EQUITY TWO LIMITED

ANNUAL REPORT 2005/06

A CARSON CUMBERBATCH COMPANY

Contents

Chairman's Statement

Dear Shareholders,
I welcome you to the 16th Annual General Meeting of the Company and would like to present to you the Annual Report and Audited Accounts for the year ending 31st March 2006.

This year was one of significant change for your Company. Firstly, it acquired a 58 perch property adjoining its own premises at Janadhipathi Mawatha, bringing the total extent of land ownership under Equity Two to 86.6 perches. Our location, in the heart of Colombo's business district within reach of the Central Bank of Sri Lanka, banks and financial institutions, the World Trade Centre, several five-star hotels, key government institutions and the vibrant commercial hub of the Fort, remains our greatest strength, leaving open to us many options for future development of the property. While this acquisition will have an immediate impact on the net worth attributable to shareholders, it will also undoubtedly add value to the earning potential of the Company in the medium term once the property is developed.

The key factor still impacting our earnings is the closure of the main road on which we are situated. It has been a decade since Janadhipathi Mawatha was closed to traffic and it serves us as a daily reminder of the importance of peace and security to the well-being of the nation, the economy and enterprise. We look forward to the access restrictions to this area being relaxed once the security situation improves. It is only when that happens that the potential of this property can be fully realised.

The second important change affecting your Company was the transfer of the majority ownership of the Company to Equity One Ltd., the latter company having been restructured as the property holding company of the Carsons Group. In its new role, Equity One will command a portfolio of properties under it which will serve as a vast resource base worth over Rs. 1.64 bn, to be effectively utilised to raise finance and engage in new development projects. Equity One will also look at building up a land bank to benefit from property value increases in high growth locations and to also realise the value of a part of its asset base to generate cash flows to speed up development. Your Company will benefit greatly from being a part of a consolidated property group rather than a stand alone company with one asset. Shareholders would also benefit if Equity Two were to become a party to other development projects undertaken by the Equity One property group.

The Company recorded a loss of Rs. 2.9 mn for the year, due to a decline in occupancy and turnover resulting from the building having remained vacant in the intervening period between the departure of one tenant and the replacement with another and also due to a deferred tax provision arising from timing differences. Our last quarter's earnings reflect a better position due to occupancy being restored to about 84%. Yet, our ability to demand market rentals is affected by the access limitations.

In conclusion, I would like to say that essentially returns to shareholders on their investment will only accrue once the external constraints we are faced with are removed. The Board has taken the steps necessary to strengthen the asset base of the Company and bring it to a situation where it will have the strength to raise capital and be a part of a larger property development effort by the Carsons Group. We look forward to being able to realise the benefits of these efforts for our shareholders in the future years.

In the meantime, we thank our staff who worked with dedication to maintain the value of the property and secure its earnings and our business associates and financiers who have supported us through the years. We especially thank our tenants and hope that we will continue to provide a high standard of service to them. Finally most importantly, a thank you to our shareholders for their patience and understanding which I hope will be well rewarded in the years ahead.

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

Colombo,
21st April 2006

Review of Operations

NEW DEVELOPMENTS

Your Company, despite owning a building in the prime financial and business district in Colombo is negatively impacted due to the high security zoning of the area. Due to this limitation its ability to charge market rental rates is affected. The major problem is the restriction of the movement of traffic and people in and out of the area. Due to this, potential tenants are less likely to occupy the building. The full potential of the building will be seen once the area opens up and frees traffic movement.

In the period under review your Company made an acquisition of the adjoining land of 58 perches at a total cost of Rs. 313.3 mn. This brings the total area of the land held by your Company to 86.6 perches valued at approximately Rs. 420 mn.

Despite the security zoning issues, we are confident that the Fort area would be Colombo's financial and business hub in time to come. The investment will offer an attractive return to shareholders in the medium to long term. The enhancement of the asset base and the strengthening of the balance sheet can be used as a tool to raise funding for expansion and new projects, which in turn will enable the Company to engage in new projects securing greater value to shareholders.

During the last year the majority ownership of your Company changed hands from The Shalimar (Malay) Estate Co. Ltd. to Equity One Ltd., which is now the holding company of the property sector in the Carson Cumberbatch Group.

FINANCIAL PERFORMANCE

For the year under review, your Company has posted a net loss of Rs. 2.97 mn as against a loss of Rs. 0.19 mn the previous year. The turnover was down to Rs. 12.36 mn from Rs. 13.42 mn. The main reason for the reduction in turnover and profit was the departure of two tenants, with replacement tenants being found only after the lapse of a few months towards the last quarter of the year. Hence, the performance in the last quarter of the year is better than for the same period of the previous year. The average occupancy levels were at 70% as compared to 84% in the previous year.

The performance of the Company was supported by a Rs. 6.96 mn gain from property valuation as a result of the adoption of new accounting standard on investment property.

However, at the same time the resultant deferred tax charge of Rs. 11.16 mn, though being a book entry, effectively nullified the gain.

The long term borrowings of the Company have reduced from Rs. 22.4 mn last year to Rs. 18.8 mn and the amount owed to related companies is now down to zero from Rs. 6.6 mn. Due to this, the Company's finance cost is down by Rs. 0.77 mn from Rs. 2.2 mn to Rs. 1.43 mn.

The significant increase in the asset base from Rs. 332 mn to Rs. 676 mn mainly was due to the above-mentioned acquisition. The increase in share capital from Rs. 62 mn to Rs. 310 mn was due to the rights issues to fund the acquisition of the adjoining land. The rights issue was in the ratio of 4 shares for 1 share held and the company was successful in raising Rs. 347.2 mn.

SHAREHOLDER WEALTH

Shareholder wealth is the net assets per share which equals to Rs. 19.41 per share. The share price of the Company at the close of the year was Rs. 13.50.

FUTURE

We envisage that the Colombo Fort will remain the City's key financial hub in the years to come. In addition, it has over the years also evolved into a unique location with its own array of diverse activities and the blend of colonial and modern architecture which gives it a character not found anywhere else in the country. The formal side of the Fort is embodied in the Presidential Secretariat and other important government ministries which stand side by side with all the key financial institutions in the country, while the more informal activities surround the Galle Face, the best star class hotels in the country and the lively night life. The commercial and trading hub adds another dimension to this very vibrant enclave of our City.

Your Company sees endless possibilities for the options available for future development since the many facets of the Fort can be encompassed into such a project. We look forward to engaging in such development activities to provide a good return to shareholders in the future.

Carsons Management Services (Pvt) Ltd.
Managers

Colombo,
21st April 2006

Report of the Directors

The Directors are pleased to submit their Report for the financial year ended 31st March 2006 together with the audited Financial Statements of the Company.

THE PRINCIPAL ACTIVITY OF THE COMPANY

Equity Two Ltd., a BOI approved property development Company of the Carsons Group, is engaged in letting of office space in its eight storeyed office complex, for commercial purposes.

REVIEW FOR THE YEAR

The Chairman's Statement and the Review of Operations describe in detail the year's operations of the Company.

FINANCIAL RESULTS

For the year ended 31st March	**2006**	2005
	Rs. '000	Rs. '000
Loss for the year after taxation	**(2,966)**	(193)
Accumulated loss brought forward	**(9,294)**	(10,632)
Transfers from Revaluation reserve	**–**	1,531
Accumulated loss carried forward	**(12,260)**	(9,294)

RESERVES

As at 31st March 2006, the Company's total reserves stood at Rs. 291.7 mn (2005 - Rs. 235.9 mn) comprising capital reserves of Rs. 303.9 mn and a accumulated loss of Rs. 12.2 mn. The movements are set out in the Statement of Changes in Equity and Note 11 to the Financial Statements.

SHARE CAPITAL

Authorised share capital of the Company was increased from Rs. 100 mn consisting of 10 mn ordinary shares of Rs. 10/- each to Rs. 750 mn consisting of 75 mn ordinary shares of Rs. 10/- each.

VALUE OF PROPERTIES

Company has recognised the carrying value of land & building in the Balance Sheet on "fair value" since land & building are held to earn rental income and for capital appreciation. This valuation method is recommended in new Sri Lanka Accounting Standards No. 40, "Investment Property".

The Company's investment properties (land & buildings) shown in the Financial Statements carry a fair value of Rs. 638 mn, based on a valuation carried out by an Independent Valuer in March 2006.

STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all relevant statutory dues have been paid up to date, or have been provided for in the Financial Statements.

GOING CONCERN

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

DIVIDEND

No dividend is proposed in view of the current year's and brought forward losses.

DIRECTORATE

The names of the Directors who served during the year are shown on the inner back cover.

In terms of Articles 88, 89 & 90 of the Articles of Association of the Company,
Mr. D.C.R. Gunawardena retires from the Board, and being eligible offers himself for re-election.

AUDIT COMMITTEE

Tilak de Zoysa ***(Chairman)***
Tennyson Rodrigo
D.C.R. Gunawardena

DIRECTORS' INTERESTS IN CONTRACTS WITH THE COMPANY

Directors' interests in contracts with the Company are disclosed in Note 21 to the Financial Statements and have been declared at meetings of the Directors. The Directors have no other direct or indirect interest in contracts or proposed contracts in relation to the business of the Company, while they had the following interests in the shares of the Company.

As at 31st March	**2006 No. of Shares**	2005 No. of Shares
DIRECTORS		
D.C.R. Gunawardena *(Chairman)*	**9,300**	9,300
N. Ramaiah	**10**	10
P.C.P. Tissera	**–**	–
K.C.N. Fernando	**3,600**	3,600
ALTERNATE DIRECTORS		
I. Paulraj *(alternate to N. Ramaiah)*	**51,000**	10,200

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the Balance Sheet date, no circumstances have arisen, which required adjustments to or disclosure in the financial statements.

MAJOR SHAREHOLDINGS

The twenty major shareholders and the percentages held by each as at 31st March 2006 with the last year comparatives in brackets, are:

Equity One Ltd. - 27,532,525 - 88.81% (0 - 0.00%), Bank of Ceylon A/C Ceybank Unit Trust - 726,800 - 2.34% (320,700 - 5.17%), Mr. U.G. Bulumulle - 110,000 - 0.35% (0 - 0.00%), Mr. A. Lukmanjee - 95,000 - 0.31% (20,200 - 0.33%), Miss J. Aloysius - 79,500 - 0.26% (79,500 - 1.28%), Trade-Mart Services (Pvt) Ltd. - 51,000 - 0.16% (0 - 0.00%), Mr. I. Paulraj - 51,000 - 0.16% (10,200 - 0.16%), Waldock Mackenzie Ltd./Mr. Lalith Prabash Hapang - 42,100 - 0.14% (0 - 0.00%), Mrs. S. Hapuarachchi - 35,000 - 0.11% (50,700 - 0.82%), Waldock Mackenzie Ltd./Mrs. G. Soysa - 26,000 - 0.08% (71,600 - 1.15%), Mr. S.R. Jayawickreme - 25,100 - 0.08% (0 - 0.00%), Mrs. H.I.P. Fernando - 25,000 - 0.08% (0 - 0.00%), Merchant Bank of Sri Lanka Ltd./Union Investment - 20,200 - 0.07% (20,200 - 0.33%), Nuwara Eliya Property Developers (Pvt) Ltd. - 20,000 - 0.06% (0 - 0.00%), Dr. C.A. Twerenbold - 19,800 - 0.06% (19,800 - 0.32%), Mr. G.H.F. Welikala - 19,000 - 0.06% (17,500 - 0.28%), Mrs. M.R.N. Casie Chetty - 18,500 - 0.06% (3,700 - 0.06%), Mr. D.C. Wimalasena - 16,000 - 0.05% (3,200 - 0.05%), Mr. J.B. Hirdaramani - 16,000 - 0.05% (3,200 - 0.05%), Mrs. J. Aloysius - 15,900 - 0.05% (15,900 - 0.26%).

SHARE INFORMATION

Information relating to earnings, dividend, net assets and market price per share is given on page 34 to the Annual Report. Information on share trading is given on page 35 of the Annual Report.

AUDITORS

Messrs. KPMG Ford, Rhodes,Thornton & Company being eligible offer themselves for re-appointment.

By Order of the Board,

(Sgd.)
P.C.P. Tissera
Director
Carsons Management Services (Pvt) Ltd.
Managers & Secretaries

Colombo,
21st April 2006

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 Report of the Auditors.

According to the Companies Act, No. 17 of 1982 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 the Directors are required to prepare Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the said period.

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 judgements and estimates have been made.

The Directors are responsible for ensuring that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company, in order to ensure that the Financial Statements of the Company meet with the requirements of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 17 of 1982. 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 of appropriate systems of internal control with a view to prevent, detect and rectify frauds 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 for the foreseeable future.

The Directors are also of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board,

(Sgd.)
P.C.P. Tissera
Director
Carsons Management Services (Pvt) Ltd.
Managers & Secretaries
Colombo,
21st April 2006

Financial Reports

Report of the Auditors

TO THE MEMBERS OF EQUITY TWO LTD.

We have audited the Balance Sheet of Equity Two Ltd., as at 31st March 2006 and the related Statements of Income, Changes in Equity and Cash Flow for the year then ended, together with the Accounting Policies and Notes as set out on pages 13 to 31 of the Annual Report.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing and presenting these Financial Statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these Financial Statements, based on our audit.

Basis of Opinion

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said Financial Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said Financial Statements, assessing the accounting principles used and significant estimates made by the Directors, evaluating the overall presentation of the Financial Statements, and determining whether the said Financial Statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 books of account for the year ended 31st March 2006, and to the best of our information and according to the explanations given to us, the said Balance Sheet and the related Statements of Income, Changes in Equity and Cash Flow and the Accounting Policies and Notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act No. 17 of 1982 and give a true and fair view of the Company's state of affairs as at 31st March 2006, and of its loss and cash flows for the year then ended.

Directors' Interests in Contracts with the Company

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31st March 2006 except as stated in Note 21to these Financial Statements.

(Sgd.)
KPMG Ford, Rhodes, Thornton & Co.
Chartered Accountants

Colombo,
21st April 2006

Income Statement

(All figures are in Sri Lankan Rs. '000)

For the year ended 31st March	Note	**2006**	2005
Revenue	1	**12,358**	13,416
Direct operating cost		**(7,441)**	(10,706)
		4,917	2,710
Fair Value adjustment - Investment properties		**6,964**	–
Other operating income	2	**993**	1,426
		12,874	4,136
Administrative expenses		**(3,243)**	(2,120)
Profit from operations	3	**9,631**	2,016
Finance cost	4	**(1,433)**	(2,209)
Profit/(Loss) before taxation		**8,198**	(193)
Taxation	5	**(11,164)**	–
Loss for the year		**(2,966)**	(193)
Earnings per share	6	**(0.24)**	(0.03)

The Accounting Policies and Notes from pages 17 to 31 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Balance Sheet

(All figures are in Sri Lankan Rs. '000)

As at 31st March	Note	**2006**	2005
Assets			
Non-Current Assets			
Property, Plant & Equipment	7	**3,349**	321,825
Investment properties	8	**638,071**	–
		641,420	321,825
Current Assets			
Trade and other receivables	9	**4,302**	6,045
Tax recoverable/credit		**2,280**	2,421
Short-term deposits		**23,320**	–
Cash at bank and in hand		**4,741**	1,292
		34,643	9,758
Total Assets		**676,063**	331,583
Equity and Liabilities			
Capital and Reserves			
Share capital	10	**310,000**	62,000
Capital reserves	11	**303,991**	245,188
Accumulated loss		**(12,260)**	(9,294)
Total Equity		**601,731**	297,894
Non-Current Liabilities			
Long-term borrowings	12	**14,246**	18,627
Refundable Rental deposits	13	**1,865**	2,226
Deferred Taxation	14	**51,420**	–
Retirement benefit obligations	15	**977**	817
		68,508	21,670
Current Liabilities			
Trade and other payables	16	**1,253**	1,580
Amounts due to related companies	17	**–**	6,629
Long-term borrowings repayable within one year		**4,571**	3,810
		5,824	12,019
Total Equity and Liabilities		**676,063**	331,583
Net assets per share		**19.41**	48.05

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
The Accounting Policies and Notes from pages 17 to 31 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Approved and signed on behalf of the Managers,

(Sgd.)
P.C.P. Tissera
Director

Approved and signed on behalf of the Board,

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

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

Carsons Management Services (Pvt) Ltd.
Colombo, 21st April 2006

Statement of Changes in Equity

(All figures are in Sri Lankan Rs. '000)

Year ended 31st March 2006

	Note	Share Capital	Share Premium	Machinery Replacement Reserve	Revaluation Reserve	Accumulated Loss	Total Equity
Balance as at							
1st April 2004		62,000	34,892	750	211,077	(10,632)	**298,087**
Loss for the year		–	–	–	–	(193)	**(193)**
Transfers		–	–	–	(1,531)	1,531	**–**
Balance as at							
31st March 2005	10 & 11	62,000	34,892	750	209,546	(9,294)	**297,894**
Balance as at							
1st April 2005		62,000	34,892	750	209,546	(9,294)	**297,894**
Right issue of ordinary shares		248,000	99,200	–	–	–	**347,200**
Loss for the year		–	–	–	–	(2,966)	**(2,966)**
Transfers - Deferred Taxation		–	–	–	(40,397)	–	**(40,397)**
Balance as at							
31st March 2006	10& 11	**310,000**	**134,092**	**750**	**169,149**	**(12,260)**	**601,731**

The Accounting Policies and Notes from pages 17 to 31 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Cash Flow Statement

(All figures are in Sri Lankan Rs. '000)

For the year ended 31st March	Note	**2006**	2005
Cash flows from operating activities			
Profit/(Loss) before taxation		**8,198**	(193)
Adjustments for:			
Finance cost	4	**1,433**	2,209
Interest income	2	**(846)**	–
Depreciation on Property, Plant & Equipment	3	**1,485**	4,917
Fair value adjustment on investment properties	8	**(6,964)**	–
Profit on disposal of Property, Plant & Equipment	2	**–**	(1,131)
Provision for Gratuity	15	**160**	177
Operating profit before working capital changes		**3,466**	5,979
Decrease/(Increase) in trade and other receivables		**1,884**	(2,006)
Decrease in amounts due to related companies		**(6,629)**	(4,639)
Increase/(Decrease) in trade and other payables		**(327)**	385
		(1,606)	(281)
Rental deposits received	13	**629**	–
Rental deposits refunded	13	**(990)**	(994)
Cash generated from*/(used in)* operations		**(1,967)**	(1,275)
Finance cost paid		**(1,433)**	(2,209)
Tax paid		**(141)**	1,043
Net cash generated from/(used in) operating activities		**(3,541)**	(2,441)
Cash flows from investing activities			
Purchase of Property, Plant & Equipment	7	**(197)**	(132)
Purchase of investment properties	8	**(313,919)**	–
Proceeds from disposal of Property, Plant & Equipment		**–**	1,320
Interest received		**846**	–
Net cash generated from/(used in) investing activities		**(313,270)**	1,188
Cash flows from financing activities			
Proceed from right issue of ordinary shares		**347,200**	**–**
Loans paid during the year	12	**(3,620)**	(1,523)
Net cash generated from/(used in) financing activities		**343,580**	(1,523)
Net Increase/(decrease) in cash and cash equivalents		**26,769**	(2,776)
Cash and cash equivalents at the beginning of the year		**1,292**	4,068
Cash and cash equivalents at the end of the year (Note A)		**28,061**	1,292
Note A			
Cash and Cash Equivalents			
Short-term deposit		23,320	–
Cash at bank and in hand		4,741	1,292
		28,061	1,292

The Accounting Policies and Notes from pages 17 to 31 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Significant Accounting Policies

1. GENERAL POLICIES

1.1 Basis of Preparation

The Financial Statements of Equity Two Ltd., comprise the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, Accounting Policies and Notes to the Financial Statements. These statements are prepared in accordance with the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.

The Accounting Policies have been applied by the Company consistent with the previous year, and the previous year figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

The Financial Statements of the Company have been prepared on the historical cost convention except for fair value/revaluation of certain investment properties/Property, Plant & Equipment as stated in the respective Notes to the Financial Statements.

All values presented in the Financial Statements are in Sri Lankan Rupees Thousand (Rs. '000) unless otherwise indicated.

Taxation

(a) Current Income Tax

The liability for taxation has been computed in accordance with the provisions of the Inland Revenue Act No. 38 of 2000 and amendments made thereto as detailed in the respective Notes to the Financial Statements.

(b) Deferred Taxation

Deferred taxation has been provided on the liability method. The tax effect on all timing differences which occur when items are allowed for income tax purposes in a period different to which they are recognised in Financial Statements is included in the provision for deferred taxation at the current rate of taxation.

Borrowing Cost

Borrowing costs are recognised as an expense in the period in which they are incurred, except those that are directly attributable to the development/construction of Property, Plant & Equipment which are capitalised as part of the cost of the asset during the period of construction/development.

1.2 Events occurring after the Balance Sheet date

The materiality of the events occurring after the Balance Sheet date has been considered and appropriate adjustments to or disclosures have been made in the Financial Statements where necessary.

2. ASSETS AND BASES OF THEIR VALUATION

Assets classified as current assets in the Balance Sheet are cash and those which are expected to be realised in cash during the normal operating cycle of the Company's business or within one year from the Balance Sheet date, whichever is shorter. Non-current assets are those which the Company intends to hold beyond a period of one year from the Balance Sheet date.

2.1 Property, Plant & Equipment and Depreciation

2.1.1 Valuation

Property, Plant & Equipment are stated at cost or valuation less accumulated depreciation.

The cost of Property, Plant & Equipment is the cost of purchase or construction together with any incidental expenses incurred in bringing the assets to its working condition for its intended use.

Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business has been treated as capital expenditure.

2.1.2 Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all Property, Plant & Equipment in order to write off such amounts over the following estimated useful lives by equal instalments:

Machinery and equipment	over 10 years
Furniture, fittings and office equipment	over 10 years
Motor vehicles	over 4 years

No depreciation is provided in the year of purchase/construction, while a full year's depreciation is provided in the year of disposal.

2.2 Investment Property

2.2.1 Classification

The land and buildings held to earn rental income and for capital appreciation are classified as investment properties.

2.2.2 Valuation

Investment properties are stated at 'Fair Value' accounting which describes value or amount for which land and buildings could be exchanged between knowledgeable, willing parties an arm's length transaction.

2.3 Trade and other Receivables

Trade and other receivables are stated at the amounts estimated to be realised. Where necessary provision has been made for bad and doubtful debts.

2.4 Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise cash at bank and in hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

Interest paid is classified as operating cash flows. Interest received is classified as investing cash flows, while dividend paid is classified as financing cash flows for the purpose of presentation of the Cash Flow Statement which is prepared on the indirect method.

3. LIABILITIES AND PROVISIONS

Liabilities classified as current liabilities in the Balance Sheet are those obligations payable on demand or within one year from the Balance Sheet date. Items classified as non-current liabilities are those obligations which expire beyond a period of one year from the Balance Sheet date.

All known liabilities have been accounted for in preparing these Financial Statements. Provisions and liabilities are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.1 Retirement Benefit Obligations

3.1.1 Defined Benefit Plan – Gratuity

The Company is liable to pay gratuity in terms of the Payment of Gratuity Act No.12 of 1983. Gratuity provision for employees has been made based on an actuarial valuation as at 31st March 2005 which was carried out by Messrs Actuarial and Management Consultants (Pvt) Ltd. As recommended by the related Sri Lanka Accounting Standard, the Projected Unit Credit (PUC) method has been used in this valuation. It is expected that such actuarial valuations will be carried out once in every two years. The principal assumptions made are given as follows:

Rate of discount	11.00% p.a.
Rate of pay increase	10.00% p.a.
Retirement age	55 years

The Company will continue in business as a going concern.

The liability is not externally funded.

3.1.2 Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

All employees who are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions are covered by relevant contribution funds in line with the respective statutes. Employers' contributions to the defined contribution plans are recognised as an expense in the Statement of Income when incurred.

3.2 Capital Commitments & Contingent Liabilities

Capital commitments and contingencies, which exist as at the Balance Sheet date, are disclosed in the respective Notes to the Financial Statements.

4. INCOME STATEMENT

4.1 Revenue

Revenue represents rental income derived from letting of the Company's premises.

Rental income is accrued on a time proportion basis and is matched with related expenditure in accordance with Sri Lanka Accounting Standard No. 29, "Revenue Recognition".

4.2 Other Income

Interest Income

Interest Income is recognised on an accrual basis.

Gains or Losses on the Disposal of Property, Plant & Equipment

Gains or losses on the disposal of Property, Plant & Equipment are accounted for in the Income Statement and where the gain is on an immovable property, such gain is appropriated to capital accretion reserve.

4.3 Expenditure

All expenditure incurred in the running of the business, and in maintaining the Property, Plant & Equipment in a state of efficiency, has been charged against revenue in arriving at the profit or loss for the year.

4.4 For the purpose of presentation of the Income Statement, the Directors are of the view that Function of Expenses Method fairly presents the elements of the Company's performance, hence such a presentation method is adopted.

5. 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 decisions of the other, irrespective of whether a price is being charged.

6. SEGMENT REPORTING

A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business Segment) or in providing products or Service within a particular economic environment (Geographical Segment) which is subject to risk and rewards that are different from those of the other segment. However, there are no distinguishable components to be identified as segments for the Company.

(All figures in Notes to the Financial Statements are in Sri Lankan Rs. '000 unless otherwise stated)

For the year ended 31st March	**2006**	2005
1. REVENUE		
Revenue - Rental Income - Gross	**14,212**	15,429
Less: Value Added Tax (VAT)	**(1,854)**	(2,013)
Net Revenue	**12,358**	13,416

2. OTHER OPERATING INCOME		
Interest Income	**846**	9
Profit on Disposal of Property, Plant & Equipment	**–**	1,131
Sundry Income	**147**	286
	993	1,426

3. PROFIT/(LOSS) FROM OPERATIONS

Profit/(Loss) from operations is stated after charging all expenses including the following:

Auditors' remuneration	**37**	35
Depreciation	**1,485**	4,917
Management and Secretarial Fees	**672**	672
Personnel costs **(Note 3.1)**	**1,427**	2,570

3.1 Personnel Costs

Salaries, wages, and other related expenses	**1,116**	2,118
Defined benefit plan cost - Gratuity	**160**	177
Defined contribution plan cost - EPF and ETF	**151**	275
	1,427	2,570
The above include:		
Directors' emoluments	**–**	–
Directors' fees	**–**	–
	–	–

4. FINANCE COST		
Interest expense - on borrowings from external sources	**762**	1,198
Interest expense - on borrowings from related companies	**671**	1,011
	1,433	2,209

For the year ended 31st March	**2006**	2005
5. TAXATION		
5.1 Current Income Tax		
Current tax expense on ordinary activities for the year **(Note 5.3)**	**141**	–
		–
Deferred Taxation		
Provision made during the year	**11,023**	–
	11,164	–

5.2 Deferred taxation was not provided in previous years Financial Statements since timing differences based on cost of the assets are lower than the carried forward tax losses. However, during the year under review deferred taxation has been provided based on the fair value of the assets, hence timing differences are higher than carried forward tax losses.

5.3 In terms of the provisions of the Inland Revenue Act No. 38 of 2000, and amendments made thereto the operating profits of the Company's are liable to income tax at 30%. However, in view of the tax loss the Company has incurred, no provision on operational profits has been made in the Financial Statements.

5.3.1 Reconciliation between the Accounting Profit/(Loss) and the Tax Loss

Accounting profit/(loss) for the year before taxation	**8,198**	(193)
Aggregate disallowable items	**2,045**	6,447
Aggregate allowable credits	**(13,567)**	(6,430)
Tax loss from operations	**(3,324)**	(176)
Interest Income	**1,087**	–
Utilization of tax losses	**(381)**	–
Taxable Income	**706**	–
Taxation thereon at 20%	**141**	–
Social Responsibility Levy 0.25%	**–**	–
Under provision in respect of previous year	**–**	–
Total tax charge	**141**	–
Total tax losses c/f	**20,954**	18,007

5. TAXATION *(CONTD.)*

5.4 Income Tax Calculation

(a) From 1st April 2004, the utilisation of tax losses brought forward and incurred during the year was restricted to 35% of current year statutory income. Unabsorbed losses can be carried forward indefinitely.

(b) As taxable profits of the Company during the year remained below Rs. 5 mn, the Company is entitled to pay tax at a concessionary rate of 20%.

(c) Rs. 1,822,496 is available to the Company as Advance Company Tax (ACT) credit.

(d) The Company is not liable to Economic Service Charge (ESC) as its turnover is below the qualifying threshold.

6. EARNINGS PER SHARE

Earnings Per Share of Rs. (0.24) [2005 - Rs. (0.03)] is calculated on the loss after taxation over the weighted average number of ordinary shares outstanding during the year.

The following reflect the income and share data used in the Earnings Per Share computation:

	31st March 2006	31st March 2005
Amount used as the Numerator		
Loss for the year	**(2,996)**	(193)
Weighted average number of ordinary shares used as the Denominator	**12,341**	6,111
Earnings Per Share (Rs.)	**(0.24)**	(0.03)

7. PROPERTY, PLANT & EQUIPMENT

7.1	Freehold Land	Freehold Buildings	Machinery & Equipment	Furniture & Fittings	Motor Vehicles	**Total as at 31st March 2006**	Total as at 31st March 2005
Cost/Valuation							
Balance as at the beginning of the year	99,785	219,785	21,716	2,884	41	344,211	344,835
Transferred to investment properties	(99,785)	(219,785)	–	–	–	(319,570)	–
Disposals	–	–	–	–	–	–	(756)
Additions	–	–	10	187	–	197	132
Balance as at the end of the year	–	–	21,726	3,071	41	24,838	344,211
Depreciation							
Balance as at the beginning of the year	–	2,382	18,032	1,968	4	22,386	18,036
Transfers	–	(2,382)	–	–	–	(2,382)	–
Charge for the year **(Note 7.5)**			1,220	256	9	1,485	4,917
On disposals	–	–	–	–	–	–	(567)
Balance as at the end of the year	–	–	19,252	2,224	13	21,489	22,386
Net Book Value							
As at 31st March 2006	–	–	**2,474**	**847**	**28**	**3,349**	–
As at 31st March 2005	99,785	217,403	3,684	916	37	–	321,825

7. PROPERTY, PLANT & EQUIPMENT *(CONTD.)*

7.2 Property, Plant & Equipment includes fully depreciated assets having a gross carrying amount of Rs. 9,840,000/- (2005 - Rs. 1,054,108/-).

8. INVESTMENT PROPERTIES

	Land	Building	**As at 31st March 2006**	As at 31st March 2005
Opening balance/Transfers	99,785	217,403	**317,188**	–
Fair value adjustment	7,127	(163)	**6,964**	–
Additions during the year	313,351	568	**313,919**	–
	420,263	217,808	**638,071**	–

8.1 Acquisition of new Property

Company purchased the land & buildings adjoining the exisiting Equity Two building at Janadhipathi Mawatha for Rs. 313.3 mn.

8.2 Investment properties are stated at fair value, which has been determined based on valuations performed by Messrs A.Y. Daniel & Son as at 2nd March 2006 on the basis of market approach and income approach for land and building respectively.

9. TRADE AND OTHER RECEIVABLES

Trade debtors	**670**	1,618
Deposits, prepayments and other receivables	**3,600**	4,313
Loans given to Company Officers **(Note 9.1)**	**32**	114
	4,302	6,045

9.1 Loans given to Company Officers

Balance as at the beginning of the year	**114**	202
Loans granted during the year	**41**	25
Recovered during the year	**(123)**	(113)
Balance as at the end of the year	**32**	114

	As at 31st March 2006	As at 31st March 2005
10. SHARE CAPITAL		
Authorised		
75,000,000 ordinary shares of Rs. 10/- each		
(2005 - 10,000,000 ordinary shares of Rs. 10/- each) **(Note 10.1)**	**750,000**	100,000
Issued and fully paid		
At the beginning of the year 6,200,000 shares of Rs. 10 each	**62,000**	62,000
Right issue of 24,800,000 shares made during the year	**248,000**	–
At the end of the year 31,000,000 shares of Rs. 10 each	**310,000**	62,000

10.1 Authorized share capital

Company increased its authorized share capital from 10,000,000 ordinary shares to 75,000,000 shares at the Extraordinary General Meeting held on 7th November 2005.

10.2 Rights issue of ordinary shares during the period

Company completed the rights issue of four (04) ordinary shares for every one (01) share held at Rs. 14/- per share inclusive of a premium.

11. CAPITAL RESERVES

	As at 31st March 2006	As at 31st March 2005
Balance as at the beginning of the year	**245,188**	246,719
Net movement during the year	**58,803**	(1,531)
Balance as at the end of the year	**303,991**	245,188
Represented by:		
Revaluation reserve	**169,149**	209,546
Machinery replacement reserve	**750**	750
Share premium	**134,092**	34,892
	303,991	245,188

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

12. LONG TERM BORROWINGS

	As at 31st March 2006	As at 31st March 2005
Bank Borrowings - Bank of Ceylon		
Balance at the beginning of the year	**22,437**	23,960
Less: Payments made during the year	**(3,620)**	(1,523)
Balance as at the end of the year	**18,817**	22,437
Less : Instalments falling due within one year	**(4,571)**	(3,810)
Instalments falling due after one year	**14,246**	18,627

12.1 A term loan of Rs. 32 mn was obtained through the Bank of Ceylon during the financial year ended 31st March 1998. The loan, repayable in ten years, after a grace period of two years, carried an interest of 7% per annum in the first year and 8.5% per annum thereafter. The interest is inclusive of a commission of 1% payable to Bank of Ceylon.

This loan was subsequently rescheduled during the financial year 2003 with the following concessions being awarded to the Company:

1. To extend the two year grace period to five years from the date of grant, with no extension to the loan repayment period.

2. To reduce the interest rate from 8.5% to 3% p.a. w.e.f. 7th January 2002.

12.2 The loan is secured by a primary mortgage over the Company's land and building.

13. REFUNDABLE RENTAL DEPOSITS

	As at 31st March 2006	As at 31st March 2005
Balance as at the beginning of the year	**2,226**	3,220
Receipts during the year	**629**	–
Refunds made during the year	**(990)**	(994)
Balance as at the end of the year	**1,865**	2,226

13.1 The above rental deposit is repayable upon termination of the respective tenancy agreements.

	As at 31st March 2006	As at 31st March 2005
14. DEFERRED TAXATION		
Balance as at the beginning of the year	**–**	–
Trasferred from revaluation reserve	**40,397**	–
Provision made during the year **(Note 5.2)**	**11,023**	–
Balance as at the end of the year	**51,420**	–

15. RETIREMENT BENEFIT OBLIGATION		
Retirement Benefit Cost - Gratuity		
Balance as at the beginning of the year	**817**	640
Provision for the year	**160**	177
Balance as at the end of the year	**977**	817

The gratuity provision as at 31st March 2006 amounting to Rs. 977,249/- is made based on an actuarial valuation carried out as at 31st March 2005 by Messrs Actuarial & Management Consultants (Pvt) Ltd. As recommended by the related Sri Lanka Accounting Standards the 'Projected Unit Credit' (PUC) method has been used in this valuation. The principal assumptions used are:

- Rate of discount 11% p.a.
- Rate of pay increase 10% p.a.
- Retirement age 55 years
- The company is a going concern.

The above provision is not externally funded.

16. TRADE AND OTHER PAYABLES		
Trade Creditors	**72**	157
Unclaimed dividend	**295**	295
Provisions, accruals and other payables	**886**	1,128
	1,253	1,580

17. AMOUNTS DUE TO RELATED COMPANIES		
Shalimar (Malay) Estate Co. Ltd.	**–**	6,629
	–	6,629

18. COMMITMENTS AND CONTINGENCIES

18.1 Capital Expenditure Commitments

The Company does not have any significant capital commitments as at the Balance Sheet date.

18.2 Contingent Liabilities

There were no material contingent liabilities as at the Balance Sheet date.

19. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the Balance Sheet date, no circumstances have arisen which required adjustments to or disclosure in the Financial Statements.

20. COMPARATIVE FIGURES

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

21. DIRECTORS' INTERESTS IN CONTRACTS WITH THE COMPANY

Messrs D.C.R. Gunawardena, N. Ramaiah, P.C.P. Tissera, K.C.N. Fernando, and I. Paulraj (alternate to N. Ramaiah), Directors of the Company have an interest in all or some of the transactions of the Company as referred to in Note 22 to the Financial Statements. They either individually or indirectly have share ownership in companies forming part of the Carsons Group and/or hold Directorates in such related companies.

22. RELATED PARTY TRANSACTIONS

	Name of Company	Name of Common Directors	Nature of Transaction
22.1	Union Assurance Ltd.	D.C.R. Gunawardena P.C.P. Tissera (appointed w.e.f. 1st January 2006)	Insurance premium amounting to Rs. 2,257,741/- (2005 - Rs. 1,651,484/-) was paid to Union Assurance Ltd., during the financial year.
22.2	Shalimar (Malay) Estate Company Ltd.	D.C.R. Gunawardena P.C.P. Tissera K.C.N. Fernando	Rs. 670,675/- was paid to Shalimar (Malay) Estate Company Ltd., as interest on overnight borrowings for working capital funding (2005 - Rs. 766,405/-). The balance outstanding as at 31st March 2006 to Shalimar (Malay) Estate Company Ltd. is Nil (2005 - Rs. 6,628,681/-).

22. RELATED PARTY TRANSACTIONS *(CONTD.)*

	Name of Company	Name of Common Directors	Nature of Transaction
22.3	Carson Cumberbatch & Company Ltd. (CC&CL)	D.C.R. Gunawardena P.C.P. Tissera I. Paulraj	Interest on overnight borrowings for working capital funding is Rs. Nil (2005 - Rs. 244,798/-).
22.4	Carsons Management Services (Pvt) Ltd. (CMSL)	D.C.R. Gunawardena P.C.P. Tissera K.C.N. Fernando	Management, Secretarial and computer charges paid to Carsons Management Services (Pvt) Ltd. amounted to Rs. 600,000/- (2005 - Rs. 600,000/-), Rs. 72,000/- (2005 - Rs. 72,000/-) and Rs. 180,000/- (2005 - Rs. 180,000/-) respectively. An amount of Rs. 8,138,580/- (2005 - Rs. 6,924,960/-) was received from Carsons Management Services (Pvt) Ltd. as rental income.
22.5	Guardian Fund Management Ltd.	D.C.R. Gunawardena P.C.P. Tissera I. Paulraj	An amount of Rs. 455,500/- (2005 - Nil). was received from Guardian Fund Management Ltd., as rental income.

There were no material related party transactions other than those disclosed above.

Five Year Summary

(All figures in the Five Year Summary are in Sri Lankan Rs. '000 unless otherwise stated)

Year ended 31st March		**2006**	2005	2004	2003	2002
TRADING RESULTS						
Revenue (Net)		**12,358**	13,417	11,006	6,925	10,400
Profit/(loss) before taxation		**8,198**	(193)	(3,376)	(6,560)	(5,113)
Taxation		**(11,164)**	–	–	885	(502)
Profit/(loss) after taxation		**(2,966)**	(193)	(3,376)	(5,675)	(5,615)
Dividend		**–**	–	–	–	–
Share Capital and Reserves						
Share capital		**310,000**	62,000	62,000	62,000	62,000
Reserves		**291,731**	235,894	236,087	203,534	209,210
Shareholders' Funds		**601,731**	297,894	298,087	265,534	271,210
Assets Employed						
Property, plant & equipment		**3,349**	321,825	326,799	295,623	300,370
Investment properties		**638,071**	–	–	–	–
Non-current assets		**641,420**	321,826	326,799	295,623	300,370
Current assets		**34,643**	9,758	11,572	7,501	8,948
Current liabilities		**(5,824)**	(12,019)	(13,468)	(13,099)	(15,319)
Working capital		**28,819**	(2,261)	(1,896)	(5,599)	(6,371)
Assets employed		**670,239**	319,564	324,903	290,024	293,999
Non-current liabilities		**(68,508)**	(21,670)	(26,816)	(24,490)	(22,789)
Net assets		**601,731**	297,894	298,087	265,534	271,210
RATIOS AND STATISTICS						
Dividend per share	(Rs.)	**–**	–	–	–	–
Rate of dividend	(%)	**–**	–	–	–	–
Return on shareholders' funds*	(%)	**(0.49)**	(0.06)	(1.1)	(2.1)	(2.1)
Earnings/(loss) per share	(Rs.)	**(0.24)**	(0.03)	(0.54)	(0.92)	(0.91)
Market price per share**	(Rs.)	**13.50**	14.00	7.00	9.00	5.75
P/E ratio	(times)	**–**	–	–	–	–
Net assets per share	(Rs.)	**19.41**	48.05	48.08	42.83	43.74
Current ratio	(times)	**5.95**	0.81	0.86	0.57	0.58

* *Shareholders' funds include surplus on revaluation of freehold land and buildings which is shown under capital reserves.*

** *As at 31st March.*

Statement of Value Added

(All figures are in Sri Lankan Rs. '000)

For the year ended 31st March	**2006**		2005	
Revenue	**12,358**		13,417	
Other income	**993**		1,426	
	13,351		14,843	
Cost of material and services bought from outside	**(7,772)**		(5,340)	
Value added	**5,579**		9,503	
Distributed as follows:		**%**		%
To employees				
as remuneration	**1,427**	**25.57**	2,570	27.04
To Government				
as taxation *	**141**	**2.53**	–	–
To providers of capital				
as interest on borrowings	**1,433**	**25.69**	2,209	23.25
as dividend	**–**	**–**	–	–
Retained in the business				
fair value adjustment	**(6,964)**	**(124.83)**	–	–
as deferred tax	**11,023**	**197.58**	–	–
as depreciation	**1,485**	**26.62**	4,917	51.74
as Loss for the year	**(2,966)**	**(53.16)**	(193)	(2.03)
	5,579	**100.00**	9,503	100.00

The Value Added Statement shows the quantum of wealth generated by the activities of the Company and its applications.

* Excluding Value Added Tax.

Information to Shareholders and Investors

1. STOCK EXCHANGE LISTING

Equity Two Ltd. is a public quoted Company, the issued Ordinary Shares of which are listed with the Colombo Stock Exchange of Sri Lanka.

2. SHARE VALUATION

The market value of the Company's shares as at 31st March 2006 was Rs. 13.50 per share (2005 - Rs. 14.00).

3. ORDINARY SHAREHOLDERS

As at 31st March	**2006**	2005
No. of Shareholders	**3,118**	2,858

The number of shares held by non-residents as at 31st March 2006 was 90,200 which amounts to 0.29% of the issued Share Capital.

Frequency Distribution of Amalgamated Resident/Non resident Shareholders
As at 31st March 2006

	Residents			Non-Residents			Total		
Distribution of Shares	**No. of Members**	**No. of Shares**	**%**	**No. of Members**	**No. of Shares**	**%**	**No. of Members**	**No. of Shares**	**%**
1 - 1,000	2,693	596,567	1.92	9	4,200	0.01	2,702	600,767	1.94
1,001 - 5,000	326	856,210	2.76	2	7,200	0.02	328	863,410	2.79
5,001 - 10,000	54	427,600	1.38	1	8,000	0.03	55	435,600	1.41
10,001 - 50,000	25	434,598	1.40	1	19,800	0.06	26	454,398	1.47
50,001 - 100,000	3	225,500	0.73	1	51,000	0.16	4	276,500	0.89
100,001 - 500,000	1	110,000	0.35	–	–	0.00	1	110,000	0.35
500,001 - 1,000,000	1	726,800	2.34	–	–	0.00	1	726,800	2.34
Above 1,000,000	1	27,532,525	88.81	–	–	0.00	1	27,532,525	88.81
Total	**3,104**	**30,909,800**	**99.69**	**14**	**90,200**	**0.28**	**3,118**	**31,000,000**	**100.00**

Categories of Shareholders	**Total No. of Shares**	**No. of Shareholders**	**%**
Institutions	28,541,471	56	92.07
Individuals	2,458,529	3,062	7.93
Total	**31,000,000**	**3,118**	**100.00**

4. MARKET PERFORMANCE - ORDINARY SHARES

For the year ended 31st March	**2006**	2005
Highest (Rs.)	**29.25**	16.25
Lowest (Rs.)	**7.75**	7.00
Volume traded (Nos.)	**9,983,700**	6,491,400
Value (Rs.)	**247,943,975**	77,983,825
No. of transactions	**5,319**	2,646

5. MARKET CAPITALISATION

Market capitalisation of the Company which is the number of ordinary shares in issue multiplied by the market value of a share was Rs. 418,500,000/- as at 31st March 2006 (2005 - Rs. 86,800,000/-).

6. DIVIDEND

The Board of Directors of the Company has not proposed any dividend for the year under review in view of the current and brought forward loss.

7. VALUE OF PROPERTY - LAND & BUILDINGS

Location	**Extent (in acres)**	**Historical Cost Rs.'000**	**Market Value Rs.'000**	**Date of Valuation**
Colombo	0.86	416.2	638	March 2006

8. NUMBER OF EMPLOYEES

The number of employees at the end of the year was 5 (2005 - 5).

9. PERCENTAGE OF PUBLIC HOLDINGS

Percentage of issued share capital held by public as at 31st March 2006, was 10.98%.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the SIXTEENTH ANNUAL GENERAL MEETING of the Company will be held at 9.30 a.m. on Friday the 19th day of May 2006, at the Eighth Floor, No. 65C, Dharmapala Mawatha, Colombo 7, for the following purposes:

(1) To receive and adopt the Report of the Directors and the Financial Statements for the year ended 31st March 2006, together with the Report of the Auditors thereon.

(2) To re-elect Mr. D.C.R. Gunawardena who retires in terms of Articles 88, 89 & 90 of the Articles of Association of the Company.

(3) To appoint Auditors and to authorise the Directors to determine their remuneration.

By Order of the Board,
CARSONS MANAGEMENT SERVICES (PVT) LTD.
Secretaries

Colombo,
21st April 2006

Note

1. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A form of proxy accompanies this notice.

2. The completed form of proxy must be deposited at the Registered Office, No. 61, Janadhipathi Mawatha, Colombo 1 not later than 9.30 a.m. on 17th May 2005.

3. A person representing a corporation is required to carry a certified copy of the resolution authorising him/her to act as the respresentative of the corporation. A representative need not be a member.

Security Check

We shall be obliged if the shareholders attending the Annual General Meeting produce their National Identity Cards to the Security Personnel stationed at the entrance lobby.

Form of Proxy

*I/We .....

of .....

being *a Member/Members of **EQUITY TWO LTD.** hereby appoint:

Don Chandima Rajakaruna Gunawardena	of Colombo, or failing him,
Nataraj Ramaiah	of Colombo, or failing him,
Palehenalage Chandana Priyankara Tissera	of Colombo, or failing him,
Kurukulasuriya Calisanctus Nalake Fernando	of Colombo, or failing him,

.....

of .....

as *my/our proxy to** .....vote as indicated hereunder for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held on Friday the 19th day of May 2006 at 9.30 a.m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

		For	Against
(i)	To adopt the Report of the Directors and the Financial Statements for the year ended 31st March 2006 together with the Report of the Auditors thereon.		
(ii)	To re-elect Mr. D.C.R. Gunawardena who retires in terms of Article 88, 89, & 90 of the Articles of Association of the Company.		
(iii)	To re-appoint as Auditors, Messrs. KPMG Ford, Rhodes, Thornton & Co. and authorise the Directors to determine their remuneration.		

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

.....

Signature

Note: *(a)* * *Please delete the inappropriate words.*

(b) If you wish your proxy to speak at the meeting you should interpolate the words "Speak and" in the place indicated with ** and initial such interpolation.

(c) Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. In terms of Article 67 of the Articles of Association of the Company;

   The instrument appointing a proxy shall be in writing and ;

   (i) in the case of an individual shall be signed by the appointer or his attorney ; and

   (ii) in the case of a corporation shall be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.

   The Company may, but shall not be bound to, require evidence of the authority of any such attorney or officer. A proxy need not be a member of the Company.

2. Kindly perfect the Form of Proxy by filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature and indicate with an "X" in the space provided how your proxy is to vote on each resolution. If no indication is given, the proxy in his/her discretion will vote as he/she thinks fit.

3. In terms of Article 62 of the Articles of Association of the Company ;

   In the case of joint-holders of a share, the senior who tenders a vote, whether in person or by proxy or by attorney or by representative, shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stands in the Register of Members in respect of the joint holding.

4. 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, not later than 9.30 a.m. on 17th May 2006.

Corporate Information

NAME OF COMPANY
Equity Two Limited
(A Carson Cumberbatch Company)

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.

DIRECTORS
D.C.R. Gunawardena *(Chairman)*
N. Ramaiah
P.C.P. Tissera
K.C.N. Fernando

ALTERNATE DIRECTORS
K.C.N. Fernando *(for P.C.P. Tissera)*
I. Paulraj *(for N. Ramaiah)*

PLACE OF BUSINESS
No. 61, Janadhipathi Mawatha,
Colombo 1. Sri Lanka.

BANKERS
Standard Chartered Bank
Bank of Ceylon

AUDITORS
Messrs. KPMG Ford, Rhodes, Thornton & Company
Chartered Accountants
No. 32A, Sir Mohamed Macan Markar Mawatha,
Colombo 3. Sri Lanka.

MANAGERS & SECRETARIES
Carsons Management Services (Pvt) Limited
No. 61, Janadhipathi Mawatha,
Colombo 1,
Sri Lanka.

REGISTERED OFFICE
No. 61, Janadhipathi Mawatha,
Colombo 1, Sri Lanka.

CORPORATE WEBSITE
www.carsoncumberbatch.com

The Company is a member of the Carson Cumberbatch Group of companies.

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