444,092	444,092
Capital reserves	21.1	750	750
Revenue reserves	21.2	229,290	150,553
Total equity		674,132	595,395
Non-current liabilities			
Refundable rental and other deposits	22	22,436	2,360
Deferred tax liability	23	74,775	46,224
Employee benefits	24	1,636	1,469
Total non-current liabilities		98,847	50,053
Current liabilities			
Trade and other payables	25	142,814	88,717
Deferred revenue	26	8,479	401
Current tax liabilities		23	340
Total current liabilities		151,316	89,458
Total liabilities		250,163	139,511
Total equity and liabilities		924,295	734,906
Net assets per share (Rs.)		21.75	19.21

The notes from pages 34 to 65 form an integral part of these financial statements. I certify that these financial statements are in compliance with the requirements of the Companies Act No. 7 of 2007.

(Sgd.) V.R. Wijesinghe

Financial Controller

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 12th May 2014.

Approved and signed on behalf of the Managers, Approved and signed on behalf of the Board,

(Sgd.) A.P. Weeratunge

Carsons Management Services (Private) Limited.

Colombo, 12th May 2014 (Sgd.) D.C.R. Gunawardena Chairman

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

Statement of Changes in Equity

(All figures are in Sri Lankan Rupees thousands)

	Stated capital		Revenue reserves		Total equity
	·	Machinery replacement reserve		Retained earnings	
Balance as at 1st April 2012	444,092	750	98,568	7,012	550,422
Profit for the year	-	-	-	44,980	44,980
Other comprehensive					
expense for the year	-	-	-	(7)	(7)
Total comprehensive income					
for the year	-	-	-	44,973	44,973
Transfers	-	-	40,972	(40,972)	-
Balance as at 31st March 2013	444,092	750	139,540	11,013	595,395
Balance as at 1st April 2013	444,092	750	139,540	11,013	595,395
Profit for the year	-	-	-	78,673	78,673
Other comprehensive					
income for the year	-	-	-	64	64
Total comprehensive income					
for the year		-	-	78,737	78,737
Transfers	-	-	68,761	(68,761)	-
Balance as at 31st March 2014	444,092	750	208,301	20,989	674,132

The notes from pages 34 to 65 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Cash Flow

(All figures are in Sri Lankan Rupees thousands)

For the year ended 31st March	Note	2014	2013
Cash flows from operating activities			
Profit before taxation		107,112	44,426
Adjustments for:			
Finance costs	14	1,207	122
Finance income	14	(780)	(1,909)
Net gain arising from changes in fair value of investment properties	17	(68,761)	(40,972)
Write off of assets	17	36	37
Provision for employee benefits		231	205
Amortization of deferred revenue		(2,012)	(133)
Operating profit before working capital changes		37,033	1,776
Increase in trade and other receivables		(7,310)	(879)
Increase / (decrease) in trade and other payables		90,853	(393)
Operating profit after working capital changes		120,576	504
Rental deposits received	22	28,959	2,772
Income tax paid		(205)	(444)
Net cash generated from operating activities		149,330	2,832
Cash flows from investing activities			
Additions to investment properties	17	(100,883)	(112,012)
Amounts settled on lending to related companies		-	26,833
Interest received		780	1,124
Net cash used in investing activities		(100,103)	(84,055)
Cash flows from financing activities			0.5.0.4.4
Net amounts settled on related company borrowings including interes	est	(47,998)	85,044
Net cash (used in) / generated from financing activities		(47,998)	85,044
		1.000	0.001
Net increase in cash and cash equivalents		1,229	3,821
Cash and cash equivalents at the beginning of the year	4,373	552	
Cash and cash equivalents at the end of the year (note 19)		5,602	4,373

The notes from pages 34 to 65 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

1. REPORTING ENTITY

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

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

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

The Company had 05 (2013 - 04) employees as at the reporting date.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company comprise the statement of financial position, statement of comprehensive income, statement of changes in equity and 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 12th May 2014.

(b) Basis of measurement

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

- non-derivative financial instruments classified as "Loans and receivables" and "Other financial liabilities" measured at amortised cost
- Investment properties are measured at fair value;
- Defined benefit obligations are measured at its present value, based on an actuarial valuation as explained in note 24.

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

Determination of owner-occupied properties and investment properties

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material

adjustment within the next financial year are included in the following notes:

Assessment of Impairment - key assumptions used in discounted cash flow projections

The Company assesses at each reporting date whether there is objective evidence that an asset or portfolio of assets is impaired. The recoverable amount of an asset or Cash Generating Unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using appropriate discount rates that reflects the current market assessments of the time value of money and risks specific to the asset.

Deferred taxation - utilization of tax losses

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

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 future pension increases and due to the

long-term nature of these plans, such estimates are subject to uncertainty.

Current taxation

Current tax liabilities are provided for in the financial statements applying the relevant tax statutes and regulations which the management believes reflect the actual liability. There can be instances where the stand taken by the Company on transactions is contested by revenue authorities. Any additional costs on account of these issues are accounted for as a tax expense at the point the liability is confirmed on any Company entity.

(e) Materiality and aggregation

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

3. SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company unless otherwise indicated.

(a) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies 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.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. 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 Statement of Comprehensive Income.

(b) Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the 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. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

The Company only holds financial assets that are categorized in to the 'loans and receivables' classification.

Loans and receivables

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, placement in

government securities and placements in repurchase agreements with maturities of three months or less from the acquisition date that are subject to on insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(ii) Non-derivative financial liabilities

The Company initially recognises subordinated liabilities on the date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the 'other financial liabilities' category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs.

Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, refundable rental and other deposits, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the statement of cash flows

(iii) Stated capital

Ordinary shares

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

(c) Investment property

Investment property is property held either to earn rental income or capital appreciation or for both, but not for sale on the ordinary course of business, use in production or supply of goods and services or for administrative purposes. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-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. Formal valuations are carried out every 3 years by qualified valuers. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Comprehensive Income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the Investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an

investment property are recognized in the Statement of Comprehensive Income in the year of retirement or disposal.

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

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

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds

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

(d) Capital work-in-progress

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

(e) Impairment

(i) Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic

conditions that correlate with defaults or the disappearance of an active market for a security.

Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) on specific assets accordingly, all individually significant assets are assessed for specific impairment.

In assessing collective impairment, the company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in Statement of Comprehensive Income reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through Statement of Comprehensive Income.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to Companys of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in Statement of Comprehensive Income.

Impairment losses recognised in respect of CGUs are allocated reduce the carrying amount of the other assets in the CGU (Group of CGUs) on a prorata basis.

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

(f) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

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

(iii) Defined benefit plans

A defined benefit plan is a postemployment benefit plan other than a defined contribution plan.

The Company is liable to pay retirement benefits under the Payment of Gratuity Act, No. 12 of 1983. Under the said Act, the liability to an employee arises only on completion of 5 years of continued service.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets (if applicable) are deducted.

The discount rate is the yield at the reporting date on high quality corporate bonds, that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(g) 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(h) 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 recognized because it cannot be measured reliably. 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 its existence where inflows of economic benefits are probable, but not virtually certain

(i) Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company. and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes.

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

(i) Rental income

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

of the lease. Rental income from other property is recognised as other income.

Other Income - on accrual basis. (iii)

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

(i) **Expenditure recognition**

(i) **Operating Expenses**

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

(ii) Finance income and finance costs

Finance income comprises interest income on funds invested.

Interest income is recognised as it accrues in Statement of Comprehensive Income, 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

Statement of Comprehensive Income 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.

(k) Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in Statement of Comprehensive Income except to the items recognised directly in equity or in other comprehensive income.

(i) Current taxation

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

(ii) Deferred taxation

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

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

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

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

(iii) Tax exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made

(I) 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.

(m) 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.

4. CASH FLOW

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 Statement Cash Flow which has been prepared using the "Indirect Method".

5. 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.

6. DIVIDENDS ON ORDINARY SHARES

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

7. PRESENTATION

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

Where appropriate, the significant accounting policies are disclosed in the succeeding notes.

(a) Offsetting income and expenses

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

(b) Offsetting assets and liabilities

Assets and liabilities are offset and the net amount reported in the statement of financial position only where there is;

- a current enforceable legal right to offset the asset and the liability; and
- an intention to settle the liability simultaneously

8. 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.

9. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the

assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based o the inputs used in the valuation techniqus as follws;

- Level 1- Quoted prices (unadjusted) in active markets for identifiable assets and liabilities
- Level 2- Inputs other than quoted prices included in Level 1 that are observable from the asset or liability either directly (as prices) or indirectly (derived prices)
- Level 3 Inputs from 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 might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(a) Investment property

An external, independent valuer having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company's investment property portfolio every three years. The fair values are based

on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Company and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices. and when appropriate counter-notices, have been served validly and within the appropriate time.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

(b) Trade and other receivables

The fair values of trade and other receivables, excluding construction work in progress, are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

(c) Other non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

For finance leases the market rate of interest is determined with reference to similar lease agreements.

(d) Contingent consideration

The fair value of contingent consideration arising in a business combination is calculated using the income approach based on the expected payment amounts and their associated probabilities. When appropriate, it is discounted to present value.

10. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January 2014/2015.

Accordingly, these Standards have not been applied in preparing these financial statements.

 Sri Lanka Accounting Standards – SLFRS 10 "Consolidated Financial Statements"

The objective of this SLFRS is to establish principles for the presentation and preparation of financial statements when an entity controls one or more other entities.

An investor is expected to control an investee if and only if the investor has all the following:

- (a) power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
 and
- (c) the ability to use its power over the investee to affect the amount of the investor's returns

This Standard will require the Company to review the Company structure in the context of the new Standard and its requirements. Accordingly adoption of this standard is expected to have an impact on the Company structure, and reporting.

SLFRS 10 will become effective from 1 April 2014 for the Company with early adoption permitted. This SLFRS will supersede the requirements relating to financial statements in LKAS 27-Consoliadated and SeparateFinancial Statements.

Sri Lanka Accounting Standards –SLFRS
 11 "Joint Arrangements"

The objective of this SLFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (ie joint arrangements).

SLFRS 11 will become effective from 1 April 2014 for the Company with early adoption permitted. This SLFRS will supersede the requirements relating to financial statements in LKAS31"Interests in Joint Ventures"

 Sri Lanka Accounting Standard-SLFRS 12 "Disclosure of Interests in Other Entities"

> SLFRS 10 will become effective from 1 April 2014 for the Company with early adoption permitted

Sri Lanka Accounting Standard - SLFRS
 13, "Fair Value Measurement"

This SLFRS defines fair value, sets out in a single SLFRS a framework for measuring fair value; and requires disclosures about fair value measurements.

This SLFRS will become effective for the Company from 1 April 2014. Earlier application is permitted.

This SLFRS shall be applied prospectively as of the beginning of the annual period in which it is initially applied. The disclosure requirements of this SLFRS need not be applied in comparative information provided for periods before initial application of this SLFRS.

Sri Lanka Accounting Standard – SLFRS
 9 "Financial Instruments"

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement.

The effective date of this standard has been deferred.

(All figures are in Sri Lankan Rupees thousands)

	For the year ended 31st March	2014	2013
11.	Revenue		
	Property rental income	60,687	15,876
		60,687	15,876
12.	Other income		
	Profit on disposal of assets	-	1,183
	Sundry income	687	723
		687	1,906
13.	Profit from operations		
	Profit from operations is stated after charging all expenses		
	including the following:		
	Auditors' remuneration - audit services	139	125
	Auditors' remuneration - audit related services	60	83
	Professional services costs (note 13.1)	51	37
	Write-off of assets	36	37
	Support service fees	612	612
	Personnel costs (note 13.2)	6,831	5,805
13.1.	Professional services costs		
	Valuation services	42	27
	Other services	09	10
		51	37
13.2.	Personnel costs		
	Salaries, wages and other related expenses	6,216	5,289
	Defined benefit plan cost - Employee benefits (note 24.1)	231	205
	Defined contribution plan cost - EPF and ETF	384	311
		6,831	5,805
	The above include:		
	Directors' emoluments		
	Directors' fees	293	300
	DITOGIO13 1003	293	300
		273	300

	For the year ended 31st March	2014	2013
14.	Net finance (cost) / income		
	Finance income		
	Interest income on short-term deposits	704	263
	Interest income on other sources	76	17
	Interest income on related party lendings	-	1,629
		780	1,909
	Finance cost		_
	Interest expense on related party borrowings	11,242	1,941
	Unwinding of interest on refundable deposits	1,207	122
		12,449	2,063
	Less: Capitalization of borrowing costs	(11,242)	(1,941)
		1,207	122
	Net finance (cost) / income	(427)	1,787
15.	Current taxation		
15.1.	Incom tax expense / (reversal)		
	Current tax expense for the year (note 15.2)	142	669
	Over provision for previous years	(254)	-
		(112)	669
	Deferred taxation		
	On origination / (reversal) of temporary differences (note 23.1)	28,551	(1,223)
		28,551	(1,223)
		28,439	(554)

(All figures are in Sri Lankan Rupees thousands)

	For the year ended 31st March	2014	2013
15.2.	Reconciliation between the accounting profit and the taxable profit		
	Accounting profit for the year before taxation Adjustments on;	107,112	44,426
	- Aggregate disallowable expenses	2,331	2,211
	- Aggregate allowable expenses	(47,273)	(1,979)
	Notional adjustments arising on application of LKAS/SLFRS	(6,370)	(12)
	Net gains arising from changes in fair value of investment properties	(68,761)	(40,972)
	Interest income	(780)	(1,909)
	Tax adjusted (loss) / profit from operations	(13,741)	1,765
	Interest income	780	1,909
	Total Statutory Income	780	3,674
	Utilization of tax losses (note 15.4 b)	(273)	(1,286)
	Taxable income	507	2,388
	Taxation thereon (note 15.4 a)	142	669
	Income tax expense for the year	142	669
15.3.	Analysis of tax losses		
	Tax losses brought forward	11,940	12,497
	Adjustment on finalization of liability	490	729
	Tax loss incurred during the year	13,741	-
	Utilization of tax losses during the year	(273)	(1,286)
	Tax losses carried forward	25,898	11,940

15.4.

- (a) In terms of the provisions of the Inland Revenue Act, No.10 of 2006 and amendments thereto, the Company is liable to income tax at 28% (2013 28%).
- (b) Utilization of tax losses are restricted to 35% of current year's Statutory Income. Any unabsorbed tax losses can be carried forward indefinitely.
- (c) Deferred tax has been computed using a tax rate of 28% (note 23).

16. Earnings per share

The Company's earnings per share is calculated on the profit attributable to the shareholders of Equity Two PLC over 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	2014	2013
Amount used as the numerator		
Profit for the year	78,673	44,980
Amount used as the denominator		
Weighted average number of ordinary shares in issue		
during the year (In thousands)	31,000	31,000
Earnings per share (Rs.)	2.54	1.45

17. Investment properties

17.1.

	Freehold Land	Freehold Buildings	Other equipments	Capital work in- progress	Total as at 31st March 2014	Total as at 31st March 2013
Balance as at the beginning of the year	430.300	182,000	1,261	112,074	725,635	570,747
Additions during	,	,	,	= /	·	,
the year Change in fair value of	-	58,037	42,846	-	100,883	112,012
investment properties	-	73,740	(4,979)	-	68,761	40,972
Transfers from capital		£1 001	40.102	(110.074)		
work-in-progress Disposals / written-off	-	51,881	60,193	(112,074)	(36)	(37)
Borrowing costs			, ,			
capitalized	-	11,242	-	-	11,242	1,941
Balance as at the end						
of the year	430,300	376,900	99,285	-	906,485	725,635

(All figures are in Sri Lankan Rupees thousands)

	As at 31st March	2014	2013
17.2.	Analysis of Capital work-in-progress		
	Investment properties - Freehold buildings	-	51,881
	Investment properties - Other equipments	-	60,193
		-	112,074
17.3.	Capitalization of borrowing costs into investment properties		
	Borrowing costs capitalized as part of the cost of investment properties are as follows;		
	Freehold buildings	11,242	1,941
		11,242	1,941

The amount of borrowing cost capitalized only to the extent of funds borrowed specifically for constructing the qualifying asset. Interest rate on the said amount borrowed was at AWPLR + 1%.

17.4. Valuation of investment properties

Investment properties of the Company are stated based on a valuation performed by, an independent professional valuer, Mr. S.Sivaskantha, F.I.V (Sri Lanka) of Perera Sivaskantha & Company, Incorporated valuers, as at 31st March 2014. The details of which are as follows:

Property and location	Method of valuation	Extent (Acres)	Historical Cost	Fair value 31st March 2014	Fair value 31st March 2013
Equity Two PLC. Janadhipathi Mw., Colombo 1	Market approach	0.54	548,546	906,485	725,635
			548,546	906,485	725,635

17.5. Restrictions on title and investment properties pledged as security for liabilities

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

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

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

	As at 31st March	2014	2013
18.	Trade and other receivables Financial		
	Trade receivables	4,470	-
	Other receivables	5,003	3,992
	Loans given to company officers (note 18.1)	795	305
		10,268	4,297
	Non-financial		
	Prepaid expenses	1,940	575
	Advance payments	-	26
		1,940	601
		12,208	4,898
18.1.	Loans given to company officers		
	Balance as at the beginning of the year	305	83
	Loans granted during the year	1,114	401
	Recovered during the year	(624)	(179)
	Balance as at the end of the year	795	305
	7		
19.	Cash and cash equivalents		
	Cash at bank and in hand	4,296	4,373
	Investment in government securities	1,306	-
	Cash and cash equivalents for the purpose of cash flow statement	5,602	4,373
20.	Stated capital		
	Issued and fully paid		
	Balance as at the beginning of the year		
	(31,000,000 ordinary shares)	444,092	444,092
	Balance as at the end of the year		
	(31,000,000 ordinary shares)	444,092	444,092
21.	Capital and revenue reserves		
21.1.	Capital Reserves		
	Machinery replacement reserve (note. 21.1.1.)	750	750
	Tradition / Topiaconton Todor to (1010. 21.11.1.)	750	750

21.1.1. The movement of the above reserve is given in the Statement of Changes in Equity.
Machinery replacement reserve represent the amounts set aside by the Directors for future expansion and to meet any contingencies.

(All figures are in Sri Lankan Rupees thousands)

	As at 31st March	2014	2013
21.2.	Revenue reserves		
	Retained earnings	20,989	11,013
	Fair value adjustment reserve (note 21.2.1)	208,301	139,540
		229,290	150,553

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

21.2.1. Fair value adjustment reserve

Any gains arising from fair value adjustment of investment properties will be transferred from retained earnings to fair value adjustment reserve and any losses arising will be transferred to fair value adjustment reserve to the extent that loss does not exceed the balance held in the said reserve.

	As at 31st March	2014	2013
22.	Refundable rental and other deposits		
	Balance as at the beginning of the year	2,360	-
	Receipts during the year	28,959	2,772
	Amount transfered to deferred revenue	(10,090)	(534)
	Unwinding of interest on refundable deposits	1,207	122
	Balance as at the end of the year	22,436	2,360
23.	Deferred tax liability		
	Balance as at the beginning of the year	46,224	47,447
	On origination and reversal of temporary differences (note 23.1)	28,551	(1,223)
	Balance as at the end of the year	74,775	46,224
23.1.	Deferred tax charge / (reversal) for the year		
	Investment properties	32,505	(1,319)
	Employee benefits	(46)	(60)
	Tax losses carried forward	(3,908)	156
	Net deferred tax charged/(reversed) for the year	28,551	(1,223)
23.2.	Deferred tax assets		
	Tax effect on employee benefits	458	412
	Tax effect on tax losses	7,251	3,343
	Total deferred tax assets	7,709	3,755

	As at 31st March	2014	2013
23.3.	Deferred tax liability		
	Tax effect on investment properties	82,484	49,979
	Total deferred tax liability	82,484	49,979
	Net deferred tax liability	74,775	46,224

23.4. Corporate income tax rates used in assessing the deferred tax liability

As provided for in Sri Lanka Accounting Standard (LKAS 12) - "Income taxes", deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Accordingly deferred taxation has been computed using the current tax rate of 28%.

	As at 31st March	2014	2013
24.	Employee benefits The movement in the liabilities recognized in the Statement of financial position is as follows:		
	Balance as at the beginning of the year	1,469	1,257
	Current service cost	84	79
	Interest cost	147	126
	Actuarial (gain)/loss	(64)	7
	Balance as at the end of the year	1,636	1,469
24.1.	The amounts recognized in the Statement of income are as follows;		
	Current service cost	84	79
	Interest cost	147	126
	Charge for the year	231	205
24.2.	The amount recognized in the Statement of other comprehensive income is as follows;		
	Actuarial (gain)/loss	(64)	7
	Charge for the year	(64)	7

(All figures are in Sri Lankan Rupees thousands)

24.3. The employee benefits liability as at 31st March 2014 amounting to Rs. 1,636,383/-(2013 - Rs. 1,468,990/-) is made based on an actuarial valuation carried out by Mr. M. Poopalanathan of Messrs. Actuarial and Management Consultants (Pvt) Ltd. As recommended by the Sri Lanka Accounting Standards (LKAS 19) - "Employee Benefits", the "Projected Unit Credit (PUC)" method has been used in this valuation.

The principal assumptions used are:

Rate of discount 10% p.a.
Rate of pay increase 12% p.a.
Retirement age 55 years

Mortality A 67 /70 mortality table issued by Institute of

Actuaries, London was used

Withdrawal rate 5% for age up to 49 and zero thereafter

The company is a going concern.

24.4. The above provision is not externally funded.

	As at 31st March	2014	2013
25.	Trade and other payables		
	Financial		
	Trade payables	22	596
	Other payables	91,168	255
	Amounts due to related Companies (note 30.3.2)	50,229	86,985
		141,419	87,836
	Non-financial		
	Accrued expenses and provisions	1,395	881
		1,395	881
		142,814	88,717
26.	Deferred revenue		
	Deferred lease rent income	8,479	401
		8,479	401
	As at 31st March	2014	2013

	As at 31st March	2014	2013
27.	Capital expenditure commitments		
	Capital expenditure committed for at the end of the reporting		
	period but not yet incurred is as follows:	-	74,616

The Company does not have any significant financial commitments as at the reporting date, other than those disclosed above.

27.1. Contingent liabilities

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

27.2. Litigation and claims

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

28. Dividend

The Board of Directors do not recommend a dividend for the year ended 31 March 2014 (2013 - Nil)

29. 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, the Company's objectives, policies and processes for measuring and managing risk.

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 limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and 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 ultimate parent company, oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its supervision role by Group Internal Audit. Group Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(All figures are in Sri Lankan Rupees thousands)

29.1. 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, and arises principally from the Company's receivables from customers and placements with banking institutions and in government securities.

29.1.1. 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	2014	2013
Credit risk		
Trade and other receivables	10,268	4,297
Cash and cash equivalents	5,602	4,373
	15,870	8,670

29.1.2. 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 an average of 3-6 months, which provides cover to the Company in the event of a default. Refundable rental deposits held by the Company as at the end of the reporting period are as follows.

As at 31st March	2014	2013
Refundable rental and other deposits Carrying value Face value	22,436 31.731	2,360 2.772

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

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

The aging of trade receivables at the end of	of the reporting	period was as follows;
--	------------------	------------------------

As at 31st March	2014	2013
Revenue on lease agreements recognized on straight line basis	4,358	-
1–30 days	89	-
31–90 days	23	-
	4,470	-

No allowance for impairment in respect of trade and other receivables has been made as at the year end (2013 - Nill).

29.1.3. Other receivables

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

Cash and cash equivalents

The Company held cash and cash equivalents of Rs. 5.6mn as at 31st March 2014 (2013: Rs. 4.37mn), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AAA(lka) to AA-(lka), based on Fitch Ratings.

Investments in Government securities primarily comprises of short term repo investments, extending to a period less than 3 months.

As at 31st March	2014	2013
Cash at bank and in hand	4,296	4,373
Placements in government securities	1,306	-
	5,602	4,373

29.2. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another 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.

(All figures are in Sri Lankan Rupees thousands)

In addition, the Company have access to short-term financing facilities extended from the parent company, Equity One PLC and the ultimate parent company, Carson Cumberbatch PLC.

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

As at 31st March 2014	Carrying amount	Total	Contractual 3 months or less		More than 1 year
Non-derivative financial liabilities					
Refundable rental deposits	22,436	31,731	-	2,772	28,959
Trade payables	22	22	22	-	-
Other payables	91,168	91,168	213	90,955	-
Amounts due to related Companies	50,229	50,229	50,229	-	-
	163,855	173,150	50,464	93,727	28,959

As at 31st March 2013	Carrying amount	Total	3 months or less	More than 1 year	
Non-derivative financial liabilities					
Refundable rental deposits	2,360	2,772	-	-	2,772
Trade payables	596	596	596	-	-
Other payables	255	255	255	-	-
Amounts due to related Companies	86,985	86,985	86,985	-	-
	90,196	90,608	87,836	-	2,772

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

29.2.2. Management of liquidity risk

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

The Company maintains a portion of its assets in highly liquid form - demand deposits and placements in government securities 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. 5.6mn (2013-Rs 4.4 mn).

A significant portion of the Company's current liabilities as at the reporting date, excluding the rent in advance which is only payable in the event of early termination of the rent agreement, comprise of the amount due to the parent company, Equity One PLC, obtained to finance the Company's capital expenditure, on renovation of the adjoining building. However, the Board of Directors is confident that such balances would not be demanded by the said Company which would otherwise result in a significant risk to the Company in terms of liquidity, until a long term financing arrangement is secured.

29.3. Market risk

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

29.3.1. Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate, due to changes in foreign exchange rates.

The Company do not engage in transactions associated with foreign currencies in its ordinary course of operations, hence the related risk is avoided. However, the Company is exposed to currency risk, primarily arising from its capital expenditure related transactions.

Therefore, sensitivity analysis on the Company's currency risk exposure may not be representative of the risks for which the Company was exposed to throughout the period, given its incidental nature.

29.3.2. Interest rate risk

The Company's interest bearing financial assets / liabilities are factored on variable rates of interest, hence the Company's exposure to interest rate risk is material.

Profile

At the end of the reporting period the interest rate profile of the Company's interest-bearing financial instruments was as follows.

As at 31st March	2014	2013
Variable rate instruments		
Financial assets	2,101	305
Financial liabilities	(50,229)	(86,985)
	(48,128)	(86,680)

(All figures are in Sri Lankan Rupees thousands)

Cash flow sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the end of the reporting period would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, remain constant.

	Profi	/ (loss)
	Increase in 1%	Decrease in 1%
31st March 2014 Variable rate instruments	(481)	481
31st March 2013 Variable rate instruments	(867)	867

29.4. Accounting classifications and fair values

The Company do not designate any of its financial assets / liabilities at fair value, hence a classification between fair value hierarchy do not apply.

29.5. Fair values vs. carrying amounts

through	r value h profit or loss	Held to Loans and maturity receivables	Available for sale	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents Trade and other	-	- 5,602	-	-	5,602	5,602
receivables		10,268			10,268	10,268
	-	- 15,870	-	-	15,870	15,870
Refundable rental and other deposits Trade and other	l -			22,436	,	22,436
payables	-		-	141,419	141,419	141,419
	-		-	163,855	163,855	163,855

31st March 201	Fair value through profit 3 or loss		Loans and eceivables	Available for sale	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	1 -	-	4,373	-	-	4,373	4,373
Trade and other receivables	er -	-	4,297	-	-	4,297	4,297
	-	-	8,670	-	-	8,670	8,670
Refundable rei other deposit Trade and oth	s -	-	-	-	2,360	2,360	2,360
payables	-	-	-	-	87,836	87,836	87,836
	-	-	-	-	90,196	90,196	90,196

30. 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.

30.1. Parent and ultimate controlling entity

Equity One PLC is the immediate parent company of Equity Two PLC.

In the opinion of the Directors, Carson Cumberbatch PLC is the ultimate parent company of Equity Two PLC.

30.2. 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. Accordingly, the Directors of the Company and its parent company (including executive and non-executive directors) and their immediate family members have been classified as Key Management Personnel of the Company.

For the year ended 31st March	2014	2013
30.2.1. Key management personnel compensation		
Short-term employee benefits / fees	293	300
Post-employment benefits	-	-
Termination benefits	-	-
Other long-term benefits	-	-
	293	300

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

(All figures are in Sri Lankan Rupees thousands)

30.3. Other related party transactions

30.3.1. Transactions with other related parties / companies

Name and the nature of the relationship	Name/s of the common Director/s	Nature of the transactions		e of the sactions
Ultimate parent company				
Carson	D. C. R. Gunawardena	Short-term		
Cumberbatch PLC		advances obtained	18,642	48,500
		Interest on short-term		
		advances obtained	3,900	623
		Settlements made on		
		amounts advanced	67,765	-
Parent company				
Equity One PLC	D. C. R. Gunawardena	Settlements made on		
	K. C. N. Fernando	short-term advances provided	-	27,677
	A. P. Weeratunge	Interest on advances provided	-	844
	E. H. Wijenaike	Short-term advances		
	P. D. D. Fernando	obtained	28,027	36,544
		Settlements on short		
		term advances obtained	15,660	-
		Interest on short-term		
		advances obtained	7,342	1,318
Fellow subsidiaries				
Carsons Management	K. C. N. Fernando	Support		
Services	A. P. Weeratunge	service fees paid	612	612
(Private) Limited		Secretarial fees paid	306	306
		Computer fees	184	184
		Rental income received	9,741	9,741

Name and the nature of the relationship	Name/s of the common Director/s	Nature of the transactions		e of the sactions 2013		
Carsons Airline Services (Private) Limited	D. C. R. Gunawardena	Rental income received	415	498		
Guardian Fund Management Limited	A.P.Weeratunge	Rental income received	2,465	2,465		
Agro Harapan Lestari (Private) Limited		Rental income received	-	68		
As at 31st March			2014	2013		
30.3.2. Amounts due to related companies						
Carson Cumberbatch F	PLC		-	49,123		
Equity One PLC			50,229	37,862		
			50,229	86,985		

31. Events after the reporting date.

No transactions have arisen since the reporting date which require adjustment to or disclosure in these financial statements.

Five Year Summary

(All figures are in Sri Lankan Rupees Thousand)

			LKAS/SLFI	RS		SLAS		
For the year ended / as at 3	1st March	2014	2013	2012	2011	2010		
Trading results								
Revenue		60,687	15,876	16,489	19,361	15,563		
Profit / (loss) before taxation		107,112	44,426	46,846	9,130	8,639		
Income tax expense / (reverse	al)	(28,439)	554	(1,073)	20,359	(4,019)		
Profit / (loss) for the year		78,673	44,980	45,773	29,489	4,620		
Stated capital and reserves								
Stated capital		444,092	444,092	444,092	444,092	444,092		
Reserves		230,040	151,303	106,330	66,778	43,758		
Shareholders' funds		674,132	595,395	550,422	510,870	487,850		
Assets employed								
Investment properties		906,485	725,635	570,747	526,934	520,445		
Non-current assets		906,485	725,635	570,747	526,934	520,445		
Current assets		17,810	9,271	30,619	37,657	42,256		
Current liabilities		(151,316)	(89,458)	(2,240)	(4,692)	(2,758)		
Working capital		(133,506)	(80,187)	28,379	32,965	39,498		
Assets employed		772,979	645,448	599,126	559,899	559,943		
Non-current liabilities		(98,847)	(50,053)	(48,704)	(49,029)	(72,093)		
Net assets		674,132	595,395	550,422	510,870	487,850		
Ratios and statistics								
	(D - \				0.20	0.10		
Dividend per share 1	(Rs.)	-	-	-	0.20	0.10		
Dividend yield	(%)	-	-	-	21.02	67.10		
Dividend payout Return on shareholders' funds	(%)	11.67	7.55	8.32	5.77	0.95		
	(/o) (Rs.)	2.54	1.45	1.48	0.95	0.93		
Earnings per share	(%)	8.70	6.04	5.94	3.50	0.13		
Earnings yield P/E ratio	(/o) (times)	11.50	16.55	16.82	28.59	110.71		
Market price per share ²	(Rs.)	29.20	24.00	24.90	27.20	16.50		
Net assets per share	(Rs.)	29.20	19.21	17.76	16.48	15.74		
Current ratio	(times)	0.12	0.10	13.67	8.03	15.74		
Market capitalization	(Rs. '000)	905,200	744,000	771,900	843,200	511,500		
marker capitalization	(1/2). (1/0)	705,200	7 44,000	//1,700	040,200	311,300		

- 1. Based on proposed dividend
- 2. As at 31st March.
- 3. Financial information for the period 2010 2011 were not adjusted to reflect the transition to new/revised Sri Lanka Accounting Standards (LKAS/SLFRS).

Statement of Value Added

(All figures are in Sri Lankan Rupees Thousand)

For the year ended 31st March	2014		2013	
Revenue	60,687		15,876	
Other income	687		1,906	
Finance Income	780		1,909	
	62,154		19,691	
Cost of materials and services bought from outs	ide (15,765)		(10,310)	
Value added	46,389		9,381	
Distributed as follows:		%		%
To employees				
as remuneration	6,831	15	5,805	62
To government				
as taxation*	(112)	-	669	7
To providers of capital				
as dividend	-	-	-	-
Retained in the business				
as deferred taxation	28,551	61	(1,223)	(13)
as unwinding of discount	1,207	3	122	1
as retained profits/(loss) net of				
provisions and fair value adjustment	9,912	21	4,008	43
	46,389	100	9,381	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).

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 main board of the Colombo Stock Exchange of Sri Lanka.

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

2. Shareholder base

As at 31st March	2014	2013
Number of Shareholders	2,172	2,283

3. Distribution and Composition of Shareholders

The number of shares held by Non-Residents as at 31st March 2014 was 124,980 (2013 - 120,500) which amounts to 0.40% (2013 - 0.39%) of the total number of Ordinary Shares.

	Residents			No	Non-Residents			Total		
Distribution of	No. of	No. of	%	No. of	No. of	%	No. of	No. of	%	
Shares	Members	Shares		Members	Shares		Members	Shares		
1-1,000	1,984	328,920	1.06	9	3,400	0.01	1,993	332,320	1.07	
1001-10,000	149	519,879	1.68	1	5,000	0.02	150	524,879	1.70	
10,001-100,000	25	668,184	2.16	2	116,580	0.38	27	784,764	2.53	
100,001-1,000,000	-	-	-	-	-	-	-	-	-	
Above 1,000,000	2	29,358,037	94.70	-	-	-	2	29,358,037	94.70	
Total	2,160	30,875,020	99.60	12	124,980	0.40	2,172	31,000,000	100.00	

Catanada of Chambaldon	2014					
Categories of Shareholders	No. of Shareholders	No. of Shares	%			
Individuals	2,127	1,392,934	4.49			
Institutions	45	29,607,066	95.51			
Total	2,172	31,000,000	100.00			

4. Public holding

The percentage of Ordinary Shares held by the public as at 31st March 2014 was 11.17% (2013 - 11.17%).

5. Dividends

The Directors do not recommend a dividend for the financial year ended 31st March 2014.

Information to Shareholders and Investors

Market performance - Ordinary shares 6.

	For the year year ended 31st March	2014	2013
	At 31st March (Rs.)	29.20	24.00
	Highest (Rs.)	33.90	29.90
	Lowest (Rs.)	20.60	14.00
	Value of shares traded (Rs.)	11,530,601	6,409,704
	No. of shares traded	413,553	261,984
	Volume of transactions (Nos.)	761	550
7	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. 905,200,000/- as at 31st March, 2014 (2013 - Rs. 744,000,000/-).

Value of the properties - Land and building 8.

Location	Extent (in hectares)	Market value 2014 Rs. '000	Date of professional valuation	
No. 55 & 61 Janadhipathi Mw, Colombo 01	0.54	906,485	March 2014	

Number of employees 9.

The number of employees of the Company at the end of the year was 5 (2013 - 4).

Notice of Meeting

NOTICE IS HEREBY GIVEN that the TWENTY FOURTH Annual General Meeting of EQUITY TWO PLC will be held on Thursday, the 19th day of June 2014 at 2.30 P.M. at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka for the following purposes:

- To receive and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2014, together with the Report of the Independent Auditors thereon
- To re-elect Mr. K. C. N. Fernando, who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.
- To re-elect Mr. P. D. D. Fernando as a
 Director in terms of Article 68 of the
 Articles of Association of the Company
 and to re-appoint him 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 to re-elect Mr. P. D. D. Fernando in accordance with Article 68 of the Articles of Association of the Company and as per Section 210 of the Companies Act No. 07 of 2007, that the age limit stipulated therein shall not be applicable to Mr. P. D. D. Fernando who is 71 years of age and that he be re-appointed a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

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

By Order of the Board

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

CARSONS MANAGEMENT SERVICES (PRIVATE) LIMITED
Secretaries

Colombo, 12th May 2014

Notes

- A Shareholder is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a Shareholder of the Company. A Form of Proxy accompanies this notice.
- The completed Form of Proxy must be deposited at the Registered Office, No.61, Janadhipathi Mawatha, Colombo 1, Sri Lanka not later than 2.30 P.M. on 17th June 2014.
- A person representing a Corporation is required to carry a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a member.
- The transfer books of the Company will remain open.
- 5. Security Check

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

Form of Proxy

* /\/	/e						
of							
being	*a Shareholder/Shareholders of EQUITY TV	VO PLC hereby appoint					
	ng NIC No./ Passport No						
Don C Kuruk Ajith I Eranji Panthi							
held o	as *my/our proxy to attend at the Twenty Fourth Annual General Meeting of the Company to be held on Thursday, the 19th day of June 2014 at 2.30 P.M. at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka and at any adjournment thereof and at every poll which may be taken in consequence thereof.						
			For	Against			
1.	To adopt the Annual Report of the Board of Statements for the year ended 31st March 2 Report of the Independent Auditors thereon.	2014, together with the					
2.	To re-elect Mr. K. C. N. Fernando who retire Articles 72, 73 and 74 of the Articles of Ass						
3.	To re-elect Mr. P. D. D. Fernando as a Direct the Articles of Association of the Company of Director of the Company who is over Seven						
4.	To re-appoint Messrs. KPMG, Chartered Acc the Company as set out in Section 154 (1) on No. 07 of 2007 and to authorise the Direct remuneration.						
Signe	d this day of	Two Thousand and Fo	ourteen.				
		Signature/s					

Notes

- 1. * Please delete the inappropriate words.
- A Shareholder entitled to attend and vote at a General Meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a Shareholder of the Company.
 - A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the General Meeting of the Shareholders.
- 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.

- Kindly perfect the Form of Proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.
- 2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
- In terms of Article 54 of the Articles of Association of the Company: 3.
 - 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.
 - The instrument appointing a proxy shall be in writing and: (ii)
 - in the case of an individual shall be signed by the appointor or by his attorney; and a)
 - 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.
- In terms of Article 50 of the Articles of Association of the Company: 4.

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

5. To be valid the completed Form of Proxy should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1, Sri Lanka not later than 2.30 P.M. on 17th June 2014.

Please fill in the fol	e fill in the following details:			
Name	:			
Address	:			
Jointly with				
Share folio No.	:			

Corporate Information

Name of the Company

Equity Two PLC (A Carson Cumberbatch Company)

Company Registration No PO 34

Legal Form

A Public Quoted Company with Limited Liability Incorporated in Sri Lanka in 1990. Official listing of the Colombo Stock Exchange was obtained in September 1994.

Parent Company

Equity One PLC

Directors

D.C.R. Gunawardena (Chairman) K.C.N. Fernando A.P Weeratunge E.H. Wijenaike P.D.D. Fernando (Stepped down from the Board w.e.f. 19th June 2013 / Appointed to the Board w.e.f. 16th July 2013)

Place of Business

No. 61, Janadhipathi Mawatha, Colombo 01, Sri Lanka.

Bankers

Standard Chartered Bank Bank of Ceylon Deutsche Bank AG

Auditors

Messrs. KPMG
Chartered Accountants,
No 32A,
Sir Mohamed Macan Marker Mawatha,
Colombo 03, Sri Lanka.
Telephone No: +94-11-5426426
Fax No: +94-11-2445872

Managers & Secretaries

Carsons Management Services (Private) Limited No. 61, Janadhipathi Mawatha, Colombo 01, Sri Lanka. Telephone No: +94-11-2039200 Fax No: +94-11-2039300

Registered Office

No. 61, Janadhipathi Mawatha, Colombo 01, Sri Lanka. Telephone No: +94-11-2039200 Fax No: +94-11-2039300

Corporate Website

www.carsoncumberbatch.com