A Carson Cumberbatch Company

# Equity One PLC

## ANNUAL REPORT 2012/2013

## Contents

# Chairman's Statement

Dear Shareholder,

It is with great pleasure that I welcome you to the 31st Annual General Meeting of the Company. The Annual Report of the Company held in your hands comprises a review of the Group's business and the Audited Financial Statements for the year ended 31st March 2013.

In 2012, the global economy contracted further, pushed down by instability in the Euro zone, sluggish economic conditions in several commanding economies and below par performance of emerging economies to record a meager growth rate of 3.2% for the year as per International Monetary Fund (IMF) estimates. Amidst vagaries of the global economy and numerous domestic challenges, Sri Lanka continued to demonstrate resilience, recording a GDP growth of 6.4% for the financial year under review, after the consistent 8% growth registered in the preceding two financial years of 2010 and 2011.

With the cessation of the almost three decade old civil war, the government is well positioned to deploy its full capacity of resources to achieve superior economic growth. The country's ability to attract FDIs and boost investor confidence will play a substantial role in sustaining economic growth in years to come. While enhancing positive investor perception by reducing business set-up time and improving co-ordination between various government organizations, encouraging private-public partnerships will also need to be given equal importance in this journey. Moreover, the private sector too will have a significant contribution to make to the country's economic growth.

Your Company has invested in a valuable property portfolio, market value of which exceeds Rs. 2 bn according to recent professional valuations. The nine acre land bank owned by the group consists of three acres with developed properties in the city of Colombo and six acres in Mount Lavinia, one of the fast developing suburbs of Colombo. However, current Floor Area Ratio (FAR) of our buildings are no where near their full potential as these buildings were constructed several decades ago according to the laws prevalent at that time, though the current regulations enable much higher FAR which translates into more rentable space.

After many years of contraction, the real estate sector is showing signs of recovery with the announcement of new projects, of which, some have already commenced ground breaking. However, mismatch between real estate prices and household income, non-availability of affordable (low priced) long term mortgage loans together with lack of tax incentives for housing and real estate investments, are some of the key concerns that require attention to ensure a robust and sustainable real estate market in the country.

On a more positive note, the landscape of the city of Colombo is continuing to be transformed into one of the most scenic cities in the region with the rapid infrastructure development and beautification taking place. With the government's planned economic and rapid infrastructure development activities along with investor friendly economic regime and policy should drive up real estate prices in Sri Lanka and especially in the island's capital city in time to come. Further, projected increase in per capita income together with concentration of population in the Western Province will drive demand for real estate in the city of Colombo in the long term.

During the year, the Company achieved full occupancy whereas the group recorded an occupancy of 83% as at the end of the financial year. Annual rent reviews and increased occupancy at Dharmapala Mawatha property had a favourable impact on the rental income growth, while decreased occupancy at Janadhipathi Mawatha property prevented the Group from achieving its full potential. Turnover of the Group for the period was Rs. 126 mn compared to Rs. 132.7 mn recorded in the corresponding period of last year. Revenue from the mainstream business, renting of office and storage space, registered a value of Rs. 121 mn compared to Rs. 110.7 mn for the corresponding period, an increase of 9.3%. The Company registered a turnover of Rs. 93.4 mn for the period, compared to Rs. 99.6 mn recorded in the corresponding period in 2012. While the income from renting of office and storage space has increased, reduction in the proceeds from sale of residential plots due to completion of the project has resulted in recording a lower turnover against the comparative period.

Profit before tax of the Group stood at Rs. 160.5 mn against Rs. 92.9 mn registered in the previous period, an increase of 72.8% largely attributable to gains on fair value of investment properties and the decrease in finance costs due to settlement of bank loans in full. Income tax expenses for the period increased by Rs. 14.5 mn over the corresponding period, mainly due to the withdrawal of concessionary tax rate of 10% which was in existence in the corresponding period. Detailed review on the Group's and the Company's financial performance is given in Business review of the annual report.

During the year, the Company's subsidiary, Equity Two, contracted to construct its adjoining building in Janadhipathi Mawatha, which had been substantially damaged due to the terrorist attack on Central Bank in 1996. Once completed, the total rentable area of the group will be augmented by nearly 40,000 square feet, which will enhance group's earnings when the building is fully occupied. The said project is scheduled to be financed through long-term bank borrowings.

I am pleased to state that the Company has now consolidated itself to a great extent from the substantial losses incurred by the group venturing into property development activities, leaving only the amount due to the parent company outstanding amounting to Rs. 756.4 mn. As a result, after many years, your Board has proposed a dividend to the shareholders, albeit modest. However, real returns to our shareholders will only accrue with realization of capital gains or by constructing new buildings, fully utilizing the prevailing Floor Area Ratio. Therefore, we will continue to assess and keep close scrutiny of developments taking place in the market to harness maximum benefit to our shareholders in the future. In the interim period, we will focus on maintaining healthy occupancy whilst managing operational costs to the maximum.

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

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

Colombo
16th May 2013

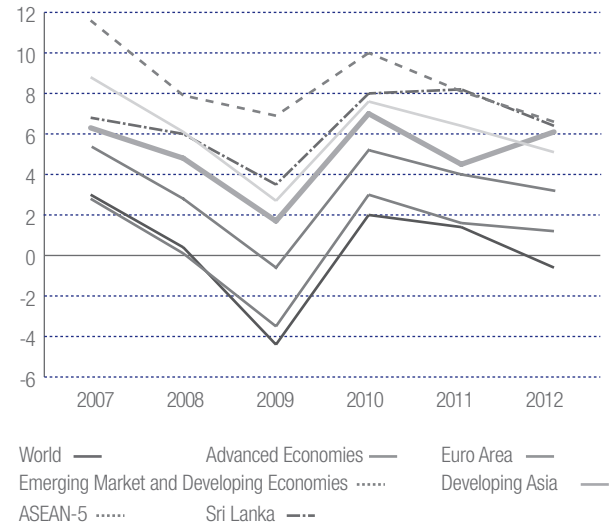
# Business Review

## Economy

2012 proved to be yet another dismal year for the global economy, which contracted further during the period to record an unimpressive growth rate of 3.2% in comparison to the 3.9% in 2011. Debt woes continued to haunt the Euro zone, heightening the risk of instability in the region, whilst several leading economies were also confronted with significant levels of uncertainty, resulting in an overall slowdown in global economic activity in the year 2012.

As a result, many economies around the world were saddled with the dilemma of low export demand and low global investor confidence, spreading doom and gloom sentiments, even in emerging markets. In the light of this situation, Sri Lanka recorded a 6.4% GDP growth for the year 2012. Although nothing like the 8% growth witnessed during 2010 and 2011, the resilience demonstrated by our economy in a negative backdrop is admirable.

GDP Growth Rates

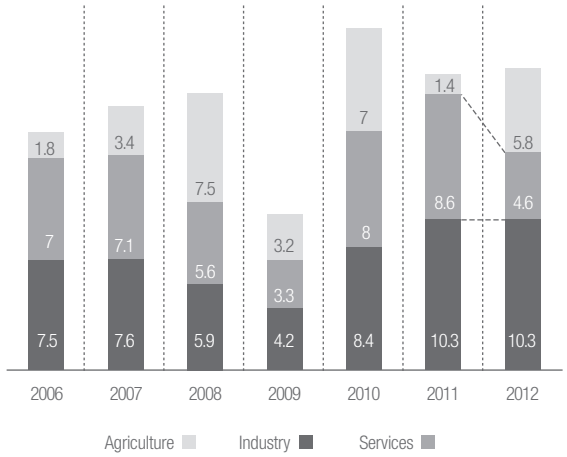



*Source: Central Bank Annual Report-2012 and IMF World Economic Outlook Data*

Having said that, Sri Lanka too was affected by the contraction in the global economy, which was a contributory factor towards the deceleration in domestic growth. Service sector output grew only by 4.6% during the year in comparison to the 8.6% recorded in 2011. This was largely due to drop in external sector performance, driven by a decline in exports.

Despite a decline in export volumes driven by weak global demand, Sri Lanka managed to curtail its trade deficit by 3.1% in 2012, on the back of a reduction in import expenditure, in USD terms. The drop in trade deficit coupled with increased remittances during the year enabled the country to record a BOP surplus over USD 150 million. Inflation remained in single digits for yet another consistent year, in spite of increasing to 7.6% from the 6.7% recorded last year.

Percentage Change in Sector Output

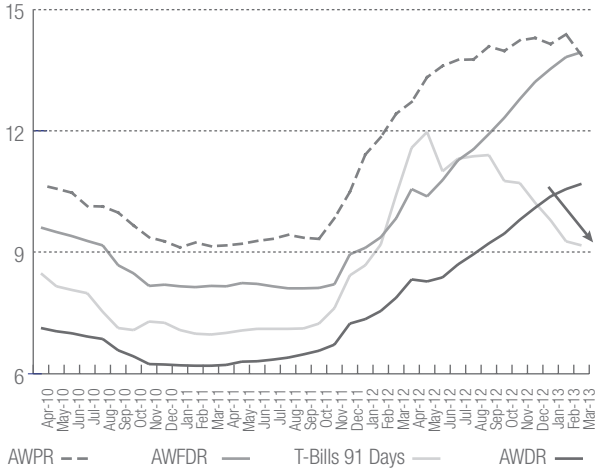



*Source: Central Bank Annual Report-2012, IMF World Economic Outlook Data*

## Interest Rates

A high interest rate regime was prevalent during most part of the year, caused by the restrictive monetary policy view adopted by the Central Bank in early 2012 to curb excess liquidity in circulation and prevent the economy from overheating. During the latter part of the financial year, the Central Bank reduced its' policy rates, however interest rate reduction is yet to fully reflect in the lending rates thus producing limited benefits
to borrowers.

Movement in Interest Rates (%)

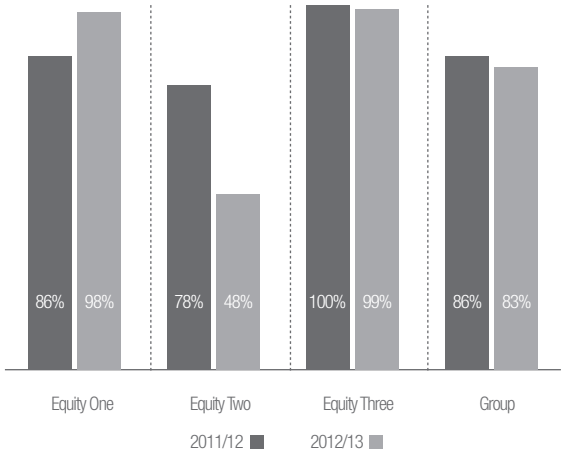



*Source: Central Bank*

## Our Business

The group investment property portfolio, valued at Rs. 2,694.3 mn as at 31st March 2013, constitutes of approximately 150,000 square feet of office cum warehouse space. The financial year under review witnessed a marginal fall in overall occupancy levels, from 86% in the financial year 2011/12 to 83% this year.

Occupancy Levels




This was mainly caused by tenant vacations in Equity Two PLC, including a Carson's company, which vacated the premises in order to fulfill their need for larger space as demanded by its growing business. Equity One PLC recorded an increase in total occupancy during the year, with the building located in Dharmapala Mawatha reaching full occupancy, whilst the warehouses located in Vauxhall Street continue to operate at 100% occupancy.

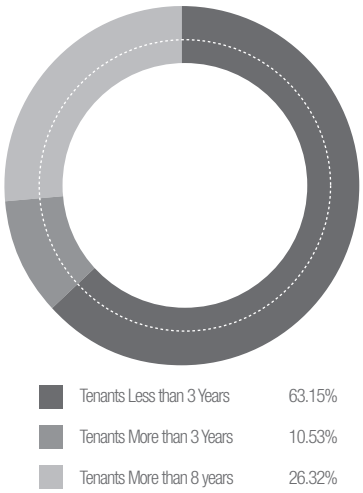
Although the main access to the property in Janadhipathi Mawatha is still subject to security restrictions and closed for vehicular and pedestrian traffic, with the opening of road access to the building via Chatham Street along with the developments in the vicinity and relaxed security conditions, we anticipate an increase in demand for office premises in the area. Accordingly, during the year, the Company's subsidiary company, Equity Two PLC, contracted to refurbish and renovate the building at No: 55, Janadhipathi Mawatha, which has not been operational since it's acquisition in 2005 due to its damaged condition as a result of terrorist attack on Central Bank in 1996.

The project is expected to reach completion in June 2013 at a total cost of Rs. 175 mn and will be financed through long-term bank borrowings. Renovation will effectively add another 40,000 square feet to the total rentable area of the company. Once fully operational and occupied, this will significantly increase subsidiary's revenue, which in turn will reflect in the group numbers as well.

## Our Tenants

As we have emphasized on a number of occasions, our prime tenants are our greatest strength. We take pride in the fact that majority of our tenants have been with us for a period of more than 8 years, a feat we hope to maintain into the future.

Sustainability of Tenants

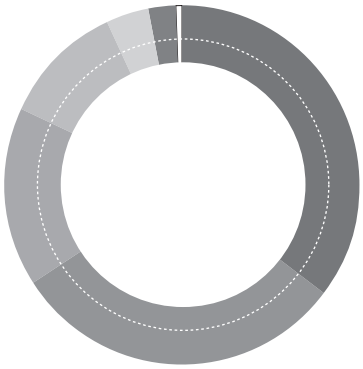



We adopt a careful approach in selecting tenants, valuing long-term relationships with them whilst devoting our effort to provide superior service to them at all times, thereby enabling them to focus on business growth.

We also value the level of diversity in our tenant base, which consists of distinguished business entities, including multinationals, operating in a broad spectrum of sectors.

# Business Review

Tenant Profile Based on Revenue



| | |
|---|---|
| Banks | 35.50% |
| Media Communications | 30.50% |
| Management Services & BPO Operations | 15.90% |
| Logistics - Wholesale & Retail | 11.20% |
| Others | 4.00% |
| Engineering | 2.40% |
| Airline Services | 0.40% |

**Financial Review**

During the year, the group adopted new financial reporting standards issued by the Institute of Chartered Accountants of Sri Lanka applicable for financial periods beginning on or after 1 January 2012. Accordingly, impact of adopting these standards is given in note 36 to the financial statements.

The group recorded a turnover of Rs.126 mn during the year, which was marginally below Rs. 132.7 mn recorded during the previous financial year. However, revenue from our core business: renting of office and store space, increased by 9.31% to Rs. 121 mn compared to the Rs. 110.7 mn recorded in financial year 2011/12 driven by increase in occupancy level and rent reviews that took place during the year.

Operating profit improved by 61% in comparison to that of financial year 2011/12 on the back of significant fair value gains on investment properties, mainly stemming from valuation of the property owned by the company situated in Dharmapala Mawatha and property owned by the subsidiary Company, Equity Two PLC, located in Janadhipathi Mawatha. The total net gain on investment property valuations amounted to Rs. 103.4 mn.

The group bottom line improved by 62.1% compared to the corresponding year to record a net profit after tax of Rs. 146.6 mn. In addition to the aforementioned fair value gain, reduction in finance cost with the repayment of outstanding bank borrowings in full also boosted the bottom line to some extent. The absence of land sales, with the completion of the property development projects, reduced the direct cost of the group and the Company by 21% and 29% respectively.

The Company, Equity One PLC registered revenue of Rs. 93.4 mn for the period under review, down by 6.22% in comparison to the previous year. Of this, Rs. 88.4 mn was rental income which witnessed a 13.8% increase relative to previous year on the back of rise in occupancy levels and rent revisions. The remaining Rs. 5.0 mn represents revenue from sale of residential land plots as part of the exercise of amalgamating property development companies.

The company also witnessed a significant increase in its net profit after tax which increased by 80.3% during the year to Rs. 85.6 mn, mainly on account of the fair value gain in investment property worth Rs. 43.6 mn.

However, as we have mentioned in our previous annual reports, amounts outstanding to related parties stemming from financial assistance sought from the parent company to settle bank borrowings obtained for property development activities still remains a looming challenge for the Company. The amount due to parent company by the Company amounted to Rs. 756.4 mn as of the end of the financial year.

Income tax expenses increased significantly during the year due to withdrawal of the 10% concessionary tax rate which prevailed in financial year 2011/12, which was replaced with the 28% tax rate. During the year, the Company proposed a dividend of Rs. 0.11 per share subject to shareholder's approval at the forthcoming Annual General Meeting of the Company.

**Challenges**

The proposed amendment to the law introducing a prohibition of sale of lands in Sri Lanka to foreign nationals and on imposing a tax on lease value will have a negative impact on our rental business. The proposed tax on lease values will discourage long term lease agreements with foreign tenants and will have an impact on the Company with regard to its ability to demand higher rentals, especially in the context where substantial informal markets exist in converting houses into office premises via informal rent agreements. With the proposed tax, it could be expected that the total tax on lease rentals for foreign nationals will increase to approximately 30% or more (inclusive of Value Added Tax (VAT), Nation Building Tax (NBT) and Stamp Duty).

**Outlook**

The real estate market in Sri Lanka is showing signs of recovery with expected economic growth. Thus, we are enthusiastic about the immense prospects this brings to our business, as real estate business and economic growth share a high positive correlation. However, while applauding the determination and commitment displayed by the government to uplift standards of our country via sectorial development, a much longer term strategy needs to be deployed in this regard, emphasizing on value addition, synergy and focus in order to compete with our regional peers. In comparison to most of the countries that enjoy a thriving property market, Sri Lanka requires to act decisively to nurture a sustainable recovery of the property market. Growth in the real estate sector undoubtedly will contribute to the growth of the other sectors of the economy. In conclusion, we're optimistic about growth in the medium to long term but less so on a short term horizon.

Carsons Management Services (Private) Limited
*Managers*
16th May 2013

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

The details set out herein provide the pertinent information required by the Companies Act, No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and recommended best accounting practices. The Annual Report was approved by the Board of Directors on the 16th May 2013.

## 1. GENERAL

The Directors have pleasure in presenting to the shareholders their report together with the audited consolidated financial statements for the year ended 31st March 2013 of Equity One PLC (the "Company"), a public limited liability company incorporated in Sri Lanka in 1981.

## 2. THE PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activities of the Company and its subsidiaries are to engage in property rental and development activities within the Carson Cumberbatch Group.

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

Segmental information across operating segments is given on pages 41 to 42 of the Annual Report.

## 3. REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Chairman's Statement and Business Review on pages 2 to 7 provide an overall assessment of the business performance of the Company and the Group and its future developments.

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

## 4. FINANCIAL STATEMENTS

The consolidated financial statements which comprise the statements of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes to the financial statements of the Company and the Group for the year ended 31st March 2013 are set out on pages 26 to 69. These financial statements comply with the requirements of the Companies Act, No 07 of 2007.

### 4.1. Revenue

The Group and the Company generated revenues of Rs.126.0 mn and Rs. 93.4 mn (2012 - Rs. 132.7 mn and Rs. 99.6 mn) respectively. A detailed analysis of the revenue for the year is given in note 11 to the financial statements.

### 4.2. Financial results and appropriations

An abridgement of the financial performance of the Company and the Group is presented in the table below.

| *(In Rupees thousands)*<br>*For the year ended 31st March* | Group 2013 | Group 2012 | Company 2013 | Company 2012 |
|---|---|---|---|---|
| Profit for the year | 146,607 | 90,429 | 85,631 | 47,478 |
| Accumulated losses brought forward from previous year | (441,669) | (468,169) | (535,055) | (574,514) |
| Accumulated loss before appropriations | (295,062) | (377,740) | (449,424) | (527,036) |
| Transfer to fair value adjustment reserve | (103,381) | (59,123) | (43,573) | (8,019) |
| Profit attributable to non-controlling interest | (4,943) | (4,806) | - | - |
| Accumulated loss carried forward | (403,386) | (441,669) | (492,997) | (535,055) |

### 4.3. Significant accounting policies

The accounting policies adopted in the preparation of these consolidated financial statements are given on pages 30 to 40.

For all periods up to and including the year ended 31st March 2012, the Company and the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards which were in effect up to that date. Following the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards (IFRSs), all existing / new Sri Lanka Accounting Standards were prefixed as SLFRS and LKAS (referred to as "SLFRS" in these financial statements) to represent Sri Lanka Accounting Standards corresponding to international Financial Reporting Standards and Sri Lanka Accounting Standards corresponding to International Accounting Standards (IASs), respectively. Accordingly, the Company and the Group adopted these new Sri Lanka Accounting Standards (which are commonly known as SLFRSs) applicable for financial periods commencing from 1st April 2012.

These are Company's and the Group's first consolidated financial statements prepared in accordance with LKAS/ SLFRS and applying guidelines in SLFRS 1 – First time adoption of Sri Lanka Accounting Standards.

The explanation how the transition to LKAS/SLFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 36.

### 4.4. Investment properties

The Company and the Group has recognized the carrying value of investment property held to earn rental income and for capital appreciation in the statement of financial position on 'fair value' in accordance with Sri Lanka Accounting Standards (LKAS 40) – 'Investment Property'.

A professional valuation was performed as at 31st March 2013 by Mr. S. Sivaskantha, F.I.V. (Sri Lanka) of Perera Sivaskantha and Company, Incorporated Valuers, based on which a net fair value gain on investment properties were recognized in the financial statements to the value of Rs.43.6 mn and Rs.103.4mn for the Company and the Group respectively, during the year.

As at the year end, the carrying value of the investment properties stood at Rs.1,692.8 mn and Rs.2,694.3 mn (2012 - Rs.1,648.6 mn and Rs.2,477.6 mn) for the Company and the Group, respectively

During the year, the Company's subsidiary, Equity Two PLC contracted to refurbish and renovate the building at No. 55, Janadhipathi Mawatha, having taken in to consideration, the development in the vicinity and relaxed security considerations with the opening of access roads via Chatham Street.

The building has not been operational since it's acquisition in 2005 due to it's damaged condition, as a result of the terrorists attack targeting the Central Bank in 1996. The project is expected to reach completion in June 2013 at a total cost of Rs.175 mn. Renovation will add a further 40,000 square feet to the subsidiary's rentable office space capacity.

There were no significant changes in the investment properties of the Company and the Group during the year, other than the above. Details of investment properties are given in note 17 to the financial statements.

### 4.5. Property, plant and equipment

Details of property, plant and equipment are given in note 18 to the financial statements. There were no significant changes in the property, plant and equipment since the last financial year.

### 4.6. Capital Expenditure

The details of capital expenditure of the Company and the Group are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *For the year ended 31st March (In Sri Lanka Rupees Thousands)* | 2013 | 2012 | 2013 | 2012 |
| Investment properties | 112,719 | 30,430 | 613 | 26,602 |
| Property, plant and equipment | 85 | 313 | 85 | 313 |

### 4.7. Reserves

As at 31st March 2013, the Group's total reserves stood at Rs.605.2mn (2012 - Rs.463.5 mn) comprising capital reserves of Rs.13.2 mn (2012 - Rs.13.2 mn) and revenue reserves of Rs.592.0 mn (2012 - Rs.450.3 mn).

The total reserves of the Company stood at Rs.365.0 mn (2012 - Rs. 279.4 mn) comprising capital reserves of Rs. 13.2 mn (2012 - Rs. 13.2 mn) and revenue reserves of Rs. 351.8 mn (2012 - Rs. 266.1 mn) as at that date.

The movements are set out in the Statement of Changes in Equity and notes 24 and 25 to the financial statements.

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

## 5. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Statement of Directors' Responsibilities on the financial statements is given on page 19 of this Annual Report.

## 6. INDEPENDENT AUDITOR'S REPORT

The Independent Auditor's Report on the financial statements is given on page 25 of this Annual Report.

## 7. INTERESTS REGISTER

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

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

The Interests Register is available for inspection as required under the Companies Act.

### 7.1. Remuneration of Directors

Directors' remuneration for the financial year ended 31st March 2013 is given in note 13 to the financial statements on page 43 of this Annual Report.

### 7.2. Directors' Interest in Contracts and Shares

Directors' interest in contracts of the Company and the Group are disclosed in note 34 to these financial statements and have been declared at meetings of the Directors. The Directors have had no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the Company, while they had the following interests in ordinary shares of the Company.

| Directors | No of shares as at 31st March 2013 | No of shares as at 01st April 2012 |
|---|---|---|
| Mr. D.C.R. Gunawardena (Chairman) | - | - |
| Mr. S. Nagendra | 2,889 | 2,889 |
| Mr. K.C.N. Fernando | - | - |
| Mr. E.H. Wijenaike | - | - |
| Mr. A.P. Weeratunge | - | - |
| Mr. S. Mahendrarajah | - | - |
| Mr. P.D.D. Fernando | - | - |

## 8. DIRECTORS

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

### 8.1. Directors to Retire by Rotation

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

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

### 8.2. Appointment of Director who is over 70 years of age

Upon the recommendation of the Nomination Committee and the Board, it is recommended that Mr. S. Nagendra who is over 70 years of age be re-appointed as a Director of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable.

## 9. CORPORATE GOVERNANCE

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

### 9.1 Board of Directors

The following Directors held office as at the reporting date and their brief profiles are given on pages 15 to 16 of this Annual Report.

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

Each of the Non-Executive Directors of the Company has submitted a signed declaration on 'Independence / Non-Independence' as per Rule 7.10.2.b. of the Listing Rules of the Colombo Stock Exchange. The said declarations were tabled at the Board Meeting held on the 16th May 2013, in order to enable the Board of Directors to determine the Independence / Non-Independence of the Non-Executive Directors.

* The Board has determined that Mr. S. Nagendra is an Independent Director in spite of being on the Board for more than 9 years, since he is not directly involved in the management of the Company.

** The Board has also determined that Mr. E.H. Wijenaike is an Independent Director in spite of being on the Board for more than 9 years and being a Director of Equity Two PLC, in which majority of the other Directors of the Board are also Directors, since he is not directly involved in the Management of either Company.

*** The Board has also determined that Mr. P.D.D. Fernando is an Independent Director in spite of being a Director of Equity Two PLC, in which majority of other Directors of the Board are also Directors, since he is not directly involved in the Management of either Company.

### 9.2. Remuneration Committee

As per the Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange, the Remuneration Committee of Carson Cumberbatch PLC (CARS), the parent company, functions as the Remuneration Committee of the Company and comprises of the following members:

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

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

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under note 13 on page 43 of this Annual Report.

Executive Directors are not compensated for their role on the Board

### 9.3. Audit Committee

As per the Rule 7.10.6 of the Listing Rules of the Colombo Stock Exchange, the Audit Committee of Carson Cumberbatch PLC (CARS), the parent Company, functions as the Audit Committee of the Company and comprises of the following members:

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

The Audit Committee Report is given on pages 17 to 18 of this Annual Report.

### 9.4. Directors Meeting Attendance

Three (03) Board Meetings were convened during the financial year and the attendance of the Directors were as follows:

| Directors | Meetings attended (out of 3) |
|---|---|
| Mr. D.C.R. Gunawardena (Chairman) | 3 |
| Mr. S. Nagendra | 3 |
| Mr. K.C.N. Fernando | 3 |
| Mr. E.H. Wijenaike | 3 |
| Mr. A.P. Weeratunge | 3 |
| Mr. S. Mahendrarajah | 3 |
| Mr. P.D.D. Fernando | 3 |

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

## 10. NOMINATION COMMITTEE

The Nomination Committee comprises of the following members:

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

The primary objective of the Nomination Committee is to recommend the appointments of new Directors to the Board and the nomination of members to represent the Company in Group Companies/Investee Companies.

## 11. INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

This allows the Board to have total control of the fulfillment of governance requirements by providing opportunity to take timely preventive action in case of potential deterioration of status quo. More detailed description of the risk management strategies of the Company is given on pages 20 to 23 of this Annual Report.

## 12. INDEPENDENT AUDITORS

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

A sum of Rs.230,000/- and Rs.432,000/- (2012 – Rs.200,000/- and Rs. 386,000/-) was paid to them by the Company and the Group respectively, as audit fees for the year ended 31st March 2013. In addition to the above, the auditors were paid Rs.182,000/- and Rs.399,000/- (2012 – Rs.106,000/- and Rs.198,000/-) as professional fees for non-audit services for the Company and the Group, respectively.

The retiring auditors have expressed their willingness to continue in office. A resolution to re-appoint them as Independent Auditors of the Company and authorizing the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

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

### 12.1. Auditors' relationship or any interest with the Company

The Directors are satisfied that, based on written representations made by the independent auditors to the Board, the auditors do not have any interest with the Company and its subsidiaries that would impair their independence.

## 13. SIGNIFICANT EVENTS DURING THE YEAR

### 13.1. Significant events during the year - Company

There were no significant events during the year for the Company.

### 13.2. Significant events during the year - Subsidiary

**Proposed capacity expansion of Equity Two PLC**

During the year, Equity Two PLC, a subsidiary company, contracted to refurbish and renovate the building situated at assessment No. 55, Janadhipathi Mawatha; which the Company has acquired in 2005 and has since been abandoned due to significant damages caused to the building from the terrorist attack targeting the Central Bank in 1996. Based on preliminary estimates, the project would cost approximately Rs.175mn and will be mainly financed through bank borrowings. Expected completion has been cited as June 2013. The project is expected to add nearly 40,000 square feet of rentable office space to the existing capacity, thereby resulting in a total rentable office space of around 82,000 square feet for the said company.

As of the reporting date, an amount of Rs. 98.9 mn has been incurred on the said project and is included in Capital work-in progress of the Group.

**14. RELATED PARTY TRANSACTIONS EXCEEDING 10% OF THE EQUITY OR 5% OF THE TOTAL ASSETS OF THE COMPANY**

The transactions carried out by the Company with its related parties during the year ended 31st March 2013, did not exceed 10% of the shareholder equity or 5% of the total assets of the company.

The details of amounts due from and due to related companies are disclosed in note 34.5 and 34.6 respectively, on page 62 to these financial statements.

**15. HUMAN RESOURCES**

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

The number of persons employed by the Company and the Group as at 31st March 2013 were 11 and 15 (2012 - 12 and 16) respectively.

**16. EQUITABLE TREATMENT TO SHAREHOLDERS**

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

**17. ENVIRONMENTAL PROTECTION**

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

**18. DIVIDENDS**

Subject to the approval of the Shareholders at the Annual General Meeting, the Board of Directors recommend a First & Final dividend of Rs.0.11 per ordinary share for the year ended 31st March 2013 (2012 – Nil).

The dividend payable has not been accounted for until it is approved at the forthcoming Annual General Meeting.

**19. SOLVENCY TEST**

Taking into account the said distribution, the Directors are satisfied that the Company would meet the solvency test requirement under Section 56(2) of the Companies Act, No. 07 of 2007 immediately after the distribution.

**20. STATED CAPITAL**

The stated capital of the Company as at 31st March 2013 was Rs.1,085.6 mn consisting of 40,321,730 ordinary shares. There was no change in the stated capital of the Company during the year.

**21. STATUTORY PAYMENTS**

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

**22. GOING CONCERN**

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

**23. EVENTS AFTER THE REPORTING DATE**

Subsequent to the reporting date, no circumstances have arisen, which would require adjustments to or disclosures in the financial statements, other than those disclosed in note 35 to the financial statements.

**24. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT**

The contingent liabilities and capital commitments made on account of capital expenditure as at 31st March 2013 are given in note 32 to the financial statements.

**25. CORPORATE DONATIONS**

There were no donations granted during the year.

**26. SHARE INFORMATION**

The details relating to earnings, net assets, market value per share and information on share trading is given on pages 70 and 76 to 77 of this Annual Report.

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

## 27. TWENTY MAJOR SHAREHOLDERS

The parent company, Carson Cumberbatch PLC holds 96.27% of the total ordinary shares in issue of the Company.

| *As at 31st March* | 2013 | | 2012 | |
|---|---|---|---|---|
| **Name of the Shareholder** | **No. of shares** | **%** | **No. of shares** | **%** |
| Carson Cumberbatch PLC A/C No. 2 | 38,818,252 | 96.27 | 38,818,252 | 96.27 |
| Estate of Late Mr. M. Sri Mahadeva | 135,200 | 0.34 | 135,200 | 0.34 |
| Mr. S. Sivasundaram | 65,000 | 0.16 | 65,000 | 0.16 |
| Mr. K.C. Vignarajah | 61,817 | 0.15 | 56,100 | 0.14 |
| Mr. J.B. Hirdaramani | 57,850 | 0.14 | 57,850 | 0.14 |
| Mr. B.A. Mahipala | 53,300 | 0.13 | 53,300 | 0.13 |
| Mr. C.N. Pakianathan | 49,600 | 0.12 | 36,800 | 0.09 |
| Equity Services Limited | 34,583 | 0.09 | 34,583 | 0.09 |
| MBSL Insurance Company Limited | 32,862 | 0.08 | 32,227 | 0.08 |
| Mr. D.K.A.K. Weeratunga | 26,800 | 0.07 | 26,800 | 0.07 |
| Mr. D.A. Edussuriya | 25,400 | 0.06 | 25,400 | 0.06 |
| First Capital Markets Limited / Mrs. S.S.De Fonseka | 25,020 | 0.06 | 25,100 | 0.06 |
| Mr. J.J. Vedasinghe | 22,000 | 0.05 | 22,000 | 0.05 |
| Mrs. S. Vignarajah | 20,700 | 0.05 | 20,200 | 0.05 |
| Ceylinco Investment Company Limited | 19,900 | 0.05 | 19,900 | 0.05 |
| Calton Hill Ltd | 17,329 | 0.04 | 17,329 | 0.04 |
| Mrs. M.M. Sellamuttu | 15,000 | 0.04 | 15,000 | 0.04 |
| Miss. J.A.R. Pakianathan | 14,900 | 0.04 | 13,900 | 0.03 |
| Mr. S.N.C.W.M.B.C. Kandegedara | 14,500 | 0.04 | 14,500 | 0.04 |
| Mr. N.A. Umagalliya | 13,664 | 0.03 | 13,664 | 0.03 |

## 28. ANNUAL REPORT

The Board of Directors on 16th May 2013 approved the consolidated financial statements together with the reviews which forms part of the Annual Report. Appropriate number of copies of the Report would be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar of Companies within the given time frames.

## 29. ANNUAL GENERAL MEETING

31st Annual General Meeting of the Company will be held on Wednesday, 19th day of June 2013 at 3.30 p.m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7.

The Notice of the Annual General Meeting is on page 78 of this Annual Report.

Signed on behalf of the Board,

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

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

(Sgd).
**K.D. De Silva (Mrs).**
*Director*
Carsons Management Services (Private) Limited
Secretaries

Colombo.
16th May 2013

# Profiles of the Directors

**Chandima Gunawardena**

Chandima Gunawardena serves as a Non-Independent Non-Executive Director of Carson Cumberbatch PLC and in most of the Carsons Group Companies in Sri Lanka and overseas. He is also a Director of Bukit Darah PLC. Since assuming Non-Executive status in the group in 2011, he serves as an advisor to the group's Strategic Planning and Management Forums in Sri Lanka and serves on Board Committees including the Audit Committees of the Group in Sri Lanka and overseas covering all operating sectors of the group. Mr. Gunawardena has over four decades of experience in varied fields of business and commercial activities and has held senior positions in Corporate, Mercantile and State Institutions. He was appointed to the Carsons Group Directorate in 1990. He has served in the Management Committee of The Ceylon Chamber of Commerce for over 10 years and was a Founder Council member of the Sri Lanka Institute of Directors (SLID) and continued to serve in the council for over 10 years. He is a Fellow of the Chartered Institute of Management Accountants, UK.

**Sega Nagendra**

Sega Nagendra is a Director of Pegasus Hotels of Ceylon PLC. He is a Former Senior Director of Carson Cumberbatch PLC and several of its subsidiaries and Associate Companies. Senior Director & Financial Consultant of CML - MTD Construction Ltd., Executive Chairman Travelserv Ltd, Travelon Ltd and Travelon Management Services Ltd. He is also Chairman & Director of several public listed and private companies. Past President of Skal International Colombo (International Association of Travel and Tourism Professionals), Past Secretary of the Skal International, Asian Area Region and Past President of the Pacific Asia Travel Association (Sri Lanka Chapter). Immediate Past President of the Sri Lanka Pakistan Business Council also Past President of the Sri Lanka - Benelux Business Council and Past President of the Chartered Management Institute – UK, Sri Lanka Branch. Served as an Executive Committee member of The Ceylon Chamber of Commerce and former Chairman of the Imports Section of The Ceylon Chamber of Commerce. Former Committee Member on Transport, Highways and Aviation of the Monitoring & Progress Division of the Ministry of Policy Developing and Implementation. Fellow of the Chartered Management Institute UK, Master of Business Administration U.K., and Fellow of the Institute of Certified Professional Managers, Sri Lanka.

**Nalake Fernando**

Nalake Fernando is a Director of the Property Management Companies of the Carson Cumberbatch Group. He is also a Director of Carsons Management Services (Private) Limited and in some of the Boards of the Malaysian Plantation Companies of the Carsons Group. Was the Country representative for Sri Lanka with Dalekeller & Associates Ltd., Designers and Skidmore Ownings & Merrill Architects. Counts over 39 years of work experience. Was a Director of SKC Management Services Ltd. Holds a Technician's Certificate of the Institute of Work Study Practitioners of UK.

**Eranjith Wijenaike**

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

**Ajith Weeratunge**

Ajith Weeratunge is a Director of the Carson Cumberbatch Group's Management Company, Carsons Management Services (Private) Limited and holds the position of Head of Finance. He is also a Director of Equity Two PLC, as well as the Group's Investment Holding Sector - Ceylon Investment PLC and Rubber Investment Trust Limited. Accounts for more than 32 years of finance related experience in the mercantile sector and has held positions in Lanka Walltile Ltd., Union Apparels (Pvt) Ltd., John Keells Holdings PLC, Phoenix Industries (Pvt) Ltd and Ceylon Beverage Holdings PLC. He is a Fellow member of the Chartered Institute of Management Accountants of UK.

**S. Mahendrarajah**

Subramaniam Mahendrarajah is a Director of Guardian Capital Partners PLC and Leechman & Company (Private) Limited. Group Finance Director of Sri Krishna Group of Companies. Has wide experience in manufacturing, trading, financial services and management. Past President of the Rotary Club of Colombo Down Town. Recipient of the prestigious "Service above Self" award from Rotary International.

# Profiles of the Directors

**Donald Fernando**

Donald Fernando is a Director of Equity Two PLC and the Managing Director of Conimex (Private) Limited - Civil Engineers and Director of Fernando Rajapakse Associates (Private) Limited - Consulting Engineers and Project Managers and Director of Saramanda Lanka (Guarantee) Limited. In 1965, earned a B.Sc (Eng.) Degree in Civil Engineering from the University of Ceylon. Civil Engineer with The Sri Lanka Ports Authority till 1969. From 1969 to 1982 worked as Civil Engineer in London. Member of the Institution of Civil Engineers, London in 1969. He is also a Member of the Institution of Engineers, Sri Lanka and a Member of the Society of Structural Engineers, Sri Lanka.

## SUBSIDIARY COMPANIES

**Ajith Weeratunge**

(Refer under Company Profile)

**Chandima Gunawardena**

(Refer under Company Profile)

**Chrisanta F. Fernando**

Chrisanta F. Fernando is qualified as a Chartered Accountant from the Institute of Chartered Accountants in England and Wales and is presently a Fellow of the Institute of Chartered Accountants of Sri Lanka. As a Senior Accountant at Carson Cumberbatch PLC, he has gained over 18 years of experience in financial and general management of plantation companies and agency management. This was followed by 10 years experience as Director Finance in Projects involving paddy cultivation, shipping agency, non-traditional exports, bottling of soft drinks, earth moving contracts and running a restaurant. He served as the Managing Director and as Chief Executive Officer of Distilleries Company of Sri Lanka PLC (DCSL) and rejoined DCSL as an Independent Non-Executive Director in 2008. He was appointed as Chairman of the Audit Committee and also serves on the Remuneration Committee of DCSL. He is also a Director of a DCSL subsidiary, Melstacorp (Pvt) Ltd and some of its subsidiaries including Continental Insurance Lanka Ltd where he is also the Chairman of the Audit Committee. He is presently a Director of Selinsing PLC and Equity Three (Private) Limited of the Carsons Group. He was Finance Director of the National Lotteries Board, a Director of the Coconut Cultivation Board and a former Chairman of the Low Country Products Association (LCPA). Presently, he is Senior Trustee of the Ceylonese Rugby and Football Club.

**Donald Fernando**

(Refer under Company Profile)

**Eranjith Wijenaike**

(Refer under Company Profile)

**Israel Paulraj**

Israel Paulraj is the Chairman of Ceylon Guardian Investment Trust PLC, Ceylon Investment PLC, Guardian Capital Partners PLC and Rubber Investment Trust Limited. He serves as a Director of Carson Cumberbatch PLC and of several of the subsidiary companies within the Carsons Group. He served as Past Chairman of the Federation of Exporters Associations of Sri Lanka and The Coconut Products Traders Association. He was a member of the Executive Committee of The Ceylon Chamber of Commerce and National Chamber of Commerce of Sri Lanka Shippers Council. He served on the Board of Arbitrators of The Ceylon Chamber of Commerce. He has served as Hony. General Secretary of the Central Council of Social Services, Hony. Treasurer of The Christian Conference in Asia, President of the Church of Ceylon Youth Movement and Hony. Treasurer of the National Christian Council of Sri Lanka. He has also served as Chairman of the Incorporated Trustees of the Church of Ceylon. He also served on the Presidential Task Force on Non-Traditional Export and Import Competitive Agriculture set up by President R.Premadasa. He also served as Chairman of the Ecumenical Loan Fund of Sri Lanka and on its International Board in Geneva. He was a member of the Commercial Law Reform Commission and has served on the Parliamentary Consultative Committee on Internal and International Trade. He holds a Bachelor of Law Degree and an Executive Diploma in Business Administration

**Nalake Fernando**

(Refer under Company Profile)

# Audit Committee Report

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

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

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

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

The members of the Audit Committee are as follows :

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

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

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

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

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

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

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

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

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

In accordance with the audit plan formulated and approved by the Audit Committee for the financial year 2012/2013, the Group Internal Audit (GIA) carried out a detailed audit of key processes of Property Sector companies.

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

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

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

For all periods up to and including the year ended 31st March 2012, the Company and the Group prepared their financial statements in accordance with the Sri Lanka Accounting Standards, which were in effect up to that date. Following the convergence of the Sri Lanka Accounting Standards with the International Financial Reporting Standards (IFRSs), all existing /new Sri Lanka Accounting Standards were prefixed as SLFRS and LKAS (referred to as "SLFRS"

# Audit Committee Report

in these financial statements) and with effect from the financial periods beginning on or after 1st January 2012, it was mandatory for the Company and the Group to comply with the requirements of the said new / revised Sri Lanka Accounting Standards (LKAS/ SLFRS). The adoption of new/revised accounting framework required amendments to the basis of recognition, measurement and disclosure of transactions and balances in the financial statements of the Company and the Group, which are duly addressed in the financial statements for the year ended 31st March 2013. The transition and the resultant impact arising from the adoption of new/ revised accounting standards on the financial statements of the Company and the Group were audited by Messrs.KPMG, Chartered Accountants, the Auditors, during the year end audit.

The draft financial statements of Equity One PLC for the year ended 31st March 2013 were reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs. KPMG, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required, by the Managers, Carsons Management Services (Private) Limited that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act, No. 07 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

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

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors for the financial year ending 31st March 2014, subject to the approval of the shareholders of Equity One PLC at the Annual General Meeting.

(Sgd.)
**Vijaya Malalasekera**
*Chairman – Audit Committee*
Carson Cumberbatch PLC

16th May 2013

# Statement of Directors' Responsibilities

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

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

The financial statements comprise of inter alia:

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

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

- appropriate accounting policies have been selected and applied consistently, while material departures, if any, have been disclosed and explained;
- all applicable accounting standards have been complied with; and
- reasonable and prudent judgments and estimates have been made.
- provides the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

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

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

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

The Directors confirm that to the best of their knowledge,

- all taxes, duties and levies payable to the statutory bodies,
- all contributions, levies and taxes payable on behalf of and in respect of the employees and
- all other known statutory dues as were due and payable by the Company as at the balance sheet date have been paid, or where relevant provided for in these financial statements.

By Order of the Board,

(Sgd.)
**K. D. De Silva (Mrs).**
*Director*
Carsons Management Services (Private) Limited
Secretaries

Colombo.
16th May 2013

# Risk Management

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

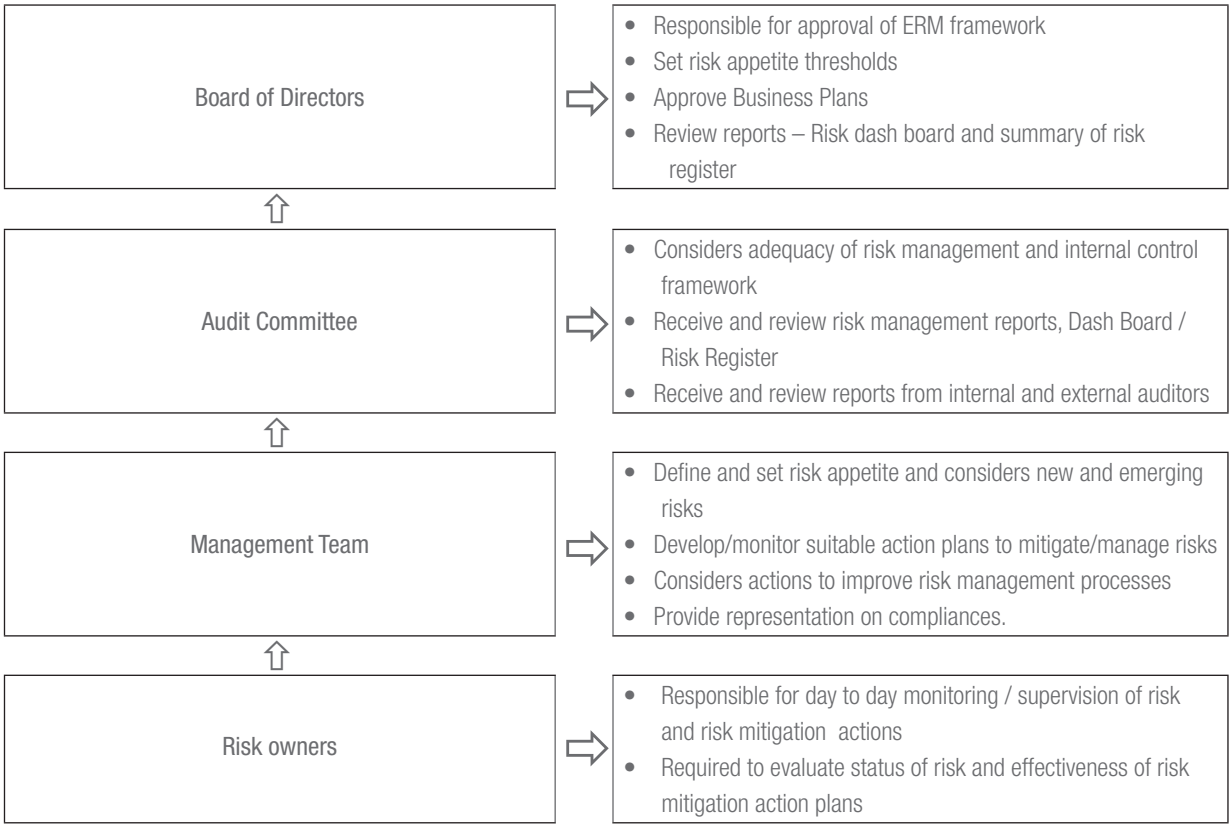
Enterprise Risk Management (ERM) provides a common process and terminology for all risk management activities. Its main goals focus on fostering risk awareness and promoting proactive management of threats and opportunities.

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

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

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

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



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

| Risk | Impact | Risk rating | Risk response and strategies |
|---|---|---|---|
| **Business Risks** | Changes in the supply and demand ratio in the real estate market and other factors such as depressing property values, unexpected disputes with contractors and tenants, changes to the laws relating to property development, stamp duty, income tax and capital gain tax could affect the profitability and viability of the business. | Moderate | We are extremely cautious when selecting contractors and consultants for our projects. We ensure that they are well experienced, reputed and also evaluate their work in previous projects. By entering into comprehensive and clear agreements, we ensure that communication gaps and disputes are minimised to a greater extent. We also maintain close and meaningful relationships with relevant government and local authorities and institutes. |
| **Liquidity Risk** | Inability to raise funds or effect payments when required.<br><br>Amount to be settled to the parent company, Carson Cumberbatch PLC, stemming from financial assistance sought to settle bank borrowings obtained for property development activities remains a looming challenge for the Company. | High | The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.<br><br>The Group monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group has access to financing facilities extended from the parent company, Carson Cumberbatch PLC. |
| **Credit Risk** | The credit risk of the Group is mainly derived from the rent receivable from its tenants. The group's objective is to seek continual revenue growth while minimizing losses incurred due to increased credit risk exposure. | Low | This risk is mitigated to a greater extent as a result of the rent deposits collected from external tenants, which can be used to recover any unpaid rents. The Group implements following controls also to mitigate this risk.<br><br>- Continuous and regular evaluation of credit worthiness of tenants<br><br>- Ongoing monitoring and follow up of receivable balances. |

# Risk Management

| Risk | Impact | Risk rating | Risk response and strategies |
|---|---|---|---|
| **Foreign Exchange Risk** | Foreign currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. | Low | The Group has no direct impact from currency risks as income and expenses arising from its operations and assets and liabilities are denominated in Sri Lankan Rupees which is the functional currency of the Group. |
| **Interest Rate Risk** | Interest rate risk is the risk arising due to the volatility of the interest rates in the markets affecting the future cash flows. | Low | Financial strength of the parent company, Carson Cumberbatch PLC is used via group treasury in negotiating the rates.<br><br>However, the Group does not carry borrowings from external financial institutions as at the reporting date. |
| **Systems and process risks** | The risk of direct or indirect losses due to inadequate or failed internal processes and systems. | Low | - Maintain detail procedure manuals and provide training and guidelines for new recruits.<br>- The internal audit function of the Group carryout regular review on internal control systems and processes and recommends process improvements if shortcomings are noted. |
| **Human Resource Risk** | Attracting, developing and retaining talented employees are essential to deliver the Group's objectives. Failure to determine the appropriate mix of skills required to implement the Sector strategies and failure to retain or develop the right number of appropriately qualified staff could affect the achievement of the Group's objectives. | Low | The following initiatives have been implemented by the Group.<br>- Ensure recruitments are carried out to hire employees with required qualification, knowledge and experience<br>- Availability of detailed job descriptions and role profiles for each job.<br>- Human resource policies are focused on encouraging continuous training and development and ensuring appropriate compensation as per market rates to retain and develop employees. |

| Risk | Impact | Risk rating | Risk response and strategies |
|---|---|---|---|
| **Legal and Regulatory Compliance** | Failure to comply with regulatory and legal framework applicable to the Group. | Low | The management together with the Carsons group legal division proactively identifies and set up appropriate systems and processes for legal and regulatory compliance in respect of Sector operations.<br>- Arrange training programs and circulate updates for key employees on new / revised laws & regulations on need basis.<br>- Provide comments on draft laws to government and regulatory authorities.<br>- Obtain comments and interpretations from external legal consultants on areas that require clarity.<br>- Obtain compliance certificates from management on quarterly basis on compliance with relevant laws and regulations. |

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

## FINANCIAL CALENDAR

| | |
|---|---|
| Financial year end | 31st March 2013 |
| 31st Annual General Meeting | 19th June 2013 |

## ANNOUNCEMENT OF RESULTS

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

| | |
|---|---|
| 1st Quarter ended 30th June 2012 | 14th August 2012 |
| 2nd Quarter ended 30th September 2012 | 14th November 2012 |
| 3rd Quarter ended 31st December 2012 | 14th February 2013 |

# Independent Auditor's Report

KPMG
(Chartered Accountants)
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**TO THE SHAREHOLDERS OF EQUITY ONE PLC**

Report on the Financial Statements

We have audited the accompanying financial statements of Equity One PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statements of financial position as at March 31, 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 26 to 69 of the annual report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2013 and the financial statements give a true and fair view of the financial position of the Company as at March 31, 2013, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Group

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at March 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153(2) to 153(7) of the Companies Act No. 07 of 2007.

KPMG

Chartered Accountants
Colombo,
16th May 2013.

# Statement of Comprehensive Income

(All figures in Sri Lankan Rupees thousands)

| | | Group | | Company | |
|---|---|---|---|---|---|
| *For the year ended 31st March* | Note | 2013 | 2012 | 2013 | 2012 |
| Revenue | 11 | 126,040 | 132,697 | 93,433 | 99,628 |
| Direct costs | | (61,338) | (78,006) | (40,601) | (57,543) |
| | | 64,702 | 54,691 | 52,832 | 42,085 |
| Other income | 12 | 2,716 | 1,621 | 810 | 41 |
| Net gains arising from changes in fair value of investment properties | 17 | 103,381 | 59,123 | 43,574 | 8,018 |
| | | 170,799 | 115,435 | 97,216 | 50,144 |
| Administrative and other operating expenses | | (9,220) | (15,060) | (6,053) | (8,340) |
| Results from operating activities | 13 | 161,579 | 100,375 | 91,163 | 41,804 |
| Finance income | 14 | 1,033 | 1,064 | 7,776 | 16,573 |
| Finance costs | 14 | (2,145) | (8,579) | (2,320) | (10,155) |
| Net finance income / (costs) | 14 | (1,112) | (7,515) | 5,456 | 6,418 |
| Profit before taxation | | 160,467 | 92,860 | 96,619 | 48,222 |
| Income tax expenses | 15 | (15,154) | (659) | (11,234) | 171 |
| Deferred taxation | 15 | 1,294 | (1,772) | 246 | (915) |
| Profit for the year | | 146,607 | 90,429 | 85,631 | 47,478 |
| Other comprehensive income | | | | | |
| Total other comprehensive income for the year | | - | - | - | - |
| Total comprehensive income for the year | | 146,607 | 90,429 | 85,631 | 47,478 |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the parent | | 141,664 | 85,623 | - | - |
| Non controlling interest | | 4,943 | 4,806 | - | - |
| | | 146,607 | 90,429 | - | - |
| Earnings per share (Rs.) | 16 | 3.51 | 2.12 | 2.12 | 1.18 |
| Dividend per share (Rs.)* | | 0.11 | - | 0.11 | - |

The notes from pages 30 to 69 form an integral part of these financial statements.

Figures in brackets indicate deductions.

* Based on proposed dividend.

# Statement of Financial Position

(All figures in Sri Lankan Rupees thousands)

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| *As at 31st March* | Note | 2013 | 2012 | 1st April 2011 | 2013 | 2012 | 1st April 2011 |
| ASSETS | | | | | | | |
| Non-current assets | | | | | | | |
| Investment properties | 17 | 2,694,272 | 2,477,608 | 1,918,055 | 1,692,766 | 1,648,603 | 1,143,983 |
| Property, plant and equipment | 18 | 3,615 | 7,662 | 11,068 | 3,615 | 7,662 | 11,068 |
| Investment in subsidiaries | 19 | - | - | - | 552,048 | 552,048 | 552,048 |
| Total non-current assets | | 2,697,887 | 2,485,270 | 1,929,123 | 2,248,429 | 2,208,313 | 1,707,099 |
| Current assets | | | | | | | |
| Inventories | 20 | 5,714 | 10,914 | 502,925 | 5,714 | 10,914 | 502,925 |
| Trade and other receivables | 21 | 19,942 | 18,113 | 14,561 | 48,655 | 7,747 | 2,654 |
| Current tax recoverable | | - | 1,163 | - | - | 1,163 | - |
| Cash and cash equivalents | 22 | 8,500 | 16,449 | 24,010 | 3,892 | 13,433 | 15,517 |
| Total current assets | | 34,156 | 46,639 | 541,496 | 58,261 | 33,257 | 521,096 |
| Total assets | | 2,732,043 | 2,531,909 | 2,470,619 | 2,306,690 | 2,241,570 | 2,228,195 |
| EQUITY AND LIABILITIES | | | | | | | |
| Equity | | | | | | | |
| Stated capital | 23 | 1,085,584 | 1,085,584 | 1,085,584 | 1,085,584 | 1,085,584 | 1,085,584 |
| Capital reserves | 24 | 13,236 | 13,236 | 13,236 | 13,236 | 13,236 | 13,236 |
| Revenue reserves | 25 | 591,983 | 450,319 | 364,696 | 351,761 | 266,130 | 218,652 |
| Total equity attributable to equity holders of the parent | | 1,690,803 | 1,549,139 | 1,463,516 | 1,450,581 | 1,364,950 | 1,317,472 |
| Non controlling interest | | 66,598 | 61,655 | 57,543 | - | - | - |
| Total equity | | 1,757,401 | 1,610,794 | 1,521,059 | 1,450,581 | 1,364,950 | 1,317,472 |
| Non-current liabilities | | | | | | | |
| Refundable rental deposits | 26 | 27,541 | 25,492 | 26,021 | 17,571 | 18,646 | 18,985 |
| Deferred taxation | 27 | 111,245 | 112,539 | 110,767 | 45,500 | 45,746 | 44,831 |
| Employee benefits | 28 | 5,560 | 4,739 | 4,605 | 4,091 | 3,483 | 3,321 |
| Total non-current liabilities | | 144,346 | 142,770 | 141,393 | 67,162 | 67,875 | 67,137 |
| Current liabilities | | | | | | | |
| Trade and other payables | 29 | 813,555 | 773,513 | 659,848 | 775,689 | 805,219 | 698,473 |
| Deferred revenue | 30 | 4,418 | 4,553 | 2,347 | 3,319 | 3,526 | 999 |
| Current tax liabilities | | 12,323 | 279 | 3,972 | 9,939 | - | 2,114 |
| Loans and borrowings | 31 | - | - | 142,000 | - | - | 142,000 |
| Total current liabilities | | 830,296 | 778,345 | 808,167 | 788,947 | 808,745 | 843,586 |
| Total liabilities | | 974,642 | 921,115 | 949,560 | 856,109 | 876,620 | 910,723 |
| Total equity and liabilities | | 2,732,043 | 2,531,909 | 2,470,619 | 2,306,690 | 2,241,570 | 2,228,195 |
| Net assets per share (Rs.) | | 41.93 | 38.42 | 36.30 | 35.98 | 33.85 | 32.67 |

The Notes from pages 30 to 69 form an integral part of these financial statements.

I certify that these financial statements are in compliance with the requirements of Companies Act, No. 07 of 2007

(Sgd.)
**V.R. Wijesinghe**
*Financial Controller*

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

Approved and signed on behalf of the Managers,

(Sgd.)
**A.P. Weeratunge**
*Director*

Approved and signed on behalf of the Board,

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

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

Carsons Management Services (Private) Limited

Colombo
16th May 2013

# Statement of Changes in Equity

(All figures in Sri Lankan Rupees thousands)

| | Stated capital | Capital reserves | | | Revenue reserves | | | Total equity attributable to equity holders of the parent | Non - controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital accretion reserve | Machinery replacement reserve | Other capital reserves | General reserve | Fair value adjustment reserve | Accumulated loss | | | |
| **Group** | | | | | | | | | | |
| Balance as at 1st April 2011 | 1,085,584 | 158 | 5,109 | 7,969 | 39 | 832,826 | (468,169) | 1,463,516 | 57,543 | 1,521,059 |
| Total comprehensive income for the year | - | - | - | - | - | - | 85,623 | 85,623 | 4,806 | 90,429 |
| Transfers | - | - | - | - | - | 59,123 | (59,123) | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | (694) | (694) |
| Balance as at 31st March 2012 | 1,085,584 | 158 | 5,109 | 7,969 | 39 | 891,949 | (441,669) | 1,549,139 | 61,655 | 1,610,794 |
| Balance as at 1st April 2012 | 1,085,584 | 158 | 5,109 | 7,969 | 39 | 891,949 | (441,669) | 1,549,139 | 61,655 | 1,610,794 |
| Total comprehensive income for the year | - | - | - | - | - | - | 141,664 | 141,664 | 4,943 | 146,607 |
| Transfers | - | - | - | - | - | 103,381 | (103,381) | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | - | - |
| Balance as at 31st March 2013 | 1,085,584 | 158 | 5,109 | 7,969 | 39 | 995,330 | (403,386) | 1,690,803 | 66,598 | 1,757,401 |

| | Stated capital | Capital reserves | | | Revenue reserves | | | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | Capital accretion reserve | Machinery replacement reserve | Other capital reserves | General reserve | Fair value adjustment reserve | Accumulated loss | |
| **Company** | | | | | | | | |
| Balance as at 1st April 2011 | 1,085,584 | 158 | 5,109 | 7,969 | 39 | 793,127 | (574,514) | 1,317,472 |
| Total comprehensive income for the year | - | - | - | - | - | - | 47,478 | 47,478 |
| Transfers | - | - | - | - | - | 8,018 | (8,018) | - |
| Balance as at 31st March 2012 | 1,085,584 | 158 | 5,109 | 7,969 | 39 | 801,145 | (535,054) | 1,364,950 |
| Balance as at 1st April 2012 | 1,085,584 | 158 | 5,109 | 7,969 | 39 | 801,145 | (535,054) | 1,364,950 |
| Total comprehensive income for the year | - | - | - | - | - | - | 85,631 | 85,631 |
| Transfers | - | - | - | - | - | 43,574 | (43,574) | - |
| Balance as at 31st March 2013 | 1,085,584 | 158 | 5,109 | 7,969 | 39 | 844,719 | (492,997) | 1,450,581 |

The notes from pages 30 to 69 form an integral part of these financial statements.

Figures in brackets indicate deductions.

# Statement of Cash Flow

(All figures in Sri Lankan Rupees thousands)

| | | Group | | Company | |
|---|---|---|---|---|---|
| *For the year ended 31st March* | Note | 2013 | 2012 | 2013 | 2012 |
| Cash flows from operating activities | | | | | |
| Profit before taxation | | 160,467 | 92,860 | 96,619 | 48,222 |
| Adjustments for: | | | | | |
| Finance costs | 14 | 2,145 | 8,579 | 2,320 | 10,155 |
| Interest income | 14 | (967) | (1,064) | (1,895) | (682) |
| Dividend income | 14 | - | - | (5,832) | (15,891) |
| Net gain arising from changes in fair value of investment properties | 17 | (103,381) | (59,123) | (43,574) | (8,018) |
| Depreciation on property, plant and equipment | 18 | 3,731 | 3,719 | 3,731 | 3,719 |
| Write-off of assets | 17 / 18 | 460 | - | 425 | - |
| Provision for employee benefits | 28 | 821 | 735 | 608 | 763 |
| Operating profit before working capital changes | | 63,276 | 45,706 | 52,402 | 38,268 |
| (Increase) / decrease in inventories | | 5,200 | 22,011 | 5,200 | 22,011 |
| (Increase) / decrease in trade and other receivables | | (1,829) | (3,552) | (3,047) | (5,094) |
| Increase / (decrease) in deferred revenue | | (2,158) | (1,762) | (1,612) | (1,298) |
| Increase / (decrease) in trade and other payables | | (2,984) | (11,186) | (1,717) | (9,124) |
| Operating profit after working capital changes | | 61,505 | 51,217 | 51,226 | 44,763 |
| Rental deposits received | 26 | 5,259 | 6,181 | 2,037 | 5,441 |
| Recovered from prepaid rental deposits | 26 | (3,079) | (3,079) | (3,079) | (3,079) |
| Rental deposits refunded | 26 | (253) | (1,321) | (104) | - |
| Cash generated from operations | | 63,432 | 52,998 | 50,080 | 47,125 |
| Income tax paid | | (1,947) | (5,515) | (132) | (3,105) |
| Gratuity paid | 28 | - | (601) | - | (601) |
| Net cash generated from operating activities | | 61,485 | 46,882 | 49,948 | 43,419 |
| Cash flows from investing activities | | | | | |
| Additions to investment properties | 17 | (112,719) | (30,430) | (613) | (26,602) |
| Purchase of property, plant and equipment | 18 | (85) | (313) | (85) | (313) |
| Amounts advanced to related companies | | - | - | (37,861) | - |
| Interest received | | 967 | 1,064 | 1,895 | 682 |
| Dividend received | | - | - | 5,832 | 15,891 |
| Net cash used in investing activities | | (111,837) | (29,679) | (30,832) | (10,342) |
| Cash flows from financing activities | | | | | |
| Repayment of loans | 31 | - | (142,000) | - | (142,000) |
| Finance costs paid | | (623) | (6,921) | (844) | (9,031) |
| Net amounts borrowed / (settled) on related party borrowings | | 43,026 | 124,851 | (27,813) | 115,870 |
| Dividend paid to minority shareholders by the subsidiary company | | - | (694) | - | - |
| Net cash generated from / (used in) financing activities | | 42,403 | (24,764) | (28,657) | (35,161) |
| Net decrease in cash and cash equivalents | | (7,949) | (7,561) | (9,541) | (2,084) |
| Cash and cash equivalents at the beginning of the year | | 16,449 | 24,010 | 13,433 | 15,517 |
| Cash and cash equivalents at the end of the year | 22 | 8,500 | 16,449 | 3,892 | 13,433 |

The notes from pages 30 to 69 form an integral part of these financial statements.

Figures in brackets indicate deductions.

# Notes to the Consolidated Financial Statements

## 1. Reporting entity

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

The registered office and the principal place of business of the Company is located at No. 61, Janadhipathi Mawatha, Colombo 1 and No. 65C, Dharmapala Mawatha, Colombo 7 respectively.

The consolidated financial statements as at and for the year ended 31st March 2013 comprise of financial information of the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

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

A list of subsidiaries is set out in note 19 to the financial statements. Out of the two subsidiaries, Equity Two PLC is listed on the Colombo Stock Exchange.

The Group had 15 (2012 - 16) employees at the end of the financial year. The Company had 11 (2012 - 12) employees as at the reporting date.

## 2. Basis of preparation

### (a) Statement of compliance

The financial statements of the Company and the Group comprise the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flows together with notes to the financial statements.

The consolidated financial statements have been prepared in accordance with Sri Lanka Accounting Standards (LKAS/ SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of Companies Act No. 7 of 2007.

For all periods up to and including the year ended 31st March 2012, the Company and the Group prepared their financial statements in accordance with Sri Lanka Accounting Standards which were in effect up to that date. Following the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards (IFRSs), all existing/ new Sri Lanka Accounting Standards were prefixed as SLFRS and LKAS (referred to as "SLFRS" in these financial statements) to represent Sri Lanka Accounting Standards corresponding to International Financial Reporting Standards and Sri Lanka Accounting Standards corresponding to International Accounting Standards (IASs), respectively. Accordingly, the Company and the Group adopted these new Sri Lanka Accounting Standards (which are commonly known as SLFRSs) applicable for financial periods commencing from 1st April 2012.

These are the Company's and the Group's first consolidated financial statements prepared in accordance with LKAS/ SLFRS and SLFRS1 - First time adoption of Sri Lanka Accounting Standard has been applied.

The explanation how the transition to LKAS/ SLFRS has affected the reported financial position, financial performance and cash flows of the Company and the Group is provided in note 36.

These consolidated financial statements were authorised for issue by the Board of Directors on 16th May 2013.

### (b) Basis of measurement

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

- non-derivative financial instruments classified as 'Loans and receivables' and 'Other financial liabilities' measured at amortised cost
- investment properties are measured at fair value;
- defined benefit obligations are measured at its present value, based on an actuarial valuation as explained in note 28.

These financial statements have been prepared on the basis that the Company and the Group would continue as a going concern for the foreseeable future.

(c) **Functional and Presentation Currency**

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

(d) **Use of estimates and judgements**

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

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

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

- Determination of owner-occupied properties and investment properties

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

  Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

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

  The Company and the Group assesses at each reporting date whether there is objective evidence that an asset or portfolio of assets is impaired. The recoverable amount of an asset or Cash Generating Unit (CGU) is the greater of its value in use and its fair value less costs to sell.

  In assessing value in use, the estimated future cash flows are discounted to present value using appropriate discount rates that reflects the current market assessments of the time value of money and risks specific to the asset.

- Deferred taxation - utilization of tax losses

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

- Defined benefit plans

  The assessment of the liability of defined benefit obligations involves a significant element of assumptions; including discount rates, future salary increases, mortality rates and future pension increases and due to the long-term nature of these plans, such estimates are subject to uncertainty.

- Current taxation

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

(e) **Materiality and aggregation**

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

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements of the Company and the Group and in preparing the opening SLFRS Statement of Financial Position at 1st April 2011 for the purposes of the transition to SLFRSs, unless otherwise indicated.

# Notes to the Financial Statements

(a) **Basis of consolidation**

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Non-controlling interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Adjustments required to the accounting policies of subsidiaries have been made where ever necessary to align them with the policies adopted by the Group.

In the Company's financial statements, investments in subsidiaries are carried at cost less impairment if any, in net recoverable value.

The consolidated financial statements are prepared to a common financial year end of 31st March.

(iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

Subsequently, that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

(b) **Foreign currency**

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

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

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Financial instruments

(i) Non-derivative financial assets

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

The Company and the Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company and the Group is recognised as a separate asset or liability.

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

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

**Loans and receivables**

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

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

**Cash and cash equivalents**

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

(ii) Non-derivative financial liabilities

The Company and the Group initially recognises subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the transaction date, which is the date that the Company and the Group becomes a party to the contractual provisions of the instrument.

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

The Company and the Group classifies non-derivative financial liabilities into the 'other financial liabilities' category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

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

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

(iii) Stated capital

**Ordinary shares**

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

# Notes to the Financial Statements

(d) **Property, plant and equipment**

(i) Recognition and measurement

All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the reporting date.

Subsequent to the initial recognition of the asset at cost, the revalued property, plant and equipment are carried at revalued amounts less accumulated depreciation thereon and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company and the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

(iii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company and the Group. Ongoing repairs and maintenance are expensed as incurred.

(iv) Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

| | No. of years |
|---|---|
| Plant & machinery | 5-27 |
| Motor vehicles | 4-5 |
| Furniture, fittings & office equipments | 5-16 |
| Computers | 3-5 |

Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(v) Disposal

The gains or losses arising on disposal or retirement of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized net within other Income in the profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(vi) Capital Work-in-Progress

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

(e) **Investment property**

Investment property is property held either to earn rental income or capital appreciation or for both; but not for sale on the ordinary course of business, use in production or supply of goods and services or for administrative purposes. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred, if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions as at the reporting date. Formal valuations are carried out every 3 years by qualified valuers. Gains or losses arising from changes in the fair values of investment properties are included in the profit of loss in the year in which they arise.

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

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

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

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

(f) **Inventories**

Inventories are recognized at cost and net realizable value whichever is lower, after making due allowance for obsolete and slow moving items.

The costs are derived on the following bases:

| | |
|---|---|
| Land held for development and sale | Costs and development costs including borrowings costs up to point of completion for revenue recognition. |

(g) **Impairment**

(i) Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company and the Group on terms that the Company and the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy,

# Notes to the Financial Statements

adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

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

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a pro-rata basis.

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

(h) Employee benefits

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

(ii) Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(iii) Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

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

The liability recognised in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by Sri Lanka Accounting Standard (LKAS 19) - 'Employee Benefits'.

All Actuarial gains or losses are recognised immediately in profit or loss applying the faster recognition approach

(iv) Termination benefits

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

(l) **Provisions**

A provision is recognised if, as a result of a past event, the Company and the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discounts is recognised as finance cost.

(j) **Contingent Liabilities and Contingent Assets**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company and the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company and the Group does not recognize a contingent liability, but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company and the Group. The Company and the Group does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain. In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

(k) Revenue

Revenue represents sales to customers outside the Company and the Group.

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

In arriving at the revenue for consolidation financial statements, sales within the Group are eliminated.

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

(i) Rental income

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

(ii) Disposal of plots of land

Revenue on disposal of plots of land are recognized at the point where the transfer deed is signed between a Group entity and the purchaser.

(iii) Other Income - on accrual basis.

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

(l) **Expenditure Recognition**

(i) Operating Expenses

All expenses incurred in day-to-day operations of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to

# Notes to the Financial Statements

revenue in arriving at the profit or loss for the year. Provision has also been made for bad and doubtful debts, all known liabilities and depreciation on property, plant and equipment.

(ii) Finance income and finance costs

Finance income comprises interest income on funds invested and dividend income.

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Dividend income is recognised in profit or loss on the date that the Company's and the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(m) Income Tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current taxation

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

(ii) Deferred taxation

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

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company and the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the resumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

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

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

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

(iii) Tax exposures

In determining the amount of current and deferred tax, the Company and the Group takes into account the impact of uncertain tax positions and whether additional taxes and

interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company and the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(n) Economic Service Charge (ESC)

As per the provisions of Economic Service Charge Act No. 13 of 2006 and amendments thereto, is payable on "Liable Turnover" and is deductible from the income tax payments. Any unclaimed ESC can be carried forward and settle against the income tax payable in the four subsequent years.

(o) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales taxes incurred in a purchase of assets services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amounts of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(p) Earnings per share

The Company and the Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

(q) Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/ decisions of the other, irrespective of whether a price is charged.

(r) Events after the reporting date

All material and important events which occur after the reporting date have been considered and disclosed in note 35.

(s) Cash flow

Interest paid and dividend paid are classified as financing cash flows while interest received and dividend received are classified as investing cash flows, for the purpose of presentation of Cash Flow Statement which has been prepared using the "Indirect Method".

**6. Dividends on ordinary shares**

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

**7. Presentation**

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

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

**8. Offsetting Income and Expenses**

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

Offsetting Assets and Liabilities

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

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

**9. Directors' responsibility**

The Board of Directors is responsible for the preparation and presentation of the financial statements. This is more fully described under the relevant clause in the Annual report of the Board of Directors.

**10. Determination of fair values**

A number of the Company's and the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

# Notes to the Financial Statements

(a) **Property, plant and equipment**

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which property could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

(b) **Investment property**

An external independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company's and the Group's investment property portfolio, at least every three years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

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

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

(c) **Inventories**

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(d) **Trade and other receivables**

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

(e) **Other non-derivative financial liabilities**

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

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

(f) **Contingent consideration**

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

| *For the year ended 31st March* | Group 2013 | Group 2012 | Company 2013 | Company 2012 |
|---|---|---|---|---|
| **11. Revenue** | | | | |
| **11.1. By industry segment** | | | | |
| Property rental | 121,028 | 110,723 | 88,421 | 77,654 |
| Property development | 5,012 | 21,974 | 5,012 | 21,974 |
| | 126,040 | 132,697 | 93,433 | 99,628 |

11.2. Segmental information

(a) Primary reporting format - Business segments

The Group has two reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different management approaches. For each of the strategic divisions, the Senior Management Committee for the Group reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

- Property rental
- Property development

There is minimal integration between the two reportable segments.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's Senior Management Committee.

| | Property rental | | Property development | | Group | |
|---|---|---|---|---|---|---|
| *For the year ended 31st March* | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenue | 121,028 | 110,723 | 5,012 | 21,974 | 126,040 | 132,697 |
| Results from operating activities | 163,620 | 102,003 | (2,041) | (1,628) | 161,579 | 100,375 |
| Finance income | 1,033 | 1,064 | - | - | 1,033 | 1,064 |
| Finance costs | (2,145) | (1,658) | - | (6,921) | (2,145) | (8,579) |
| Profit / (loss) before taxation | 162,508 | 101,409 | (2,041) | (8,549) | 160,467 | 92,860 |
| Income tax expense | (15,154) | (659) | - | - | (15,154) | (659) |
| Deferred taxation | 1,294 | (1,083) | - | (689) | 1,294 | (1,772) |
| Total comprehensive income | 148,648 | 99,667 | (2,041) | (9,238) | 146,607 | 90,429 |
| Total comprehensive income attributable to: | | | | | | |
| Equity holders of the parent | 143,705 | 94,861 | (2,041) | (9,238) | 141,664 | 85,623 |
| Non controlling interest | 4,943 | 4,806 | - | - | 4,943 | 4,806 |
| | 148,648 | 99,667 | (2,041) | (9,238) | 146,607 | 90,429 |

# Notes to the Financial Statements

(All figures in Sri Lankan Rupees thousands)

| | Property rental | | | Property development | | | Group | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1st April 2011 | 2013 | 2012 | 1st April 2011 | 2013 | 2012 | 1st April 2011 |
| **Segment Assets** | | | | | | | | | |
| Investment properties | 2,694,272 | 2,477,608 | 1,918,055 | - | - | - | 2,694,272 | 2,477,608 | 1,918,055 |
| Property, plant and equipment | 3,615 | 7,662 | 11,068 | - | - | - | 3,615 | 7,662 | 11,068 |
| Current assets | 28,442 | 35,725 | 38,571 | 5,714 | 10,914 | 502,925 | 34,156 | 46,639 | 541,496 |
| Total Segmental Assets | 2,726,329 | 2,520,995 | 1,967,694 | 5,714 | 10,914 | 502,925 | 2,732,043 | 2,531,909 | 2,470,619 |
| **Segment Liabilities** | | | | | | | | | |
| Refundable rental and other deposit | 27,541 | 25,492 | 26,021 | - | - | - | 27,541 | 25,492 | 26,021 |
| Deferred taxation | 111,245 | 112,539 | 110,767 | - | - | - | 111,245 | 112,539 | 110,767 |
| Employee benefits | 5,560 | 4,739 | 4,605 | - | - | - | 5,560 | 4,739 | 4,605 |
| Current liabilities | 830,296 | 778,345 | 28,524 | - | - | 779,643 | 830,296 | 778,345 | 808,167 |
| Total Segmental Liabilities | 974,642 | 921,115 | 169,917 | - | - | 779,643 | 974,642 | 921,115 | 949,560 |
| Depreciation | 3,731 | 3,719 | 5,324 | - | - | - | 3,731 | 3,719 | 5,324 |
| Capital expenditure | 112,804 | 30,743 | 27,601 | - | - | - | 112,804 | 30,743 | 27,601 |

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of Investment properties, property, plant and equipment, capital work-in-progress, inventories, trade and other receivables and cash and cash equivalents. Segment liabilities comprise of operating liabilities, employee benefits and deferred taxation.

The Group discontinued operations in it's property development segment during the financial year 2010/11.

**(b) Secondary reporting format - Geographical segments**

All the Group's business segments operate in a single geographical area, hence they do not qualify for reporting under 'Geographical segments'.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | *For the year ended 31st March* | 2013 | 2012 | 2013 | 2012 |
| **12.** | **Other income** | | | | |
| | Other income | 1,533 | 1,621 | 810 | 41 |
| | Profit from disposal of assets | 1,183 | - | - | - |
| | | 2,716 | 1,621 | 810 | 41 |
| **13.** | **Profit from operations** | | | | |
| | Profit from operations is stated after charging all expenses including the following: | | | | |
| | Depreciation (note 13.1) | 3,731 | 3,719 | 3,731 | 3,719 |
| | Nomination Committee fees | 100 | - | 100 | - |
| | Auditors' remuneration - audit services | 432 | 386 | 230 | 200 |
| | Auditors' remuneration - other professional services | 399 | 198 | 182 | 106 |
| | Write-off of assets | 460 | - | 425 | - |
| | Professional services cost (note 13.2) | 147 | 180 | 85 | 88 |
| | Management fees | 2,797 | 2,797 | 1,224 | 1,224 |
| | Personnel costs (note 13.3) | 30,604 | 27,485 | 20,311 | 18,478 |
| **13.1.** | **Depreciation** | | | | |
| | Depreciation included in the statement of comprehensive income under the following heading: | | | | |
| | Administrative and other operating expenses (note 18) | 3,731 | 3,719 | 3,731 | 3,719 |
| | | 3,731 | 3,719 | 3,731 | 3,719 |
| **13.2.** | **Professional Services cost** | | | | |
| | Valuation services | 132 | 132 | 80 | 80 |
| | Other services | 15 | 48 | 5 | 8 |
| | | 147 | 180 | 85 | 88 |
| **13.3.** | **Personnel costs** | | | | |
| | Salaries, wages and other related expenses | 28,138 | 25,117 | 18,666 | 16,636 |
| | Defined benefit plan cost - Gratuity (note 28) | 821 | 735 | 608 | 763 |
| | Defined contribution plan cost - EPF and ETF | 1,645 | 1,633 | 1,037 | 1,079 |
| | | 30,604 | 27,485 | 20,311 | 18,478 |
| | The above include: | | | | |
| | Directors' emoluments | - | - | - | - |
| | Directors' fees | 800 | 600 | 500 | 375 |
| | | 800 | 600 | 500 | 375 |

# Notes to the Financial Statements

(All figures in Sri Lankan Rupees thousands)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | *For the year ended 31st March* | 2013 | 2012 | 2013 | 2012 |
| **14.** | **Finance income and finance costs** | | | | |
| | **Finance income** | | | | |
| | Interest income | 1,033 | 1,064 | 1,944 | 682 |
| | Dividend income | - | - | 5,832 | 15,891 |
| | | 1,033 | 1,064 | 7,776 | 16,573 |
| | **Finance costs** | | | | |
| | Interest expenses on loans and borrowings | | | | |
| | - On bank borrowings | - | 6,921 | - | 6,921 |
| | - On related party borrowings | 623 | - | 844 | 2,110 |
| | Unwinding of discount on refundable rental deposits (note 26) | 2,145 | 1,658 | 1,476 | 1,124 |
| | | 2,768 | 8,579 | 2,320 | 10,155 |
| | Less : | | | | |
| | Amount capitalized in to investment properties | (623) | - | - | - |
| | | 2,145 | 8,579 | 2,320 | 10,155 |
| | Net finance income/(cost) recognized in profit or loss | (1,112) | (7,515) | 5,456 | 6,418 |
| **15.** | **Income tax expenses / (reversal)** | | | | |
| **15.1.** | **Current taxation** | | | | |
| | Current tax expense for the year (note15.2) | 15,570 | 2,876 | 11,650 | 1,694 |
| | Over provision in respect of previous years | (416) | (2,217) | (416) | (1,865) |
| | | 15,154 | 659 | 11,234 | (171) |
| | **Deferred taxation** | | | | |
| | On origination and reversal of temporary differences | (1,294) | 1,772 | (246) | 915 |
| | | (1,294) | 1,772 | (246) | 915 |
| | Income tax expense / (reversal) for the year | 13,860 | 2,431 | 10,988 | 744 |
| **15.2.** | **Reconciliation between taxable profit and accounting profit** | | | | |
| | Accounting profit before taxation | 160,467 | 92,860 | 96,619 | 48,222 |
| | Aggregate of disallowable items | 11,806 | 17,815 | 9,309 | 14,899 |
| | Aggregate of allowable claims | (16,749) | (17,374) | (12,983) | (13,517) |
| | Profits not charged to income tax | (5,832) | (15,891) | (5,832) | (15,891) |
| | Net gains arising from changes in fair value of investment properties (note 17) | (103,381) | (59,123) | (43,574) | (8,018) |
| | Adjustment due to consolidation | 7,934 | 17,656 | - | - |
| | Notional adjustments arising on application of LKAS/SLFRS | 334 | (10,446) | (1,931) | (10,054) |
| | Utilisation of tax losses (note 15.5 c) | (1,286) | (926) | - | - |
| | Adjusted profit for tax purposes | 53,293 | 24,571 | 41,608 | 15,641 |
| | Income Tax thereon (note 15.4 a & 15.5 b) | 14,922 | 2,876 | 11,650 | 1,694 |
| | Dividend Tax | 648 | - | - | - |
| | Income tax expense for the year | 15,570 | 2,876 | 11,650 | 1,694 |

| *For the year ended 31st March* | Group 2013 | Group 2012 | Company 2013 | Company 2012 |
|---|---|---|---|---|
| **15.3. Movement in tax losses** | | | | |
| Tax losses brought forward | 12,496 | 12,920 | - | - |
| Adjustment on finalization of liability | 730 | 502 | - | - |
| Utilisation of tax losses during the year (note 15.5 c) | (1,286) | (926) | - | - |
| Tax losses carried forward | 11,940 | 12,496 | - | - |

**15.4. Company**

(a) In terms of the provisions of the Inland Revenue Act, No 10 of 2006 and amendments thereto, the Company is liable to taxation at 28% (2012 - 10%).

**15.5. Group**

(a) Group tax expenses is based on the taxable profit of individual companies within the Group. At present, the tax laws of Sri Lanka do not provide for Group taxation.

(b) In terms of the provisions of the Inland Revenue Act, No.10 of 2006 and amendments thereto, Companies within the Group are liable to taxation at a tax rate of 28% (2011 - 10%).

(c) Utilisation of tax losses are restricted to 35% of current year's Statutory Income. Any unabsorbed tax losses can be carried forward indefinitely.

(d) Deferred tax has been computed using a tax rate of 28% (note 27.4).

**15.6. Change in corporate tax rates**

The taxable profit of the Company and its subsidiaries were liable to income tax at a reduced rate of 10% for the year of assessment 2011/12, being undertakings engaged in provision of services of which the annual turnover is less than Rs. 300mn. The said concessionary tax rate was withdrawn effective from year of assessment 2012/13, waiving off such tax consessions in the context of Group of companies.

## 16. Earnings per share

The Company and Group's earnings per share is calculated on the profit attributable to the shareholders of Equity One PLC over the weighted average number of ordinary shares outstanding, as required by Sri Lanka Accounting Standard (LKAS 33) - "Earnings per Share".

The following reflect the income and share data used in the earnings per share computation:

| | Group 2013 | Group 2012 | Company 2013 | Company 2012 |
|---|---|---|---|---|
| Amounts used as the numerator | | | | |
| Profit attributable to the ordinary shareholders of the Company | 141,664 | 85,623 | 85,631 | 47,478 |
| Amounts used as the denominator | | | | |
| Weighted average number of ordinary shares outstanding during the year (In thousands) | 40,322 | 40,322 | 40,322 | 40,322 |
| Earnings per share (Rs) | 3.51 | 2.12 | 2.12 | 1.18 |

# Notes to the Financial Statements

(All figures in Sri Lankan Rupees thousands)

| | Freehold land | Freehold building | Other equipments | Capital work-in progress | Total as at 31st March 2013 | Total as at 31st March 2012 | Total as at 1st April 2011 |
|---|---|---|---|---|---|---|---|
| **17. Investment properties** | | | | | | | |
| **17.1. Group** | | | | | | | |
| Balance as at the beginning of the year | 1,993,805 | 438,674 | 45,129 | - | 2,477,608 | 1,918,055 | 1,867,832 |
| Additions during the year | - | 1,784 | 802 | 110,133 | 112,719 | 30,430 | 27,404 |
| Changes in fair value of investment properties | 117,745 | (6,208) | (8,156) | - | 103,381 | 59,123 | 23,076 |
| Transfers from inventories (note 17.6) | - | - | - | - | - | 470,000 | - |
| Disposals / Written off during the year | - | - | (59) | - | (59) | - | (257) |
| Borrowing costs capitalized | - | - | - | 623 | 623 | - | - |
| | 2,111,550 | 434,250 | 37,716 | 110,756 | 2,694,272 | 2,477,608 | 1,918,055 |
| **17.2. Company** | | | | | | | |
| Balance as at the beginning of the year | 1,421,805 | 190,174 | 36,624 | - | 1,648,603 | 1,143,983 | 1,106,897 |
| Additions during the year | - | 613 | - | - | 613 | 26,602 | 19,631 |
| Transfers from inventories (note 17.6) | - | - | - | - | - | 470,000 | - |
| Changes in fair value of investment properties | 54,445 | (4,537) | (6,334) | - | 43,574 | 8,018 | 17,455 |
| Written off during the year | - | - | (24) | - | (24) | - | - |
| | 1,476,250 | 186,250 | 30,266 | - | 1,692,766 | 1,648,603 | 1,143,983 |

**17.3.** Investment properties of the Company and the Group are stated based on a valuation performed by Mr. S. Sivaskantha, F.I.V. (Sri Lanka) of Perera Sivaskantha & Company, Incorporated valuers, as at 31st March 2013 (for the financial years 2012 and 2011, Mr. K. Arthur Perera, A.M.I.V. (Sri Lanka), an independent professional valuer) the details of which are as follows.

| Property and location | Tenure of property | Description | Method of valuation | Net rentable area (In sq.ft.) | Extent (Hectares) | Historical cost | Fair value 2013 | Fair value 2012 | Fair value 1st April 2011 |
|---|---|---|---|---|---|---|---|---|---|
| **Equity One PLC** | | | | | | | | | |
| Dharmapala Mw., Colombo 7 | Freehold | Office space | Market approach | 44,647 | 0.238 | 136,693 | 729,766 | 716,624 | 682,005 |
| Vauxhall Lane, Colombo 2 | Freehold | Warehouse space | Market approach | 30,723 | 0.524 | 270,000 | 493,000 | 461,979 | 461,978 |
| No.7, De Soysa Mawatha, Mt.Lavinia | Freehold | Land | Market approach | - | 2.300 | 624,000 | 470,000 | 470,000 | - |
| **Equity Two PLC** | | | | | | | | | |
| Janadhipathi Mw., Colombo 1 | Freehold | Office space | Market approach | 41,123 | 0.218 | 604,267 | 724,318 | 570,747 | 526,934 |
| **Equity Three (Private) Limited** | | | | | | | | | |
| George R. De Silva Mw., Colombo 13 | Freehold | Office space | Market approach | 31,237 | 0.208 | 97,479 | 277,188 | 258,258 | 247,138 |
| | | | | | | | 2,694,272 | 2,477,608 | 1,918,055 |

# Notes to the Financial Statements

(All figures in Sri Lankan Rupees thousands)

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| *As at 31st March* | 2013 | 2012 | 1st April 2011 | 2013 | 2012 | 1st April 2011 |
| **17.4. Analysis of Capital work-in-progress** | | | | | | |
| Investment properties - Freehold building | 50,563 | - | 5,384 | - | - | 5,384 |
| Investment properties - Other equipment | 60,193 | - | 14,256 | - | - | 14,256 |
| | 110,756 | - | 19,640 | - | - | 19,640 |

**17.5. Capitalization of borrowing costs in to investment properties**

Borrowing costs capitalized as part of the cost of investment properties are as follows.

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1st April 2011 | 2013 | 2012 | 1st April 2011 |
| Borrowing costs capitalized | 623 | - | - | - | - | - |

**17.6.** The land located at No.7, De Soysa Mawatha, Mount Lavinia, being property acquired for development activities of the Group; which was previously classified as inventory, was recognized as an investment property held for capital appreciation during the year 2012, upon discontinuation of property development activities.

Accordingly an amount of Rs. 470 mn was recognised in to investment property as at 31st March 2012, being the fair value of the property at the date of the transfer, based on a professional valuation performed by Mr. K. Arthur Perera, A.M.I.V (Sri Lanka), an independent professional valuer.

**17.7.** No items of investment properties of the Company and the Group were pledged as security for liabilities as at the reporting date.

**17.8.** There were no restrictions to the title of investment properties of the Company and the Group, as at the reporting date

**17.9 Contractual obligations to construct and develop investment properties**

No contractual obligations to construct and develop investment properties have been entered in to by the Company, as at the reporting date.

During the year, a subsidiary company, Equity Two PLC, contracted to refurbish and renovate the building situated at assessment no. 55, Janadhipathi Mawatha (adjoining the existing building); which the said company has acquired in 2005 and has since been abandoned due to significant damages caused to the building from the terrorist attack targeting the Central bank in 1996. Based on preliminary estimates, the project will cost approximately Rs. 175mn, out of which an amount of Rs. 99.6mn has so far been incurred and accounted for under capital work-in progress.

**17.10** All the direct operating expenses of the Company and the Group are incurred on investment properties generating rental income.

## 18. Property, Plant and Equipment

### 18.1. Group / Company

| | Machinery and equipment | Furniture and fittings | Motor vehicles | Total as at 31st March 2013 | Total as at 31st March 2012 | Total as at 1st April 2011 |
|---|---|---|---|---|---|---|
| Cost/Valuation | | | | | | |
| As at the beginning of the year | 1,854 | 1,489 | 13,750 | 17,093 | 16,780 | 20,416 |
| Additions during the year | 85 | - | - | 85 | 313 | 197 |
| Transferred on amalgamation | - | - | - | - | - | 1,271 |
| Disposal / Write-off | (923) | (832) | - | (1,755) | - | (5,104) |
| As at the end of the year | 1,016 | 657 | 13,750 | 15,423 | 17,093 | 16,780 |
| Depreciation | | | | | | |
| As at the beginning of the year | 1,486 | 784 | 7,161 | 9,431 | 5,712 | 5,033 |
| Charge for the year | 173 | 120 | 3,438 | 3,731 | 3,719 | 5,324 |
| Transferred on amalgamation | - | - | - | - | - | 459 |
| Depreciation on disposal / write-off | (917) | (437) | - | (1,354) | - | (5,104) |
| As at the end of the year | 742 | 467 | 10,599 | 11,808 | 9,431 | 5,712 |
| Carrying amount as at the end of the year | 274 | 190 | 3,151 | 3,615 | 7,662 | 11,068 |

### 18.2. Details of fully depreciated assets - property, plant and equipment

Details of fully depreciated assets - property, plant and equipment are as follows;

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| *As at 31st March* | 2013 | 2012 | 1st April 2011 | 2013 | 2012 | 1st April 2011 |
| Machinery and equipment | 419 | 1,342 | 1,132 | 419 | 1,342 | 1,132 |
| Furniture and fittings | 260 | 291 | 291 | 260 | 291 | 291 |
| | 679 | 1,633 | 1,423 | 679 | 1,633 | 1,423 |

18.3. There were no restrictions to the title of property, plant and equipment of the Company and the Group, as at the reporting date. Further no items were pledged as security.

| | Company | | |
|---|---|---|---|
| *As at 31st March* | 2013 | 2012 | 1st April 2011 |
| **19. Investments in subsidiaries** | | | |
| Investments in subsidiaries (note 19.1) | 552,048 | 552,048 | 552,048 |
| | 552,048 | 552,048 | 552,048 |

| | 2013 | | 2012 | | 1st April 2011 | |
|---|---|---|---|---|---|---|
| *As at 31st March* | No. of shares | Cost | No. of shares | Cost | No. of shares | Cost |
| 19.1. Quoted | | | | | | |
| Equity Two PLC | 27,532,525 | 448,834 | 27,532,525 | 448,834 | 27,532,525 | 448,834 |
| | | 448,834 | | 448,834 | | 448,834 |
| Unquoted | | | | | | |
| Equity Three (Private) Limited | 5,399,997 | 103,214 | 5,399,997 | 103,214 | 5,399,997 | 103,214 |
| | | 103,214 | | 103,214 | | 103,214 |
| Total investment in subsidiaries | | 552,048 | | 552,048 | | 552,048 |

# Notes to the Financial Statements

(All figures in Sri Lankan Rupees thousands)

| | | Group | | | Company | |
|---|---|---|---|---|---|---|
| | *As at 31 st March* | 2013 | 2012 | 1st April 2011 | 2013 | 2012 | 1st April 2011 |
| **20.** | **Inventories** | | | | | | |
| | Land held for sale | 6,452 | 12,532 | 505,814 | 6,452 | 12,532 | 505,814 |
| | Provision for inventories | (738) | (1,618) | (2,889) | (738) | (1,618) | (2,889) |
| | | 5,714 | 10,914 | 502,925 | 5,714 | 10,914 | 502,925 |

**20.1.** No borrowing costs were capitalised in to inventories during the year (2012 - Nil).

**20.2.** Details of land held for sale as at 31st March 2013 are as follows.

| Company | Location | Extent (Perches) | Fair Value 31st March 2013 |
|---|---|---|---|
| Equity One PLC | Mirihana Estate, Mirihana | 10.33 | 5,714 |

| | | Group | | | Company | |
|---|---|---|---|---|---|---|
| | *As at 31st March* | 2013 | 2012 | 1st April 2011 | 2013 | 2012 | 1st April 2011 |
| **21.** | **Trade and other receivables** | | | | | | |
| | Financial | | | | | | |
| | Trade receivables | 13,078 | 12,119 | 9,370 | 9,559 | 6,447 | 943 |
| | Other receivables | 4,926 | 2,461 | 3,398 | 446 | 442 | 902 |
| | Receivables due from related companies (note 34.5) | - | 188 | 153 | 37,861 | 188 | 135 |
| | Loans given to company officers (note 21.1) | 768 | 437 | 893 | 463 | 354 | 396 |
| | | 18,772 | 15,205 | 13,814 | 48,329 | 7,431 | 2,376 |
| | Non-financial | | | | | | |
| | Prepaid expenses | 1,170 | 2,908 | 747 | 326 | 316 | 278 |
| | | 1,170 | 2,908 | 747 | 326 | 316 | 278 |
| | | 19,942 | 18,113 | 14,561 | 48,655 | 7,747 | 2,654 |
| **21.1.** | **Loans given to company officers** | | | | | | |
| | Balance as at the beginning of the year | 437 | 893 | 1,562 | 354 | 396 | 500 |
| | Loans granted during the year | 868 | 398 | 328 | 467 | 354 | 293 |
| | Recovered during the year | (537) | (854) | (997) | (358) | (396) | (397) |
| | Balance as at the end of the year | 768 | 437 | 893 | 463 | 354 | 396 |
| **22.** | **Cash and cash equivalents** | | | | | | |
| | Cash at bank | 8,500 | 6,259 | 10,797 | 3,892 | 4,891 | 7,589 |
| | Placements in government securities | - | 10,190 | 13,213 | - | 8,542 | 7,928 |
| | | 8,500 | 16,449 | 24,010 | 3,892 | 13,433 | 15,517 |
| **23.** | **Stated capital** | | | | | | |
| | Issued and fully paid | | | | | | |
| | At the beginning of the year (40,321,730 shares) | 1,085,584 | 1,085,584 | 1,085,584 | 1,085,584 | 1,085,584 | 1,085,584 |
| | At the end of the year (40,321,730 shares) | 1,085,584 | 1,085,584 | 1,085,584 | 1,085,584 | 1,085,584 | 1,085,584 |

| As at 31 st March | Group 2013 | Group 2012 | Group 1st April 2011 | Company 2013 | Company 2012 | Company 1st April 2011 |
|---|---|---|---|---|---|---|
| **24. Capital reserves** | | | | | | |
| Capital accretion reserve | 158 | 158 | 158 | 158 | 158 | 158 |
| Machinery replacement reserve | 5,109 | 5,109 | 5,109 | 5,109 | 5,109 | 5,109 |
| Other capital reserves | 7,969 | 7,969 | 7,969 | 7,969 | 7,969 | 7,969 |
| | 13,236 | 13,236 | 13,236 | 13,236 | 13,236 | 13,236 |

24.1. Capital accretion reserve, machinery replacement reserve and other capital reserves represent the amounts set aside by the Directors for future expansion and to meet any contingencies.

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

| As at 31 st March | Group 2013 | Group 2012 | Group 1st April 2011 | Company 2013 | Company 2012 | Company 1st April 2011 |
|---|---|---|---|---|---|---|
| **25. Revenue reserves** | | | | | | |
| General reserve | 39 | 39 | 39 | 39 | 39 | 39 |
| Fair value adjustment reserve | 1,001,467 | 898,086 | 832,826 | 844,719 | 801,146 | 793,127 |
| Accumulated loss | (409,523) | (447,806) | (468,169) | (492,997) | (535,055) | (574,514) |
| | 591,983 | 450,319 | 364,696 | 351,761 | 266,130 | 218,652 |

25.1. General reserves represent the amounts set aside by the Directors for future expansion and to meet any contingencies.

25.2. **Fair value adjustment reserve**

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

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

| As at 31 st March | Group 2013 | Group 2012 | Group 1st April 2011 | Company 2013 | Company 2012 | Company 1st April 2011 |
|---|---|---|---|---|---|---|
| **26. Refundable rental deposits** | | | | | | |
| Balance as at the beginning of the year | 25,492 | 26,021 | 19,640 | 18,646 | 18,985 | 12,758 |
| Receipts during the year | 5,259 | 6,181 | 10,179 | 2,037 | 5,441 | 10,029 |
| Transferred to deferred revenue | (2,023) | (3,968) | (596) | (1,405) | (3,825) | (572) |
| Refunds during the year | (253) | (1,321) | - | (104) | - | - |
| Amounts recovered from prepaid rental deposits | (3,079) | (3,079) | (4,760) | (3,079) | (3,079) | (4,286) |
| Unwinding of interest on refundable deposits | 2,145 | 1,658 | 1,558 | 1,476 | 1,124 | 1,056 |
| | 27,541 | 25,492 | 26,021 | 17,571 | 18,646 | 18,985 |

# Notes to the Financial Statements

(All figures in Sri Lankan Rupees thousands)

| | | Group | | | Company | |
|---|---|---|---|---|---|---|
| | *As at 31 st March* | 2013 | 2012 | 1st April 2011 | 2013 | 2012 | 1st April 2011 |
| **27.** | **Deferred taxation** | | | | | | |
| | Balance as at the beginning of the year | 112,539 | 110,767 | 158,114 | 45,746 | 44,831 | 64,683 |
| | On change in corporate tax rates (note 27.4) | - | - | (27,692) | - | - | (11,208) |
| | On origination and reversal of temporary difference | (1,294) | 1,772 | (19,655) | (246) | 915 | (8,644) |
| | Balance as at the end of year | 111,245 | 112,539 | 110,767 | 45,500 | 45,746 | 44,831 |
| **27.1.** | **Movement in deferred taxation during the year** | | | | | | |
| | Investment properties | (1,220) | 1,691 | (50,446) | (76) | 960 | (20,517) |
| | Employee benefits | (230) | (37) | 707 | (170) | (45) | 665 |
| | Tax losses carried forward | 156 | 118 | 2,392 | - | - | - |
| | Net deferred tax charged/(reversed) for the year | (1,294) | 1,772 | (47,347) | (246) | 915 | (19,852) |
| **27.2.** | **Deferred tax assets** | | | | | | |
| | Tax effect on employee benefits | 1,557 | 1,327 | 1,290 | 1,145 | 975 | 930 |
| | Tax effect on brought forward tax losses | 3,343 | 3,499 | 3,617 | - | - | - |
| | Total deferred tax assets | 4,900 | 4,826 | 4,907 | 1,145 | 975 | 930 |
| **27.3.** | **Deferred tax liabilities** | | | | | | |
| | Tax effect on investment properties and property, plant and equipment | 116,145 | 117,365 | 115,674 | 46,645 | 46,721 | 45,761 |
| | Total deferred tax liabilities | 116,145 | 117,365 | 115,674 | 46,645 | 46,721 | 45,761 |
| | Net deferred tax liabilities | 111,245 | 112,539 | 110,767 | 45,500 | 45,746 | 44,831 |

**27.4. Impact due to corporate income tax rate change**

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

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

As per the amendments made to the Inland Revenue Act No. 10 of 2006 by the amendment Act No. 22 of 2011 corporate income tax rate was reduced to 28% (from the then enacted rate of 35%) with effect from 1st April 2011. Accordingly, deferred tax assets and liabilities have been computed as at the end of the financial year 2011 are based on the said reduced corporate tax rate. This resulted in a reversal of Rs. 11.2 mn and Rs. 27.7 mn to the statement of comprehensive income for the Company and the Group respectively, for the financial year ended 31st March 2011.

| As at 31st March | Group 2013 | Group 2012 | Group 1st April 2011 | Company 2013 | Company 2012 | Company 1st April 2011 |
|---|---|---|---|---|---|---|
| **28. Employee benefits** | | | | | | |
| **28.1. The movement in the liabilities recognised in the Statement of financial position is as follows:** | | | | | | |
| Balance as at the beginning of the year | 4,739 | 4,605 | 5,705 | 3,483 | 3,321 | 4,556 |
| Provision for the year (note 28.2) | 821 | 735 | 2,036 | 608 | 763 | 1,239 |
| Payments made during the year | - | (601) | (3,136) | - | (601) | (2,474) |
| Balance as at the end of the year | 5,560 | 4,739 | 4,605 | 4,091 | 3,483 | 3,321 |
| **28.2. The amounts recognized in the Statement of comprehensive income are as follows;** | | | | | | |
| Current service cost | 284 | 223 | 242 | 204 | 151 | 175 |
| Interest cost | 474 | 459 | 685 | 348 | 332 | 547 |
| Actuarial gains / (losses) | 63 | 53 | 1,109 | 56 | 280 | 517 |
| Charge for the year | 821 | 735 | 2,036 | 608 | 763 | 1,239 |

**28.3.** The gratuity liability as at 31st March 2013 amounting to Rs. 4,090,916/- and Rs. 5,559,906/- (2012 - Rs. 3,482,519/- and Rs. 4,739,440/-) for the Company and the Group respectively is made based on an actuarial valuation carried out by Mr. M.Poopalanathan (AIA) of Messrs. Actuarial and Management Consultants (Pvt) Ltd. As recommended by the Sri Lanka Accounting Standards (LKAS 19) - "Employee benefits", the "Projected Unit Credit (PUC)" method has been used in this valuation.

The principal assumptions used are:

- Rate of discount — 10% p.a.
- Rate of pay increase — 12% p.a.
- Retirement age — 55 years
- Mortality — A 67/70 mortality table, issued by the Institute of Actuaries, London was used.
- Withdrawal rate — 5% for age up to 49 and zero thereafter.
- The company is a going concern.

**28.4.** The above provision is not externally funded.

# Notes to the Financial Statements

(All figures in Sri Lankan Rupees thousands)

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | *As at 31 st March* | 2013 | 2012 | 1st April 2011 | 2013 | 2012 | 1st April 2011 |
| **29.** | **Trade and other payables** | | | | | | |
| | Financial | | | | | | |
| | Trade payables | 1,090 | 282 | 1,536 | 493 | - | 99 |
| | Other payables | 3,053 | 3,821 | 3,790 | 2,756 | 3,484 | 2,192 |
| | Amount due to related companies (note 34.6) | 805,520 | 762,494 | 637,643 | 769,628 | 797,441 | 681,571 |
| | | 809,663 | 766,597 | 642,969 | 772,877 | 800,925 | 683,862 |
| | Non financial | | | | | | |
| | Provisions and accrued expenses | 3,892 | 6,916 | 16,879 | 2,812 | 4,294 | 14,611 |
| | | 3,892 | 6,916 | 16,879 | 2,812 | 4,294 | 14,611 |
| | | 813,555 | 773,513 | 659,848 | 775,689 | 805,219 | 698,473 |
| **30.** | **Deferred revenue** | | | | | | |
| | Deferred lease rent income | 4,418 | 4,553 | 2,347 | 3,319 | 3,526 | 999 |
| | | 4,418 | 4,553 | 2,347 | 3,319 | 3,526 | 999 |
| **31.** | **Loans and borrowings** | | | | | | |
| **31.1.** | **Current liabilities** | | | | | | |
| | Current portion of secured bank loans | - | - | 142,000 | - | - | 142,000 |
| | | - | - | 142,000 | - | - | 142,000 |

**31.2. Equity One PLC**

| | | | | 2013 | | 2012 | | 1st April 2011 | |
|---|---|---|---|---|---|---|---|---|---|
| Lender | Currency | Nominal interest rate | Year of maturity | Face value | Carrying amount | Face value | Carrying amount | Face value | Carrying amount |
| Hatton National Bank | LKR | AWPLR+2.25% | 2011/2012 | - | - | - | - | 142,000 | 142,000 |
| | | | | - | - | - | - | 142,000 | 142,000 |

**32. Commitments and contingencies**

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | | 2013 | 2012 | 1st April 2011 | 2013 | 2012 | 1st April 2011 |
| **32.1.** | **Capital expenditure commitments** | | | | | | |
| | Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows: | 74,616 | - | - | - | - | - |

There were no other significant financial commitments for the Company and the Group other than those disclosed above as at the reporting date.

**32.2. Contingent liabilities**

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

### 32.3. Litigation and claims

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

## 33. Financial instruments

Financial risk management - Overview

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

**Risk management framework**

The Company's Board of Directors has overall responsibility for the establishment and supervision of the Group's risk management framework. The Board of Directors has delegated this function to the Carsons Management Services (Private) Limited, the management company, which is responsible for developing and monitoring the Group's risk management policies and reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to set limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee of Carson Cumberbatch PLC, the parent company, oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its supervision role by Group Internal Audit. Group Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### 33.1. Credit risk

Credit risk is the risk of a financial loss to the Group, if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's receivables from customers, placements in deposits with banking institutions and placements in government securities.

#### 33.1.1. Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows.

| | | Group | |
|---|---|---|---|
| *As at 31st March* | 2013 | 2012 | 1st April 2011 |
| **Credit risk** | | | |
| Trade and other receivables | 18,772 | 15,205 | 13,814 |
| Cash and cash equivalents | 8,500 | 16,449 | 24,010 |
| | 27,272 | 31,654 | 37,824 |

# Notes to the Financial Statements

(All figures in Sri Lankan Rupees thousands)

**Trade receivables**

The Group's exposure to credit risk on 'Trade receivables' is influenced mainly by the individual characteristics of each customer, and primarily arising on the rent receivable from its tenants.

The Group has obtained refundable rental deposits from non-related tenants, covering the rental income for a period of 3-6 months, which provides cover to the Group in the event of a default. Details of the Refundable rental deposits held by the Group as at the reporting date is as follows.

| | | Group | |
|---|---|---|---|
| *As at 31 st March* | 2013 | 2012 | 1st April 2011 |
| **Refundable rental deposits** | | | |
| Carrying value | 27,541 | 25,492 | 26,021 |
| Face value | 32,696 | 30,770 | 28,989 |

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

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

Further more than 80% of the tenants have transacted with the Group for over a period of 3 years and no impairment losses have been recognized against these customers.

**33.1.2.** The aging of Trade receivables at the end of the reporting period that were not impaired was as follows

| | | Group | |
|---|---|---|---|
| *As at 31 st March* | 2013 | 2012 | 1st April 2011 |
| Revenue on lease agreements recognized on straight line basis | 11,727 | 12,074 | 7,869 |
| 1–30 days | 646 | 45 | 565 |
| 31–90 days | 585 | - | 86 |
| 91–120 days | 120 | - | 850 |
| | 13,078 | 12,119 | 9,370 |

**33.1.3.** No allowance for impairment in respect of trade and other receivables have been made as at the year end (2012 - Nil).

**Other receivables**

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

**Cash and cash equivalents**

The Group held cash and cash equivalents of Rs. 8.5mn at 31st March 2013 (2012: Rs.16.5mn), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AAA(lka) to AA–(lka), based on Fitch Ratings.

| As at 31 st March | 2013 | Group 2012 | 1st April 2011 |
|---|---|---|---|
| Cash at bank | 8,500 | 6,259 | 10,797 |
| Placements in government securities | - | 10,190 | 13,213 |
| | 8,500 | 16,449 | 24,010 |

Investments in Government securities primarily comprises of investments in government treasury bills, extending to a period less than 3 months.

33.2. **Liquidity risk**

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

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

In addition, the Group have access to short-term financing facilities extended from the parent company, Carson Cumberbatch PLC.

33.2.1. The following are the remaining contractual maturities of financial liabilities at the end of the reporting period:

| 31st March 2013 | Carrying amount | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|---|
| | | Total | 3 months or less | 4-12 months | 1-2 years | 2-5 years | More than 5 years |
| Non-derivative financial liabilities | | | | | | | |
| Refundable rental deposits | 27,541 | 32,696 | 1,590 | 1,388 | 18,740 | 10,978 | - |
| Trade payables | 1,090 | 1,090 | 1,090 | - | - | - | - |
| Other payables | 3,053 | 3,053 | 3,053 | - | - | - | - |
| Amount due to related companies | 805,520 | 805,520 | 805,520 | - | - | - | - |
| | 837,204 | 842,359 | 811,253 | 1,388 | 18,740 | 10,978 | - |

| 31st March 2012 | Carrying amount | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|---|
| | | Total | 3 months or less | 4-12 months | 1-2 years | 2-5 years | More than 5 years |
| Non-derivative financial liabilities | | | | | | | |
| Refundable rental deposits | 25,492 | 30,770 | 984 | 9,043 | 1,102 | 14,986 | 4,655 |
| Trade payables | 282 | 282 | 282 | - | - | - | - |
| Other payables | 3,821 | 3,821 | 3,821 | - | - | - | - |
| Amount due to related companies | 762,494 | 762,494 | 762,494 | - | - | - | - |
| | 792,089 | 797.367 | 767,581 | 9,043 | 1,102 | 14,986 | 4,655 |

# Notes to the Financial Statements

(All figures in Sri Lankan Rupees thousands)

| 1st April 2011 | Carrying amount | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|---|
| | | Total | 3 months or less | 4-12 | 1-2 years months | 2-5 years | More than 5 years |
| Non-derivative financial liabilities | | | | | | | |
| Refundable rental deposits | 26,021 | 28,989 | 7,115 | 3,953 | 8,107 | 9,814 | - |
| Trade payables | 1,536 | 1,536 | 1,536 | - | - | - | - |
| Other payables | 3,790 | 3,790 | 3,790 | - | - | - | - |
| Amount due to related companies | 637,643 | 637,643 | 637,643 | - | - | - | - |
| Loans and borrowings | 142,000 | 142,000 | - | 142,000 | - | - | - |
| | 810,990 | 813.958 | 650,084 | 145,953 | 8,107 | 9,814 | - |

The gross inflows/(outflows) disclosed in the previous table represent the contractual undiscounted cash flows relating to non-derivative financial liabilities and which are usually not closed out before contractual maturity.

### 33.2.1. Management of liquidity risk

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

The Group maintains a portion of its assets in highly liquid form – demand deposits and placements in government securities in order to meet its contractual obligations during the normal course of its operations. As at the reporting date, the Group maintains 'Cash and cash equivalents' amounting to Rs. 8.5 mn (2012 - Rs. 16.4 mn).

A significant portion of the Groups current liabilities comprise of the amounts due to the parent company, Carson Cumberbatch PLC. The Group has classified such balances in to current liabilities, on the basis that the contractual arrangements entered in to by the companies do not facilitate an unconditional right to defer settlement of the liability. However, the Board of Directors of is confident that such balances would not be demanded by the parent company, which would otherwise result in a significant risk to the Group, in terms of liquidity.

### 33.3. Market risk

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

### 33.3.1. Currency risk

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

The Group do not engage in transactions associated with foreign currencies in its ordinary course of operations, hence the related risk is avoided.

However, the group is exposed to currency risk, primarily arising from its capex related transactions.

Therefore a sensitivity analysis on the Groups currency risk exposure may not be representative of the risks for which the group is exposed to throughout the period, given its incidential nature.

### 33.3.2. Interest rate risk

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

**Profile**

At the end of the reporting period the interest rate profile of the Group's interest-bearing financial instruments as reported to the Management of the Group was as follows.

| | Group | | |
|---|---|---|---|
| | 2013 | 2012 | 1st April 2011 |
| Variable rate instruments | | | |
| Financial assets | 8,500 | 16,449 | 24,010 |
| Financial liabilities | - | - | (142,000) |
| | 8,500 | 16,449 | (117,990) |

Sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the end of the reporting period would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, remain constant. Considering all the Financial Instruments carry variable rates of interest impact to equity arising on change in interest rates cannot be assessed.

| *Group* | Profit / (loss) | |
|---|---|---|
| | Increase in 1% | Decrease in 1% |
| 31st March 2013 | | |
| Variable rate instruments | 85 | (85) |
| 31st March 2012 | | |
| Variable rate instruments | 164 | (164) |
| 1st April 2011 | | |
| Variable rate instruments | (1,179) | 1,179 |

# Notes to the Financial Statements

(All figures in Sri Lankan Rupees thousands)

### 33.4. Accounting classifications and fair values

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

### 33.5. Fair values vs carrying amounts

| 31st March 2013 | Fair value through profit or loss | Held to maturity | Loans and receivables | Available for sale | Other financial liabilities | Total carrying amount | Fair value |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | - | - | 8,500 | - | - | 8,500 | 8,500 |
| Trade and other receivables | - | - | 18,772 | - | - | 18,772 | 18,772 |
| | - | - | 27,272 | - | - | 27,272 | 27,272 |
| Refundable rental deposits | | | | | 27,541 | 27,541 | 27,541 |
| Trade and other payables | | | | | 809,663 | 809,663 | 809,663 |
| | - | - | - | - | 837,204 | 837,204 | 837,204 |

| 31st March 2012 | Fair value through profit or loss | Held to maturity | Loans and receivables | Available for sale | Other financial liabilities | Total carrying amount | Fair value |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | - | - | 16,449 | - | - | 16,449 | 16,449 |
| Trade and other receivables | - | - | 15,205 | - | - | 15,205 | 15,205 |
| | - | - | 31,654 | - | - | 31,654 | 31,654 |
| Refundable rental deposits | | | | | 25,492 | 25,492 | 25,492 |
| Trade and other payables | | | | | 766,597 | 766,597 | 766,597 |
| | - | - | - | - | 792,089 | 792,089 | 792,089 |

| 1st April 2011 | Fair value through profit or loss | Held to maturity | Loans and receivables | Available for sale | Other financial liabilities | Total carrying amount | Fair value |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | - | - | 24,010 | - | - | 24,010 | 24,010 |
| Trade and other receivables | - | - | 13,814 | - | - | 13,814 | 13,814 |
| | - | - | 37,824 | - | - | 37,824 | 37,824 |
| Refundable rental deposits | | | | | 26,021 | 26,021 | 26,021 |
| Trade and other payables | | | | | 642,969 | 642,969 | 642,969 |
| | - | - | - | - | 668,990 | 668,990 | 668,990 |

## 34. Related party transactions.

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24 (LKAS 24) "Related Party Disclosures ", the details of which are reported below.

### 34.1. Parent and ultimate controlling party

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

### 34.2. Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard (LKAS 24) - "Related Party Disclosures", Key Management personnel (KMP) are those having authority and responsibility for planning and controlling the activities of the entity. Accordingly, the Directors of the Company and its parent company (including executive and non-executive directors) and their immediate family members have been classified as Key Management Personnel of the Company.

No compensation was paid to the Key management personnel, in the form of short-term employee benefits, post employee benefits, termination benefits and other long term benefits during year under review.

No other transactions have taken place during the year, other than those disclosed above, between the Company and its KMP.

### 34.3. Group entities

| | % of equity interest | | |
|---|---|---|---|
| | 2013 | 2012 | 1st April 2011 |
| Equity Two PLC | 88.8% | 88.8% | 88.8% |
| Equity Three (Private) Limited | 100.0% | 100.0% | 100.0% |

### 34.4. Transactions with related companies

| Name and the nature of the relationship | Name/s of the common Director/s | Nature of transactions | Value of the transaction | | | |
|---|---|---|---|---|---|---|
| | | | Group | | Company | |
| | | | 2013 | 2012 | 2013 | 2012 |
| Parent company | | | | | | |
| Carson Cumberbatch PLC | D. C. R. Gunawardena | Short-term advances obtained | 48,500 | 149,857 | - | 149,857 |
| | | Interest on short-term advances obtained | 623 | - | - | - |
| | | Settlements made on short-term advances obtained | - | 25,007 | 6,098 | 25,007 |
| Subsidiaries | | | | | | |
| Equity Two PLC | D. C. R. Gunawardena | Settlements on short-term advances obtained | - | - | 27,677 | 6,656 |
| | K. C. N. Fernando A. P. Weeratunge | Interest on short-term advances provided | - | - | 844 | 2,110 |
| | E. H. Wijenaike | Dividend received | - | - | - | 5,507 |
| | P. D. D. Fernando | Short-term advances provided | - | - | 36,543 | - |
| | | Interest on short-term advances provided | - | - | 1,318 | - |

# Notes to the Financial Statements

(All figures in Sri Lankan Rupees thousands)

| Name and the nature of the relationship | Name/s of the common Director/s | Nature of transactions | Value of the transaction | | | |
|---|---|---|---|---|---|---|
| | | | Group | | Company | |
| | | | 2013 | 2012 | 2013 | 2012 |
| Equity Three (Private) Limited | K. C. N. Fernando | Short-term advances obtained | - | - | 10,950 | 7,500 |
| | | Settlements made on short-term advances obtained | - | - | 5,832 | 11,935 |
| | | Dividend received | - | - | 6,480 | 12,150 |
| Fellow subsidiaries | | | | | | |
| Carsons Management Services (Private) Limited | K. C. N. Fernando A. P. Weeratunge | Management fees paid | 2,142 | 2,142 | 1,224 | 1,224 |
| | | Secretarial fees paid | 655 | 655 | 306 | 306 |
| | | Computer charges paid | 582 | 582 | 306 | 306 |
| | | Rental income received | 11,437 | 6,976 | - | 11 |
| Carsons Airline Services (Private) Limited | D. C. R. Gunawardena | Rental income received | 498 | 433 | - | - |
| Guardian Fund Management Limited | A. P. Weeratunge | Rental income received | 2,465 | 741 | - | - |
| Agro Harapan Lestari (Private) Limited | | Rental income received | 68 | 7,183 | - | - |
| AHL Business Solutions (Private) Limited | | Rental income received | - | 910 | - | - |

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 1st April 2011 | 2013 | 2012 | 1st April 2011 |
| **34.5. Amounts due from related companies** | | | | | | |
| Equity Two PLC | - | - | - | 37,861 | - | - |
| Lion Brewery (Ceylon) PLC | - | 188 | 135 | - | 188 | 135 |
| Agro Harapan Lestari (Private) Limited | - | - | 18 | - | - | - |
| | - | 188 | 153 | 37,861 | 188 | 135 |
| **34.6 Amounts due to related companies** | | | | | | |
| Carson Cumberbatch PLC | 805,520 | 762,494 | 637,643 | 756,396 | 762,494 | 637,643 |
| Equity Two PLC | - | - | - | - | 26,833 | 31,379 |
| Equity Three (Private) Limited | - | - | - | 13,232 | 8,114 | 12,549 |
| | 805,520 | 762,494 | 637,643 | 769,628 | 797,441 | 681,571 |

## 35. Events after the reporting date.

After satisfying the Solvency Test in accordance with Section 57 of the Companies Act, No. 07 of 2007, the Directors have recommend the payment of a first and final dividend of Rs.0.11 per ordinary share for the year ended 31st March 2013 amounting to Rs.4,435,390/30 (2012 - Nil) which is to be approved at the forthcoming Annual General Meeting. In accordance with Sri Lanka Accounting Standard (LKAS 10) - "Events after the reporting period" this proposed first and final dividend has not been recognised as a liability as at 31st March 2013.

Subsequent to the reporting period, no circumstances have arisen which would require adjustments to or disclosure in the financial statements, other than the above.

## 36. Transition to LKAS / SLFRS

### 36.1. Reconciliation - Statement of comprehensive income

| | | For the year ended 31st March 2012 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Group | | | Company | | |
| | Note | As per SLAS | Effect of transition to LKAS / SLFRS | As per LKAS SLFRS / | As per SLAS | Effect of transition to LKAS / SLFRS | As per SLAS SLFRS |
| Revenue | 36.4.1 / 36.4.2 | 126,730 | 5,967 | 132,697 | 92,839 | 6,789 | 99,628 |
| Direct costs | 36.4.3 | (80,786) | 2,780 | (78,006) | (59,294) | 1,751 | (57,543) |
| | | 45,944 | 8,747 | 54,691 | 33,545 | 8,540 | 42,085 |
| Other income | | 2,685 | (1,064) | 1,621 | 16,614 | (16,573) | 41 |
| Net gains arising from changes in fair value of investment properties | 36.4.3 | 65,260 | (6,137) | 59,123 | 12,407 | (4,389) | 8,018 |
| | | 113,889 | 1,546 | 115,435 | 62,566 | (12,422) | 50,144 |
| Administrative and other operating expenses | 36.4.3 | (18,417) | 3,357 | (15,060) | (10,978) | 2,638 | (8,340) |
| Result from operating activities | | 95,472 | 4,903 | 100,375 | 51,588 | (9,784) | 41,804 |
| Finance income | 36.4.4 | - | 1,064 | 1,064 | - | 16,573 | 16,573 |
| Finance costs | 36.4.2 | (6,921) | (1,658) | (8,579) | (9,031) | (1,124) | (10,155) |
| Net finance income / (cost) | | (6,921) | (594) | (7,515) | (9,031) | 15,449 | 6,418 |
| Profit before taxation | | 88,551 | 4,309 | 92,860 | 42,557 | 5,665 | 48,222 |
| Income tax (expenses) / reversal | | (659) | - | (659) | 171 | - | 171 |
| Deferred taxation | | (1,772) | - | (1,772) | (915) | - | (915) |
| Profit for the year | | 86,120 | 4,309 | 90,429 | 41,813 | 5,665 | 47,478 |
| Other comprehensive income | | | | | | | |
| Total other comprehensive income for the year | | - | - | - | - | - | - |
| Total comprehensive income for the year | | 86,120 | 4,309 | 90,429 | 41,813 | 5,665 | 47,478 |
| Total comprehensive income Attributable to: | | | | | | | |
| Equity holders of the parent | | 81,314 | 4,309 | 85,623 | - | - | - |
| Non controlling interest | | 4,806 | - | 4,806 | - | - | - |
| | | 86,120 | 4,309 | 90,429 | - | - | - |
| Earnings per share (Rs.) | | 2.02 | 0.11 | 2.12 | 1.04 | 0.14 | 1.18 |

# Notes to the Financial Statements

(All figures in Sri Lankan Rupees thousands)

### 36.2. Reconciliation of equity - Group

| | Note | As at 31st March 2012 | | | As at 1st April 2011 | | |
|---|---|---|---|---|---|---|---|
| | | As per SLAS | Effect of transition to LKAS / SLFRS | As per LKAS SLFRS / | As per SLAS | Effect of transition to LKAS / SLFRS | As per SLAS SLFRS |
| ASSETS | | | | | | | |
| Non-Current Assets | | | | | | | |
| Investment properties | 36.4.3 | 2,432,479 | 45,129 | 2,477,608 | 1,883,179 | 34,876 | 1,918,055 |
| Property, plant and equipment | 36.4.3 | 52,791 | (45,129) | 7,662 | 45,944 | (34,876) | 11,068 |
| Investment in subsidiaries | | - | - | - | - | - | - |
| Total non-current assets | | 2,485,270 | - | 2,485,270 | 1,929,123 | - | 1,929,123 |
| Current Assets | | | | | | | |
| Inventories | | 10,914 | - | 10,914 | 502,925 | - | 502,925 |
| Trade and other receivables | 36.4.1 / 36.4.5 / 36.4.6 | 6,023 | 12,090 | 18,113 | 6,606 | 7,955 | 14,561 |
| Current tax receivables | | 1,163 | - | 1,163 | - | - | - |
| Amounts due from related companies | 36.4.5 | 188 | (188) | - | 153 | (153) | - |
| Cash and cash equivalents | 36.4.6 | 16,277 | 172 | 16,449 | 23,943 | 67 | 24,010 |
| Total current assets | | 34,565 | 12,074 | 46,639 | 533,627 | 7,869 | 541,496 |
| Total assets | | 2,519,835 | 12,074 | 2,531,909 | 2,462,750 | 7,869 | 2,470,619 |
| EQUITY AND LIABILITIES | | | | | | | |
| Equity | | | | | | | |
| Stated capital | | 1,085,584 | - | 1,085,584 | 1,085,584 | - | 1,085,584 |
| Revenue reserves | 36.4.7 | 450,756 | 12,799 | 463,555 | 369,442 | 8,490 | 377,932 |
| Total equity attributable to equity holders of the parent | | 1,536,340 | 12,799 | 1,549,139 | 1,455,026 | 8,490 | 1,463,516 |
| Non controlling interest | | 61,655 | - | 61,655 | 57,543 | - | 57,543 |
| Total equity | | 1,597,995 | 12,799 | 1,610,794 | 1,512,569 | 8,490 | 1,521,059 |
| LIABILITIES | | | | | | | |
| Non-Current Liabilities | | | | | | | |
| Refundable rental deposits | 36.4.2 | 30,770 | (5,278) | 25,492 | 28,989 | (2,968) | 26,021 |
| Deferred taxation | | 112,539 | - | 112,539 | 110,767 | - | 110,767 |
| Employee benefits | | 4,739 | - | 4,739 | 4,605 | - | 4,605 |
| Amounts due to related companies | 36.4.5 | 762,494 | (762,494) | - | 637,643 | (637,643) | - |
| Total non-current liabilities | | 910,542 | (767,772) | 142,770 | 782,004 | (640,611) | 141,393 |
| Current Liabilities | | | | | | | |
| Trade and other payables | 36.4.5 | 11,019 | 762,494 | 773,513 | 22,205 | 637,643 | 659,848 |
| Deferred revenue | 36.4.2 | - | 4,553 | 4,553 | - | 2,347 | 2,347 |
| Current tax liabilities | | 279 | - | 279 | 3,972 | - | 3,972 |
| Long-term bank borrowings repayable within one year | | - | - | - | 142,000 | - | 142,000 |
| Total current liabilities | | 11,298 | 767,047 | 778,345 | 168,177 | 639,990 | 808,167 |
| Total liabilities | | 921,840 | (725) | 921,115 | 950,181 | (621) | 949,560 |
| Total equity and liabilities | | 2,519,835 | 12,074 | 2,531,909 | 2,462,750 | 7,869 | 2,470,619 |

### 36.3. Reconciliation of equity - Company

| | Note | As at 31st March 2012 | | | As at 1st April 2011 | | |
|---|---|---|---|---|---|---|---|
| | | As per SLAS | Effect of transition to LKAS / SLFRS | As per LKAS SLFRS / | As per SLAS | Effect of transition to LKAS / SLFRS | As per SLAS SLFRS |
| ASSETS | | | | | | | |
| Non-Current Assets | | | | | | | |
| Investment properties | 36.4.3 | 1,611,979 | 36,624 | 1,648,603 | 1,118,979 | 25,004 | 1,143,983 |
| Property, plant and equipment | 36.4.3 | 44,286 | (36,624) | 7,662 | 36,072 | (25,004) | 11,068 |
| Investment in subsidiaries | | 552,048 | - | 552,048 | 552,048 | - | 552,048 |
| Total non-current assets | | 2,208,313 | - | 2,208,313 | 1,707,099 | - | 1,707,099 |
| Current Assets | | | | | | | |
| Inventories | | 10,914 | - | 10,914 | 502,925 | - | 502,925 |
| Trade and other receivables | 36.4.1 / 36.4.5 / 36.4.6 | 1,269 | 6,478 | 7,747 | 1,629 | 1,025 | 2,654 |
| Current tax receivables | | 1,163 | - | 1,163 | - | - | - |
| Amounts due from related companies | 36.4.5 | 188 | (188) | - | 135 | (135) | - |
| Cash and cash equivalents | 36.4.6 | 13,289 | 144 | 13,433 | 15,464 | 53 | 15,517 |
| Total current assets | | 26,823 | 6,434 | 33,257 | 520,153 | 943 | 521,096 |
| Total assets | | 2,235,136 | 6,434 | 2,241,570 | 2,227,252 | 943 | 2,228,195 |
| EQUITY AND LIABILITIES | | | | | | | |
| Equity | | | | | | | |
| Stated capital | | 1,085,584 | - | 1,085,584 | 1,085,584 | - | 1,085,584 |
| Revenue reserves | 36.4.7 | 272,660 | 6,706 | 279,366 | 230,847 | 1,041 | 231,888 |
| Total equity | | 1,358,244 | 6,706 | 1,364,950 | 1,316,431 | 1,041 | 1,317,472 |
| LIABILITIES | | | | | | | |
| Non-Current Liabilities | | | | | | | |
| Refundable rental deposits | 36.4.2 | 22,444 | (3,798) | 18,646 | 20,082 | (1,097) | 18,985 |
| Deferred taxation | | 45,746 | - | 45,746 | 44,831 | - | 44,831 |
| Employee benefits | | 3,483 | - | 3,483 | 3,321 | - | 3,321 |
| Amounts due to related companies | 36.4.5 | 762,494 | (762,494) | - | 637,643 | (637,643) | - |
| Total non-current liabilities | | 834,167 | (766,292) | 67,875 | 705,877 | (638,740) | 67,137 |
| Current Liabilities | | | | | | | |
| Trade and other payables | 36.4.5 | 7,778 | 797,441 | 805,219 | 16,902 | 681,571 | 698,473 |
| Deferred revenue | 36.4.2 | - | 3,526 | 3,526 | - | 999 | 999 |
| Current tax liabilities | | - | - | - | 2,114 | - | 2,114 |
| Amounts due to related companies | 34.6.5 | 34,947 | (34,947) | - | 43,928 | (43,928) | - |
| Long-term bank borrowings repayable within one year | | - | - | - | 142,000 | - | 142,000 |
| Total current liabilities | | 42,725 | 766,020 | 808,745 | 204,944 | 638,642 | 843,586 |
| Total liabilities | | 876,892 | (272) | 876,620 | 910,821 | (98) | 910,723 |
| Total equity and liabilities | | 2,235,136 | 6,434 | 2,241,570 | 2,227,252 | 943 | 2,228,195 |

# Notes to the Financial Statements

(All figures in Sri Lankan Rupees thousands)

### 36.4. Notes to the reconciliations

#### 36.4.1. Revenue recognition on lease agreements

In the course of the Group's operations, provision of office and warehouse premises on rental; it has entered in to contractual lease agreements with its tenants, in the form of operating leases. Such lease agreements are embedded with progressive rate escalation clauses, resulting in increased rental yields across the term of the lease.

Under SLAS, the income arising from such contracts were recognized based on the contractual terms prevailing at the date of recognition. Further, incentives provided by the Group (in the capacity of the lessor) in negotiating / renewing an operating lease was absorbed to the income statement in the period in which it was incurred.

However, as per LKAS/SLFRS, lease income from operating leases required to be recognized on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which the use benefit derived from the leased asset is diminished. It further elaborates that the benefits offered in terms of incentive provided in negotiating / renewing an operating lease, including rent-free fit out periods and concessionary rental during the set up periods be amortized over the term of the lease.

The impact arising from the above is summarized as follows:

| | For the year ended 31st March 2012 | |
|---|---|---|
| Statement of Comprehensive Income | Group | Company |
| Revenue | 4,206 | 5,491 |
| Net effect on earnings | 4,206 | 5,491 |

| | As at 31 March 2012 | | As at 1st April 2011 | |
|---|---|---|---|---|
| Statement of Financial Position | Group | Company | Group | Company |
| Trade and other receivables | 12,074 | 6,434 | 7,869 | 943 |
| Net effect on equity | 12,074 | 6,434 | 7,869 | 943 |

#### 36.4.2. Recognition of interest-free refundable rental deposits at amortised cost

Due to the application of LKAS 32 and 39, refundable rental deposits, which were previously recognized at cost, were remeasured and recognized at their amortized cost, with the resulting credit being amortized to the income statement on a straight-line basis, along with the rental income.

| | For the year ended 31st March 2012 | |
|---|---|---|
| Statement of Comprehensive Income | Group | Company |
| Revenue | 1,761 | 1,298 |
| Finance costs | (1,658) | (1,124) |
| Net effect on earnings | 103 | 174 |

| Statement of Financial Position | As at 31st March 2012 | | As at 1st April 2011 | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| Deferred revenue | 4,553 | 3,526 | 2,347 | 999 |
| Refundable rental deposits | (5,278) | (3,798) | (2,968) | (1,097) |
| Net effect on equity | (725) | (272) | (621) | (98) |

**36.4.3. Reclassification of property, plant and equipment in to Investment properties**

The Group previously classified its land and building held for capital appreciation and given on rent in to 'Investment properties' and all other items attached to the said land and buildings which are used in provisioning of services to its tenants in to different categories within 'Property, plant and equipment', such as machinery & equipment and Furniture and Fittings. With the transition to LKAS/SLFRS, the Group re-classified all such items, which are attached to the said investment properties and, used in providing services to its tenants and are not used in the administration of the business, also in to Investment properties.

The impact arising from the said change is summarized as follows:

| Statement of Comprehensive Income | For the year ended 31st March 2012 | |
|---|---|---|
| | Group | Company |
| Direct costs | 2,780 | 1,751 |
| Administration and other operating expenses | 3,357 | 2,638 |
| Net gains arising from changes in fair value of investment properties | (6,137) | (4,389) |
| Net effect on earnings | - | - |

| Statement of Financial Position | As at 31st March 2012 | | As at 1st April 2011 | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| Property, plant and equipment | (45,129) | (36,624) | (34,876) | (25,004) |
| Investment properties | 45,129 | 36,624 | 34,876 | 25,004 |
| Net effect on equity | - | - | - | - |

**36.4.4. Reclassification of financial income / financial expenses**

The Group classified the interest income / dividend income in to financial income, which was previously classified as "Other income".

The impact arising from the above is summarized as follows:

| Statement of Comprehensive Income | For the year ended 31st March 2012 | |
|---|---|---|
| | Group | Company |
| Other income | (1,064) | (16,573) |
| Finance income | 1,064 | 16,573 |
| Net effect on earnings | - | - |

# Notes to the Financial Statements

(All figures in Sri Lankan Rupees thousands)

**36.4.5. Reclassification of non-derivative financial assets / liabilities**

**Amounts due to related companies**

Under previous GAAP, the Group classified a significant portion of 'amounts due to related companies' as non-current liabilities on a more prudent basis, given the intention to settle had been remote.

However, with the transition to LKAS/SLFRS, on the basis that the contractual arrangements entered by the Companies do not facilitate an unconditional right to defer settlement of the liability, accordingly the Group has classified such balances in to current liabilities.

Further, the 'amounts due to related companies' which were previously presented separately, were re-classified in to 'Trade and other payables'.

**Amounts due from related companies**

Amounts due from related companies' which were previously presented separately, were re-classified in to 'Trade and other receivables'.

The impact arising from the above is summarized as follows:

| | As at 31st March 2012 | | As at 1st April 2011 | |
|---|---|---|---|---|
| Statement of financial position | Group | Company | Group | Company |
| Amounts due to related companies - Non current | (762,494) | (762,494) | (637,643) | (637,643) |
| Amounts due to related companies - Current | - | (34,947) | - | (43,928) |
| Trade and other payable | 762,494 | 797,441 | 637,643 | 681,571 |
| Amounts due from related companies | (188) | (188) | (153) | (135) |
| Trade and other receivables | 188 | 188 | 153 | 135 |
| Net effect on equity | - | - | - | - |

**36.4.6. Recognition of 'Loans and receivables - Financial assets' at amortized cost**

With the transition to LKAS / SLFRS, the Group classified its 'Cash and cash equivalents' in to 'Loans and receivables - Financial assets' category and recognized such at amortized cost, with the interest accrued on such balances being classified from 'Trade and other receivables'.

The impact arising from the above is summarized as follows:

| | As at 31st March 2012 | | As at 1st April 2011 | |
|---|---|---|---|---|
| Statement of financial position | Group | Company | Group | Company |
| Trade and other receivables | (172) | (144) | (67) | (53) |
| Cash and cash equivalents | 172 | 144 | 67 | 53 |
| Net effect on equity | - | - | - | - |

### 36.4.7 Impact on earnings / retained earnings

The above changes increased / (decreased) the earnings for the periods as follows:

| Statement of Comprehensive Income | For the year ended 31st March 2012 Group | Company |
|---|---|---|
| Revenue - Revenue recognition on lease agreements | 4,206 | 5,491 |
| Revenue - Recognition of interest-free refundable rental deposits at amortised cost | 1,761 | 1,298 |
| Finance expenses - Recognition of interest-free refundable rental deposits at amortised cost | (1,658) | (1,124) |
| Total effect on earnings for the year | 4,309 | 5,665 |

| Statement of financial position | As at 31st March 2012 Group | Company | As at 1st April 2011 Group | Company |
|---|---|---|---|---|
| Trade and other receivables - Revenue recognition on lease agreements | 12,074 | 6,434 | 7,869 | 943 |
| Deferred revenue - Recognition of interest-free refundable rental deposits at amortised cost | (4,553) | (3,526) | (2,347) | (999) |
| Refundable rental deposits - Recognition of interest-free refundable rental deposits at amortised cost | 5,278 | 3,798 | 2,968 | 1,097 |
| Total effect on equity at the end of the year | 12,799 | 6,706 | 8,490 | 1,041 |

### 36.4.8 Cash flow statement

No material impact to the Cash flow statements of the Company and the Group arising from the transition from SLAS to SLFRS/LKAS.

# Five Year Summary

(All figures are in Sri Lankan Rupees Thousands)

| | | SLFRS/LKAS | | SLAS | | |
|---|---|---|---|---|---|---|
| *Year ended/As at 31st March* | | **2013** | **2012** | **2011** | **2010** | **2009** |
| **Trading results** | | | | | | |
| Revenue | | 126,040 | 132,697 | 175,566 | 178,945 | 111,332 |
| Profit/(loss) before taxation | | 160,467 | 92,860 | 8,810 | (112,721) | (337,382) |
| Income tax (expenses) / reversal | | (13,860) | (2,431) | 36,247 | (10,492) | (15,623) |
| **Total Comprehensive income for the year** | | 146,607 | 90,429 | 45,057 | (123,213) | (353,005) |
| **Shareholders' funds** | | | | | | |
| Stated capital | | 1,085,584 | 1,085,584 | 1,085,584 | 1,085,584 | 1,085,584 |
| Reserves | | 605,219 | 463,555 | 369,442 | 327,685 | 451,415 |
| Minority interest | | 66,598 | 61,655 | 57,543 | 54,590 | 54,073 |
| Shareholders' funds | | 1,757,401 | 1,610,794 | 1,512,569 | 1,467,859 | 1,591,072 |
| **Assets employed** | | | | | | |
| Current assets [1] | | 34,156 | 46,639 | 63,627 | 142,329 | 276,826 |
| Current liabilities [2] | | (830,296) | (778,345) | (805,820) | (694,203) | (754,652) |
| Working capital | | (796,140) | (731,706) | (742,193) | (551,874) | (477,826) |
| Non-current assets | | 2,697,887 | 2,485,270 | 2,399,123 | 2,348,990 | 2,339,554 |
| Assets employed | | 1,901,747 | 1,753,564 | 1,656,930 | 1,797,116 | 1,861,728 |
| Non-current liabilities [2] | | (144,346) | (142,770) | (144,361) | (329,257) | (270,656) |
| Net assets | | 1,757,401 | 1,610,794 | 1,512,569 | 1,467,859 | 1,591,072 |
| **Cash flow statement** | | | | | | |
| Net cash inflow / (outflow) from: | | | | | | |
| Operating activities | | 61,485 | 46,882 | 72,613 | 319,412 | (86,713) |
| Investing activities | | (111,837) | (29,679) | (25,726) | (6,369) | 208,412 |
| Financing activities | | 42,403 | (24,764) | (39,874) | (313,588) | (120,775) |
| **Net increase / (decrease) in cash & cash equivalents** | | (7,949) | (7,561) | 7,013 | (545) | 924 |
| **Ratios and statistics** | | | | | | |
| Dividend per share [3] | (Rs.) | 0.11 | - | - | - | - |
| Dividend yield | (%) | 0.39 | - | - | - | - |
| Dividend payout | (%) | 3.13 | - | - | - | - |
| Return on shareholders' funds | (%) | 8.37 | 5.52 | 2.87 | (8.39) | (22.19) |
| Earnings/(loss) per share | (Rs.) | 3.51 | 2.12 | 1.04 | (3.06) | (8.75) |
| Earnings yield | (%) | 12.49 | 8.00 | 2.04 | (12.35) | (48.64) |
| P/E ratio | (times) | 8.01 | 12.50 | 48.75 | (8.10) | (2.06) |
| Market price per share [4] | (Rs.) | 28.10 | 26.50 | 50.70 | 24.75 | 18.00 |
| Net assets per share | (Rs.) | 41.93 | 38.42 | 36.09 | 36.40 | 39.46 |
| Current ratio | (times) | 0.04 | 0.06 | 0.08 | 0.21 | 0.37 |
| Market capitalisation | (Rs. '000) | 1,133,040 | 1,068,525 | 2,044,312 | 997,963 | 725,791 |

**Notes :**

1 The 'land held for development and sale' located at No. 7, De Soysa Mawatha, Mount Lavinia was transferred to investment properties, during the financial year 2012/2012. To facilitate comparison, comparative figures were adjusted to reflect such transfer.

2 Amounts due to the parent company, Carson Cumberbatch PLC, which were previously classified as 'non-current liabilities', are re-classified to 'current liabilities' as at the reporting date. To facilitate comparison, comparative figures were adjusted to reflect such re-classification.

3 Based on proposed dividend

4 The market price per share as at 31st March

5 Financial information for the periods 2009 - 2011 were not adjusted to reflect the transition to new/revised Sri Lanka Accounting Standards (LKAS/SLFRS) applicable for financial periods beginning on or after 1st January 2012.

# Statement of Value Added

(All figures are in Sri Lankan Rupees Thousands)

| *For the year ended 31st March* | 2013 | | 2012 | |
|---|---|---|---|---|
| Revenue | 126,040 | | 132,697 | |
| Other income | 2,716 | | 1,621 | |
| Finance income | 1,033 | | 1,064 | |
| | 129,789 | | 135,382 | |
| Cost of material and services bought from outside | (36,223) | | (61,862) | |
| Value added | 93,566 | | 73,520 | |
| Distributed as follows: | | % | | % |
| To employees | | | | |
| as remuneration | 30,604 | 33 | 27,485 | 37 |
| To government | | | | |
| as taxation* | 15,154 | 16 | 659 | 1 |
| To providers of capital | | | | |
| as dividend | - | - | 694 | 1 |
| as interest on loans | - | - | 6,921 | 9 |
| as minority interest | 4,943 | 5 | 4,806 | 7 |
| Retained in the business | | | | |
| as deferred taxation | - | - | 1,772 | 2 |
| as depreciation | 3,731 | 4 | 3,719 | 5 |
| as unwinding of discount | 2,145 | 2 | 1,658 | 2 |
| as retained profits/(losses) net of provisions and gains on fair value adjustment | 36,989 | 40 | 25,806 | 36 |
| | 93,566 | 100 | 73,520 | 100 |

The Statement of value added shows the quantum of wealth generated by the activities of the Group and its applications.

*Excluding Value Added Tax (VAT).

# US $ FINANCIALS

## PREPARATION OF US DOLLAR FINANCIAL STATEMENTS

The financial statements of the Group are stated in Sri Lankan Rupees, which is the Group's functional and presentation currency.

The translation of the Sri Lankan Rupee amounts into US Dollars is included solely for the convenience of shareholders, investors, bankers and other users of these financial statements.

US Dollar financials do not form part of the audited consolidated financial statements of the Group.

# Statement of Comprehensive Income

*(All figures are in US Dollars)*

| *For the year ended 31st March* | Group 2013 | Group 2012 |
|---|---|---|
| **Revenue** | 992,050 | 1,182,894 |
| Direct costs | (482,786) | (695,365) |
| | 509,264 | 487,529 |
| Other income | 21,377 | 14,450 |
| Net gains arising from changes in fair value of investment properties | 813,703 | 527,037 |
| | 1,344,344 | 1,029,016 |
| Administrative and other operating expenses | (72,570) | (134,249) |
| **Results from operating activities** | 1,271,774 | 894,767 |
| Finance income | 8,131 | 9,485 |
| Finance costs | (16,883) | (76,475) |
| Net finance costs | (8,752) | (66,990) |
| **Profit before taxation** | 1,263,022 | 827,777 |
| Income tax expenses | (119,276) | (5,874) |
| Deferred taxation | 10,185 | (15,796) |
| **Total comprehensive income for the year** | 1,153,931 | 806,107 |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the parent | 1,115,025 | 763,265 |
| Non controlling interest | 38,906 | 42,842 |
| | 1,153,931 | 806,107 |
| **Earnings per share (USD)** | 0.028 | 0.019 |

# Statement of Financial Position

*(All figures are in US Dollars)*

| | Group | | |
|---|---|---|---|
| | 2013 | 2012 | 1st April 2011 |
| ASSETS | | | |
| Non-current assets | | | |
| Investment properties | 21,264,972 | 19,341,202 | 17,373,687 |
| Property, plant and equipment | 28,532 | 59,813 | 100,254 |
| Total non-current assets | 21,293,504 | 19,401,015 | 17,473,941 |
| Current assets | | | |
| Inventories | 45,099 | 85,199 | 4,555,480 |
| Trade and other receivables | 157,395 | 141,397 | 131,893 |
| Current tax recoverable | - | 9,079 | - |
| Cash and cash equivalents | 67,088 | 128,407 | 217,482 |
| Total current assets | 269,582 | 364,082 | 4,904,855 |
| Total assets | 21,563,086 | 19,765,097 | 22,378,796 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Stated capital | 12,278,700 | 12,278,700 | 12,278,700 |
| Capital reserves | 116,105 | 116,105 | 116,105 |
| Revenue reserves | 950,128 | (301,607) | 861,682 |
| Total equity attributable to equity holders of the parent | 13,344,933 | 12,093,198 | 13,256,487 |
| Non controlling interest | 525,635 | 481,304 | 521,223 |
| Total equity | 13,870,568 | 12,574,502 | 13,777,710 |
| Non-current liabilities | | | |
| Refundable rental deposits | 217,372 | 199,001 | 235,697 |
| Deferred taxation | 878,019 | 878,525 | 1,003,324 |
| Employee benefits | 43,883 | 36,995 | 41,712 |
| Total non-current liabilities | 1,139,274 | 1,114,521 | 1,280,733 |
| Current liabilities | | | |
| Trade and other payables | 6,421,113 | 6,038,353 | 5,976,884 |
| Deferred revenue | 34,870 | 35,543 | 21,259 |
| Current tax liabilities | 97,261 | 2,178 | 35,978 |
| Loans and borrowings | - | - | 1,286,232 |
| Total current liabilities | 6,553,244 | 6,076,074 | 7,320,353 |
| Total liabilities | 7,692,518 | 7,190,595 | 8,601,086 |
| Total equity and liabilities | 21,563,086 | 19,765,097 | 22,378,796 |
| Net assets per share (USD) | 0.331 | 0.300 | 0.329 |

# Notes to the Financial Statements

## 1 Basis of conversion

The translation of Sri Lankan Rupee amounts in to US Dollar amounts is solely for the convenience of the shareholder, investor, banker and other users of financial statements.

The translation of the financial statements in to US Dollar were effected based on the following exchange rates.

| | | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| Statement of Comprehensive Income | Average rate | 127.05 | 112.18 | 112.13 |
| Monetary assets and liabilities | Closing rate | 126.70 | 128.10 | 110.40 |
| Non-monetary assets and liabilities | Closing rate | 126.70 | 128.10 | 110.40 |
| Ordinary share capital | Historical rate | | | |

Gains or losses on conversion are accounted for in the revenue reserve.

## 2 Revenue reserve

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | US $ | US $ |
| Beginning of the year | (301,607) | 861,682 |
| Net movement during the year | 1,115,025 | 763,265 |
| | 813,418 | 1,624,947 |
| Currency fluctuations | 136,710 | (1,926,554) |
| As at the end of the year | 950,128 | (301,607) |

# Information to Shareholders and Investors

## 1. Stock Exchange Listing

Equity One PLC, is a public quoted company, the ordinary shares of which are listed on the main board of the Colombo Stock Exchange of Sri Lanka.

Stock Exchange code for Equity One PLC shares is "EQIT".

## 2. Shareholders base

### 2.1. Number of Shareholders

| *As at 31st March* | 2013 | 2012 |
|---|---|---|
| Number of Shareholders | 691 | 673 |

### 2.2. Distribution & composition of shareholders

The number of shares held by non-residents as at 31st March 2013 was 12,581 (2012 - 15,681) which amounts to 0.03% (2012 - 0.04%) of the total no. of ordinary shares.

| Distribution of shares | Residents | | | Non-Residents | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | No. of shareholders | No. of shares | % | No. of shareholders | No. of shares | % | No. of shareholders | No. of shares | % |
| 1-1,000 | 490 | 125,722 | 0.31 | 4 | 1,744 | - | 494 | 127,466 | 0.31 |
| 1,001-10,000 | 164 | 536,424 | 1.33 | 2 | 10,837 | 0.03 | 166 | 547,261 | 1.36 |
| 10,001-100,000 | 29 | 693,551 | 1.72 | - | - | - | 29 | 693,551 | 1.72 |
| 100,001-1,000,000 | 1 | 135,200 | 0.34 | - | - | - | 1 | 135,200 | 0.34 |
| Above 1,000,000 | 1 | 38,818,252 | 96.27 | - | - | - | 1 | 38,818,252 | 96.27 |
| Total | 685 | 40,309,149 | 99.97 | 6 | 12,581 | 0.03 | 691 | 40,321,730 | 100.00 |

| Categories of shareholders | 2013 | | |
|---|---|---|---|
| | No. of shareholders | No. of shares | % |
| Individuals | 652 | 1,296,112 | 3.21 |
| Institutions | 39 | 39,025,618 | 96.79 |
| Total | 691 | 40,321,730 | 100.00 |

## 3. Market performance - Ordinary shares

| *For the year* | 2013 | 2012 |
|---|---|---|
| At 31st March (Rs.) | 28.10 | 26.50 |
| Highest (Rs.) | 41.20 | 73.50 |
| Lowest (Rs.) | 22.00 | 26.00 |
| Value of shares traded (Rs.) | 7,536,303 | 84,907,539 |
| No. of shares traded | 235,316 | 1,450,324 |
| Volume of transactions (Nos.) | 699 | 2,158 |

# Information to Shareholders and Investors

**4. Market capitalisation**

Market capitalisation of the Company which is the number of ordinary shares in issue multiplied by the market value of an ordinary share was Rs. 1,133,040,613/- as at 31st March, 2013 (2012 - Rs. 1,068,525,845/-).

**5. Public holding**

The percentage of ordinary shares held by public as at 31st March 2013 was 3.72% (2012 - 3.72%).

**6. Dividend**

The Directors have recommended a First & Final dividend of Rs. 0.11 per ordinary share for the year ended 31st March 2013 (2012 – Nil).

**7. Value of property - Land and building**

| Location | Extent (in hectares) | Market value 2013 Rs. '000 | Date of professional valuation |
|---|---|---|---|
| Equity One PLC | | | |
| Dharmapala Mw, Colombo 07 | 0.238 | 729,766 | March 2013 |
| Vauxhall Lane, Colombo 02 | 0.524 | 493,000 | March 2013 |
| De Soysa Mawatha, Mt.Lavinia | 2.300 | 470,000 | March 2013 |
| Equity Two PLC | | | |
| Janadhipathi Mw, Colombo 01 | 0.218 | 724,318 | March 2013 |
| Equity Three (Private) Limited | | | |
| George R. De Silva Mw, Colombo 13 | 0.208 | 277,188 | March 2013 |

**8. Number of employees**

The number of employees at the end of the year was 15 (2012 - 16) and 11 (2012 - 12) for the Group and the Company respectively.

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the THIRTY FIRST Annual General Meeting of **EQUITY ONE PLC** will be held on Wednesday the 19th day of June 2013 at 3.30 p.m. at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 7, for the following purposes :

1. To receive and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2013, together with the Independent Auditors' Report thereon.

2. To declare a dividend as recommended by the Directors.

3. To re-elect Mr. D.C.R. Gunawardena who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.

4. To re-elect Mr. E.H. Wijenaike who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.

5. To re-appoint Mr. S. Nagendra as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following resolution :

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. S. Nagendra who is 73 years of age and that he be re-appointed a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

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

By Order of the Board,

(Sgd).
**K.D. De Silva (Mrs).**
*Director*
**Carsons Management Services (Private) Limited**
Secretaries

Colombo,
16th May 2013

**Notes**

1. A member is entitled to appoint a proxy to attend and vote instead of him/her. 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 3.30 p.m. on 17th June 2013.

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 remain open.

5. Security check

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

# Form of Proxy

*I/ We .....

of .....

being *a Member/Members of EQUITY ONE PLC

hereby appoint .....

of .....

bearing NIC No./Passport No ..... or failing him/her

| | |
|---|---|
| Don Chandima Rajakaruna Gunawardena | of Colombo, or failing him, |
| Sega Nagendra | of Colombo, or failing him, |
| Kurukulasuriya Calisanctus Nalake Fernando | of Colombo, or failing him, |
| Eranjith Harendra Wijenaike | of Colombo, or failing him, |
| Ajith Prashantha Weeratunge | of Colombo, or failing him, |
| Subramaniam Mahendrarajah | of Colombo, or failing him, |
| Panthiage Donald Dunstan Fernando | |

as *my/our proxy to attend at the Annual General Meeting of the Company to be held on Wednesday, the 19th day of June 2013 at 3.30 p.m., at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 07 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

| | | For | Against |
|---|---|---|---|
| i. | To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2013, together with the Independent Auditors' Report thereon. | ☐ | ☐ |
| ii. | To declare Rs. 0.11 per ordinary share as a First & Final dividend for the financial year ended 31st March 2013 as recommended by the Directors. | ☐ | ☐ |
| iii. | To re-elect Mr. D.C.R. Gunawardena who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company. | ☐ | ☐ |
| iv. | To re-elect Mr. E.H. Wijenaike who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company. | ☐ | ☐ |
| v. | To re-appoint Mr. S. Nagendra who is over seventy years of age as a Director of the Company. | ☐ | ☐ |
| vi. | To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act, No. 07 of 2007 and to authorize the Directors to determine their remuneration. | ☐ | ☐ |

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

.....

Signature/s

**Note:**

a) * Please delete the inappropriate words.

b) A shareholder entitled to attend and vote at a general meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the Company. A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the general meeting of the shareholders.

c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.

d) Instructions are noted on the reverse hereof.

**INSTRUCTIONS AS TO COMPLETION**

1. Kindly perfect the form of proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.

2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.

3. In terms of Article 54 of the Articles of Association of the Company:

   1. Any shareholder entitled to attend and vote at a meeting shall be entitled to appoint another person (whether a shareholder or not) as his proxy to attend and vote instead of him. A proxy so appointed shall have the same right as the shareholder to vote on a show of hands or on a poll and to speak at the meeting.

   2. An instrument appointing a proxy shall be in writing and:

   a) in the case of an individual shall be signed by the appointor or by his attorney; and
   b) in the case of a corporation shall be either under the common seal or signed by its attorney or by an authorized officer on behalf of the corporation

4. In terms of Article 50 of the Articles of Association of the Company:

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

5. To be valid the completed form of proxy should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1 not later than 3.30 p.m. on 17th June 2013.

**Please fill in the following details**

Name : .....

Address : .....

.....

Jointly with : .....

Share folio no. : .....

# Corporate Information

**Name of the Company**
Equity One PLC
(A Carson Cumberbatch Company)

**Company Registration No**
PQ 19

**Legal Form**
A Public Quoted Company with Limited Liability
Incorporated in Sri Lanka in 1981

**Parent Company**
Carson Cumberbatch PLC

**Directors**
D.C.R. Gunawardena (Chairman)
S. Nagendra
K.C.N. Fernando
E.H. Wijenaike
A.P. Weeratunge
S. Mahendrarajah
P.D.D. Fernando

**Place of Business**
No. 65 C, Dharmapala Mawatha,
Colombo 07,
Sri Lanka.

**Bankers**
Citi Bank NA
Standard Chartered Bank
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
Deutsche Bank AG

**Auditors**
Messrs. KPMG
Chartered Accountants,
No 32A, Sir Mohamed Macan Marker Mawatha,
Colombo 03, Sri Lanka.

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

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

**Corporate Website**
www.carsoncumberbatch.com