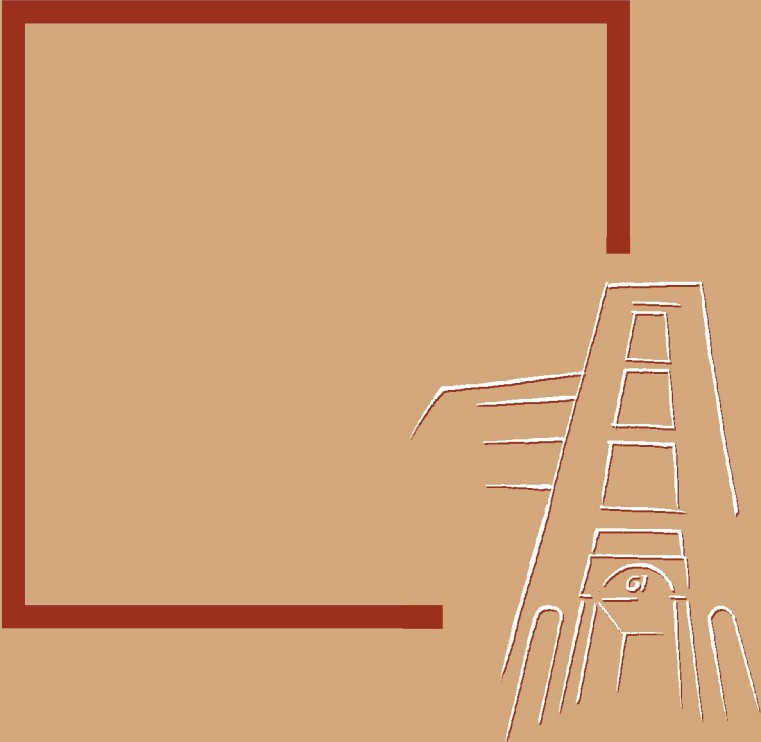


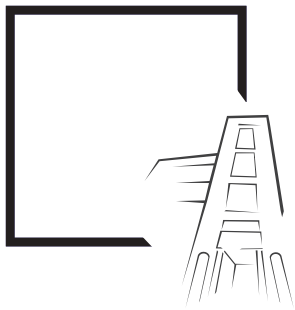
Equity **Two** Limited



ANNUAL REPORT 2002/2003

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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*)
(*appointed as Chairman w.e.f. 30th January 2003*)
N. Ramaiah
P.C.P. Tissera (*appointed w.e.f. 8th August 2002*)
K.C.N. Fernando (*appointed w.e.f. 8th August 2002*)
H. Selvanathan (*resigned w.e.f. 1st November 2002*)
M. Selvanathan (*resigned w.e.f. 1st November 2002*)

ALTERNATE DIRECTORS

K.C.N. Fernando (*Ceased to be the alternate Director to H. Selvanathan w.e.f. 1st November 2002 and appointed as alternate Director to P.C.P. Tissera w.e.f. 23rd January 2003*).
I. Paulraj (*for N. Ramaiah*)

PLACE OF BUSINESS

No. 61, Janadhipathi Mawatha,
Colombo 1.

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.

MANAGERS & SECRETARIES

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

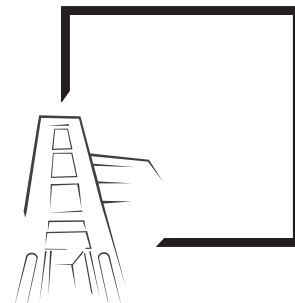
REGISTERED OFFICE

No. 61, Janadhipathi Mawatha,
Colombo 1.

CORPORATE WEBSITE

www.carsoncumberbatch.com

Notice of Meeting



NOTICE IS HEREBY GIVEN that the THIRTEENTH ANNUAL GENERAL MEETING of the Company will be held at 9.30 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 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 re-elect Mr. P.C.P. Tissera who retires in terms of Article 94 of the Articles of Association of the Company.
- (4) To appoint Auditors and to authorise the Directors to determine their remuneration.

Note:

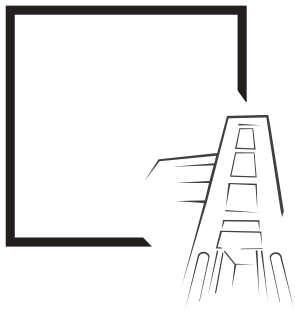
1. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A form of proxy accompanies this notice.
2. The completed form of proxy must be deposited at the Registered Office, No. 61, Janadhipathi Mawatha, Colombo 1 not later than 9.30 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.

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 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 2003 was Rs. 9.00 per share (2002 - Rs. 5.75).

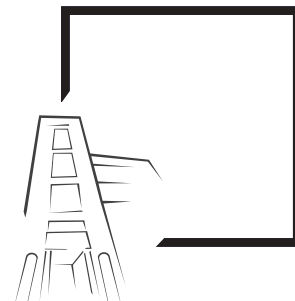
3. ORDINARY SHAREHOLDERS

<i>As at 31st March</i>	2003	2002
No. of Shareholders	3,153	3,340

The number of shares held by non-residents as at 31st March 2003 was 131,500 which amounts to 2.13% 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	2,971	471,895	7.61	3	1,600	0.03	2,974	473,495	7.64
1,001 - 5,000	133	321,400	5.18	1	4,200	0.07	134	325,600	5.25
5,001 - 10,000	24	208,000	3.35	-	-	-	24	208,000	3.35
10,001 - 50,000	11	235,800	3.80	1	19,800	0.32	12	255,600	4.12
50,001 - 100,000	4	285,800	4.61	-	-	-	4	285,800	4.61
100,001 - 500,000	3	673,400	10.86	1	105,900	1.71	4	779,300	12.57
500,001 - 1,000,000	-	-	-	-	-	-	-	-	-
Above 1,000,000	1	3,872,205	62.46	-	-	-	1	3,872,205	62.46
Total	3,147	6,068,500	97.87	6	131,500	2.13	3,153	6,200,000	100.00

Categories of Shareholders	Total No. of Shareholders	No. of Shares	%
Institutions	51	4,470,035	72.10
Individuals	3,102	1,729,965	27.90
Total	3,153	6,200,000	100.00



4. SUBSTANTIAL SHAREHOLDINGS

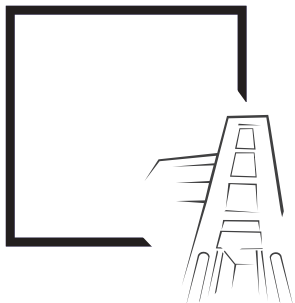
Name of Shareholder	2003		2002	
	No. of Shares	%	No. of Shares	%
The Shalimar (Malay) Estate Co. Ltd.	3,872,205	62.46	3,872,205	62.46
Mr. J.R. De Silva	352,300	5.68	-	-
Bank of Ceylon A/c Ceybank Unit Trust	208,000	3.35	207,500	3.35
Dr. T. Senthilvel	113,100	1.82	108,700	1.75
Thurston Investments Ltd.	105,900	1.71	105,900	1.71
Miss L.K. Goonewardene	85,500	1.37	-	-
Miss J. Aloysis	79,500	1.28	79,500	1.28
Central Finance Co. Ltd. A/c No. 2	70,000	1.13	70,000	1.13
Ceylon Finance & Securities Ltd.	50,800	0.81	70,000	1.13
Mr. A.M. Joseph	50,000	0.81	50,000	0.81
Mr. P. Arunachalam	24,100	0.38	23,000	0.37
Mr. A.V.S. Wijegunawardene	22,900	0.36	500	0.00
Waldock Mackenzie Ltd./Mrs. G. Soysa	22,400	0.36	29,900	0.48
Mr. A. Lukmanjee	20,200	0.33	20,200	0.33
Mr. K. Aloysius	20,000	0.33	20,000	0.32
Dr. Curt Alois Twerenrold	19,800	0.31	19,800	0.31
Mr. A.C.E. Wijesuriya & Mrs. F.E.R.E. Wijesuriya	17,000	0.27	14,500	0.22
Mr. P.L. Jinadasa	15,900	0.25	15,900	0.25
Mrs. J. Aloysius	15,900	0.25	15,900	0.25
Cocoshell Activated Carbon Co. Ltd.	15,000	0.24	15,000	0.24

5. MARKET PERFORMANCE - ORDINARY SHARES

<i>For the year ended 31st March</i>	2003	2002
Highest (Rs.)	13.00	7.50
Lowest (Rs.)	5.00	4.00
Volume traded (Nos.)	666,900	1,408,700
Value (Rs.)	6,258,475	9,071,575
No. of transactions	522	357

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. 55,800,000/- as at 31st March 2003 (as at 31st March 2002 - Rs. 35,650,000/-).



7. 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.

8. VALUE OF PROPERTY

Location	Extent (in acres)	Historical Cost Rs.'000	Market Value Rs.'000	Date of Valuation
Colombo	0.18	102,919	290,082	10th March 2001

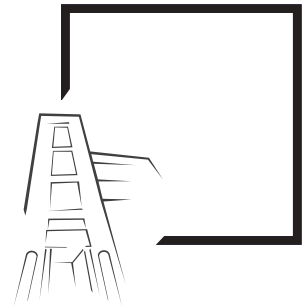
9. NUMBER OF EMPLOYEES

The number of employees at the end of the year was 5 (2002 - 5).

10. PERCENTAGE OF PUBLIC HOLDINGS

Percentage of issued share capital held by public as at 31st March 2003, was 34.68% (2002 - 34.37%).

Chairman's Statement to Shareholders



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

With the construction sector contracting during the year, the real estate market did not perform to its full potential. Market trends indicated stagnant rentals, with many commercial properties in Colombo having excess space to let. However with economic activity increasing in the country, the future of the real estate sector looks promising.

Even though the Company is located in a prime area of the city it is difficult to attract tenants to occupy vacant areas as well as to command premium rentals due to the lack of accessibility. We are encouraged by the decision taken by authorities to open several main roads within the city and we are hopeful that the authorities will reconsider opening a further section of Janadhipathi Mawatha for normal traffic as inaccessibility continues to pose a problem to our business.

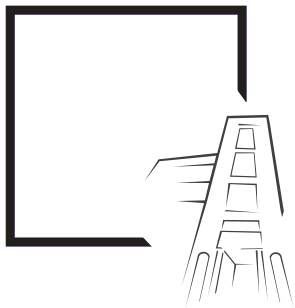
The Company registered a turnover of Rs. 6.9 mn in the financial year under review, a 33.3% decrease when compared to the corresponding period last year. Pre-tax loss was Rs. 6.6 mn, a 28% increase when compared to the previous year. These figures do not do justice to the real value of your Company's property which is located in the heart of the business district.

I take this opportunity to thank Mr. M. Selvanathan and Mr. H. Selvanathan who resigned from the Board with effect from 1st November 2002, for their invaluable advice and contribution given at all times.

In conclusion, I 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 face the challenges posed by the difficult market conditions and low marketability of this property. 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

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 commercial properties in Colombo have seen rentals fall during the year due to excess supply and reduced demand. 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.

PERFORMANCE OF THE COMPANY

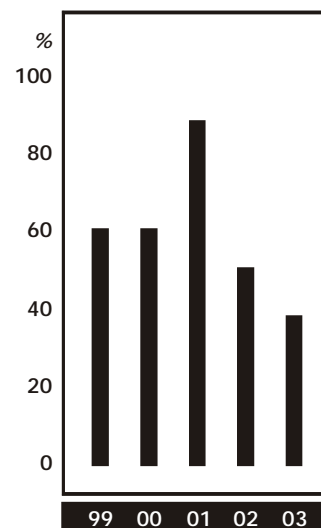
The occupancy level at Equity Two remained at 39% with Carsons Management Services (Pvt) Ltd. being the only occupant. However the management continues to focus on providing a high quality service to tenants and engages in continuous upgrading to the building in order to maintain its marketability.

Even though we were encouraged by the decision taken by the authorities to open several main roads within the city, the closure of a key access road to Fort, Janadhipathi Mawatha, continues to pose a problem to our business. We would urge the authorities to reconsider opening a further section of this road for normal traffic as our business has now long been affected due to the closure of the road. The shareholders of Equity Two Ltd. have

long suffered from negative returns and are faced with the threat of accumulating losses due to the non-marketability of the property.

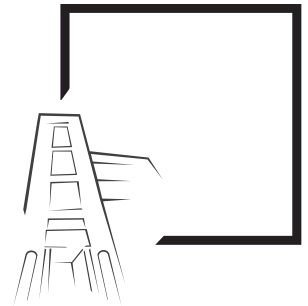
Though the Company is located in a prime area in Colombo it is difficult to attract tenants to occupy the vacant areas as well as to command premium rentals, due to this issue of inaccessibility.

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

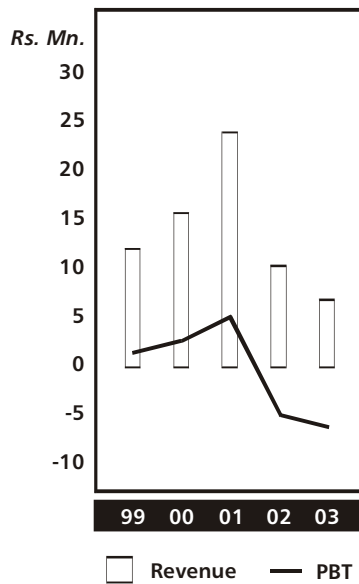


REVENUE

Despite the market conditions and accessibility problems the Company registered a revenue of Rs. 6.9 mn in the financial year under review, a 33% decrease when compared to the corresponding period last year.



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



FUTURE FOCUS

The Company continues to face competition within the market mainly due to lack of demand and excess supply. We are hopeful that the authorities will reconsider our requests to open Janadhipathi Mawatha, giving due regard to the security needs of this area, in order for the Company to be competitive within the industry, as accessibility would make a significant difference to the marketability of the Company.

The Sri Lankan property business has great potential, and with proper attention from the government authorities and private sector participation, it can be developed to its full potential. With the industry predicted to post a better growth during 2003, we are hopeful that it will enhance the performance of your Company.

OPERATING PROFIT AND TAXATION

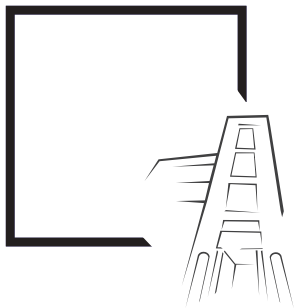
The Company recorded a pre-tax loss of Rs. 6.6 mn for the financial year under review, a 28% increase when compared to the previous year. Cost structures were managed efficiently in order to manage the impact on the accumulated losses.

Our appeal to re-structure the existing long term loans has been approved by relevant authorities, and we have been able to obtain favourable concessions.

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 Two Ltd., a BOI approved 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.
Loss for the year after taxation	(5,675,514)	(5,615,258)
Retained profit/(Accumulated loss) b/f	(4,070,274)	249,060
Transfers from		
Revaluation reserve	1,295,924	1,295,924
Accumulated loss c/f	(8,449,864)	(4,070,274)

RESERVES

As at 31st March 2003, the Company's total reserves stood at Rs. 203.53 mn (2002 - Rs. 209.2 mn) comprising capital reserves of Rs. 211.98 mn and a revenue reserve of Rs. (8.45) mn. The movements are set out in the Statement of Changes in Equity and Note 10 to the financial statements.

CAPITAL EXPENDITURE

The total expenditure on purchase/construction of property, plant & equipment during the year amounted to Rs. 0.029 mn (2002 - Rs. 0.76 mn). The movements are set out in Note 7 to the financial statements.

VALUE OF PROPERTIES

The Company's property shown in the financial statements carries a market value of Rs. 290.1 mn, based on a valuation carried out by a Qualified Independent Valuer on 10th March 2001.

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 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

No dividend was declared in view of the current year and brought forward losses.

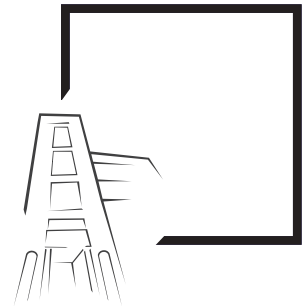
DIRECTORATE

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

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

Mr. P.C.P. Tissera and Mr. K.C.N. Fernando were appointed to the Board with effect from 8th August 2002 and in terms of Article 94 of the Articles of Association of the Company, Mr. P.C.P. Tissera retires from the Board, but being eligible offers himself for re-election.

Mr. K.C.N. Fernando ceased to be the alternate Director to Mr. H. Selvanathan w.e.f. 1st November 2002, and was appointed as alternate Director to Mr. P. C. P. Tissera w.e.f. 23rd January 2003.



Mr. H. Selvanathan and Mr. M. Selvanathan resigned as Directors of the Company w.e.f. 1st November 2002.

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 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:

<i>As at 31st March</i>	2003	2002
	No. of	No. of
	Shares	Shares

DIRECTORS

D.C.R. Gunawardena	9,300	9,300
N. Ramaiah	10	10
P.C.P. Tissera (<i>appointed with effect from 8.8.2002</i>)	-	-
K.C.N. Fernando (<i>appointed with effect from 8.8.2002</i>)	3,600	3,600
H. Selvanathan (<i>resigned w.e.f. 1.11.2002</i>)	500	500
M. Selvanathan (<i>resigned w.e.f. 1.11.2002</i>)	500	500

ALTERNATE DIRECTORS

I. Paulraj (<i>alternate to N. Ramaiah</i>)	10,200	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.

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 3,153 Shareholders (2002 - 3,340) whose holdings are indicated in Note 3 of the Information to Shareholders and Investors.

SHARE INFORMATION

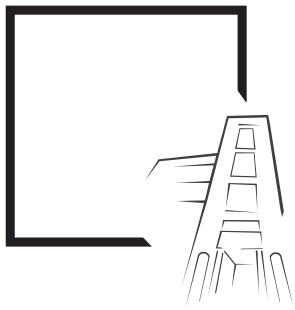
Information relating to earnings, dividend, net assets and market price per share is given on page 31 to the Annual Report. Information on share trading is given on page 5 of the Annual Report.

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 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.

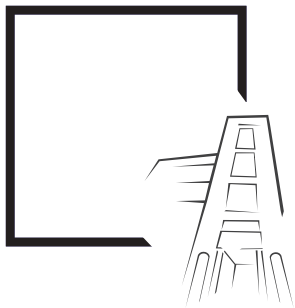
The Directors are also of the view that they have discharged their responsibilities as set out in this statement.

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

Colombo,
24th April 2003

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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 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 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 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 2003, and of its loss, changes in equity and cash flow for the year then ended.

Directors' Interests in Contracts with the Company

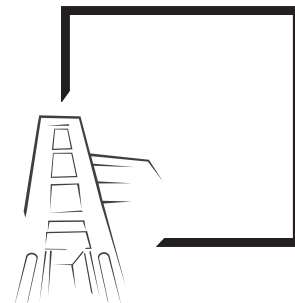
According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31st March 2003 except as stated in Note 20 to these financial statements.

(Sgd.)

KPMG Ford, Rhodes, Thornton & Company
Chartered Accountants

Colombo,
24th April 2003

Income Statement

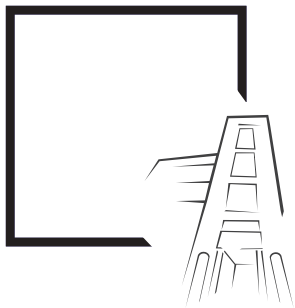


(All figures are in Sri Lankan Rupees)

<i>For the year ended 31st March</i>	Note	2003	2002
Revenue	1	6,924,960	10,399,998
Direct operating cost		(9,265,639)	(8,967,016)
		(2,340,679)	1,432,982
Other operating income	2	33,268	231,147
		(2,307,411)	1,664,129
Administrative expenses		(2,837,621)	(3,751,036)
Loss from operations	3	(5,145,032)	(2,086,907)
Finance cost	4	(1,415,048)	(3,026,137)
Loss before taxation		(6,560,080)	(5,113,044)
Taxation	5	884,566	(502,214)
Loss for the year after taxation		(5,675,514)	(5,615,258)
Retained profit/(Accumulated loss) brought forward		(4,070,274)	249,060
Transferred from revaluation reserve	10.1	1,295,924	1,295,924
Accumulated loss carried forward		(8,449,864)	(4,070,274)
Earnings per share	6	(0.92)	(0.91)

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

Figures in brackets indicate deductions.



Balance Sheet

(All figures are in Sri Lankan Rupees)

As at 31st March	Note	2003	2002
ASSETS			
Non-current Assets			
Property, plant & equipment	7	295,622,856	300,370,043
Current Assets			
Trade and other receivables	8	3,766,626	3,937,381
Tax recoverable/credit		3,472,006	3,472,006
Cash at bank and in hand		262,157	1,538,951
		7,500,789	8,948,338
Total Assets		303,123,645	309,318,381
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	9	62,000,000	62,000,000
Capital reserves	10	211,984,001	213,279,925
Accumulated loss		(8,449,864)	(4,070,274)
Total Equity		265,534,137	271,209,651
Non-Current Liabilities			
Long-term borrowings	11	23,960,000	21,548,000
Deferred taxation	13	-	884,566
Retirement benefit obligations	14	530,028	357,013
		24,490,028	22,789,579
Current Liabilities			
Trade and other payables	15	1,265,846	4,028,507
Amounts due to related companies	16	11,833,634	8,074,644
Long-term borrowings due within one year	11	-	3,216,000
		13,099,480	15,319,151
Total Equity and Liabilities		303,123,645	309,318,381
Net assets per share		42.83	43.74

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

The Accounting Policies and Notes from page 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,

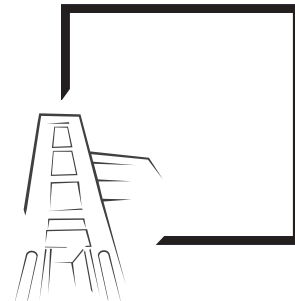
(Sgd.)
P.C.P. Tissera
Director

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

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

Carsons Management Services (Pvt) Ltd.
Colombo,
24th April 2003

Statement of Changes in Equity



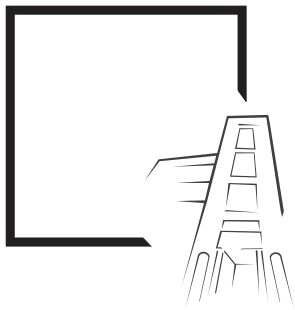
(All figures are in Sri Lankan Rupees)

Year ended 31st March 2003

	Note	Share Capital	Share Premium	Machinery Replacement Reserve	Revaluation Reserve	Retained Profit/ (Accumulated Loss)	Total Equity
Balance as at 1st April 2001		62,000,000	34,892,098	750,000	178,933,751	249,060	276,824,909
Net profit/(loss) for the year		-	-	-	-	(5,615,258)	(5,615,258)
Transfers		-	-	-	(1,295,924)	1,295,924	-
Balance as at 31st March 2002		62,000,000	34,892,098	750,000	177,637,827	(4,070,274)	271,209,651
Balance as at 1st April 2002	9 & 10	62,000,000	34,892,098	750,000	177,637,827	(4,070,274)	271,209,651
Net loss for the year		-	-	-	-	(5,675,514)	(5,675,514)
Transfers	10.1	-	-	-	(1,295,924)	1,295,924	-
Balance as at 31st March 2003	9 & 10	62,000,000	34,892,098	750,000	176,341,903	(8,449,864)	265,534,137

The Accounting Policies and Notes from page 19 to 30 form an integral part of the 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
Cash flows from operating activities			
Loss before taxation		(6,560,080)	(5,113,044)
<i>Adjustments for:</i>			
Finance cost	4	1,415,048	3,026,137
Depreciation on property, plant & equipment	7	4,775,965	4,745,321
Interest income	2	-	(204,493)
Loss on disposal of property, plant & equipment		-	67,361
Provision for Gratuity	14	173,015	72,033
Operating profit/(loss) before working capital changes		(196,052)	2,593,315
Decrease in trade and other receivables		170,755	1,805,313
Increase in amounts due to related companies		3,758,990	8,074,644
Increase/(Decrease) in trade and other payables		423,100	(366,086)
		4,156,793	12,107,186
Rental deposits refunded		(3,185,761)	(3,591,493)
Cash generated from operations		971,032	8,515,693
Finance cost paid	4	(1,415,048)	(3,026,137)
Income tax paid		-	(3,389,860)
Net cash generated from/(used in) operating activities		(444,016)	2,099,696
Cash flows from investing activities			
Proceeds from disposal of property, plant & equipment		-	88,889
Purchase of property, plant & equipment	7	(28,778)	(756,000)
Interest received	2	-	204,493
Net cash generated from/(used in) investing activities		(28,778)	(462,618)
Cash flows from financing activities			
Dividend paid		-	(3,654,652)
Loans paid during the year	11	(804,000)	(3,216,000)
Net cash used in financing activities		(804,000)	(6,870,652)
Net decrease in cash and cash equivalents		(1,276,794)	(5,233,574)
Cash and cash equivalents at the beginning of the year		1,538,951	6,772,525
Cash and cash equivalents at the end of the year (Note A)		262,157	1,538,951

Note A

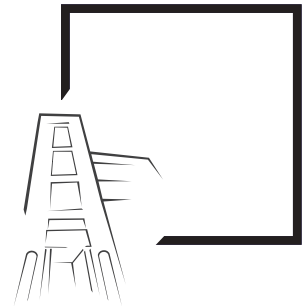
CASH AND CASH EQUIVALENTS

Cash at bank and in hand	262,157	1,538,951
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The Accounting Policies and Notes from page 19 to 30 form an integral part of the 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 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.

1.2 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 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.

1.3 Borrowing Cost

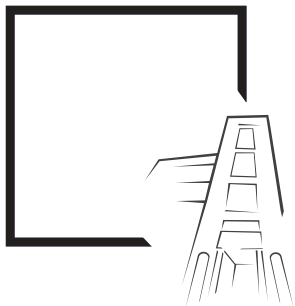
Borrowing costs are recognised as an expense in the period in which they are incurred, except those that are directly attributable to the development/ construction of property, plant & equipment which are capitalised as part of the cost of the asset during the period of construction/development.

1.4 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 revaluations 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 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.

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.

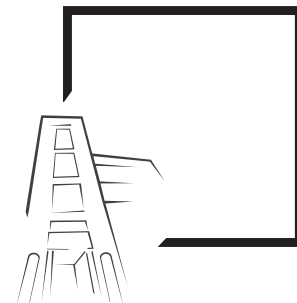
2.2 Trade and Other Receivables

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

2.3 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 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 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 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 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. Contributions to the defined contribution plans are recognised as an expense in the Statement of Income when incurred.

3.2 Capital Commitments & Contingent Liabilities

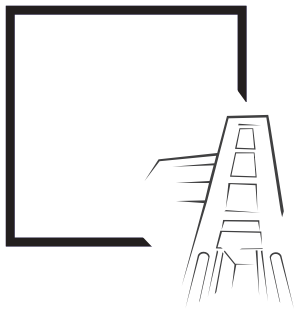
Capital commitments and contingencies, which exist as at the Balance Sheet date, are disclosed in the respective Notes to the financial statements.

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.



Significant Accounting Policies (Contd.)

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.

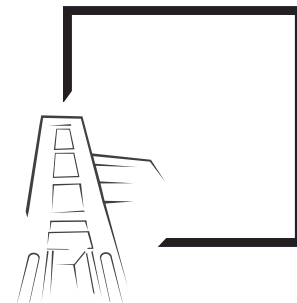
5. RELATED PARTY TRANSACTIONS

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

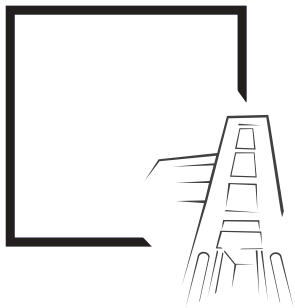
A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business Segment) or in providing products or Service within a particular economic environment (Geographical Segment) which is subject to risk and rewards that are different from those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

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
1. REVENUE		
1.1 Summary		
Revenue - Rental Income	8,317,362	12,615,579
Less: Goods and Services Tax/Value Added Tax	(1,211,868)	(1,299,999)
National Security Levy	(180,534)	(915,582)
Net revenue	6,924,960	10,399,998
1.2		
The occupancy of the building dropped to 39% from July 2001 with its major tenant, The Central Bank relocating itself in its own building, causing a significant drop in the Company's revenue. The Directors are aware of the fact that sourcing a new tenant with comparable terms is difficult in the short term given the unfavourable conditions faced by property developers in this part of the city. However, the Directors are confident that in the long term the proposed plans by the government to relax the security constraints coupled with the steps taken to improve infrastructure within Colombo would boost business activities, thus enhance property values which in turn will enable the Company to secure tenants at premium rates.		
2. OTHER OPERATING INCOME		
Interest income received from related companies	-	204,493
Sundry income	33,268	26,654
	33,268	231,147
3. LOSS FROM OPERATIONS		
Loss from operations is stated after charging all expenses including the following:		
Auditors' remuneration	37,103	25,300
Depreciation	4,775,965	4,745,321
Management and Secretarial fees	689,519	1,382,394
Personnel costs (Note 3.1)	2,088,745	1,470,044
Loss on disposal of property, plant & equipment	-	67,361
Donations	-	25,000
3.1 Personnel Costs		
Salaries, wages, and other related expenses	1,703,339	1,232,392
Defined benefit plan cost - Gratuity	173,015	72,033
Defined contribution plan cost - EPF and ETF	212,391	165,619
	2,088,745	1,470,044
The above include:		
Directors' emoluments	-	-
Directors' fees	-	20,000
	-	20,000



Notes to the Financial Statements (Contd.)

	31st March 2003	31st March 2002
4. FINANCE COST		
Interest expense - on borrowings from external sources	245,140	2,621,520
Interest expense - on borrowings from related companies	1,169,908	404,617
	1,415,048	3,026,137

5. TAXATION

5.1 Current Income Tax

Current tax expense on ordinary activities for the year (Note 5.2)	-	-
Under/(over) provision in respect of previous years	-	(69,505)
	-	(69,505)

Deferred Taxation

Charge/(release made) during the year (5.3)	(884,566)	571,719
	(884,566)	502,214

5.2 In terms of the provisions of the Inland Revenue Act No. 38 of 2000, as amended, the operating results of the Company is liable to income tax at 35%. However in view of the tax loss, no provision in respect of Income Tax has been made in the financial statements.

5.2.1 Reconciliation between the Accounting loss and the Tax Loss

Accounting loss for the year	(6,560,080)	(5,113,044)
Aggregate disallowable items	4,969,178	5,125,152
Aggregate allowable credits	(5,380,556)	(6,964,055)
Tax loss for the year	(6,971,459)	(6,951,947)
Tax loss brought forward	(6,951,947)	-
Tax loss carried forward	(13,923,406)	(6,951,947)

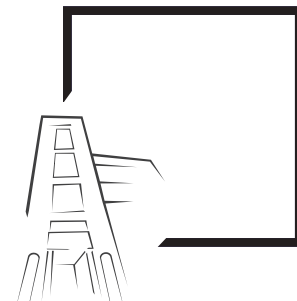
5.3 The existing deferred tax provision as at 1st April 2002, has been released in full against the Income Statement, in view of the brought forward and the carry forward Income Tax loss (Note 13)

5.4 In terms of Section 42(1) of the Inland Revenue Act, No. 38 of 2000 the Company is entitled to a 5% tax credit.

5.5 Deferred Tax for the previous year has been computed using the effective tax rate of 30%.

6. EARNINGS PER SHARE

Earnings Per Share of Rs. (0.92) [2002 - Rs. (0.91)] is calculated on the loss after taxation over the number of ordinary shares in issue as at the Balance Sheet date.



6. EARNINGS PER SHARE (Contd.)

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

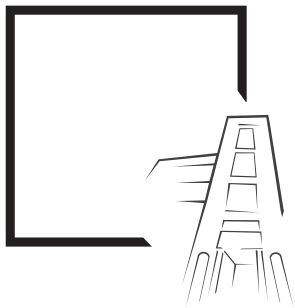
	31st March 2003	31st March 2002
Amount used as the Numerator		
Loss for the year after taxation	(5,675,514)	(5,615,258)
Number of ordinary shares used as the Denominator	6,200,000	6,200,000
Earnings Per Share (Rs.)	(0.92)	(0.91)

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
Cost/Valuation							
Balance as at the beginning of the year	85,530,000	204,552,100	21,555,289	2,884,545	760,200	315,282,134	315,151,134
Additions	-	-	28,778	-	-	28,778	756,000
Disposals	-	-	-	-	-	-	(625,000)
Balance as at the end of the year	85,530,000	204,552,100	21,584,067	2,884,545	760,200	315,310,912	315,282,134
Depreciation							
Balance as at the beginning of the year	-	2,147,186	11,632,680	1,128,025	4,200	14,912,091	10,635,520
Charge for the year	-	2,147,186	2,155,527	284,252	189,000	4,775,965	4,745,321
Disposals	-	-	-	-	-	-	(468,750)
Balance as at the end of the year	-	4,294,372	13,788,207	1,412,277	193,200	19,688,056	14,912,091
Net Book Value							
As at 31st March 2003	85,530,000	200,257,728	7,795,860	1,472,268	567,000	295,622,856	
As at 31st March 2002	85,530,000	202,404,914	9,922,609	1,756,520	756,000		300,370,043

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

	Land	Buildings
Carrying value of revalued assets if carried at historical cost		
Cost	17,793,400	85,126,244
Accumulated depreciation	-	(6,523,546)
	17,793,400	78,602,698



7. PROPERTY, PLANT & EQUIPMENT (Contd.)

7.2 Initially freehold land and buildings were revalued by professional, independent valuers Messrs. A.Y Daniel & Son and the revalued amounts were accounted as at 31st March 1994. The surplus arising on revaluation has been transferred to revaluation reserve and the portion relevant to the building has been utilised for the write off of assets damaged by the bomb explosion.

7.3 During the year 1998/99 freehold land and building were written up in the books again to conform with the market values as at 31st March 1999, which was assessed on a going concern basis by Messrs. A.Y Daniel & Son. The resultant surplus was transferred to the revaluation reserve and included under capital reserves.

A further revaluation was carried out on the freehold land and building by Messrs. A.Y. Daniel & Son during the financial year 2000/2001 and were written up in the books to conform with the market values as at 31st March 2001. The resultant surplus was transferred to the revaluation reserve and included under capital reserves.

7.4 Property, Plant & Equipment includes fully depreciated assets having a gross carrying amount of Rs. 46,222/- (2002 - Rs. 46,222/-).

	Total as at 31st March 2003	Total as at 31st March 2002
8. TRADE AND OTHER RECEIVABLES		
Trade debtors - external	-	424,028
- related parties	205,918	199,465
Deposits, prepayments and other receivables	3,488,564	3,198,369
Loans given to Company Officers (Note 8.1)	72,144	115,519
	3,766,626	3,937,381

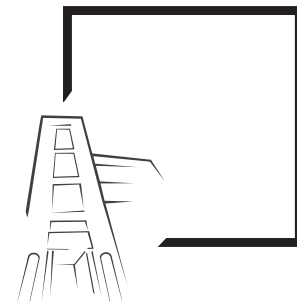
8.1 Loans given to Company Officers

Balance as at the beginning of the year	115,519	86,325
Loans granted during the year	102,106	110,300
Recovered during the year	(145,481)	(81,106)
Balance as at the end of the year	72,144	115,519

9. SHARE CAPITAL

Authorised

10,000,000 Ordinary Shares of Rs. 10/- each	100,000,000	100,000,000
Issued and Fully Paid		
6,200,000 Ordinary Shares of Rs. 10/- each	62,000,000	62,000,000



	Total as at 31st March 2003	Total as at 31st March 2002
10. CAPITAL RESERVES		
Balance as at the beginning of the year	213,279,925	214,575,849
Net movement during the year	(1,295,924)	(1,295,924)
Balance as at the end of the year	211,984,001	213,279,925
Represented by:		
Revaluation reserve	176,341,903	177,637,827
Machinery replacement reserve	750,000	750,000
Share premium	34,892,098	34,892,098
	211,984,001	213,279,925

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

10.1 Transfer from Revaluation Reserve

The revaluation surplus of Rs. 1,295,924/- (2002 - Rs. 1,295,924/-) 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.

11. LONG TERM BORROWINGS

Bank borrowings - Bank of Ceylon

Balance at the beginning of the year	24,764,000	27,980,000
Less: Payments made during the year	(804,000)	(3,216,000)
Balance as at the end of the year	23,960,000	24,764,000
Less : Instalments falling due within one year	-	(3,216,000)
Instalments falling due after one year	23,960,000	21,548,000

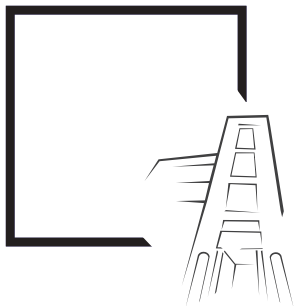
11.1 A term loan of Rs. 32 mn was obtained through the Bank of Ceylon during the financial year ended 31st March 1998. The loan, repayable in ten years, after a grace period of two years, carried an interest of 7% per annum in the first year and 8.5% per annum thereafter. The interest is inclusive of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

This loan was rescheduled during the current financial year (in June), with the following concessions being awarded to the Company.

- To extend the two year grace period to five years from the date of grant, with no extension to the loan repayment period.
- To reduce the interest rate from 8.5% to 2% p.a. w.e.f. 7th January 2002. A commitment fee of 1% will be charged in addition to 2% interest during the grace period.

The capital already paid on this loan will be set off against the instalments falling due after the expiry of the grace period, and the interest overpaid will be set off against future interest falling due.

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



12. 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	3,007,923	177,838	3,185,761	6,777,254
Refunds made during the year	(3,007,923)	(177,838)	(3,185,761)	(3,591,493)
Balance as at the end of the year	-	-	-	3,185,761
Refunds due within one year	-	-	-	(3,185,761)
Refunds falling due after one year	-	-	-	-

12.1 These deposits, refundable in total to Central Bank of Sri Lanka, was released in full this year with the payment falling due with the Central Bank vacating the building in June 2001.

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

13. DEFERRED TAXATION

Balance as at the beginning of the year	884,566	312,847
Provision/(release made) during the year	(884,566)	571,719
Balance as at the end of the year	-	884,566

The existing deferred tax provision has been released in full against the Income Statement in view of the carry forward income tax loss.

	2003	2002
Timing differences as at the end of the year	6,193,109	3,305,567
Less: Gratuity provision as at the end of the year	(530,028)	(357,013)
Tax loss carried forward (Note 5.3.1)	(13,923,406)	(6,951,947)
Effective timing differences	(8,260,325)	(4,003,393)

14. RETIREMENT BENEFIT OBLIGATION

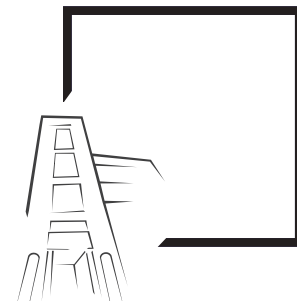
Retirement Benefit Cost - Gratuity

Balance as at the beginning of the year	357,013	284,980
Provision for the year	173,015	72,033
Balance as at the end of the year	530,028	357,013

The gratuity provision as at 31st March 2003 amounting to Rs. 530,028/- is made based on an actuarial valuation carried out as at 31st March 2003 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.



	Total as at 31st March 2003	Total as at 31st March 2002
15. TRADE AND OTHER PAYABLES		
Unclaimed dividend	297,990	301,750
Provisions, accruals and other payables	967,856	540,996
Rental and other deposits refundable within one year (Note 12)	-	3,185,761
	1,265,846	4,028,507
16. AMOUNTS DUE TO RELATED COMPANIES		
Carsons Management Services (Pvt) Ltd.	-	1,610,918
Carson Cumberbatch & Co. Ltd.	11,833,634	6,463,726
	11,833,634	8,074,644

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

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

17.2 Contingent Liabilities

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

18. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

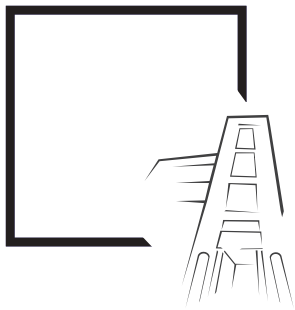
Subsequent to the Balance Sheet date, no circumstances have arisen which required adjustments to or disclosure in the financial statements.

19. COMPARATIVE FIGURES

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

20. DIRECTORS' INTERESTS IN CONTRACTS

Messrs. D.C.R. Gunawardena (appointed as Chairman w.e.f. 30th January 2003), N. Ramaiah, P.C.P. Tissera (appointed w.e.f. 8th August 2002), K.C.N. Fernando (appointed w.e.f. 8th August 2002), H. Selvanathan (resigned w.e.f. 1st November 2002), M. Selvanathan (resigned w.e.f. 1st November 2002), 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 21 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.

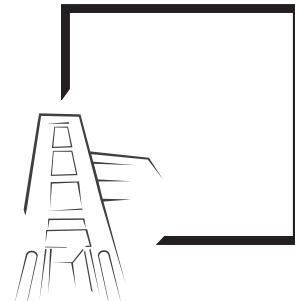


21. RELATED PARTY TRANSACTIONS

Name of Company	Name of Director	Nature of Transaction
21.1 Union Assurance Ltd.	H. Selvanathan <i>(resigned w.e.f. 1st November 2002)</i> D.C.R. Gunawardena	Insurance premium amounting to Rs. 2,437,369/- was paid to Union Assurance Ltd., during the current financial year.
21.2 Carson Cumberbatch & Company Ltd.	H. Selvanathan <i>(resigned w.e.f. 1st November 2002)</i> M. Selvanathan <i>(resigned w.e.f. 1st November 2002)</i> D.C.R. Gunawardena I. Paulraj P.C.P. Tissera <i>(appointed w.e.f. 8th August 2002)</i>	<ul style="list-style-type: none"> Carson Cumberbatch & Co. Ltd. has advanced a sum of Rs. 11,833,634/- to Equity Two Ltd. as working capital funding, on which a total interest of Rs. 1,169,908/- was paid during the financial year at interest rates ranging from 13% to 15%.
21.3 Carsons Management	H. Selvanathan <i>(resigned w.e.f. 1st November 2002)</i> M. Selvanathan <i>(resigned w.e.f. 1st November 2002)</i> D.C.R. Gunawardena I. Paulraj P.C.P. Tissera <i>(appointed w.e.f. 8th August 2002)</i> K.C.N. Fernando <i>(appointed w.e.f. 8th August 2002)</i>	<ul style="list-style-type: none"> Management, Secretarial and computer charges paid to Carsons Management Services (Pvt) Ltd. amounted to Rs. 615,642/-, Rs. 73,877/- and Rs. 184,693/- respectively. An amount of Rs. 6,924,960/- was received from Carsons Management Services (Pvt) Ltd. as rental income.
21.4	The Company is a subsidiary of Shalimar (Malay) Estate Co. Ltd. with which the Company had no transactions during the year.	

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

Five Year Summary

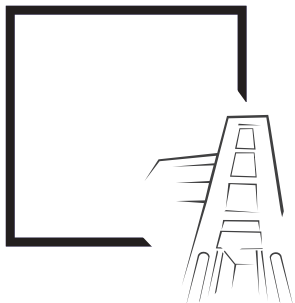


(All figures in the Five Year Summary are in Sri Lankan Rupees unless otherwise stated)

Year ended 31st March	2003	2002	2001	2000	1999
TRADING RESULTS					
Revenue (Net)	6,924,960	10,399,998	24,152,940	15,833,544	12,237,699
Profit/(loss) before taxation and extraordinary items	(6,560,080)	(5,113,044)	5,459,712	2,837,444	1,537,893
Taxation	884,566	(502,214)	(1,531,189)	(325,000)	(230,000)
Profit/(loss) after taxation and before extraordinary items	(5,675,514)	(5,615,258)	3,928,523	2,512,444	1,307,893
Extraordinary items	-	-	-	-	13,673,687
Profit/(loss) after taxation and extraordinary items	(5,675,514)	(5,615,258)	3,928,523	2,512,444	14,981,580
Dividend	-	-	3,720,000	8,060,000	-
Share Capital and Reserves					
Share capital	62,000,000	62,000,000	62,000,000	62,000,000	62,000,000
Reserves	203,534,137	209,209,651	214,824,909	110,232,552	115,780,108
Shareholders' Funds	265,534,137	271,209,651	276,824,909	172,232,552	177,780,108
Assets Employed					
Property, plant & equipment	295,622,856	300,370,043	304,515,614	202,271,123	205,767,671
Current assets	7,500,789	8,948,338	12,527,860	17,344,278	12,184,186
Current liabilities	(13,099,480)	(15,319,151)	(14,856,738)	(12,482,730)	(2,261,744)
Working capital	(5,598,691)	(6,370,813)	(2,328,878)	4,861,548	9,922,442
Assets employed	290,024,165	293,999,230	302,186,736	207,132,671	215,690,113
Non-current liabilities	(24,490,028)	(22,789,579)	25,361,827	(34,900,119)	(37,910,005)
Net assets	265,534,137	271,209,651	276,824,909	172,232,552	177,780,108
RATIOS AND STATISTICS					
Dividend per share (Rs.)	-	-	0.60	1.30	-
Rate of dividend (%)	-	-	6	13	-
Return on shareholders' funds* (%)	(1.96)	(2.1)	1.3	1.21	0.73
Earnings/(loss) per share (Rs.)	(0.92)	(0.91)	0.63	0.41	0.21
Market price per share** (Rs.)	9.00	5.75	4.75	3.75	4.00
P/E ratio (times)	-	-	7.92	9.15	19.05
Net assets per share (Rs.)	42.83	43.74	44.65	27.78	28.67
Current ratio (times)	0.57	0.58	0.85	1.39	5.39

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

** As at 31st March.



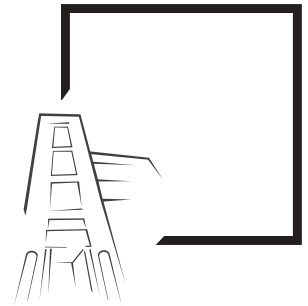
Statement of Value Added

(All figures are in Sri Lankan Rupees)

<i>For the year ended 31st March</i>	2003		2002	
Revenue	6,924,960		10,399,998	
Other income	33,267		231,147	
	6,958,227		10,631,145	
Cost of material and services bought from outside	(5,238,549)		(6,502,687)	
Value added	1,719,678		4,128,458	
Distributed as follows:		%		%
To employees				
as remuneration	2,088,745	121.46	1,470,044	35.61
To Government				
as taxation	-	-	(69,505)	(1.68)
To providers of capital				
as interest on borrowings	1,415,048	82.29	3,026,137	73.30
as dividend	-	-	-	-
Retained in the business				
as deferred tax	(884,566)	(51.44)	571,719	13.85
as depreciation	4,775,965	277.72	4,745,321	114.94
as retained profits/accumulated loss	(5,675,514)	(330.03)	(5,615,258)	(136.02)
	1,719,678	100	4,128,458	100

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 TWO LTD.** hereby appoint:

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

.....
of.....

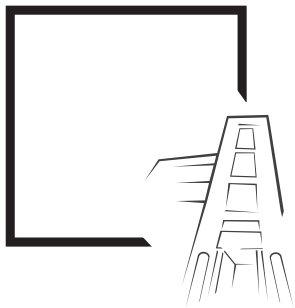
as *my/our proxy to**vote as indicated hereunder for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held on Wednesday the 21st day of May 2003 at 9.30 a.m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7 and at any adjournment thereof, and at every poll which may 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 2003 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
(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.	<input type="checkbox"/>	<input type="checkbox"/>
(iii) To re-elect Mr. P.C.P. Tissera who retires in terms of Articles 94 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(iv) 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 thisday 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 proxy form 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 9.30 a.m. on 19th May 2003.



