Equity 01 PLC

Annual Report 2013/2014

A Carson Cumberbatch Company

Contents

Chairman's Statement

Dear Shareholder,

It is with great pleasure that I welcome you to the 32nd Annual General Meeting of the Company. The Annual Report of the Company held in your hand comprises a review of the Group's business and the Audited Financial Statements for the year ended 31st March 2014.

The year concluded, although bearing mixed results, proved to be a good one for the country overall as Sri Lanka demonstrated resilience yet again with an impressive GDP growth, amidst an uncertain global economic backdrop. Adding further stimulus to the economy, the year under review also witnessed a steep decline in interest rates, giving rise to the availability of low cost financing.

Such economic fundamentals being in place, which stand in favour of the Real Estate Segment of the economy, we are enthusiastic about the exciting prospects and opportunities this brings to our business.

I am pleased to inform that your Company ended the financial year 2014 on a high note, where overall occupancy at group level, improved to 91% from the 85% recorded previously. However the key highlight for the year was the addition of further 44,000 square feet to the group's rentable property portfolio with the completion of renovation and refurbishment of the building held by subsidiary company, Equity Two PLC, at assessment no. 55, Janadhipathi Mawatha.

We also succeeded in sourcing a tenant to occupy the entire floor area of the said building, immediately upon completion. Accordingly, we envisage the said property to generate a decent contribution to group rent roll and earnings going forward, although the impact on incremental cash flows will be limited, due to total cash received in the form of rent advance and deposits already been deployed to finance the project.

During the year, the company was also successful in reducing its debt levels substantially by way of debt repayments utilizing the proceeds from the sale of Mount Lavinia Land. The divestment of the six acre land resulted from a strategic decision to reduce the borrowings of the Company, which mainly accrued from the costs incurred on the acquisition of the said land.

From the losses incurred by the group from property development activities, we have now consolidated to a greater extent with the settlement of a significant portion of the Company's debt.

For the year ended 31st March 2014, at company level, Equity One PLC reported a 48.47% increase in net profit in comparison to the previous year, to Rs. 127.2 mn. However, excluding the one off gain on sale of land and gains made on changes in fair value of investment property, the net profit for the period stood at Rs. 47.4 mn as against the corresponding figure for last year, which was Rs. 42.1 mn.

Equity One group concluded the financial year with a consolidated net profit of Rs. 192.5 mn, which is a 31% leap relative to the last financial year. The group profit for the year includes a one off gain on sale of land amounting to Rs. 79.8 mn and Rs. 68.8 mn of fair value gain on valuation of investment properties. Excluding gain on sale of land and investment property gains, net profit of the group stood at Rs. 43.99 mn for the year under review, whilst the same for last year was Rs. 43.3 mn.

With the burden of debt affecting the balance sheet eased to a greater extent during the year, your company is well positioned to reap maximum benefits from the real estate sector growth envisaged and reach new heights in time to come.

The issue of restricted access to Janadhipathi Mawatha is unresolved to date, carrying an adverse impact on the value potential of the two properties on location. However, considering the development projects taking place in the Fort area coupled with the admirable level of beautification and township development activities underway in the vicinity, we are optimistic that our properties will be able to realize their full potential in the near future.

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

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

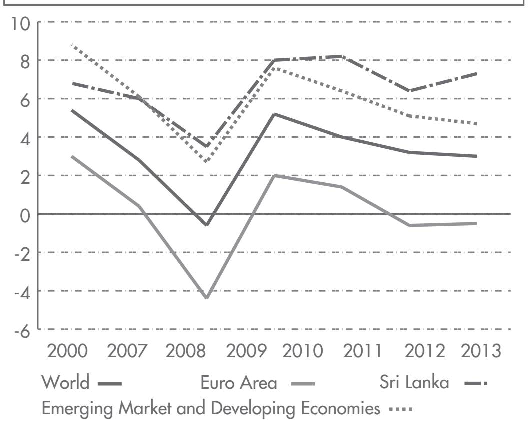
Colombo
12th May 2014

Business Review

KEY ECONOMIC INDICATORS

In the global arena, despite the fact that 'uncertainty' was the theme which dominated most part of the year, 2013 ended on a hopeful note with a possible recovery on the cards as conditions improved in the US and Euro Zone. However, the positive momentum indicated towards the latter part of the year alone was insufficient to revive the economy to desired levels, as global economic growth for the period, at 3.0%, failed to surpass the 3.2% reported last year.

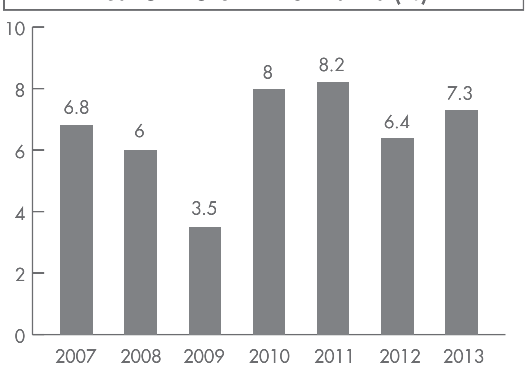
Comparison of Real GDP Growth (%)



Source: IMF World Economic Outlook Database

In comparison, 2013 was a good year for Sri Lanka, albeit many challenges, as real GDP growth stood at a healthy 7.3% driven by both domestic and external economic activities.

Real GDP Growth - Sri Lanka (%)



Source: Central Bank Annual Report 2012 and 2013

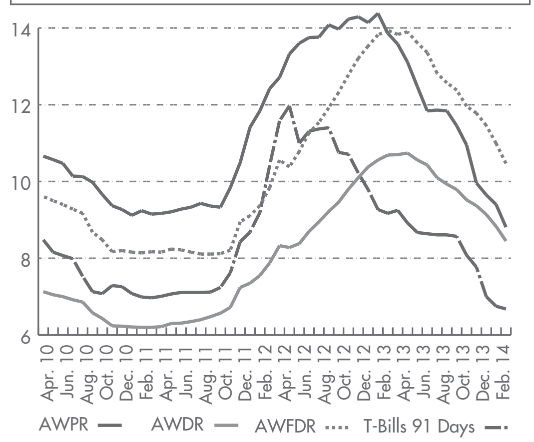
The industry sector, which reported a 9.9% YoY Growth driven by strong performance in the construction and manufacturing subsectors, constituted to 31.1% of the country's GDP for the year. The Agriculture and Service sectors too made a positive contribution to the economy, of which the latter was triggered by improved activity in the Wholesale/Retail and Transportation/Communication subsectors.

Sectorwise Percentage Change in Real Output

Source: Central Bank Annual Report 2013

Inflation remained in single digit levels for the fifth consecutive year, where at the end of 2013, headline inflation stood at 6.9% on an annual average basis. Enabled by low inflation levels, the year 2013 also witnessed downward revisions on policy rates, resulting in lower interest rates, which is a positive for the real estate and property business.

Interest Rate Trend



Source: Central Bank of Sri Lanka

OUR BUSINESS

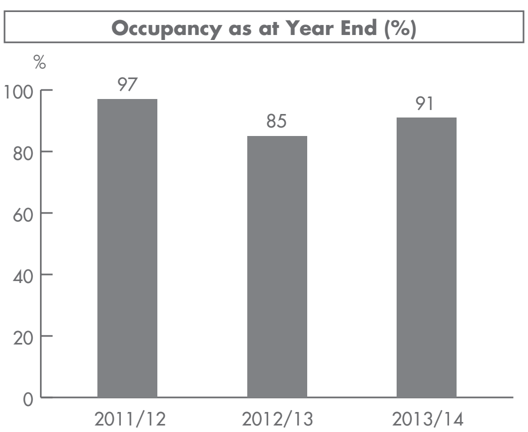
The financial year ended 31st March 2014 proved to be a favourable one for the Equity One Group, with two key events taking place, each recording a positive impact on the financials.

The first highlight for the period under review was the disposal of the six acre land located in Mount Lavinia held by the Company, for a total consideration of Rs. 571.2mn recording a net gain of Rs. 79.8mn on the transaction. The net proceeds from the receipts were utilized in full to settle debts outstanding in the books of the Company, which had been created as a result of borrowings obtained to fund the purchase of the said property in financial year 2008/09.

The second notable development which took place during the year is the completion of renovation and refurbishment of the property at assessment no: 55, Janadhipathi Mawatha, held by subsidiary, Equity Two PLC at a total cost of Rs. 199.6 mn. The newly renovated building added nearly 44,000 square feet to the Group's total rentable area, and was immediately given on long term lease upon completion of construction generating rent advance and deposit amounting to Rs. 138.7mn upon entering into the agreement. Accordingly, the full value of rent and deposit advances received were utilized to finance the cost of the said renovation and refurbishment activities including part settlement of the related company borrowings obtained to finance the project by Equity Two PLC. Due to rental advances being utilized to finance construction costs, the impact on incremental cash flows will be limited in the short to medium term, in spite of higher earnings, although the group was spared the burden of carrying a long term bank loan, had the refurbishment been funded through borrowings.

As a result of increased area under rent, occupancy of Equity Two PLC increased to 81% as at 31st March 2014, from the 48% recorded previously. Consequently, the overall occupancy of the Equity One Group too improved to 91% for the current year from the 85% reported for the year ended 31st March 2013.

Whilst the said property held by Equity Two PLC at assessment no: 55 Janadhipathi Mawatha is currently at 100% occupancy, revenue generation from the property owned by the company at assessment no: 61, Janadhipathi Mawatha remains a matter of concern as it is yet to reach full occupancy. Restricted access via the Janadhipathi Mawatha entrance and limited availability of vehicle parking facilities to suit demand are the key deterring factors towards achieving full occupancy for the said building.

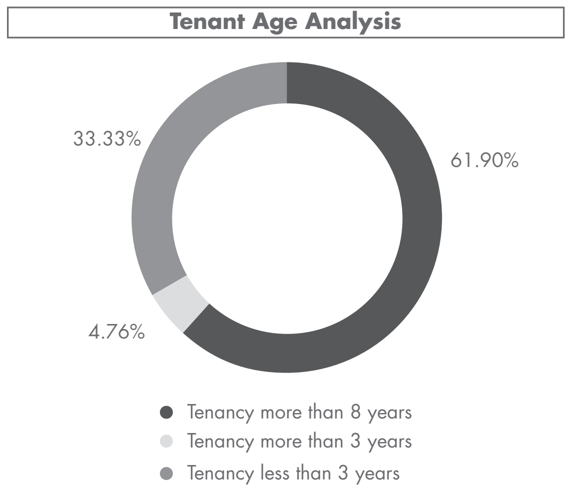


Investment Property Portfolio

The value of the investment property portfolio of the Group stood at Rs. 2.4 bn as at 31st March 2014, comprising of nearly 160,000 square feet of rentable office property and 32,000 square feet of stores property. Accordingly, the office vs stores property mix stood at 83% and 17% respectively.

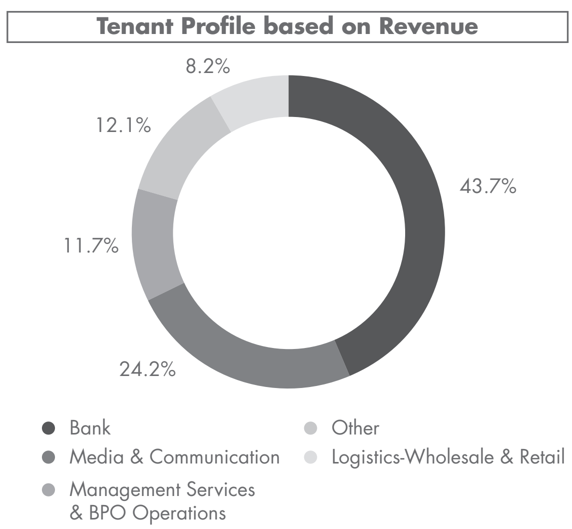
OUR TENANTS

A greater majority of our tenants have been with us for a period nearing a decade, which speaks volumes about the success of our tenant sustainability measures.



As a business entity centered on tenants, we take every effort to treat our tenants with utmost good care and timely provision of facilities. We believe in cultivating long term ties with our tenants and therefore make a conscious effort to provide a superior service which in turn will enable them to carry out their businesses in an efficient manner.

As of 31st March 2014, the group had a diverse mix of tenants, belonging to sectors ranging from banking to Logistics to Services.



Business Review

FINANCIAL REVIEW

Consolidated top line reported by Equity One PLC for the year ended 31st March 2014 amounted to Rs. 174.1 mn, up by 38.17% relative to that of last year. This was mainly driven by increased occupancy, particularly in Equity Two PLC, coupled with rental revisions for the period.

Net gain from change in fair value of investment property for the current period stood at Rs. 68.8 mn in the group income statement, reflecting the fair value gain of the newly refurbished building of Equity Two PLC.

The group recorded an operating profit of Rs. 245.7 mn for the period under review relative to the Rs. 161.6 mn registered for the corresponding period, aided by increased revenue and aforementioned gains made on the sale of land.

With the increase in fair value of investment properties reported for the financial year 2013/14, deferred taxation charge for the year pertaining to the group stood at Rs. 33.3 mn in comparison to the Rs. 1.3 mn reversal in the corresponding financial year.

Accordingly, the group registered a net profit of Rs. 192.5 mn for the period under review, compared to the Rs. 146.7 mn recorded for financial year 2012/13. Excluding the net gain from change in fair value of investment property and gain from the sale of land, consolidated net income for the current period stood at Rs. 43.9 mn as against the Rs. 43.3 Mn for the previous year.

From the Company perspective, Equity One PLC reported revenue of Rs. 96.2 mn for the current period in comparison to Rs.93.4 mn recorded in the corresponding period, whilst profit before taxation was at Rs. 147.2 mn, in comparison to the Rs. 96.7 mn of the previous year.

Excluding gains from changes in fair value of investment property and net gains from sale of investment property, the Company's core operating profit stood at Rs. 52.03 mn, up by 9% relative to that of financial year 2012/13.

Company level net profitability also improved for the period, at Rs. 127.2 mn, compared to the Rs. 85.7 mn for the year ended 31st March 2013, largely due to the net gain made on disposal on sale of investment property.

Consolidated net assets per share stood at Rs. 46.38, whilst the same for last year was Rs. 41.93.

The period under review also witnessed a reduction in debt outstanding to parent company, Carson Cumberbatch PLC, as depicted in the decline in trade and other payables, from Rs. 813. 6 mn in financial year 2013 to Rs. 278.04 mn for the year ended 31st March 2014. As mentioned previously, proceeds from the Mount Lavinia land sale was the key source of funds utilized to repay the related company borrowings. Accordingly, post repayment, debt outstanding to Carson Cumberbatch PLC reduced substantially, to Rs. 174.7 mn as at 31st March 2014.

The Company has declared a dividend of Rs. 0.35 per share for the year ended 31st March 2014, funded mainly from the gain on sale of Mount Lavinia Land.

OUTLOOK

Considering the envisaged growth in economic activities along with the low interest rate regime currently in place, the prospects for Real Estate and Office property appear to be lucrative.

In addition, if Sri Lanka succeeds in achieving the specified targets of foreign direct investments to the country in future, it will provide a significant boost to the country's economy, which in turn will present a favourable environment to the real estate sector.

Meanwhile, the city of Colombo is currently undergoing rapid development in terms of both infrastructure and the variety of groundbreaking projects in progress; such as the Colombo Port City development project. Accordingly, provided that the current projects materialize successfully, the Colombo skyline is likely to take a dramatic shift in time to come, as is the city.

In view of the above development trends, Sri Lanka seems to be heading towards a positive direction where growth is concerned. Thus, we are optimistic about the prospects this brings to the property sector in future, as sector performance shares a high degree of correlation with economic growth.

Carsons Management Services (Private) Limited.

12th May 2014

Profiles of the Directors

CHANDIMA GUNAWARDENA

Chandima Gunawardena serves as a Non-Independent, Non-Executive Director of Carson Cumberbatch PLC and in most of the Carsons Group Companies in Sri Lanka and overseas. He is also a Director of Bukit Darah PLC. Since assuming Non-Executive status in the Group, he serves as an advisor to the Group's Strategic Planning and Management forums in Sri Lanka and serves on Board Committees including the Audit Committees of the Group in Sri Lanka and overseas covering all operating sectors of the Group.

Mr. Gunawardena has over four decades of experience in varied fields of business and commercial activities and has held senior positions in Corporate, Mercantile and State Institutions. He was appointed to the Carsons Group Directorate in 1990.

He has served in the Management Committee of The Ceylon Chamber of Commerce for over 10 years and was a Founder Council Member of the Sri Lanka Institute of Directors (SLID) and continued to serve in the council for over 10 years.

He is a Fellow of the Chartered Institute of Management Accountants, UK.

SEGA NAGENDRA

Sega Nagendra is a Director of Pegasus Hotels of Ceylon PLC. He is a Former Senior Director of Carson Cumberbatch PLC and several of its subsidiaries and Associate Companies.

Senior Director and Financial Consultant of CML - MTD Construction Ltd., Executive Chairman Travelserv Ltd., Travelon Ltd and Travelon Management Services Ltd. He is also Chairman and Director of several public listed and private Companies.

Past President of Skal International Colombo (International Association of Travel and Tourism Professionals), Past Secretary of the Skal International, Asian Area Region and Past President of the Pacific Asia Travel Association (Sri Lanka Chapter). Immediate Past President of the Sri Lanka Pakistan Business Council and present Council member. Also Past President of the Sri Lanka - Benelux Business Council and Past President of the Chartered Management Institute – UK, Sri Lanka Branch. Served as an Executive Committee member of The Ceylon Chamber of Commerce and former Chairman of the Imports Section of The Ceylon Chamber of Commerce.

Former Committee Member on Transport, Highways and Aviation of the Monitoring & Progress Division of the Ministry of Policy Developing and Implementation.

Companion of the Chartered Management Institute. UK, Master of Business Administration UK and Fellow of the Institute of Certified Professional Managers, Sri Lanka.

NALAKE FERNANDO

Nalake Fernando is a Director of the Property Management Companies of the Carson Cumberbatch Group. He is also a Director of Carsons Management Services (Private) Limited and in some of the Boards of the Malaysian Plantation Companies of the Carsons Group. He was the Country representative for Sri Lanka with Dalekeller & Associates Ltd., Designers and Skidmore Ownings & Merrill Architects. He was also a Director of SKC Management Services Ltd.

He counts over 40 years of work experience and holds a Technician's Certificate of the Institute of Work Study Practitioners of UK.

ERANJITH WIJENAIKE

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

AJITH WEERATUNGE

Ajith Weeratunge is a Director of the Carson Cumberbatch Group's Management Company, Carsons Management Services (Private) Limited and holds the position of Head of Finance. He is also a Director of Equity Two PLC, as well as the Group's Investment Holding Sector – Ceylon Investment PLC, Rubber Investment Trust Limited and Guardian Fund Management Limited. Accounts for more than 30 years of finance related experience in the mercantile sector and has held positions in Lanka Walltile Ltd., Union Apparels (Pvt) Ltd., John Keells Holdings PLC, Phoenix Industries (Pvt) Ltd and Ceylon Beverage Holdings PLC. He is a Fellow member of the Chartered Institute of Management Accountants of UK.

SUBRAMANIAM MAHENDRARAJAH

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

Profiles of the Directors

DONALD FERNANDO

Donald Fernando is a Director of Equity Two PLC and the Managing Director of Conimex (Private) Limited – Civil Engineers and Director of Fernando Rajapakse Associates (Private) Limited – Consulting Engineers and Project Managers and Director, Saramanda Lanka (Guarantee) Limited.

In 1965, earned a B.Sc (Eng.) Degree in Civil Engineering from the University of Ceylon. Civil Engineer with The Sri Lanka Ports Authority till 1969. From 1969 to 1982 worked as Civil Engineer in London. Member of the Institution of Civil Engineers, London in 1969. He is a Member of the Institution of Engineers, Sri Lanka and a Member of the Society of Structural Engineers, Sri Lanka.

SUBSIDIARY COMPANIES

AJITH WEERATUNGE

(Refer under Company Profile)

CHANDIMA GUNAWARDENA

(Refer under Company Profile)

CHRISANTA F. FERNANDO

Chrisanta F. Fernando qualified as a Chartered Accountant from the Institute of Chartered Accountants in England and Wales and is presently a Fellow of the Institute of Chartered Accountants of Sri Lanka.

As a Senior Accountant at Carson Cumberbatch PLC, he has gained over 18 years of experience in financial and general management of plantation companies and agency management. This was followed by 10 years experience as Director Finance in Projects involving paddy cultivation, shipping agency, non-traditional exports, bottling of soft drinks, earth moving contracts and running a restaurant.

He served as the Managing Director and as Chief Executive Officer of Distilleries Company of Sri Lanka PLC (DCSL) and rejoined DCSL as an Independent Non-Executive Director in 2008. He was appointed as Chairman of the Audit Committee and also serves on the Remuneration Committee of DCSL. He is also a Director of DCSL subsidiary, Melstacorp (Pvt) Ltd and some of its subsidiaries including Continental Insurance Lanka Ltd where he is also the Chairman of the Audit Committee.

He is presently a Director of Equity Three (Private) Limited and Selinsing PLC of the Carsons Group. He was Finance Director National Lotteries Board, a Director of the Coconut Cultivation Board and a former Chairman of the Low Country Products Association (LCPA). Presently, he is Senior Trustee of the Ceylonese Rugby and Football Club.

DONALD FERNANDO

(Refer under Company Profile)

ERANJITH WIJENAIKE

(Refer under Company Profile)

ISRAEL PAULRAJ

Israel Paulraj is the Chairman of Ceylon Guardian Investment Trust PLC, Ceylon Investment PLC, Guardian Capital Partners PLC and Rubber Investment Trust Limited. He serves as a Director of Carson Cumberbatch PLC and of several of the subsidiary companies within the Carsons Group.

He served as Past Chairman of the Federation of Exporters Associations of Sri Lanka and The Coconut Products Traders Association. He was a member of the Executive Committee of The Ceylon Chamber of Commerce and National Chamber of Commerce of Sri Lanka and Shippers Council. He served on the Board of Arbitrators of The Ceylon Chamber of Commerce. He has served as Hony. General Secretary of the Central Council of Social Services, Hony.Treasurer of The Christian Conference in Asia, President of the Church of Ceylon Youth Movement and Hony. Treasurer of the National Christian Council of Sri Lanka. He has also served as Chairman of the Incorporated Trustees of the Church of Ceylon.

He also served on the Presidential Task Force on Non-Traditional Export and Import Competitive Agriculture set up by President R.Premadasa. He served as Chairman of the Ecumenical Loan Fund of Sri Lanka and on its International Board in Geneva. He was a member of the Commercial Law Reform Commission and has served on the Parliamentary Consultative Committee on Internal and International Trade.

He holds a Bachelor of Law Degree and an Executive Diploma in Business Administration.

NALAKE FERNANDO

(Refer under Company Profile)

Audit Committee Report

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

The Members of the Audit Committee are as follows :

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

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

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

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

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

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

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

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

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

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

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

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

The Audit Committee approved the audit plan for the financial year 2013/2014 and the Group Internal Audit (GIA) carried out a detailed audit of key processes of the Property Sector companies.

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

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

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

The draft financial statements of Equity One PLC for the year ended 31st March 2014 were reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs. KPMG, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided

Audit Committee Report

with confirmations and declarations as required, by the Managers, Carsons Management Services (Private) Limited that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

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

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors for the financial year ending 31st March 2015, subject to the approval of the shareholders of Equity One PLC at the Annual General Meeting.

(Sgd.)
V.P. Malalasekera
Chairman – Audit Committee
Carson Cumberbatch PLC

12th May 2014

Risk Management

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

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

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

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

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

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

Board of Directors	• Responsible for approval of ERM framework • Set risk appetite thresholds • Approve Business Plans • Review Reports - Risk dash board and summary of risk register
Audit Committee	• Considers adequacy of risk management and internal control framework • Receive and review risk management reports/Dash Board/Risk Register • Receive and review reports from internal and external Auditors
Management Team	• Define and set risk appetite and considers new and emerging risks • Develop / monitor suitable action plans to mitigate/ manage risks • Considers actions to improve risk management processes • Provide representation on compliances
Risk owners	• Responsible for day to day monitoring / supervision of risk and risk mitigation actions. • Required to evaluate status of risk and effectiveness of risk mitigation action plans

Risk Management

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

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

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

Risk Management

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

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

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

The Board of Directors of Equity One PLC has pleasure in presenting to the shareholders this Report together with the Audited Financial Statements for the year ended 31st March 2014.

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

The Annual Report was approved by the Board of Directors on 12th May 2014.

1. GENERAL

Equity One PLC (the "Company"), a public limited liability company incorporated in Sri Lanka in 1981.

2. THE PRINCIPAL ACTIVITIES OF THE COMPANY

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

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

3. REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Chairman's Statement and Business Review on pages 01 to 04 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 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 2014 are set out on pages 24 to 57. These financial statements comply with the requirements of the Companies Act, No 7 of 2007.

4.1. Revenue

The Group and the Company generated revenues of Rs. 174.1 mn and Rs. 96.2 mn (2013 - Rs. 126 mn and Rs. 93.4 mn), respectively. A detailed analysis of the revenue for the year is given in note 11 to the financial statements.

4.2. Financial results and appropriations

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

(In Rupees thousands)	Group		Company	
For the year ended 31st March	**2014**	**2013**	**2014**	**2013**
Profit for the year	192,533	146,670	127,222	85,687
Other comprehensive income / (expense) for the year	213	(63)	149	(56)
Accumulated losses as at the beginning of the year	(403,386)	(441,669)	(492,997)	(535,054)
Accumulated loss before appropriations	(210,640)	(295,062)	(365,626)	(449,423)
Transfer to fair value adjustment reserve	(68,761)	(103,381)	-	(43,574)
Profit attributable to non-controlling interest	(8,807)	(4,943)	-	-
Dividends paid	(4,435)	-	(4,435)	-
Accumulated loss as at the end of the year	(292,643)	(403,386)	(370,061)	(492,997)

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

4.3. Significant accounting policies

The accounting policies adopted in the preparation of these financial statements are given on pages 28 to 39.

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'.

The Company's subsidiary, Equity Two PLC completed renovation and refurbishment of building at No 55, Janadhipathi Mawatha. The project was completed in September 2013 at a total cost of Rs. 199.6 mn The building created additional rentable space of approximately 44,000 square feet to the group.

During the year, Director's Valuation was carried out for the investment properties of the group other than for the properties of Equity Two PLC. As per the Directors opinion no material change has occurred to the fair value of the properties when compared to the previous year's professional valuation except to the investment properties of Equity Two PLC for which professional valuation was obtained as at 31st March 2014 to establish the value after the renovation and refurbishment of the new building. Accordingly a professional valuation was performed for the Equity Two PLC properties as at 31st March 2014 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 statement to the value of Rs. 68.8mn during the year.

For all other properties of the group, the last professional valuation was performed as at 31st March 2013 by Mr. S. Sivaskantha, F.I.V. (Sri Lanka), of Perera Sivaskantha and Company, Incorporated Valuers.

During the year the Company disposed the land situated at Mount Lavinia for a total consideration of Rs. 571.2 mn recording a net gain on sale of investment properties amounting to Rs. 79.8mn.

As at the year end, the carrying value of investment properties stood at Rs. 1,226.3 mn and Rs. 2,401.9 mn (2013 – Rs. 1,692.8 mn and Rs. 2,694.3 mn) for the Company and the Group, respectively.

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

4.5. Property, plant and equipment

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

4.6. Capital expenditure

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

(In Sri Lanka Rupees Thousands) For the year ended 31st March	Group 2014	 2013	Company 2014	 2013
Investment properties	105,010	112,719	3,581	613
Property, plant and equipment	582	85	582	85

4.7. Reserves

As at 31st March 2014, the Group's total reserves stood at Rs. 784.7 mn (2013 - Rs. 605.2 mn) comprising capital reserves of Rs. 13.2 mn (2013 - Rs.13.2 mn) and revenue reserves of Rs. 771.5 mn (2013 - Rs. 592 mn).

The total reserves of the Company stood at Rs. 487.9 mn (2013 - Rs. 365.0 mn) comprising capital reserves of Rs. 13.2 mn (2013 - Rs. 13.2 mn) and revenue reserves of Rs. 474.7 mn (2013 - Rs. 351.8 mn) as at that date.

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

5. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The financial statements comprise of inter alia:

- a Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year:

- a Statement of Comprehensive Income of the Company, which presents a true and fair view of the profit and loss and other comprehensive income of the Company for the financial year.

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

- appropriate accounting policies have been selected and applied consistently, while material departures, if any, have been disclosed and explained;

- all applicable accounting standards have been complied with;

- reasonable and prudent judgments and estimates have been made; and

- provides the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

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

They are also responsible for taking reasonable measures to safeguard the assets of the Company and 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.

6. OUTSTANDING LITIGATION

There are no litigations currently pending against the Company.

7. INDEPENDENT AUDITOR'S REPORT

The Independent Auditor's Report on the financial statements is given on page 23 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. 7 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 2014 is given in note 13 to the financial statements on page 40 of this Annual Report.

8.2. Directors' Interest in Contracts and Shares

The Related Party Transactions of the Company as required by the Sri Lanka Accounting Standard LKAS 24 Related Party Disclosures are disclosed in note 33 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

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

Company, while they had the following interests in the ordinary shares of the Company as shown in the table below.

Directors	No of shares as at 31st March 2014	01st April 2013
Mr. D.C.R. Gunawardena (Chairman)		
Mr. S. Nagendra	2,889	2,889
Mr. K.C.N. Fernando	-	-
Mr. E.H. Wijenaike	-	-
Mr. A.P. Weeratunge	-	-
Mr. S. Mahendrarajah	-	-
Mr. P.D.D. Fernando*	-	-

* (stepped down from the Board w.e.f. 19/06/2013 and appointed to the Board w.e.f. 16/07/2013)

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. Resignations and Appointments of Directors

Mr. P. D. D. Fernando who was a Non-Executive/ Independent Director, stepped down from the Board w.e.f. 19th June 2013 pursuant to Section 210 (2) (a) of the Companies Act No.07 of 2007 as he had attained the age of 70 years.

Mr. P. D. D. Fernando was appointed as a Non Executive/ Independent Director w.e.f. 16th July 2013 for a period of one year from the conclusion of the Extraordinary General Meeting held on 16th July 2013, where it was resolved that the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not be applicable to Mr. P. D. D. Fernando.

9.2. Directors to Retire by Rotation

In terms of Articles 72, 73 and 74 of the Articles of Association of the Company, Messrs K.C.N. Fernando and A.P. Weeratunge retire by rotation and being eligible offers themselves for re-election.

9.3. Appointment of Directors who are over 70 years of age

Upon the recommendation of the Nomination Committee and the Board, it is recommended that Messrs. S. Nagendra and P.D.D. Fernando who are over 70 years of age be re-appointed as Directors 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.

10. CORPORATE GOVERNANCE

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

10.1. Board of Directors

The following Directors held office as at the reporting date and their brief profiles are given on pages 05 to 06 of this Annual Report.

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

(stepped down from the Board w.e.f.19/06/2013 and appointed to the Board w.e.f. 16/07/2013)

Each of the Non-Executive Directors of the Company has submitted a signed declaration on Independence / Non Independence' as per Rule 7.10.2.(b) of the Listing Rules of the Colombo Stock Exchange (CSE). The said declarations were tabled at a Board Meeting of the Board of Directors of the Company held on 12th May 2014, in order to enable the Board of Directors to determine the Independence / Non-Independence of each of the Non-Executive Directors, in terms of Rule 7.10.3 (a) of the Listing Rules of the Colombo Stock Exchange.

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

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

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

10.2. Remuneration Committee

As per the Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange, the Remuneration Committee of Carson Cumberbatch PLC (CCPLC), the Parent Company, functions as the Remuneration Committee of the Company and comprises of the following members.

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

* Resigned from the CCPLC Board with effect from 31st March 2014 and accordingly from the Remuneration Committee with effect from 31st March 2014

** Appointed with effect from 1st April 2014

Scope and Objective

The primary objective of the Remuneration Committee is to lead to establish a formal and transparent procedure for the development of a remuneration policy and the establishment of a remuneration structure.

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

Functions and Proceedings

The Remuneration Committee recommends to the Board the remuneration to be paid to the Chief Executive Officer, Executive Directors and Non-Executive Directors. Based on the recommendation of the Remuneration Committee, the Board approves remuneration to the respective Directors.

The Chief Executive Officer, Director-in-charge and other members of senior management may be invited to attend meetings to discuss the performance of the Executive Directors and make proposals as necessary. Neither Executive or Non-Executive Directors are involved in Remuneration Committee meetings when determinations are made in relation to the remuneration of the respective Directors. The Committee is authorised by the Board to seek appropriate professional advice internally and externally as and when it considered necessary.

The Remuneration Committee meets at least twice a year.

During the period under review the Committee had two meetings.

Remuneration Committee Members	Attended/ Eligible to Attend
Mr. I. Paulraj (Chairman)	2/2
Mr. M. Moonesinghe*	0/2
Mr. D.C.R. Gunawardena	2/2
Mr. R. Theagarajah**	-

* Resigned from the CCPLC Board with effect from 31st March 2014 and accordingly from the Remuneration Committee with effect from 31st March 2014

** Appointed with effect from 1st April 2014

Reporting and Responsibilities

The Committee Chairman reports formally to the Board on its proceedings on all matters within its duties and responsibilities. The Committee makes recommendations to the Board as deemed appropriate on any area within its limit where action or improvements are needed.

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under note 13 on page 40 of the Annual Report. Executive Directors are not compensated for their role on the Board.

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

10.3. Audit Committee

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

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

The Audit Committee Report is given on pages 07 to 08 of this Annual Report.

10.4. Directors' Meetings Attendance

During the financial year the Board of Directors had three Board Meetings and the attendance of the Directors were as follows;

Directors	Attended/ Eligible to Attend
Mr. D.C.R. Gunawardena (Chairman)	3/3
Mr. S. Nagendra	3/3
Mr. K.C.N. Fernando	3/3
Mr. E.H. Wijenaike	3/3
Mr. A.P. Weeratunge	3/3
Mr. S. Mahendrarajah	1/3
Mr. P.D.D. Fernando*	3/3

*(stepped down from the Board w.e.f. 19/06/2013 and appointed to the Board w.e.f. 16/07/2013)

11. NOMINATION COMMITTEE

The Nomination Committee comprises of the following members

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

Scope and Objective

The primary objective of the Nomination Committee is to lead the process for Board appointments of new Directors within group companies and the nominations of members to represent the Company in group companies/investee companies.

Functions and Proceedings

The Nomination Committee recommends new appointments to the Board. Based on the recommendation of the Nomination Committee, the Board approves the new appointments of Executive and Non-Executive Directors to the Board.

Any Director of the Board and the Chief Executive Officer/ Director-in-Charge and other members of senior management may be invited to attend Meetings of the Nomination Committee. The Committee may also invite appointed external consultants to aid the Committee in the discharge of its duties.

The Committee is authorised by the Board to seek appropriate professional advice internally and externally as and when considered necessary.

The Nomination Committee meets at least twice a year.

During the period under review the Committee had two meetings with all members in attendance.

Nomination Committee Members	Attended/ Eligible to Attend
Mr. S. Nagendra (Chairman)	2/2
Mr. D.C.R. Gunawardena	2/2
Mr. P.D.D. Fernando	2/2

12. INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

This allows the Board to have total control of the fulfillment of governance requirements by providing opportunity to take timely preventive action in case of potential deterioration of status quo. More detailed description of the risk management strategies of the Company is given on pages 09 to 12 of this Annual Report.

13. INDEPENDENT AUDITORS

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

A sum of Rs. 255,300/- and Rs. 478,300/- (2013 - Rs. 230,000/- and Rs. 432,000/-) was paid to them by the Company and the Group respectively, as audit fees for the year ended 31st March 2014. In addition to the above, the auditors were paid Rs. 141,200/- and Rs. 226,200/- (2013 – Rs. 182,000/- and Rs. 399,000/-) as professional fees for audit related services for the Company and the Group, respectively.

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

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

13.1. Auditors' relationship or any interest with the Company

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

14. SIGNIFICANT EVENTS DURING THE YEAR

14.1. Significant events during the year – Company

During the year the Company disposed the land situated at Mount Lavinia for a total consideration of Rs. 571.2 mn. The approval of the shareholders was obtained for the disposal of said land at the Extraordinary General Meeting held on 18th February 2014.

14.2 Significant events during the year – Subsidiary

Equity Two PLC completed renovation and refurbishment of the building at No 55, Janadhipathi Mawatha, Colombo 01. The project was completed in September 2013 at a total cost of Rs. 208.2 mn.The newly renovated building added nearly 44,000 square feet to the group's total rentable area.

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

There were no transactions entered into by the Company during the year under review in the ordinary course of business, the value which exceeded 10% of the Shareholders' equity or 5% of the total assets of the Company as at 31st March 2014.

The details of the related party transactions are given in note 33 on pages 55 to 57 of the Financial Statements.

16 HUMAN RESOURCES

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

The number of persons employed by the Company and the Group as at 31st March 2014 were 11 and 16 (2013 - 11 and 15) respectively.

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

17. EQUITABLE TREATMENT TO SHAREHOLDERS

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

18. ENVIRONMENTAL PROTECTION

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

19. DIVIDENDS

Subject to the approval of the Shareholders at the Annual General Meeting, the Board of Directors recommend a First & Final dividend of Rs. 0.35 per ordinary share for the year ended 31st March 2014. (2013 – Rs. 0.11).

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

20. SOLVENCY TEST

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

The Company's Auditors, KPMG, Chartered Accountants have issued a Certificate of Solvency confirming same.

21. STATED CAPITAL

The stated capital of the Company as at 31st March 2014 was Rs. 1,085.6mn consisting of 40,321,730 ordinary shares. There was no change in the stated capital of the Company during the year.

22. STATUTORY PAYMENTS

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

23. GOING CONCERN

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

24. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, no circumstances have arisen, which would require adjustments to or disclosures in the Financial Statements, other than those disclosed in note 34 to the financial statements.

25. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The contingent liabilities and capital commitments made on account of capital expenditure as at 31st March 2014 are given in note 31 to the financial statements.

26. CORPORATE DONATIONS

There were no donations granted during the year.

27. SHARE INFORMATION

The details relating to earnings, net assets, market value per share and information on share trading is given on pages 58 and 64 to 65 of this Annual Report.

28. TWENTY MAJOR SHAREHOLDERS

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

As at 31st March	2014		2013	
Name of the Shareholder	**No. of shares**	**%**	**No. of shares**	**%**
Carson Cumberbatch PLC A/C No. 2	38,818,252	96.27	38,818,252	96.27
Estate of Late Mr. M. Sri Mahadeva	135,200	0.34	135,200	0.34
Mr. C.N. Pakianathan	84,100	0.21	49,600	0.12
Mr. K.C. Vignarajah	75,594	0.19	61,817	0.15
Mr. S. Sivasundaram	65,000	0.16	65,000	0.16
Mr. J.B. Hirdaramani	57,850	0.14	57,850	0.14
Mr. B.A. Mahipala	53,300	0.13	53,300	0.13
Equity Services Limited	34,583	0.09	34,583	0.09
Mr. S.A.O.A. Abo Qamaz	32,386	0.08	-	-
MBSL Insurance Company Limited	29,664	0.07	32,862	0.08
Mr. D.K.A.K. Weeratunga	26,800	0.07	26,800	0.07
Mr. D.A. Edussuriya	25,400	0.06	25,400	0.06
Mrs. S. Vignarajah	25,199	0.06	20,700	0.05
Mr. J.J. Vedasinghe	22,000	0.05	22,000	0.05
Dr. S.I. Bangamuarachchi	20,000	0.05	-	-
Bishop of Ratnapura	18,369	0.05	-	-
Calton Hill Limited	17,329	0.04	17,329	0.04
Miss J.A.R. Pakianathan	15,700	0.04	14,900	0.04
Mrs. M.M. Sellamuttu	15,000	0.04	15,000	0.04
Mr. S.N.C.W.M.B.C. Kandegedara	14,500	0.04	14,500	0.04

29. ANNUAL REPORT

The Board of Directors has approved the Audited consolidated Financial Statements of the Company, together with the Reviews and other Reports which forms part of the Annual Report on 12th May 2014. Appropriate number of copies of the Annual Report would be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar of Companies within, the given time frames.

30. ANNUAL GENERAL MEETING

32nd Annual General Meeting of the Company will be held on Thursday, 19th day of June 2014 at 3.30 p.m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7.

The Notice of the Annual General Meeting, setting out the business which will be transacted thereat is on page 66 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.
12th May 2014

Financial Calendar

FINANCIAL CALENDAR

Financial year end	31st March 2014
32nd Annual General Meeting	19th June 2014

ANNOUNCEMENT OF RESULTS

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

1st Quarter ended 30th June 2013	14th August 2013
2nd Quarter ended 30th September 2013	14th November 2013
3rd Quarter ended 31st December 2013	13th February 2014

Independent Auditor's Report

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

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TO THE SHAREHOLDERS OF EQUITY ONE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Equity One PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2014, the statements of comprehensive income, changes in equity and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 24 to 57 of the annual report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2014 and the financial statements give a true and fair view of the financial position of the Company as at March 31, 2014, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Group

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at March 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

CHARTERED ACCOUNTANTS
Colombo,
12th May 2014.

Statement of Comprehensive Income

(All figures are in Sri Lankan Rupees thousands)

		Group		Company	
For the year ended 31st March	**Note**	**2014**	**2013**	**2014**	**2013**
Revenue	11	174,144	126,040	96,241	93,433
Direct costs		(64,935)	(61,275)	(41,252)	(40,545)
		109,209	64,765	54,989	52,888
Other income	12	4,422	2,716	3,669	810
Net gain on sale of investment property		79,780	-	79,780	-
Net gains arising from changes in fair value of investment properties	17	68,761	103,381	-	43,574
		262,172	170,862	138,438	97,272
Administrative and other operating expenses		(16,510)	(9,220)	(6,629)	(6,053)
Results from operating activities	13	245,662	161,642	131,809	91,219
Finance income	14	2,094	1,033	17,127	7,776
Finance costs	14	(3,593)	(2,145)	(1,769)	(2,320)
Net finance income/ (costs)	14	(1,499)	(1,112)	15,358	5,456
Profit before taxation		244,163	160,530	147,167	96,675
Current taxation	15	(18,354)	(15,154)	(15,662)	(11,234)
Deferred taxation	15	(33,276)	1,294	(4,283)	246
Profit for the year		192,533	146,670	127,222	85,687
Profit for the year attributable to:					
Equity holders of the parent		183,733	141,727	-	-
Non controlling interest		8,800	4,943	-	-
		192,533	146,670	-	-
Other comprehensive income					
Actuarial gain / (loss) from valuation of employee benefits	28.3	213	(63)	149	(56)
Total other comprehensive income / (expense) for the year		213	(63)	149	(56)
Total comprehensive income for the year		192,746	146,607	127,371	85,631
Total comprehensive income attributable to:					
Equity holders of the parent		183,939	141,664	127,371	85,631
Non controlling interest		8,807	4,943	-	-
		192,746	146,607	127,371	85,631
Earnings per share (Rs.)	16	4.56	3.51	3.16	2.13
Dividend per share (Rs.)*		0.35	0.11	0.35	0.11

The notes from pages 28 to 57 form an integral part of these financial statements.

Figures in brackets indicate deductions.

*Based on proposed dividend.

Statement of Financial Position

(All figures are in Sri Lankan Rupees thousands)

		Group		Company	
As at 31st March	Note	2014	2013	2014	2013
ASSETS					
Non-current assets					
Investment properties	17	2,401,907	2,694,272	1,226,347	1,692,766
Property, plant and equipment	18	731	3,615	731	3,615
Investment in subsidiaries	19	-	-	552,048	552,048
Total non-current assets		2,402,638	2,697,887	1,779,126	2,248,429
Current assets					
Inventories	20	-	5,714	-	5,714
Trade and other receivables	21	18,126	19,942	55,958	48,655
Cash and cash equivalents	22	22,049	8,500	15,742	3,892
Total current assets		40,175	34,156	71,700	58,261
Total assets		2,442,813	2,732,043	1,850,826	2,306,690
EQUITY AND LIABILITIES					
Equity					
Stated capital	23	1,085,584	1,085,584	1,085,584	1,085,584
Capital reserves	24	13,236	13,236	13,236	13,236
Revenue reserves	25	771,487	591,983	474,697	351,761
Total equity attributable to equity holders of the parent		1,870,307	1,690,803	1,573,517	1,450,581
Non controlling interest		75,405	66,598	-	-
Total equity		1,945,712	1,757,401	1,573,517	1,450,581
Non-current liabilities					
Refundable rental and other deposits	26	50,492	27,541	19,769	17,571
Deferred tax liabilities	27	144,521	111,245	49,783	45,500
Employee benefits	28	5,052	5,560	3,415	4,091
Total non-current liabilities		200,065	144,346	72,967	67,162
Current liabilities					
Trade and other payables	29	278,038	813,555	194,120	775,689
Deferred revenue	30	11,315	4,418	2,534	3,319
Current tax liabilities		7,683	12,323	7,688	9,939
Total current liabilities		297,036	830,296	204,342	788,947
Total liabilities		497,101	974,642	277,309	856,109
Total equity and liabilities		2,442,813	2,732,043	1,850,826	2,306,690
Net assets per share (Rs.)		46.38	41.93	39.02	35.98

The notes from pages 28 to 57 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
Financial Controller
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 12th May 2014.

Approved and signed on behalf of the managers,

(Sgd.)
A.P. Weeratunge
Director
Carsons Management Services (Private) Limited
Colombo
12th May 2014

Approved and signed on behalf of the board,

(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			
Group										
Balance as at 1st April 2012	1,085,584	158	5,109	7,969	39	891,949	(441,669)	1,549,139	61,655	1,610,794
Profit for the year	-	-	-	-	-	-	141,727	141,727	4,943	146,670
Other comprehensive expense for the year	-	-	-	-	-	-	(63)	(63)	-	(63)
Total comprehensive income for the year	-	-	-	-	-	-	141,664	141,664	4,943	146,607
Transfers	-	-	-	-	-	103,381	(103,381)	-	-	-
Balance as at 31st March 2013	1,085,584	158	5,109	7,969	39	995,330	(403,386)	1,690,803	66,598	1,757,401
Balance as at 1st April 2013	1,085,584	158	5,109	7,969	39	995,330	(403,386)	1,690,803	66,598	1,757,401
Profit for the year	-	-	-	-	-	-	183,733	183,733	8,800	192,533
Other comprehensive income for the year	-	-	-	-	-	-	206	206	7	213
Total comprehensive income for the year	-	-	-	-	-	-	183,939	183,939	8,807	192,746
Transfers	-	-	-	-	-	68,761	(68,761)	-	-	-
Dividends paid	-	-	-	-	-	-	(4,435)	(4,435)	-	(4,435)
Balance as at 31st March 2014	1,085,584	158	5,109	7,969	39	1,064,091	(292,643)	1,870,307	75,405	1,945,712

	Stated capital	Capital reserves			Revenue reserves			Total equity
		Capital accretion reserve	Machinery replacement reserve	Other capital reserves	General reserve	Fair value adjustment reserve	Accumulated loss	
Company								
Balance as at 1st April 2012	1,085,584	158	5,109	7,969	39	801,145	(535,054)	1,364,950
Profit for the year	-	-	-	-	-	-	85,687	85,687
Other comprehensive income for the year	-	-	-	-	-	-	(56)	(56)
Total comprehensive income for the year	-	-	-	-	-	-	85,631	85,631
Transfers	-	-	-	-	-	43,574	(43,574)	-
Balance as at 31st March 2013	1,085,584	158	5,109	7,969	39	844,719	(492,997)	1,450,581
Balance as at 1st April 2013	1,085,584	158	5,109	7,969	39	844,719	(492,997)	1,450,581
Profit for the year	-	-	-	-	-	-	127,222	127,222
Other comprehensive income for the year	-	-	-	-	-	-	149	149
Total comprehensive income for the year	-	-	-	-	-	-	127,371	127,371
Dividends paid	-	-	-	-	-	-	(4,435)	(4,435)
Balance as at 31st March 2014	1,085,584	158	5,109	7,969	39	844,719	(370,061)	1,573,517

The notes from pages 28 to 57 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Cash Flow

(All figures are in Sri Lankan Rupees thousands)

		Group		Company	
For the year ended 31st March	Note	2014	2013	2014	2013
Cash flows from operating activities					
Profit before taxation		244,163	160,530	147,167	96,675
Adjustments for:					
Finance costs	14	3,593	2,145	1,769	2,320
Interest income	14	(2,094)	(967)	(8,622)	(1,895)
Dividend income	14	-	-	(8,505)	(5,832)
Net gains arising from changes in fair value of investment properties	17	(68,761)	(103,381)	-	(43,574)
Net gain on sale of investment property		(79,780)	-	(79,780)	-
Profit on disposal of assets		(65)	-	-	-
Depreciation on property, plant and equipment	18	3,466	3,731	3,466	3,731
Write-off of assets	17 / 18	36	460	-	425
Amortization of deferred revenue		(3,981)	(2,158)	(1,580)	(1,612)
Provision for employee benefits	28	819	758	587	552
Operating profit before working capital changes		97,396	61,118	54,502	50,790
(Increase) / decrease in inventories		5,714	5,200	5,714	5,200
(Increase) / decrease in trade and other receivables		1,816	(1,829)	5,065	(3,047)
Increase / (decrease) in trade and other payables		95,314	(2,984)	6,194	(1,717)
Operating profit after working capital changes		200,240	61,505	71,475	51,226
Rental deposits received	26	32,132	5,259	3,120	2,037
Recovered from prepaid rental deposits	26	-	(3,079)	-	(3,079)
Rental deposits refunded	26	(1,896)	(253)	(1,896)	(104)
Cash generated from operations		230,476	63,432	72,699	50,080
Income tax paid		(22,994)	(1,947)	(17,913)	(132)
Employee benefits paid	28	(1,114)	-	(1,114)	-
Net cash generated from operating activities		206,368	61,485	53,672	49,948
Cash flows from investing activities					
Additions of investment properties	17	(105,010)	(112,719)	(3,581)	(613)
Net proceeds on sale of investment properties		549,845	-	549,780	-
Purchase of property, plant and equipment	18	(582)	(85)	(582)	(85)
Amounts advanced to related companies		-	-	(12,368)	(37,861)
Interest received		2,094	967	8,622	1,895
Dividend received		-	-	8,505	5,832
Net cash generated from / (used in) investing activities		446,347	(111,837)	550,376	(30,832)
Cash flows from financing activities					
Finance costs paid		(3,900)	(623)	-	(844)
Net amounts borrowed / (settled) on amounts due to related companies		(630,846)	43,026	(587,778)	(27,813)
Dividend paid		(4,420)	-	(4,420)	-
Net cash (used in) / generated from financing activities		(639,166)	42,403	(592,198)	(28,657)
Net increase / (decrease) in cash and cash equivalents		13,549	(7,949)	11,850	(9,541)
Cash and cash equivalents at the beginning of the year		8,500	16,449	3,892	13,433
Cash and cash equivalents at the end of the year	22	22,049	8,500	15,742	3,892

The notes from pages 28 to 57 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

1. REPORTING ENTITY

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

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

The consolidated financial statements as at and for the year ended 31st March 2014 comprise of financial information of the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

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

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

The Group had 16 (2013 – 15) employees at the end of the financial year. The Company had 11 (2013 – 11) employees as at the reporting date.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on 12th May 2014

(b) Basis of measurement

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

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the consolidated 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 is included in the following notes;

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

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

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

  The Company and Group assesses at each reporting date whether there is objective evidence that an asset or portfolio of assets is impaired. The recoverable amount of an asset or Cash Generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using appropriate discount rates that reflects the current market assessments of the time value of money and risks specific to the asset.

- Deferred taxation - utilization of tax losses

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

- Defined benefit plans

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

- Current tax liabilities

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

(e) Materiality and aggregation

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

3. SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company and the Group unless otherwise indicated.

(a) Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

Notes to the Financial Statements

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

(ii) Non-controlling interests

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

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

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

(iii) Subsidiaries

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

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

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

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

(iv) Loss of control

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

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

(v) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

Foreign currency differences arising on retranslation are generally recognised in Statemet of Comprehensive Income.

(c) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

Loans and receivables

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

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

Cash and cash equivalents

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

(ii) Non-derivative financial liabilities

The Company and Group initially recognises subordinated liabilities on the date, which is the date that the Company and the Group becomes a party to the contractual provisions of the instrument.

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

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

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

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

(iii) Stated capital

Ordinary shares

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

Subsequent to the initial recognition of the asset at cost, the revalued property, plant & equipment are carried at revalued amounts less accumulated depreciation thereon and accumulated impairment losses. The Group applies cost model assets under property, plant & equipment which are stated at historical cost less accumulated depreciation less 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;

Notes to the Financial Statements

- when the Company and the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and

- capitalised borrowing costs.
  When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

(ii) Reclassification to investment property

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

(iii) Subsequent costs

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

(iv) Depreciation

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

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

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

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

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

(v) Disposal

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

(vi) Capital work-in-progress

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

(e) Investment property

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

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

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

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

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

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

(f) Inventories

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

The costs are derived on the following bases;

Land held for development and sale Cost and development cost Including borrowings costs up to point of completion for revenue recognition.

(g) Impairment

(i) Non-derivative financial assets

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 Company and the Group on terms that the company and the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Financial assets measured at amortised cost

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

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management’s judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present

Notes to the Financial Statements

value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in Statement of Comprehensive Income and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through Statement of Comprehensive Income.

(ii) Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in Statement of Comprehensive Income. Impairment losses recognised in respect of CGUs are allocated reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

(h) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

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

(iii) Defined benefit plans

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

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

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets (if applicable) are deducted.

The discount rate is the yield at the reporting date on high quality corporate bonds, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method.

(iv) Termination benefits

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

(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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(j) Contingent liabilities and contingent assets

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

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

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

(k) Revenue

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

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

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

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

(i) Rental income

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

(ii) Disposal of plots of land

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

(iii) Other Income - on accrual basis.

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

Notes to the Financial Statements

(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. Provision has also been made for bad and doubtful debts, all known liabilities and depreciation on property, plant & equipment.

(ii) Finance income and finance costs

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

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

Dividend income is recognized in Statement of Comprehensive Income on the date that the Company's and the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

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

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

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

(m) Income tax expense

Income Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in Statement of Comprehensive Income 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 resumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

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

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

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

(iii) Tax exposures

In determining the amount of current and deferred tax, the Company and the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(n) 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.

(o) 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.

4. CASH FLOW

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

5. 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.

6. DIVIDENDS ON ORDINARY SHARES

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

7. PRESENTATION

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

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

(a) Offsetting Income and Expenses

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

(b) Offsetting Assets and Liabilities

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

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

8. DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and presentation of the Financial Statements. This is more fully described under the relevant clause in the Directors' Report.

9. DETERMINATION OF FAIR VALUES

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

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

- Level 1- Quoted prices (unadjusted) in active markets for identifiable assets and liabilities

Notes to the Financial Statements

- Level 2- Inputs other than quoted prices included in Level 1 that are observable from the asset or liability either directly (as prices) or indirectly (derived prices)

- Level 3 – Inputs from 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 might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(a) Property, plant and equipment

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

(b) Investment property

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

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

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

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

(c) Inventories

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

(d) Trade and other receivables

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

(e) Other non-derivative financial liabilities

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

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

(f) **Contingent consideration**

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

10. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January 2014.

Accordingly, these Standards have not been applied in preparing these financial statements.

- Sri Lanka Accounting Standards –SLFRS 10 "Consolidated financial statements"

The objective of this SLFRS is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

An investor is expected to control an investee if and only if the investor has all the following;

(a) power over the investee;

(b) exposure, or rights, to variable returns from its involvement with the investee; and

(c) the ability to use its power over the investee to affect the amount of the investor's returns

This Standard will require the Company to review the group structure in the context of the new Standard and its requirements. Accordingly adoption of this standard is expected to have an impact on the Group structure, and consolidated reporting.

SLFRS 10 will become effective from 1 April 2014 for the Group with early adoption permitted. This SLFRS will supersede the requirements relating to consolidated financial statements in LKAS 27-Consoliadated and Separate Financial Statements.

- Sri Lanka Accounting Standards –SLFRS 11 "Joint Arrangements"

The objective of this SLFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (ie joint arrangements).

SLFRS 11 will become effective from 1 April 2014 for the Group with early adoption permitted. This SLFRS will supersede the requirements relating to consolidated financial statements in LKAS31"Interests in Joint Ventures"

- Sri Lanka Accounting Standard-SLFRS 12 "Disclosure of Interests in Other Entities"

SLFRS 10 will become effective from 1 April 2014 for the Group with early adoption permitted

- Sri Lanka Accounting Standard - SLFRS 13, "Fair Value Measurement"

This SLFRS defines fair value, sets out in a single SLFRS a framework for measuring fair value; and requires disclosures about fair value measurements.

This SLFRS will become effective for the Group from 1 April 2014. Earlier application is permitted.

This SLFRS shall be applied prospectively as of the beginning of the annual period in which it is initially applied. The disclosure requirements of this SLFRS need not be applied in comparative information provided for periods before initial application of this SLFRS.

- Sri Lanka Accounting Standard – SLFRS 9 "Financial Instruments"

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement.

The effective date of this standard has been deferred.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

	Group		Company	
For the year ended 31st March	2014	2013	2014	2013
11. Revenue				
Property rental	167,171	121,028	89,268	88,421
Proceeds from sale of lands held for sale	6,973	5,012	6,973	5,012
	174,144	126,040	96,241	93,433

	Group		Company	
For the year ended 31st March	2014	2013	2014	2013
12. Other income				
Other income	4,357	1,533	3,669	810
Profit on disposal of assets	65	1,183	-	-
	4,422	2,716	3,669	810

	Group		Company	
For the year ended 31st March	2014	2013	2014	2013
13. Profit from operations				
Profit from operations is stated after charging all expenses including the following:				
Depreciation (note 18.1)	3,466	3,731	3,466	3,731
Nomination committee fees	100	100	100	100
Auditors' remuneration - audit services	478	432	255	230
Auditors' remuneration - audit related services	226	399	141	182
Write off of assets	36	460	-	425
Professional service cost (note 13.1)	254	147	164	85
Support service fee	2,143	2,797	1,224	1,224
Personnel costs (note 13.2)	31,938	30,541	20,876	20,255
13.1. Professional service cost				
Valuation services	245	132	164	80
Other services	9	15	-	5
	254	147	164	85

For the year ended 31st March	Group 2014	Group 2013	Company 2014	Company 2013
13.2. Personnel costs				
Salaries, wages and other related expenses	29,324	28,138	19,212	18,666
Defined benefit plan cost - Employee benefits (note 28)	819	758	587	552
Defined contribution plan cost - EPF and ETF	1,795	1,645	1,077	1,037
	31,938	30,541	20,876	20,255
The above include:				
Directors' emoluments	-	-	-	
Directors' fees	786	800	493	500
	786	800	493	500

For the year ended 31st March	Group 2014	Group 2013	Company 2014	Company 2013
14. Net finance income / (costs)				
Finance income				
Interest income	2,094	1,033	8,622	1,944
Dividend income	-	-	8,505	5,832
	2,094	1,033	17,127	7,776
Finance costs				
Interest expenses on related party borrowings	3,900	623	-	844
Unwinding of interest on refundable deposits (note 26)	3,593	2,145	1,769	1,476
	7,493	2,768	1,769	2,320
Less :				
Interest capitalized into investment properties	(3,900)	(623)	-	-
	3,593	2,145	1,769	2,320
Net finance income/(cost) recognized in profit or loss	(1,499)	(1,112)	15,358	5,456

For the year ended 31st March	Group 2014	Group 2013	Company 2014	Company 2013
15. Current taxation				
15.1. Income tax expenses				
Current tax expense for the year (note 15.2)	19,123	15,570	16,139	11,650
Under / (over) provision in respect of previous years	(769)	(416)	(477)	(416)
	18,354	15,154	15,662	11,234
Deferred taxation				
On origination and reversal of temporary differences (note 27.1)	33,276	(1,294)	4,283	(246)
	33,276	(1,294)	4,283	(246)
Income tax expense for the year	51,630	13,860	19,945	10,988

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

		Group		Company	
	For the year ended 31st March	2014	2013	2014	2013
15.2.	**Reconciliation between accounting profit and taxable profit**				
	Accounting profit before taxation	244,163	160,530	147,167	96,675
	Aggregate disallowable expenses	9,869	11,743	7,274	9,253
	Aggregate allowable expenses	(62,013)	(16,749)	(13,097)	(12,983)
	Profits not charged to income tax	(88,285)	(5,832)	(88,285)	(5,832)
	Net gains arising from changes in fair value of investment properties (note 17)	(68,761)	(103,381)	-	(43,574)
	Adjustment due to consolidation of financial statements	15,846	7,934		-
	Operating losses incurred during the year	13,740	-	-	-
	Notional adjustments arising on application of LKAS/SLFRS	636	334	4,582	(1,931)
	Utilisation of tax losses (note 15.5 c)	(273)	(1,286)	-	-
	Taxable profit	64,922	53,293	57,641	41,608
	Income tax thereon (note 15.4 a & 15.5 b)	18,178	14,922	16,139	11,650
	Dividend tax	945	648	-	-
	Income tax expense for the year	19,123	15,570	16,139	11,650
15.3.	**Movement in tax losses**				
	Tax losses brought forward	11,940	12,496	-	-
	Adjustment on finalization of liability	490	730	-	-
	Tax losses incurred during the year	13,740	-	-	-
	Utilisation of tax losses during the year (note 15.5.c)	(273)	(1,286)	-	-
	Tax losses carried forward	25,897	11,940	-	-

15.4. Company

(a) In terms of the provisions of the Inland Revenue Act, No 10 of 2006 and amendments thereto, the Company is liable to taxation at 28% (2013 - 28%).

15.5. Group

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

(b) In terms of the provisions of the Inland Revenue Act, No.10 of 2006 and amendments thereto, Companies within the Group are liable to taxation at a tax rate of 28% (2013 - 28%).

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

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

16. 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 PLC over the weighted average number of ordinary shares outstanding, as required by Sri Lanka Accounting Standard (LKAS 33) - "Earnings per share".

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

For the year ended 31st March	Group 2014	Group 2013	Company 2014	Company 2013
Amounts used as the numerator				
Profit attributable to the ordinary shareholders of the Company (Rs. '000)	183,733	141,727	127,222	85,687
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)	4.56	3.51	3.16	2.13

17. Investment properties

17.1. Group

	Freehold land	Freehold building	Other equipments	Capital work-in Progress	Total as at 31st March 2014	Total as at 31st March 2013
Balance as at the beginning of the year	2,111,550	434,250	37,716	110,756	2,694,272	2,477,608
Additions during the year	-	60,308	44,702	-	105,010	112,719
Transfers from capital work-in-progress	-	50,563	60,193	(110,756)	-	-
Changes in fair value of investment properties	-	73,740	(4,979)	-	68,761	103,381
Disposals / written off during the year	(470,000)	-	(36)	-	(470,036)	(59)
Borrowing costs capitalized	-	3,900	-	-	3,900	623
	1,641,550	622,761	137,596	-	2,401,907	2,694,272

17.2. Company

	Freehold land	Freehold building	Other equipments	Capital work-in Progress	Total as at 31st March 2014	Total as at 31st March 2013
Balance as at the beginning of the year	1,476,250	186,250	30,266	-	1,692,766	1,648,603
Additions during the year	-	1,750	1,831	-	3,581	613
Disposals during the year	(470,000)	-	-	-	(470,000)	-
Changes in fair value of investment properties	-	-	-	-	-	43,574
Written off during the year	-	-	-	-	-	(24)
	1,006,250	188,000	32,097	-	1,226,347	1,692,766

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(All figures are in Sri Lankan Rupees thousands)

17.3. During the year, Director's valuation was carried out for the investment properties of the Group except for the investment properties of Equity Two PLC. The last professional valuation on Investment properties of the group was performed as at 31st March 2013 except for the properties owned by the subsidiary Company Equity Two PLC, whereas the Professional valuation for investment properties of Equity Two PLC was performed as at 31st March 2014 to establish the value after the renovation and refurbishment of the new building. The valuations are performed by Mr. S. Sivaskantha, F.I.V. (Sri Lanka) of Perera Sivaskantha & Company, Incorporated valuers, an independent professional valuer on the basis of Market Approach. The details of which are as follows;

17.4. Details of investment properties

Property and location	Tenure of property	Description	Method of valuation	Net rentable area	Extent (Hectares)	Historical cost	Fair value 2014	Fair value 2013
Equity One PLC.								
Dharmapala Mw., Colombo 7	Freehold	Office space	Market approach	44,647	0.238	108,993	733,347	729,766
Vauxhall Lane, Colombo 2	Freehold	Warehouse space	Market approach	30,723	0.524	226,917	493,000	493,000
No.7, De Soysa Mawatha, Mt.Lavinia	Freehold	Development property	Market approach	-	2.300	624,000	-	470,000
Equity Two PLC.								
Janadhipathi Mw., Colombo 1	Freehold	Office space	Market approach	85,169	0.218	539,886	897,826	724,318
Equity Three (Private) Limited.								
George R. De Silva Mw., Colombo 13	Freehold	Office space	Market approach	31,237	0.208	69,256	277,734	277,188
							2,401,907	2,694,272

As at 31st March	Group 2014	Group 2013	Company 2014	Company 2013
17.5. Analysis of Capital work-in-progress				
Investment properties - Freehold building	-	50,563	-	-
Investment properties - Other equipment	-	60,193	-	-
	-	110,756	-	-

17.6. Capitalization of borrowing costs into investment properties

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

For the year ended 31st March	Group 2014	Group 2013	Company 2014	Company 2013
Borrowing costs capitalized	3,900	623	-	-

The amount of borrowing cost capitalized to the extent of funds borrowed specifically for constructing the qualifying asset. Interest rate on the said amount borrowed was at AWPLR + 1%.

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

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

17.9. Contractual obligations to construct and develop investment properties

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

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

17.11. Disposal of investment property

During the year the Company disposed the investment property – land situated at Mount Lavinia for a consideration of Rs. 571.2mn. The net gain on the sale of the said investment property amounted to Rs. 79.8mn.

18. Property, plant and equipment

18.1. Group / Company

	Machinery and equipment	Furniture and fittings	Motor vehicles	Total as at 31st March 2014	Total as at 31st March 2013
Cost					
As at the beginning of the year	1,016	657	13,750	15,423	17,093
Additions during the year	582	-	-	582	85
Write-off during the year	-	-	-	-	(1,755)
As at the end of the year	1,598	657	13,750	16,005	15,423
Depreciation					
As at the beginning of the year	742	467	10,599	11,808	9,431
Charge for the year	275	40	3,151	3,466	3,731
Depreciation on write-off	-	-	-	-	(1,354)
As at the end of the year	1,017	507	13,750	15,274	11,808
Carrying amount as at the end of the year	581	150	-	731	3,615

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(All figures are in Sri Lankan Rupees thousands)

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

	Group		Company	
As at 31st March	**2014**	**2013**	**2014**	**2013**
Machinery and equipment	616	419	616	419
Furniture and fittings	285	260	285	260
Motor vehicles	13,750	-	13,750	-
	14,651	679	14,651	679

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

	Company	
As at 31st March	**2014**	**2013**
19. Investments in subsidiaries		
Investments in subsidiaries (note 19.1)	552,048	552,048
	552,048	552,048

As at 31st March	**2014**		**2013**	
	No. of shares	**Cost**	**No. of shares**	**Cost**
19.1. 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

	Group		Company	
As at 31st March	**2014**	**2013**	**2014**	**2013**
20. Inventories				
Land held for sale	-	6,452	-	6,452
Provision for inventories	-	(738)	-	(738)
	-	5,714	-	5,714

As at 31st March	Group 2014	Group 2013	Company 2014	Company 2013
21. Trade and other receivables				
Financial				
Trade receivables	10,466	13,078	4,559	9,559
Other receivables	116	4,926	88	446
Amounts due from related companies (note 33.5)	-	-	50,229	37,861
Loans given to company officers (note 21.1)	1,097	768	302	463
	11,679	18,772	55,178	48,329
Non-financial				
Prepaid expenses	2,260	1,170	320	326
Advance payments	4,187	-	460	-
	6,447	1,170	780	326
	18,126	19,942	55,958	48,655
21.1. Loans given to company officers				
Balance as at the beginning of the year	768	437	463	354
Loans granted during the year	1,542	868	428	467
Recovered during the year	(1,213)	(537)	(589)	(358)
Balance as at the end of the year	1,097	768	302	463

As at 31st March	Group 2014	Group 2013	Company 2014	Company 2013
22. Cash and cash equivalents				
Cash at bank and in hand	11,530	8,500	6,529	3,892
Placements in government securities	10,519	-	9,213	-
Cash and cash equivalents for the purpose of cash flow statement	22,049	8,500	15,742	3,892

As at 31st March	Group 2014	Group 2013	Company 2014	Company 2013
23. Stated capital				
Issued and fully paid				
As at the beginning of the year (40,321,730 shares)	1,085,584	1,085,584	1,085,584	1,085,584
As at the end of the year (40,321,730 shares)	1,085,584	1,085,584	1,085,584	1,085,584

As at 31st March	Group 2014	Group 2013	Company 2014	Company 2013
24. 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

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

24.1. Capital accretion reserve, machinery replacement reserve and other capital reserves represent the amounts set aside by the Directors for future expansion and to meet any contingencies.
The movement of the above reserves are given in the Statement of Changes in Equity.

	Group		Company	
As at 31st March	**2014**	**2013**	**2014**	**2013**
25. Revenue reserves				
General reserve (note 25.1)	39	39	39	39
Fair value adjustment reserve (note 25.2)	1,064,091	995,330	844,719	844,719
Accumulated loss	(292,643)	(403,386)	(370,061)	(492,997)
	771,487	591,983	474,697	351,761

25.1. General reserve

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

25.2. Fair value adjustment reserve

Any gains arising from fair value adjustment of investment properties will be transferred from retained earnings/accumulated loss to fair value adjustment reserve and any losses arising will be transferred to fair value adjustment reserve to the extent that loss does not exceed the balance held in the said reserve. The movement of the above reserves are given in the Statement of Changes in Equity.

	Group		Company	
As at 31st March	**2014**	**2013**	**2014**	**2013**
26. Refundable rental and other deposits				
Balance as at the beginning of the year	27,541	25,492	17,571	18,646
Receipts during the year	32,132	5,259	3,120	2,037
Transferred to deferred revenue	(10,878)	(2,023)	(795)	(1,405)
Refunds during the year	(1,896)	(253)	(1,896)	(104)
Amounts recovered from prepaid rental deposits	-	(3,079)	-	(3,079)
Unwinding of interest on refundable deposits	3,593	2,145	1,769	1,476
	50,492	27,541	19,769	17,571

	Group		Company	
As at 31st March	**2014**	**2013**	**2014**	**2013**
27. Deferred tax liabilities				
Balance as at the beginning of the year	111,245	112,539	45,500	45,746
On origination / (reversal) of temporary difference (note 27.1)	33,276	(1,294)	4,283	(246)
Balance as at the end of year	144,521	111,245	49,783	45,500
27.1. Movement in deferred taxation during the year				
Investment properties	37,042	(1,220)	4,094	(76)
Employee benefits	142	(230)	189	(170)
Tax losses carried forward	(3,908)	156	-	-
Net deferred tax charged/(reversed) for the year	33,276	(1,294)	4,283	(246)

As at 31st March	Group 2014	Group 2013	Company 2014	Company 2013
27.2. Deferred tax assets				
Tax effect on employee benefits	1,415	1,557	956	1,145
Tax effect on brought forward tax losses	7,251	3,343	-	-
Total deferred tax assets	8,666	4,900	956	1,145
27.3. Deferred tax liabilities				
Tax effect on investment properties and property, plant and equipment	153,187	116,145	50,739	46,645
Total deferred tax liabilities	153,187	116,145	50,739	46,645
Net deferred tax liabilities	144,521	111,245	49,783	45,500

As at 31st March	Group 2014	Group 2013	Company 2014	Company 2013
28. Employee benefits				
28.1. The movement in the liabilities recognised in the Statement of financial position is as follows:				
Balance as at the beginning of the year	5,560	4,739	4,091	3,483
Current service cost	263	284	178	204
Interest cost	556	474	409	348
Actuarial (gains) / losses	(213)	63	(149)	56
Payments made during the year	(1,114)	-	(1,114)	-
Balance as at the end of the year	5,052	5,560	3,415	4,091
28.2. The amounts recognized in the Statement of income are as follows;				
Current service cost	263	284	178	204
Interest cost	556	474	409	348
Charge for the year	819	758	587	552
28.3. The amounts recognized in the statement of other comprehensive income are as follows;				
Actuarial (gains) / losses	(213)	63	(149)	56
Charge for the year	(213)	63	(149)	56
Amounts recognized in the total comprehensive income	606	821	438	608

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28.4. The Employee benefits as at 31st March 2014 amounting to Rs. 3,415,388/- and Rs. 5,051,771/- (2013 - Rs. 4,090,916/- and Rs. 5,559,906/-) for the Company and the Group respectively is made based on an actuarial valuation carried out by Mr.M.Poopalanathan (AIA) of Messrs. Actuarial and Management Consultants (Pvt) Ltd. As recommended by the Sri Lanka Accounting Standards (LKAS 19) - "Employee benefits", the "Projected Unit Credit (PUC)" method has been used in this valuation.

The principal assumptions used are:

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

28.5. The above provision is not externally funded.

	Group		Company	
As at 31st March	**2014**	**2013**	**2014**	**2013**
29. Trade and other payables				
Financial				
Trade payables	42	1,090	20	493
Other payables	98,388	3,053	8,850	2,756
Amounts due to related companies (note 33.6)	174,674	805,520	181,850	769,628
	273,104	809,663	190,720	772,877
Non financial				
Provisions and accrued expenses	4,934	3,892	3,400	2,812
	4,934	3,892	3,400	2,812
	278,038	813,555	194,120	775,689

	Group		Company	
As at 31st March	**2014**	**2013**	**2014**	**2013**
30. Deferred revenue				
Deferred lease rent income	11,315	4,418	2,534	3,319
	11,315	4,418	2,534	3,319

	Group		Company	
As at 31st March	**2014**	**2013**	**2014**	**2013**
31. Commitments and contingencies				
31.1. Capital expenditure commitments				
Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:	-	74,616	-	-

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

31.2. Contingent liabilities

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

31.3. Litigation and claims

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

32. Financial instruments

Financial risk management - Overview

The Group has exposure to the following risks arising from financial instruments:
- Credit risk
- Market risk
- Liquidity risk

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

Risk management framework

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to 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.

32.1. Credit risk

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

32.1.1. Exposure to credit risk

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

	Group	
As at 31st March	**2014**	**2013**
Credit risk		
Trade and other receivables	11,679	18,772
Cash and cash equivalents	22,049	8,500
	33,728	27,272

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Trade receivables

The Group's exposure to credit risk on 'Trade receivables' is influenced mainly by the individual characteristics of each customer, and primarily arising on the rent receivable from its tenants.
The Group has obtained refundable rental deposits from non-related tenants, covering the rental income for a period of 3-6 months, which provides cover to the Group in the event of a default. Details of the Refundable rental and other deposits held by the Group as at the reporting date is as follows.

	Group	
As at 31st March	**2014**	**2013**
Refundable rental and other deposits		
Carrying value	50,492	27,541
Face value	62,933	32,696

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

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

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

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

	Group	
As at 31st March	**2014**	**2013**
Revenue on lease agreements recognized on straight line basis	9,495	11,727
1–30 days	932	646
31–90 days	39	585
91–120 days	-	120
	10,466	13,078

32.1.3. No allowance for impairment in respect of trade and other receivables have been made as at the year end (2013 - Nill).

Other receivables

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

Cash and cash equivalents

The Group held cash and cash equivalents of Rs.22.0 mn as at 31st March 2014 (2012: Rs 8.5mn),which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AAA(lka) to AA-(lka),based on Fitch Ratings.

	Group	
As at 31st March	**2014**	**2013**
Cash at bank	11,530	8,500
Placements in government securities	10,519	-
	22,049	8,500

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

32.2. Liquidity risk

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

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

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

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

As at 31st March 2014	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	50,492	62,933	42	17,003	13,018	32,870	-
Trade Payables	42	42	42	-	-	-	-
Other payables	98,388	98,388	670	-	6,763	90,955	-
Amount due to related Companies	174,674	174,674	174,674	-	-	-	-
	323,596	336,037	175,428	17,003	19,781	123,825	-

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

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

32.2.2. 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 and placements in government securities in order to meet its contractual obligations during the normal course of its operations. As at the reporting date, the Group maintains "cash and cash equivalents" amounting to Rs 22 mn (2013- Rs 8.5 mn).

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

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32.3. Market risk

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

32.3.1. Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate, due to changes in foreign exchange rates. The Group do not engage in transactions associated with foreign currencies in its ordinary course of operations, hence the related risk is avoided. However, the group is exposed to currency risk, primarily arising from its capex related transactions.
Therefore a sensitivity analysis on the Groups currency risk exposure may not be representative of the risks for which the group is exposed to throughout the period, given its incidental nature.

32.3.2. Interest rate risk

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

Profile

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

As at 31st March	Group 2014	2013
Variable rate instruments		
Financial assets	11,616	768
Financial liabilities	-	-
	11,616	768

Sensitive analysis for variable rate instruments

A change of 1% in interest rates at the end of the reporting period would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, remain constant.

Group	Profit / (loss) Increase in 1%	Decrease in 1%
31st March 2014		
Variable rate instruments	116	(116)
31st March 2013		
Variable rate instruments	8	(8)

32.4. Accounting classifications and fair values

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

32.5. Fair values vs. Carrying amounts

31st March 2014	Fair value through profit or loss	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	-	-	22,049	-	-	22,049	22,049
Trade and other receivables	-	-	11,679	-	-	11,679	11,679
	-	-	33,728	-	-	33,728	33,728
Refundable rental and other deposits	-	-	-	-	50,492	50,492	50,492
Trade and other payables	-	-	-	-	273,104	273,104	273,104
	-	-	-	-	323,596	323,596	323,596

31st March 2013	Fair value through profit or loss	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	-	-	8,500	-	-	8,500	8,500
Trade and other receivables	-	-	18,722	-	-	18,722	18,722
	-	-	27,222	-	-	27,222	27,222
Refundable rental and other deposits	-	-	-	-	27,541	27,541	27,541
Trade and other payables	-	-	-	-	809,663	809,663	809,663
	-	-	-	-	837,204	837,204	837,204

33. Related party transactions.

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

33.1. Parent and ultimate controlling entity

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

33.2. Transactions with Key Management Personnel (KMP)

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

For the year ended 31st March	Group 2014	Group 2013	Company 2014	Company 2013
33.2.1. Key management personnel compensation				
Short-term employee benefits - Directors fees	786	800	493	500
- Nomination committee fees	100	100	100	100
Post-employment benefits	-	-	-	-
Termination benefits	-	-	-	-
Other long-term benefits	-	-	-	-
	886	900	593	600

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

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33.3. Transactions with related companies

Name and the nature of the relationship	Name/s of the common Director/s	Nature of transactions	Value of the transaction Group 2014	Group 2013	Company 2014	Company 2013
Parent company						
Carson Cumberbatch PLC	D. C. R. Gunawardena	Short-term advances obtained	18,642	48,500	-	-
		Interest on short-term advances obtained	3,900	623	-	-
		Settlements made on short-term advances obtained	649,488	6,098	581,722	6,098
Subsidiaries						
Equity Two PLC	D. C. R. Gunawardena K. C. N. Fernando A. P. Weeratunge E. H. Wijenaike P. D. D. Fernando	Settlements on short-term advances obtained	-	-	-	27,677
		Interest on short-term advances obtained	-	-	-	844
		Short-term advances provided	-	-	28,027	36,543
		Settlements made on short-term advances obtained	-	-	15,659	-
		Interest on short-term advances provided	-	-	7,341	1,318
Equity Three (Private) Limited	K. C. N. Fernando	Short-term advances obtained	-	-	4,000	10,950
		Settlements made on short-term advances obtained	-	-	10,056	5,832
		Dividend received	-	-	8,505	5,832
Fellow subsidiaries						
Carsons Management Services (Private) Limited	K. C. N. Fernando A. P. Weeratunge	Support service fee paid	2,143	2,143	1,224	1,224
		Secretarial fees paid	655	655	306	306
		Computer charges paid	582	582	306	306
		Rental income received	11,437	11,437	-	-
Carsons Airline Services (Private) Limited	D. C. R. Gunawardena	Rental income received	415	498	-	-
Guardian Fund Management Limited	A. P. Weeratunge	Rental income received	2,465	2,465	-	-
Agro Harapan Lestari (Private) Limited		Rental income received	-	68	-	-
Others		Rental income received	234	244	234	244

Related company lendings have been charged interest at AWPLR+1%, where applicable.

As at 31st March	Group 2014	Group 2013	Company 2014	Company 2013
33.4. Amounts due from related companies				
Equity Two PLC	-	-	50,229	37,861
	-	-	50,229	37,861
33.5. Amounts due to related companies				
Carson Cumberbatch PLC	174,674	805,520	174,674	756,396
Equity Three (Private) Limited	-	-	7,176	13,232
	174,674	805,520	181,850	769,628

33.6. Group entities

	% equity interest 2014	% equity interest 2013
Equity Two PLC	88.8%	88.8%
Equity Three (Private) Limited	100.0%	100.0%

34. Events after the reporting date.

After satisfying the solvency test in accordance with section 57 of the Companies Act, No. 7 of 2007, the Directors have recommended the payment of a first and final dividend of Rs. 0.35 per ordinary share for the year ended 31st March 2014 amounting to Rs 14,112,605.50 (2013 - Rs 4,435,390.30) which is to be approved at the forthcoming Annual General Meeting. In accordance with Sri Lanka Accounting Standard (LKAS 10) - "Events after the reporting period" this proposed first and final dividend has not been recognised as a liability as at 31st March 2014.

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

Five Year Summary

(All figures are in Sri Lankan Rupees thousands)

For the year ended / As at 31st March		2014	SLFRS/LKAS 2013	2012	SLAS 2011	2010
Trading results						
Revenue		174,144	126,040	132,697	175,566	178,945
Profit/(loss) before taxation		244,163	160,530	92,860	8,810	(112,721)
Income tax (expenses) / reversal		(51,630)	(13,860)	(2,431)	36,247	(10,492)
Profit/(loss) for the year		192,533	146,670	90,429	45,057	(123,213)
Shareholders' funds						
Stated capital		1,085,584	1,085,584	1,085,584	1,085,584	1,085,584
Reserves		784,723	605,219	463,555	369,442	327,685
Minority interest		75,405	66,598	61,655	57,543	54,590
Total equity		1,945,712	1,757,401	1,610,794	1,512,569	1,467,859
Assets employed						
Current assets		40,175	34,156	46,639	63,627	142,329
Current liabilities		(297,036)	(830,296)	(778,345)	(805,820)	(694,203)
Working capital		(256,861)	(796,140)	(731,706)	(742,193)	(551,874)
Non-current assets		2,402,638	2,697,887	2,485,270	2,399,123	2,348,990
Assets employed		2,145,777	1,901,747	1,753,564	1,656,930	1,797,116
Non-current liabilities		(200,065)	(144,346)	(142,770)	(144,361)	(329,257)
Net assets		1,945,712	1,757,401	1,610,794	1,512,569	1,467,859
Cash flow statement						
Net cash inflow / (outflow) from:						
Operating activities		206,368	61,485	46,882	72,613	319,412
Investing activities		446,347	(111,837)	(29,679)	(25,726)	(6,369)
Financing activities		(639,166)	42,403	(24,764)	(39,874)	(313,588)
Net increase / (decrease) in cash & cash equivalents		13,549	(7,949)	(7,561)	7,013	(545)
Ratios and statistics						
Dividend per share [1]	(Rs.)	0.35	0.11	-	-	-
Dividend yield	(%)	1.27	0.39	-	-	-
Dividend payout	(%)	7.68	3.13	-	-	-
Return on shareholders' funds	(%)	9.90	8.37	5.52	2.87	(8.39)
Earnings/(loss) per share	(Rs.)	4.56	3.51	2.13	1.04	(3.06)
Earnings yield	(%)	16.52	12.49	8.00	2.04	(12.35)
P/E ratio	(times)	6.05	8.01	12.50	48.75	(8.10)
Market price per share [2]	(Rs.)	27.60	28.10	26.50	50.70	24.75
Net assets per share	(Rs.)	46.38	41.93	38.42	36.09	36.40
Current ratio	(times)	0.14	0.04	0.06	0.08	0.21
Market capitalization	(Rs. '000)	1,112,879	1,133,040	1,068,525	2,044,312	997,963

Notes :

1 Based on propose dividend.

2 The market price per share as at 31st March

3 Financial information for the periods 2010 - 2011 were not adjusted to reflect the transition to new/revised Sri Lanka Accounting Standards (LKAS/SLFRS) applicable for financial periods beginning on or after 1st January 2012."

Statement of Value Added

(All figures are in Sri Lankan Rupees thousands)

For the year ended 31st March	2014 Rs '000		2013 Rs '000	
Revenue	174,144		126,040	
Other income including gain on sale of investment property	84,202		2,716	
Finance income	2,094		1,033	
	260,440		129,789	
Cost of material and services bought from outside	(37,241)		(29,986)	
Value added	223,199		99,803	
Distributed as follows:		%		%
To employees				
as remuneration	31,938	14	30,541	31
To government				
as taxation*	18,354	8	15,154	15
To providers of capital				
as dividend	14,113	6	4,435	4
as minority interest	8,800	4	4,943	5
Retained in the business				
as deferred taxation	33,276	15	-	-
as depreciation	3,466	2	3,731	4
as unwinding of discount	3,593	2	2,145	2
as retained profits/(loss) net of provisions and fair value adjustment of investment properties	109,659	49	38,854	39
	223,199	100	99,803	100

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

*Excluding Value Added Tax (VAT).

US $ FINANCIALS
PREPARATION OF US DOLLAR FINANCIAL STATEMENTS

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

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

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

Statement of Comprehensive Income

For the year ended 31st March	Group 2014	2013
Revenue	1,338,437	992,050
Direct costs	(499,078)	(482,290)
	839,359	509,760
Other income	33,987	21,377
Net gain on sale of investment property	613,173	-
Net gains arising from changes in fair value of investment properties	528,484	813,703
	2,015,003	1,344,840
Administrative and other operating expenses	(126,893)	(72,570)
Results from operating activities	1,888,110	1,272,270
Finance income	16,094	8,131
Finance costs	(27,615)	(16,883)
Net finance income / (costs)	(11,521)	(8,752)
Profit before taxation	1,876,589	1,263,518
Current taxation	(141,065)	(119,276)
Deferred taxation	(255,753)	10,185
Profit for the year	1,479,771	1,154,427
Profit for the year attributable to:		
Equity holders of the parent	1,412,136	1,115,521
Non controlling interest	67,635	38,906
	1,479,771	1,154,427
Other comprehensive income		
Actuarial gain / (loss) from valuation of employee benefits	1,637	(496)
Total other comprehensive income/(expense) for the year	1,637	(496)
Total comprehensive income for the year	1,481,408	1,153,931
Total comprehensive income attributable to:		
Equity holders of the parent	1,413,719	1,115,025
Non controlling interest	67,689	38,906
	1,481,408	1,153,931
Earnings per share (USD)	0.035	0.028

Figures in brackets indicate deductions.

Statement of Financial Position

As at 31st March	Group 2014	Group 2013
ASSETS		
Non-current assets		
Investment properties	18,373,036	21,264,972
Property, plant and equipment	5,592	28,532
Total non-current assets	18,378,628	21,293,504
Current assets		
Inventories	-	45,099
Trade and other receivables	138,652	157,395
Cash and cash equivalents	168,661	67,088
Total current assets	307,313	269,582
Total assets	18,685,941	21,563,086
EQUITY AND LIABILITIES		
Equity		
Stated capital	12,278,700	12,278,700
Capital reserves	116,105	116,105
Revenue reserves	1,911,835	950,128
Total equity attributable to equity holders of the parent	14,306,640	13,344,933
Non controlling interest	576,800	525,635
Total equity	14,883,440	13,870,568
Non-current liabilities		
Refundable rental and other deposits	386,231	217,372
Deferred tax liabilities	1,105,492	878,019
Employee benefits	38,645	43,883
Total non-current liabilities	1,530,368	1,139,274
Current liabilities		
Trade and other payables	2,126,811	6,421,113
Deferred revenue	86,552	34,870
Current tax liabilities	58,770	97,261
Total current liabilities	2,272,133	6,553,244
Total liabilities	3,802,501	7,692,518
Total equity and liabilities	18,685,941	21,563,086
Net assets per share (USD)	0.355	0.331

Notes to the Financial Statement

1. Basis of conversion

The translation of Sri Lankan Rupee amounts in to US Dollar amounts is solely for the convenience of the shareholder, investor, banker and other users of financial statements.
The translation of the financial statements in to US Dollar were effected based on the following exchange rates.

		2014	2013
Statement of Comprehensive Income	Average rate	130.11	127.05
Monetary assets and liabilities	Closing rate	130.73	126.70
Non-monetary assets and liabilities	Closing rate	130.73	126.70
Ordinary share capital	Historical rate		

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

2. Revenue reserve

For the year ended 31st March	Group 2014 US $	2013 US $
Beginning of the year	950,128	(301,607)
Profit for the year	1,412,136	1,115,521
Other comprehensive income/(expenses)	1,583	(496)
	2,363,847	813,418
Currency fluctuations	(452,012)	136,710
As at the end of the year	1,911,835	950,128

Information to Shareholders and Investors

1. Stock Exchange Listing

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

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

2. Shareholders base

2.1. Number of Shareholders

As at 31st March	2014	2013
Number of Shareholders	680	691

2.2. Distribution & composition of shareholders

The number of shares held by non-residents as at 31st March 2014 was 44,967 (2013 - 12,581) which amounts to 0.11% (2013 - 0.03%) of the total no of ordinary shares.

Distribution of shares	Residents			Non-Residents			Total		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
1-1,000	499	120,439	0.30	4	1,744	-	503	122,183	0.30
1,001-10,000	142	451,865	1.12	2	10,837	0.03	144	462,702	0.15
10,001-100,000	30	751,007	1.86	1	32,386	0.08	31	783,393	1.94
100,001-1,000,000	1	135,200	0.34	-	-	-	1	135,200	0.34
Above 1,000,000	1	38,818,252	96.27	-	-	-	1	38,818,252	96.27
Total	673	40,276,763	99.89	7	44,967	0.11	680	40,321,730	100.00

Categories of shareholders	2014		
	No. of shareholders	No. of shares	%
Individuals	642	1,344,632	3.33
Institutions	38	38,977,098	96.67
Total	680	40,321,730	100.00

3. Market performance - Ordinary shares

For the year ended 31st March	2014	2013
At 31st March (Rs.)	27.60	28.10
Highest (Rs.)	35.70	41.20
Lowest (Rs.)	25.40	22.00
Value of shares traded (Rs.)	14,856,128	7,536,303
No. of shares traded	486,555	235,316
Volume of transactions (Nos.)	734	699

4. Market capitalisation

Market capitalisation of the Company which is the number of ordinary shares in issue multiplied by the market value of an ordinary share was Rs 1,112,879,748/- as at 31st March, 2014 (2013 - Rs. 1,133,040,613/-).

5. Public holding

The percentage of ordinary shares held by public as at 31st March 2014 was 3.72% (2013 – 3.72%).

6. Dividend

The Directors have recommended a First & Final dividend of Rs 0.35 per ordinary share for the year ended 31st March 2014 (2013 – Rs.0.11).

7. Value of property - Land and building

Location	Extent (in hectares)	Market value 2014 Rs. '000	Date of professional valuation
Equity One PLC			
Dharmapala Mw, Colombo 07	0.238	733,347	March 2013
Vauxhall Lane, Colombo 02	0.524	493,000	March 2013
Equity Two PLC			
Janadhipathi Mw, Colombo 01	0.218	897,826	March 2014
Equity Three (Private) Limited			
George R. De Silva Mw, Colombo 13	0.208	277,734	March 2013

8. Number of employees

The number of employees at the end of the year was 16 (2013 - 15) and 11(2013 - 11) for the Group and the Company respectively.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the THIRTY SECOND Annual General Meeting of **EQUITY ONE PLC** will be held on Thursday the 19th day of June 2014 at 3.30 p.m. at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 7, for the following purposes :

1. To receive and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2014, together with the Independent Auditors' Report thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Mr. K.C.N. Fernando who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.
4. To re-elect Mr. A.P. Weeratunge who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.
5. To re-elect Mr. P.D.D. Fernando as a Director in terms of Article 68 of the Articles of Association of the Company and to re-appoint him 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 to re-elect Mr. P.D.D. Fernando in accordance with Article 68 of the Articles of Association of the Company and as per Section 210 of the Companies Act No. 07 of 2007, that the age limit stipulated therein shall not be applicable to Mr. P.D.D. Fernando who is 71 years of age and that he be re-appointed a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year".
6. To re-appoint Mr. S. Nagendra as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following Resolution :

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 7 of 2007 shall not be applicable to Mr. S. Nagendra who is 74 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."
7. 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,
12th May 2014

Notes

1. A member is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A Form of Proxy accompanies this notice.
2. The completed Form of Proxy must be deposited at the registered office, No.61, Janadhipathi Mawatha, Colombo 1, not later than 3.30 p.m. on 17th June 2014.
3. A person representing a corporation is required to carry a certified copy of the resolution authorising him/her to act as the representative of the corporation. A representative need not be a member.
4. The transfer books of the Company will remain open.
5. Security check
   We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the security personnel stationed at the entrance.

Form of Proxy

*I/We ....
of ....
being *a Member/Members of **EQUITY ONE PLC**
hereby appoint ....
....
of ....
bearing NIC No./Passport No .... or failing him/her

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

as *my/our proxy to attend at the Annual General Meeting of the Company to be held on Thursday, the 19th day of June 2014 at 3.30 p.m., at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 07 and at any adjournment thereof and at every poll which may be taken in consequence thereof

		For	Against
i.	To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2014, together with the Independent Auditors' Report thereon.		
ii.	To declare Rs. 0.35 per ordinary share as a First & Final dividend for the financial year ended 31st March 2014 as recommended by the Directors.		
iii.	To re-elect Mr. K.C.N. Fernando who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.		
iv.	To re-elect Mr. A.P. Weeratunge who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.		
v.	To re-elect Mr. P. D. D. Fernando as a Director in terms of Article 68 of the Articles of Association of the Company and to re-appoint him as a Director of the Company who is over Seventy years of age.		
vi.	To re-appoint Mr. S. Nagendra who is over seventy years of age as a Director of the Company.		
vii.	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.		

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

....
Signature/s

Note:

a) * Please delete the inappropriate words.
b) A shareholder entitled to attend and vote at a general meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the Company. A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the general meeting of the shareholders.
c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
d) Instructions are noted on the reverse hereof.

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

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

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

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

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

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

    a) in the case of an individual shall be signed by the appointor or by his attorney; and

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

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

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

5. To be valid the completed form of proxy should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1 not later than 3.30 p.m. on 17th June 2014.

Please fill in the following details

Name	:	....
Address	:	....
		....
Jointly with	:	....
Share folio no.	:	....

Corporate Information

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

Company Registration No
PQ 19

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

Parent Company
Carson Cumberbatch PLC

Directors
D.C.R. Gunawardena (Chairman)
S. Nagendra
K.C.N. Fernando
E.H. Wijenaike
A.P. Weeratunge
S. Mahendrarajah
P.D.D. Fernando(Stepped down from the Board w.e.f.19/06/2013 and appointed to the Board w.e.f. 16/07/2013)

Place of Business
No. 65C, Dharmapala Mawatha,
Colombo 7,
Sri Lanka.

Bankers
Citi Bank NA
Standard Chartered Bank
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

Designed and produced by emagewise
Digital Plates by Printel (Pvt) Ltd
Printed by Printel (Pvt) Ltd