

**Overseas Realty (Ceylon) PLC**  
STRUCTURED

Annual Report 2011  
**GROWTH**



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# **Overseas Realty (Ceylon) PLC**

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GROWTH

## **Property Leasing. Property Trading. Property Services**

2011 has been another year of positive results for Overseas Realty (Ceylon) PLC. Your Company has maintained its record of prudently structured growth built on solid foundations. We are now ready to benefit from the upside potential of an optimistic business environment, as we go forward with confidence, momentum and a clear strategy for the future.

## **Our Vision**

Our passion is to be the most successful and innovative real estate solutions provider in the region.

## **Our Values**

Customer Oriented

Quality

Team Work

Honesty

Continuous Learning

Innovation

Accountability

Respect

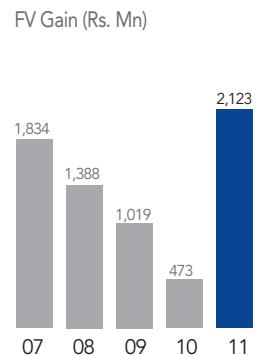
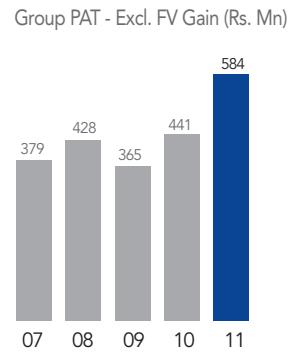
Sense of Urgency

## **Our Mission**

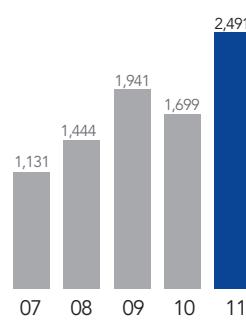
To be a truly Sri Lankan, self contained, diversified, real estate solutions provider, driven by a highly motivated professional team to exceed the expectations of customers and shareholders.

## Group Financial Highlights

For the year ended	2011 Rs. Mn	2010 Rs. Mn	Group PAT - Excl. FV Gain (Rs. Mn)
Income Statement			
Revenue	2,491.26	1,698.67	
Gross Profit	922.90	736.66	
Fair Value Gain	2,122.86	473.16	
Profit Before Tax	2,732.20	925.17	
Profit After Tax	2,706.94	914.11	
Profit After Tax excl. FV Gain	584.08	440.95	584
Balance Sheet			
Total Assets	25,211.09	22,310.37	
Total Liabilities	4,631.15	4,200.00	
Net Borrowings	2,882.19	2,878.84	
Shareholders' Equity			
Stated Capital	10,186.09	10,186.09	
Reserves	9,430.72	7,021.17	
Financial Ratios			
Gross Profit %	37%	43%	
PAT (incl FV) %	109%	54%	
PAT (excl FV) %	23%	26%	
Return on Equity %	14%	5%	
Return on Total Assets %	11%	5%	
Debt Equity Ratio	0.14	0.16	



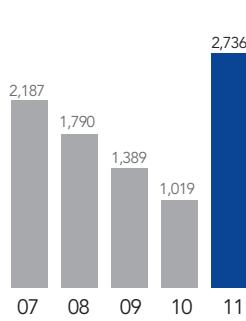
Group Revenue (Rs. Mn)



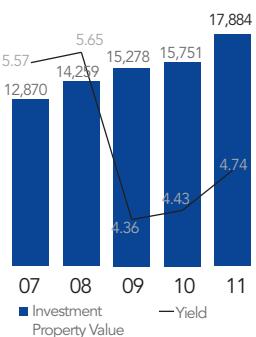
NAVPS vs. Avg. Share Price (Rs.)



Group EBIT (Rs. Mn)



Investment Property Value (Rs. Mn) vs. Yield %



## Chairman's Statement



In 2011 your Company was able to position itself as the premier property development, property management and property owning company in Sri Lanka as a result both of the environment in which we operate i.e. increased investor confidence in the country, pro-business policies of the Government and economic stability arising from peace and the high

standards of quality and service that we are able to consistently maintain and deliver. This is reflected in the Group's Profit after Tax (excluding fair value gains) of Rs. 584 Mn, a 32% increase compared to the previous year. The concomitant increase in demand for quality office space in the World Trade Center Colombo and residential apartments in Havelock City enabled the Group to record a Gross Revenue of Rs. 2,491 Mn, an increase of 47% compared to that achieved in 2010.

### Economic Outlook

Sri Lanka has been able to maintain its post war growth above 8% for the past two years. Notwithstanding a heightened level of geo-political uncertainty with its knock on effect on the region, Sri Lanka is expected in the longer term to be resilient and maintain sustained growth.

### Financial Performance

With the continued growth and development of the national economy, 2011 saw increased demand for the leasing of quality office space at the World Trade Center (WTC) Colombo as well as apartment sales at Havelock City. The Group registered healthy growth in both revenue and profit with revenue of Rs. 2,491 Mn showing an increase of 47% and Profit before Tax excluding fair value gains on investment property of Rs. 609 Mn showing an increase of 35%. The Group's Profit after Tax after fair value gains for 2011 was Rs. 2,707 Mn registering a growth of 196%.

Group profit was affected by an exchange loss of Rs. 39.8 Mn consequent on the depreciation of the Sri Lanka Rupee (SLR) in 2011 compared with an exchange gain of Rs. 83.7 Mn in 2010. Due to further depreciation of the SLR in the 1st quarter of 2012, foreign exchange risk will have to be carefully monitored and managed.

### World Trade Center Colombo Operations

Significant twin increases in occupancy (89% achieved in December 2011) and average rental rates in WTC Colombo contributed to a strong performance for the Company. Since its inception 15 years ago the World Trade Center Colombo has been the "best business address" in Colombo with unmatched built quality, facilities, services and location in the central business district. It is a strong testament to the Company's dedication to excellence and will continue to be the leader in quality office space.

**"The property market is the biggest business enterprise in any leading city in the world. Thus our Company is a direct beneficiary of economic stability, growth and business confidence in the country."**

### Havelock City Project

#### Residential

With 211/225 apartments in Park and Elibank (Phase 1) sold, the Company's subsidiary Mireka Homes (Pvt) Ltd launched the sale of Phase 2 comprising 218 units. The launch was well received with 25% of the units being pre-sold. Construction of Phase 2 has now commenced with expected completion in the first quarter of 2014. Construction of the highly anticipated Club House has also started and will be ready in early 2013. It is designed as the central focus for social activity exclusively for the residents of Havelock City.

#### Commercial

Havelock City's commercial mixed use development, which will accommodate Sri Lanka's largest shopping mall of 560,000 sq ft and two towers of office space of 750,000 sq ft, has received necessary preliminary regulatory approvals and construction is scheduled to begin 3rd quarter 2012.

In 2011 the Company acquired an additional 85 perches of land adjacent to the current development. This acquisition provides the project an opportunity to pursue other options of development to complement the total project.

Upon completion Havelock City will serve an entire community and will form the backbone of the Company's asset base.

### Future Prospects

The property market is the biggest business enterprise in any leading city in the world. Thus our Company is a direct beneficiary of economic stability, growth and business confidence in the country. Whilst we have recorded significant operational growth in 2011 the Company will explore every property related opportunity available in order to maximize shareholder value.

### **Appreciation**

I would like to commend Management for their unstinting efforts in delivering on the ambitious goals set out for the Company in 2011 and establishing a platform for its continued success and growth.

I would like to extend a warm welcome to Tissa Kumara Bandaranaike to the Board of Directors and also express my appreciation to my colleagues on the Board for their constant support and wise counsel.

It would be remiss of me not to acknowledge the tremendous contributions made by the late Martin Pereira who has during the past twenty years worked closely with me and given his all to make my vision for the Company, a reality.

Last but not least I would like to express my sincere appreciation to all shareholders for their continued support and faith in the success of your Company.



**S. P. Tao**  
Chairman

## Profiles of Directors

### Mr. Shing Pee Tao

Mr. Shing Pee Tao is the founder of the Shing Kwan Group. A naturalized citizen of Singapore of Chinese origin, Mr. Tao has extensive worldwide business experience and is widely regarded as a visionary entrepreneur in the commodities, shipping and real estate sectors. Mr. Tao has been the non-executive Chairman of the Company since the Shing Kwan Group invested in the Company in 1991.

Mr. Tao commenced his business association with Sri Lanka in 1958 dealing in commodities and shipping with the Ceylon Food Commissioner's office. In the 1970's, he assisted Sri Lanka to establish the Ceylon National Shipping Corporation when he sold one ship, on credit, to the Shipping Corporation which was renamed "Lanka Rani". Pursuant to that, as payment, he received a 20% equity share in Colombo Dockyard.

In 1991, Mr. Tao, in assisting the Keppel Group of Singapore to negotiate and acquire Colombo Dockyard, revisited Colombo and thus renewed his acquaintances and re-visited friends of some 20 years.

Attracted by the incentives offered by the Sri Lankan Government and on the recommendation of his old friend, the then Chairman of National Development Bank, Mr. Baku Mahadeva, Mr. Tao acquired Overseas Realty (Ceylon) Ltd, a listed company on the Colombo Stock Exchange, owning an undeveloped plot of land at Echelon Square in the Colombo Fort area.

Mr. Tao then decided on a monumental investment in Sri Lanka, for his legacy, in developing the World Trade Center (WTC) Colombo Twin Towers, which at the time was years ahead of any commercial development in the country. To ensure the highest standards of quality that would withstand the test of time, he also invited the world's leading construction company, Turner Steiner of USA, to construct the Twin Towers.

Apart from Sri Lanka, Mr. Tao has real estate investments principally in China and Singapore. Between 1972 and 1996, he was Chairman of Singapore Land Ltd spearheading its growth into the largest listed property company on the Singapore Stock Exchange. During this time, he conceptualized and developed the iconic Marina Square complex which paved the way for development in downtown Singapore. Mr. Tao was also a co-founder of PT Jakarta Land, developer and owner of the World Trade Center complex in Jakarta, Indonesia and served on its Board from 1980 to 2005.

### Mr. Hussein Zubire Cassim

Appointed to the Board as a non-executive Director of Overseas Realty (Ceylon) PLC (ORC PLC) in April 1991, Mr. Cassim presently serves as

the Deputy Chairman of the Board and a Member of the Audit Committee and Remuneration Committee.

Mr. Cassim was also a member of the Panel of Advisors of the United Nations Youth Federation of Sri Lanka from May 1999 to 2004. He was the first President of the Sri Lanka - Singapore Business Council, an affiliate of the Ceylon Chamber of Commerce.

### Mrs. Mildred Tao Ong (Dr.)

Mrs. Mildred Ong was appointed to the Board as a non-executive Director in 1991. She received her MBBS from University College London in 1972 and MRCP (UK) in Pediatrics in 1975. She however gave up medical practice to join the Shing Kwan Group in 1977 where she has been actively involved in all aspects of the Group's property portfolio encompassing the residential, commercial and retail sectors through its controlling interest in Singapore Land Ltd (until 1990), P T Jakarta Land (until 2005) and ORC PLC. Mrs. Ong participated in the Advanced Management Program at Harvard Business School in 1983.

Mrs. Ong currently oversees the Shing Kwan Group's real estate investments in Singapore and abroad.

### Mr. Melvin Yap Boh Pin

Mr. Melvin Yap Boh Pin was appointed as a non-executive Director of the Company in 1991 and was a member of the Executive Committee of the Board until 18 January 2010. Mr. Yap serves as a member of the Company's Audit Committee.

Mr. Yap qualified as a Chartered Accountant from the Institute of Chartered Accountants in England and Wales in 1966. He is a Fellow member of both the Institute of Certified Public Accountants of Singapore and the Institute of Chartered Accountants in England and Wales.

He is currently the Managing Director of B.P.Y. (Pvt) Ltd, a firm of management consultants which provides financial planning, financial accounting, reviewing internal control systems as well as corporate secretarial services in Singapore.

Between July 1975 and January 1999, Mr. Yap was a senior partner at Yap Boh Pin & Co. which provided advice on auditing, taxation, liquidation and corporate restructuring matters. He is an independent Director of TeleChoice International Ltd, a public listed company and Asia Mobile Holdings Pte Ltd (a private subsidiary of Singapore Technologies Telemedia Pte Ltd), which is part of the Singapore Technology Group. He is also the Chairman of the Audit Committee and member of the Nominating Committee for TeleChoice International Ltd. He is

also an independent Director of public listed company, Lereno Bio-Chem Ltd, serving as Chairman of its Nominating Committee and member of its Audit Committee.

He has also held directorships in various public companies between 1975 and 2000, including Singapore Land Ltd, L&M Investments Ltd and Pan Pacific Company Ltd and a member of their executive committees and/or audit committees, assisting in the evaluation and recommendation of changes to their system of internal controls and corporate governance.

Beyond the corporate sector, Mr. Yap is actively involved in various non-profit, educational and social welfare organizations. He is a member of the Board of Governors of the Singapore Hokkien Huay Kuan and a member of the Board of Trustees of the Chinese Development Assistance Council, as well as a member of its Audit Committee. He is also a Director of Anglo-Chinese School (International). He has also been appointed member of the Board of Directors and Chairman of the Finance Committee of the Singapore Heart Foundation.

#### **Mrs. Rohini Letitia Nanayakkara**

Mrs. Rohini Nanayakkara was appointed to the Board of Directors of the Company as an independent non-executive Director in 2005. She holds a second Class BA Honours Degree from the University of Peradeniya, Sri Lanka. She also holds a Diploma in French from the Chamber of Commerce, Brussels. She is a Fellow of the Institute of Management & the Institute of Bankers, Sri Lanka. She has also been the President of the Sri Lanka Banks Association and the Association of Professional Bankers, a member of the Commission of the University of Colombo, Sri Lanka and of the Task Force set up by the Government for tsunami reconstruction.

She was the first woman executive to join a commercial bank, namely Bank of Ceylon, eventually earning the rare distinction of becoming the first woman General Manager/CEO of the Bank, a first for any bank in Sri Lanka and the Asian Region.

She was also Chairman/Director of several financial institutions such as the National Development Bank, DFCC Bank, Merchant Bank of Sri Lanka and the First Capital Group of Companies. She has served as Director/General Manager/CEO of one of the largest private banks namely, Seylan Bank PLC.

She is presently the Chairperson of the LOLC Group of Companies, Browns Group of Companies, NDB Venture Investments (Pvt) Ltd, Ayojana Fund (Pvt) Ltd, Taprobane Holdings Group of Companies, Hydro Power Free Lanka (Pvt) Ltd. She is also a Director of ORC PLC, Mireka Homes (Pvt) Ltd, Trans Asia Hotels PLC and Eastern Merchants PLC. She is the President of the United Nations Association of Sri Lanka and a trustee of the National Trust of Sri Lanka.

#### **Mr. Ajit Mahendra De Silva Jayaratne**

Mr. Ajit M De S Jayaratne was re-appointed to the Board of ORC PLC in 2005 as an independent non-executive Director Mr. Jayaratne is also the Chairman of the Audit Committee of the Company.

Mr. Jayaratne graduated from the University of Southampton, U.K. with a BSc degree in Economics. Thereafter he qualified as a Fellow of the Institute of Chartered Accountants in U.K. Returning to Sri Lanka, he became a member of the Institute of Chartered Accountants in Sri Lanka.

He served at Forbes & Walker Ltd for most of his working life, culminating in being appointed as the Chairman of the Company, a position he held for several years. During his period of service at Forbes & Walker, he was appointed to the Boards of several public and private companies. He also served as the Chairman of the Colombo Stock Exchange, Chairman of the Finance Commission and Chairman of the Ceylon Chamber of Commerce. Upon retiring from the private sector, he was appointed as Sri Lanka's High Commissioner to Singapore. Upon completing his term in Singapore and returning to Sri Lanka, he continues to serve on the Boards of several public companies.

#### **Mr. Ong En Ping**

Mr. Ong was appointed to the Board of Directors of the Company on 18 January 2010 and has served as Executive Director since 1 August 2010. Mr. Ong graduated from Harvard University with a BA (Hons) in Applied Mathematics and later attended the Graduate School of Business at Stanford University for his MBA. He has a background in Investment Banking and is currently focused on growing the real estate business of the Shing Kwan Group.

#### **Mr. Leslie Ralph de Lanerolle**

Mr. Ralph de Lanerolle joined the Board of Directors of ORC PLC on 3 June 2010. Mr. de Lanerolle has over 45 years of work experience in both the public and private sectors, where he has held senior management positions.

A Chartered Engineer, Mr. de Lanerolle holds a Bachelors Degree in Civil Engineering (First Class Honours) from the University of Ceylon (1965) and a Masters Degree from the University of Waterloo, Ontario, Canada (1968). He is a member of the Association of Professional Bankers of Sri Lanka and a Fellow of the Economic Development Institute of the World Bank, Washington.

## Profiles of Directors

Mr. De Lanerolle has worked primarily in the field of project finance and management, undertaking assignments in diverse sectors of the economy, especially in the financial services, real estate, tourism, hotel and transportation sectors. In an individual capacity, he has served as Consultant to several private companies, providing project related advisory services from pre-investment to implementation.

Mr. de Lanerolle is currently, a Director of ORC PLC and its group companies Mireka Capital Land (Pvt) Ltd and Mireka Homes (Pvt) Ltd. He has also served and continues to serve, on the Board of Directors of several private and public listed companies.

### **Mr. Tissa Kumara Bandaranayake**

Mr. Tissa Bandaranayake was appointed to the Board of Directors of ORC PLC as a non-executive independent Director on 19 May 2011 and he is also a member of the Audit and Remuneration Committees. A Fellow member of the Institute of Chartered Accountants of Sri Lanka Mr. Tissa Banadaranayake also holds a B.Sc. degree from the University of Ceylon.

Mr. Bandaranayake retired from Ernst & Young as senior Partner in 2009 after 27 years of Service. He was the former Chairman of the Audit Faculty and the current Chairman of the newly created Quality Assurance Board of Sri Lanka established by the Institute of Chartered Accountants of Sri Lanka comprising senior professional representatives from both the private sector and State Regulatory bodies.

Mr. Bandaranayake presently serves as an independent Director of DFCC Bank, Central Finance Co. PLC, Nawaloka Hospitals PLC, Samson International PLC, Laugfs Gas PLC, Coco Lanka PLC, Renuka Holdings PLC and Micro Holdings Ltd. He also serves as an independent Advisor to the Board Audit Committee of DFCC Vardhana Bank and as a Consultant to the Board of Noritake Lanka Porcelain (Pvt) Ltd.

## Key Events



**Unveiling of SamaVihara**

Laying of foundation stone and unveiling of designs of the SamaVihara Temple being developed by the Chairman on behalf of the constituents of the temple that is located adjacent to Havelock City Commercial.



**Celebrating Vesak**

Vesak Lantern displayed at the lobby of the World Trade Center Colombo. The intricate lanterns were designed and developed by the Company staff.



**Club House - HC Residential**

Ceremony to launch development of the Havelock City Club House. The Club House will be available for the exclusive use of residents at Havelock City Residential from early 2013.



**Annual Report Award**

Gold Award for the best Annual Report 2010 in the Land & Property Sector awarded by the Institute of Chartered Accountants Sri Lanka.



**HC Commercial**

Test piling at the Havelock City Commercial site in preparation of the 1.3 million square foot Commercial development.



**Link Bridge - WTC**

Opening ceremony of the link bridge facilitating shared parking between World Trade Center Colombo and Galadari Hotel.



**Food Court - WTC**

The Food Court at World Trade Center Colombo which began operations recently has enhanced the F&B facilities for our tenants.



**Phase 2 - HC Residential**

Super structure and contract signing ceremony for Phase 2 of the Havelock City Residential project with International Construction Consortium (Pvt) Ltd.

## Segmental Analysis

### Property Leasing

With over 750,000 sq ft of prime office and commercial space located in the heart of the central business district, surrounded by Banks, Hotels and Government institutions, with panoramic views of the city, sea and Colombo harbour, the World Trade Center Colombo is the Best Business Address in Sri Lanka.



Property Leasing (Rs. Mn)	2011	2010
Revenue	847	697
Profit	2,534	706
Assets	20,547	17,926
Liabilities	1,254	944

2011 saw strong growth in demand for commercial and office space as a result of a growing economy and positive business sentiments in the country. Revenue generated through leasing of space at the World Trade Centre (WTC) Colombo of Rs. 847 Mn saw significant growth of 21% over the previous year. Occupancy which was at 72% at the start of the year closed at 89% with committed occupancy being 95%. Additionally, the lack of quality commercial space in Colombo augurs well for the Company's ability to demand higher rates and enhance its yields in the future.

The WTC Colombo, the Group's monumental high rise is nationally recognized as the 'best business address' in Sri Lanka. Despite being fifteen years old the WTC Colombo is unmatched as a commercial building in terms of quality, service and quantum of leasable space available. 2011 has been one of the best performing years in the Company's history with occupancy at the WTC Colombo reaching 89% by December 2011 and committed occupancy being 95%. Given the continued expansion of the economy and WTC Colombo's unique positioning as the most sought after business address in Sri Lanka the Company expects to maintain an average occupancy of above 90% throughout 2012.

Another key achievement for the Company in 2011 was the recording of higher rentals from new and renewed leases which would contribute positively to future operational profits. The Company was able to increase rentals in 2011, driving the average rental index to 168 from the average rental index of 159 in 2010. Based on current demand the Company is optimistic in its ability to achieve a significantly higher rental index in 2012 that will increase both revenue and profits and enable the achievement of a yield that is a true reflection of the quality of the WTC Colombo.

The Group's next long term asset with a recurring rental income stream would be the Havelock City Commercial (HCC) development; construction of which is expected to commence this year with completion of the development scheduled for beginning 2016. HCC will have over 1.3 Mn sq ft of space and would include Sri Lanka's largest shopping mall comprising six retail floors with renowned international brands, a multiplex cinema, entertainment areas and restaurants and two office towers of 20 floors each. With a positive outlook and growth for the Sri Lankan economy, increasing consumer demand and the current dearth of quality office and retail space in Colombo we see the addition of HCC consolidating our position as the premier commercial space provider in the country.

## Segmental Analysis

### Property Trading

Built on 12 acres of land, with multiple road access in the heart of the metropolis, Havelock

City Residential is the largest residential development in Sri Lanka. With a vision of creating a 'City within a City', Havelock City will comprise 1,080 luxury apartments in 8 towers, a state of the art Club House with multiple features, a 6 acre roof garden for exclusive use of its residents and access to a mega shopping mall of international standard.



Property Trading (Rs. Mn)	2011	2010
Revenue	1,588	950
Profit	166	189
Assets	5,911	5,556
Liabilities	3,504	3,298

Driven by the economic growth and rapid urbanization of Colombo there is a growing acceptance of apartment style living within the city, which bodes well for sales at Havelock City (HC) Residential. Competing residential developments, rising interest rates and depreciation of the Sri Lankan Rupee will be challenges to be faced by HC Residential in 2012. However, we are confident in addressing these challenges and maintaining our sales momentum through 2012 given the uniqueness and quality of our product.

Built on 18 acres of land in Colombo, HC is a mixed development that once completed would be the largest residential-cum-commercial development in a contiguous site in Colombo. It will consist of 1,080 residential apartments (Havelock City Residential), a commercial complex (Havelock City Commercial), recreational and entertainment facilities, in line with its 'City within a City' concept. The project is being undertaken through Mireka Capital Land (Pvt) Ltd (MCL) a subsidiary of Overseas Realty Ceylon PLC and is a BOI approved joint venture with Bank of Ceylon.

HC Residential saw significantly improved sales in 2011 with units sold more than doubling compared to 2010, resulting in the selling out of 94% of the 225 units available in Phase 1. Revenue generated from the sale of condominium units in 2011 amounted to Rs. 1,588 Mn an increase of 67% from the previous year with a total of 68 units being sold vs. 32 in 2010. 2011 profit of Rs. 166 Mn was a decrease of 12% from the previous year, primarily due to an exchange loss of Rs. 41 Mn vs. an exchange gain of Rs. 81 Mn in 2010. Additionally, 25% of the 218 units under construction for Phase 2 were pre-sold during the year with a significant proportion of the balance expected to be sold by end 2012.

With Phase 1 of the development completed and almost sold out, Mireka Homes (Pvt) Ltd has begun development of Phase 2 comprising two towers with 218 units. Additionally, construction of the Club House for residential users has begun and is expected to be completed in early 2013. The Club House has been designed to international standards and once completed will comprise function rooms, swimming pools, gymnasium, members lounge and a host of other recreational facilities. Piling works of Phase 3 of the residential component is expected to begin towards the end of 2012.

During the year MCL acquired an additional extent of land consisting 85 perches adjacent to the proposed Phase 4 residential site. The enhanced land area originally reserved for residential development can now be utilized for an alternative purpose to further augment the value of the HC proposition.

Given the significant developments in Colombo and the regions the Group is also investigating potential opportunities that will grow its property trading portfolio.

## Segmental Analysis

### Property Services

Property services provide facilities management services to the two most prestigious developments in Sri Lanka, the World Trade Center Colombo and Havelock City. The level of service provided has made both these developments the most sought after office and residential developments in Sri Lanka.



Property Services (Rs. Mn)	2011	2010
Revenue	35	32
Profit	31	18
Assets	26	3
Liabilities	56	41

Revenue generated from property services amounted to Rs. 35 Mn an increase of 10% from the previous year. Services included managing the facilities of WTC Colombo and HC Residential towers amounting to 1.7 Mn sq ft and absentee landlord management services and broking services provided to HC apartment owners.

The Group is committed not only to develop high quality products in terms of residential and commercial property but also to provide high quality services in terms of managing the properties developed by the Group. Through its property services arm the Group provides facility management to the WTC Colombo, HC Residential towers and absentee land lord management and brokering/renting services to HC apartment owners.

During the year the facility management team implemented several initiatives that focused on further improving the facilities and services provided at the WTC Colombo. With electricity cost tariffs in Sri Lanka being amongst the highest in the world, energy cost which accounts for 70% of the operating costs at the WTC Colombo is a prime area of focus. Given this environment our team carried out a number of improvements to processes and equipment aimed at improving the productivity and efficiency of the HV AC systems. Another key component in managing this cost is awareness and education of tenants on the importance of energy conservation and methods to implement them.

In June 2011 property services division launched its realty management and broking services to HC Residential apartment owners through Realty Management Services (Pvt) Ltd (RMS). This service provides absentee land lord management and renting services for apartment owners. During 2011 RMS had 18 apartments under management and brokered the lease of 39 units.

Given the expected boom in commercial as well as residential real estate in the country and our experience of managing two of the most prestigious and sought after commercial and residential properties in Sri Lanka, the World Trade Center Colombo and Havelock City, we intend extending facilities management along with broking services to third parties in 2012.

## Financial Review

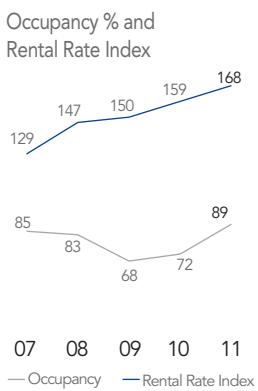
### Revenue

Group revenue of Rs. 2,491 Mn grew by 47% over the previous year. The primary sources of this revenue was derived from Overseas Realty (Ceylon) PLC via leasing of office space at the World Trade Center (WTC) Colombo and Mireka Homes (Pvt) Ltd (MHL) through the sale of condominium units at Havelock City (HC).

The Company whose main revenue is generated through leasing of space at the WTC Colombo saw significant growth in its rental revenue which

grew by 21% over the previous year. Occupancy which was at 72% at the start of the year closed at 89% with committed occupancy being 95%.

Revenue generated from MHL from the sale of condominium units amounted to Rs. 1,588 Mn an increase of 67% from the previous year with a total of 68 units being sold vs. 32 in 2010. Additionally approximately 25% of Phase 2 units were pre-sold in 2011 which sales are not recognized in revenue.



### Operating Expenses

The Company's operating expenses including financing cost for the year of Rs. 509 Mn increased by 2% over the previous year. The increase was primarily driven as a result of increase in property rates payable for the WTC Colombo premises.

Group operating expenses including financing and marketing expenses of Rs. 757 Mn increased by 19% from Rs. 638 Mn the previous year. However, this increase is primarily a result of an exchange loss of Rs. 39.8 Mn recognized in 2011 consequent on the depreciation of the SLR vs. the USD compared to an exchange gain of Rs. 83.7 Mn recognized in 2010. Excluding the impact of the exchange gains / losses the operating expenses in 2011 was well managed and in line with 2010.

### EBIT

Group EBIT (excluding fair value gain on investment property) of Rs. 613 Mn was 12% higher than Group EBIT of Rs. 546 Mn in the previous year. This improvement was attributable to the increase in both leasing and apartment sales revenue.

### Taxation

The Company and its subsidiaries, by virtue of being registered under section 17(2) of the BOI Act, enjoy tax holidays for its business activities. The Company enjoys a 15 year tax holiday which will be effective until 31 March 2020 for income generated from business activities in relation to

the WTC Colombo. MCL enjoys an 8 year tax holiday expiring on 31 March 2014. MHL enjoys a 12 year tax holiday expiring on 31 March 2019.

### Shareholder Returns

The Group recorded an EPS of Rs. 3.14, which is an increase of 155% over the previous year's EPS of Rs. 1.23.

The equity attributable to ordinary shareholders of the Group was Rs. 20,580 Mn as at 31 December 2011, which is 14% higher than the Rs. 18,110 Mn of the previous year.

The return on equity (based on average equity) for the Group stood at 14% for the year which was an increase from the 5% achieved last year. The primary reason being the increase in profits due to the significant fair value gain on investment property of Rs. 2,123 Mn, supported by the growth in operational profits.

### Asset Utilization

The net asset value per share for the Group attributable to an ordinary share was Rs. 24.40 as at the year end, which is a 14% increase over the previous year. The return on assets increased to 11% in 2011, compared to 5% in the previous year, again driven by the significant increase in fair value gain on investment property supported by the growth in operational profits.

## Risk Management

Risk management is ingrained in the operational procedures, processes and policies of the Group companies.

The Audit Committee constantly evaluates risk, its impact and measures taken to manage risk. Services of auditors and external consultants are obtained to assess risks and obtain recommendations.

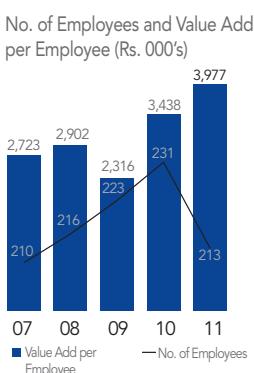
The following grid summarizes the main risk areas focused by the Group, its ranking and mitigating strategies.

Risk Type	Rank	Factor	Strategies/Action Plan
Foreign Currency Risk	High	Foreign currency borrowing for the Havelock City development	Apartment sales are contracted in US\$ to mitigate exposure. Construction contracts are entered into in Sri Lankan Rupees (SLR)
Regulatory Framework	Medium	Changes to tax and other regulations	Constant dialogue and lobbying with Regulatory authorities
Construction Costs	Low	Increase in construction material and other costs	Fixed price SLR contracts are entered into with construction contractors
Reputation Risk	Low	Product quality, timely delivery and service standards	Maintaining high product and service quality standards and quality assurance/control systems in project and facilities management
Fire Risk	Low	The World Trade Center Colombo building	Periodic review and maintenance of building fire systems, training of staff on fire protection procedures and adequate insurance cover
Building-Health and Safety	Low	The World Trade Center Colombo building	Preventive maintenance programmes, potable water testing etc carried out regularly Specialised equipment and life support systems maintained by qualified professionals regularly Periodic structural health checks conducted by professional consultants
Receivable Recovery	Low	Non recovery of receivables	Adequate customer deposits from lessees of leased property and contractual obligation to transfer asset only upon full payment of receivable for traded property

## Our People

We believe our people are our biggest asset. Our monumental development the World Trade Center Colombo is widely acknowledged as the best business address in Sri Lanka since its inception 15 years ago. The secret behind this recognition is the dedication, commitment and sense of ownership of our people to the organization.

Our Group's way of life is our culture that permeates through the entire organization. Our way of working is all about accepting and embracing our values and acting with professionalism to blossom in a vibrant environment.



The Group Human Resource (HR) function's core role is to build a highly motivated results oriented team to drive the business and achieve Group objectives. HR initiatives and practices are designed to infuse our values into the work ethic and motivate and empower our associates to excel in their work place. With appreciation and recognition being key elements in developing inspired people Group-wide, we believe it will facilitate innovation at all levels and create a culture which nurtures the values of the Group.

The Group's human resource strength at the end of 2011 was 213.

### Performance Management

The Group Performance Management System (PMS) is developed to suit the level at which the individual is placed in the organization and the nature of work performed to ensure the prevalence of a just and fair appraisal system in evaluating and rewarding our people.

The main focus of the PMS is to improve business performance, take ownership and to inspire and share with our staff our Vision and Value systems. The PMS is activated annually with bi-annual appraisals being done for key positions.

### Training & Competency Building

The training and development function of the Group supports the organization's philosophy of investing in its people and providing them the opportunity to develop their full potential in order to progress in their chosen career path. Many in house training programs were conducted using our own internal resources to develop IT, communication and technical skills creating an environment of participative learning for our staff level associates.

Our executive and managerial level associates were also exposed to professional development programs such as leadership and technical training in various disciplines.

### Welfare & Recreation

The welfare society which constitutes of all associates of the Group is managed centrally with contributions from the Company as well as employees. The society helps employees by providing monetary support for distress, educational and medical needs as well as organizing recreational activities.

During the year a cricket match between the departments was held which encouraged camaraderie and team work. The annual staff trip was held during the latter part of the year for employees and their families. The traditional annual employee get together which is held to coincide with the Christmas season was held in December with the presence of all Directors.

Special service awards recognizing long service of associates and achievers appreciating exceptional performance are presented to deserving associates to motivate them and others to stretch beyond.

The annual pirith ceremony conducted for the sixth consecutive time was held in January 2011 at the WTC Colombo to invoke blessings on the Group's associates and all residents of the premises.

## Corporate Governance

### Statement of Corporate Governance

Overseas Realty (Ceylon) PLC places strong emphasis on adopting and implementing sound practices of good governance and is tasked with ensuring that exemplary governance policy is adopted across all aspects of the business of the Company and its subsidiaries.

### Governance Policy

Transparency, accountability, integrity and high business ethics are the core conducts by which the Corporate Governance mechanism is formulated in order to effectively direct and govern the Company and its subsidiaries.

The Company is primarily guided by the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the listing rules of the Colombo Stock Exchange.

### Chairman and Group CEO's Functions

The Chairman of the Company has always functioned as a non-executive Chairman and has no activity involving the day to day management of affairs of the Company or direct supervision of staff or senior management.

The Group Chief Executive officer is in charge of the day to day management and operation of the business of the Company and its subsidiaries reporting to the Board. The executive Director provides a link between the Board and the Group Chief Executive Officer.

The above structure further strengthens the independence of the Board as well as role of the independent non-executive Directors.

### Board of Directors

#### Board Composition and Attendance

As at 31 December 2011, the Board of Directors of the Company consisted of nine (09) members. The names and the profiles of the Directors are given on pages 6-8 of this Report.

Mr. Martin Pereira ceased to be a Director of the Company due to his untimely demise on 9 April 2011. Mr. B Mahadeva and Mr. C J E Anthonisz having expressed their desire to not stand for re-election at the Annual General Meeting of the Company held on 6 day of May 2011 retired from their directorships effective from the conclusion of the said meeting.

Mr. Tissa K Bandaranayake was appointed as a non-executive independent Director to the Board on 19 May 2011.

The Board meets once in every quarter and the names of the Directors and their attendance at meetings during the financial year under review were as follows –

Name of the Director	Category	Attendance
S P Tao	Chairman	0/4
H Z Cassim	Deputy Chairman	4/4
Tissa K Bandaranayake	Director	2/2
Ajit M De S Jayaratne	Director	3/4
L R de Lanerolle	Director	4/4
Rohini L Nanayakkara	Director	3/4
Mildred Tao Ong	Director	3/4
En Ping Ong	Director	4/4
Melvin Yap Boh Pin	Director	4/4

#### Role and Responsibility of the Board

The Board is responsible for approving strategic objectives of the Company formulated in line with Company's vision, goals and values and ensuring the implementation of same. The Board's main responsibility is creating and delivering sustainable shareholder value within a robust good governance structure that maintains investor confidence and business integrity.

The Board ensures the adequacy of the risk management process, reviews the internal control systems and defines the responsibility of the key management personnel. The Board is responsible, ultimately, for the Company's financial performance and compliance to rules and regulations.

Non-executive and independent Directors bring independent judgment and scrutiny of decisions taken by the Board on issues of strategy, performance, resources and business conduct. The Directors stay abreast of development in management practice, the global and domestic economic developments and other matters relevant to the Company.

The Board conducts its meetings in a manner that the Board is in control of the affairs of the Company and remains sensitive to the obligations of all its stakeholders.

The Board seeks independent professional advice from external experts when necessary and the Company Secretary advises the Board on matters relating to Compliance with the Rules of the Colombo Stock Exchange and other rules and regulations.

## Corporate Governance

### Board Balance and Independence

Out of the nine (09) members of the Board, other than Mr. En Ping Ong, all others served in the capacity of non-executive Directors. Mr. En Ping Ong acts in the capacity of an executive Director, although not involved in the day to day operations. Mr. Ong creates the nexus between the Group Chief Executive Officer and the Board for effective and efficient decision making on key operational matters.

The Board is of the collective opinion that the majority of Directors are independent of the management of the Company and free from any business or other relationship that could materially interfere in the exercise of their judgment.

Mr. H Z Cassim who was appointed as a Director on 12 April 1991 continues to be a Director of the Company and is considered as a non-executive independent Director. He receives a fee for participating at Board meetings, Audit Committee and Remuneration Committee meetings and does not receive any other perquisites from the Company other than those declared in Note 27.3 to the Financial Statements. He does not perform any executive functions in the Company or its Group.

Mrs. Rohini L Nanayakkara was appointed to the Board on 20 May 2004 and Mr. Ajit M De S Jayaratne on 10 October 2005. Both these Directors have been acting as independent directors since their appointment. Mr. Tissa K Bandaranayake was appointed as a non-executive independent Director to the Board on 19 May 2011.

The Directors as a whole act free of any business or other relationships that could materially interfere with their ability to exercise unfettered and independent judgment. The Directors declare their interest in a timely manner and declare their interest in contracts and/or transaction under discussion at Board meetings.

### Financial Acumen

The Board includes Chartered Accountants and several members who have served in the banking and financial sectors, who possess the necessary acumen and knowledge to offer the Board guidance on matters of finance. The Board of Directors bring a wide range of local and international expertise needed for the overall direction, strategies and achievement of financial objectives of the Company.

### Appointments to the Board

The Articles of Association of the Company has provided the Board with the power to appoint Directors to the Board under the provisions of retirement by rotation and that newly appointed Directors, whether they are appointed to fill a casual vacancy or to serve as an additional Director, can hold office only until the Annual General Meeting of the Company

immediately following such appointment, after which they must seek re-election.

The re-election of a Director safeguards the right of the shareholder by providing for a regular reassessment of the composition of the Board. The names of the Directors submitted for re-election are provided to the shareholders along with notice of the Annual General Meeting, to enable them to make informed decisions on such appointments.

### Board Committees

The Board has formally delegated its responsibilities to Board Committees, which operate within clearly defined delegated authority.

### Audit Committee

The Audit Committee consists of five (05) non-executive Directors, three (03) of whom, including the Chairman are qualified Chartered Accountants, having extensive experience in the field of finance. The Committee is chaired by Mr. Ajit M de S Jayaratne, a non-executive independent Director. The members are Mr. H Z Cassim, Deputy Chairman, Mr. Melvin Yap Boh Pin, Mrs. Rohini L Nanayakkara and Mr. Tissa K Bandaranayake.

The Committee is responsible for the evaluation, appointment and reappointment of auditors and the continuous maintenance of a professional relationship with them. The Committee further fulfills the functions of reviewing the internal audit process, the assessment of the adequacy of internal controls, accounting policies and the adherence to and compliance with general principles of accounting. It further reviews and approves the quarterly and annual Financial Statements, striving to ensure accurate financial reporting and effective internal control and risk management.

The Audit Committee held five (05) meetings during the last financial year. The report of the Audit Committee appears on pages 26-27.

### Remuneration Committee

The Remuneration Committee comprises three (03) non-executive Directors and one (01) executive Director. The Committee is chaired by Mr. H Z Cassim while Mr. Ajit M De S Jayaratne, Mrs. Rohini L Nanayakkara, Mr. En Ping Ong and Mr. Tissa K Bandaranayake serve as members. The Committee is responsible towards the formulation and establishment of remuneration policies, including the reviewing, approving and recommending

to the Board the remuneration of Directors, the Group Chief Executive Officer and other individuals who hold key positions in the senior management of the Company. The Remuneration Committee ensures that the levels of remuneration are adequate to attract, retain and motivate the senior management so that the highest calibre of work may be expected and commensurate with each individual's performance and contribution to the Company.

The report of the Remuneration Committee appears on page 25.

#### **Disclosure of Directors' Remuneration**

The members of the Board receive a fee for participating at Board meetings and Board subcommittee meetings and do not receive any other perquisites or benefits other than what is disclosed in Note 27.3 to the Financial Statements.

#### **Accountability**

The Board considers it within their highest priority that complete disclosure of financial and non-financial information is made, within the parameters of realistic commercial practices. The Board pays great attention to the adoption of sound and accurate reporting practices ensuring that an honest and balanced assessment is presented at all times.

The statement of Directors' responsibilities for the Financial Statements is given on page 32 of this report.

#### **Financial Reporting**

The Board places great emphasis on complete disclosure of financial and non-financial information within the bounds of commercial reality and on the adoption of sound reporting practices. Financial information is disclosed in accordance with the Sri Lanka Accounting Standards and adoption of new accounting standards are carefully monitored by the Board.

#### **Internal Controls**

The Board remains continually committed towards ensuring that a sound system of internal controls is maintained in order to safeguard both the assets of the Company and shareholder interests. Thus, the Board is periodically briefed of the review conducted by the Audit Committee, which includes details as to the effectiveness of the Company's system of internal controls. Internal audits conducted at regular intervals strengthen the internal control process and any significant risks identified in this process are closely examined by the Audit Committee and recommendations are made to the Board to ensure that appropriate action is taken.

Policies have been established in the areas of investment and treasury management and an Enterprise Resource Planning system has been implemented to facilitate greater compliance of internal controls. The responsibility for implementing and ensuring compliance with the policies and guidelines are vested with the Group Chief Executive Officer of the Company.

Employees of the Company are carefully selected and periodically trained to work in a control conscious environment. A performance management system is in place to evaluate individual performance and achievement.

The Board ensures the periodic and timely reporting of information to shareholders and compliance with all relevant statutory and regulatory provisions.

#### **Major Transactions**

During the financial year ended 31 December 2011, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007.

#### **Shareholder Value and Return**

The Board strives to enhance shareholder value whilst protecting the legitimate interests of all its shareholders.

## Corporate Governance

### Compliance with the Colombo Stock Exchange Rules on Corporate Governance

The Company complied with the rules on corporate governance of the Colombo Stock Exchange and the Annual Report contains the relevant affirmative statement. The table confirming compliance with the said rules is given below.

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.1 (a)	Non-executive Directors	At least one third of the total number of Directors should be non-executive Directors.	Compliant	As at the conclusion of the immediately preceding AGM and as at 31 December 2011, eight (08) out of nine (09) Directors on the Board functioned in the non-executive capacity.
7.10.2 (a)	Independent Directors	Two or one third of non-executive Directors, whichever is higher, should be independent.	Compliant	As at the conclusion of the immediately preceding AGM and as at 31 December 2011 four (04) out of nine (09) Directors were independent.
7.10.2 (b)	Independent Directors	Each non-executive Director should submit a declaration of independence/non-independence in the prescribed format.	Compliant	All Directors have submitted the declaration in the prescribed format.
7.10.3 (a)	Disclosure relating to Directors	The Board shall annually make a determination as to the independence or otherwise of the non-executive Directors and names of independent Directors should be disclosed in the Annual Report.	Compliant	Please refer page 20 of this Report.
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board to determine a Director is independent, if criteria specified for independence are not met.	Compliant	Given in page 20 of the Corporate Governance Statement under the heading of Board balance and independence.
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise.	Compliant	Please refer pages 6-8 of this Report.
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the rules of the Colombo Stock Exchange.	Compliant	A brief resume of Mr. Tissa K Bandaranayake was submitted to the Colombo Stock Exchange when immediate disclosure of such appointment was made.
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	Compliant	Please refer page 25 of this Report.

<b>Rule No.</b>	<b>Subject</b>	<b>Applicable Requirement</b>	<b>Compliance Status</b>	<b>Details</b>
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise of non-executive Directors a majority of who will be independent.	Compliant	The Committee consists of four (04) non-executive independent Directors. Mr. En Ping Ong who is also a member of the Committee acts as an executive Director, but he is not paid any remuneration other than fees paid for attending Board meetings. Role of Mr. Ong is further explained under "Board Balance and Independence" of this report.
7.10.5 (b)	Function of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Group Chief Executive Officer and executive Directors. In a situation where both the parent company and the subsidiary are 'listed entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary.	Compliant	Please refer Remuneration Committee report on page 25 of this Report which sets out the functions of the Committee.
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out: a. Names of Directors comprising the Remuneration Committee b. Statement of remuneration policy c. Aggregate remuneration paid to executive & non-executive Directors.	Compliant Compliant Compliant	Please refer page 25 of this Report. Please refer page 25 of this Report. Please refer page 63 of this Report.
7.10.6	Audit Committee	The Company shall have an Audit Committee	Compliant	Names of the members of the Audit Committee are stated on page 26 of this report.
7.10.6 (a)	Composition of Audit Committee	Shall comprise of non-executive Directors a majority of who will be independent.  A non-executive Director shall be appointed as the Chairman of the Committee meetings.  Group Chief Executive Officer and Chief Financial Officer should attend Audit Committee meetings.  The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Compliant Compliant Compliant Compliant	Audit Committee consists of five (05) non-executive Directors of whom four (04) are independent.  Chairman of the Audit Committee is a non-executive independent Director.  The Group Chief Executive Officer and the Group Finance Manager attend the meetings by invitation.  Chairman and two other members of the Audit Committee are Chartered Accountants.

## Corporate Governance

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.6 (b)	Audit Committee functions	<p>Functions shall include:</p> <p>Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards.</p> <p>Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.</p> <p>Overseeing the process to ensure that the internal controls and risk management processes are adequate to meet the requirements of the Sri Lanka Auditing Standards.</p> <p>Assessment of the independence and performance of the external auditors.</p> <p>Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and approve the remuneration and terms of engagement of the external auditors.</p>	Compliant	Please refer pages 26-27 of this Report for the functions of Audit Committee.
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	<p>Names of Directors comprising the Audit Committee.</p> <p>The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.</p> <p>The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions.</p>	Compliant Compliant Compliant	<p>Please refer page 26 of this Report.</p> <p>Please refer Audit Committee Report on pages 26-27 of this Report.</p> <p>Please refer Audit Committee Report on page 26-27 of this Report.</p>

## Remuneration Committee Report

The Remuneration Committee consists of four (04) non-executive Directors all of whom are determined as independent. The Remuneration Committee consists of the following members;

Mr. H Z Cassim - Deputy Chairman

Mrs. Rohini L Nanayakkara

Mr. Ajit M de S Jayaratne

Mr. En Ping Ong

Mr. Tissa K Bandaranayake (appointed w.e.f. 16 February 2012)

### Scope

The Committee deliberates and recommends to the Board of Directors on remuneration packages, annual increments and bonuses paid to the Group Chief Executive Officer and other senior level staff. The Committee is also responsible for the determination of the compensation of the executive Directors and fees paid to the non-executive Directors for participation at Board meetings.

### Remuneration Policy

The Company's remuneration policy aims to attract and retain qualified and experienced team of high calibre managers and professionals and reward their performance. The Committee ensures that the remuneration packages offered provide remuneration appropriate for each business within the Group and commensurate with each employee's level of expertise and contribution.

Remuneration policy of the Company with regard to increments and bonus schemes is based on the performance management system and evaluation systems installed by the Company. Once the remuneration policy of the Company as recommended by the Committee is approved by the Board, the Remuneration Committee will then approve and recommend to the Board, the finalized proposals for the granting of increments to the key senior level staff.

The Remuneration Committee takes into account the performance of the Company and long term shareholder returns, in all their deliberations.

### Committee Meetings

The Committee met twice during the year. Recommendations of the Committee are submitted to the Board for ratification.



H Z Cassim

Chairman

Remuneration Committee

17 February 2012

## Audit Committee Report

The composition of the Audit Committee of the Overseas Realty (Ceylon) PLC Group underwent changes during the year. Mr. C J E Anthonisz resigned from the Committee and as its Chairman. Mr. Ajith M De Silva Jayaratne was appointed as the Chairman with two new members – Mr. Tissa K Bandaranayake and Mrs. Rohini L Nanayakkara, being appointed to the Committee. The Chairman and the new members are non-executive independent Directors. The Committee constitutes of the following members:

Mr. Ajith M De Silva Jayaratne – Chairman

Mr. Hussein Zubire Cassim

Mr. Melvin Yap Boh Pin

Mrs. Rohini Nanayakkara (appointed w.e.f. 6 May 2011)

Mr. Tissa K Bandaranayake (appointed w.e.f. 5 August 2011)

Mr. C J E Anthonisz (retired w.e.f. 6 May 2011)

The appointment of Mr. Ajith Jayaratne also fulfills the guidelines issued by the Securities and Exchange Commission of Sri Lanka for the Chairman of the Audit Committee to be a Chartered Accountant.

A Charter was approved and adopted by the Board in February 2012 to formalise the Committee's responsibilities in exercising its oversight role in the areas of financial reporting, internal controls, risk management and regulatory/statutory compliance.

The members have a well balanced blend of experience in the commercial sector, financial risk and audit sectors, real estate and real estate development sectors and have displayed high standards of integrity and business acumen. These attributes and the wealth of experience and exposure they bring in contribute to the effectiveness in which the Committee carries out its duties.

The profiles of the members which detail their background and professional experience are on pages 6-8 of this Report.

### Role of the Audit Committee

The Audit Committee's main objective is to assist and represent the Board of Directors in discharging its responsibilities by overseeing the financial reporting process to ensure balance, transparency and integrity of published financial information, oversee the internal and external audit process, review the effectiveness and adequacy of the internal control and risk management process, assessing the performance of the internal and external auditors, ensuring independence and ensuring compliance with laws and regulations which effect financial reporting and business conduct. In fulfilling this role, the Audit Committee is empowered to examine the financial records of the Company, internal auditor's reports and other communications as necessary in order to ensure the Company

adheres to accepted norms of ethical guidelines, rules and regulations.

The Audit Committee recommends the appointment of internal and external auditors ensuring independence in both roles and maintains a close professional relationship with them. The Committee also recommends the fees payable to them in the execution of these services.

### Meetings

The Audit Committee has met five times during the year ended 31 December 2011 and the attendance was as follows:

Mr. Ajith M De Silva Jayaratne – Chairman	5/5
Mr. Hussein Zubire Cassim	5/5
Mr. Melvin Yap Boh Pin	5/5
Mrs. Rohini L Nanayakkara	2/3
Mr. Tissa K Bandaranayake	2/2
Mr. C J E Anthonisz	0/2

Meetings were attended by the Group Chief Executive Officer, Company Secretary and Group Finance Manager and other senior management members were invited to the meeting if and when required. The proceedings of the Audit Committee are regularly reported to the Board.

### Internal Audit

The internal audit function is outsourced to PriceWaterhouseCoopers (PWC) for all companies in the Group as recommended by the Audit Committee. The observations of the internal auditors are tabled at the Audit Committee and the Committee invites representatives of PWC to discuss observations and recommendations made in their reports. Follow up and implementation of previous internal audit recommendations are also discussed and reviewed by the Committee with PWC representatives. The Committee appraises the Board on the status and adequacy of internal controls and the effectiveness thereof.

After such process and review, the Committee is of the view that adequate controls, processes and procedures are in place to provide reasonable assurance to the Board that the Company's assets are safeguarded and adequate financial reporting systems are in place. The internal auditor's reports are made available to external auditors as well.

### **Property Valuation**

The Committee has also met with the independent Chartered Valuer Messrs P B Kalugalagedara and Associates who conducts the annual valuation of the Investment Property of the Group. The Committee has discussed and understood the valuation method and the assumptions used in the determination of the fair value of Investment Property.

### **External Audit**

The Company has appointed Ernst & Young as its external auditor and the services provided by them are segregated between audit/assurance services and other advisory services such as tax consultancy. The Audit Committee has reviewed and discussed the key observations and recommendations on the Management Letter issued by Ernst & Young in the presence of their representatives.

Ernst & Young has also issued a declaration as required by the Companies Act No. 7 of 2007, that they do not have any relationship or interest in any of the companies in the Group, which may have a bearing on the independence of their role as auditors.

The Committee has recommended the re-appointment of Messrs. Ernst & Young as Auditors for the financial year ending 31 December 2012, subject to the approval of the shareholders at the Annual General Meeting.

**Ajith M De Silva Jayaratne**  
Chairman  
Audit Committee

16 February 2012

## Annual Report of the Board of Directors

The Board of Directors have pleasure in presenting their report to the members, together with the audited Financial Statements of Overseas Realty (Ceylon) PLC and the audited consolidated Financial Statements of the Group for the year ended 31 December 2011.

Overseas Realty (Ceylon) PLC is a Public Listed Company with limited liability, incorporated in Sri Lanka on 28 October 1980 and re-registered under the Companies Act No.07 of 2007.

### Principal Activities

The principal activities of the Company during the year continued to be investment in properties, property development, trading, management and provision of property management services. There were no significant changes in the nature of principal activities of the Company and its subsidiaries during the financial year under review.

Mireka Capital Land (Pvt) Ltd is a subsidiary of the Company which has undertaken the development of the "HavelockCity" Project. The development of residential apartments is undertaken by Mireka Homes (Pvt) Ltd, a wholly owned subsidiary of Mireka Capital Land (Pvt) Ltd. Havelock City (Pvt) Ltd will undertake the development of the Commercial component of the "Havelock City" project. Realty Management Services (Pvt) Ltd provides real estate management services.

### Review of Business

A review of financial and operational performance of the Company and its subsidiaries during the year and the future developments of the Company is contained in the Chairman's Statement pages 4-5 and Segmental Analysis on pages 10-15 of this Annual Report. The audited Financial Statements are given on pages 34-64 of the Annual Report. These reports together reflect the state of affairs of the Company and its subsidiaries during the period under review.

### Financial Statements

The Financial Statements of the Company and Group are given on pages 34-37.

### Auditors Report

The Auditor's Report on the Financial Statements is given on page 33.

### Accounting Policies

Significant accounting policies adopted in the preparation of the Financial Statements are given on pages 38-64.

### Group Turnover

The turnover of the Group during the year was Rs. 2,491,263,804 (2010 - Rs. 1,698,665,311). A detailed analysis of the Group's turnover, profits and asset allocation relating to the different segments of the business is given in Note 3 to the Financial Statements on pages 47-48.

### Financial Results and Dividend

The Group recorded a consolidated net profit of Rs. 2,706,942,602/- (2010 - Rs. 914,111,824/-) for the year. The Consolidated Income Statement along with the Company's Income Statement for the year is given on page 35.

The Directors recommended the payment of a first and final dividend of Rs. 0.30 per share for the year ended 31 December 2010 which was approved by the shareholders at the Annual General Meeting of the Company held on 6 May 2011.

The dividend was paid out of tax free profits as exempt from tax in terms of the BOI concessions granted to the Company.

At the meeting of the Board of Directors held on 17 February 2012, the Directors recommended the payment of a first and final dividend of Rs. 0.30 per share for the financial year ended 31 December 2011 to be approved by the Shareholders at the Annual General Meeting of the Company to be held on 24 May 2012.

Directors have confirmed that the Company satisfied the Solvency test requirement under section 56 of the Companies Act No. 07 of 2007 and the solvency report was obtained from the auditors.

### Property, Plant & Equipment

Capital expenditure during the year, on property plant & equipment by the Group and by the Company amounted to Rs. 148,985,838/- and Rs. 11,428,914/- respectively. Information relating to details and movements in property, plant & equipment is given in Note 6 to the Financial Statements on pages 50-53.

### Fair Value of Investment Properties

The fair value of Investment Properties owned by the Group as at 31 December 2011 is included in the accounts at Rs. 17,884,033,429/- (31 December 2010 -Rs. 15,751,282,685/-) based on the valuations undertaken by the Chartered Valuer in December 2011. The Directors are of the opinion that the value is not in excess of the current market value. The details are provided in Note 5 on pages 48-49 to the Financial Statements.

### Investments

The details of investments held by the Company are disclosed in Notes 8 and 21 on pages 54 and 59 of the Financial Statements.

### Stated Capital and Reserves

The stated capital of the Company amounts to Rs. 10,186,085,405 .

There were no shares issued during the year under review.

Total Group Reserves as at 31 December 2011 was Rs. 9,430,724,616/- (2010 -Rs. 7,021,173,470/-) comprising fair value gains of Rs. 8,524,271,474/- (2010 -Rs. 6,398,411,771/-) and Revenue Reserves of Rs. 906,453,142/- (2010 -Rs. 622,761,699/-). The movement of these reserves is shown in the Statement of Changes in Equity in the Financial Statements on page 36.

#### **Board of Directors**

The Board of Directors of the Company consists of nine (09) Directors as at the end of the financial year and their profiles are on pages 6-8.

Mr. Martin Pereira ceased to be a Director of the Company due to his untimely demise.

Mr. C J E Anthonisz and Mr. B Mahadeva retired from their directorships at the Annual General Meeting of the Company held on 6 May 2011.

Mr. En Ping Ong was appointed as an executive Director of the Company with effect from 18 January 2011 and Mr. Tissa K Bandaranayake was appointed as an independent non-executive Director to the Board of Directors on 19 May 2011 and he also functions as a member of the Audit Committee and the Remuneration Committee.

#### **Board Sub Committees**

The Board of Directors of the Company has formed the following subcommittees;

#### **Audit Committee**

Ajit M De S Jayaratne (Chairman)

H Z Cassim

Melvin Yap Boh Pin

Rohini L Nanayakkara (appointed w.e.f. 6 May 2011)

Tissa K Bandaranayake (appointed w.e.f. 5 August 2011)

C J E Anthonisz (retired w.e.f. 6 May 2011)

#### **Remuneration Committee**

H Z Cassim (Chairman)

Ajit M De S Jayaratne

Rohini L Nanayakkara

En Ping Ong

Tissa K Bandaranayake (appointed w.e.f. 16 February 2012)

#### **Interest Register**

The Company maintains an Interest Register as per the Companies Act No. 07 of 2007. The Directors of the Company have duly declared the information as provided for in section 192 (2) of the Companies Act No. 07 of 2007 and the declarations made were tabled for the information of the Directors and the entries in the Interest Register were made and/or updated accordingly. The Interest Register is kept at the registered office of the Company.

#### **Directors' Interest in Shares**

The Shareholdings of the Directors at the beginning and at the end of the year were as follows:

<b>Name of Director</b>	<b>31 December 2010</b>		<b>31 December 2011</b>	
	<b>Direct Interest</b>	<b>Deemed Interest</b>	<b>Direct Interest</b>	<b>Deemed Interest</b>
Mr. S P Tao	Nil	702,746,518*	Nil	702,746,518*
Mrs. Mildred Tao Ong	Nil	475,940,030*	Nil	475,940,030*
Mr. Melvin Yap Boh Pin	Nil	475,940,030*	Nil	475,940,030*
Mr. En Ping Ong	Nil	Nil	380,000	Nil
Mr. H Z Cassim	Nil	Nil	Nil	Nil
Mr. Ajit M De S Jayaratne	Nil	Nil	Nil	Nil
Mr. L R de Lanerolle	Nil	Nil	Nil	Nil
Mrs. Rohini L Nanayakkara	Nil	Nil	Nil	Nil
Mr. Tissa K Bandaranayake	Nil	Nil	Nil	Nil

## Annual Report of the Board of Directors

\*The deemed interests in shares as declared by Mr. S P Tao is as a Director of Shing Kwan Group including Unity Builders Ltd and Mrs. Mildred Tao Ong is as a Director of the Shing Kwan Group of Singapore who holds majority shareholdings of the Company. Mr. Melvin Yap Boh Pin's deemed interest in shares is declared as the spouse of a Director of the said Shing Kwan Group.

In terms of the disclosure made by Mr. En Ping Ong to the Board, 380,000 shares were acquired by him during 8/12/2011 -12/12/2011 and consideration paid for such acquisition was Rs. 5,534,000/-.

Group CEO of the Company, Mr. Pravir Samarasinghe has declared that he has no direct or indirect interest in shares of the Company.

### Related Party Transactions

The disclosures made by the Directors of the related party transactions are given in Note 27 on page 63 of the Financial Statements forming part of the Annual Report of the Board of Directors.

### Directors' Interest in Transactions

The Directors of the Company have made a general disclosure in terms of section 192(2) of the Companies Act No. 07 of 2007. The particulars of those transactions are set out on page 29 of the Annual Report.

### Directors' Remuneration

Directors' remuneration, in respect of the Company and the Group for the financial year ended 31 December 2011 is given in the Note 27.3 to the Financial Statements, on page 63.

### Directorship held in Other Entities

Directors have made a general disclosure of their directorships and positions held in other entities and the Interest Register has been accordingly updated.

### Insurance and Indemnity

The Company has obtained an indemnity and insurance policy from Allianz Insurance Lanka Ltd for its Directors and Officers amounting to US\$ 1 Million for the period covering 1 January to 31 December 2011.

### Internal Controls

The Board ensures that there is an effective and comprehensive process for identifying, evaluating and managing any significant risks faced by the Company, compliance controls and risk management to safeguard the assets. Board places emphasis in assuring proper accounting records are maintained and the reliability of financial information. The Audit Committee of the Company receives the reports of the internal audit reviews, monitors the effectiveness of internal control systems of the Company and makes periodical recommendations to the Board.

### Corporate Governance

The Board places emphasis in instituting and maintaining good governance practices and principles. Therefore the management and operation of the Company and its subsidiaries are effectively directed and controlled within the Corporate Governance framework as set out on pages 19-24 of this Report.

### Shareholdings

There were 4,635 registered shareholders of ordinary shares as at 31 December 2011. The distribution of shareholdings is given on page 67 of this Report.

### Shareholder Information

Information relating to earnings, dividends, net assets, market value per share and share trading is given in the Financial Review section page 16 and on pages 67-68 of this Report.

### Major Shareholders

The twenty largest shareholders of the Company as at 31 December 2011 together with an analysis of the shareholdings are given on page 68 of this Report.

### Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of affairs of the Company. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Inland Revenue Act No. 30 of 2000 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.

### Compliance with Laws and Regulations

The Company has not engaged in any activities contravening the Laws and Regulations of the country.

### Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to the employees have been made in full and on time.

### Events after Balance Sheet Date

There have not been any material events that have occurred subsequent to the date of the Balance Sheet that require adjustments to the Financial Statements, other than those disclosed in Note 31 to the Financial Statements on page 64.

### **Going Concern**

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

### **Auditors**

The Audit Committee reviews the appointment of the Auditors, their effectiveness, independence and relationship with the Company and its Group. In accordance with the Companies Act No. 7 of 2007, a resolution proposing the re-appointment of Messrs Ernst & Young, Chartered Accountants, as Auditors to the Company will be submitted at the Annual General Meeting.

The Auditors, Messrs. Ernst & Young, Chartered Accountants were paid Rs. 849,200/- (2010 - Rs. 772,000/-) and Rs. 1,988,450/- (2010 - Rs. 1,857,000/-) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 289,640/- (2010 - Rs. 782,325/-) and Rs. 1,172,120/- (2010 - Rs. 1,492,825/-), by the Company and the Group, for permitted non-audit related services.

The Auditors have confirmed that they do not have any relationship with or interest in the Company other than those disclosed above.

### **Annual General Meeting**

The Annual General Meeting will be held at Moon Stone, Hilton Colombo at 4.00 p.m. on Thursday, 24 May 2012. The Notice of the Annual General Meeting appears on page 71.

For and on behalf of the Board



H Z Cassim  
Director



L R De Lanerolle  
Director



J K K Wegodapola  
Company Secretary

Colombo on this 17 day of February 2012

## Directors' Responsibility for Financial Reporting

The Directors of the Company are responsible for the preparation and presentation of the Financial Statements to the shareholders in accordance with the relevant provisions of the Companies Act No. 07 of 2007 and other statutes which are applicable in preparation of Financial Statements.

The consolidated Financial Statements of the Company and its subsidiaries comprise of:

- Balance Sheets as at 31 December 2011, which present a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year and
- Income Statements which presents a true and fair view of the profit and loss of the Company and its subsidiaries for the financial year then ended.

Accordingly, the Directors confirm that the Financial Statements of the Company and its subsidiaries for the year ended 31 December 2011 incorporated in this report have been prepared in accordance with the Companies Act No. 07 of 2007, Sri Lanka Accounting Standards, Listing Rules of the Colombo Stock Exchange and generally accepted accounting policies. The Directors consider that, in preparing the Financial Statements exhibited on pages 34-37 they have adopted appropriate accounting policies on a consistent basis, supported by reasonable and prudent judgments and estimates.

The Directors have also taken such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit, financial and other controls required to carry on the Company's business in an orderly manner and to safeguard its assets and secure as far as practicable the accuracy and reliability of the records.

Messrs. Ernst & Young, Chartered Accountants, have carried out an audit in accordance with Sri Lanka Auditing Standards and their report is given on page 33 of the Annual Report.

The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the performance of their responsibilities.

Further, as required by Section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors have confirmed that the Company based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 07 of 2007 and has obtained a certificate from the auditors, prior to

recommending a final dividend of Rs. 0.30 per share for this year which is to be approved by the shareholders at the Annual General Meeting to be held on 24 May 2012.

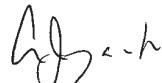
The Directors are of the view that they have discharged their responsibilities as set out in this statement.

The Directors confirm to the best of their knowledge that all taxes, levies and financial obligations of the Group have been either paid or adequately provided for in the Financial Statements, except as specified in Note 29 to the Financial Statements covering contingent liabilities.

For and on behalf of the Board



**H Z Cassim**  
Deputy Chairman



**A M de S Jayaratne**  
Director

Colombo on this 17 day of February 2012.

## Independent Auditor's Report



**ERNST & YOUNG**

### TO THE SHAREHOLDERS OF OVERSEAS REALTY (CEYLON) PLC

#### Report on the Financial Statements

We have audited the accompanying Financial Statements of Overseas Realty (Ceylon) PLC ("Company"), the consolidated Financial Statements of the Company and its subsidiaries (together "Group") which comprise the balance sheets as at 31 December 2011 and the Income Statements, statements of changes in equity and cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

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

#### Scope of Audit and Basis of Opinion

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

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

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

**Partners:** A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva ACA Ms. Y A de Silva ACA W R H Fernando FCA FCMA W K B S P Fernando FCA FCMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

#### Opinion

##### Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2011 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31 December 2011 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

##### Group

In our opinion, the consolidated Financial Statements give a true and fair view of the state of affairs as at 31 December 2011 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

#### Report on Other Legal and Regulatory Requirements

In our opinion, these Financial Statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

17 February 2012

Colombo

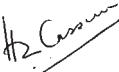
**Balance Sheet**

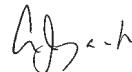
	Note	Group		Company	
		2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
<b>ASSETS</b>					
Non-Current Assets					
Investment Property	5	17,884,033,429	15,751,282,685	17,884,033,429	15,751,282,685
Property, Plant and Equipment	6	394,912,035	253,603,483	251,001,704	244,377,378
Intangible Assets	7	25,708,505	29,869,824	16,913,621	21,074,940
Investments in Subsidiaries	8	-	20	1,125,010,060	1,125,010,060
		18,304,653,969	16,034,756,012	19,276,958,814	17,141,745,063
<b>Current Assets</b>					
Inventories	9	3,167,475,866	3,981,120,361	16,521,502	22,226,649
Trade and Other Receivables	10	1,517,095,869	1,232,208,279	98,941,838	106,163,161
Amounts Due From Related Parties	11	24,999,182	52,667,347	126,694,061	81,715,465
Income Tax Recoverable		-	1,453,799	-	-
Short Term Investments	21	315,260,712	-	315,260,712	-
Cash Balances	22	1,881,602,664	1,008,168,384	581,852,043	574,351,786
		6,906,434,293	6,275,618,170	1,139,270,156	784,457,061
<b>Total Assets</b>		25,211,088,262	22,310,374,182	20,416,228,970	17,926,202,124
<b>EQUITY AND LIABILITIES</b>					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	12	10,186,085,405	10,186,085,405	10,186,085,405	10,186,085,405
Revaluation Reserve	13	164,663,791	148,991,766	164,663,791	148,991,766
Retained Earnings		9,266,060,825	6,872,181,704	8,941,923,213	6,646,934,033
		19,616,810,021	17,207,258,875	19,292,672,409	16,982,011,204
Minority Interest		963,128,834	903,110,661	-	-
<b>Total Equity</b>		20,579,938,855	18,110,369,536	19,292,672,409	16,982,011,204
<b>Non-Current Liabilities</b>					
Interest Bearing Loans and Borrowings	14	245,817,000	2,194,108,500	245,817,000	295,821,000
Non Interest Bearing Loans	15	-	843,750	-	-
Post Employment Benefit Liability	16	23,127,786	20,632,272	23,127,786	20,632,272
<b>Total Non-Current Liabilities</b>		268,944,786	2,215,584,522	268,944,786	316,453,272
<b>Current Liabilities</b>					
Trade and Other Payables	17	615,262,231	815,528,271	188,475,961	134,585,331
Rental and Customer Deposits	18	1,088,411,780	473,845,683	594,845,413	427,800,223
Amounts Due to Related Parties	19	9,442,080	9,345,330	9,442,080	9,345,330
Interest Bearing Loans and Borrowings	14	2,635,530,000	682,762,500	50,000,000	50,000,000
Non - Interest Bearing Loans	15	843,750	1,125,000	-	-
Income Tax Payable		10,335,070	-	9,468,611	4,193,424
Dividends Payable	20	2,379,710	1,813,340	2,379,710	1,813,340
<b>Total Current Liabilities</b>		4,362,204,621	1,984,420,124	854,611,775	627,737,648
<b>Total Liabilities</b>		4,631,149,407	4,200,004,646	1,123,556,561	944,190,920
<b>Total Equity and Liabilities</b>		25,211,088,262	22,310,374,182	20,416,228,970	17,926,202,124

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

  
Group Financial Controller

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by,

  
Director

  
Director

The accounting policies and notes on pages 38 through 64 form an integral part of the Financial Statements.

17 February 2012

Colombo

## Income Statement

Note	2011 Rs.	Group	2010 Rs.	Company	
				2011 Rs.	2010 Rs.
Rental Income	847,120,928	697,376,626	847,120,928	697,376,626	
Sale of Apartments	1,587,516,374	950,149,134	-	-	
Other Services	4 56,626,502	51,139,551	45,677,825	56,839,551	
<b>Total Revenue</b>	3 2,491,263,804	1,698,665,311	892,798,753	754,216,177	
Direct Operating Expenses	(337,754,920)	(329,352,966)	(337,754,920)	(329,352,966)	
Cost of Sales of Apartments	(1,230,612,716)	(632,647,731)	-	-	
<b>Gross Profit</b>		922,896,168	736,664,615	555,043,833	424,863,211
Fair Value Gain on Investment Property	5 2,122,859,703	473,162,049	2,122,859,703	473,162,049	
Administration Expenses	(236,102,214)	(111,263,995)	(164,829,472)	(160,278,117)	
Marketing & Promotional Expenses	(73,945,964)	(79,238,108)	-	-	
Finance Cost	23.1 (109,289,932)	(117,805,290)	(6,378,892)	(7,377,946)	
Finance Income	23.2 105,782,325	23,647,095	50,909,999	6,106,971	
<b>Profit before Tax</b>	24 2,732,200,086	925,166,366	2,557,605,171	736,476,167	
Income Tax Expense	25 (25,257,484)	(11,054,542)	(9,570,683)	(5,463,849)	
<b>Profit after Tax for the Year</b>		2,706,942,602	914,111,824	2,548,034,488	731,012,318
Attributable to:					
Equity Holders of the Parent		2,646,924,429	844,277,431		
Minority Interest		60,018,173	69,834,393		
		2,706,942,602	914,111,824		
Earnings Per Share - Basic	26 3.14		1.23		
Dividend Per Share	20 0.30		0.26		

The accounting policies and notes on pages 38 through 64 form an integral part of the Financial Statements.

## Statement of Changes in Equity

Group	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.	Minority Interest Rs.	Total Equity Rs.
<b>Balance as at 01 January 2010</b>	9,713,307,520	134,689,558	6,283,106,744	16,131,103,822	833,276,268	16,964,380,090
Profit for the Year	-		844,277,431	844,277,431	69,834,393	914,111,824
Transfer to Revaluation Reserve (13.2)	-	14,302,208		14,302,208	-	14,302,208
Redemption of Preference Shares	(3,744,643,910)			(3,744,643,910)		(3,744,643,910)
Issue of Shares for Cash (Rights Issue)	4,217,421,795			4,217,421,795		4,217,421,795
Direct Expenses Related to Rights Issue	-		(23,923,878)	(23,923,878)		(23,923,878)
Dividends Paid for Preference Shares			(62,581,720)	(62,581,720)		(62,581,720)
Dividends Paid for Ordinary Shares for Y/E 31/12/2009	-		(168,696,872)	(168,696,872)	-	(168,696,872)
<b>Balance as at 31 December 2010</b>	<b>10,186,085,405</b>	<b>148,991,766</b>	<b>6,872,181,704</b>	<b>17,207,258,875</b>	<b>903,110,661</b>	<b>18,110,369,536</b>
Profit for the Year	-	-	2,646,924,429	2,646,924,429	60,018,173	2,706,942,602
Transfer to Revaluation Reserve (13.2)	-	15,672,025		15,672,025	-	15,672,025
Dividends Paid for Ordinary Shares for Y/E 31/12/2010	-		(253,045,308)	(253,045,308)		(253,045,308)
<b>Balance as at 31 December 2011</b>	<b>10,186,085,405</b>	<b>164,663,791</b>	<b>9,266,060,825</b>	<b>19,616,810,021</b>	<b>963,128,834</b>	<b>20,579,938,855</b>

Company	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 January 2010	9,713,307,520	134,689,558	6,171,124,185	16,019,121,263
Profit for the Year	-		731,012,318	731,012,318
Transfer to Revaluation Reserve (13.2)	-	14,302,208		14,302,208
Redemption of Preference Shares	(3,744,643,910)			(3,744,643,910)
Issue of Shares for Cash (Rights Issue)	4,217,421,795			4,217,421,795
Direct Expenses Related to Rights Issue	-		(23,923,878)	(23,923,878)
Dividends Paid on Preference Shares	-		(62,581,720)	(62,581,720)
Dividends Paid on Ordinary Shares for Y/E 31/12/2009	-		(168,696,872)	(168,696,872)
<b>Balance as at 31 December 2010</b>	<b>10,186,085,405</b>	<b>148,991,766</b>	<b>6,646,934,033</b>	<b>16,982,011,204</b>
Profit for the Year	-		2,548,034,488	2,548,034,488
Transfer to Revaluation Reserve (13.2)	-	15,672,025		15,672,025
Dividends Paid on Ordinary Shares for Y/E 31/12/2010	-		(253,045,308)	(253,045,308)
<b>Balance as at 31 December 2011</b>	<b>10,186,085,405</b>	<b>164,663,791</b>	<b>8,941,923,213</b>	<b>19,292,672,409</b>

The accounting policies and notes on pages 38 through 64 form an integral part of the Financial Statements.

## Cash Flow Statement

Note	2011 Rs.	Group	2010 Rs.	2011 Rs.	Company
			2010 Rs.	2011 Rs.	2010 Rs.
<b>Cash Flows from Operating Activities:</b>					
Profit before Tax Expense	2,732,200,086	925,166,366	2,557,605,171	736,476,167	
<b>Adjustments for -</b>					
Depreciation Charge for the Year	24	10,871,218	14,011,153	10,585,572	13,701,771
Depreciation Capitalised with the Inventories	6.10	2,587,052	2,502,081	-	-
Amortization of Intangible Assets	7	5,507,700	5,507,878	5,507,700	5,507,878
Post Employment Benefit Expense	16.1	4,767,308	4,573,984	4,767,308	4,573,984
Exchange (Gains)/Losses	24	39,814,851	(83,742,651)	(1,433,516)	(2,533,368)
Finance Cost	23	109,289,932	117,805,290	6,378,892	7,377,946
Finance Income	23	(105,782,325)	(23,647,095)	(50,909,999)	(6,106,971)
(Profit)/Loss on sale of Property, Plant and Equipment	24	(3,508,061)	(148,171)	(3,508,061)	-
Allowance for Doubtful Debts		-	11,447,066	-	-
Fair Value (Gain)/Loss on Investment Property	5	(2,122,859,703)	(473,162,049)	(2,122,859,703)	(473,162,049)
<b>Operating Profit /(Loss) before Working Capital Changes</b>					
(Increase)/ Decrease in Amounts due from Related Parties		672,888,058	500,313,852	406,133,364	285,835,359
(Increase) / Decrease in Trade and Other Receivables		27,668,165	(38,424,282)	(44,978,596)	(35,286,274)
Increase / (Decrease) in Rental and Customer Deposits		(270,187,161)	447,502,179	8,654,839	3,490,819
(Increase) / Decrease in Inventories		614,566,097	33,375,531	167,045,190	51,348,505
Increase / (Decrease) in Trade and Other Payables		813,644,495	111,090,422	5,705,147	(5,850,316)
Increase/ (Decrease) in Amounts due to Related Parties		(200,266,041)	(10,806,853)	53,890,630	(17,421,891)
96,750		(12,006,260)		96,750	9,345,330
<b>Cash Generated From/ (Used in) Operations</b>					
Income Tax Paid		1,658,410,363	1,031,044,589	596,547,323	291,461,532
Finance Cost Paid	23	(13,503,874)	(2,926,617)	(4,295,496)	(2,926,617)
Defined Benefit Plan Costs Paid	16	(109,289,932)	(117,805,290)	(6,378,892)	(7,377,946)
16		(2,271,794)	(4,190,889)	(2,271,794)	(4,190,889)
<b>Net Cash Generated From/(Used in) Operating Activities</b>					
1,533,344,763		906,121,793	583,601,141	276,966,080	
<b>Cash Flows from Investing Activities :</b>					
Proceeds from Sale of Property, Plant and Equipment		3,508,061	6,727,940	3,508,061	6,727,940
Acquisition of Intangible Assets	7	(1,346,381)	-	(1,346,381)	-
Acquisition of Property, Plant and Equipment	6	(148,985,838)	(16,558,233)	(11,428,914)	(11,343,744)
Acquisition of Investment	8	-	(20)	-	(20)
Investment in Short Term Deposits	21	(315,260,712)	-	(315,260,712)	-
Finance Income	23	105,782,325	23,647,095	50,910,000	6,106,971
Net Cash From/(Used) in Investing Activities		(356,302,545)	13,816,782	(273,617,946)	1,491,147
<b>Cash Flows from Financing Activities :</b>					
Repayment of Interest Bearing Loans and Borrowings	14	(50,004,000)	(268,154,000)	(50,004,000)	(50,004,000)
Repayment of Non Interest Bearing Loans and Borrowings	15	(1,125,000)	(1,125,000)	-	-
Dividends Paid		(252,478,938)	(268,600,834)	(252,478,938)	(268,600,834)
Proceeds from Issue of Shares (Rights Issue)	12.2	-	4,217,421,795	-	4,217,421,795
Direct Expenses Related to Rights Issue		-	(23,923,878)	-	(23,923,878)
Redemption of Shares	12.3	-	(3,744,643,910)	-	(3,744,643,910)
Net Cash Flow from Financing Activities		(303,607,938)	(89,025,829)	(302,482,938)	130,249,171
Net Increase/ (Decrease) in Cash and Cash Equivalents		873,434,280	830,912,747	7,500,257	408,706,401
Cash and Cash Equivalents at the beginning of the Year	22	1,008,168,384	177,255,637	574,351,786	165,645,385
Cash and Cash Equivalents at the end of the Year	22	1,881,602,664	1,008,168,384	581,852,043	574,351,786

The accounting policies and notes on pages 38 through 64 form an integral part of the Financial Statements.

## Notes to the Financial Statements

### 1. CORPORATE INFORMATION

#### 1.1 General

Overseas Realty (Ceylon) PLC ("Company") is a Public Quoted Company with limited liability incorporated and domiciled in Sri Lanka. The registered office of the Company is located at Level # 18-01, East Tower, World Trade Center, Colombo 01, which is the principal place of its business.

#### 1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were the business of investment in properties, property leasing, property development and trading and property management.

Mireka Capital Land (Pvt) Ltd, a subsidiary, is engaged in purchasing, hiring and acquiring real estate properties, real estate development and providing infrastructure facilities to the Havelock City development project.

Mireka Homes (Pvt) Ltd, a subsidiary, is engaged in constructing and developing the Havelock City condominium development and related infrastructure and is involved in the sale, lease, management or any similar transactions in respect of the same and any other business carried on by land investment, land development and real estate companies.

Realty Management Services (Pvt) Ltd, is engaged in renting and providing absentee landlord management of Havelock City condominiums on behalf of its owners and also providing facility management services to related companies in the Group.

Other subsidiaries of the Company have not been operational during the year.

#### 1.3 Parent Enterprise and Ultimate Parent Entity

In the opinion of the Directors, the Company's immediate parent enterprise is the Shing Kwan Group headquartered in Singapore.

#### 1.4 Date of Authorization for Issue

The Financial Statements of Overseas Realty (Ceylon) PLC for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 17 February 2012.

#### 2.1 Basis of Preparation

The Financial Statements have been prepared on a historical cost basis except for the revaluation of certain items of Property, Plant & Equipment and Investment Property, which have been measured at fair value. The Financial Statements are presented in Sri Lankan Rupees. The preparation and presentation of

these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

#### 2.1.1 Statement of Compliance

The Financial Statements of Overseas Realty (Ceylon) PLC ("Company") and its subsidiaries (together "Group") have been prepared in accordance with Sri Lanka Accounting Standards (SLAS).

#### 2.1.2 Consolidation Policies

The Financial Statements of the Group represent the consolidation of the Financial Statements of the Company, its subsidiaries, after elimination of all material intra Group transactions.

#### (a) Subsidiaries

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent has the power, directly or indirectly to govern the financial and operating policies of an enterprise. Subsidiaries are controlled from the date the parent obtains control until the date that control ceases. The following companies have been consolidated.

- Overseas Realty (Ceylon) PLC (Parent)
- Mireka Capital Land (Pvt) Ltd (Subsidiary)
- Mireka Homes (Pvt) Ltd (Sub-subsidiary)
- Realty Management Services (Pvt) Ltd (Subsidiary)
- Hospitality International (Pvt) Ltd (Subsidiary)
- Property Mart (Pvt) Ltd (Subsidiary)
- Havelock City (Pvt) Ltd

All subsidiaries are incorporated in Sri Lanka.

#### (b)

The total profits and losses for the period of the Company and of its subsidiaries included in consolidation are shown in the consolidated Income Statement with the proportion of profit or loss after taxation pertaining to minority shareholders of subsidiaries being deducted as "minority interest" (non controlling interest). All assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the consolidated Balance Sheet. The interest of minority shareholders of subsidiaries in the fair value of net assets of the Group are indicated separately in the consolidated Balance Sheet under the heading "minority interest". The consolidated Cash Flow Statement includes the cash flows of the Company and its subsidiaries.

(c)	<b>Goodwill</b>	Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary as at the date of acquisition. In accordance with SLAS 25 (revised 2004), goodwill arising on business combinations after 1 June 2005 are not amortised, but tested for impairment annually.	The Group determines whether a property qualifies as Investment Property by considering whether the property generates cash flows largely independently of the other assets held by the entity. Owner occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.
2.1.3	<b>Segment Reporting</b>	A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The primary segment reporting format is determined to be business segments.	Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as Investment Property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as Investment Property. The Group considers each property separately in making its judgment.
2.1.4	<b>Comparative Information</b>	The accounting policies have been consistently applied by the Company and the Group with those used in the previous year. The prior year financial information has been rearranged where necessary to conform to the current presentation.	Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before, during and/or on completion of construction.
2.1.5	<b>Going Concern</b>	The Board of Directors of the Company and that of the parent are satisfied that the Company has adequate resources to continue its operations in the foreseeable future with no interruptions or curtailment of operations. Accordingly, the Financial Statements are prepared based on the going concern concept.	<b>Revenue Recognition from Sale of Apartments</b> In recognizing revenue from sale of apartments, management applies judgment ascertaining if the risks and rewards of ownership have passed to the buyers. In this regard, management sought professional legal advice in determining the point at which equitable interest passes to the buyer and accordingly recognizes revenue under the percentage of completion method as the group continuously transfers to the buyer significant risks and rewards of ownership of the work in progress in its current state as the construction progress.
2.2	<b>Changes in Accounting Policies</b>	The accounting policies adopted are consistent with those of the previous financial year.	<b>Critical Judgments in Applying the Accounting Policies</b> In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial Statements.
2.3	<b>Significant Accounting Judgments, Estimates and Assumptions</b>		
2.3.1	<b>Critical Judgments in Applying the Accounting Policies</b>	In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial Statements.	
(a)	<b>Classification of Property</b>	The Group determines whether a property is classified as Investment Property, owner occupied property or inventory property:	<b>Critical Accounting Estimates and Assumptions</b> The key assumptions concerning the future and other key sources of estimation of uncertainty at the balance sheet date, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements.
	Investment Property comprises land and buildings which are not occupied substantially for use by or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.		

## Notes to the Financial Statements

**(a) Estimation of Fair Value of Investment Properties**

The Group carries its Investment Properties at fair value, with changes in fair value being recognised in the Income Statement. The Group engaged an independent valuer to determine the fair value as at 31 December 2011.

The best evidence of fair value is usually the current price in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

**(b) Principal Assumptions for Management's Estimation of Fair Value**

If information on current or recent prices of assumptions underlying the discounted cash flow approach of Investment Properties are not available, the fair values of Investment Properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the future rentals, maintenance requirements and appropriate discount rates / yields and voids. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market.

The determined fair value of the Investment Properties is most sensitive to the estimated yield as well as the growth in future rentals and other assumptions given in Note 5.2.

Therefore management has carried out a sensitivity analysis in relation to the key assumptions used in valuing the Investment Property as disclosed in Note 5.3.

**(c) Defined Benefit Plans**

The cost as well as the present value of defined benefit plan: gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and other important related data. Due to the long term nature of employee benefits, such estimates are subject to significant uncertainty.

**(d) Deferred Taxation**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax that can be recognised based upon the likely timing and the levels of future taxable profits. Further details are given in Note 25.3.

**(e) Estimation of Net Realisable Value for Inventory Property**

Inventory is stated at the lower of cost and net realisable value (NRV). NRV is assessed with reference to market conditions and prices existing at the balance sheet date and is determined by the Group having taken suitable external advice and in the light of recent market transactions.

**2.4 Summary of Significant Accounting Policies**

**2.4.1 Foreign Currency Translation**

The Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Balance Sheet date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. All exchange variances are charged to the Income Statement.

## 2.4.2 Taxation

### Current Taxes

Companies in the Group have entered into agreements with the Board of Investment of Sri Lanka, as specified below. Such agreements specify that the sections of the Inland Revenue Act relating to the imposition, payment and recovery of income tax should not apply to the respective companies.

#### **Overseas Realty (Ceylon) PLC**

Pursuant to the agreement between the Company and the Board of Investment of Sri Lanka, the Company is entitled to a fifteen year "tax exemption period" on its accounting profits and income, commencing from the first year of making profit. The Company entered into a supplementary agreement with the Board of Investment of Sri Lanka on 12 August 2005 with regard to the above.

The 15 year tax exemption period commenced on April 1, 2005 and will end on March 31, 2020.

#### **Mireka Capital Land (Pvt) Ltd**

Pursuant to the agreement with the Board of Investment of Sri Lanka (BOI) dated 28 April 2005, Mireka Capital Land (Pvt) Ltd is exempted from income tax for a period of 8 years. Such exemption period is reckoned from the year in which the Company commences to make profit or any year of assessment not later than 2 years from the date of commencement of commercial operations, whichever is earlier, as may be specified in a certificate by BOI.

The 8 year tax exemption period commenced on April 1, 2006 and will end on March 31, 2014.

#### **Mireka Homes (Pvt) Ltd**

Pursuant to the agreement with Board of Investment of Sri Lanka (BOI) dated 26 August 2005, Mireka Homes (Pvt) Ltd is exempted from Income Tax for a period of 12 years. Such exemption period is reckoned from the year in which the Company commences to make profits or any year of assessment not later than 2 years from the date of commencement of commercial operations, whichever is earlier, as may be specified in a certificate by BOI.

The 12 year tax exemption period commenced on April 1, 2007 and will end on March 31, 2019.

### Deferred Taxation

As the Inland Revenue Act does not apply as stated above, temporary differences do not arise during the tax exemption

period. However, following technique guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the Board of Directors carries out an assessment of temporary differences which continue to prevail after the tax exemption period and any deferred tax asset or liability which need to be accounted for at each reporting date.

### Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognized as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Balance Sheet.

### Economic Service Charge ( ESC)

As per the provisions of the Economic Service Charge Act No. 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC paid is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable for a further four years.

### Social Responsibility Levy (SRL)

As per the provisions of the Finance Act No. 5 of 2005, as amended by the Finance Act no. 11 of 2006, SRL is payable at the rate of 1.5% on all taxes and levies chargeable as specified in the first schedule of the Act.

## 2.4.3 Intangible Assets

### Licenses

Licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation was calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of 20 years. In 2009 Directors reviewed the useful life to be upto June 2014, revising the original estimated life to 7.5 years.

### Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 5 years. Costs associated with

## Notes to the Financial Statements

maintaining computer software programs are recognized as an expense as incurred.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in the Income Statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

### 2.4.4 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize net of provision for bad and doubtful debts.

Other receivables and dues from Related Parties are recognized at cost less provision for bad and doubtful receivables.

### 2.4.5 Inventory

#### Inventory Property and Projects under Construction

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Cost includes:

- Freehold rights for land
- Amounts paid to contractors for construction
- Borrowing costs, planning and design costs, costs of site preparation, property transfer taxes, construction overheads and other related costs.

Non refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the balance sheet date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale. The cost of inventory recognised in profit or loss on disposal is determined

with reference to the costs incurred on the property sold and an allocation of costs based on the gross floor area of the property developed.

#### Consumables and Spares

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae:-

Consumables - At actual cost on weighted average basis

### 2.4.6 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short term maturities (i.e. three months or less from the date of acquisition) are also treated as cash equivalents.

### 2.4.7 Property, Plant and Equipment

Property, plant and equipment except for buildings are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met.

Buildings are measured at fair value less depreciation and impairment charged subsequent to the date of the revaluation.

Depreciation is calculated on a straight line basis over the useful life of the assets as follows.

Building - Level 18	Over 60 Years
Temporary Building	Over 5 Years
Furniture & Fittings	Over 10 Years
Office Equipment	
Computer & Other Electronic Equipment	Over 4 Years
Other Office Equipment	Over 5 Years
Motor Vehicles	Over 5 Years
Gymnasium Equipment	Over 10 Years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at least at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Valuations are performed with sufficient regularity, to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

When an item of property, plant & equipment is revalued, any accumulated depreciation at the date of the valuation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any revaluation surplus (related to property, plant & equipment category) is credited to the revaluation reserve included in the equity section of the Balance Sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the Income Statement.

#### **2.4.8 Investments**

##### **(a) Initial Recognition:**

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees and duties. The Group distinguishes and presents current and non current investments in the Balance Sheet.

##### **Measurement**

##### **Current Investments:**

Current investments are carried at the lower of cost and market value, determined on the basis of aggregate portfolio.

##### **Long Term Investments: Investment in Subsidiaries**

Long term investments are stated at cost. Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions other than temporary declines in carrying amounts are charged to the Income Statement.

##### **(b) Disposal of Investment**

On disposal of an investment, the difference between net disposals and proceeds and the carrying amounts is recognized as either income or expense.

#### **2.4.9 Investment Property**

Property that is held for long term rental yields or for capital appreciation or both and that is not occupied by the entities in the consolidated Group, is classified as Investment Property.

Investment Property comprises freehold land, freehold buildings together with the integral parts of such properties.

Investment Property is measured initially at its cost, including related transaction costs. After initial recognition, Investment Property is carried at fair value.

The fair value of Investment Property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions, as appraised by an independent valuer, annually.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Income Statement during the financial period in which they are incurred.

Changes in fair value are recorded in the Income Statement.

If an Investment Property becomes owner occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as Investment Property is classified as property, plant and equipment and stated at cost until construction or development is complete. At that time, it is reclassified and subsequently accounted for as Investment Property.

#### **2.4.10 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event,

## Notes to the Financial Statements

where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

### 2.4.11 Borrowings

Borrowings are recognized at contractual amounts that represent the amount of the liability.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position (I.e. Balance Sheet)

### 2.4.12 Retirement Benefit Obligations

#### (a) Defined Benefit Plan – Gratuity

The Group measures the present value of the promised retirement benefits of gratuity, which is a defined benefit plan with the advice of an independent actuary every 3 years using Projected Unit Credit method.

For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimation provided by the qualified actuary is used.

Actuarial gains and losses are recognised as income or expenses when the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at the date (Corridor Method).

The gains/losses are recognised over the expected average remaining working lives of the employees participating in the plan.

The gratuity liability is not externally funded. This item is stated under Employee Benefit Liability in the Balance Sheet.

#### (b) Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

### 2.4.13 Impairment of Non Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of

the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

#### **2.4.14 Borrowing Costs**

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs and borrowing costs incurred after the completion of the underlying construction are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **2.4.15 Revenue Recognition**

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

##### **(a) Sale of Apartments**

In the case of sale of apartments, equitable interest in the property has vested in the buyer before legal title passes and the risks and rewards of ownership of such have been transferred at the time of entering into Sale and Purchase agreement. Therefore, revenue from sale of apartments is recognized at the time of entering into Sale and Purchase Agreement.

##### **(b) Rental Income**

Rental income receivable under operating leases is recognised on a straight line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

The lease term is the fixed period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

Premiums received to terminate leases are recognised in the Income Statement when they arise.

Rental income arising on Investment Properties is accounted for on a straight line basis over the lease terms.

**(c)**

##### **Rendering of Services**

Revenue from rendering of services is recognized in the accounting period in which the services are rendered or performed.

**(d)**

##### **Interest Income**

Interest income is recognized as the interest accrues unless collectability is in doubt.

**(e)**

##### **Others**

Other income is recognized on an accrual basis.

**2.5**

##### **Effect of Sri Lanka Accounting Standards issued but not yet effective:**

The Group will be adopting the new Sri Lanka Accounting Standards (SLAS) comprising of LKAS and SLFRS applicable for financial periods commencing from 01 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Group has commenced transitioning its accounting policies and financial reporting in readiness for the transition. As the Group has a 31 December year end, priority has been given to considering the preparation of an opening balance sheet in accordance with the new SLASs as at 01 January 2012. This will form the basis of accounting for the new SLASs in the future and is required when the Group prepares its first fully SLAS compliant Financial Statements for the year ending 31 December 2012. Set out below are the key areas where accounting policies will change and may have an impact on the Financial Statements of the Company. At this stage the Group has not been able to reliably quantify the impact on the Financial Statements. The Group is in the process of quantifying the impact on the Financial Statements arising from such changes in accounting policies.

**(a)**

SLFRS 1 – First Time Adoption of Sri Lanka Accounting Standards. The standards require the Company to prepare and present an opening SLFRS Financial Statement at the date of transition to SLFRS. The Company shall use the same accounting policies in its opening SLFRS Financial Statements and throughout all periods presented in its first SLFRS Financial Statements. Those accounting policies should comply with each SLFRS effective at the end of the first SLFRS reporting period.

**(b)**

LKAS 1 – Presentation of Financial Statements. The standard separates owner and non-owner changes in

## Notes to the Financial Statements

equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, companies have an option to continue presenting a 'traditional' income statement complemented by a second statement, the statement of comprehensive income (SOCI), or to present a single statement, also named 'statement of comprehensive income', that includes both elements.

- (c) LKAS 32 – Financial Instruments: Presentation, LKAS 39 – Financial Instruments: Recognition and Measurement and SLFRS 7 – Disclosures will result in changes to the current method of recognizing financial assets, financial liabilities and equity instruments. The standard will require measurement of financial assets and financial liabilities at Fair Value at initial measurement. The subsequent measurement of financial assets classified at fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the comprehensive Income Statement and other comprehensive Income Statement respectively.

Financial assets classified as held to maturity and loans and receivables will be measured subsequently at amortized cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The current method of loan loss provisioning will no longer be applicable under this test.

Financial liabilities will be either classified at fair value through profit or loss or at amortized cost. As at present, the Company does not identify, categorise and measure financial assets and liabilities as per the requirements of the standard and certain derivative instruments are not recognized on the Balance Sheet and hence would require a change in accounting policy.

- (d) LKAS 12 – Income Tax needs to be provided in respect of temporary differences which will rise as a result of adjustments made in complying with the new accounting standards.
- (e) IFRIC 15 - Agreements for the Construction of Real Estate. IFRIC 15 clarifies when revenue and related expenses from a sale of real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. IFRIC 15 determines that contracts which do not classify as construction contracts in accordance with

SLAS 13 can only be accounted for under the percentage of completion method if the entity continuously transfers to the buyer control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses.

The Group's current accounting policy for all apartment sales is to recognise revenue on the completion of construction. The Group will have to consider the application of IFRIC 15 in the light of surrounding circumstances if such sales are construction contracts or sales of completed apartments. Accordingly significant changes can result in the revenue recognition policy in the future years.

### 3. SEGMENTAL INFORMATION

The Group mainly comprises three business segments viz, "Property Leasing", "Property Trading" and "Property Services" which are derived through three individual companies in the Group. The "Property Leasing" is derived by Overseas Realty (Ceylon) PLC (ORC PLC). The "Property Trading" is derived through Mireka Homes (Pvt) Ltd. and "Property Services" is currently derived through ORC PLC and Realty Management Services (Pvt) Ltd (RMS). ORC PLC earns rental income by way of renting out the space at "World Trade Center" located at Echelon Square, Colombo 1 while RMS earns agency fees and facility management fees by renting condominiums and providing absentee landlord services to Havelock City condominium owners. Mireka Homes (Pvt) Ltd recognizes revenue through the sale of condominium units of "Havelock City".

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment.

#### 3.1 Segment Results

	2011					2010				
	Rental & Other Services	Realty Services	Sale of Apartments	Inter/Intra Segment	Consolidated	Rental & Other Services	Realty Services	Sale of Apartments	Inter/Intra Segment	Consolidated
	(Property Leasing)	(Property Services)	(Property Trading)	Eliminations	Rs.	(Property Leasing)	(Property Services)	(Property Trading)	Eliminations	Rs.
Revenue	847,120,928	-	1,587,516,374	-	2,434,637,302	697,376,626	-	950,149,134	-	1,647,525,760
Direct Operating Expenses	(337,754,920)	-	-	-	(337,754,920)	(329,352,966)	-	-	-	(329,352,966)
Cost of Sales	-	-	(1,230,612,716)	-	(1,230,612,716)	-	-	(632,647,731)	-	(632,647,731)
<b>Gross Profit/ (Loss)</b>	<b>509,366,008</b>	-	<b>356,903,658</b>	-	<b>866,269,666</b>	<b>368,023,660</b>	-	<b>317,501,403</b>	-	<b>685,525,064</b>
Other Services	22,037,825	34,982,223	201,954	(595,500)	56,626,502	26,516,658	31,904,393	-	(7,281,500)	51,139,551
Fair Value Gain on Investment	2,122,859,703	-	-	-	2,122,859,703	473,162,049	-	-	-	473,162,049
Property Administration Expenses	(164,829,472)	(3,604,542)	(69,388,700)	1,720,500	(236,102,214)	(160,278,117)	(13,915,689)	44,055,842	18,873,969	(111,263,995)
Marketing and Promotional Expenses			(73,945,964)	-	(73,945,964)	-	-	(79,238,108)	-	(79,238,108)
Finance Cost	(6,378,892)	-	(102,911,040)	-	(109,289,932)	(7,377,946)	-	(110,427,344)	-	(117,805,290)
Finance Income	50,909,999	-	54,872,326	-	105,782,325	6,106,971	-	17,540,124	-	23,647,095
<b>Net Profit Before Tax</b>	<b>2,533,965,171</b>	<b>31,377,681</b>	<b>165,732,234</b>	<b>1,125,000</b>	<b>2,732,200,086</b>	<b>706,153,275</b>	<b>17,988,704</b>	<b>189,431,917</b>	<b>11,592,469</b>	<b>925,166,366</b>

#### 3.2 Segment Assets and Liabilities:

	Rental & Other Services	Realty Services	Sale of Apartments	Inter/Intra Segment	Consolidated
	(Property Leasing)	(Property Services)	(Property Trading)	Eliminations	
<b>2011</b>					
Total Assets	20,547,085,077	25,613,374	5,911,403,661	(1,247,400,476)	25,211,088,262
Total Liabilities	1,254,412,648	56,479,114	3,503,581,580	(126,844,821)	4,631,149,407
<b>2010</b>					
Total Assets	17,926,202,124	2,797,927	5,555,873,088	(1,174,498,957)	22,310,374,182
Total Liabilities	944,190,918	41,374,608	3,298,096,439	(83,657,319)	4,200,004,646

## Notes to the Financial Statements

### 3.3 Other Segment Information:

	2011				2010			
	Rental & Other Services (Property Leasing)	Realty Services (Property Services)	Sale of Apartments (Property Trading)	Consolidated Rs.	Rental & Other Services (Property Leasing)	Realty Services (Property Services)	Sale of Apartments (Property Trading)	Consolidated Rs.
Total cost incurred during the year to acquire								
- Property, Plant and Equipment	135,968,447	-	13,017,391	148,985,838	11,343,744	-	5,214,489	16,558,233
Depreciation								
- Charge for the Year	10,585,572	-	285,646	10,871,218	13,701,771	-	309,382	14,011,153
- Capitalised with the Inventories	-	-	2,587,052	2,587,052	-	-	2,502,081	2,502,081
Amortization	5,507,700	-	-	5,507,700	5,507,878	-	-	5,507,878
Employee Benefit Costs	85,531,106	-	9,455,410	94,986,516	75,334,155	-	10,196,951	85,531,106

### 4. OTHER SERVICES

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Property Facility Fee	22,440,000	24,915,000	22,440,000	24,915,000
Net Income from Rented Car Park	2,791,823	2,515,342	2,791,823	2,515,342
Support Services	-	-	-	5,700,000
Other Services	28,690,131	21,601,060	17,741,454	21,601,060
Default Interest	1,504,548	908,149	1,504,548	908,149
Management Fees	1,200,000	1,200,000	1,200,000	1,200,000
	56,626,502	51,139,551	45,677,825	56,839,551

### 5 INVESTMENT PROPERTY

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
As at 1 January	15,751,282,685	15,278,120,636	15,751,282,685	15,278,120,636
Transfers from Capital Work in Progress	9,891,041	-	9,891,041	-
Net gain from Fair Value Adjustment	2,122,859,703	473,162,049	2,122,859,703	473,162,049
As at 31 December	17,884,033,429	15,751,282,685	17,884,033,429	15,751,282,685

- 5.1 The Company filed a Deed of Declaration No. 237 dated 27 June 2001 attested by Ms. A. R. Edirimane, Notary Public, sub dividing the Company's property, (i.e. World Trade Center at Echelon Square) into 219 condominium units in accordance with the Condominium Plan No. 1824 dated 25 April 2001 made by Mr. M T Rathnayake, Licensed Surveyor of Survey Engineering Co. Ltd. The Urban Development Authority approved such plan under Section 594 (b) and 5(2) of the Apartment Ownership Law No. 11 of 1973 as amended by Act No. 45 of 1982, on 14 June 2001.

The said Condominium Plan and Deed of Declaration were registered with the Land Registry on 4 July 2001, thus resulting in the creation of the "Management Corporation Condominium Plan No. 1824" under the provisions of the Apartment Ownership Law.

- 5.2** The Company owns 185 Condominium Units that are held to earn rentals. These units constitute the Investment Property of the Group.

Fair value of the Investment Property is ascertained by annual independent valuations carried out by Messrs. P.B. Kalugalagedera and Associates, Chartered Valuer that has recent experience in valuing properties of akin location and category. Investment Property was appraised in accordance with SLAS 40 and 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuer. In determining the fair value, the capitalization of net income method and the discounting of future cash flows to their present value have been used which are based upon assumptions including future rental income, anticipated maintenance costs, appropriate discount rate and making reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

The significant assumptions used by the valuer in the years 2011 and 2010 are as follows:

	2011	2010
Estimated Market Rent per sq:ft	: Rs.150-220	: Rs.140-200
Rate of growth in Future Rentals	: 1 to 3 years 10% p.a. and 4 to 10 years 5% p.a.	: 1 to 5 years 10% p.a. and 6 to 10 years 5% p.a.
Anticipated Outgoings	: 45% of rentals	: 50% of rentals
Risk adjusted DCF	: 6.0% p.a.	: 6.0% p.a.

**5.3 Sensitivity analysis of assumptions employed in Investment Property Valuation Group/Company**

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of Investment Property, in respect of the year 2011.

The sensitivity of the Income Statement and Balance Sheet is the effect of the assumed changes in discount rate, growth rate and rate of maintenance cost (taken individually, while other variables are held constant) on the profit or loss and Investment Property value for the year.

	In Risk Adjusted DCF	In Growth in Future Rentals	In Rate of Anticipated Maintenance Cost	Proforma Fair Value Gain/(Loss) on Investment Property	Proforma Investment Property Valuation
	0.5%			670,826,274	16,432,000,000
	-0.5%			4,004,826,274	19,766,000,000
		1%		3,594,826,274	19,356,000,000
		-1%		901,826,274	16,663,000,000
			1%	1,869,826,274	17,631,000,000
			-1%	2,521,826,274	18,283,000,000

## Notes to the Financial Statements

### 6. PROPERTY PLANT & EQUIPMENT (GROUP)

	Balance As at 01.01.2011	Additions	Transfers	Increase in Revaluation	Disposals	Balance As at 31.12.2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>6.1 Gross Carrying Amounts</b>						
<b>At Cost</b>						
Temporary Building	31,766,520	206,930	-	-	-	31,973,450
Office Equipment	8,476,231	159,509	-	-	-	8,635,740
Computers and Other Electronic Equipment	31,350,330	1,422,157	-	-	-	32,772,487
Furniture & Fittings	22,824,025	913,586	-	-	-	23,737,611
Motor Vehicles	27,225,164	-	-	-	(1,866,533)	25,358,631
Gymnasium Equipment	4,515,525	-	-	-	-	4,515,525
Engineering Equipment & Tools	50,100	-	-	-	-	50,100
	<b>126,207,895</b>	<b>2,702,182</b>	-	-	(1,866,533)	<b>127,043,544</b>
<b>At Valuation</b>						
Buildings - Level 18	226,630,687	-	15,672,025	-	-	242,302,712
	<b>226,630,687</b>	<b>-</b>	<b>15,672,025</b>	<b>-</b>	<b>-</b>	<b>242,302,712</b>
<b>Total Value of Depreciable Assets</b>						
	<b>352,838,582</b>	<b>2,702,182</b>	-	15,672,025	(1,866,533)	<b>369,346,256</b>
<b>In the Course of Construction</b>						
Capital Work In Progress	722,080	146,283,656	(9,891,041)	-	-	137,114,695
<b>Total Gross Carrying Amount</b>	<b>353,560,662</b>	<b>148,985,838</b>	<b>(9,891,041)</b>	<b>15,672,025</b>	<b>(1,866,533)</b>	<b>506,460,951</b>
 <b>6.2 Depreciation</b>						
<b>At Cost</b>						
Temporary Building	29,900,943	1,378,947	-	-	-	31,279,890
Office Equipment	6,685,568	556,575	-	-	-	7,242,143
Computers and Other Electronic Equipment	23,288,709	3,107,129	-	-	-	26,395,838
Furniture & Fittings	17,908,487	882,913	-	-	-	18,791,400
Motor Vehicles	22,124,885	3,094,062	-	-	(1,866,533)	23,352,414
Gymnasium Equipment	48,246	451,127	-	-	-	499,373
Engineering Equipment & Tools	341	11,545	-	-	-	11,886
<b>Total Depreciation</b>	<b>99,957,180</b>	<b>9,482,298</b>	-	-	(1,866,533)	<b>107,572,945</b>
 <b>At Valuation</b>						
Buildings - Level 18	-	3,975,972	-	-	-	3,975,972
	<b>-</b>	<b>3,975,972</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,975,972</b>
<b>Total Depreciation</b>	<b>99,957,180</b>	<b>13,458,270</b>	-	-	(1,866,533)	<b>111,548,917</b>

		2011 Rs.	2010 Rs.
<b>6.3 Net Book Value</b>			
Temporary Building		693,560	1,865,577
Office Equipment		1,393,597	1,790,663
Computers and Other Electronic Equipment		6,376,649	8,061,621
Furniture and Fittings		4,946,210	4,915,537
Motor Vehicles		2,006,217	5,100,279
Gymnasium Equipment		4,016,152	4,467,279
Engineering Equipment & Tools		38,214	49,759
<b>At Valuation</b>			
Buildings - Level 18		238,326,740	226,630,687
<b>In the Course of Construction</b>			
Capital Work In Progress		137,114,695	722,080
		<b>394,912,035</b>	<b>253,603,483</b>

**6. PROPERTY PLANT AND EQUIPMENT (COMPANY)**

	Balance As at 01.01.2011 Rs.	Depreciation for the Year Rs.	Transfers Rs.	Increase in Revaluation Rs.	Disposals Rs.	Balance As at 31.12.2011 Rs.
<b>6.4 Gross Carrying Amounts</b>						
<b>At Cost</b>						
Motor Vehicles	26,983,165	-	-	-	(1,866,533)	25,116,632
Office Equipment	6,441,235	57,260	-	-	-	6,498,495
Computers and Other Electronic Equipment	27,049,230	1,029,835	-	-	-	28,079,065
Furniture and Fittings	19,567,659	580,459	-	-	-	20,148,118
Engineering Equipment and Tools	50,100	-	-	-	-	50,100
	<b>80,091,390</b>	<b>1,667,554</b>	<b>-</b>	<b>-</b>	<b>(1,866,533)</b>	<b>79,892,411</b>
<b>At Valuation</b>						
Buildings - Level 18	226,630,687	-	(3,975,972)	15,672,025	-	238,326,740
	<b>226,630,687</b>	<b>-</b>	<b>(3,975,972)</b>	<b>15,672,025</b>	<b>-</b>	<b>238,326,740</b>
Total Value of Depreciable Assets	306,722,077	1,667,554	(3,975,972)	15,672,025	(1,866,533)	318,219,151
<b>In the Course of Construction</b>						
Capital Work In Progress	722,080	9,761,360	(9,891,041)	-	-	592,399
<b>Total Gross Carrying Amount</b>	<b>307,444,157</b>	<b>11,428,914</b>	<b>(13,867,013)</b>	<b>15,672,025</b>	<b>(1,866,533)</b>	<b>318,811,550</b>

## Notes to the Financial Statements

### 6. PROPERTY PLANT AND EQUIPMENT (COMPANY) Cont...

	Balance As at 01.01.2011 Rs.	Depreciation for the Year Rs.	Transfers Rs.	Increase in Revaluation Rs.	Disposals Rs.	Balance As at 31.12.2011 Rs.
<b>6.5 Depreciation</b>						
<b>At Cost</b>						
Motor Vehicles	21,933,302	3,043,645	-	-	(1,866,533)	23,110,414
Office Equipment	5,325,048	264,443	-	-	-	5,589,491
Computers and Other Electronic Equipment	19,513,190	2,771,886	-	-	-	22,285,076
Furniture and Fittings	16,294,897	518,081	-	-	-	16,812,978
Engineering Equipment and Tools	341	11,545	-	-	-	11,886
	63,066,778	6,609,600	-	-	(1,866,533)	67,809,845
<b>At Valuation</b>						
Buildings - Level 18	-	3,975,972	(3,975,972)	-	-	-
	-	3,975,972	(3,975,972)	-	-	-
<b>Total Depreciation</b>	<b>63,066,778</b>	<b>10,585,572</b>	<b>(3,975,972)</b>	<b>-</b>	<b>(1,866,533)</b>	<b>67,809,845</b>

		2011	2010
		Rs.	Rs.
<b>6.6 Net Book Value</b>			
<b>At Cost</b>			
Motor Vehicles		2,006,218	5,049,863
Computers and Other Electronic Equipment		909,004	1,116,187
Office Equipment		5,793,989	7,536,040
Furniture and Fittings		3,335,140	3,272,762
Engineering Equipment and Tools		38,214	49,759
<b>At Valuation</b>			
Buildings - Level 18		238,326,740	226,630,687
<b>In the Course of Construction</b>			
Capital Work In Progress		592,399	722,080
		251,001,704	244,377,378

**6.7** Property, Plant and Equipment of the Company includes fully depreciated assets having a gross carrying amount of Rs. 55,544,844/- (2010 : Rs. 36,411,227/-).

**6.8** Cash payments amounting to Rs. 11,428,914/- (2010 : Rs. 11,343,744/-) were made during the year for purchase of Property, Plant and Equipment by the Company.

**6.9** The fair value of building - Level 18, was determined by means of a revaluation during the financial year 2011 by Messrs. P.B. Kalugalagedera and Associates, an independent valuer in reference to market based evidence. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 31 December 2011. The surplus arising from the revaluation was transferred to a revaluation reserve.

The carrying amount of revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation is as follows:

Class of Asset			Cumulative Depreciation if assets were carried at cost	Net Carrying Amount 2011	Net Carrying Amount 2010
	Cost	Rs.		Rs.	Rs.
Building - Level 18	87,431,566		7,285,964	80,145,602	81,602,795

- 6.10** Out of the total depreciation for the year of Rs. 13,458,270 /- (2010 - Rs.16,513,234/-) an amount of Rs. 2,587,052 /- (2010 - Rs. 2,502,081/-) has been capitalized under Project Under Development during the year by the Group.

## 7. INTANGIBLE ASSETS

Group	Membership Fee Rs. (Note 7.1)	Software Rs. (Note 7.2)	Goodwill Rs. (Note 7.3)	Total Rs.
<b>Cost</b>				
As at 1 January 2011	7,297,734	21,568,507	8,794,884	37,661,125
Acquired / Incurred during the year	-	1,346,381	-	1,346,381
As at 31 December 2011	7,297,734	22,914,888	8,794,884	39,007,506
<b>Amortisation</b>				
As at 1 January 2011	3,118,122	4,673,179	-	7,791,301
Amortisation for the year	1,194,000	4,313,700	-	5,507,700
As at 31 December 2011	4,312,122	8,986,879	-	13,299,001
<b>Net Book Value</b>				
As at 1 January 2011	4,179,612	16,895,328	8,794,884	29,869,824
As at 31 December 2013	2,985,612	13,928,009	8,794,884	25,708,505
Company	Membership Fee Rs. (Note 7.1)	Software Rs. (Note 7.2)	Total Rs.	
<b>Summary</b>				
<b>Cost</b>				
As at 1 January 2011	7,297,734	21,568,507	28,866,241	
Acquired / Incurred during the year	-	1,346,381	1,346,381	
As at 31 December 2011	7,297,734	22,914,888	30,212,622	
<b>Amortisation</b>				
As at 1 January 2011	3,118,122	4,673,179	7,791,301	
Amortisation for the year	1,194,000	4,313,700	5,507,700	
As at 31 December 2011	4,312,122	8,986,879	13,299,001	
<b>Net Book Value</b>				
As at 1 January 2011	4,179,612	16,895,328	21,074,940	
As at 31 December 2011	2,985,612	13,928,009	16,913,621	

## Notes to the Financial Statements

- 7.1** During the year ended 30 June 1994 the Company had paid a membership fee of US\$ 150,000 to the World Trade Centers Association and obtained the license for the use of the trade name "World Trade Center". The license requires an annual subscription fee amounting to US\$ 10,000 to renew the eligibility of using the trade name. The management of the Company previously determined the useful life of the asset to be twenty (20) years over which it was amortized on a straight line basis in the Income Statement with effect from the year ended 31 December 2007, up to 31 December 2008.

During the year 2009, the Directors reviewed the useful life and determined that the intangible asset has a further remaining useful life of 5.5 years. Accordingly the amortisation charge in respect of the year ended 31 December 2009 was adjusted to reflect this change. The amortisation on this basis will be applied upto 30 June 2014.

- 7.2** During the year ended 31 December 2009 the Company acquired an Enterprise Resource Planning System (ERP) consisting of application software, user licence and implementation services at a cost of Rs. 21,568,507/- . The management of the Company has determined the useful life of the asset as five (5) years and amortisation has been made on a straight line basis in the Income Statement with effect from the year ended 31 December 2009. During the year ended a further amount of Rs 1,346,381/- was invested in the ERP system.

- 7.3** Goodwill represents the excess of an acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition of Mireka Capital Land (Pvt) Ltd and is carried at cost less accumulated impairment losses and the Group Goodwill has been allocated to cash-generating unit, for impairment testing.

Goodwill is not amortised, but is reviewed for impairment annually as to whether there is an indication that goodwill may be impaired.

### 8. INVESTMENTS IN SUBSIDIARIES

% Holding	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
<b>Non-Quoted Investments at cost</b>				
Mireka Capital Land (Pvt) Ltd.	60%	-	-	1,125,000,000
Hospitality International (Pvt) Ltd. (HIL)	100%	-	-	112,159,107
Provision for the fall in value of HIL Investment		-	-	(112,159,107)
Realty Management Services (Pvt) Ltd	100%	-	-	10,020
Property Mart (Pvt) Ltd	100%	-	-	20
Havelock City (Pvt) Ltd	100%	-	20	20
		-	20	1,125,010,060
				1,125,010,060

- 8.1** The Directors' view is that the value of the investments made in Mireka Capital Land (Pvt) Ltd, Realty Management Services (Pvt) Ltd, Property Mart (Pvt) Ltd and Havelock City (Pvt) Ltd are Rs. 1,125,000,000/-, Rs. 10,020/-, Rs. 20/- and Rs. 20/- respectively.

### 9. INVENTORIES

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Project Under Development	2,557,507,741	2,150,497,164	-	-
Completed Apartments for Sale	593,446,623	1,808,396,548	-	-
Consumables & Spares	16,521,502	22,226,649	16,521,502	22,226,649
	3,167,475,866	3,981,120,361	16,521,502	22,226,649

**10. TRADE AND OTHER RECEIVABLES**

	Group	Company		
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Rent and Service Charge Receivable	33,895,444	71,431,017	33,895,444	71,431,017
Trade Debtors - Apartment Sales	707,713,830	443,534,682	-	-
Less: Allowance for Doubtful Debts	(5,789,399)	-	(5,789,399)	-
Other Debtors	735,819,875	514,965,699	28,106,045	71,431,017
Less: Allowance for Doubtful Debts	726,585,542	688,578,584	42,656,391	15,955,590
Advances & Prepayments	1,458,551,540	1,199,690,407	70,762,436	87,386,607
	58,544,328	32,517,872	28,179,402	18,776,554
	<b>1,517,095,869</b>	<b>1,232,208,279</b>	<b>98,941,838</b>	<b>106,163,161</b>

**11. AMOUNTS DUE FROM RELATED PARTIES**

	Group	Company		
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Management Corporation Condominium Plan 1824	24,069,066	22,256,477	16,649,068	22,256,477
Management Corporation Condominium Plan 5770	507,998	5,805,976	243,091	5,805,976
Mireka Capital Land (Pvt) Ltd	-	-	503,857	14,498,282
Realty Management Services (Pvt) Ltd	-	-	19,854,848	14,009,004
Shing Kwan Investment (Singapore) Pte Ltd	-	1,144,137	-	1,144,137
Mireka Homes (Pvt) Ltd	-	-	638,273	24,001,589
Havelock City (Pvt) Ltd	-	23,460,757	88,804,924	-
SK Investments Lanka (Pvt) Ltd	422,118	-	-	-
	<b>24,999,182</b>	<b>52,667,347</b>	<b>126,694,061</b>	<b>81,715,465</b>

**12. STATED CAPITAL (Group/Company)**

**12.1 Stated Capital as at 31 December 2011**

	2011 Rs.	2010 Rs.
Ordinary Shares	9,840,650,855	9,840,650,855
Add: Balance in Share Premium	345,286,000	345,286,000
Add: Balance in Redemption Reserve Fund	148,550	148,550
<b>Stated Capital</b>	<b>10,186,085,405</b>	<b>10,186,085,405</b>

**12.2 Fully Paid Ordinary Shares**

	2011 Number	2010 Number
	Rs.	Rs.
Balance at the beginning of the Year	843,484,359	9,840,650,855
Issue of Shares for Cash (Rights Issue)	-	-
<b>Balance at the end of the Year</b>	<b>843,484,359</b>	<b>9,840,650,855</b>

## Notes to the Financial Statements

### 12.3 Non-Convertible Cumulative Redeemable Preference Shares

	2011	2010		
	Number	Rs.	Number	Rs.
Balance at the beginning of the Year	-	-	374,464,391	3,744,643,910
Redemption of Shares	-	-	(374,464,391)	(3,744,643,910)
Balance at the end of the Year	-	-	-	-

### 12.4 Rights, Preferences and Restrictions of Capital

During the year 2006, the Company issued 374,464,391 Non Convertible Cumulative Redeemable Preference Shares (CRPS) of Rs. 10/- each at a dividend rate of 2% per annum amounting to Rs. 3,744,643,910/- as part of the financial restructuring process. Tenor of the Preference Share issue was 5 years and redeemed on 28 November 2010.

### 13. RESERVES (Group/Company)

#### 13.1 Capital Reserves

	2011	2010
	Rs.	Rs.
Revaluation Reserve (13.2)	164,663,791	148,991,766
	164,663,791	148,991,766

#### 13.2 Revaluation Reserve

Balance as at the Beginning of the Year	148,991,766	134,689,558
Transfer of Surplus during the Year	15,672,025	14,302,208
Balance as at the End of the Year	164,663,791	148,991,766

13.3 Revaluation Reserve represents the surplus related to the regular revaluation as explained in Note 6.9 on page 52.

### 14. INTEREST BEARING LOANS AND BORROWINGS

#### 14.1 Group

	2011			2010		
	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts
	Repayable within 1 Year	Repayable after 1 Year	Total	Repayable within 1 Year	Repayable after 1 Year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Loan - BOC (14.3)	2,585,530,000	-	2,585,530,000	632,762,500	1,898,287,500	2,531,050,000
SR & CC & T Fund Loan - BOC (14.4)	50,000,000	245,817,000	295,817,000	50,000,000	295,821,000	345,821,000
	<b>2,635,530,000</b>	<b>245,817,000</b>	<b>2,881,347,000</b>	<b>682,762,500</b>	<b>2,194,108,500</b>	<b>2,876,871,000</b>

#### 14.2 Company

	2011			2010		
	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts
	Repayable within 1 Year	Repayable after 1 Year	Total	Repayable within 1 Year	Repayable after 1 Year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
SR & CC & T Fund Loan (14.4)	50,000,000	245,817,000	295,817,000	50,000,000	295,821,000	345,821,000
<b>Total Loans and Overdraft</b>	<b>50,000,000</b>	<b>245,817,000</b>	<b>295,817,000</b>	<b>50,000,000</b>	<b>295,821,000</b>	<b>345,821,000</b>

#### 14.3 Loan - BOC

	As At 01.01.2011 Rs.	Obtained during the Year Rs.	Repayments Rs.	Exchange Gain/(Loss) Rs.	As At 31.12.2011 Rs.
Shareholder Loan - BOC	2,531,050,000	-	-	54,480,000	2,585,530,000
	2,531,050,000	-	-	54,480,000	2,585,530,000

This loan has been granted to Mireka Capital Land (Pvt) Ltd as per the funding commitments contained in the Joint Venture agreement between Overseas Realty (Ceylon) PLC (ORC PLC), Bank of Ceylon and Mireka Capital Land (Pvt) Ltd. The agreement provides for a shareholder loan facility of US\$ 40 Mn in proportion to the share holding of Overseas Realty (Ceylon) PLC and Bank of Ceylon in Mireka Capital Land (Pvt) Ltd. The shareholder's funding is arranged through the Bank of Ceylon. Shing Kwan Group provides funding support to ORC PLC as its principal shareholder.

#### 14.4 Unsecured Bank Loans

	As At 01.01.2011 Rs.	Obtained during the Year Rs.	Repayments Rs.	As At 31.12.2011 Rs.
SR & CC & T Fund Loan - BOC (14.5)	345,821,000	-	(50,004,000)	295,817,000
	345,821,000	-	(50,004,000)	295,817,000

- 14.5** The Company signed an unsecured Term Loan Agreement on 30th March 1998 with Bank of Ceylon (BOC) to borrow Rs. 500 million at a concessionary rate of interest of 2% p.a. repayable over a period of ten years following a grace period of five years. Accordingly, the repayment was to begin in April 2003. Following negotiations, the repayment of capital was extended by a further 5 years, as per the letter from the Ministry of Finance dated 11 September 2003. The first capital repayment therefore commenced in December 2007.

#### 15. NON-INTEREST BEARING LOANS (Group)

	2011			2010		
	Amounts Repayable within 1 Year Rs.	Amounts Repayable after 1 Year Rs.	Total Rs.	Amounts Repayable within 1 Year Rs.	Amounts Repayable after 1 Year Rs.	Total Rs.
HIL Loan - BOC (15.1)	843,750	-	843,750	1,125,000	843,750	1,968,750
	843,750	-	843,750	1,125,000	843,750	1,968,750

#### 15.1 HIL Loan - SR & CC & T Fund

	As at 01.01.2011 Rs.	Loan Obtained During the Year Rs.	Repayments Rs.	As at 31.12.2011 Rs.
Loan payable by Hospitality International (Pvt) Ltd. (15.2)	1,968,750	-	(1,125,000)	843,750

- 15.2** The Company's subsidiary, Hospitality International (Pvt) Ltd (HIL), had obtained an unsecured SR & CC & T Loan of Rs. 19,917,795/- from SR & CC & T Fund, at a concessionary rate of interest of 4% p.a. According to the settlement in Court reached with the disbursing bank, Bank of Ceylon, case No. HC Civil 188/2002 (i), an amount of Rs. 10,000,000/- is repayable by the subsidiary, spread over a period of 8 years, beginning August 2004.

## Notes to the Financial Statements

### 16. POST EMPLOYMENT BENEFIT LIABILITY

	Group	Company	
	2011 Rs.	2010 Rs.	2011 Rs.
<b>Balance as at 1 January 2011</b>	20,632,272	20,249,177	20,632,272
Charge for the Year (16.1)	4,767,308	4,573,984	4,767,308
Payments made during the Year	(2,271,794)	(4,190,889)	(2,271,794)
	<b>23,127,786</b>	<b>20,632,272</b>	<b>23,127,786</b>
			20,632,272

#### 16.1 Post Employment Benefit Expense for

Year Ended 31 December

	Group	Company	
	2011 Rs.	2010 Rs.	2011 Rs.
Current Service Cost	3,434,422	2,424,949	3,434,422
Interest Cost	1,781,076	2,149,035	1,781,076
Actuarial (Gain)/ Loss	(448,190)	-	(448,190)
Post Employment Benefit Expense	<b>4,767,308</b>	<b>4,573,984</b>	<b>4,767,308</b>
			4,573,984

#### 16.2 Net Liability Recognised in the Balance Sheet

as at 31 December

	Group	Company	
	2011 Rs.	2010 Rs.	2011 Rs.
Present value of Defined Benefit Obligation as at the beginning of the Year	20,632,272	20,249,177	20,632,272
Actuarial Gains /Losses	2,495,514	383,095	2,495,514
Post Employment Benefit Liability recognised in Balance Sheet as at the end of the Year	<b>23,127,786</b>	<b>20,632,272</b>	<b>23,127,786</b>
			20,632,272

#### 16.3 Messrs. Piyal S Goonetilleke and Associates : Actuaries, carried out an actuarial valuation of the Group as at 31 December 2011.

Appropriate and compatible assumptions were used in determining the cost of post employment benefits. The principal assumptions used are as follows:

##### (a) Demographic Assumptions

Retirement Age : 55 years

Assumed rate of employee turnover is 10% from age 20 to age 30. Such is estimated to decrease from 5% to 3% in respect of ages 35 to 40, from which point onwards up to retirement it is estimated at 1% p.a.

##### (b) Financial Assumptions

	2011	2010
Discount Rate	9%	9%
Salary Increment Rate	10%	10%

**17. TRADE AND OTHER PAYABLES**

	Group	Company	
	2011 Rs.	2010 Rs.	2011 Rs.
Trade Creditors - Related Party	4,131,435	2,942,243	-
- Other	313,735,918	541,241,406	-
Rental Income Received in Advance	98,893,195	83,234,916	98,893,195
Sundry Creditors including Accrued Expenses	198,501,683	188,109,706	89,582,766
	<b>615,262,231</b>	<b>815,528,271</b>	<b>188,475,961</b>
			83,234,916
			51,350,415
			134,585,331
<b>17.1 Trade Payables - Related Party</b>			
Shing Kwan Management Ltd	1,380,313	2,942,243	-
Shing Kwan Investment (Singapore) Pte Ltd	2,751,122	-	-
	<b>4,131,435</b>	<b>2,942,243</b>	-
			-

**18. RENTAL AND CUSTOMER DEPOSITS**

	Group	Company	
	2011 Rs.	2010 Rs.	2011 Rs.
Rental Deposits	594,845,413	427,800,223	594,845,413
Customer Deposits	493,566,367	46,045,460	-
	<b>1,088,411,780</b>	<b>473,845,683</b>	<b>594,845,413</b>
			427,800,223

**19. AMOUNTS DUE TO RELATED PARTIES**

	Group	Company	
	2011 Rs.	2010 Rs.	2011 Rs.
Shing Kwan Investment Lanka (Pvt) Ltd	9,442,080	9,345,330	9,442,080
	<b>9,442,080</b>	<b>9,345,330</b>	<b>9,442,080</b>
			9,345,330

**20. DIVIDENDS PAID AND PAYABLE**

**20.1 Declared and Paid during the Year**

	Group/Company	
	2011	2010
Equity Dividends on Ordinary Shares		
- Final dividend for 2010 : Rs. 0.30 (2009 - Rs. 0.30)	253,045,308	168,696,872
Preference Dividend	-	62,581,720
	<b>253,045,308</b>	<b>231,278,592</b>
<b>20.2 Dividends Payable as at the end of the Year</b>		
Dividends on Ordinary Shares	2,379,710	1,813,340
	<b>2,379,710</b>	<b>1,813,340</b>

**21. SHORT TERM INVESTMENTS**

	Group	Company	
	2011 Rs.	2010 Rs.	2011 Rs.
Investment in Fixed Deposits	315,260,712	-	315,260,712
	<b>315,260,712</b>	-	<b>315,260,712</b>
			-

## Notes to the Financial Statements

### 22. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

#### Components of Cash and Cash Equivalents

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
<b>Favourable Cash &amp; Cash Equivalents Balance</b>				
Cash and Bank Balances	546,253,789	94,155,873	69,412,455	78,981,624
Fixed and Call Deposits	1,335,348,875	914,012,512	512,439,588	495,370,162
<b>Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement</b>	<b>1,881,602,664</b>	<b>1,008,168,384</b>	<b>581,852,043</b>	<b>574,351,786</b>

### 23. FINANCE COST AND INCOME

#### 23.1 Finance Cost

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Interest Expense on Interest Bearing Loans and Borrowings	109,289,932	117,805,290	6,378,892	7,377,946
	109,289,932	117,805,290	6,378,892	7,377,946

<b>23.2 Finance Income</b>				
Income from Investments				
- Interest on Fixed Deposits	73,387,077	14,502,247	38,283,988	6,106,971
- Interest on Government Securities (REPO)	32,395,248	9,144,848	12,626,011	-
	105,782,325	23,647,095	50,909,999	6,106,971

### 24. PROFIT BEFORE TAX

#### Stated after Charging /(Crediting)

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Depreciation Charge for the Year	10,871,218	14,011,153	10,585,572	13,701,771
Exchange (Gain)/Loss	39,814,851	(83,742,651)	(1,433,516)	(2,533,368)
(Profit)/Loss on Disposal of Property, Plant and Equipment	(3,508,061)	(148,171)	(3,508,061)	-
Employee Benefit Expenses including the following;	94,986,516	85,531,106	80,475,516	75,334,155
-Defined Benefit Plan Cost - Gratuity	4,767,308	4,573,984	4,767,308	4,573,984
-Defined Contribution Plan Cost - EPF & ETF	8,444,429	4,129,850	8,444,429	4,129,850
Amortization of Intangible Assets	5,507,700	5,507,878	5,507,700	5,507,878

## 25. TAX EXPENSES

- 25.1 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :

	Group	Company		
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Accounting Profit before Tax	2,732,200,086	925,166,366	2,556,402,420	736,476,167
Income Exempt from Tax	(2,624,741,591)	(886,900,175)	(2,503,816,254)	(713,947,324)
Assessable Income	107,458,495	38,266,191	52,586,166	22,528,843
Deductions Allowed	(18,405,158)	(7,885,095)	(18,405,158)	(7,885,095)
Taxable Income	89,053,337	30,381,096	34,181,008	14,643,748
Income Tax at the Statutory Rate of 28% (2010 - 35%)	24,934,934	10,633,383	9,570,683	5,125,311
Social Responsibility Levy Nil (2010 - 1.5%)	-	159,501	-	76,880
Under/(Over) Provision in respect of Previous Year	322,550	261,658	-	261,658
	<b>25,257,484</b>	<b>11,054,542</b>	<b>9,570,683</b>	<b>5,463,849</b>

25.2 The above tax expense relates to the interest income and other miscellaneous income that are not covered by the tax exemption enjoyed by Overseas Realty (Ceylon) PLC and its subsidiaries as detailed in Note 2.4.2

25.3 Deferred Tax asset amounting to Rs. 74,557,785/- (2010 - Rs. 99,639,037/-) arising as a result of pre-operational interest has not been recognized in these Financial Statements as there is an uncertainty of the availability of such tax losses amounting to Rs. 266,277,805/- (2010- Rs. 284,682,963/-) for set off against taxable income after the tax holiday period enjoyed by the Group. The Group will continue to re-assess unrecognized deferred tax assets at each Balance Sheet date.

## 26. EARNINGS PER SHARE

26.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

26.2 The following reflects the income and share data used in the basic earnings per share computation.

	Group	2011	2010
<b>Amounts Used as the Numerator</b>			
Net Profit / (Loss) attributable to Shareholders for Basic Earnings per Share	2,646,924,429	844,277,431	
Dividends on Redeemable Preference Shares	-	(62,581,720)	
<b>Net Profit / (Loss) attributable to Ordinary Shareholders for Basic Earnings per Share</b>	<b>2,646,924,429</b>	<b>781,695,711</b>	
<b>Number of Ordinary Shares Used as the Denominator</b>			
Weighted Average number of ordinary shares in issue applicable to basic Earnings Per Share	843,484,359	636,747,997	
	843,484,359	636,747,997	

On 15 September 2010 the Company announced the issue of 281,161,453 new ordinary shares by way of rights to qualifying shareholders at Rs.15/- per share. The issue was on the basis of 1 share for every 2 shares held as of the said date. As required by SLAS 34 'Earnings Per Share' the impact of the bonus element included within the price of the rights issue has been adjusted in arriving at the number of Ordinary Shares used as the denominator for the year 2010.

## Notes to the Financial Statements

### 27. RELATED PARTY DISCLOSURES

#### 27.1 Transactions with Related Entities

##### 27.1.1 Subsidiaries

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Amounts Receivable as at 31 December	-	-	109,801,902	31,434,273
Amounts Payable as at 31 December	-	-		-
Rendering of Services	-	-	-	(16,121,358)
Receipt of Services	-	-		-
Reimbursements / Settlements	-	-	(31,521,915)	(17,094,326)
Loan Received	-	-		11,438,000
<b>27.1.2 Other Group Companies</b>				
Amounts Receivable as at 31 December	-	15,259,564		
Amounts Payable as at 31 December	9,442,080	-	9,442,080	(2,483,439)
Management Fee Earned	-	-		-
Management Fee	1,370,880	1,384,320	1,370,880	1,384,320
Rendering of Services	-	-		-
Receipt of Services	-	16,549,297		-
Reimbursements / Settlements	(1,467,629)	(25,899,018)	(1,467,629)	(3,867,759)

The above transactions are included in Current Liabilities as Balances Due to Related Parties and in Current Assets as Balances due from Related Parties.

#### Terms and Conditions

Services to related parties were made on the basis of the price agreed between related parties. Outstanding balance with related parties at Balance Sheet date are unsecured and interest free, except for the loan granted to subsidiary which is at market rates on the day. Settlement took place in cash.

#### 27.2 Other Related Party Disclosures

##### (a) Bank of Ceylon (BOC) - Significant Investor in a Subsidiary

Nature of Transactions	Group	
	2011 Rs.	2010 Rs.
As at 01 January	2,531,050,000	2,749,200,000
Shareholder Loans Granted	-	
Loan Repayment	54,480,000	(218,150,000)
As at 31 December	2,585,530,000	2,531,050,000

The above transactions are included in interest bearing loans. Further, the Group has current accounts at BOC amounting to Rs. 460,392,327/- (2010 - Rs. 46,226,038/-), REPO/Call & Fixed deposits amounting to Rs. 822,909,287/- (2010 - Rs. 914,012,512/-). During the year interest expense on account of financial accommodation obtained from BOC amounted to Rs. 102,911,040/- (2010 - Rs. 117,736,326/-), while interest earned amounted to Rs. 29,280,409/- (2010 - Rs. 17,540,124/-).

Other matters related to this financial accommodation are given in Note 14 and 15.

**27. RELATED PARTY DISCLOSURES (Contd.)****(b) Management Corporation Condominium Plan 1824**

	Group	Company	
	2011 Rs.	2010 Rs.	2011 Rs.
Balance as at the beginning of the Year	22,256,477	2,303,754	22,256,477
Property Facility Fee	25,635,456	25,886,784	25,635,456
Membership Fee Paid	(339,937,920)	(339,937,920)	(339,937,920)
Employment Benefits	52,365,116	40,046,479	-
Transfer of Retirement Benefit Obligation	697,264	551,723	-
Supply of Electricity	326,001,458	281,276,810	326,001,458
Other	(62,948,785)	12,128,847	(17,306,403)
Balance as at the end of the Year	24,069,066	22,256,477	16,649,068

Management Corporation Condominium Plan No.1824 ("Corporation") is a body corporate constituted on 4 July 2001 in terms of the provisions of Apartment Ownership (Amendment) Act No.45 of 1982, upon the registration of Condominium Plan No. 1824, which converted the World Trade Center into a Condominium Property. The Chairman of the Council of the Corporation which consists of all the owners (currently 5 owners) was appointed by Overseas Realty Ceylon PLC (ORC PLC).

**(c) Management Corporation Condominium Plan No. 5770**

	Group	Company	
	2011 Rs.	2010 Rs.	2011 Rs.
Balance as at the beginning of the Year	5,805,976	-	5,805,976
Property Facility Fee	3,300,000	2,855,160	3,300,000
Other Reimbursements	(8,862,885)	2,950,816	(8,862,885)
Balance as at the end of the Year	243,091	5,805,976	243,091

Management Corporation Condominium Plan No.5770 ("Corporation") is a body corporate constituted on 22 June 2010 in terms of the provisions of Apartment Ownership (Amendment) Act No.45 of 1982, upon the registration of Condominium Plan No. 5770, which converted the Havelock City Phase I - Park and Elibank towers into a Condominium Property. The Chairman of the Council of the Corporation which consists of all the owners was appointed by Mireka Homes (Pvt) Ltd (MHL).

**27.3 Transactions with Key Management Personnel of the Company or its Parent**

- (a) The key management personnel of the Company are the members of its Board of Directors, of its parent and the Chief Executive Officer.

Payments made to key management personnel during the year were as follows:

	2011 Rs.	2010 Rs.
Directors Fee	1,975,000	1,925,000
Short Term Employee Benefits	750,000	7,000,000

- (b) The Group has sold apartments to the value of Rs. 40.6 Mn (2010 - Rs. Nil) to two Key Management Personnel.

## Notes to the Financial Statements

### 28. CAPITAL EXPENDITURE COMMITMENTS

- (a) The Company has commitments amounting to Rs. 6,901,946/- (2010 -Rs. 8,248,327/-) as at the Balance Sheet date in respect of the planned ERP implementation.
- (b) Mireka Capital Land (Pvt) Ltd has commitments amounting to Rs. 33,499,270/- (2010 - Rs. 64,221,208/-) as at the balance sheet date in respect of the Havelock City Project.
- (c) Havelock City (Pvt) Ltd has commitments amounting to Rs. 338 Mn in respect of the Havelock City Commercial development.
- (d) Mireka Homes (Pvt) Ltd has commitments amounting to Rs.178.7 Mn (2010 - Rs. Nil) in respect of the Havelock City Condominium Development

### 29. CONTINGENCIES

#### Legal Claim:

The following entities in the Group are involved in legal actions described below. Although there can be no assurance, the Directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would be favourable to the Company and therefore would not have an adverse effect on the results of operations or financial position. Accordingly, no provision for any liability has been made in these Financial Statements.

Company's subsidiary Mireka Capital Land (Pvt) Ltd has been assessed for Value Added Tax (VAT) for periods between January 2006 and January 2009. Company has appealed against same and filed a writ application in the Court of Appeal to enable the Company to prevent recovery action being taken by authorities.

Company's subsidiary Mireka Homes (Pvt) Ltd has been assessed for Economic Service Charge (ESC) and MHL has appealed against same.

### 30. ASSETS PLEDGED

The Company has not pledged any asset for any business transaction.

### 31. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date other than the following that require adjustments to or disclosure in the Financial Statements.

Mireka Homes (Pvt) Ltd has entered in to a contract on 26 January 2012 for the construction and maintenance of Phase II of Havelock City residential development.

## Company Performance - Five Year Summary

### PROFIT & LOSS STATEMENT

Rs.	2007	2008	2009	2010	2011
Rental Income	716,381,709	805,026,451	666,144,840	697,376,626	847,120,928
Income from Other Services	35,350,908	41,562,039	42,313,453	56,839,551	45,677,825
Total Revenue	751,732,617	846,588,490	708,458,293	754,216,177	892,798,753
Direct Operating Expenses	(271,347,534)	(350,303,551)	(334,271,312)	(329,352,966)	(337,754,920)
Gross Profit	480,385,083	496,284,939	374,186,981	424,863,211	555,043,833
Fair Value Gain	1,834,316,986	1,388,260,775	1,019,487,565	473,162,049	2,122,859,703
Other Operating Expenses	(136,763,583)	(161,772,756)	(96,602,226)	(160,278,117)	(164,829,472)
Profit from Operating Activities	2,177,938,486	1,722,772,958	1,297,072,320	737,747,142	2,513,074,064
Net Finance (Expense)/Income	7,868,040	18,013,364	3,176,235	(1,270,975)	44,531,107
Net Profit before Tax	2,185,806,526	1,740,786,322	1,300,248,555	736,476,167	2,557,605,171
Income Tax	(5,491,011)	(7,616,755)	(6,542,457)	(5,463,849)	(9,570,683)
Net Profit after Tax	2,180,315,515	1,733,169,567	1,293,706,098	731,012,318	2,548,034,488

### BALANCE SHEET

#### Assets

Investment Property	12,870,372,296	14,258,633,071	15,278,120,636	15,751,282,685	17,884,033,429
Property Plant & Equipment	194,298,325	222,835,584	239,161,138	244,377,378	251,001,704
Intangible Assets	6,932,847	6,567,960	26,582,818	21,074,940	16,913,621
Investments in Subsidiaries	1,125,010,020	1,125,010,020	1,125,010,020	1,125,010,060	1,125,010,060
	14,196,613,488	15,613,046,635	16,668,874,612	17,141,745,063	19,276,958,814

#### Current Assets

Inventory	-	-	16,376,333	22,226,649	16,521,502
Trade & Other Receivables	118,003,524	45,408,289	109,653,980	106,163,161	98,941,838
Amounts Due From Related Parties	4,194,806	60,138,270	46,429,211	81,715,465	126,694,061
Cash & Cash Equivalents	377,679,763	215,816,716	165,645,385	574,351,786	897,112,755
	499,878,093	321,363,275	338,104,909	784,457,061	1,139,270,156
<b>Total Assets</b>	<b>14,696,491,581</b>	<b>15,934,409,910</b>	<b>17,006,979,521</b>	<b>17,926,202,124</b>	<b>20,416,228,970</b>

#### Equity & Liabilities

Stated Capital	9,713,307,520	9,713,307,520	9,713,307,520	10,186,085,405	10,186,085,405
Revaluation Reserve	79,530,022	112,444,473	134,689,558	148,991,766	164,663,791
Retained Earnings	3,800,219,477	5,177,240,127	6,171,124,184	6,646,934,033	8,941,923,213
<b>Total Equity</b>	<b>13,593,057,019</b>	<b>15,002,992,120</b>	<b>16,019,121,262</b>	<b>16,982,011,204</b>	<b>19,292,672,409</b>

## Company Performance - Five Year Summary

Rs.	2007	2008	2009	2010	2011
<b>Non Current Liabilities</b>					
Interest Bearing Loans & Borrowings	446,910,585	395,829,000	345,825,000	295,821,000	245,817,000
Post Employment Benefit Liability	15,298,368	18,143,590	20,249,177	20,632,272	23,127,786
<b>Total Non Current Liabilities</b>	<b>462,208,953</b>	<b>413,972,590</b>	<b>366,074,177</b>	<b>316,453,272</b>	<b>268,944,786</b>
<b>Current Liabilities</b>					
Trade & Other Payables	549,872,780	100,781,551	152,007,222	134,585,331	188,475,961
Deposits		362,099,839	376,451,718	427,800,223	594,845,413
Interest Bearing Loans & Borrowings	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Amounts Due to Related Parties	-	-	-	9,345,330	9,442,080
Tax Payable	2,925,059	3,547,348	4,189,559	4,193,424	9,468,612
Dividends Payable	38,427,769	1,016,462	39,135,582	1,813,340	2,379,710
<b>Total Current Liabilities</b>	<b>641,225,608</b>	<b>517,445,200</b>	<b>621,784,081</b>	<b>627,737,648</b>	<b>854,611,776</b>
<b>Total Equity &amp; Liabilities</b>	<b>14,696,491,580</b>	<b>15,934,409,910</b>	<b>17,006,979,521</b>	<b>17,926,202,124</b>	<b>20,416,228,970</b>
Earnings Per Share	3.74	2.95	2.05	1.05	3.02
Average Occupancy (%)	85	83	68	70	78
Net Asset Value per Share	17.51	20.02	21.83	26.67	22.87
Share Value (High)	15.50	15.00	16.50	24.00	19.40
Share Value (Low)	9.00	5.75	6.25	14.00	13.10
Current Ratio	0.78	0.62	0.54	1.25	1.33
Return on Equity (%)	17	12	8	4	14
Total Debt to Total Assets	0.08	0.06	0.06	0.05	0.06
Debt/Equity Ratio	0.03	0.03	0.02	0.02	0.01
Asset Turnover (%)	5	6	4	4	5
Yield (%)	6	6	4	4	5
Return on Assets (%)	16	11	8	4	13

## Shareholder Information

Shareholdings	Resident			Non Resident			Total		
	No of Shareholders	No of Shares	Percentage (%)	No of Shareholders	No of Shares	Percentage (%)	No of Shareholders	No of Shares	Percentage (%)
1 - 1,000	2,344	1,003,902	0.12	21	11,672	0.00	2365	1,015,574	0.12
1,001 - 10,000	1,660	6,486,985	0.77	21	76,537	0.01	1681	6,563,522	0.78
10,001 - 100,000	460	14,034,562	1.66	19	541,000	0.06	479	14,575,562	1.73
100,001 - 1,000,000	77	21,510,580	2.55	15	4,406,650	0.52	92	25,917,230	3.07
Over 1,000,000	11	87,498,203	10.37	7	707,914,268	83.93	18	795,412,471	94.30
	4,552	130,534,232	15.48	83	712,950,127	84.52	4635	843,484,359	100.00

### Categories of Shareholders

Category	As of 31 Dec 2011		As of 31 Dec 2010	
	No of Shareholders	No of Shares	No of Shareholders	No of Shares
Individual	4,376	33,234,718	4,396	42,382,225
Institutional	259	810,249,641	268	801,102,134
	4,635	843,484,359	4,664	843,484,359

### Performance at the CSE

Year Ended	31 December 2011		31 December 2010	
	Date	Price (Rs.)	Date	Price (Rs.)
Highest	18.01.2011/03.06.2011	19.40	30.06.2010	24.00
Lowest	20.10.2011	13.10	11.11.2010	14.00
Last Traded Price	30.12.2011	14.00	31.12.2010	15.30

Year Ended	31 December 2011	31 December 2010
<b>Ordinary Shares</b>		
Closing Share Price (Rs.)	14.00	15.30
Number of Transactions	15,737	25,086
Number of Shares Traded	58,482,000	163,873,600
Value of Shares Traded (Rs.)	924,288,690	3,023,019,670

## Shareholder Information

### Top Twenty Shareholders as at 31 December

	Name	2011		2010	
		No of Shares	Percentage (%)	No of Shares	Percentage (%)
1	Shing Kwan Investments Co. Ltd	453,366,580	53.75	453,366,580	53.75
2	Unity Builders Ltd	220,156,488	26.10	220,156,488	26.10
3	Employees Provident Fund	40,380,250	4.79	30,582,350	3.63
4	Shing Kwan Investment (Singapore) Pte Ltd	21,573,450	2.56	21,573,450	2.56
5	Peoples Bank	20,722,353	2.46	20,722,353	2.46
6	Chipperfield Investments Ltd	7,650,000	0.91	7,650,000	0.91
7	National Savings Bank	5,591,100	0.66	5,591,100	0.66
8	East West Properties Plc	4,337,750	0.51	5,370,450	0.64
9	Sri Lanka Insurance Corporation Ltd - Life Fund	3,972,300	0.47	3,972,300	0.47
10	Bank of Ceylon-No2 A/C	3,773,250	0.45	3,773,250	0.45
11	J B Cocoshell (Pvt) Ltd	2,574,100	0.31	1,500,000	0.18
12	Oriental Pearl International Inc	2,550,000	0.30	2,550,000	0.30
13	Mr. Esufally Hussein Nuruddain	2,207,400	0.26	2,450,000	0.29
14	MAS Capital (Pvt) Ltd	1,594,900	0.19	225,000	0.03
15	Earnest Ocean Investments Ltd	1,400,000	0.17	-	-
16	Mr. Gautam Rahul	1,217,750	0.14	789,650	0.09
17	Seylan Bank PLC / Symphony Capital Ltd	1,217,300	0.14	243,000	0.03
18	Mr. Balendra Krishan Niraj Jayasekara	1,127,500	0.13	1,127,500	0.13
19	Timex Garments Ltd	1,000,000	0.12	475,000	0.06
20	Gold Investment Ltd	942,800	0.11	1,442,800	0.17
		797,355,271	94.53	783,561,271	92.91
	Balance held by other shareholders	46,129,088	5.47	59,923,088	7.09
	<b>Total No of Ordinary Shares</b>	<b>843,484,359</b>	<b>100.00</b>	<b>843,484,359</b>	<b>100.00</b>
	Public Holding	140,397,841	16.64	138,187,841	16.38
	Others	703,086,518	83.36	705,296,518	83.62
	<b>Total</b>	<b>843,484,359</b>	<b>100.00</b>	<b>843,484,359</b>	<b>100.00</b>

### Public Shareholding as at 31 December 2011

Parent/Group	No of Shares
Shing Kwan Investments Co Ltd	453,366,580
Unity Builders Ltd	220,156,488
Shing Kwan Investment (Singapore) Pte Ltd	21,573,450
Chipperfield Investments Ltd	7,650,000
	702,746,518
	843,484,359
Issued number of ordinary shares as at 31 December 2011	
Less	
Parent/Group	453,366,580
Subsidiaries	249,379,938
Over 10% Holding	
Directors' Shareholding	340,000
Spouses of Directors & CEO	
Public Holding	140,397,841
Public Holding as a percentage of Issued Ordinary Shares	16.64%

## Notes

## Notes

## Notice of Meeting

Notice is hereby given that the Thirtieth (30th) Annual General Meeting of OVERSEAS REALTY (CEYLON) PLC will be held at Moon Stone, Hilton Colombo on 24 May 2012 at 4.00 p.m. for the transaction of the following business:

### AGENDA

1. To receive and consider the report of the Board of Directors and the Statement of Accounts as at 31 December 2011 and the Report of the Auditors thereon.
2. To declare a first and final dividend of Rs. 0.30 per Ordinary Share in respect of the financial year ended 31 December 2011 as recommended by the Directors.
3. To re-elect Mr. Tissa Kumara Bandaranayake who was appointed as a Director of the Company on 19 May 2011 and who retires in terms of Article 27 (2) of the Articles of Association of the Company and being eligible has offered himself for re-election.
4. To re-elect Mr. En Ping Ong, a Director who retires by rotation in terms of Article 29 of the Articles of Association of the Company and being eligible has offered himself for re-election.
5. i) **Ordinary Resolution**

It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to SHING PEE TAO who attained the age of 70 years on 25 December 1986.

#### ii) **Ordinary Resolution**

It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Sec. 210 of the Companies Act No. 07 of 2007 shall not apply to HUSSAIN ZUBIRE CASSIM who attained the age of 70 years on 9 September 1995.

#### iii) **Ordinary Resolution**

It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to ROHINI LETTITIA NANAYAKKARA, who attained the age of 70 years on 12 April 2006.

#### iv) **Ordinary Resolution**

It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to AJIT MAHENDRA DE SILVA JAYARATNE, who attained the age of 70 years on 30 April 2010.

#### v) **Ordinary Resolution**

It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Section 211 of the Companies Act No. 07 of 2007 shall not apply to MELVIN YAP BOH PIN, who attained the age of 70 years on 2 February 2011.

#### 6. **To propose the following resolution as an ordinary resolution**

IT IS HEREBY RESOLVED that the retiring Auditors Messrs. Ernst & Young Chartered Accountants be and is hereby appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting to audit the Financial Statements of the Company and the Group and the Directors of the Company be and is hereby authorized to determine fees and expenses of the said auditors.

By Order of the Board  
Overseas Realty (Ceylon) Plc



**J.K.K. Wegodapola**  
Company Secretary

Colombo on this 5th day of April 2012

## Corporate Information

### Name of the Company

Overseas Realty (Ceylon) PLC

### Company Registration No.

PQ 39

### Legal Form

A Public Listed Company with limited liability, incorporated in Sri Lanka on 28th October, 1980 under the Companies Ordinance (Cap. 145) bearing Company Registration No. PBS 1084 and listed on the Colombo Stock Exchange since 1982. The Company was re-registered under the Companies Act No.07 of 2007.

### Registered Office

Overseas Realty (Ceylon) PLC  
Level 18 – East Tower  
World Trade Center  
Echelon Square  
Colombo 01  
Tel: 2346333

### Directors

Shing Pee Tao – Chairman  
Hussein Zubire Cassim – Deputy Chairman  
Tissa Kumara Bandaranayake- appointed w.e.f. 19 May 2011  
Ajit Mahendra De Silva Jayaratne  
Leslie Ralph de Lanerolle  
Rohini Lettitia Nanayakkara  
Mildred Tao Ong  
Melvin Yap Boh Pin  
Ong En Ping

Tao Ben Nien (alternate to Shing Pee Tao)  
Lee Kang Ho (alternate to Melvin Yap Boh Pin)

### Audit Committee

Ajit Mahendra De Silva Jayaratne – Chairman  
Hussein Zubire Cassim  
Melvin Yap Boh Pin  
Rohini Lettitia Nanayakkara  
Tissa Kumara Bandaranayake

### Remuneration Committee

Hussein Zubire Cassim  
Rohini Lettitia Nanayakkara  
Ajit Mahendra De Silva Jayaratne  
En Ping Ong  
Tissa Kumara Bandaranayake

### Company Secretary

Jayanga Wegodapola  
Attorney – at – Law

### Auditors

Messrs. Ernst & Young  
201, De Saram Place  
Colombo 10  
Tel: 2463500

### Registrars

Messrs. SSP Corporate Services (Private) Limited  
101, Inner Flower Road  
Colombo 03  
Tel: 2573894

### Subsidiaries

**Mireka Capital Land (Private) Limited**  
Level 18 – East Tower  
World Trade Center  
Echelon Square  
Colombo 01  
Tel: 2502247/2505100

**Mireka Homes (Private) Limited**  
Level 18 – East Tower  
World Trade Center  
Echelon Square  
Colombo 01  
Tel: 2502247/2505100

**Havelock City (Private) Limited**  
Level 18 – East Tower  
World Trade Center  
Echelon Square  
Colombo 01  
Tel: 2346333

**Realty Management Services (Private) Limited**  
Level 18 – East Tower  
World Trade Center  
Echelon Square  
Colombo 01  
Tel: 2346333

### Websites

[www.orcl.lk](http://www.orcl.lk)  
[www.wtc.lk](http://www.wtc.lk)  
[www.havelockcity.lk](http://www.havelockcity.lk)

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