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EQUITY ONE LIMITED ANNUAL REPORT 2017/2018

A Carson Cumberbatch Company

Contents

Chairman's Statement

Dear Shareholders,

I am pleased to report another successful year for your Company at this 36th Annual General Meeting. It has been a year with a commendable financial performance, where the Group revenue grew by 13% year on year.

Being accustomed to a service-oriented economy, Sri Lanka, as a country has grown reasonably over the past 5 years or so, with impressive contributions from the construction industry and real estate activity. On an ambitious journey towards an upper-middle income country with economic growth and transformation, the Colombo City seems to be the most transformative of all, with the residential, commercial and retail spaces expanding alike, becoming conditioned to the anticipated demand in the future. Particularly, it was encouraging to see the strong growth momentum demonstrated in the high-end residential market over the recent years from the local and international investors.

I believe the Western Region Megapolis Plan (WRMPP) would add more glamour to the real-estate forefront, expected to complement by the development in the transportation network in the country. However, the city infrastructure enhancement needs to take place sooner rather than later with the quick implementation of such planned projects regardless of any political ruling, if we are to keep pace with other peer countries. Looking at the long term time horizon, the much discussed Port City project could certainly be a well-embraced key landmark in the real estate arena of Sri Lanka as well as the South Asian region. It is undeniable that the Port city project will add considerable excitement to the property market in the vicinity. At the same time, it is also interesting to see the impact it will bring about on its neighbouring properties located in and around the Fort region.

Further, in terms of achieving holistic development and being competitive as a country in the real estate landscape, I trust that the industry should be more action-focused with development oriented policies in place. Similarly, to be competitive in "Asian Region" every possible endeavour should be made to ensure that construction cost is competitive whilst streamlining construction related approval processes to attract increased investments to the sector. Furthermore, it is also important to encourage investments at the domestic level, in real estate where many citizens can benefit from the growth story of Sri Lanka's real estate market. Sophisticated and long-term mortgage-based products and the availability of a variety of concessions to encourage investments are vital in developing Sri Lanka as a prosperous nation.

At a time where certain economic reforms are being considered for evaluation to ensure better economic progress, many domestic and international firms seem to be increasingly getting established in the country, particularly eyeing the opportunities in the growing sectors. Within an environment of scarce space in Colombo, prime office space category appears to be the most sought after in the short to medium term. However, the demand dynamics centered on the commercial property marketspace would possibly ease off in the long term, due to the numerous mega-scale mixed developments with office space steadily shaping the Colombo city and suburbs.

The properties of the Group, being strategically located and enjoying the essence of the Colombo City, continued their growth trend in the financial year 17/18. Due to sourcing of new tenants along with retaining existing tenancies through distinctive and customised service on offer, the properties reached near full occupancy, 99%, during the course of the year. Further supported by the regular rent reviews, the Group earned a revenue of Rs. 289 Mn, demonstrating a growth of 13% relative to the financial year 16/17. Due to the enhanced valuations, the cumulative investment properties of the Group factored in a valuation gain of Rs. 687.5 Mn, resulting in a profit before tax of Rs. 894.1 Mn, an increase of 471% over the corresponding financial year. Even after isolating the said fair value gain, the aforementioned profit before tax demonstrated a notable YoY growth of 32%.

The current office property shortage witnessed in the capital city supports our confidence that the short term business dynamics would be beneficial to our properties. However, medium to long term growth dynamics would ideally depend on the new project pipeline, new investments as well as the overall economic expansion of the country. I am confident that your company is poised to continually deliver growth by factoring in the niche demand arising from our locations complemented by the personalised service offered to our tenants to ensure required facilities are in place to operate their businesses smoothly.

In closing, I would like to express my sincere gratitude to the shareholders, valued tenants, regulatory authorities and other stakeholders for their loyal support. I would also like to extend a personal thank you to the members of the Board, Audit Committee, Nomination Committee, Remuneration Committee and the Related Party Transactions Review Committee for their guidance and contribution. Last but not least, aforementioned performance is a tribute to the relentless efforts of the staff team and I extend my appreciation and best wishes to all of them.

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

Colombo
14th May 2018

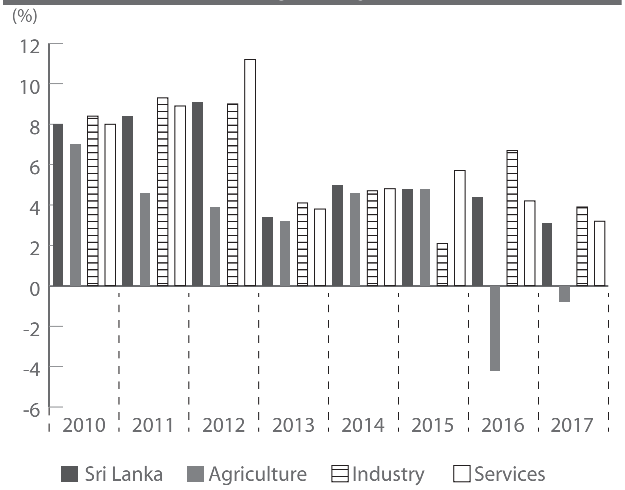
Business Review

MACRO-OVERVIEW

The Economic growth of Sri Lanka dipped during 2017 to 3.1% from 4.5% observed in 2016. The Industrial and the Construction Industry sector components expanded by 3.9% and 3.1% respectively over the previous year while the Service sector managed to expand by 3.2% in 2017. Foreign reserve accumulation in 2017 was progressive, with the cumulative reserves improving to USD 8 Bn by the year end, from USD 6 Bn observed in 2016. The four-fold increase in FDIs in 2017 from 2016, driven by the construction activity is also commendable.

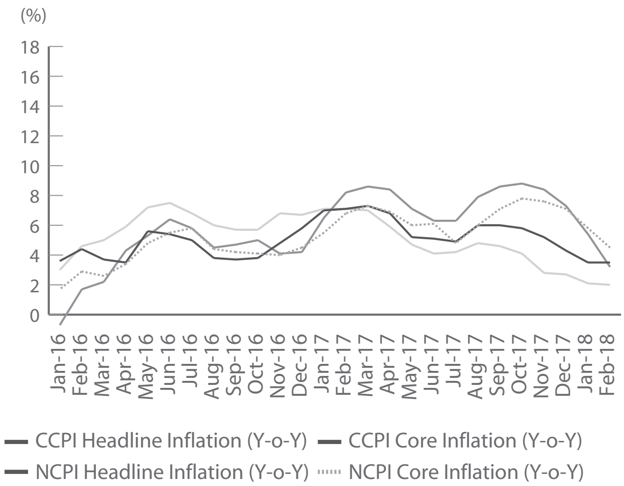
The tight monetary policy stance which was active during most parts of 2017, led to curbed credit growth with the core inflation hitting below the mid-single digits. Thus, as means of improving the slowed down credit growth, the Central Bank in April 2018 opted for a policy rate cut where the Standing Lending Facility Rate (SLFR) was reduced by 25 basis points. This move also accompanied the objectives of reducing the short term interest volatility as well as stabilising of the inflation levels in the economy. The IMF growth projection of 4.4% for the country, with growth expectations in the Industrial and Service sectors followed by the Government's FDI target of USD 2.5 Bn project favourable dynamics for 2018 as far as the overall property sector is concerned.

YOY GROWTH % - COUNTRY VS. MAJOR ECONOMIC ACTIVITIES



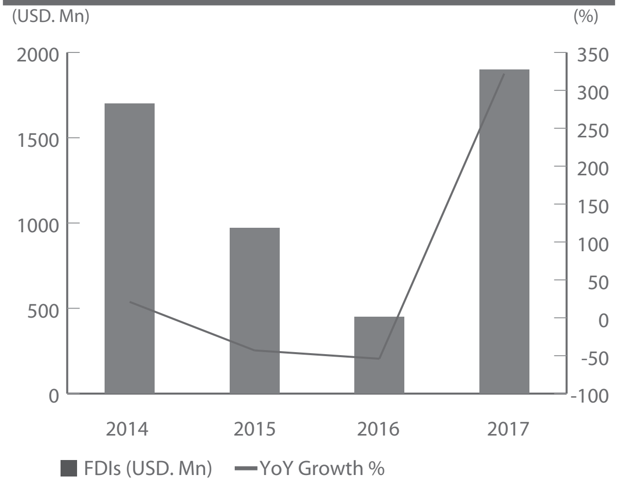
Source: Based on data extracted from Central Bank of Sri Lanka, Department of Census and Statistics

INFLATION MOVEMENT (YOY % CHANGE)



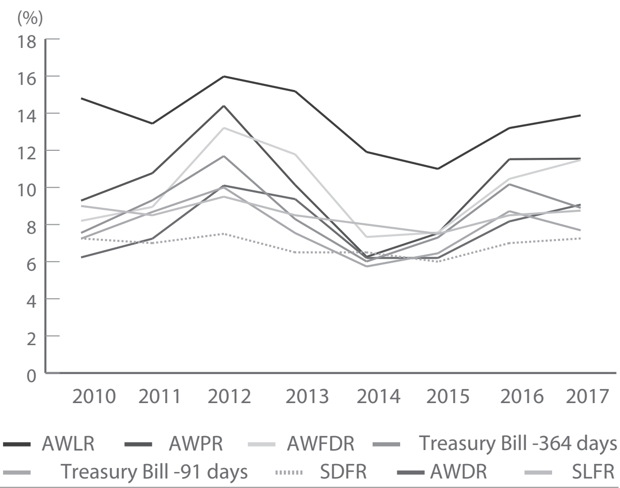
Source : Based on data extracted from Central Bank of Sri Lanka

FDIs. (USD Mn)



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

POLICY RATE MOVEMENT 2010-2017



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

INDUSTRY SNAPSHOT

As the economy embarked on a journey of steady development after the conflict times, the construction and real estate activity experienced a noticeable uptick. From 2011 to 2016, the island's real estate activities including ownership of dwelling has witnessed a CAGR of 9% in Gross National Income in constant prices. The residential, commercial and retail developments, especially shaping the Capital City, Colombo savoured for an encouraging increase in land pricing during last year where the land prices in the Colombo district increased by 10.4% in 2017 on average compared to 2016 according to the land price index compiled by the Central Bank of Sri Lanka.

Colombo is indisputably grooming itself to be one of the most vibrant cities in South Asia. The luxury and semi-luxury residential developments initiated by reputed domestic and foreign developers are conquering the Colombo skyline where most of the developments are expected to reach completion by 2019-2020. With the rapid urbanisation and modernised lifestyles, the demand for such apartments could very well catch up with the escalating supply in the medium to long term. The concept of mixed development is also expected to add more mystique to the retail market space within the next two to three years catering to the spending needs of the urban community.

As far as the developments are concerned, the port city project would clearly be a turning point with potential property development opportunities being available as the time unfolds. This could be equally benefitting as well as challenging for the existing properties in the Central Business District of Colombo, due to the heightened competition in the future. Besides, the zonal based megapolis development plan for the western region, provides an assurance in terms of the long term opportunities, where visible action is necessary in order to enhance the country's city infrastructure as well as the competitive stance.

On the other hand, the targeted completion of the outer-circular highway and the progress of the construction activity of the Central Expressway and Ruwanpura Expressway could very well augment the real estate developments in terms of value, while ensuring improved connectivity between cities and towns.

Besides, such long term property development and economic activities are equally important to bring in an environment that is conducive to attract both international businesses as well as domestic business investments. Going forward, as a country we should be recognising the importance of creating a streamlined environment for business activity while improving on key indices such as the ease of doing business etc. with other investor friendly policies and infrastructure policies also in place. The law and order in the country should also complement such plans. Additionally, developing a skilled workforce remains important as ever, if we are to truly benefit from the future industry developments. If the above discussed factors are not given adequate recognition in time to come, the country would not be able to reap the required intrinsic growth benefits from the industry.

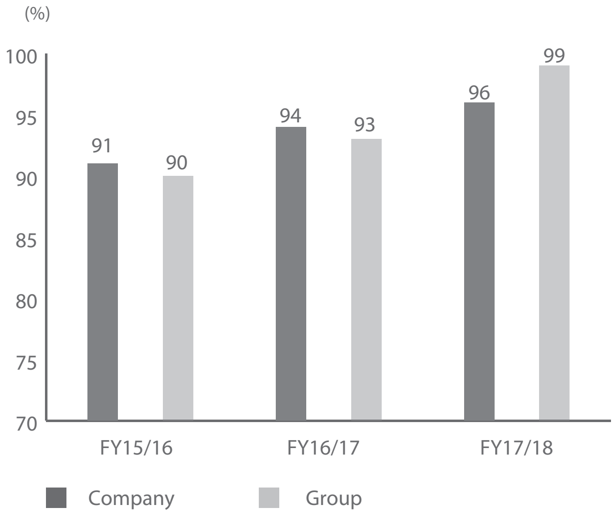
In addition, in order to support the Government's housing plans and growth agendas for the booming real estate sector, there are several other issues which need to be addressed. For example, it is reasonable to state that there is a considerable mismatch between the average income level of the country and real estate and land pricing at present. The income tax rate was previously reduced to 16% on employment income, after eliminating tax allowance given on housing loans. However, with the recent revision in taxes with introduction of the new Inland Revenue Act, income tax rate on employment was increased to 24% on progressive rate structure without extending any tax benefit for housing investments. Such action could have an impact on the government's vision of ensuring a house for every citizen of the country.

Observing the international context, many developed countries facilitate additional incentives for the second real estate investment while allowing retirement contributions to be partly set off against housing investments also being an option to consider. Furthermore, long term mortgage and other incentives are increasingly required to fuel the private sector involvement in real estate, due to the higher credit cost in Sri Lanka as well as the premium real estate cost, compared to many other developed regional peer countries. Moreover, if we are to improve our country's real estate profile along with the potential economic boom, promotion of other business models such as Real Estate Investment Trusts (REITs) could be inviting, especially for the retail investors.

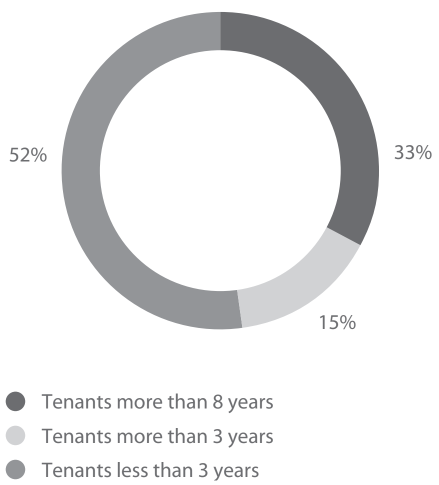
OUR BUSINESS

The financial year 2017/18 proved to be another successful year for the Group and the Company. The year under consideration observed the Company's Occupancy strengthening to 96% from 94% in the previous year, while the aggregate occupancy of the Group increased to 99% from 93% during the same period. The prime location of the properties, the quality-oriented tenants and the long term relationship based rent agreements have allowed us to ensure consistency in terms of revenue and profitability growth of the group as whole.

COMPANY VS. GROUP OCCUPANCY



AGE ANALYSIS OF TENANTS - GROUP



The increase in occupancy and the rent reviews facilitated the rental income growth for the year under consideration, where the total revenue increased by 13% YoY to reach Rs. 289 Mn for the Group. Direct costs marginally declined by 3% YoY to reach Rs. 70.3 Mn, due to relatively low repair and maintenance expenditure incurred during the year. Administrative and other operating expenditure declined by a notable 20% compared to the previous year, due to the absence of expenses incurred on sourcing new tenancies compared to the previous financial year - 2016/17 and reduction in professional services cost and listing fees.

The finance income of the Company increased to Rs. 6.3 Mn due to the increase in income from short-term fund management activities whilst the other income recorded Rs. 8.7 Mn with the increase in income from chargeable services provided to tenants.

During the year, a valuation exercise was carried out to determine the fair value of investment properties of the Group in line with the current market conditions, as required by the Accounting Standards. In the said valuations the investment properties of the Group were valued at Rs. 3,925.9 Mn resulting in a net gain on change in fair value of investment properties amounting to Rs. 687.5 Mn being recorded during the year in the Statement of Profit or Loss.

Accordingly, the profit before tax of the Group, increased by a significant 471% during the year, which stood at Rs. 894.1 Mn in comparison to Rs. 156.7 Mn recorded during the previous financial year. The profit before tax without the impact of the fair valuation gain too increased by 32% relative to the previous year to reach Rs. 206.6 Mn backed by strong operational performance mainly contributed by the increase in occupancy and rent revisions as mentioned earlier.

On additional note, the New Inland Revenue Act No. 24 of 2017 effective from 01st April 2018, introduced tax on business assets including lands where such lands are utilised for the production of income of the Company. Any gain on the sale of such lands was made liable to tax at the corporate tax rate of the respective company, thereby requiring deferred tax provision on any revaluation gains. Accordingly, out of the total Rs. 717.3 Mn, recorded as deferred tax during the year Rs. 192.5 Mn was recognised as the deferred tax from the current year gains while the remaining Rs. 524.8 Mn was attributable to deferred tax stemming from the land valuation gains in the previous financial years.

The above reasons caused the Group to recognise a Profit After Tax of Rs. 119.6 Mn, which yet relative to Rs. 105.6 Mn observed in the precedent year showed a YoY growth of 13%.

The year under consideration, was the first full financial year where the group's subsidiary, Equity Two PLC started securing the full cash rent roll of the second building located at No. 55 Janadhipathi Mawatha, after the full settlement of the advance rent. Thus, the net cash generated from operational activities of the group saw a noticeable improvement to stand at Rs. 172.3 Mn in the current financial year, compared to Rs. 128.7 Mn observed in the corresponding year.

On a standalone basis, Equity One Limited secured a revenue growth of 15%, whilst recognising a fair value gain of Rs. 408.4 Mn from investment property valuations during the year. The finance income of the Company increased by 21% due to the increase in dividend income received from subsidiary Company Equity Two PLC. Accordingly, the profit before tax of the Company increased by 376% to reach Rs. 556.4 Mn, while the said growth without fair value gains was 27%, which stood at Rs. 147.9 Mn. The company recognised a deferred tax of Rs. 465.6 Mn during the year under consideration, on the same basis mentioned earlier, where Rs. 114.3 Mn was recognised as the deferred tax from current year gains, while Rs. 351.3 Mn was relating to the deferred tax arising from the land valuation gains related to previous financial years. The above reasons caused the company to recognise a bottom line of Rs. 73.6 Mn, down by 25% relative to Rs. 97.8 Mn observed in the precedent year. Equity One Limited declared and paid a first interim dividend of Rs. 0.75 per share for the financial year ended 31st March 2018.

FUTURE OUTLOOK

In the gradual approach towards an upper-middle income economy, the property market in the country has a long journey ahead with clear opportunities, given that the right industrial reforms are effectively instituted in place. The strategic locations of our properties, right in the forefront of the rapidly growing Colombo City, could very well be beneficial in the future, if the operations are supported by favourable macro-economic and industry conditions. On a concluding note, we would be closely monitoring the development initiatives and the demand dynamics centered on the country's real estate arena, in order to better position our property strategies into the future days.

Carsons Management Services (Private) Limited

Managers

14th May 2018

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

The Board of Directors of Equity One Limited have pleasure in presenting to the Shareholders their Report together with the Audited Financial Statements for the year ended 31st March 2018.

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

The Annual Report was approved by the Board of Directors on 14th May 2018.

1. **General**

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

2. **The Principal Activities of the Company and its subsidiaries**

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

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

3. **Business Review and Future Developments**

   The Chairman's Statement and Business Review on pages 01 to 05 provide an overall assessment of the business performance of the Company and the Group and its future developments.

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

4. **Financial Statements**

   The consolidated financial statements which comprises the statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and Notes to the financial statements of the Company and the Group for the year ended 31st March 2018 are set out on pages 13 to 44. These financial statements comply with the requirements of the Companies Act, No. 07 of 2007.

4.1 **Revenue**

The Group and the Company generated revenues of Rs. 289.0 mn and Rs. 127.7 mn (2017 - Rs.254.7 mn and Rs.110.8 mn), respectively. An analysis of the revenue for the year is given in note 11 to the financial statements.

4.2 **Financial results and appropriations**

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

(In Rupees thousands)	Group		Company	
For the year ended 31st March	**2018**	**2017**	**2018**	**2017**
Profit for the year	119,632	105,629	73,685	97,809
Other comprehensive (expense) / income for the year	(101)	305	(20)	100
Total comprehensive income for the year	119,531	105,934	73,665	97,909
Accumulated loss as at the beginning of the year	(56,190)	(119,477)	(233,594)	(295,213)
Retained earnings / (accumulated loss) before appropriations	63,341	(13,543)	(159,929)	(197,304)
Transfer to fair value adjustment reserve	222,563	-	116,809	-
Profit attributable to non-controlling interest	(14,850)	(6,357)	-	-
Forfeited dividends	57	-	-	-
Dividends paid	(30,242)	(36,290)	(30,242)	(36,290)
Retained earnings / (accumulated loss) as at the end of the year	240,869	(56,190)	(73,362)	(233,594)

4.3 Significant accounting policies

The accounting policies adopted in the preparation of these financial statements are given on pages 17 to 25.

4.4 Investment properties

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

A professional valuation was performed as at 31st March 2018 by Mr. S. Sivaskantha, F. I. V (Sri Lanka) of Perera Sivaskantha and Company, incorporated Valuers, based on which a net fair value gain on investment properties was recognized in the financial statements to the value of Rs. 408.5 mn and Rs. 687.5 mn (2017 - Nil) for the Company and the Group respectively, during the year.

As at the year end, the carrying value of investment properties stood at Rs. 2,140.4 mn and Rs. 3,925.9 mn (2017 – Rs. 1,710.5 mn and Rs. 3,216.4 mn) for the Company and the Group, respectively.

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 were as follows;

(In Sri Lankan Rupees Thousands)	Group		Company	
For the year ended 31st March	**2018**	2017	**2018**	2017
Investment properties	21,952	4,896	21,391	4,520
Property, plant and equipment	244	-	244	-

4.7 Reserves

As at 31st March 2018, the Group's total reserves stood at Rs. 1,803.5 mn (2017 - Rs. 1,729 mn) comprising capital reserves of Rs. 13.2 mn (2017 - Rs. 13.2 mn) and revenue reserves of Rs. 1,790.2 mn (2017 - Rs. 1,715.7 mn).

The total reserves of the Company stood at Rs. 1,109.1 mn (2017 - Rs. 1,065.6 mn) comprising capital reserves of Rs. 13.2 mn (2017 - Rs. 13.2 mn) and revenue reserves of Rs. 1,095.8 mn (2017 - Rs. 1,052.4 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, whilst the responsibilities of the Auditors are set out in the Independent Auditors' Report.

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

The financial statements comprise of *inter alia:*

- a Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year.
- a Statement of Profit or Loss and Other Comprehensive Income of the Company, which presents a true and fair view of the Profit and Loss and Other Comprehensive Income of the Company for the financial year.

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

- appropriate accounting policies have been selected and applied consistently, while material departures, if any, have been disclosed and explained;
- all applicable Accounting Standards have been complied with;

- reasonable and prudent judgments and estimates have been made;

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

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

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

The Directors confirm that to the best of their knowledge,

- all taxes, duties and levies payable to the statutory bodies,

- all contributions, levies and taxes payable on behalf of and in respect of the employees and

- all other known statutory dues as were due and payable

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

6. Outstanding Litigation

There are no litigations currently pending against the Company.

7. Independent Auditors' Report

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

8. Interests Register

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

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

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

8.1 Remuneration of Directors

Directors' remuneration for the financial year ended 31st March 2018 is given in note 13 to the financial statements.

8.2 Directors' Interest in Contracts and Shares

Directors' Interest in contracts of the Company are disclosed in note 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 Company nor in the ordinary shares of the Company as of 31st March 2018.

9. Directors

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

9.1 Director to Retire by Rotation

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

9.2 Appointment of Directors who are over 70 years of age

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

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

2. Mr. K. C. N. Fernando who is over 70 years of age be re-appointed as a Director of the Company for a further period of one year from the conclusion of the Annual

General Meeting and that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to him.

9.3 Board of Directors

The following Directors held office during the period under review :

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

10. Internal Control and Risk Management

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

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

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

This allows the Board to have total control of the fulfillment of governance requirements by providing opportunity to take timely preventive action in case of potential deterioration of status quo. More detailed description of the risk management strategies of the Group is given in notes to the financial Statements.

11. Independent Auditors

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

A sum of Rs. 320,000/- and Rs. 625,000/- (2017 - Rs. 300,000/- and Rs. 565,000/-) paid to them by the Company and the Group respectively, as audit fees for the year ended 31st March 2018. Fees paid to Auditors on audit related services are given in note 13 to the financial statements.

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

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

12. Auditors' relationship or any interest with the Company

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

13. Significant Events During the Year

13.1 Company

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

13.2 Subsidiaries

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

14. Human Resources

The Company and the Group continued to invest in human capital development and implement effective human resource practices and policies to develop and build an efficient and effective workforce aligned to 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 2018 were 12 and 18 (2017 - 12 and 17) respectively.

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

15. Equitable treatment to Shareholders

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

16. Environmental Protection

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

17. Dividend

The Company paid a First Interim Dividend of 75 cents per ordinary share for the year ended 31st March 2018 amounting to Rs.30,241,297/50 on 23rd March 2018.

The details of the dividend is set out in note 34 to the financial statements.

18. Solvency Test

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

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

19. Stated Capital

The stated capital of the Company as at 31st March 2018 was Rs. 1,085.6 mn consisting of 40,321,730 ordinary shares. There was no change in the stated capital of the Company during the year.

20. Material Issues pertaining to Employees and Industrial Relations

There were no material issues relating to employees and industrial relations during the year ended 31st March 2018.

21. Statutory Payments

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

22. Going Concern

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

23. Events after the Reporting Date

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

24. Contingent Liabilities and Capital Commitment

The contingent liabilities and capital commitments as at 31st March 2018 are given in note 31 to the financial statements, if any.

25. Corporate Donations

There were no donations granted during the year.

26. Annual Report

The Board of Directors have approved the Audited consolidated financial statements of the Company, together with the Reviews and other Reports which form part of the Annual Report on 14th May 2018. The Annual Report would be submitted to the Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies within the given time frames.

27. Annual General Meeting

The 36th Annual General Meeting of the Company will be held on Friday, 15th June 2018 at 2.30 p.m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7, Sri Lanka.

The Notice of the Annual General Meeting, setting out the business which will be transacted thereat is on page 46 of the Annual Report.

Signed on behalf of the Board,

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

(Sgd.)
P.D.D. Fernando
Director

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

Colombo
14th May 2018

Financial Calendar

FINANCIAL CALENDAR

Financial year end	31st March 2018
36th Annual General Meeting	15th June 2018

Independent Auditors' 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 LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Equity One Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 13 to 44 of this annual report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

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

KPMG

Chartered Accountants
Colombo, Sri Lanka
14 May 2018

Statement of Profit or Loss and other Comprehensive Income

(All figures are in Sri Lankan Rupees thousands)

		Group		Company	
For the year ended 31st March	Note	2018	2017	2018	2017
Revenue	11	289,025	254,744	127,749	110,772
Direct costs		(70,296)	(72,227)	(36,874)	(36,527)
		218,729	182,517	90,875	74,245
Other income	12	8,666	4,098	3,662	2,560
Net gain arising from changes in fair value of investment properties	17	687,538	-	408,459	-
		914,933	186,615	502,996	76,805
Administrative and other operating expenses		(19,233)	(23,904)	(10,124)	(11,411)
Results from operating activities	13	895,700	162,711	492,872	65,394
Finance income	14.1	6,383	1,320	67,204	55,372
Finance costs	14.2	(7,930)	(7,357)	(3,675)	(3,972)
Net finance income/ (costs)	14	(1,547)	(6,037)	63,529	51,400
Profit before taxation		894,153	156,674	556,401	116,794
Income tax expense	15	(57,265)	(37,731)	(17,072)	(15,953)
Deferred taxation	15	(717,256)	(13,314)	(465,644)	(3,032)
Profit for the year		119,632	105,629	73,685	97,809
Profit for the year attributable to:					
Equity holders of the parent		104,773	99,295	73,685	97,809
Non controlling interest		14,859	6,334	-	-
		119,632	105,629	73,685	97,809
Other comprehensive income					
Actuarial (loss) / gain from valuation of employee benefits	28.3	(140)	423	(28)	139
Related tax on employee benefits		39	(118)	8	(39)
Other comprehensive (expense) / income for the year		(101)	305	(20)	100
Total comprehensive income for the year		119,531	105,934	73,665	97,909
Total comprehensive income attributable to:					
Equity holders of the parent		104,681	99,577	73,665	97,909
Non controlling interest		14,850	6,357	-	-
		119,531	105,934	73,665	97,909
Earnings per share (Rs.)	16	2.60	2.46	1.83	2.43

The notes from pages 17 to 44 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Financial Position

(All figures are in Sri Lankan Rupees thousands)

		Group		Company	
As at 31st March	Note	2018	2017	2018	2017
ASSETS					
Non-current assets					
Investment properties	17	3,925,886	3,216,396	2,140,374	1,710,524
Property, plant and equipment	18	3,669	5,410	3,669	5,410
Investment in subsidiaries	19	-	-	552,048	552,048
Total non-current assets		3,929,555	3,221,806	2,696,091	2,267,982
Current assets					
Trade and other receivables	20	29,623	33,895	6,031	4,663
Fair value through profit or loss financial assets	21	104,804	-	78,858	-
Cash and cash equivalents	22	20,711	11,985	5,521	5,988
Total current assets		155,138	45,880	90,410	10,651
Total assets		4,084,693	3,267,686	2,786,501	2,278,633
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	1,790,230	1,715,734	1,095,827	1,052,404
Total equity attributable to equity holders of the parent		2,889,050	2,814,554	2,194,647	2,151,224
Non controlling interest		120,333	112,505	-	-
Total equity		3,009,383	2,927,059	2,194,647	2,151,224
Non-current liabilities					
Refundable rental deposits	26	87,695	77,607	33,088	30,529
Deferred tax liability	27	910,136	192,919	525,304	59,668
Employee benefits	28	3,511	3,505	1,791	2,172
Total non-current liabilities		1,001,342	274,031	560,183	92,369
Current liabilities					
Trade and other payables	29	36,617	42,332	19,366	28,045
Deferred revenue	30	12,235	7,579	7,610	1,214
Current tax liabilities		25,116	16,685	4,695	5,781
Total current liabilities		73,968	66,596	31,671	35,040
Total liabilities		1,075,310	340,627	591,854	127,409
Total equity and liabilities		4,084,693	3,267,686	2,786,501	2,278,633
Net assets per share (Rs.)		71.65	69.80	54.43	53.35

The Notes from pages 17 to 44 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
Head of Finance
Carsons Management Services (Private) Limited

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board on 14th May 2018.

Approved and signed on behalf of the managers,

(Sgd.)
A. P. Weeratunge
Director
Carsons Management Services (Private) Limited

Approved and signed on behalf of the board,

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

(Sgd.)
P.D.D. Fernando
Director

Colombo
14th May 2018

Statement of Changes in Equity

(All figures are in Sri Lankan Rupees thousands)

	Stated capital	Capital reserves: Capital accretion reserve	Capital reserves: Machinery replacement reserve	Capital reserves: Other capital reserves	Revenue reserves: General reserve	Revenue reserves: Fair value adjustment reserve	Revenue reserves: Accumulated loss	Total equity attributable to equity holders of the parent	Non controlling interest	Total equity
Group										
Balance as at 1st April 2016	1,085,584	158	5,109	7,969	39	1,771,885	(119,477)	2,751,267	111,141	2,862,408
Profit for the year	-	-	-	-	-	-	99,295	99,295	6,334	105,629
Other comprehensive income for the year	-	-	-	-	-	-	282	282	23	305
Total comprehensive income for the year	-	-	-	-	-	-	99,577	99,577	6,357	105,934
First & final dividend 2015/16	-	-	-	-	-	-	(6,048)	(6,048)	(624)	(6,672)
First interim dividend 2016/17	-	-	-	-	-	-	(30,242)	(30,242)	(4,369)	(34,611)
Balance as at 31st March 2017	1,085,584	158	5,109	7,969	39	1,771,885	(56,190)	2,814,554	112,505	2,927,059
Balance as at 1st April 2017	1,085,584	158	5,109	7,969	39	1,771,885	(56,190)	2,814,554	112,505	2,927,059
Profit for the year	-	-	-	-	-	(222,563)	327,336	104,773	14,859	119,632
Other comprehensive income for the year	-	-	-	-	-	-	(92)	(92)	(9)	(101)
Total comprehensive income/expense for the year	-	-	-	-	-	(222,563)	327,244	104,681	14,850	119,531
Forfeited dividends	-	-	-	-	-	-	57	57	-	57
First interim dividend 2017/18	-	-	-	-	-	-	(30,242)	(30,242)	(7,022)	(37,264)
Balance as at 31st March 2018	1,085,584	158	5,109	7,969	39	1,549,322	240,869	2,889,050	120,333	3,009,383

	Stated capital	Capital reserves: Capital accretion reserve	Capital reserves: Machinery replacement reserve	Capital reserves: Other capital reserves	Revenue reserves: General reserve	Revenue reserves: Fair value adjustment reserve	Revenue reserves: Accumulated loss	Total equity
Company								
Balance as at 1st April 2016	1,085,584	158	5,109	7,969	39	1,285,959	(295,213)	2,089,605
Profit for the year	-	-	-	-	-	-	97,809	97,809
Other comprehensive income for the year	-	-	-	-	-	-	100	100
Total comprehensive income for the year	-	-	-	-	-	-	97,909	97,909
First & final dividend 2015/16	-	-	-	-	-	-	(6,048)	(6,048)
First interim dividend 2016/17	-	-	-	-	-	-	(30,242)	(30,242)
Balance as at 31st March 2017	1,085,584	158	5,109	7,969	39	1,285,959	(233,594)	2,151,224
Balance as at 1st April 2017	1,085,584	158	5,109	7,969	39	1,285,959	(233,594)	2,151,224
Profit for the year	-	-	-	-	-	(116,809)	190,494	73,685
Other comprehensive expense for the year	-	-	-	-	-	-	(20)	(20)
Total comprehensive income for the year	-	-	-	-	-	(116,809)	190,474	73,665
First interim dividend 2017/18	-	-	-	-	-	-	(30,242)	(30,242)
Balance as at 31st March 2018	1,085,584	158	5,109	7,969	39	1,169,150	(73,362)	2,194,647

The notes from pages 17 to 44 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**	**2018**	**2017**	**2018**	**2017**
Cash flows from operating activities					
Profit before taxation		894,153	156,674	556,401	116,794
Adjustments for:					
Finance costs	14	7,930	7,357	3,675	3,972
Interest income	14	(1,194)	(1,320)	(373)	(1,145)
Dividend income	14	-	-	(65,473)	(54,227)
Net gains arising from changes in fair value of investment properties		(687,538)	-	(408,459)	-
Depreciation on property, plant and equipment	18	1,985	2,048	1,985	2,048
Amortization of deferred revenue	30	(7,334)	(5,587)	(3,274)	(2,179)
Provision for employee benefits	28	652	674	377	337
Operating profit before working capital changes		208,654	159,846	84,859	65,600
(Increase) / decrease in trade and other receivables		4,272	(4,894)	(1,368)	4,350
Increase / (decrease) in trade and other payables		(5,715)	(8,800)	(8,679)	(2,744)
Operating profit after working capital changes		207,211	146,152	74,812	67,206
Rental deposits received	26	16,265	14,328	10,671	6,284
Rental deposits refunded	26	(1,573)	(4,059)	(1,573)	(4,059)
Cash generated from operations		221,903	156,421	83,910	69,431
Income tax paid		(48,834)	(26,694)	(18,158)	(12,114)
Employee benefits paid	28	(786)	(1,013)	(786)	-
Net cash generated from operating activities		172,283	128,714	64,966	57,317
Cash flows from investing activities					
Additions to the investment properties	17	(21,952)	(4,896)	(21,391)	(4,520)
Purchase of property, plant and equipment	18	(244)	-	(244)	-
Settlement on amount due from related companies		-	-	-	15,857
Interest received		1,194	1,320	373	1,145
Fair value through profit or loss financial assets		(104,804)	-	(78,858)	-
Dividends received		-	-	65,473	54,227
Net cash generated from / (used in) investing activities		(125,806)	(3,576)	(34,647)	66,709
Cash flows from financing activities					
Amounts settled on amounts due to related companies		-	(80,674)	-	(83,174)
Short term loan interest expenses paid		(544)	(1,757)	(544)	(1,757)
Dividend paid		(37,207)	(41,261)	(30,242)	(36,288)
Net cash generated from / (used in) financing activities		(37,751)	(123,692)	(30,786)	(121,219)
Net increase / (decrease) in cash and cash equivalents		8,726	1,446	(467)	2,807
Cash and cash equivalents at the beginning of the year		11,985	10,539	5,988	3,181
Cash and cash equivalents at the end of the year	22	20,711	11,985	5,521	5,988

The notes from pages 17 to 44 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Notes to the Financial Statements

(All figures are in Sri Lankan Rupees thousands)

1. Reporting Entity

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

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

The consolidated financial statements as at and for the year ended 31st March 2018 comprise of financial information of the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

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

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

The Group had 18 (2017 – 17) employees at the end of the financial year. The Company had 12 (2017 – 12) employees as at the reporting date.

2. Basis of Preparation

a) Statement of compliance

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

The 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 the Companies Act, No. 7 of 2007.

These consolidated financial statements were authorized for issue by the Board of Directors on 14th May 2018.

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;

- Investment properties are measured at fair value;
- Defined benefit obligations are measured at its present value, based on an actuarial valuation as explained in note 28.

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

c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). The consolidated financial statements are presented in Sri Lankan Rupees, which is the Group'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 are 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 to the other assets. Judgment is also applied in determining if ancillary services provided are significant, so that a property does not qualify as an investment property.

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

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

e) Measurement of fair values

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

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

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

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

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

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

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

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

f) Materiality and aggregation

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

3. Significant Accounting Policies

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

The group's Financial Statements comprise consolidation of the Financial Statements of the Company, and its subsidiaries in terms of the Sri Lanka Accounting Standards- SLFRS 10 on "Consolidated Financial Statements".

Subsidiaries

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

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

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

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

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

Set out below are the group's principal subsidiaries as at 31 March 2018

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

Non-controlling interest

For each business combination, the Group elects to measure any non-controlling interests in the acquiree at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Loss of control

When a group loses control over a subsidiary, it derecognises the asset and liabilities of the subsidiary and any related NCI (If applicable) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest in the former subsidiary is measured at fair value when control is lost

Goodwill

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

Transactions eliminated on consolidation

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

Accounting for Investment in subsidiaries

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

b) Foreign currency

i. Foreign currency transactions

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

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

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

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 holds financial assets that are categorized in to the 'loans and receivables' and fair value through profit of loss classification.

Loans and receivables

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

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

Fair value through Profit or loss

A financial asset is classified as a fair value through profit or loss. If it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein including any interest or dividend income, are recognized in profit or loss.

ii. **Non-derivative financial liabilities**

The Company and Group initially recognizes 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 expired.

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.

d) **Stated capital**

Ordinary shares

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

e) **Property, plant and equipment**

i. **Recognition and measurement**

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

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

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company and the Group has an obligation

to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and

ii. Subsequent costs

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

iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight- line basis over their estimated useful lives as follows;

	No.of Years
Plant & machinery	5-27
Motor vehicles	4-5
Furniture, fittings & office equipments	5-16
Computer	3-5

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

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

iv. Disposal

The gains or losses arising on disposal or retirement of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment are recognized net within other income in Profit or Loss.

f) Investment property

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

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions as at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognized in Profit or Loss.

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

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

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

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

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.

h) Employee benefits

i. Short-term employee benefits

Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii. Defined contribution plans

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

Under Defined contribution plans

Employees' provident fund

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

Employees' Trust fund

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

iii. Defined benefit plans

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

The liability recognised in the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date.

The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. Such actuarial valuations will be carried out every year. The liability is not externally funded. All Actuarial gains or losses are recognised immediately in other comprehensive income.

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

The liability is not externally funded.

i) Provisions

A provision is recognised if, as a result of a past event, the Company and the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

j) Contingent liabilities and contingent assets

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

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

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

k) Revenue

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

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 are recognised as other income.

ii. Other Income - on accrual basis.

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

l) Expenditure Recognition

i. Operating expenses

All expenses incurred in day-to-day operations of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit or loss for the year.

ii. Finance income and finance costs

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

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

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

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

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

m) Income tax expense

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

i. Current taxation

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

ii. **Deferred taxation**

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

Deferred tax is not recognised for:

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company and the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the 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.

4. 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.

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. Segment Reporting

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

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

8. New Accounting Standards Issued But Not Effective

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1st January 2018. Accordingly, the Group has not applied the following new standards in preparing these financial statements.

SLFRS 9 - Financial Instruments

SLFRS 9 – "Financial Instruments" replaces the existing guidance in LKAS 39 – Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets.

SLFRS 9 is effective for annual period beginning on or after 1st January 2018

Impact: The Group does not expect significant impact on its financial statements resulting from the application of SLFRS 9.

SLFRS 15 – Revenue

Recognition from Customer Contracts SLFRS 15 – "Revenue from Contracts with Customers" establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance LKAS 18 Revenue, LKAS 11 Construction Contracts.

SLFRS 15 is effective for annual reporting period beginning on or after 1st January 2018

Impact: Anticipated impact from SLFRS 15, is not expected to be material.

SLFRS 16 – 'Leases'

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

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

Impact: The Group does not hold any assets under operating lease, hence, the impact is not expected to be material.

(All figures are in Sri Lankan Rupees thousands)

	For the year ended 31st March	Group 2018	Group 2017	Company 2018	Company 2017
11	**Revenue**				
	Property rental	289,025	254,744	127,749	110,772
		289,025	254,744	127,749	110,772

	For the year ended 31st March	Group 2018	Group 2017	Company 2018	Company 2017
12	**Other income**				
	Parking fees	620	780	-	-
	On services provided to tenants	8,046	3,318	3,662	2,560
		8,666	4,098	3,662	2,560

	For the year ended 31st March	Group 2018	Group 2017	Company 2018	Company 2017
13	**Profit from operations**				
	Profit from operations is stated after charging all expenses including the following:				
	Nomination committee fees	-	58	-	58
	Auditors' remuneration - audit services	625	565	320	300
	Auditors' remuneration - audit related services	200	299	100	149
	Professional services cost (note 13.1)	20	1,259	20	1,071
	Depreciation (note 13.2)	1,985	2,048	1,985	2,048
	Support Service fee	9,179	9,174	4,213	4,337
	Personnel costs (note 13.3)	46,304	39,013	23,593	21,544
13.1	**Professional services cost**				
	Valuation services	-	225	-	112
	Other services	20	1,034	20	959
		20	1,259	20	1,071
13.2	**Depreciation**				
	Depreciation is included in the statement of profit or loss under the following headings:				
	Direct costs	1,725	1,725	1,725	1,725
	Administrative and other operating expenses	260	323	260	323
		1,985	2,048	1,985	2,048

	For the year ended 31st March	Group 2018	Group 2017	Company 2018	Company 2017
13.3	**Personnel costs**				
	Salaries, wages and other related expenses	42,873	35,779	21,728	19,726
	Defined benefit plan cost - Employee benefits (note 28.2)	652	674	377	337
	Defined contribution plan cost - EPF and ETF	2,779	2,560	1,488	1,481
		46,304	39,013	23,593	21,544
	The above include:				
	Directors' emoluments	-	-	-	-
	Directors' fees	850	1,100	400	650
		850	1,100	400	650

	For the year ended 31st March	Group 2018	Group 2017	Company 2018	Company 2017
14	**Net finance income / (costs)**				
14.1	**Finance income**				
	Interest income	1,194	1,320	373	1,145
	Net change in fair value of fair value through profit or loss financial assets	5,189	-	1,358	-
	Dividend income	-	-	65,473	54,227
		6,383	1,320	67,204	55,372
14.2	**Finance costs**				
	Interest expenses on short term loan	544	1,757	544	1,757
	Unwinding of interest on refundable deposits (note 26)	7,386	5,600	3,131	2,215
		7,930	7,357	3,675	3,972
	Net finance income/(costs)	(1,547)	(6,037)	63,529	51,400

	For the year ended 31st March	Group 2018	Group 2017	Company 2018	Company 2017
15	**Current taxation**				
15.1	**Income tax expense**				
	Income tax expense for the year (note15.2)	57,738	39,186	17,562	16,642
	Over provision in respect of previous years	(473)	(1,455)	(490)	(689)
		57,265	37,731	17,072	15,953
	Deferred taxation				
	On origination and reversal of temporary differences (note 27.1)	717,256	13,314	465,644	3,032
		717,256	13,314	465,644	3,032
	Current tax expense for the year	774,521	51,045	482,716	18,985

(All figures are in Sri Lankan Rupees thousands)

	For the year ended 31st March	Group 2018	Group 2017	Company 2018	Company 2017
15.2	**Reconciliation between accounting profit and taxable profit**				
	Accounting profit before taxation	894,153	156,674	556,401	116,794
	Aggregate disallowable expenses	6,170	8,602	4,740	6,245
	Aggregate allowable expenses	(41,191)	(30,391)	(22,478)	(13,291)
	Profits not charged to income tax	-	-	(65,473)	(54,227)
	Net gain arising from changes in fair value of investment properties	(687,538)	-	(408,459)	-
	Notional adjustments arising on application of LKAS/SLFRS	5,846	1,193	(2,010)	3,916
	Utilisation of tax losses	-	(19,627)	-	-
	Taxable profit	177,440	116,451	62,721	59,437
	Income tax thereon (note 15.4)	49,683	32,606	17,562	16,642
	Dividend tax	8,055	6,580	-	-
	Income tax expense for the year	57,738	39,186	17,562	16,642
15.3	**Movement in tax losses**				
	Tax losses brought forward	-	19,007	-	-
	Adjustment on finalization of liability	-	620	-	-
	Utilisation of tax losses during the year	-	(19,627)	-	-
	Tax losses carried forward	-	-	-	-

15.4 a) In terms of the provisions of Inland Revenue Act, No. 10 of 2006 and amendments thereto, operational profits of the Company and the Group is subject to income tax at 28%. As per the new Inland Revenue Act No 24 of 2017 with effective from 1st April 2018, Company and the Group will be liable to pay income tax at 28% on the income.

b) Deferred tax has been computed using a tax rate of 28% (2017-28%).

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

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

	Group		Company	
For the year ended 31st March	**2018**	**2017**	**2018**	**2017**
Amounts used as the numerator				
Profit attributable to the ordinary shareholders of the Company (Rs. '000)	104,773	99,295	73,685	97,809
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)	2.60	2.46	1.83	2.43

	Freehold land	Freehold building	Other equipment	Total as at 31st March 2018	Total as at 31st March 2017
17 Investment properties					
17.1 Group					
Balance as at the beginning of the year	2,397,494	683,682	135,220	3,216,396	3,211,500
Additions during the year	-	-	21,952	21,952	4,896
Changes in fair value of investment properties (note 17.4)	744,706	(18,066)	(39,102)	687,538	-
	3,142,200	665,616	118,070	3,925,886	3,216,396
17.2 Company					
Balance as at the beginning of the year	1,442,800	219,163	48,561	1,710,524	1,706,004
Additions during the year	-	-	21,391	21,391	4,520
Changes in fair value of investment properties	414,050	8,637	(14,228)	408,459	-
	1,856,850	227,800	55,724	2,140,374	1,710,524

(All figures are in Sri Lankan Rupees thousands)

17.3 Details of investment properties

Property and location	Tenure of property	Description	Method of valuation	Net rentable area	Land extent (Hectares)	Historical cost	Fair value 2018	Fair value 2017
Equity One Limited.								
Dharmapala Mw., Colombo 7	Freehold	Office space	Investment approach	44,647	0.238	120,288	1,329,524	1,084,609
Vauxhall Lane, Colombo 2	Freehold	Warehouse space	Market approach	32,408	0.455	226,917	810,850	625,915
Equity Two PLC.								
No. 61 Janadhipathi Mawatha, Colombo 01	Freehold	Office space	Investment approach	41,124	0.072	128,364	486,747	420,909
No. 55 Janadhipathi Mawatha, Colombo 01	Freehold	Office space	Investment approach	44,046	0.146	427,629	860,083	716,164
Equity Three (Private) Limited.								
George R. De Silva Mw., Colombo 13	Freehold	Office space	Market approach	31,237	0.208	69,256	438,682	368,799
							3,925,886	3,216,396

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

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

17.4 Fair value hierarchy

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

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

Valuation technique and significant unobservable inputs

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

Description	Location	Valuation technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
				The estimated fair value would increase/ (decrease) if –
Land & Building	Colombo	Investment approach	Contractual rentals agreed with the tenants.	Contractual rentals was higher/ (lower)
			Occupancy Rate 75% - 90%	Occupancy rate was higher/(lower)
			Capitalization rate 5- 6%	Capitalization rate was (higher)/ lower
			Repair and insurance 20%	Repair and insurance was (higher)/lower
			For excess land in existing locations, market price per perch, valuer has used a range of prices for respective lands based on an adjusted fair value taking into account of other valuation considerations.	Market value per perch was higher/ (lower)
Land & Building	Colombo	Market approach	Construction cost per square feet Rs. 3,500 - Rs. 6,000.	Cost per square feet was higher/ (lower)
			Market price per perch, valuer has used a range of prices for respective lands based on an adjusted fair value taking into account of other valuation considerations.	Market value per perch was higher/ (lower)
			Depreciation rate for the usage of assets 65% - 70%	Depreciation rate for usage lower/ (higher)

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

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

17.7 Capitalization of borrowing costs into investment properties

No borrowing cost capitalized for the year ended 31st March 2018 (2017 - Rs. Nil).

17.8 Contractual obligations to construct and develop investment properties

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

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

(All figures are in Sri Lankan Rupees thousands)

18 Property, plant and equipment

18.1 Group / Company

	Machinery and equipment	Furniture and fittings	Motor vehicles	Total as at 31st March 2018	Total as at 31st March 2017
Cost					
As at the beginning of the year	2,026	681	9,200	11,907	11,907
Additions during the year	244	-	-	244	-
As at the end of the year	2,270	681	9,200	12,151	11,907
Accumulated Depreciation					
As at the beginning of the year	1,850	622	4,025	6,497	4,449
Charge for the year	228	32	1,725	1,985	2,048
As at the end of the year	2,078	654	5,750	8,482	6,497
Carrying amount as at the end of the year	192	27	3,450	3,669	5,410

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

	Group		Company	
As at 31st March	**2018**	**2017**	**2018**	**2017**
Machinery and equipment	1,998	1,454	1,998	1,454
Furniture and fittings	514	321	514	321
	2,512	1,775	2,512	1,775

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	**2018**	**2017**
19 Investments in subsidiaries		
Investments in subsidiaries (note 19.1)	552,048	552,048
	552,048	552,048

As at 31st March	**2018**		**2017**	
	No. of shares	**Cost**	**No. of shares**	**Cost**
19.1 Details of investment in subsidiaries				
Quoted				
Equity Two PLC	27,532,525	448,834	27,532,525	448,834
		448,834		448,834
Unquoted				
Equity Three (Private) Limited	5,399,997	103,214	5,399,997	103,214
		103,214		103,214
Total investment in subsidiaries		552,048		552,048

As at 31st March	Group 2018	Group 2017	Company 2018	Company 2017
20 Trade and other receivables				
Financial				
Trade receivables	18,036	22,195	4,901	2,971
Other receivables	10,153	9,585	443	442
Loans given to company staff (note 20.1)	690	1,161	197	565
	28,879	32,941	5,541	3,978
Non-financial				
Prepaid expenses	744	726	490	457
Advance payments	-	228	-	228
	744	954	490	685
	29,623	33,895	6,031	4,663
20.1 Loans given to company staff				
Balance as at the beginning of the year	1,161	897	565	368
Loans granted during the year	792	1,502	309	729
Settlements during the year	(1,263)	(1,238)	(677)	(532)
Balance as at the end of the year	690	1,161	197	565

As at 31st March	Group 2018	Group 2017	Company 2018	Company 2017
21 Fair value through profit or loss financial assets				
Investments in Units Trust	104,804	-	78,858	-
	104,804	-	78,858	-

As at 31st March	Group No. of units	Group Cost	Group Fair value	Company No. of units	Company Cost	Company Fair value
Guardian Acuity Money Market Fund	6,658,461	99,621	104,804	5,010,067	77,500	78,858
		99,621	104,804		77,500	78,858

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

Fair value hierarchy

	Level 1	Level 2	Level 3	Total
Group				
Investments in Units Trust	-	104,804	-	104,804
	-	104,804	-	104,804
Company				
Investments in Units Trust	-	78,858	-	78,858
	-	78,858	-	78,858

(All figures are in Sri Lankan Rupees thousands)

	As at 31st March	Group 2018	Group 2017	Company 2018	Company 2017
22	**Cash and cash equivalents**				
	Cash at bank and in hand	20,711	11,985	5,521	5,988
	Cash and cash equivalents for the purpose of cash flow statement	20,711	11,985	5,521	5,988

	As at 31st March	Group 2018	Group 2017	Company 2018	Company 2017
23	**Stated capital**				
	Issued and fully paid				
	As at the beginning of the year (40,321,730 ordinary shares)	1,085,584	1,085,584	1,085,584	1,085,584
	As at the end of the year (40,321,730 ordinary shares)	1,085,584	1,085,584	1,085,584	1,085,584

	As at 31st March	Group 2018	Group 2017	Company 2018	Company 2017
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

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

	As at 31st March	Group 2018	Group 2017	Company 2018	Company 2017
25	**Revenue reserves**				
	General reserve (note 25.1)	39	39	39	39
	Fair value adjustment reserve (note 25.2)	1,549,322	1,771,885	1,169,150	1,285,959
	Retained earnings / (accumulated loss)	240,869	(56,190)	(73,362)	(233,594)
		1,790,230	1,715,734	1,095,827	1,052,404

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

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

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

	As at 31st March	Group 2018	Group 2017	Company 2018	Company 2017
26	**Refundable rental deposits**				
	Balance as at the beginning of the year	77,607	63,662	30,529	26,609
	Receipts during the year	16,265	14,328	10,671	6,284
	Transferred to deferred revenue	(11,990)	(1,924)	(9,670)	(520)
	Refunds during the year	(1,573)	(4,059)	(1,573)	(4,059)
	Unwinding of interest on refundable deposits	7,386	5,600	3,131	2,215
		87,695	77,607	33,088	30,529

	As at 31st March	Group 2018	Group 2017	Company 2018	Company 2017
27	**Deferred tax liability**				
	Balance as at the beginning of the year	192,919	179,487	59,668	56,597
	Charge for the year (note 27.1)	717,217	13,432	465,636	3,071
	Balance as at the end of year	910,136	192,919	525,304	59,668
27.1	**Charge for the year**				
	The amounts recognised in the statement of profit or loss are as follows;				
	Investment properties	717,219	7,896	465,529	3,126
	Employee benefits	37	96	115	(94)
	Tax losses brought forward	-	5,322	-	-
		717,256	13,314	465,644	3,032
	The amount recognised in the statement of other comprehensive income is as follows;				
	Employee benefits	(39)	118	(8)	39
		(39)	118	(8)	39
	Net deferred tax charged for the year	717,217	13,432	465,636	3,071
27.2	**Deferred tax assets**				
	Tax effect on employee benefits	983	981	501	608
	Total deferred tax asset	983	981	501	608
27.3	**Deferred tax liabilities**				
	Tax effect on investment properties and property, plant and equipment	911,119	193,900	525,805	60,276
	Total deferred tax liability	911,119	193,900	525,805	60,276
	Net deferred tax liability	910,136	192,919	525,304	59,668

(All figures are in Sri Lankan Rupees thousands)

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

As per the new Inland Revenue Act applicable from 1st April 2018, gains on sale of business assets including lands which are used in the production of income are made liable for taxation at 28%. Accordingly, a deferred tax liability of Rs. 465.5 mn and Rs. 717.2 mn for the Company and the Group respectively on the temporary difference arising from gain on fair valuation of investment properties has been accounted during the year.

		Group		Company	
	As at 31st March	2018	2017	2018	2017
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	3,505	4,267	2,172	1,974
	Current service cost	249	226	127	130
	Interest cost	403	448	250	207
	Actuarial losses /(gains)	140	(423)	28	(139)
	Payments made during the year	(786)	(1,013)	(786)	-
	Balance as at the end of the year	3,511	3,505	1,791	2,172
28.2	**The amount recognised in the statement of profit or loss are as follows;**				
	Current service cost	249	226	127	130
	Interest cost	403	448	250	207
	Charge for the year	652	674	377	337
28.3	**The amount recognised in the statement of other comprehensive income is as follows;**				
	Actuarial losses / (gains)	140	(423)	28	(139)
	Charge / (gain) for the year	140	(423)	28	(139)
	Amounts recognized in the total comprehensive income	792	251	405	198

28.4 Liability on employee benefits as at 31st March 2018 amounting to Rs.1,791,362/- and Rs.3,510,777/- (2017 - Rs.2,172,486 /- and Rs. 3,505,052 /-) 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	10.5% p.a. (2017 - 11.5% p.a)
Rate of pay increase	10% p.a. (2017 - 10% p.a)
Retirement age	55 years
Mortality	A67/70 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 Sensitivity Analysis

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

	Group		Company	
As at 31st March	**2018**	**2017**	**2018**	**2017**
1% increase in discount rate	(173)	(112)	(89)	(39)
1% decrease in discount rate	195	172	99	107
1% increase in salary escalation rate	212	130	108	88
1% decrease in salary escalation rate	(192)	(166)	(98)	(45)

28.6 The above provision is not externally funded.

		Group		Company	
	As at 31st March	**2018**	**2017**	**2018**	**2017**
29	**Trade and other payables**				
	Financial				
	Trade payables	166	1,205	122	1,002
	Other payables	30,055	35,186	14,567	22,690
		30,221	36,391	14,689	23,692
	Non financial				
	Provisions and accrued expenses	6,396	5,941	4,677	4,353
		6,396	5,941	4,677	4,353
		36,617	42,332	19,366	28,045

		Group		Company	
	As at 31st March	**2018**	**2017**	**2018**	**2017**
30	**Deferred revenue**				
	Balance as at the beginning of the year	7,579	11,242	1,214	2,873
	Amount transferred from refundable deposits	11,990	1,924	9,670	520
	Amortization of deferred revenue	(7,334)	(5,587)	(3,274)	(2,179)
	Balance as at the end of the year	12,235	7,579	7,610	1,214

31 Commitments and contingencies

31.1 Capital expenditure commitments

There were no significant financial commitments for the Company and the Group as at 31st March 2018.

31.2 Contingent liabilities

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

31.3 Litigations and claims

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

(All figures are in Sri Lankan Rupees thousands)

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 Carsons Management Services (Private) Limited, the management company, which is responsible for developing and monitoring the Group's risk management policies and reports regularly to the Board of Directors on its activities.

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

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

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	**2018**	**2017**
Credit risk		
Trade and other receivables	28,879	32,941
Less: Revenue on lease agreements recognized on straight line basis	(16,238)	(22,033)
	12,641	10,908
Fair value through profit or loss financial assets	104,804	-
Cash and cash equivalents	20,711	11,985
	138,156	22,893

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 party tenants, covering the rental income for a period of 3-6 months, which provides cover to the Group in the event of a default. Details of the Refundable rental and other deposits held by the Group as at the reporting date is as follows.

	Group	
As at 31st March	**2018**	**2017**
Refundable rental deposits		
Carrying value	87,695	77,607
Face value	100,553	85,860

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

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

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

	Group	
As at 31st March	**2018**	**2017**
Revenue on lease agreements recognized on straight line basis	16,238	22,033
1–30 days	330	160
31–90 days	1,468	2
	18,036	22,195

32.1.3 There were no circumstances that would require impairment in respect of trade and other receivable as at the year end (2017- Nil).

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

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

The Group has invested in following unit trust;

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

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

(All figures are in Sri Lankan Rupees thousands)

Cash and cash equivalents

The Group held cash and cash equivalents of Rs.20.7mn as at 31st March 2018 (2017: Rs 12mn), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA(lka) based on Fitch Ratings.

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

	Group	
As at 31st March	**2018**	**2017**
Cash at Bank	20,711	11,985
	20,711	11,985

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.

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 2018	**Carrying**	**Contractual cash flows**					
	amount	**Total**	**3 months or less**	**4-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Refundable rental deposits	87,695	100,553	359	46,668	39,600	8,946	4,980
Trade Payables	166	166	166	-	-	-	-
Other payables	30,055	30,055	9,319	20,736	-	-	-
	117,916	130,774	9,844	67,404	39,600	8,946	4,980

As at 31st March 2017	**Carrying**	**Contractual cash flows**					
	amount	**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	77,607	85,860	9,693	19,327	42,591	13,559	690
Trade Payables	1,205	1,205	1,205	-	-	-	-
Other payables	35,186	35,186	9,446	25,740	-	-	-
	113,998	122,251	20,344	45,067	42,591	13,559	690

The amounts disclosed in the above 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. 20.7mn (2017 - Rs 12 mn).

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

In addition, the Group has unutilised overdraft facility in place of Rs. 100mn as at 31st March 2018 and has access to short-term financing facilities extended from the parent company, Carson Cumberbatch PLC, if required.

32.3 Market risk

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

32.4 Accounting classifications and fair values

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

32.5 Fair value vs. Carrying amount

As at 31st March 2018	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	-	-	20,711	-	-	20,711	20,711
Fair value through profit or loss	104,804	-	-	-	-	104,804	104,804
Trade and other receivables	-		28,879	-	-	28,879	28,879
	104,804	-	49,590	-	-	154,394	154,394
Refundable rental deposits	-	-	-	-	87,695	87,695	87,695
Trade and other payables	-	-	-	-	30,221	30,221	30,221
	-	-	-	-	117,916	117,916	117,916

As at 31st March 2017	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	-	-	11,985	-	-	11,985	11,985
Trade and other receivables	-	-	32,941	-	-	32,941	32,941
	-	-	44,926	-	-	44,926	44,926
Refundable rental deposits	-	-	-	-	77,607	77,607	77,607
Trade and other payables	-	-	-	-	36,391	36,391	36,391
	-	-	-	-	113,998	113,998	113,998

(All figures are in Sri Lankan Rupees thousands)

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 Limited and Bukit Darah PLC is the Ultimate Parent and Controlling entity of Equity One Limited.

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

			Group		Company	
	For the year ended 31st March		2018	2017	2018	2017
33.2.1	Key Management Personnel compensation					
	Short-term employee benefits	- Directors fees	850	1,100	400	650
		- Nomination committee fees	-	58	-	58
	Post-employment benefits		-	-	-	-
	Termination benefits		-	-	-	-
	Other long-term benefits		-	-	-	-
			850	1,158	400	708

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

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		Company	
			2018	2017	2018	2017
Parent company						
Carson Cumberbatch PLC	D. C. R. Gunawardena	Settlements made on short-term advances obtained	-	80,674	-	80,674
Subsidiaries						
Equity Two PLC	D. C. R. Gunawardena K. C. N. Fernando A.P. Weeratunge E.H. Wijenaike P. D. D. Fernando	Settlements made on short-term advances obtained including interest	-	-	-	16,654
		Interest received on short-term advances provided	-	-	-	797
		Dividend received	-	-	55,753	39,647
Equity Three (Private) Limited	K. C. N. Fernando	Short-term advances obtained	-	-	10,500	9,870
		Settlements made on short-term advances obtained	-	-	10,500	12,370
		Dividend received	-	-	9,720	14,580
Fellow subsidiaries						
Carsons Management Services (Private) Limited (CMSL)	K. C. N. Fernando A. P. Weeratunge	Support service fee paid	9,179	9,174	4,213	4,337
		Secretarial fees paid	967	878	453	411
		Computer charges paid	582	582	306	306
		Rental income received	25,200	25,200	8,100	8,100
		Parking fees received	440	540	-	-
Guardian Fund Management Limited	A. P. Weeratunge	Rental income received	5,693	5,693	-	-
		Parking fees received	120	180	-	-

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

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

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

(All figures are in Sri Lankan Rupees thousands)

As at 31st March	% of equity interest 2018	2017
33.4 Group entities		
Equity Two PLC	88.8%	88.8%
Equity Three (Private) Limited	100.0%	100.0%

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

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

(a) the individual's domestic partner and children;

(b) children of the individual's domestic partner; and

(c) dependents of the individual or the individual's domestic partner's CFM are related parties to the entity.

There were no transactions with CFM during the year.

For the year ended 31st March	Company 2018	2017
34. Dividend per share		
Dividends paid during the year		
Final / interim dividends	30,242	36,290
Dividends proposed during the year		
First interim dividend	30,242	30,242
Dividend per share (Rs.)	0.75	0.75

35. Comparative Figures.

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

36. Directors' responsibility.

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

Five Year Summary

(All figures are in Sri Lankan Rupees thousands)

For the year ended/As at 31st March		2018	2017	2016	2015 Restated	2014
Trading results						
Revenue		289,025	254,744	233,510	210,753	174,144
Profit before taxation		894,153	156,674	679,371	411,984	244,163
Income tax expenses		(774,521)	(51,045)	(49,043)	(28,246)	(51,630)
Profit for the year		119,632	105,629	630,328	383,738	192,533
Shareholders' funds						
Stated capital		1,085,584	1,085,584	1,085,584	1,085,584	1,085,584
Reserves		1,803,466	1,728,970	1,665,683	1,076,548	784,723
Minority interest		120,333	112,505	111,141	92,348	75,405
Total equity		3,009,383	2,927,059	2,862,408	2,254,480	1,945,712
Assets employed						
Current assets		155,138	45,880	39,540	50,771	40,175
Current liabilities		(73,968)	(66,596)	(148,674)	(234,777)	(297,036)
Working capital		81,170	(20,716)	(109,134)	(184,006)	(256,861)
Non-current assets		3,929,555	3,221,806	3,218,958	2,652,007	2,402,638
Assets employed		4,010,725	3,201,090	3,109,824	2,468,001	2,145,777
Non-current liabilities		(1,001,342)	(274,031)	(247,416)	(213,521)	(200,065)
Net assets		3,009,383	2,927,059	2,862,408	2,254,480	1,945,712
Cash flow statement						
Net cash inflows / (outflows) from:						
Operating activities		172,283	128,714	58,886	104,136	206,368
Investing activities		(125,806)	(3,576)	(30,145)	(29,631)	446,347
Financing activities		(37,751)	(123,692)	(47,140)	(67,616)	(639,166)
Net increase / (decrease) in cash & cash equivalents		8,726	1,446	(18,399)	6,889	13,549
Ratios and statistics						
Dividend per share*	(Rs.)	0.75	0.75	0.15	0.15	0.35
Dividend yield	(%)	N/A	N/A	0.31	0.36	1.27
Dividend payout	(%)	28.85	30.49	0.99	1.65	7.68
Return on shareholders' funds	(%)	3.63	3.52	22.20	16.97	9.90
Earnings per share	(Rs.)	2.60	2.46	15.15	9.10	4.56
Earnings yield	(%)	N/A	N/A	31.11	21.67	16.52
P/E ratio	(times)	N/A	N/A	3.21	4.62	6.05
Market price per share**	(Rs.)	N/A	N/A	48.70	42.00	27.60
Net assets per share	(Rs.)	71.65	69.80	68.23	53.62	46.38
Current ratio	(times)	2.10	0.69	0.27	0.22	0.14
Market capitalization	(Rs. '000)	N/A	N/A	1,963,668	1,693,513	1,112,879

Notes :

* Based on proposed / interim dividends.

** The market price per share as at 31 March
Market price per share as at 31st March 2018 was not available since company was delisted form the Official List of the Colombo Stock Exchange (CSE) on 2nd November 2016.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the THIRTY SIXTH Annual General Meeting of **EQUITY ONE LIMITED** will be held on Friday, 15th June 2018 at 2.30 p.m. at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka for the following purposes:

1. To consider the Annual Report of the Board of Directors including the Financial Statements of the Company for the financial year ended 31st March 2018 together with the Report of the Auditors thereon.

2. To re-elect Mr. D.C.R. Gunawardena who retires by rotation in terms of Articles 71, 72 and 73 of the Articles of Association of the Company.

3. To re-appoint Mr. P.D.D. Fernando as a Director of the Company who is over seventy years of age and to consider and if deemed fit to pass the following Resolution :

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 7 of 2007 shall not be applicable to Mr. P.D.D. Fernando who is 75 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

4. To re-appoint Mr. K.C.N. Fernando as a Director of the Company who is over seventy years of age and to consider and if deemed fit to pass the following Resolution :

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 7 of 2007 shall not be applicable to Mr. K.C.N. Fernando who is 71 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

5. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act, No. 7 of 2007 and to authorize the Directors to determine their remuneration.

By Order of the Board

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

Colombo
14th May 2018

Notes

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a Shareholder of the Company. A Form of Proxy accompanies this notice.
2. The completed Form of Proxy must be deposited at the Registered Office, No.61, Janadhipathi Mawatha, Colombo 1, Sri Lanka. not later than 4.45 p.m. on 13th June 2018.
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 Shareholder.
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 Shareholder/Shareholders of **EQUITY ONE LIMITED**

hereby appoint ....

....

of ....

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

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

as *my/our proxy to attend at the Thirty Sixth Annual General Meeting of the Company to be held on Friday, 15th June 2018 at 2.30 p.m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 07, Sri lanka and at any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1.	To re-elect Mr. D.C.R. Gunawardena who retires by rotation in terms of Articles 71, 72 and 73 of the Articles of Association of the Company.		
2.	To re-appoint Mr. P.D.D. Fernando who is over seventy years of age as a Director of the Company.		
3.	To re-appoint Mr. K.C.N. Fernando who is over seventy years of age as a Director of the Company.		
4.	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 Eighteen.

....

Signature/s

Note:

a) * Please delete the inappropriate words.

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

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

d) Instructions are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

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

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

3. In terms of Article 53 of the Articles of Association of the Company:

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

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

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

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

4. In terms of Article 49 of the Articles of Association of the Company:

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

5. To be valid the completed form of proxy should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1, Sri Lanka not later than 4.45 p.m. on 13th June 2018.

Please fill in the following details

Name : ………………………………………………………………………

Address : ………………………………………………………………………

: ………………………………………………………………………

Jointly with : ………………………………………………………………………

Share Folio No. : ………………………………………………………………………

Corporate Information

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

Company Registration No.
PQ 19 PB

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

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

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

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

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

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

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

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

Corporate Website
www.carsoncumberbatch.com

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