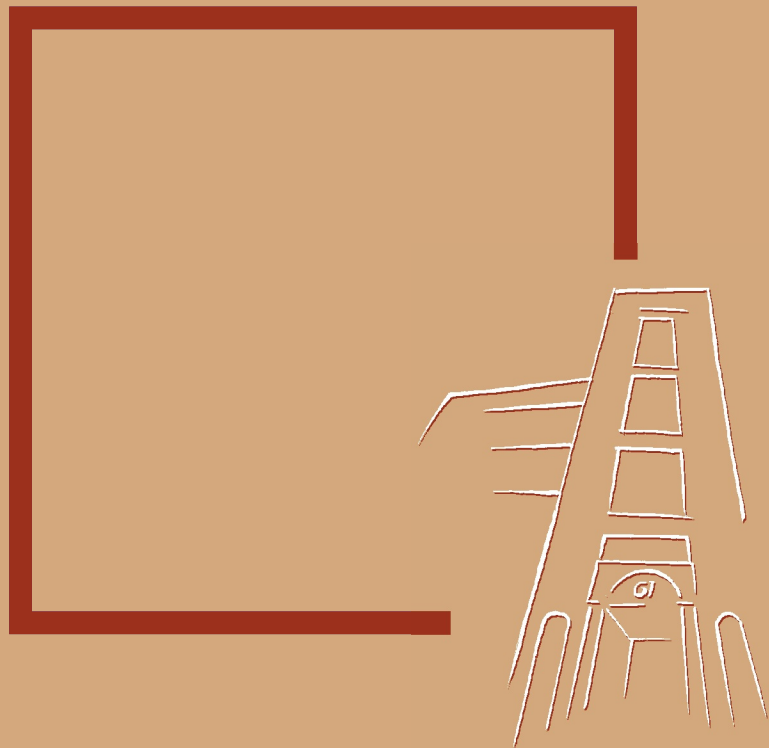


Equity **One** Limited

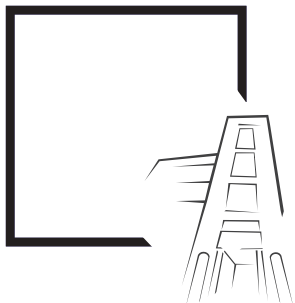


ANNUAL REPORT 2002/2003



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# Corporate Information

## NAME OF COMPANY

Equity One Limited  
(A Carson Cumberbatch Company)

## LEGAL FORM

A Public Quoted Company with limited liability.  
Incorporated in Sri Lanka in 1981.

## DIRECTORS

D.C.R. Gunawardena - (*Chairman*)  
(*appointed w.e.f. 8th August 2002 and appointed  
as Chairman w.e.f. 28th February 2003*)  
R.F. Poulier (*resigned w.e.f. 3rd February 2003*)  
H. Selvanathan (*resigned w.e.f. 1st November 2002*)  
C. Wijenaiké (*resigned w.e.f. 21st May 2002*)  
S. Nagendra  
K.C.N. Fernando  
E.H. Wijenaiké (*appointed w.e.f. 21st May 2002*)

## ALTERNATE DIRECTOR

N. Ramaiah (*for H. Selvanathan - ceased to be  
alternate Director w.e.f. 1st November 2002*)

## PLACE OF BUSINESS

No. 65C, Dharmapala Mawatha  
Colombo 7.

## BANKERS

Citibank  
Standard Chartered Bank

## AUDITORS

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

## MANAGERS & SECRETARIES

Carsons Management Services (Private) Limited  
No. 61, Janadhipathi Mawatha,  
Colombo 1.

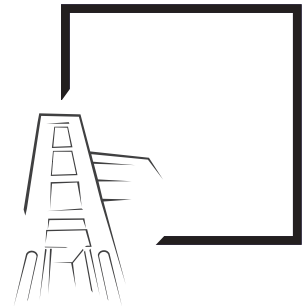
## REGISTERED OFFICE

No. 61, Janadhipathi Mawatha,  
Colombo 1.

## CORPORATE WEBSITE

[www.carsoncumberbatch.com](http://www.carsoncumberbatch.com)

# Notice of Meeting



NOTICE IS HEREBY GIVEN that the TWENTY FIRST ANNUAL GENERAL MEETING of the Company will be held at 9.00 a.m. on Wednesday the 21st day of May 2003, 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 2003 together with the Report of the Auditors thereon.
- (2) To declare a dividend as recommended by the Directors.
- (3) To re-elect Mr. K.C.N. Fernando, who retires in terms of Article 98 & 99 of the Articles of Association of the Company.
- (4) To re-elect Mr. E.H. Wijenaiké, who retires in terms of Article 103 of the Articles of Association of the Company.
- (5) To re-elect Mr. D.C.R. Gunawardena, who retires in terms of Article 103 of the Articles of Association of the Company.
- (6) To appoint Auditors and to authorise the Directors to determine their remuneration.

## Note:

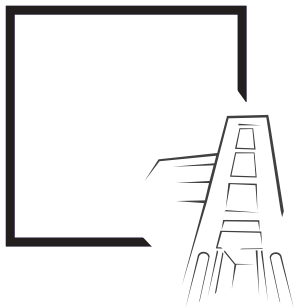
1. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A form of proxy accompanies this Notice.
2. The completed form of proxy must be deposited at the Registered Office, No. 61, Janadhipathi Mawatha, Colombo 1, not later than 9.00 a.m. on 19th May 2003.
3. 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.
4. The transfer books of the Company will be closed from 19th May 2003 to 21st May 2003 (both days inclusive).

## 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.*

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

Colombo  
28th April 2003



# Information to Shareholders and Investors

## 1. STOCK EXCHANGE LISTING

Equity One 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 2003 was Rs. 14.75 per share (2002 - Rs. 16.50).

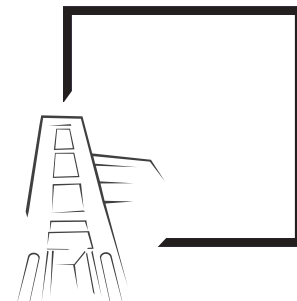
## 3. ORDINARY SHAREHOLDERS

<i>As at 31st March</i>	2003	2002
No. of shareholders	484	477

The number of shares held by non-residents as at 31st March 2003 was 152,265 which amounts to 2.45% of the issued share capital.

Distribution of Shares	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	297	93,998	1.52	2	1,000	0.01	299	94,998	1.53
1,001 - 5,000	130	300,600	4.85	-	-	-	130	300,600	4.85
5,001 - 10,000	26	184,798	2.98	2	16,666	0.27	28	201,464	3.25
10,001 - 50,000	22	436,590	7.04	1	16,300	0.26	23	452,890	7.30
50,001 - 100,000	-	-	-	-	-	-	-	-	-
100,001 - 500,000	1	323,600	5.22	1	118,299	1.91	2	441,899	7.12
500,001 - 1,000,000	-	-	-	-	-	-	-	-	-
Above 1,000,000	2	4,711,492	75.95	-	-	-	2	4,711,492	75.95
<b>Total</b>	<b>478</b>	<b>6,051,078</b>	<b>97.55</b>	<b>6</b>	<b>152,265</b>	<b>2.45</b>	<b>484</b>	<b>6,203,343</b>	<b>100.00</b>

Categories of Shareholders	No. of Shareholders	No. of Shares	%
Individuals	440	1,121,600	18.08
Institutions	44	5,081,743	81.92
<b>Total</b>	<b>484</b>	<b>6,203,343</b>	<b>100.00</b>

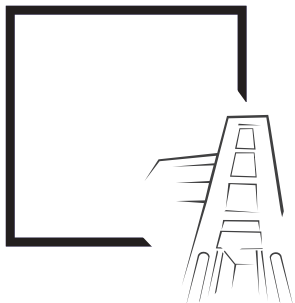


#### 4. SUBSTANTIAL SHAREHOLDINGS

<i>As at 31st March</i>	2003		2002	
	No. of Shares	%	No. of Shares	%
Carson Cumberbatch & Co. Ltd.	3,214,014	51.81	3,214,014	51.81
The Shalimar (Malay) Estate Co. Ltd.	1,497,478	24.13	1,497,478	24.13
Dr. T. Senthilverl	323,600	5.22	153,700	2.48
Thurston Investments Ltd.	118,299	1.91	118,299	1.91
The Unit Trust Management Co. (Pvt) Ltd.	40,200	0.65	–	–
Commercial Fund Management (Pvt) Ltd.	39,600	0.64	–	–
National Asset Management Ltd. Sri Lanka	39,600	0.64	–	–
Mr. B. Selvanayagam	38,197	0.61	21,357	0.34
Equity Services Ltd.	33,683	0.54	33,683	0.54
Mr. H. Selvanathan	27,800	0.45	27,800	0.45
The Rupee Finance Co. Ltd.	20,000	0.32	20,000	0.32
Mr. N.M. Wickramasinghe	17,500	0.28	17,500	0.28
Mr. A.A. Noordeen	17,014	0.27	17,014	0.27
Rufico Ltd.	16,666	0.27	16,666	0.27
Mr. D.V. Perry	16,300	0.26	16,300	0.26
Mrs. E. Cooray	15,333	0.25	15,333	0.25
Mr. U.S. Sellamuttu	15,000	0.24	15,000	0.24
Mr. M. Selvanathan	14,000	0.23	14,000	0.23
Mr. L. Dias	13,333	0.21	13,333	0.21
Mr. P. Arunachalam	13,200	0.21	10,500	0.17

#### 5. MARKET PERFORMANCE - ORDINARY SHARES

<i>For the year ended 31st March</i>	2003	2002
Highest (Rs.)	23.00	17.00
Lowest (Rs.)	11.00	10.25
Volume traded (Nos.)	246,700	1,208,600
Value (Rs.)	3,870,800	17,812,225
No. of transactions	116	31



## Information to Shareholders and Investors (Contd.)

### 6. 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. 91,499,309/- as at 31st March 2003 (as at 31st March 2002 - Rs. 102,355,160/-).

### 7. DIVIDEND

#### 7.1 Interim Dividend

An interim dividend of 10% on the ordinary shares amounting to Rs. 6,203,343/- was paid on 28th February 2003 (2002 - Nil).

#### 7.2 Final Dividend

A final dividend of 10% on the ordinary shares amounting to Rs. 6,203,343/- is proposed (2002 - 12%).

### 8. VALUE OF PROPERTY

Location	Extent (in acres)	Historical Cost Rs.'000	Market Value Rs.'000	Date of Valuation
Colombo	0.5875	96,438	328,280	12th March 2001

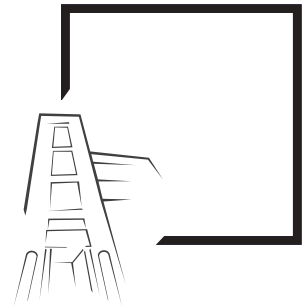
### 9. NUMBER OF EMPLOYEES

The number of employees at the end of the year was 11 (2002 - 11).

### 10. PERCENTAGE OF PUBLIC HOLDING

Percentage of issued share capital held by public as at 31st March 2003 was 22.90% (2002 - 22.84%).

# Chairman's Statement to Shareholders



On behalf of the Board of Directors of Equity One Ltd., I have pleasure in presenting the Annual Report and Audited Accounts of the Company for the financial year ended 31st March 2003.

The recovery seen in the Sri Lankan economy in 2002 was promising after the difficult times faced the previous year. The commencement of the peace process was a major contributor towards the improvement of investor confidence, and resulted in the positive growth of the Gross Domestic Product during the year.

Despite the economic recovery, the real estate market faced difficult conditions due to declining rentals, with several commercial properties in Colombo and the vicinity being affected, due to excess supply and reduced demand. As such, no appreciable increase in the market value of properties in Colombo were noted. The construction of new office complexes and vacant space in the existing complexes added to the competitiveness in rentals, while there was no appreciable increase in demand as businesses did not invest in expanding office space. Many commercial enterprises also preferred to rent residential houses in the vicinity of the Colombo City to keep rental costs low, a practice which should be discouraged by the authorities. Nevertheless, the Company has maintained relatively high occupancy levels and achieved market rentals due to the long-standing relationship with key tenants, which is mutually beneficial to both parties.

Turnover showed a 8% increase when compared to the previous year, mainly due to the increase in occupancy levels as well as having secured market rentals from clients.

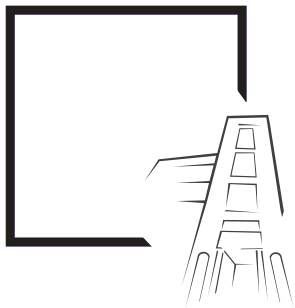
Your Company recorded a net turnover of Rs. 33.4 mn and an operating profit of Rs. 17.0 mn, compared to Rs. 30.8 mn and Rs. 12.6 mn respectively the previous year. A provision of Rs. 5.5 mn has been made for taxation for the period under review.

On behalf of the Company, I wish to extend my sincere thanks to my predecessor Mr. Reginald F. Poulter, who resigned from his position as Chairman, and from the Board of Directors, with effect from 3rd February 2003. Mr. Poulter's guidance during his tenure as Chairman of Equity One is much appreciated. I would also like to thank Mr. H. Selvanathan and Mr. C. Wijenaikie who resigned from the Board of Directors with effect from 1st November 2002 and 21st May 2002 respectively for their invaluable contribution given at all times.

In conclusion, I wish to thank our valued clientele for the loyalty and confidence placed in our Company. I also wish to express my sincere thanks to my colleagues on the Board for their contribution and the employees for commitment and dedication, which has enabled us to rise amidst the difficult market conditions. I also wish to thank our business associates, financial institutions and shareholders for the trust and confidence placed in the Company.

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

24th April 2003



# Review of Operations

## INDUSTRY TRENDS

The construction sector continued its negative performance during 2002, despite the overall economic growth. The present trend in the real estate market shows stagnant rentals and property values. Many office and commercial buildings even in prime locations in Colombo and the vicinity have faced difficulties in increasing their rentals due to insufficient demand.

Due to the competition among land sale companies, the land prices in the outskirts of Colombo and other major cities have also remained competitive, creating a buyers' market, in the real estate sector. However due to the positive sentiments created by the ongoing peace process, property developers are optimistic that an improvement in market conditions will occur in the near future.

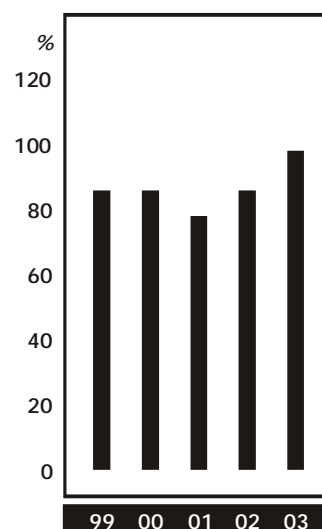
The housing sector has improved over the years due to the involvement of government and private sector organizations, and the demand for housing, especially in the urban sector, is increasing rapidly. However, even though Sri Lanka has many initiatives for housing development, it has no clear housing policy to address the problems of low-income people. It is with the intention of addressing this issue that the Real Estate Exchange Limited (REEL) was incorporated under government patronage. Despite the laws against converting residential facilities into commercial space, the owners of residential property in Colombo and the vicinity continued to do so. This had an adverse effect on the property developers due to lower demand and excess supply.

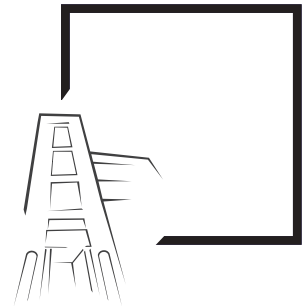
The Sri Lankan real estate sector has good potential and can be improved given proper attention and planning by the local authorities. Many new opportunities have also arisen, an example being luxury apartments, that have in recent times become a common phenomenon in Colombo due to demand from expatriates coming to Sri Lanka as well as high networth Sri Lankan residents. Another growth area is retail and commercial space. These opportunities within the real estate sector will help enhance the future value and earning potential of your Company.

## STANDING TALL

Despite these difficult conditions, your Company was able to maintain a high occupancy rate, whilst securing renewals at market rentals. This was possible despite competitive market conditions due to the superior quality of our service and our long-standing relationships with key tenants.

**AVERAGE OCCUPANCY LEVELS  
(FOR THE LAST FIVE YEARS)**



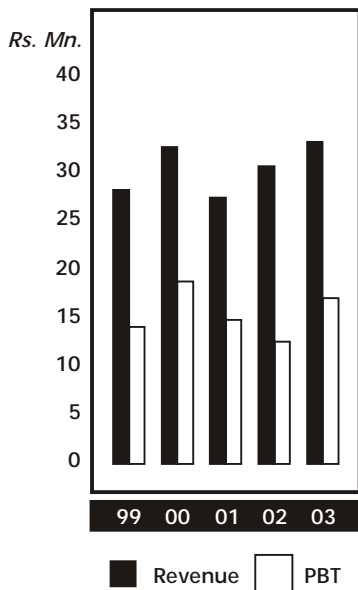


Cost structures were also managed effectively while continuous upgrading of the building ensured a high quality product and service to tenants.

**REVENUE**

The Company registered a revenue of Rs. 33.4 mn in the financial year under review, a 8% increase when compared to the corresponding period last year. The main reason was the increase in occupancy levels at Equity One from 86% last year to 98% during the current year as well as the ability to secure market rentals.

**REVENUE & PROFIT BEFORE TAX (PBT)  
(FOR THE LAST FIVE YEARS)**



**OPERATING RESULTS**

The Company recorded a pre-tax profit of Rs. 17.0 mn for the financial year under review, a 35% increase when compared to the previous year with other income amounting to Rs. 4.8 mn.

**TAXATION & APPROPRIATIONS**

A provision of Rs. 5.5 mn has been made for taxation for the period under review. An interim dividend of 10% on ordinary shares was paid in February 2003, and the Directors propose a further 10% dividend as a final dividend for the period under review.

**FOCUS ON THE FUTURE**

The future looks positive in view of the stable situation within the country. The construction industry is also predicted to post a better growth during 2003, and could register a boom with a growth in activity in the North-East and increasing infrastructure reconnecting the North-East to the rest of the country if the peace initiative is a success.

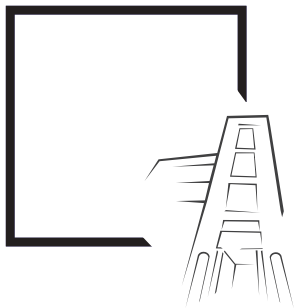
With the process of economic development, we expect property prices to improve. This will contribute to improving the net worth of your Company.

With the economy on its way towards a recovery and the government focused towards improving infrastructure development within the country, the Company is hopeful that its performance will begin to reflect the true value of the property it owns, both in terms of rental income and market value appreciation.

**Carsons Management Services (Pvt) Ltd.**

*Managers*

Colombo,  
24th April 2003



# Report of the Directors

The Directors are pleased to submit their Report for the year ended 31st March 2003, together with the audited financial statements of the Company.

## THE PRINCIPAL ACTIVITY OF THE COMPANY

Equity One Ltd., the pioneering property development project of the Carsons Group, is engaged in letting of office space in its eight storeyed office complex, for commercial purposes.

## REVIEW FOR THE YEAR AND FUTURE DEVELOPMENTS

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

## FINANCIAL RESULTS

<i>For the year ended 31st March</i>	2003 Rs.	2002 Rs.
--------------------------------------	-------------	-------------

The profit available for appropriation	13,651,813	9,622,973
--	------------	-----------

### From which the following appropriations/distributions have been made:

Interim dividend of 10% (2002 - Nil)	6,203,343	-
Capital reserve	-	1,682,488
	<b>7,448,470</b>	<b>7,940,485</b>

### Your Directors now recommend:

The payment of a final dividend of 10% (2002 - 12%)	6,203,343 *	7,444,012
---	-------------	-----------

Leaving a balance to be carried forward of	1,245,127	496,473
--	-----------	---------

\* However in accordance with the Sri Lanka Accounting Standard No. 12 (Revised) Events after the Balance Sheet Date, this proposed final dividend of 10% has not been provided for as at 31st March 2003.

## RESERVES

As at 31st March 2003, the Company's total reserves stood at Rs. 291.59 mn (2002 - Rs. 286.32 mn) comprising capital reserves of Rs. 284.09 mn and

revenue reserves of Rs. 7.49 mn. The movements are set out in the Statement of Changes in Equity and Notes 11 and 12 to the financial statements.

## CAPITAL EXPENDITURE

The total expenditure on purchase/construction of property, plant & equipment during the year amounted to Rs. 0.42 mn (2002 - Rs. 3.33 mn). The movements are set out in Note 7 to the financial statements.

## VALUE OF PROPERTIES

The Company's property reflected in the financial statements, carries a market value of Rs. 328 mn, based on a valuation carried out by a Qualified Independent Valuer on 12th March 2001.

## STATUTORY PAYMENTS

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

## GOING CONCERN

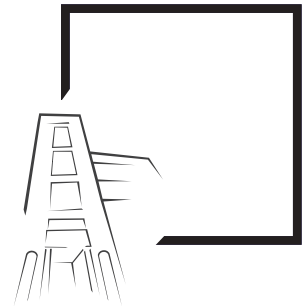
The Board of Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, financial statements are prepared based on the going concern concept.

## DIVIDEND

Your Directors recommend a final dividend of 10% on ordinary shares (2002 - 12%), while an interim dividend of 10% (2002 - Nil) was paid on 28th February 2003. The total outflow of ordinary dividend, including the 10% proposed would amount to Rs. 12,406,686/- (2002 - Rs. 7,444,012/-).

## DIRECTORATE

The names of the Directors who served during the year are shown on page 2.



In terms of Articles 98 & 99 of the Articles of Association of the Company, Mr. K.C.N. Fernando retires from the Board, but being eligible offers himself for re-election.

Mr. E. H. Wijenaikie who was appointed to the Board w.e.f. 21st May 2002, retires in terms of Article 103 of the Articles of Association of the Company, but being eligible offers himself for re-election.

Mr. D. C. R. Gunawardena was appointed to the Board w.e.f. 8th August 2002. In terms of Article 103 of the Articles of Association of the Company, he retires from the Board but being eligible offers himself for re-election.

Mr. D. C. R. Gunawardena was appointed as the Chairman w.e.f. 28th February 2003.

Mr. H. Selvanathan and Mr. R.F. Poulter resigned from the Board w.e.f. 1st November 2002 and 3rd February 2003 respectively.

#### AUDIT AND COMPLIANCE COMMITTEE

Tilak de Zoysa (*Chairman*)

Tennyson Rodrigo

D.C.R. Gunawardena

#### DIRECTORS' INTERESTS IN CONTRACTS

Directors' interests in contracts of the Company are disclosed in Note 20 to the financial statements and have been declared at meetings of the Directors. The Directors have 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 shares of the Company:

<i>As at 31st March</i>	<b>2003</b>	2002
	<b>No. of</b>	No. of
	<b>Shares</b>	Shares
Mr. D.C.R. Gunawardena <i>(appointed w.e.f. 08.08.2002)</i>	<b>1,000</b>	1,000
R.F. Poulter <i>(resigned w.e.f. 03.02.2003)</i>	<b>1,348</b>	1,348
H. Selvanathan <i>(resigned w.e.f. 01.11.2002)</i>	<b>27,800</b>	27,800
C. Wijenaikie <i>(resigned w.e.f. 21.05.2002)</i>	-	-

<i>As at 31st March</i>	<b>2003</b>	2002
	<b>No. of</b>	No. of
	<b>Shares</b>	Shares
S. Nagendra	<b>2,889</b>	2,889
K.C.N. Fernando	-	-
E.H. Wijenaikie <i>(appointed w.e.f. 21.05.2002)</i>	-	-
<b>Alternate Director</b>		
N. Ramaiah <i>(for H. Selvanathan; ceased to be Alternate Director w.e.f. 01.11.2002)</i>	-	-

#### 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.

#### SUBSTANTIAL SHAREHOLDINGS

The substantial shareholdings of the Company have been disclosed in Note 4 of the Information to Shareholders and Investors. As at 31st March 2003, the Company had 484 Shareholders (2002 - 477) whose holdings are indicated in Note 3 of the Information to Shareholders and Investors.

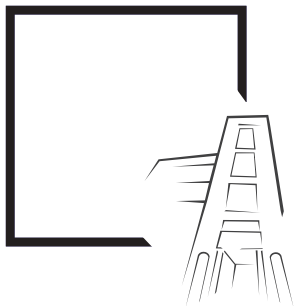
#### AUDITORS

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

By Order of the Board,

**CARSONS MANAGEMENT SERVICES (PVT) LTD.**  
*Managers & Secretaries*

Colombo,  
24th April 2003



# 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 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 system of internal controls 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.

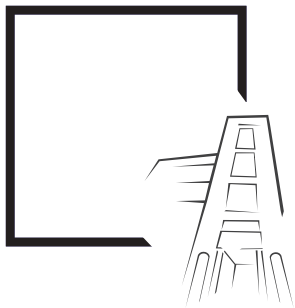
The Directors are also of the view that they have discharged their responsibilities as set out in this statement.

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

Colombo,  
24th April 2003

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# Report of the Auditors

## **TO THE MEMBERS OF EQUITY ONE LTD.**

We have audited the Balance Sheet of Equity One Ltd., as at 31st March 2003 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 15 to 30 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 2003, and to the best of our information and according to the explanations given to us, the said Balance Sheet and related Statements of Income, Changes in Equity, Cash Flow and the Accounting Policies and Notes thereto, which are in agreement with the said books have been prepared and presented in accordance with the Sri Lanka Accounting Standards, and 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 2003, and of its profit, Changes in Equity and Cash Flow for the year then ended.

## **Directors' Interests in Contracts with the Company**

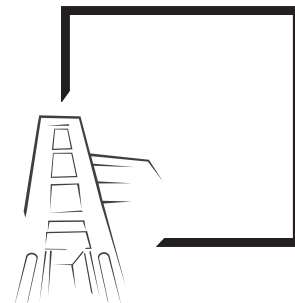
According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31st March 2003 except as stated in Note 20 to these financial statements.

(Sgd.)

**KPMG Ford, Rhodes, Thornton & Company**  
*Chartered Accountants*

Colombo,  
24th April 2003

# Income Statement

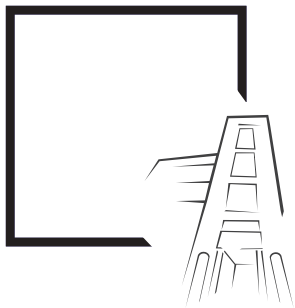


*(All figures are in Sri Lankan Rupees)*

<i>For the year ended 31st March</i>	Note	2003	2002
<b>Revenue</b>	1	<b>33,375,292</b>	30,824,224
Direct operating cost		<b>(15,976,097)</b>	(16,704,410)
		<b>17,399,195</b>	14,119,814
Other operating income	2	<b>4,853,298</b>	2,725,617
		<b>22,252,493</b>	16,845,431
Administrative expenses		<b>(5,226,991)</b>	(4,219,134)
<b>Profit from operations</b>	3	<b>17,025,502</b>	12,626,297
Taxation	4	<b>(5,552,650)</b>	(5,122,340)
<b>Profit for the year after taxation</b>		<b>11,472,852</b>	7,503,957
Retained profit brought forward		<b>496,473</b>	436,528
Transferred from revaluation reserve	11.1	<b>1,682,488</b>	1,682,488
<b>Profit available for appropriation</b>		<b>13,651,813</b>	9,622,973
<b>Appropriations</b>			
Capital reserve		–	1,682,488
Dividend	5	<b>6,203,343</b>	7,444,012
Retained profit carried forward		<b>7,448,470</b>	496,473
		<b>13,651,813</b>	9,622,973
<b>Earnings per share</b>	6	<b>1.85</b>	1.21

The Accounting Policies and Notes from pages 19 to 30 form an integral part of these financial statements.

*Figures in brackets indicate deductions.*



# Balance Sheet

(All figures are in Sri Lankan Rupees)

As at 31st March	Note	2003	2002
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant & equipment	7	333,325,044	337,431,009
Long term Investments	8	23,000,000	-
		<b>356,325,044</b>	337,431,009
<b>Current Assets</b>			
Trade and other receivables	9	3,516,272	6,407,389
Tax recoverable/Credit		5,020,880	5,640,588
Cash at bank and in hand		5,901,740	25,217,042
		<b>14,438,892</b>	37,265,019
<b>Total Assets</b>		<b>370,763,936</b>	374,696,028
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	10	62,033,430	62,033,430
Capital reserves	11	284,097,640	285,780,128
Revenue reserves	12	7,487,896	535,899
<b>Total Equity</b>		<b>353,618,966</b>	348,349,457
<b>Non-current Liabilities</b>			
Rental and other deposits	13	9,680,471	10,037,893
Deferred taxation	14	4,457,227	4,009,036
Retirement benefit obligations	15	1,260,917	943,796
		<b>15,398,615</b>	14,990,725
<b>Current Liabilities</b>			
Trade and other payables	16	1,746,355	3,911,834
Dividend proposed		-	7,444,012
		<b>1,746,355</b>	11,355,846
<b>Total Equity and Liabilities</b>		<b>370,763,936</b>	374,696,028
Net assets per share		<b>57.00</b>	56.16

The Board of Directors is responsible for the preparation and presentation of these financial statements.

The Accounting Policies and Notes from pages 19 to 30 form an integral part of the financial statements.

Figures in brackets indicate deductions.

Approved and signed on behalf of the Managers,

Approved and signed on behalf of the Board,

(Sgd.)

**P.C.P. Tissera**

Director

**Carsons Management Services (Pvt) Ltd.**

Colombo,

24th April 2003

(Sgd.)

**D.C.R. Gunawardena**

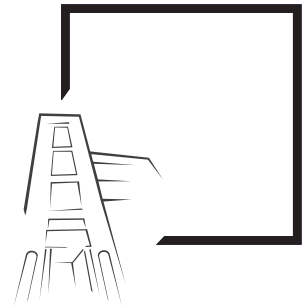
Chairman

(Sgd.)

**K.C.N. Fernando**

Director

# Statement of Changes in Equity



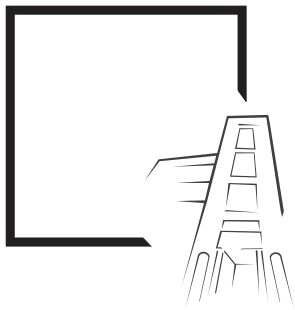
(All figures are in Sri Lankan Rupees)

Year ended 31st March 2003

	Note	Share Capital	Revaluation Reserve	Capital Accretion Reserve	Machinery Replacement Reserve	Other Capital Reserve	General Reserve	Retained Profit	Total Equity
Balance as at									
at 1st April 2001		62,033,430	274,226,624	157,955	5,109,216	6,286,333	39,426	436,528	348,289,512
Net profit for the year		-	-	-	-	-	-	7,503,957	7,503,957
Appropriations		-	-	-	-	1,682,488	-	(1,682,488)	-
Transfer	11.1	-	(1,682,488)	-	-	-	-	1,682,488	-
Dividend	5	-	-	-	-	-	-	(7,444,012)	(7,444,012)
<b>Balance as at</b>									
<b>31st March 2002</b>		<b>62,033,430</b>	<b>272,544,136</b>	<b>157,955</b>	<b>5,109,216</b>	<b>7,968,821</b>	<b>39,426</b>	<b>496,473</b>	<b>348,349,457</b>
Balance as at									
1st April 2002	10, 11 & 12	62,033,430	272,544,136	157,955	5,109,216	7,968,821	39,426	496,473	348,349,457
Net profit for the year		-	-	-	-	-	-	11,472,852	11,472,852
Transfer	11.1	-	(1,682,488)	-	-	-	-	1,682,488	-
Dividend	5	-	-	-	-	-	-	(6,203,343)	(6,203,343)
<b>Balance as at</b>									
<b>31st March 2003</b>		<b>62,033,430</b>	<b>270,861,648</b>	<b>157,955</b>	<b>5,109,216</b>	<b>7,968,821</b>	<b>39,426</b>	<b>7,448,470</b>	<b>353,618,966</b>

The Accounting Policies and Notes from pages 19 to 30 form an integral part of these financial statements.

Figures in brackets indicate deductions.



# Cash Flow Statement

(All figures are in Sri Lankan Rupees)

<i>For the year ended 31st March</i>	Note	2003	2002
<b>Cash flows from operating activities</b>			
Profit from operations		17,025,502	12,626,297
<i>Adjustments for:</i>			
Writeback of forfeited unclaimed dividend		–	(164,932)
Depreciation on property, plant & equipment	7	4,526,755	5,864,107
Interest income	2	(1,045,911)	(2,557,314)
Dividend Income	2	(3,795,000)	–
Provision for gratuity	15	317,121	174,282
Operating profit before working capital changes		17,028,467	15,942,440
(Increase)/decrease in trade and other receivables		2,891,117	(1,598,135)
Increase/(decrease) in trade and other payables		12,948	207,005
		19,932,532	14,551,310
Gratuity paid during the year		–	(76,800)
Rental deposits received	13	–	5,236,429
Rental deposits refunded/set-off	13	(2,652,999)	(4,677,101)
Cash generated from operations		17,279,533	15,033,838
Income tax paid		(4,484,753)	(8,795,582)
<b>Net cash generated from operating activities</b>		<b>12,794,780</b>	<b>6,238,256</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment	7	(420,790)	(3,328,540)
Purchase of Preference Shares	8	(23,000,000)	–
Dividend received on Preference Shares	2	3,795,000	–
Interest received	2	1,045,911	2,557,314
<b>Net cash used in investing activities</b>		<b>(18,579,879)</b>	<b>(771,226)</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(13,530,203)	(9,966,247)
<b>Net cash used in financing activities</b>		<b>(13,530,203)</b>	<b>(9,966,247)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(19,315,302)</b>	<b>(4,499,217)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>25,217,042</b>	<b>29,716,259</b>
<b>Cash and cash equivalents at the end of the year (Note A)</b>		<b>5,901,740</b>	<b>25,217,042</b>

## Note A

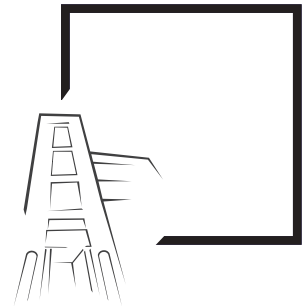
### CASH AND CASH EQUIVALENTS

Cash at bank and in hand	5,901,740	25,217,042
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The Accounting Policies and Notes from pages 19 to 30 form an integral part of these financial statements.

Figures in brackets indicate deductions.

# Significant Accounting Policies



## I. GENERAL POLICIES

### I.1 Basis of Preparation

The financial statements of Equity One 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 a historical cost convention except for revaluation of certain 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 (Rs.) unless otherwise indicated.

### I.2 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 there to, at the rates specified 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 that they are recognised in financial statements is included in the provision for deferred taxation at current rates of taxation.

### I.3 Borrowing Cost

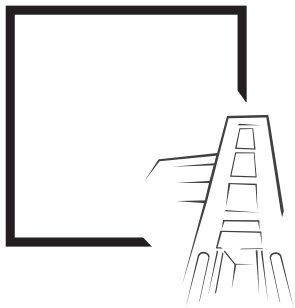
Borrowing costs are recognised as an expense in the period in which they are incurred, except those that are directly attributable to the development/ construction of property, plant & equipment which are capitalised as part of the cost of the asset during the period of construction/development.

### I.4 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.



## Significant Accounting Policies (Contd.)

### 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 Revaluation

The Freehold Land and Building have been revalued. Revaluation of these assets are carried out once in five years in order to ensure that the book value reflects the realisable value. Any surplus or deficit arising from these adjustments is adjusted through the Revaluation Reserve.

#### 2.1.3 Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant & equipment other than freehold land, in order to write off such

amounts over the following estimated useful lives by equal instalments:

Building	over 100 years
Machinery & 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.

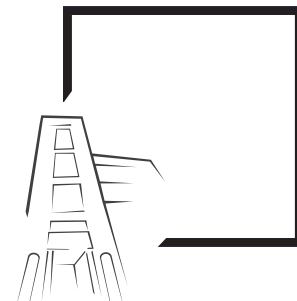
An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the surplus in the revaluation reserve to retained earnings over the remaining useful lives of the assets.

### 2.2 Long Term Investments

- (a) All long term investments are stated at cost less any amounts written off to reflect any permanent diminution in value of such investments.
- (b) The cost of the investment is the cost of acquisition inclusive of brokerage fees, duties and bank fees.

### 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 overdraft.

Interest paid is classified as operating cash flows, interest and dividend received is classified as investing cash flows while dividend paid is classified as financing cash flows for the purpose of presentation of Cash Flow Statement reported based 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

#### (i) **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 2003 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 below:

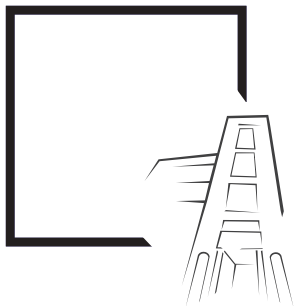
Rate of discount	11.00% p.a.
Rate of pay increase	10.00% p.a.
Retirement age	55 years

The Company will continue in business as a going concern.

The liability is not externally funded.

#### (ii) **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. Contributions to the defined contribution plans are recognised as an expense in the Statement of Income when incurred.



## Significant Accounting Policies (Contd.)

### 3.2 Capital Commitments and 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 - Rental Income

Revenue represents the 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.

### 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 to 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.

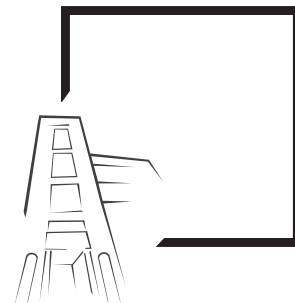
## 5. RELATED PARTY TRANSACTIONS

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 services within a particular economic environment (Geographical Segment) which is subject to risk and rewards that are different from those of the other segments. However, there are no distinguishable components to be identified as segments for the Company.

# Notes to the Financial Statements



(All figures in Notes to the Financial Statements are in Sri Lankan Rupees unless otherwise stated)

	31st March 2003	31st March 2002
<b>I. REVENUE</b>		
<b>I.1 Summary</b>		
Revenue - Rental Income	40,095,332	37,312,751
Less: Goods and Services Tax/Value Added Tax	(5,834,479)	(3,853,028)
National Security Levy	(885,561)	(2,635,499)
<b>Net revenue</b>	<b>33,375,292</b>	<b>30,824,224</b>

## 2. OTHER OPERATING INCOME

Dividend Income received from the investment in preference shares	3,795,000	-
Interest income from related companies	1,045,911	2,557,314
Write back of forfeited unclaimed dividend	-	164,932
Gain in Foreign Exchange	6,608	-
Miscellaneous income	5,779	3,371
	<b>4,853,298</b>	<b>2,725,617</b>

## 3. PROFIT FROM OPERATIONS

Profit from operations is stated after charging all expenses including the following:

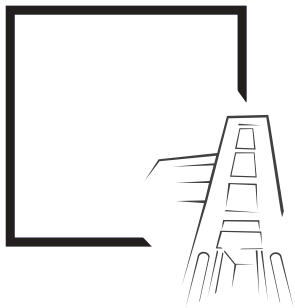
Auditors' remuneration	36,660	32,227
Depreciation	4,526,755	5,864,107
Management and Secretarial fees	1,312,138	1,390,961
Personnel costs (Note 3.1)	4,986,447	4,168,545
Donations	-	25,000

### 3.1 Personnel costs

Salaries, wages and other related expenses	4,351,822	3,719,831
Defined benefit plan cost - Gratuity	317,121	174,282
Defined contribution plan cost - EPF and ETF	317,504	274,432
	<b>4,986,447</b>	<b>4,168,545</b>

The above include:

Directors' emoluments	-	-
Directors' fees	60,000	20,000
	<b>60,000</b>	<b>20,000</b>



## Notes to the Financial Statements (Contd.)

	31st March 2003	31st March 2002
<b>4. TAXATION</b>		
<b>4.1 Current Income Tax</b>		
Current tax expense on ordinary activities for the year (Note 4.2)	5,281,505	5,817,863
Under/(over) provision in respect of previous years	(177,046)	(196,967)
	<b>5,104,459</b>	<b>5,620,896</b>
<b>Deferred Taxation</b>		
Provision/(release made) during the year	448,191	(498,556)
	<b>5,552,650</b>	<b>5,122,340</b>

### 4.2 Reconciliation between Tax Expenses and the product of Accounting Profit

Accounting profit before tax	17,025,502	12,626,297
Aggregate disallowable items	6,625,687	8,081,140
Aggregate allowable claims	(6,222,553)	(4,973,488)
Taxable profit	17,428,636	15,733,949
Current tax at 35%	6,100,022	5,506,882
Less: Tax deductions (Note 4.4)	(818,517)	(658,663)
	<b>5,281,505</b>	<b>4,848,219</b>
Surcharge on income tax at 20% (Note 4.5)	-	969,644
Current tax expense	<b>5,281,505</b>	<b>5,817,863</b>

**4.3** In terms of the provisions of the Inland Revenue Act, No. 38 of 2000 and amendments thereto, the Company is liable to taxation at 35%.

**4.4** The Company has claimed the 5% tax credit afforded on business income under Section 42 (1) of the Inland Revenue Act, No. 38 of 2000.

**4.5** The Company was subject to a 20% surcharge on corporate income tax during the year 2001/2002.

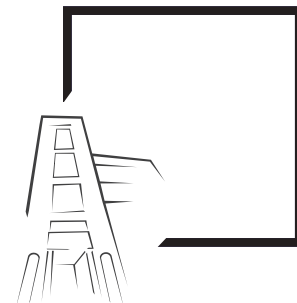
**4.6** Deferred tax has been computed using the current effective tax rate of 30%.

## 5. DIVIDEND

Interim dividend of 10% on ordinary shares (2002 - Nil)	6,203,343	-
Final dividend on ordinary shares (2002 - 12%)	-	7,444,012
	<b>6,203,343</b>	<b>7,444,012</b>

**5.1** Directors have recommended the payment of a final dividend of 10% (Rs. 6,203,343/-) on ordinary shares for the year ended 31st March 2003. However in accordance with Sri Lanka Accounting Standard No. 12 (Revised) Events after the Balance Sheet Date, this proposed final dividend has not been recognised as a liability as at 31st March 2003. This would result in a total Dividend per share of Rs. 2/- (2002 - Rs. 1.20) once it is approved at the Annual General Meeting.

**5.2** Dividend paid out of the taxable profits of the Company are subject to a dividend tax of 10% on distribution.



## 6. EARNINGS PER SHARE

Earnings Per Share of Rs. 1.85 (2002 - Rs. 1.21) is calculated on the profit after taxation over the number of ordinary shares in issue as at the Balance Sheet date.

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

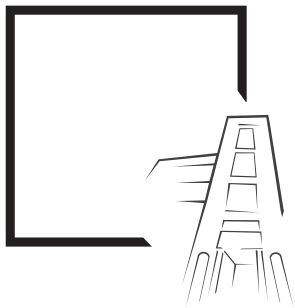
	31st March 2003	31st March 2002
<b>Amounts used as the Numerator</b>		
Net profit attributable to ordinary shareholders	<b>11,472,852</b>	7,503,957
<b>Number of ordinary shares used as Denominator</b>		
	<b>6,203,343</b>	6,203,343

## 7. PROPERTY, PLANT & EQUIPMENT

	Freehold Land	Freehold Buildings	Machinery & Equipment	Furniture & Fittings	Motor Vehicles	Total as at 31st March 2003	Total as at 31st March 2002
<b>Cost/Valuation</b>							
Balance as at the beginning of the year	94,000,000	234,483,046	29,955,245	3,601,661	2,538,890	<b>364,578,842</b>	361,250,302
Additions	–	213,276	207,514	–	–	<b>420,790</b>	3,328,540
Balance as at the end of the year	94,000,000	234,696,322	30,162,759	3,601,661	2,538,890	<b>364,999,632</b>	364,578,842
<b>Depreciation</b>							
Balance as at the beginning of the year	–	2,516,166	22,257,547	2,367,730	6,390	<b>27,147,833</b>	21,283,726
Charge for the year	–	2,518,201	1,052,898	322,531	633,125	<b>4,526,755</b>	5,864,107
Balance as at the end of the year	–	5,034,367	23,310,445	2,690,261	639,515	<b>31,674,588</b>	27,147,833
<b>Net Book Value</b>							
As at 31st March 2003	94,000,000	229,661,955	6,852,314	911,400	1,899,375	<b>333,325,044</b>	
As at 31st March 2002	94,000,000	231,966,880	7,697,698	1,233,931	2,532,500		337,431,009

7.1 Carrying value of the revalued assets as at 31st March 2003, if carried at historical costs are given below:

	Land	Buildings
<b>Carrying value of revalued assets if carried at historical cost</b>		
Cost	12,653,010	83,784,606
Accumulated depreciation	–	(5,290,450)
	12,653,010	78,494,156



## Notes to the Financial Statements (Contd.)

### 7. PROPERTY, PLANT & EQUIPMENT (Contd.)

**7.2** Freehold land and buildings were revalued in March 2001 to conform with the market values. These were assessed on a going concern basis by independent valuers, Messrs. A.Y. Daniel & Son. The resultant surplus was transferred to the revaluation reserve and included under capital reserves.

**7.3** Property, Plant & Equipment includes fully depreciated assets having gross carrying amount of Rs. 20,291,856/- (2002 - Rs. 19,735,239/-).

### 8. LONG TERM INVESTMENTS

#### Investments with Related Parties:

	No. of Shares	Cost as at 31st March 2003	Market Value/ Valuation as at 31st March 2003	No. of Shares	Cost as at 31st March 2002	Market Value/ Valuation as at 31st March 2002
<b>Investment in Unquoted Preference Shares</b>						
The Selinsing Co. Ltd. - 16.5% non-voting redeemable cumulative preference shares	2,300,000	23,000,000	23,000,000	-	-	-

The Company, in August 2002 invested Rs. 23 mn on the above preference shares, at Rs. 10/- per share. The dividend on this share is receivable bi-annually.

	Total as at 31st March 2003	Total as at 31st March 2002

### 9. TRADE AND OTHER RECEIVABLES

Trade debtors	794,696	3,224,457
Deposits, prepayments and other receivables	2,654,068	3,062,225
Loans given to Company Officers (Note 9.1)	67,508	120,707
	<b>3,516,272</b>	<b>6,407,389</b>

#### 9.1 Loans given to Company Officers

Balance as at the beginning of the year	120,707	88,748
Loans granted during the year	24,779	105,100
Recovered during the year	(77,978)	(73,141)
Balance as at the end of the year	<b>67,508</b>	<b>120,707</b>

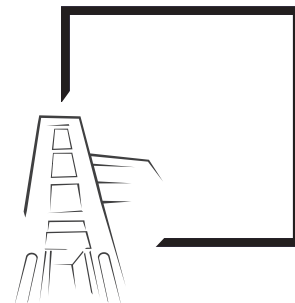
### 10. SHARE CAPITAL

#### Authorised

10,000,000 Ordinary Shares of Rs. 10/- each	100,000,000	100,000,000
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#### Issued and Fully Paid

6,203,343 Ordinary Shares of Rs. 10/- each	62,033,430	62,033,430
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	Total as at 31st March 2003	Total as at 31st March 2002
<b>II. CAPITAL RESERVES</b>		
Balance as at the beginning of the year	285,780,128	285,780,128
Net movement during the year	(1,682,488)	-
Balance as at the end of the year	284,097,640	285,780,128
<b>Represented by:</b>		
Revaluation reserve	270,861,648	272,544,136
Capital accretion reserve	157,955	157,955
Machinery replacement reserve	5,109,216	5,109,216
Other capital reserves	7,968,821	7,968,821
	284,097,640	285,780,128

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

#### II.1 Transfer from Revaluation Reserve

The revaluation surplus of Rs. 1,682,488/- (2002 - Rs. 1,682,488/-), realised by the use of assets has been transferred to retained earnings from the revaluation reserve. The amount of surplus realised is the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost.

	Total as at 31st March 2003	Total as at 31st March 2002
<b>12. REVENUE RESERVES</b>		
Balance as at the beginning of the year	535,899	475,954
Net movement during the year	6,951,997	59,945
Balance as at the end of the year	7,487,896	535,899
<b>Represented by:</b>		
General reserve	39,426	39,426
Retained profit	7,448,470	496,473
	7,487,896	535,899

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



## Notes to the Financial Statements (Contd.)

### 13. RENTAL AND OTHER DEPOSITS

	Rental Deposits	Telephone Deposits	Total as at 31st March 2003	Total as at 31st March 2002
Balance as at the beginning of the year	12,293,470	40,000	<b>12,333,470</b>	11,774,142
Receipts during the year	-	-	-	5,236,429
Refunds made during the year	-	-	-	(999,749)
Set-off during the year	(2,652,999)	-	<b>(2,652,999)</b>	(3,677,352)
	9,640,471	40,000	<b>9,680,471</b>	12,333,470
Set-off due within one year	-	-	-	(2,295,577)
Refunds/Set-offs due after one year	9,640,471	40,000	<b>9,680,471</b>	10,037,893

**13.1** The above rental and telephone deposits of Rs. 9,680,471/- will be repayable upon termination of the respective tenancy agreements.

	Total as at 31st March 2003	Total as at 31st March 2002

### 14. DEFERRED TAXATION

Balance as at the beginning of the year	<b>4,009,036</b>	4,507,592
Provision/(release made) during the year	<b>448,191</b>	(498,556)
Balance as at the end of year	<b>4,457,227</b>	4,009,036

### 15. RETIREMENT BENEFIT OBLIGATIONS

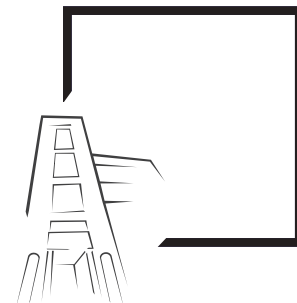
#### Retirement Benefit Cost - Gratuity

Balance as at the beginning of the year	<b>943,796</b>	846,314
Provision for the year	<b>317,121</b>	174,282
Payment made during the year	-	(76,800)
Balance as at the end of the year	<b>1,260,917</b>	943,796

The gratuity provision as at 31st March 2003 amounting to Rs. 1,260,917 is based on an Actuarial Valuation carried out as at 31st March 2003 by Messrs. Actuarial and 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.



	Total as at 31st March 2003	Total as at 31st March 2002
<b>16. TRADE AND OTHER PAYABLES</b>		
Rent advances due for set-off within one year (Note 13)	–	2,295,577
Accrued expenses and other payables	1,358,429	1,345,481
Unclaimed dividend	387,926	270,776
	<b>1,746,355</b>	<b>3,911,834</b>

**17. COMMITMENTS AND CONTINGENCIES****17.1 Capital Expenditure Commitments**

There were no material capital commitments as at the Balance Sheet date.

**17.2 Contingencies**

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

**18. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

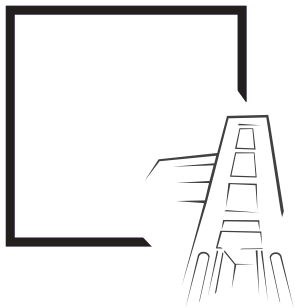
There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements.

**19. COMPARATIVE FIGURES**

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

**20. DIRECTORS' INTERESTS IN CONTRACTS**

Messrs. D.C.R. Gunawardena (appointed w.e.f. 8th August 2002 and appointed as Chairman w.e.f. 28th February 2003), R.F. Poulter (resigned w.e.f. 3rd February 2003), H. Selvanathan (resigned w.e.f. 1st November 2002), C. Wijenaikie (resigned w.e.f. 21st May 2002), S. Nagendra, K.C.N. Fernando, E.H. Wijenaikie (appointed w.e.f. 21st May 2002), and N. Ramaiah (Alternate to H. Selvanathan; ceased to be Alternate Director w.e.f. 1st November 2002), Directors of the Company have an interest in all or some of the transactions referred to in Note 21 to the financial statements. They either individually or indirectly have share ownership of companies forming part of the Carsons Group and/or hold Directorates in such related companies.



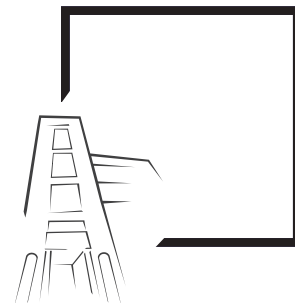
## Notes to the Financial Statements (Contd.)

### 21. RELATED PARTY TRANSACTIONS

Name of the Company	Name of Director	Nature of Transactions
<b>21.1</b> Union Assurance Ltd.	H. Selvanathan (resigned w.e.f. 1st November 2002) D.C.R. Gunawardena (appointed w.e.f. 8th August 2002)	Insurance premium amounting to Rs. 2,578,988 was paid to Union Assurance Ltd., during the current financial year.
<b>21.2</b> Carson Cumberbatch & Co. Ltd.	H. Selvanathan (resigned w.e.f. 1st November 2002) D.C.R. Gunawardena (appointed w.e.f. 8th August 2002)	Interest income amounting to Rs. 1,045,911 was received from Carson Cumberbatch & Company Ltd. during the year at interest rates ranging from 9% to 12% per annum.
<b>21.3</b> Carsons Management Services (Pvt) Ltd.	H. Selvanathan (resigned w.e.f. 1st November 2002) D.C.R. Gunawardena (appointed w.e.f. 8th August 2002) K.C.N. Fernando.	Management, Secretarial and Computer Charges paid to Carsons Management Services (Pvt) Ltd. amounted to Rs. 1,236,826/-, Rs. 75,312/- and Rs. 308,148/- respectively for the year.
<b>21.4</b> The Selinsing Co. Ltd.	H. Selvanathan (resigned w.e.f. 1st November 2002)	Dividend income amounting to Rs. 3,795,000/- arising out of the investment in 16.5% preference shares, was received during the current financial year.

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

# Five Year Summary



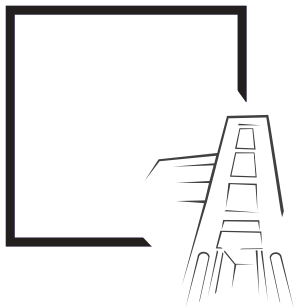
(All figures in the Five Year Summary are in Sri Lankan Rupees unless otherwise stated)

Year ended 31st March	2003	2002	2001	2000	1999	
<b>TRADING RESULTS</b>						
Revenue (Net)	<b>33,375,292</b>	30,824,224	27,559,576	32,693,513	28,289,650	
Profit from operations	<b>17,025,502</b>	12,626,297	14,985,395	18,816,512	14,164,669	
Taxation	<b>(5,552,650)</b>	(5,122,340)	(6,056,380)	(6,871,658)	(4,187,009)	
Profit after taxation	<b>11,472,852</b>	7,503,957	8,929,015	11,944,854	9,977,660	
<b>Shareholders' Funds</b>						
Ordinary share capital	<b>62,033,430</b>	62,033,430	62,033,430	62,033,430	62,033,430	
Reserves	<b>291,585,536</b>	286,316,027	286,256,082	149,831,182	149,672,680	
Shareholders' funds	<b>353,618,966</b>	348,349,457	348,289,512	211,864,612	211,706,110	
Dividend ***	<b>6,203,343</b>	7,444,012	9,925,349	11,786,352	9,925,349	
<b>Assets Employed</b>						
Current assets	<b>14,438,892</b>	37,265,019	36,991,415	39,329,170	34,268,730	
Current liabilities	<b>(1,746,355)</b>	(11,355,846)	(14,117,857)	(16,016,403)	(13,072,034)	
<b>Working capital</b>	<b>12,692,537</b>	25,909,173	22,873,558	23,312,767	21,196,696	
Non-current assets	<b>356,325,044</b>	337,431,009	339,966,576	202,626,002	206,966,048	
<b>Assets employed</b>	<b>369,017,581</b>	363,340,182	362,840,134	225,938,769	228,162,744	
Non-current liabilities	<b>(15,398,615)</b>	(14,990,725)	(14,550,622)	(14,074,157)	(16,456,634)	
<b>Net assets</b>	<b>353,618,966</b>	348,349,457	348,289,512	211,864,612	211,706,110	
<b>RATIOS AND STATISTICS</b>						
Dividend per share ***	(Rs.)	<b>2.00</b>	1.20	1.60	1.90	1.60
Rate of dividend ***	(%)	<b>20.00</b>	12.00	16.00	19.00	16.00
Dividend yield **	(%)	<b>13.6</b>	7.3	11.43	13.57	15.24
Return on shareholders' funds*	(%)	<b>3.24</b>	2.15	2.56	5.64	4.71
Earnings per share	(Rs.)	<b>1.85</b>	1.21	1.44	1.93	1.61
Market price per share **	(Rs.)	<b>14.75</b>	16.50	14.00	14.00	10.50
Earnings yield **	(%)	<b>12.54</b>	7.3	10.28	13.75	15.32
P/E ratio	(times)	<b>7.97</b>	13.6	9.72	7.27	6.53
Net assets per share	(Rs.)	<b>57.00</b>	56.16	56.15	34.15	34.13
Current ratio	(times)	<b>8.27</b>	3.28	2.62	2.46	2.62

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

\*\* Based on the market price per share as at 31st March.

\*\*\* An interim dividend of 10% on ordinary shares was paid in February 2003. The Directors have proposed a further dividend of 10% on ordinary shares as a final dividend for the period under review. The total outflow of dividend including the 10% proposed would amount to Rs. 12,406,686/- (2002 - Rs. 7,444,012/-), a dividend per share of Rs. 2.00 (2002 - Rs. 1.20).



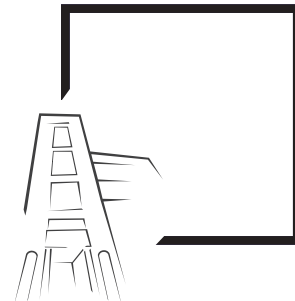
# Statement of Value Added

*(All figures in the Statement of Value Added are in Sri Lankan Rupees unless otherwise stated)*

<i>For the year ended 31st March</i>	<b>2003</b>		2002	
Revenue (Net)	<b>33,375,292</b>		30,824,224	
Other income	<b>4,853,298</b>		2,725,617	
	<b>38,228,590</b>		33,549,841	
Cost of material and services bought from outside	<b>(11,689,886)</b>		(10,890,892)	
Value added	<b>26,538,704</b>		22,658,949	
<b>Distributed as follows:</b>		<b>%</b>		<b>%</b>
To employees				
as Remuneration	<b>4,986,447</b>	<b>18.79</b>	4,168,545	18.40
To government				
as Taxation	<b>5,104,459</b>	<b>19.23</b>	5,620,896	24.81
To providers of capital				
as Dividend	<b>6,203,343</b>	<b>23.37</b>	7,444,012	32.85
Retained in the business				
as Deferred Taxation	<b>448,191</b>	<b>1.69</b>	(498,556)	(2.20)
as Depreciation	<b>4,526,755</b>	<b>17.06</b>	5,864,107	25.88
as Retained Profits	<b>5,269,509</b>	<b>19.86</b>	59,945	0.26
	<b>26,538,704</b>	<b>100.00</b>	22,658,949	100.00

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

# Form of Proxy



\*I/We .....  
of .....

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

Mr. Don Chandima Rajakaruna Gunawardena	of Colombo, or failing him,
Mr. Sega Nagendra	of Colombo, or failing him,
Mr. Kurukulasuriya Calisanctus Nalake Fernando	of Colombo, or failing him,
Mr. Eranjith Harendra Wijenaik	of Colombo, or failing him,

.....  
of.....

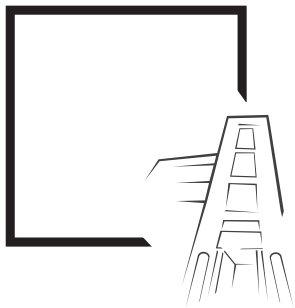
as \*my/our proxy to\*\* .....vote as indicated hereunder for \*me/us on \*my/our behalf at the Annual General Meeting of the Company to be held on Wednesday the 21st day of May 2003 at 9.00 a.m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7 and at any adjournment thereof, and at every poll 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 2003 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
(ii) To declare a final dividend of 10% for the financial year ended 31st March 2003 as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
(iii) To re-elect Mr. K.C.N. Fernando who retires in terms of Articles 98 & 99 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(iv) To re-elect Mr. E.H. Wijenaik who retires in terms of Article 103 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(v) To re-elect Mr. D.C.R. Gunawardena who retires in terms of Article 103 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(vi) To re-appoint as Auditors, Messrs. KPMG Ford, Rhodes, Thornton & Co. and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....  
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.



## **Form of Proxy**

### **INSTRUCTIONS AS TO COMPLETION**

1. Kindly perfect the form of proxy after filling in legibly your full name and address, and signing in the space provided. Please fill in the date of signature.
2. A proxy need not be a member of the Company.
3. If the shareholder is a Company or Body Corporate the form of proxy should be executed under its Articles of Association or Constitution.
4. If the form of proxy is signed by an Attorney, the relative Power of Attorney should also accompany the completed form of proxy, if it has not already been registered with the Company.
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 01, not later than 9.00 a.m. on 19th May 2003.





