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Chairman's Statement

Dear Shareholder,

I take pleasure in welcoming you to the 37th Annual General Meeting of the Company at the end of another successful year of financial performance in spite of the business interruption of nearly two months at one of the properties of the Group due to an accidental fire that broke through in December last year.

It is with a heavy heart I mark remembrance of all our nation's people who lost their lives or were injured by the Easter Sunday devastation. This came at a time when Sri Lanka's real estate and construction activities were on the rise with the influx of new major residential, commercial as well as retail spaces. The recent attacks have left its mark on Sri Lanka's attractiveness as a tourist destination and critically testing its ability to re-bounce within reasonable time frame. Tourism, being a major economic driver having considerable impact also on the real estate market and in attracting FDIs to the country, the most important assurance investors and tourists expect alike is an environment of safety and security. At this instance, as a responsible entity, we too have embarked on implementing necessary security measures for our building premises in the best interest of our tenants, as further means of up notching our service.

The city of Colombo has been the centre of focus for the recent property development projects as evidenced by its transforming skyline, with the concentration of infrastructure developments backed by strong local as well as foreign investments. However, during the year under review, we have seen the hitherto lucrative Colombo residential market slowing down as witnessed by the fall in absorption rates.

Yet, the case differs with respect to commercial spaces. Colombo "Grade A" office spaces are already at a short-supply, leaving corporates with no choice but to settle for "Grade B" facilities, driving up the prices of both segments. However, with the completion of many high-end commercial real estate projects which are presently ongoing, I believe rental yields and tenancy will be challenged in the medium to long-term.

With the now complete land reclamation for the upcoming port city and the expected completion of the International Financial Centre (IFC) by 2023, we should now have in place a sustainable strategy to attract FDI inflows for development as well as for setting up of new offices and manufacturing activities in the country. Currently occupying the 100th position on the World Bank's Ease of Doing Business Index, even though it is an improvement of 11 positions over the previous year, Sri Lanka has an uphill task ahead in terms of achieving the desired results to meet investor expectations.

Sri Lanka, currently having high interest rates among South Asian countries, adds further pressure on local business expansion. This, coupled with the island nation's ever-increasing cost of construction could hold back competitiveness and growth in real estate demand going forward.

I also believe that Sri Lanka is still far behind in encouraging real estate investment and housing benefits for all potential participants through attractive investment vehicles, which would also inject liquidity and increase the activity in the real estate segment to drive economic prosperity of the country.

The investment properties of the Group continued to grow in value during the 18/19 financial year as well. The 7.5% growth in overall Group revenue resulting in a top line of Rs. 310.7 mn is mainly driven by upward rent revisions whilst the occupancy reduced to 96% in the year under review against 98% in the preceding financial year. The rent revisions and valuation gain of the investment properties of Rs. 493 mn, resulted in the Group posting a profit before tax of Rs. 723.1 mn, a decrease of 19.1% over the previous financial year. However, carving out the valuation gains of both years under review, the profit before tax showcased a growth of 11.4%, driven mainly by aforementioned top line growth and increase in finance income. Consequently, an interim dividend of Rs. 0.75 per share was declared and paid for the financial year ended 31st March 2019, translating into a reasonable payout of 25% based on the operational net profit of the Company excluding the fair value gain on investment property and its impact on deferred taxation.

As Sri Lanka has now arrived at a challenging phase of time saddled with uncertain policies and the impact from the global economic slowdown, the short to medium term prospects of the real estate market is at crossroads. However, as I mentioned above, whilst prioritising national security, with the implementation of consistent policies with careful monitoring and timely investor friendly amendments to encourage investments, I believe the present negativity could gradually fade out in the days ahead.

As my closing few words, I would like to offer my heartfelt gratitude to the shareholders, valued tenants, regulatory authorities, and other stakeholders for their numerous value additions and loyal support extended to the Group to ensure the continuity of the business. Further, I would also like to thank the members of the Audit Committee, Nomination Committee, Remuneration Committee, and the Related Party Transactions Review Committee for their invaluable contribution to the Group. Finally yet importantly, I extend my appreciation and best wishes to all our valued staff members for the persistent efforts made for the upliftment of the overall Group performance year on year.

(Sgd.)

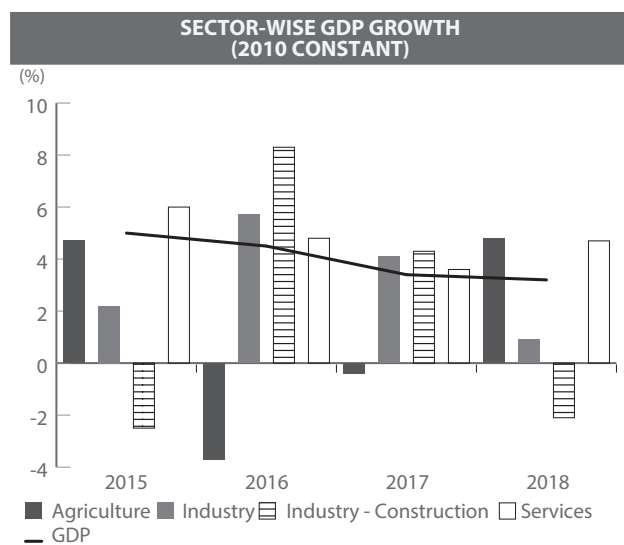
D.C.R. Gunawardena
Chairman

Colombo
08th May 2019

Business Review

MACRO-OVERVIEW

The country's economic growth reduced further from 3.4% in 2017 to 3.2% in 2018 due to the slow-down in the Industrial sector, which grew only by 0.9% in 2018. Construction industry, which is a component of industrial sector, has experienced a negative growth for the first time since 2015, of 2.1%. The Services sector has grown at a relatively higher rate of 4.7% driven by financial services and wholesale and retail trade activities.

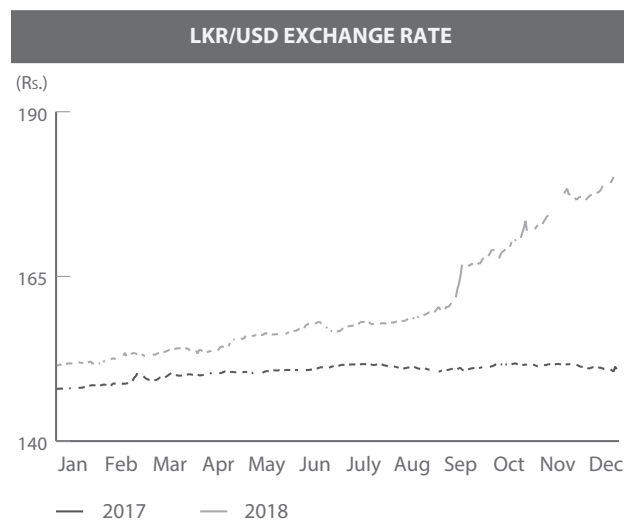


Source: Based on data extracted from Central Bank of Sri Lanka

The policy rate cut exercised by CBSL in April 2018 and maintained for the most part of the year helped to improve short-term and long-term credit growth to 17.6% and 21.7% respectively. This also led the core inflation to rebound to healthy mid-single digit levels.

2018 witnessed a net reduction in foreign reserves from USD 8 bn of previous year to USD 7 bn owing to higher foreign currency debt servicing and CBSL's net supply of foreign exchange to the domestic market. The Sri Lankan rupee depreciated against the US dollar by 16.4% during the calendar year 2018. This was due to the market based exchange rate policy adopted by CBSL with minimum intervention in order to preserve reserves for the upcoming foreign debt maturities. This, coupled with the political instability that was present from end October, had Sri Lanka

witness a net foreign selling interest in local securities towards the latter part of the year. Nevertheless, the country was able to record the historically highest level of FDIs in 2018, reaching USD 2.1 bn.



Source: Based on data extracted from Central Bank of Sri Lanka

INDUSTRY SNAPSHOT

The continuing island-wide infrastructure development and construction efforts as a result of the peace dividend has helped the country's real estate activities to boom post-2010. Sri Lanka's gross value added to GDP at current prices from real estate activities including ownership of dwellings have witnessed an 8-year CAGR of 13% until 2018. Marking an overall upsurge across all residential, commercial, and industrial segments, Colombo district witnessed an overall land price growth of 18% in 2018 with commercial land prices appreciating by 17.4% over 2017 according to the land price index compiled by the Central Bank of Sri Lanka.

The upcoming major residential projects which are expected to reach completion in the coming years are bound to exert further pressure on the level of apartment absorption in Colombo. However, when it comes to commercial spaces, currently, the Colombo city enjoys a high overall occupancy in spite of the upward rental revisions that took place in the recent years. This combined with the shortage of "Grade A" office spaces in Colombo indicate the city's potential to

absorb more commercial spaces in the short-term. However, we expect negative market conditions in the medium to long-term with more and more projects adding on to the existing rentable space, if not complemented by the growth in economic activities.

Further, cost of construction has been on the rise for the past few years. The depreciation of the rupee played a major role in inflating the cost of imported construction materials and equipment. Dearth of skilled labour and technical staff has resulted in a hike in overall construction costs and caused overruns in project timelines. As a result, many large-scale construction projects in the city have opted to source foreign workers and skilled staff.

When it comes to real estate investment landscape, in most of the other developed countries, multiple real estate investments are encouraged through the introduction of income tax concessions, attractive and flexible mortgage facilities, allowing employment retirement contributions to be partly set-off against housing investments etc. Further, availability of REITs make real estate investments affordable to many, something Sri Lanka is lagging at the moment. With increase in land prices and hefty construction costs, even primary housing investments have become a dream for many middle-income families. In this backdrop, apartments have become non-luxurious and serve as the only housing option for many middle-income households. In times like these, the proposal to introduce 15% VAT on apartment sales across all categories raises questions with regard to the reasoning behind this initiative while also contradicting the objective behind government's 'Shelter for All' housing programme. Further, vertical living must be encouraged to make maximum use of the limited land resources available in times of land becoming more and more scarce and expensive.

Moving on to the upcoming Colombo Port City, subject to the extension of adequate incentives, infrastructure, and security to the investment community, Sri Lanka is at the doorstep of FDI inflows to take advantage of the strategic location of the country. The resulting employment opportunities as well as expected immigration will have a spill over effect on the prices of existing properties in the Colombo Central Business District as observed in similar financial centre projects in other

countries. However, the need would arise to upgrade the existing facilities like ours in order to remain competitive and stay on par with the level of quality and service offered within the Colombo International Financial Centre.

Sri Lanka is moving in the right direction with the emphasis placed on infrastructure developments. The estimated nearing completion of the Outer-Circular Highway, the Southern Expressway from Matara to Hambantota, and Phase 2 of the Central Expressway will play a major role in improving mobility of goods, cost efficiency as well as daily commuting capability, thus growing its intrinsic value to the business community. However, there are many other areas of the country such as fair and consistent application of policies, political stability, ease of doing business and investment, and maintaining law and order that still require attention if we are to attract both the global and local investment community.

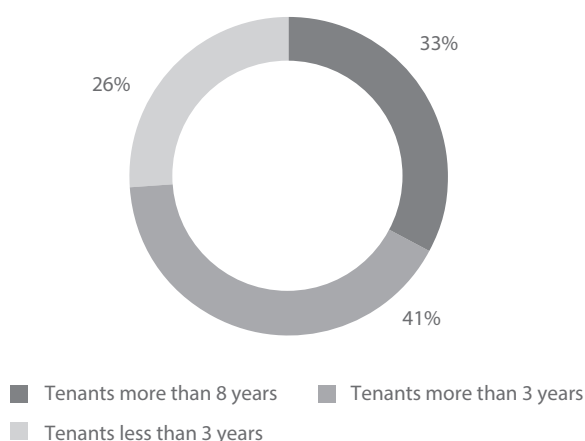
The deeply saddening calamity on 21st April incident is bound to bring at least short-term uncertainty to the property market. However, we believe with strict enforcement of security measures by the government as well as private sector institutions will help re-build confidence and result in a rebound in industry activity levels.

OUR BUSINESS

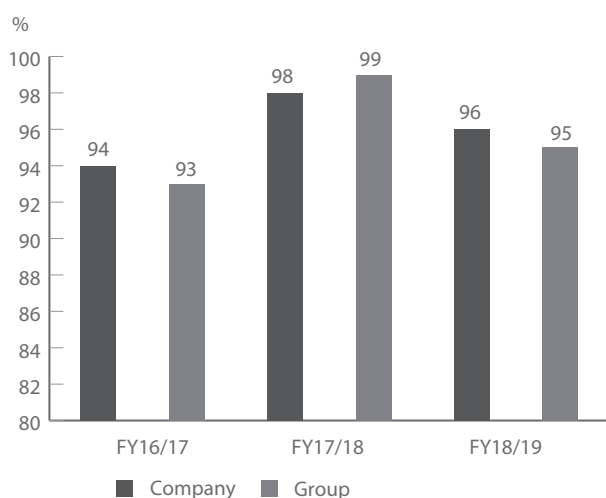
The 2018/19 financial year saw a slight drop in occupancy from 98% to 96% for the Company, mainly as a result of the closure of the Vauxhall Lane property for repair work because of the accidental fire incident in December 2018. The repair work of the damaged property is now complete and was handed over to the tenants. The occupancy at the Group properties decreased from 99% to 95% over the previous year mainly due to the aforementioned reason and vacancy at the Janadhipathi Mawatha property during the latter part of the year.

Business Review

AGE ANALYSIS OF TENANTS - GROUP



COMPANY VS. GROUP OCCUPANCY



Upward rent revisions in spite of this marginal decrease in occupancy facilitated an overall revenue growth of 7.5% to reach Rs. 310.7 mn for the Group over the comparable financial year. Direct costs have increased by 22.1% over the previous year to Rs. 85.8 mn, mainly due to the YoY increase in staff related costs and the increase in repair and maintenance cost for up keep of the Group's investment properties.

The valuation exercise carried out during the financial year to align the investment properties with current market conditions as required by Accounting Standards witnessed a Rs. 493 mn appreciation in value. However, this year's gain is lower by 28.3% compared to the gain recorded for the previous year. A Rs. 14.5 mn damage to investment properties has been recorded during the financial year under review from the fire that broke out at our Vauxhall Lane property. On the insurance claim submitted therein, Company received a settlement confirmation for Rs. 15.2 mn, out of which Rs. 6 mn has been received as at 31st March 2019. The Company incurred in total, Rs. 20.9 mn on repairs and other upgrades to the property.

The Group's net finance income increased to Rs. 15.3 mn from the previous year's net finance expense of Rs. 1.5 mn, mainly due to the receipt of interest on fixed deposit placements. The resultant Rs. 723 mn Group profit before tax is a decrease of 19.1% over the comparable year. Eliminating the aforementioned fair value gain, the profit before tax increased by 11.4% YoY to Rs. 230.2 mn, primarily supported by the revenue growth, and increase in finance income.

The Inland Revenue Act No. 24 of 2017 which came into effect in the previous financial year raised the need to retrospective recognition of income tax at the applicable corporate tax rate for any potential gain on the sale of lands utilised for production of income. This led the Group to recognise a deferred tax of Rs. 717.3 mn for the year preceding. However, the additional charge for deferred tax for the current year is only Rs. 145.5 mn, a reduction of 79.7%. The resultant Profit After Tax for the Group was Rs. 509.3 mn, a 325.7% growth over the corresponding year's Rs. 119.6 mn.

A dividend per share of Rs. 0.75 was paid during the year, translating into a 25.1% payout from the Company profit excluding the fair value gain and its related deferred taxation.

Equity One Limited on a standalone basis, was able to achieve a growth in top line of 10.5% owing purely to the YoY upward rent revisions in spite of the aforementioned reduction in occupancy. The recognised fair value gain in investment properties stood at Rs. 273.7 mn for the year under review. The finance income of the Company decreased by 12.5% to Rs 58.8 mn mainly due to the reduction in dividend income from Equity Two PLC in comparison to the previous financial year. However, interest income and fair value gain on unit

trust investments, together recorded an increase of Rs. 12.2 mn to reach Rs. 14 mn. The resultant Profit Before Tax is a decrease by 24.1% to Rs. 422.5 mn mainly due to the higher investment property gain recorded in the previous year. Disregarding the aforementioned fair value gain, the recorded Profit Before Tax for the year under review is Rs. 148.8 mn as against Rs. 147.9 mn of the preceding year. The 82.8% reduction in deferred tax to Rs. 79.9 mn is due to the same reason as the Group's such reduction. Accordingly, a Profit After Tax of Rs. 314.4 mn was recorded by the Company, an increase of 326.7% over the previous financial year.

FUTURE OUTLOOK

Due to the prevailing situation of the country, the access roads to our Colombo 01 properties have once again been barricaded for understandable security reasons. Supported by the anticipated improvement in the security situation in the country, our superior service and effective tenant relationship management, we believe will help us to reach full level occupancy in the near term for the now vacant spaces at our Colombo 01 properties. Looking back, since Sri Lanka as a country has always emerged from the countless hard blows thrown at it, we believe it is possible to overcome the prevailing problems as well. Therefore, we plan to unlock the value of our properties by closely monitoring the environmental dynamics for timely investment, divestment, and restructuring decisions.

Carsons Management Services (Private) Limited

Managers

08th May 2019

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

The Board of Directors of Equity One Limited have pleasure in presenting to the Shareholders their Report together with the Audited Financial Statements for the year ended 31st March 2019.

The details set out herein provide the pertinent information required by the Companies Act, No. 07 of 2007 and are guided by recommended best Accounting Practices.

The Annual Report was approved by the Board of Directors on 8th May 2019.

1. General

Equity One Limited (the "Company") is a public limited liability Company incorporated in Sri Lanka in 1981.

2. The Principal Activities of the Company and its subsidiaries

The principal activities of the Company and its subsidiaries are letting of office and warehouse premises for commercial purpose.

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

3. Business Review and Future Developments

The Chairman's Statement and Business Review on pages 01 to 05 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 comprises the statement of Profit or Loss and Other 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 2019 are set out on pages 13 to 48. 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. 310.7 mn and Rs. 141.1 mn (2018 - Rs. 289 mn and Rs. 127.7 mn), respectively. An 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)	Group		Company	
For the year ended 31st March	2019	2018	2019	2018
Profit for the year	509,311	119,632	314,409	73,685
Other comprehensive income / (expense) for the year	110	(101)	(11)	(20)
Total comprehensive income for the year	509,421	119,531	314,398	73,665
Retained earnings / (accumulated loss) as at the beginning of the year	240,869	(56,190)	(73,362)	(233,594)
Retained earnings / (accumulated loss) before appropriations	750,290	63,341	241,036	(159,929)
Transfer to fair value adjustment reserve	(347,436)	222,563	(193,701)	116,809
Total comprehensive income attributable to non-controlling interest	(21,272)	(14,850)	-	-
Forfeited dividends	-	57	-	-
Dividends paid	(30,242)	(30,242)	(30,242)	(30,242)
Retained earnings / (accumulated loss) as at the end of the year	351,340	240,869	17,093	(73,362)

4.3 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are given on pages 17 to 28. During the year the Company adopted SLFRS 15, SLFRS 9 and the required disclosures are given in notes to the financial statements.

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 Balance Sheet on 'fair value' in accordance with Sri Lanka Accounting Standards (LKAS 40) – 'Investment Property'.

A professional valuation was performed as at 31st March 2019 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 was recognized in the financial statements to the value of Rs. 273.7 mn and Rs. 492.9 mn (2018 - Rs. 408.5 mn and Rs. 687.5 mn) for the Company and the Group respectively, during the year.

As at the year end, the carrying value of investment properties stood at Rs. 2,420.6 mn and Rs. 4,426.9 mn (2018 – Rs. Rs. 2,140.4 mn and Rs. 3,925.9 mn) for the Company and the Group, respectively.

Details of investment properties are given in note 18 to the financial statements.

4.5 Property, plant and equipment

Details of property, plant and equipment are given in note 19 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 were as follows;

(In Sri Lankan Rupees Thousands)	Group		Company	
For the year ended 31st March	2019	2018	2019	2018
Investment properties	22,531	21,952	20,977	21,391
Property, plant and equipment	271	244	271	244

4.7 Reserves

As at 31st March 2019, the Group's total reserves stood at Rs. 2,261.4 mn (2018 - Rs. 1,803.5 mn) comprising capital reserves of Rs. 13.2 mn (2018 - Rs. 13.2 mn) and revenue reserves of Rs. 2,248.1 mn (2018 - Rs. 1,790.2 mn).

The total reserves of the Company stood at Rs. 1,393.2mn (2018 - Rs. 1,109.1 mn) comprising capital reserves of Rs. 13.2 mn (2018 - Rs. 13.2 mn) and revenue reserves of Rs. 1,380 mn (2018 - Rs. 1,095.8 mn) as at that date.

The movements are set out in the Statement of Changes in Equity and notes 25 and 26 to the financial statements.

5. Statement of Directors' Responsibilities

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

According to the Companies Act, No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, Directors are required to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the 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 Profit or Loss and Other 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;
- reasonable and prudent judgments and estimates have been made;

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

- provides the information required by and otherwise comply with the Companies Act, No. 07 of 2007. The Directors are responsible for ensuring that the Company and the Group maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company in order to ensure that its 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 the Group and in this regard to give proper consideration to the establishment and effective operation of appropriate systems of internal control with a view to prevent, detect and rectify fraud and other irregularities.

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

The Directors confirm that to the best of their knowledge,

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

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

6. Outstanding Litigation

There are no litigations currently pending against the Company.

7. Independent Auditors' Report

The Independent Auditors' Report on the financial statements is given on page 12 of this Annual Report.

8. 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.

8.1 Remuneration of Directors

Directors' remuneration for the financial year ended 31st March 2019 is given in note 13 to the financial statements.

8.2 Directors' Interest in Contracts and Shares

Directors' Interest in contracts of the Company are disclosed in note 34 to the financial statements and have been declared at Meetings of the Board of 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 nor in the ordinary shares of the Company as of 31st March 2019.

9. 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.

9.1 Director to Retire by Rotation

In terms of Articles 71, 72 and 73 of the Articles of Association of the Company, Mr. S. Mahendrarajah retires by rotation and being eligible offers himself for re-election.

9.2 Appointment of Directors who are over 70 years of age

Upon the recommendation of the Nomination Committee of the Company and the Board it is recommended that:

1. Mr. P. D. D. Fernando who is over 70 years of age be reappointed as a Director of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to him.
2. Mr. K. C. N. Fernando who is over 70 years of age be reappointed as a Director of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to him.

9.3 Board of Directors

The following Directors held office during the period under review:

Mr. D.C.R. Gunawardena (Chairman)
Mr. K.C.N. Fernando
Mr. E.H. Wijenaikie
Mr. A.P. Weeratunge
Mr. S. Mahendrarajah
Mr. P.D.D. Fernando

10. 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 Audit Committee. Regular submission of compliance and internal solvency certificates vouched by the heads of the respective divisions as a mandatory agenda item keeps the Directors abreast of the position of the Company 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 Group is given in notes to the financial Statements.

11. Independent Auditors

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

A sum of Rs. 340,000/- and Rs. 666,000/- (2018 - Rs. 320,000/- and Rs. 625,000/-) paid to them by the Company and the Group respectively, as audit fees for the year ended 31st March 2019. Fees paid to Auditors on audit related services are given in note 13 to the financial statements.

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. 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 Company

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

13.2 Subsidiaries

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

14. 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 to its 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 2019 were 12 and 17 (2018 - 12 and 18) respectively.

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

15. Equitable treatment to Shareholders

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

16. Environmental Protection

The Company and the Group is sensitive to the needs of the environment and makes every endeavor 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.

17. Dividend

The Company paid a First Interim Dividend of 75 cents per ordinary share for the year ended 31st March 2019 amounting to Rs.30,241,297/50 on 26th March 2019.

The details of the dividend is set out in note 35 to the financial statements.

18. Solvency Test

Taking into account the said distribution, the Directors were 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.

The Company's Auditors, Messrs. KPMG, Chartered Accountants have issued a Certificate of Solvency for the dividend mentioned above confirming same.

19. Stated Capital

The stated capital of the Company as at 31st March 2019 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.

20. Material Issues pertaining to Employees and Industrial Relations

There were no material issues relating to employees and industrial relations during the year ended 31st March 2019.

21. Statutory Payments

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

22. Going Concern

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

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.

24. Contingent Liabilities and Capital Commitment

The contingent liabilities and capital commitments as at 31st March 2019 are given in note 32 to the financial statements, if any.

25. Corporate Donations

There were no donations granted during the year.

26. Annual Report

The Board of Directors have approved the Audited consolidated financial statements of the Company, together with the Reviews and other Reports which form part of the Annual Report on 8th May 2019. The Annual Report would be submitted to the Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies within the given time frames.

27. Annual General Meeting

The 37th Annual General Meeting of the Company will be held on Friday, 14th June 2019 at 3.30 p.m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7, Sri Lanka.

The Notice of the Annual General Meeting, setting out the business which will be transacted thereat is on page 50 of the 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
8th May 2019

Financial Calendar

FINANCIAL CALENDAR

Financial year end
37th Annual General Meeting

31st March 2019
14th June 2019

Independent Auditor's Report



KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF EQUITY ONE LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Equity One Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 13 to 48 of this annual report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the

Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's and Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: <http://slaasc.com/auditing/auditorsresponsibility.php>. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

Chartered Accountants
Colombo, Sri Lanka
8 May 2019

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

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyratne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan FCA	M.N.M. Shameel ACA	Ms. C.T.K.N. Perera ACA

Principals - S.R.J. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

Statement of Profit or Loss and other Comprehensive Income

(All figures are in Sri Lankan Rupees thousands)

For the year ended 31st March	Note	Group		Company	
		2019	2018	2019	2018
Revenue	11	310,677	289,025	141,140	127,749
Direct costs		(85,802)	(70,296)	(42,289)	(36,874)
		224,875	218,729	98,851	90,875
Other income	12	8,480	8,666	4,766	3,662
Net gain arising from changes in fair value of investment properties	18	492,933	687,538	273,739	408,459
		726,288	914,933	377,356	502,996
Administrative and other operating expenses		(19,162)	(19,233)	(10,151)	(10,124)
Results from operating activities	13	707,126	895,700	367,205	492,872
Finance income	14.1	24,120	6,383	58,780	67,204
Finance costs	14.2	(8,825)	(7,930)	(4,167)	(3,675)
Net finance income/ (costs)	14	15,295	(1,547)	54,613	63,529
Investment property written off due to fire related damages net of insurance receipts	15	708	-	708	-
Profit before taxation		723,129	894,153	422,526	556,401
Income tax expense	16	(68,306)	(57,265)	(28,175)	(17,072)
Deferred taxation	16	(145,512)	(717,256)	(79,942)	(465,644)
Profit for the year		509,311	119,632	314,409	73,685
Profit for the year attributable to:					
Equity holders of the parent		488,053	104,773	314,409	73,685
Non controlling interest		21,258	14,859	-	-
		509,311	119,632	314,409	73,685
Other comprehensive income					
Actuarial (loss) / gain from valuation of employee benefits	29.3	153	(140)	(15)	(28)
Related tax on employee benefits		(43)	39	4	8
Other comprehensive income / (expense) for the year		110	(101)	(11)	(20)
Total comprehensive income for the year		509,421	119,531	314,398	73,665
Total comprehensive income attributable to:					
Equity holders of the parent		488,149	104,681	314,398	73,665
Non controlling interest		21,272	14,850	-	-
		509,421	119,531	314,398	73,665
Earnings per share (Rs.)	17	12.10	2.60	7.80	1.83

The notes from pages 17 to 48 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Financial Position

(All figures are in Sri Lankan Rupees thousands)

As at 31st March	Note	Group		Company	
		2019	2018	2019	2018
ASSETS					
Non-current assets					
Investment properties	18	4,426,872	3,925,886	2,420,612	2,140,374
Property, plant and equipment	19	2,101	3,669	2,101	3,669
Investments in subsidiaries	20	-	-	552,048	552,048
Investment in fixed deposits		5,152	-	5,152	-
Total non-current assets		4,434,125	3,929,555	2,979,913	2,696,091
Current assets					
Trade and other receivables	21	35,455	29,623	15,222	6,031
Fair value through profit or loss financial assets	22	40,150	104,804	36,755	78,858
Investment in fixed deposits		234,944	-	109,257	-
Current tax assets		162	-	-	-
Cash and cash equivalents	23	31,834	20,711	7,717	5,521
Total current assets		342,545	155,138	168,951	90,410
Total assets		4,776,670	4,084,693	3,148,864	2,786,501
EQUITY AND LIABILITIES					
EQUITY					
Stated capital	24	1,085,584	1,085,584	1,085,584	1,085,584
Capital reserves	25	13,236	13,236	13,236	13,236
Revenue reserves	26	2,248,137	1,790,230	1,379,983	1,095,827
Total equity attributable to equity holders of the parent		3,346,957	2,889,050	2,478,803	2,194,647
Non controlling interest		137,132	120,333	-	-
Total equity		3,484,089	3,009,383	2,478,803	2,194,647
Non-current liabilities					
Refundable rental deposits	27	87,369	87,695	41,722	33,088
Deferred tax liability	28	1,055,691	910,136	605,242	525,304
Employee benefits	29	3,302	3,511	2,146	1,791
Total non-current liabilities		1,146,362	1,001,342	649,110	560,183
Current liabilities					
Trade and other payables	30	127,120	36,617	7,748	19,366
Deferred revenue	31	19,099	12,235	5,469	7,610
Current tax liabilities		-	25,116	7,734	4,695
Total current liabilities		146,219	73,968	20,951	31,671
Total liabilities		1,292,581	1,075,310	670,061	591,854
Total equity and liabilities		4,776,670	4,084,693	3,148,864	2,786,501
Net assets per share (Rs.)		83.01	71.65	61.48	54.43

The Notes from pages 17 to 48 form an integral part of these financial statements.

I certify that these financial statements are in compliance with the requirements of Companies Act, No. 7 of 2007.

(Sgd.)

V.R. Wijesinghe

Director - Finance

Carsons Management Services (Private) Limited

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board on 08th May 2019.

Approved and signed on behalf of the managers,

Approved and signed on behalf of the board,

(Sgd.)

A.P. Weeratunge

Director

Carsons Management Services (Private) Limited

Colombo

08th May 2019

(Sgd.)

D.C.R. Gunawardena

Chairman

(Sgd.)

K.C.N. Fernando

Director

Statement of Changes in Equity

(All figures are 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/Retained earnings			
Group										
Balance as at 1st April 2017	1,085,584	158	5,109	7,969	39	1,771,885	(56,190)	2,814,554	112,505	2,927,059
Profit for the year	-	-	-	-	-	(222,563)	327,336	104,773	14,859	119,632
Other comprehensive expense for the year	-	-	-	-	-	-	(92)	(92)	(9)	(101)
Total comprehensive income for the year	-	-	-	-	-	(222,563)	327,244	104,681	14,850	119,531
Forfeited dividends	-	-	-	-	-	-	57	57	-	57
First interim dividend 2017/18	-	-	-	-	-	-	(30,242)	(30,242)	(7,022)	(37,264)
Balance as at 31st March 2018	1,085,584	158	5,109	7,969	39	1,549,322	240,869	2,889,050	120,333	3,009,383
Balance as at 1st April 2018	1,085,584	158	5,109	7,969	39	1,549,322	240,869	2,889,050	120,333	3,009,383
Profit for the year	-	-	-	-	-	347,436	140,617	488,053	21,258	509,311
Other comprehensive income for the year	-	-	-	-	-	-	96	96	14	110
Total comprehensive income for the year	-	-	-	-	-	347,436	140,713	488,149	21,272	509,421
First interim dividend 2018/19	-	-	-	-	-	-	(30,242)	(30,242)	(4,473)	(34,715)
Balance as at 31st March 2019	1,085,584	158	5,109	7,969	39	1,896,758	351,340	3,346,957	137,132	3,484,089
Company										
Balance as at 1st April 2017	1,085,584	158	5,109	7,969	39	1,285,959	(233,594)	2,151,224		
Profit for the year	-	-	-	-	-	(116,809)	190,494	73,685		
Other comprehensive expense for the year	-	-	-	-	-	-	(20)	(20)		
Total comprehensive income for the year	-	-	-	-	-	(116,809)	190,474	73,665		
First interim dividend 2017/18	-	-	-	-	-	-	(30,242)	(30,242)		
Balance as at 31st March 2018	1,085,584	158	5,109	7,969	39	1,169,150	(73,362)	2,194,647		
Balance as at 1st April 2018	1,085,584	158	5,109	7,969	39	1,169,150	(73,362)	2,194,647		
Profit for the year	-	-	-	-	-	193,701	120,708	314,409		
Other comprehensive expense for the year	-	-	-	-	-	-	(11)	(11)		
Total comprehensive income for the year	-	-	-	-	-	193,701	120,697	314,398		
First interim dividend 2018/19	-	-	-	-	-	-	(30,242)	(30,242)		
Balance as at 31st March 2019	1,085,584	158	5,109	7,969	39	1,362,851	17,093	2,478,803		

The notes from pages 17 to 48 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Cash Flows

(All figures are in Sri Lankan Rupees thousands)

For the year ended 31st March	Note	Group		Company	
		2019	2018	2019	2018
Cash flows from operating activities					
Profit before taxation		723,129	894,153	422,526	556,401
Adjustments for:					
Finance costs	14	8,825	7,930	4,167	3,675
Interest income	14	(19,547)	(1,194)	(10,986)	(373)
Dividend income	14	-	-	(44,805)	(65,473)
Investment property written off due to fire related damages net of insurance receipts	15	(708)	-	(708)	-
Net gains arising from changes in fair value of investment properties		(492,933)	(687,538)	(273,739)	(408,459)
Depreciation on property, plant and equipment	19	1,839	1,985	1,839	1,985
Amortization of deferred revenue	31	(9,044)	(7,334)	(4,295)	(3,274)
Provision for employee benefits	29	622	652	340	377
Operating profit before working capital changes		212,183	208,654	94,339	84,859
(Increase) / decrease in trade and other receivables		9,354	4,272	5,995	(1,368)
Increase / (decrease) in trade and other payables		90,155	(5,715)	(11,690)	(8,679)
Operating profit after working capital changes		311,692	207,211	88,644	74,812
Rental deposits received	27	11,792	16,265	6,980	10,671
Rental deposits refunded	27	(5,035)	(1,573)	(359)	(1,573)
Cash generated from operations		318,449	221,903	95,265	83,910
Income tax paid		(93,584)	(48,834)	(25,136)	(18,158)
Employee benefits paid	29	(678)	(786)	-	(786)
Net cash generated from operating activities		224,187	172,283	70,129	64,966
Cash flows from investing activities					
Additions to the investment properties	18	(22,531)	(21,952)	(20,977)	(21,391)
Purchase of property, plant and equipment	19	(271)	(244)	(271)	(244)
Investments in fixed deposits		(240,096)		(114,409)	
Interest received		19,547	1,194	10,986	373
Net movement in fair value through profit or loss financial assets		64,654	(104,804)	42,103	(78,858)
Dividends received		-	-	44,805	65,473
Net cash generated from / (used in) investing activities		(178,697)	(125,806)	(37,763)	(34,647)
Cash flows from financing activities					
Short term loan interest expenses paid		-	(544)	-	(544)
Dividend paid		(34,367)	(37,207)	(30,170)	(30,242)
Net cash generated from / (used in) financing activities		(34,367)	(37,751)	(30,170)	(30,786)
Net increase / (decrease) in cash and cash equivalents		11,123	8,726	2,196	(467)
Cash and cash equivalents at the beginning of the year		20,711	11,985	5,521	5,988
Cash and cash equivalents at the end of the year	23	31,834	20,711	7,717	5,521

The notes from pages 17 to 48 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

1. Reporting Entity

Equity One Limited is a limited liability Company which is incorporated and domiciled in Sri Lanka.

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 2019 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 change to 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 20 to the financial statements. Out of the two subsidiaries, Equity Two PLC is listed on the Colombo Stock Exchange.

The Group had 17 (2018 – 18) employees at the end of the financial year. The Company had 12 (2018 – 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 profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows together with the notes to the financial statements.

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

These financial statements were authorized for issue by the Board of Directors on 08th May 2019.

b) Basis of measurement

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

- 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 29.

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

d) Use of estimates and judgments

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

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

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

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

- **Determination of owner-occupied properties and investment properties**

In determining whether a property qualifies as investment property the Group makes a judgment whether the property generates independent cash flows rather than cash flows that are attributable not only to the property but also to the 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:

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

e) **Measurement of fair values**

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non- financial assets and liabilities.

Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data. (Unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

f) **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**

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these financial statements.

Change in significant accounting policies

The Group has initially applied SLFRS 15 and SLFRS 09 from 01 April 2018.

i) **SLFRS 15 Revenue from Contracts with customers**

SLFRS 15 establishes a comprehensive framework for determining how much and when revenue is recognized. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

SLFRS 15 does not have a material impact on the Group as the current accounting practice does not differ significantly from SLFRS 15. Therefore, there was no adjustment to Retained earnings on the transition as at 1 April 2018.

ii) **SLFRS 09 Financial Instruments**

SLFRS 09 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 Financial Instruments: Recognition and measurement.

The Group has adopted SLFRS 09 with no revision for prior periods, as permitted by the standard.

As a result of the adoption of SLFRS 09, the Group has adopted consequential amendments to SLFRS 07 Financial Instruments: Disclosures that are applied to disclosures about 2018/19 but have not been generally applied to comparative information.

Classification and Measurement of Financial Assets and Financial Liabilities

SLFRS 09 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value Through to Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL). The classification of financial assets under SLFRS 09 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 09 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale.

Trade and other receivable, and cash and cash equivalents which were earlier classified as loans and receivable under LKAS 39, are classified as amortised cost under SLFRS 09 and unit trust investments are continue to be classified as FVTPL under SLFRS 09

SLFRS 09 – “Financial Instruments” retains the existing requirement in LKAS 39 – “Financial Instruments: Recognition and Measurement” for the classification of financial liabilities. Accordingly there is no significant effect on the Group and Company’s accounting policies for classification of financial liabilities.

Impairment of Financial Assets

SLFRS 09 – “Financial Instruments” replaces the “Incurred Loss” model in LKAS 39 – “Financial Instruments Recognition and Measurement” with a forward looking “Expected Credit Loss” (ECL) model. The new model applies to financial assets that are

not measured at FVTPL. ECL does not apply to equity investments and need to be measured at fair value.

For assets in the scope of the SLFRS 09 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of SLFRS 09’s impairment requirements at 01 April 2018 results in no provision due to the nature of the business.

a) **Basis of consolidation**

The Group’s Financial Statements comprise consolidation of the Financial Statements of the Company, and its subsidiaries in terms of the Sri Lanka Accounting Standards- SLFRS 10 on “Consolidated Financial Statements”.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income and expenses acquired or disposed of during the year are included in the consolidated and separate statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the Subsidiary. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The total profit / loss of the Subsidiary is included in the consolidated profit or loss and other Comprehensive income, and the proportion of the profit or loss after taxation applicable to outside shareholders is shown under the heading ‘Non-Controlling Interest’. All assets and liabilities of the Company and its Subsidiary is included in the Group Financial Position. The interest of the outside shareholders in the net assets of the Group is stated separately in the Consolidated Statement of Financial Position within Equity under the heading ‘Non-Controlling Interest’.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

There are no restrictions on the ability of subsidiaries to transfer funds to the Company (The Parent) in the form of cash dividend or repayment of loans and advances.

The directors have concluded that the Group controls its subsidiary as it has majority control and voting rights over the said subsidiary.

Set out below are the Group's principal subsidiaries as at 31 March 2019

Name of entity	Place of business	% of Ownership interest held by the Group	Principal Activities
Equity Two PLC	Colombo/ Sri Lanka	88.8%	Real estate sector providing office premises on rental
Equity Three (Pvt) Limited	Colombo/ Sri Lanka	100%	Real estate sector providing office premises on rental

Non-controlling interest

For each business combination, the Group elects to measure any non-controlling interests in the acquiree 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. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Loss of control

When a Group loses control over a subsidiary, it derecognises the asset and liabilities of the subsidiary and any related NCI (If applicable) and

other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest in the former subsidiary is measured at fair value when control is lost

Goodwill

Goodwill recognized in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

Accounting for Investment in subsidiaries

When separate financial statements are prepared, investments in subsidiaries are accounted for using the cost method. Investments in subsidiaries are stated in the Company's Statement of financial position at cost less accumulated impairment losses.

a) Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated to the 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 as at that date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in Profit or Loss.

b) Financial instruments

Recognition and initial measurement

Trade receivable and debt securities issues are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets – Policy applicable from 1 April 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL.

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets classified under amortised cost includes trade and other receivable, investment in fixed deposits and cash and cash equivalents.

A debt investment is measured at FVOCI if it meets both of the following conditions and it not designated as at FVTPL.

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investment in unit trust is classified as FVTPL

Financial assets – Business model assessment: Policy applicable from 1 April 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectation about future sales activity.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial Assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 April 2018

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value for money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other

basic lending risks and costs. (e.g. liquidity risk and administrative costs), as well as a profit margin,

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual cash flows such that it would not meet this condition. In marking this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features; and
- Terms that limit the group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets – subsequent measurement and gains and losses: policy applicable from 1 April 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets – Policy applicable prior 1 April 2018

i) Non-derivative financial assets

The Group holds financial assets that are categorized in to the 'loans and receivables' and Fair value through Profit or loss 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.

Fair value through Profit or loss

A financial asset is classified as a fair value through profit or loss. If it is classified as held-for-trading or

is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein including any interest or dividend income, are recognized in profit or loss.

Fair value through profit or loss includes investment in unit trust

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Financial liabilities measured at amortised cost include refundable rental and other deposits, and trade and other payables.

Derecognition

Financial asset

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred in which the Group neither transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby they transfer assets recognized in its statement of financial position, but retain either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

ii) Financial liabilities

The Group derecognizes a financial liability when its contractual obligation are discharged or cancelled, or expire. The group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and Company currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Impairment

Non-derivative financial assets

Policy applicable from 01 April 2018

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit impaired' when

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data: -

- Significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Group and Company on terms that the Group and Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Policy applicable before 01 April 2018

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

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

Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories 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 recognized if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

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 amortization, if no impairment loss had been recognized.

d) Stated capital

Ordinary shares

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

e) Property, plant and equipment

i. Recognition and measurement

Property, plant & equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

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

ii. 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.

iii. Depreciation

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 as follows;

	No.of Years
Plant & machinery	5-27
Motor vehicles	4-5
Furniture, fittings & office equipments	5-16
Computer	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 derecognised.

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

iv. 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 are recognized net within other income in Profit or Loss.

f) 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. Gains or losses arising from changes in the fair values of investment properties are recognized in Profit or Loss.

Investment properties are derecognised 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 profit or loss 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 & 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 Profit or Loss.

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.

h) Employee benefits

i. Short-term employee benefits

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.

Defined contribution plans

Employees' provident fund

All employees of the Company & its subsidiaries are members of the employee provident fund to which the Group and Company contribute 12% of such employees' basic salary & allowances.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

Employees' Trust fund

The Company & other subsidiaries contribute 3% of the salary of each employee to the Employees' Trust Fund

iii. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

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 LKAS 19 - 'Employee Benefits'. Such actuarial valuations will be carried out every year. The liability is not externally funded. All Actuarial gains or losses are recognised immediately in other comprehensive income.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded.

i) 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.

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

The Group revenue represents sales to customers outside the Group and sales within the Group which are intended for internal consumption.

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 are recognised as other income.

ii. Other Income - on accrual basis.

Net gains and losses of a revenue nature resulting from the disposal of property, plant & equipment have been accounted for in profit or losses and disposal of investments are accounted for in profit or loss 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 & equipment in a state of efficiency has been charged to revenue in arriving at the profit or loss for the year.

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 recognized 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.

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 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, associates and jointly controlled entities 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 presumption 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.

4. 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.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

5. Events after the reporting period

All material and important events which occur after the reporting date have been considered and disclosed in notes to the financial statements.

6. Cash flows

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".

7. 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 period.

8. 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.

9. Segment Reporting

An operating segment is a component within the Group that engage in business activities for which it may earn distinguish revenue and expenses for such segment.

The operating results arising from providing office premises on rental business of the Group as a whole is reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resource to be allocated and to assess its performance. The Group has only one segment hence no separate disclosure is given for operating segment.

10. New Accounting Standards Issued But Not Effective

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for

financial periods beginning on or after 1st January 2019. Accordingly, the Group has not applied the following new standard in preparing these financial statements.

SLFRS 16 – 'Leases'

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.

SLFRS 16 is effective for annual Reporting periods beginning on or after 01 January 2019.

Possible impact on Financial Statements

The Group does not expect that there will be a significant impact on its Financial Statements.

		Group		Company	
For the year ended 31st March		2019	2018	2019	2018
11	Revenue				
	Property rental	310,677	289,025	141,140	127,749
		310,677	289,025	141,140	127,749
		Group		Company	
For the year ended 31st March		2019	2018	2019	2018
12	Other income				
	Parking fees	600	620	-	-
	On services provided to tenants	7,880	8,046	4,766	3,662
		8,480	8,666	4,766	3,662
		Group		Company	
For the year ended 31st March		2019	2018	2019	2018
13	Profit from operations				
	Profit from operations is stated after charging all expenses including the following:				
	Auditors' remuneration - audit services	666	625	340	320
	Auditors' remuneration - audit related services	215	200	100	100
	Professional services cost (note 13.1)	1,192	20	996	20
	Depreciation (note 13.2)	1,839	1,985	1,839	1,985
	Support Service fee	9,076	9,179	4,150	4,213
	Personnel costs (note 13.3)	53,110	46,304	26,733	23,593
13.1	Professional services cost				
	Valuation services	236	-	113	-
	Other services	956	20	883	20
		1,192	20	996	20
13.2	Depreciation				
	Depreciation is included in the statement of profit or loss under the following headings:				
	Direct costs	1,725	1,725	1,725	1,725
	Administrative and other operating expenses	114	260	114	260
		1,839	1,985	1,839	1,985

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(All figures are in Sri Lankan Rupees thousands)

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
13.3 Personnel costs				
Salaries, wages and other related expenses	49,614	42,873	24,942	21,728
Defined benefit plan cost - Employee benefits (note 29.2)	622	652	340	377
Defined contribution plan cost - EPF and ETF	2,874	2,779	1,451	1,488
	53,110	46,304	26,733	23,593
The above include:				
Directors' emoluments	-	-	-	-
Non executive Directors' fees	750	850	350	400
	750	850	350	400

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
14 Net finance income / (costs)				
14.1 Finance income				
Interest income	19,547	1,194	10,986	373
Net change in fair value of fair value through profit or loss financial assets	4,573	5,189	2,989	1,358
Dividend income	-	-	44,805	65,473
	24,120	6,383	58,780	67,204
14.2 Finance costs				
Interest expenses on short term loan	-	544	-	544
Unwinding of interest on refundable deposits (note 27)	8,825	7,386	4,167	3,131
	8,825	7,930	4,167	3,675
Net finance income/(costs)	15,295	(1,547)	54,613	63,529

For the year ended 31st March	Group		Company	
	2019	2018	2019	2018
15 Investment property written off due to fire related damages net of insurance receipts				
Investment property written off due to fire related damages	(14,478)	-	(14,478)	-
Insurance claim received / receivable (note 15.1)	15,186	-	15,186	-
	708	-	708	-

- 15.1** Due to the damage caused by the accidental fire incident, at the Company's investment property situated at Vauxhall Lane, Rs. 14,477,907/- was written off during the financial year ended 31st March 2019. On the insurance claimed submitted therein, the Company received a settlement confirmation for Rs. 15,185,717/- out of which Rs. 6,000,000/- has been received as at 31st March 2019.

A further insurance claim on Business Interruption has been submitted to the insurer. However, claim is currently being evaluated.

For the year ended 31st March		Group		Company	
		2019	2018	2019	2018
16	Current taxation				
16.1	Income tax expense				
	Income tax expense for the year (note 16.2)	68,825	57,738	28,498	17,562
	Over provision in respect of previous years	(519)	(473)	(323)	(490)
		68,306	57,265	28,175	17,072
	Deferred taxation				
	On origination of temporary differences (note 28.1)	145,512	717,256	79,942	465,644
		145,512	717,256	79,942	465,644
	Current tax expense for the year	213,818	774,521	108,117	482,716

For the year ended 31st March		Group		Company	
		2019	2018	2019	2018
16.2	Reconciliation between accounting profit and taxable profit				
	Accounting profit before taxation for the year	723,129	894,153	422,526	556,401
	Aggregate disallowable expenses	8,343	6,170	6,804	4,740
	Aggregate allowable expenses	(25,363)	(41,191)	(10,097)	(22,478)
	Profits not charged to income tax	-	-	(44,805)	(65,473)
	Net gain arising from changes in fair value of investment properties	(492,933)	(687,538)	(273,739)	(408,459)
	Notional adjustments arising on application of LKAS/SLFRS	3,979	5,846	1,091	(2,010)
	Taxable profit	217,155	177,440	101,780	62,721
	Income tax thereon (note 16.3)	60,803	49,683	28,498	17,562
	Dividend tax	8,022	8,055	-	-
	Income tax expense for the year	68,825	57,738	28,498	17,562

- 16.3**
- a) In accordance with the provisions of the Inland Revenue Act, No. 24 of 2017, the Company and the Group is liable to income tax at 28% (2018 - 28%).
- b) As per the directive issued by the Ministry of Finance in accordance to the section 57 & 59, of the Inland Revenue Act, No. 24 of 2017, unit trusts are considered as pass-through vehicles. Accordingly income derived from a unit trust is identified in the Group and the Company accounts using the same source and character as identified by the unit trust. The Company as a beneficiary, is therefore required to pay 28% tax on interest income derived through Fixed Income Unit Trust.
- c) Deferred tax has been computed using the tax rate of 28% (2017-28%)

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(All figures are in Sri Lankan Rupees thousands)

17 Earnings per share

The Company's and the Group's earnings per share is calculated on the profit attributable to the shareholders of Equity One Limited over the weighted average number of ordinary shares outstanding, as required by the 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		Company	
For the year ended 31st March	2019	2018	2019	2018
Amounts used as the numerator				
Profit attributable to the ordinary shareholders of the Company (Rs. '000)	488,053	104,773	314,409	73,685
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)	12.10	2.60	7.80	1.83

	Freehold land	Freehold building	Other equipment	Total as at 31st March 2019	Total as at 31st March 2018
18 Investment properties					
18.1 Group					
Balance as at the beginning of the year	3,142,200	665,616	118,070	3,925,886	3,216,396
Additions during the year	-	20,927	1,604	22,531	21,952
Written-off due to fire related damages	-	(14,478)	-	(14,478)	-
Changes in fair value of investment properties	447,051	65,605	(19,723)	492,933	687,538
	3,589,251	737,670	99,951	4,426,872	3,925,886
18.2 Company					
Balance as at the beginning of the year	1,856,850	227,800	55,724	2,140,374	1,710,524
Additions during the year	-	20,927	50	20,977	21,391
Written-off due to fire related damages	-	(14,478)	-	(14,478)	-
Changes in fair value of investment properties	260,879	21,326	(8,466)	273,739	408,459
	2,117,729	255,575	47,308	2,420,612	2,140,374

	Method of valuation	Land extent (Hectares)	Historical cost	Fair value 2019	Fair value 2018
18.3 Details of investment properties					
Equity One Limited.					
Dharmapala Mw., Colombo 7	Investment approach	0.238	120,288	1,486,592	1,329,524
Vauxhall Lane, Colombo 2	Market approach	0.455	233,366	934,020	810,850
Equity Two PLC.					
No. 61, Janadhipathi Mawatha, Colombo 01	Investment approach	0.072	128,364	556,535	486,747
No. 55, Janadhipathi Mawatha, Colombo 01	Investment approach	0.146	427,629	946,304	860,083
Equity Three (Private) Limited.					
George R. De Silva Mw., Colombo 13	Market approach	0.208	69,256	503,421	438,682
				4,426,872	3,925,886

The Investment Properties of the Group comprise of number of commercial properties that are leased to external and related party tenants. The lease agreements are typically entered in to two year periods with the option for subsequent renewals.

Changes in fair value adjustments on investment properties (gain/loss), which are unrealized, are recognised in the statement of profit or loss. Accordingly, the total net gain on changes in fair value, net of related deferred tax, is recorded in the fair value adjustment reserve as at the reporting date.

18.4 Fair value hierarchy

The fair value of the investment properties was determined by external, independent property valuer, Mr. S. Sivaskantha, F.I.V. (Sri Lanka) of Perera Sivaskantha & Company, having appropriate recognised professional qualifications and recent experience in the location and category of the properties valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the respective companies investment properties.

The fair value measurement for the investment properties have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Description	Location	Valuation technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Land & Building	Colombo	Investment approach	Contractual rentals agreed with the tenants.	The estimated fair value would increase/ (decrease) if – Contractual rentals was higher/ (lower)
			Occupancy Rate 75% - 90%	Occupancy rate were higher/(lower)
			Capitalization rate 5- 6%	Capitalization rate was (higher)/ lower
			Repair and insurance 20%	Repair and insurance was (higher)/lower
			Valuer has used market price per perch for excess land in existing location using a range of prices for similar lands based on adjusted fair value taking in to account of other valuation considerations.	Market value per perch was higher/ (lower)
Land & Building	Colombo	Market approach	Construction cost per square feet Rs. 4,000 - Rs. 6,250.	Cost per square feet was higher/ (lower)
			Market price per perch, valuer has used a range of prices for respective lands based on an adjusted fair value taking into account of other valuation considerations.	Market value per perch was higher/ (lower)
			Depreciation rate for the usage of assets 65% - 70%	Depreciation rate for usage lower/ (higher)

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(All figures are in Sri Lankan Rupees thousands)

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

18.6 There were no restrictions on titles of the investment properties of the Company and the Group, as at the reporting date.

18.7 Capitalization of borrowing costs into investment properties

No borrowing cost capitalized for the year ended 31st March 2019 (2018 - Rs. Nil).

18.8 Contractual obligations to construct and develop investment properties

There were no contractual obligations entered to construct and develop investment properties as at the reporting date.

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

19 Property, plant and equipment

19.1 Group / Company

	Machinery and equipment	Furniture and fittings	Motor vehicles	Total as at 31st March 2019	Total as at 31st March 2018
Cost					
As at the beginning of the year	2,270	681	9,200	12,151	11,907
Additions during the year	271	-	-	271	244
As at the end of the year	2,541	681	9,200	12,422	12,151
Accumulated Depreciation					
As at the beginning of the year	2,078	654	5,750	8,482	6,497
Charge for the year	106	8	1,725	1,839	1,985
As at the end of the year	2,184	662	7,475	10,321	8,482
Carrying amount as at the end of the year	357	19	1,725	2,101	3,669

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

	Group		Company	
As at 31st March	2019	2018	2019	2018
Machinery and equipment	2,014	1,998	2,014	1,998
Furniture and fittings	641	514	641	514
	2,655	2,512	2,655	2,512

19.3 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.

As at 31st March		Company	
		2019	2018
20	Investments in subsidiaries		
	Investments in subsidiaries (note 20.1)	552,048	552,048
		552,048	552,048

As at 31st March		2019		2018	
		No. of shares	Cost	No. of shares	Cost
20.1	Details of investment in subsidiaries				
	Quoted				
	Equity Two PLC	27,532,525	448,834	27,532,525	448,834
			448,834		448,834
	Unquoted				
	Equity Three (Private) Limited	5,399,997	103,214	5,399,997	103,214
			103,214		103,214
	Total investment in subsidiaries		552,048		552,048

As at 31st March		Group		Company	
		2019	2018	2019	2018
21	Trade and other receivables				
	Financial				
	Trade receivables	13,267	18,036	3,695	4,901
	Other receivables	19,424	10,153	9,629	443
	Loans given to company staff (note 21.1)	1,551	690	1,128	197
		34,242	28,879	14,452	5,541
	Non-financial				
	Prepaid expenses	960	744	517	490
	Advance payments	253	-	253	-
		1,213	744	770	490
		35,455	29,623	15,222	6,031
21.1	Loans given to company staff				
	Balance as at the beginning of the year	690	1,161	197	565
	Loans granted during the year	1,938	792	1,517	309
	Settlements during the year	(1,077)	(1,263)	(586)	(677)
	Balance as at the end of the year	1,551	690	1,128	197

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(All figures are in Sri Lankan Rupees thousands)

As at 31st March		Group		Company	
		2019	2018	2019	2018
22 Fair value through profit or loss financial assets					
Investments in Unit Trust		40,150	104,804	36,755	78,858
		40,150	104,804	36,755	78,858

As at 31st March 2019		Group		Company	
No. of units		Cost	Fair value	No. of units	Fair value
Guardian Acuity Money Market Fund	6,658,461	40,074	40,150	2,089,893	36,711
	-	40,074	40,150	-	36,711

As at 31st March 2018		Group		Company	
No. of units		Cost	Fair value	No. of units	Fair value
Guardian Acuity Money Market Fund	6,658,461	99,621	104,804	5,010,067	77,500
	-	99,621	104,804	-	77,500

Valuation of unit trust is based on the unit price published by the Investment Managers as at 31st March.

Fair value hierarchy		Level 1	Level 2	Level 3	Total
Group					
As at 31st March 2019					
Investments in Unit Trust		-	40,150	-	40,150
		-	40,150	-	40,150
As at 31st March 2018					
Investments in Unit Trust		-	104,804	-	104,804
		-	104,804	-	104,804
Company					
As at 31st March 2019					
Investments in Unit Trust		-	36,755	-	36,755
		-	36,755	-	36,755
As at 31st March 2018					
Investments in Unit Trust		-	78,858	-	78,858
		-	78,858	-	78,858

As at 31st March		Group		Company	
		2019	2018	2019	2018
23	Cash and cash equivalents				
	Cash at bank and in hand	31,834	20,711	7,717	5,521
	Cash and cash equivalents for the purpose of cash flow statement	31,834	20,711	7,717	5,521

As at 31st March		Group		Company	
		2019	2018	2019	2018
24	Stated capital				
	Issued and fully paid				
	As at the beginning of the year (40,321,730 ordinary shares)	1,085,584	1,085,584	1,085,584	1,085,584
	As at the end of the year (40,321,730 ordinary shares)	1,085,584	1,085,584	1,085,584	1,085,584

As at 31st March		Group		Company	
		2019	2018	2019	2018
25	Capital reserves				
	Capital accretion reserve	158	158	158	158
	Machinery replacement reserve	5,109	5,109	5,109	5,109
	Other capital reserves	7,969	7,969	7,969	7,969
		13,236	13,236	13,236	13,236

- 25.1** 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 movements of the above reserves are given in the Statement of Changes in Equity.

As at 31st March		Group		Company	
		2019	2018	2019	2018
26	Revenue reserves				
	General reserve (note 26.1)	39	39	39	39
	Fair value adjustment reserve (note 26.2)	1,896,758	1,549,322	1,362,851	1,169,150
	Retained earnings / (accumulated loss)	351,340	240,869	17,093	(73,362)
		2,248,137	1,790,230	1,379,983	1,095,827

26.1 General reserve

General reserve represents the amounts set aside by the Directors for future expansion and to meet any contingencies.

26.2 Fair value adjustment reserve

Gains arising, net of related deferred taxes, from fair value adjustment of investment properties will be transferred from retained earnings / accumulated loss to fair value adjustment reserve and any losses arising, net of related deferred taxes, will be transferred to fair value adjustment reserve only 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.

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(All figures are in Sri Lankan Rupees thousands)

		Group		Company	
As at 31st March		2019	2018	2019	2018
27	Refundable rental deposits				
	Balance as at the beginning of the year	87,695	77,607	33,088	30,529
	Receipts during the year	11,792	16,265	6,980	10,671
	Transferred to deferred revenue	(15,908)	(11,990)	(2,154)	(9,670)
	Refunds during the year	(5,035)	(1,573)	(359)	(1,573)
	Unwinding of interest on refundable deposits	8,825	7,386	4,167	3,131
		87,369	87,695	41,722	33,088
		Group		Company	
As at 31st March		2019	2018	2019	2018
28	Deferred tax liability				
	Balance as at the beginning of the year	910,136	192,919	525,304	59,668
	Charge for the year (note 28.1)	145,555	717,217	79,938	465,636
	Balance as at the end of year	1,055,691	910,136	605,242	525,304
28.1	Charge for the year				
	The amounts recognised in the statement of profit or loss are as follows;				
	Investment properties	145,497	717,219	80,038	465,529
	Employee benefits	15	37	(96)	115
		145,512	717,256	79,942	465,644
	The amount recognised in the statement of other comprehensive income is as follows;				
	Employee benefits	43	(39)	(4)	(8)
		43	(39)	(4)	(8)
	Net deferred tax charged for the year	145,555	717,217	79,938	465,636
28.2	Deferred tax asset				
	Tax effect on employee benefits	925	983	601	501
	Total deferred tax asset	925	983	601	501
28.3	Deferred tax liabilities				
	Tax effect on investment properties and property, plant and equipment	1,056,616	911,119	605,843	525,805
	Total deferred tax liability	1,056,616	911,119	605,843	525,805
	Net deferred tax liability	1,055,691	910,136	605,242	525,304

- 28.4** The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the Company can control the timing of the reversal of these temporary differences.

As per the Inland Revenue Act No. 24 of 2017 applicable from 1st April 2018, gains on sale of business assets including lands which are used in the production of income are made liable for taxation at 28%. Accordingly, a deferred tax liability of Rs. 80 mn and Rs. 145.5 mn for the Company and the Group respectively have been accounted during the year on the temporary difference arising from gain on fair valuation of investment properties.

As at 31st March		Group		Company	
		2019	2018	2019	2018
29 Employee benefits					
29.1 The movement in the liabilities recognised in the Statement of financial position is as follows:					
Balance as at the beginning of the year		3,511	3,505	1,791	2,172
Current service cost		368	249	152	127
Interest cost		254	403	188	250
Actuarial (gains) / losses		(153)	140	15	28
Payments made during the year		(678)	(786)	-	(786)
Balance as at the end of the year		3,302	3,511	2,146	1,791

29.2 The amount recognised in the statement of profit or loss are as follows;

Current service cost	368	249	152	127
Interest cost	254	403	188	250
Charge for the year	622	652	340	377

29.3 The amount recognised in the statement of other comprehensive income is as follows;

Actuarial (gains) / losses	(153)	140	15	28
(Gain) / charge for the year	(153)	140	15	28
Amounts recognized in the total comprehensive income	469	792	355	405

- 29.4** Liability on employee benefits as at 31st March 2019 amounting to Rs.2,146,234/- and Rs. 3,301,908/- (2018 - Rs.1,791,362/- and Rs.3,510,777/-) 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	11% p.a. (2018 - 10.5% p.a.)
Rate of pay increase	10% p.a. (2018 - 10% 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.	

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29.5 Sensitivity Analysis

Reasonably possible changes to one of the relevant actuarial assumptions at the reporting date, holding other assumptions constant, would have affected the employee benefits by the amounts shown below,

As at 31st March	Group		Company	
	2019	2018	2019	2018
1% increase in discount rate	(191)	(173)	(96)	(89)
1% decrease in discount rate	215	195	107	99
1% increase in salary escalation rate	230	212	118	108
1% decrease in salary escalation rate	(207)	(192)	(108)	(98)

29.6 The above provision is not externally funded.

As at 31st March	Group		Company	
	2019	2018	2019	2018
30 Trade and other payables				
Financial				
Trade payables	603	166	547	122
Other payables	119,835	30,055	2,214	14,567
	120,438	30,221	2,761	14,689
Non financial				
Provisions and accrued expenses	6,682	6,396	4,987	4,677
	6,682	6,396	4,987	4,677
	127,120	36,617	7,748	19,366

As at 31st March	Group		Company	
	2019	2018	2019	2018
31 Deferred revenue				
Balance as at the beginning of the year	12,235	7,579	7,610	1,214
Amount transferred from refundable deposits	15,908	11,990	2,154	9,670
Amortization of deferred revenue	(9,044)	(7,334)	(4,295)	(3,274)
Balance as at the end of the year	19,099	12,235	5,469	7,610

32 Commitments and contingencies

32.1 Capital expenditure commitments

There were no significant financial commitments for the Company and the Group as at 31st March 2019.

32.2 Contingent liabilities

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

32.3 Litigations 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 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 risk 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 which arises primarily from the Group's receivables from customers, and placements in deposits with banking institutions.

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.

As at 31st March	Group	
	2019	2018
Credit risk		
Trade and other receivables	34,242	28,879
Less; Revenue on lease agreements recognized on straight line basis	(12,040)	(16,238)
	22,202	12,641
Investments in fixed deposits	240,096	-
Fair value through profit or loss financial assets	40,150	104,804
Cash and cash equivalents	31,834	20,711
	334,282	138,156

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.

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(All figures are in Sri Lankan Rupees thousands)

The Group has obtained refundable rental deposits from non-related party 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 and other deposits held by the Group as at the reporting date is as follows.

As at 31st March	Group	
	2019	2018
Refundable rental deposits		
Carrying value	87,369	87,695
Face value	107,310	100,553

The sector also follows a careful credit evaluation process for new tenants before entering in to 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.

33.1.2 The age analysis of trade receivables at the end of the reporting period that were not impaired was as follows.

As at 31st March	Group	
	2019	2018
Revenue on lease agreements recognized on straight line basis	12,040	16,238
1-30 days	321	330
31-90 days	906	1,468
	13,267	18,036

33.1.3 There were no circumstances that would require impairment in respect of trade and other receivable as at the year end (2018 - 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.

Fair value through profit or loss financial assets - investment in unit trusts

The Group has invested in following unit trust;

Name of the fund	Fund category	Fund's investment instruments
Guardian Acuity Money Market Fund	Money market fund	Fixed income securities with in the maturity period less than 365 days

Guardian Acuity Asset Management Limited, a joint venture company of Ceylon Guardian Investment Trust PLC and Acuity Partners Limited is the Investment Manager of the unit trust funds that the Group has invested in. The Group continuously monitors the performance, asset allocation, credit quality and maturity profiles of these funds in order to assess and mitigate the credit risk.

33.1.4 **Investment in fixed deposit**

The Company has invested in fixed deposits with banking and financial institutions. The Company continuously monitors the stability and credit worthiness including credit ratings of these financial institutions in order to assess and mitigate the credit risk.

33.1.5 Cash and cash equivalent

The Group held cash and cash equivalents of Rs 31.8 mn as at 31st March 2019 (2018: Rs 20.7 mn), 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 AA-(Ika), based on Fitch Ratings.

As at 31st March	Group	
	2019	2018
Cash and cash equivalent	31,834	20,711
	31,834	20,711

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.

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

As at 31st March 2019	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	87,369	107,310	18,502	23,921	21,354	38,449	5,084
Trade Payables	603	603	603	-	-	-	-
Other payables	119,835	119,835	119,835	-	-	-	-
	207,807	227,748	138,940	23,921	21,354	38,449	5,084

As at 31st March 2018	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	87,695	100,553	359	46,668	39,600	8,946	4,980
Trade Payables	166	166	166	-	-	-	-
Other payables	30,055	30,055	30,055	-	-	-	-
	117,916	130,774	30,580	46,668	39,600	8,946	4,980

The amounts disclosed in the above table represent the contractual undiscounted cash outflows relating to non-derivative financial liabilities and which are usually not closed out before contractual maturity.

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33.2.2 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 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. 31.8 mn (2018 - Rs 20.7 mn), in fixed deposit amounting to Rs. 240.1 mn (2018 – Nil) and investments in fair value through profit or loss – unit trust amounting to Rs. 40.2 mn (2018 – Rs. 104.8 mn).

The Group is of the view that the liabilities arise on the Refundable Rental Deposits with the expiration of the rent agreements in the forthcoming financial year, will be renewed by the respective tenants for a further tenure. Typically, the rent agreements of the Group are entered in to a period of two years with a renewal clauses.

In addition, the Group has unutilised overdraft facilities in place of Rs.100 mn as at 31st March 2019 and also has access to short-term financing facilities extended from the parent company, Carson Cumberbatch PLC, if required

33.3 Market risk

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

33.4 Accounting classifications and fair values

Financial instruments are measured either at fair value or amortised cost. The Accounting Policies in notes to the financial statements describe how the classes of financial instruments are measured, and how the relevant income and expenses, including fair value gains and losses, are recognized. The following table analyses the fair value of financial instruments together with the carrying amounts shown in the statement of financial position.

33.5 Fair value Vs. Carrying amount

As at 31st March 2019	Assets at fair value through profit and loss	Assets at amortized cost	Assets at fair value through Other Comprehensive Income	Financial liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	31,834	-	-	31,834	31,834
Investments in fixed deposits	-	240,096	-	-	240,096	240,096
Fair value through profit or loss financial assets	40,150	-	-	-	40,150	40,150
Trade and other receivables	-	34,242	-	-	34,242	34,242
	40,150	306,172	-	-	346,322	346,322
Refundable rental deposits	-	-	-	87,369	87,369	87,369
Trade and other payables	-	-	-	120,438	120,438	120,438
	-	-	-	207,807	207,807	207,807

As at 31st March 2018	Original classification under LKAS 39	New classification under SLFRS 9	Original carrying amount under LKAS 39	New carrying amount under SLFRS 9
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	28,879	28,879
Investment in unit trust - unquoted	FVTPL	FVTPL	104,804	104,804
Cash and cash equivalents	Loans and receivables	Amortised cost	20,711	20,711
			154,394	154,394
Financial liabilities				
Refundable rental deposits	Other financial liabilities	Financial liabilities at amortised cost	87,695	87,695
Trade and other payables	Other financial liabilities	Financial liabilities at amortised cost	30,221	30,221
			117,916	117,916

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

34. Related party transactions.

The Group 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 entity.

In the opinion of the Directors, Carson Cumberbatch PLC is the parent company of Equity One Limited and Bukit Darah PLC is the Ultimate Parent and Controlling entity of Equity One Limited.

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 (including executive and non-executive directors) have been classified as Key Management Personnel of the Company.

For the year ended 31st March		Group		Company	
		2019	2018	2019	2018
34.2.1 Key Management Personnel compensation					
Short-term employee benefits - Directors fees		750	850	350	400
- Nomination committee fees		-	-	-	-
Post-employment benefits		-	-	-	-
Termination benefits		-	-	-	-
Other long-term benefits		-	-	-	-
		750	850	350	400

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

34.3 Transactions with related companies

Name and the nature of the relationship			Name/s of the common Director/s	Nature of the transactions	Value of the transaction			
					Group		Company	
					2019	2018	2019	2018
Subsidiaries								
Equity Two PLC	D. C. R. Gunawardena	Dividend received (net of dividend tax)	-	-	35,517	55,753		
	K. C. N. Fernando							
	A.P. Weeratunge							
	E.H. Wijenaike							
	P. D. D. Fernando							
Equity Three (Private) Limited	K. C. N. Fernando	Short-term advances obtained	-	-	11,500	10,500		
		Settlements made on short-term advances obtained	-	-	11,500	10,500		
		Dividend received	-	-	9,288	9,720		
Fellow subsidiaries								
Carsons Management Services (Private) Limited (CMSL)	K. C. N. Fernando	Support service fee paid	9,076	9,179	4,150	4,213		
	A. P. Weeratunge	Secretarial fees paid	967	967	453	453		
		Computer charges paid	582	582	306	306		
		Rental income received	27,346	25,200	8,100	8,100		
		Parking fees received	420	440	-	-		
Guardian Fund Management Limited	A. P. Weeratunge	Rental income received	6,211	5,693	-	-		
		Parking fees received	120	120	-	-		

Rent charged to related companies are based on the rent agreements signed between the respective companies.

Support service fees and other expenses charged are based on the respective services provided by Carsons Management Services (Private) Limited (CMSL) as per the service agreements signed between the companies.

Related company lending and borrowings are charged interest at AWPLR + 1% , if applicable.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

34.4 Group entities

As at 31st March	% of equity interest	
	2019	2018
Equity Two PLC	88.8%	88.8%
Equity Three (Private) Limited	100.0%	100.0%

34.5 Transactions, Arrangements and Agreements involving KMP and their close family members (CFM)

CFM of a KMP are those family members who be expected to influence, or be influenced by that individual in their dealings with the entity. They may include;

- (a) the individual's domestic partner and children;
- (b) children of the individual's domestic partner; and
- (c) dependents of the individual or the individual's domestic partner's CFM are related parties to the entity.

There were no transactions with CFM during the year.

For the year ended 31st March	Company	
	2019	2018
35. Dividend per share		
Dividends proposed / paid during the year		
First interim dividend	30,242	30,242
Dividend per share (Rs.)	0.75	0.75

36. Comparative Figures.

Subsequent to the reporting period, no circumstances have arisen which would require adjustments to or disclosures in the financial statements.

37. Directors' responsibility

The Board of Directors is responsible for the preparation and presentation of these financial statements. This is more fully described under the relevant clause in the Director's Report.

Five Year Summary

(All figures are in Sri Lankan Rupees thousands)

For the year ended/As at 31st March	2019	2018	2017	2016	2015 Restated
Trading results					
Revenue	310,677	289,025	254,744	233,510	210,753
Profit before taxation	723,129	894,153	156,674	679,371	411,984
Income tax expenses	(213,818)	(774,521)	(51,045)	(49,043)	(28,246)
Profit for the year	509,311	119,632	105,629	630,328	383,738
Shareholders' funds					
Stated capital	1,085,584	1,085,584	1,085,584	1,085,584	1,085,584
Reserves	2,261,373	1,803,466	1,728,970	1,665,683	1,076,548
Minority interest	137,132	120,333	112,505	111,141	92,348
Total equity	3,484,089	3,009,383	2,927,059	2,862,408	2,254,480
Assets employed					
Current assets	342,545	155,138	45,880	39,540	50,771
Current liabilities	(146,219)	(73,968)	(66,596)	(148,674)	(234,777)
Working capital	196,326	81,170	(20,716)	(109,134)	(184,006)
Non-current assets	4,434,125	3,929,555	3,221,806	3,218,958	2,652,007
Assets employed	4,630,451	4,010,725	3,201,090	3,109,824	2,468,001
Non-current liabilities	(1,146,362)	(1,001,342)	(274,031)	(247,416)	(213,521)
Net assets	3,484,089	3,009,383	2,927,059	2,862,408	2,254,480
Cash flow statement					
Net cash inflows / (outflows) from:					
Operating activities	224,187	172,283	128,714	58,886	104,136
Investing activities	(178,697)	(125,806)	(3,576)	(30,145)	(29,631)
Financing activities	(34,367)	(37,751)	(123,692)	(47,140)	(67,616)
Net increase / (decrease) in cash & cash equivalents	11,123	8,726	1,446	(18,399)	6,889
Ratios and statistics					
Dividend per share* (Rs.)	0.75	0.75	0.75	0.15	0.15
Dividend yield (%)	N/A	N/A	N/A	0.31	0.36
Dividend payout (%)	6.20	28.85	30.49	0.99	1.65
Return on shareholders' funds (%)	14.58	3.63	3.52	22.20	16.97
Earnings per share (Rs.)	12.10	2.60	2.46	15.15	9.10
Earnings yield (%)	N/A	N/A	N/A	31.11	21.67
P/E ratio (times)	N/A	N/A	N/A	3.21	4.62
Market price per share** (Rs.)	N/A	N/A	N/A	48.70	42.00
Net assets per share (Rs.)	83.01	71.65	69.80	68.23	53.62
Current ratio (times)	2.34	2.10	0.69	0.27	0.22
Market capitalization (Rs. '000)	N/A	N/A	N/A	1,963,668	1,693,513

Notes :

* Based on proposed / interim dividends.

** The market price per share as at 31 March

Market price per share as at 31st March 2019 was not available since the Company was de-listed from the Official List of the Colombo Stock Exchange (CSE) on 2nd November 2016.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the THIRTY SEVENTH Annual General Meeting of EQUITY ONE LIMITED will be held on Friday, 14th June 2019 at 3.30 p.m. at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 7, for the following purposes:

1. To consider the Annual Report of the Board of Directors including the Financial Statements of the Company for the financial year ended 31st March 2019 together with the Report of the Auditors thereon.

2. To re-elect Mr. S. Mahendrarajah who retires by rotation in terms of Articles 71, 72 and 73 of the Articles of Association of the Company.

3. To re-appoint Mr. P.D.D. Fernando 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. 7 of 2007 shall not be applicable to Mr. P.D.D. Fernando who is 76 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

4. To re-appoint Mr. K.C.N. Fernando 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. 7 of 2007 shall not be applicable to Mr. K.C.N. Fernando who is 72 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

5. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act, No. 7 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,
8th May 2019

Notes

1. A shareholder 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, Sri Lanka not later than 4.45 p.m. on 12th June 2019.
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**
 - i. Due to the prevailing situation in the country, there will be a security check by the security personnel stationed at the meeting venue.
 - ii. We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the security personnel stationed at the entrance lobby.

Form of Proxy

*I/We
of
being *a Shareholder/Shareholders of **EQUITY ONE LIMITED**
hereby appoint
.....
of
bearing NIC No./Passport No or failing him/her

Don Chandima Rajakaruna Gunawardena or failing him,
Kurukulasuriya Calisanctus Nalake Fernando or failing him,
Eranjith Harendra Wijenaikie or failing him,
Ajith Prashantha Weeratunge or failing him,
Subramaniam Mahendrarajah or failing him,
Panthiagate Donald Dunstan Fernando

as *my/our proxy to attend at the Thirty Seventh Annual General Meeting of the Company to be held on Friday, 14th June 2019 at 3.30 p.m., at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 07, Sri Lanka and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
i. To re-elect Mr. S. Mahendrarajah who retires by rotation in terms of Articles 71, 72 and 73 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
ii. To re-appoint Mr. P.D.D. Fernando who is over Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
iii. To re-appoint Mr. K.C.N. Fernando who is over Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
iv. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act, No. 7 of 2007 and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....
Signature/s

Note:

- * Please delete the inappropriate words.
- A shareholder entitled to attend and vote at a general meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the Company. A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the general meeting of the shareholders.
- A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- 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 53 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 49 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 4.45 p.m. on 12th June 2019.

Please fill in the following details

Name :

Address :

:

Jointly with :

Share Folio No. :

Corporate Information

Name of the Company

Equity One Limited
(A Carson Cumberbatch Company)

Company Registration No.

PQ 19 PB

Legal Form

A Public Company with Limited Liability Incorporated in Sri Lanka in 1981

Parent and Controlling Entity

In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Equity One Limited and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Equity One Limited.

Directors

D. C. R. Gunawardena (Chairman)
K. C. N. Fernando
E. H. Wijenaikē
A. P. Weeratunge
S. Mahendrarajah
P.D.D. Fernando

Place of Business

No. 65C, Dharmapala Mawatha,
Colombo 7,
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

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