

Evolving Skylines



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Evolving Skylines

We have been a pivotal force in Sri Lanka's real estate arena and Colombo's evolving skyline. As we aspire to reach further heights we continue to create new developments, which will enrich and enhance every aspect of vertical living and commercial spaces. Thereby we strive to transform spaces by continuously adding value and elevating the lifestyles of all Sri Lankans.

Our Vision

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

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.

Our Values

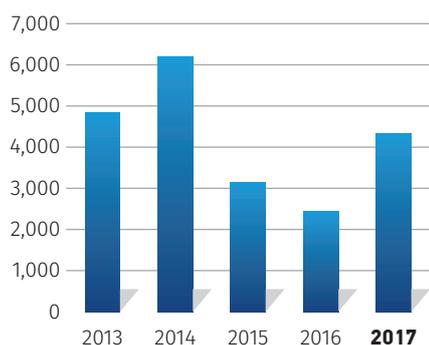


Financial Highlights

For the year ended 31st December

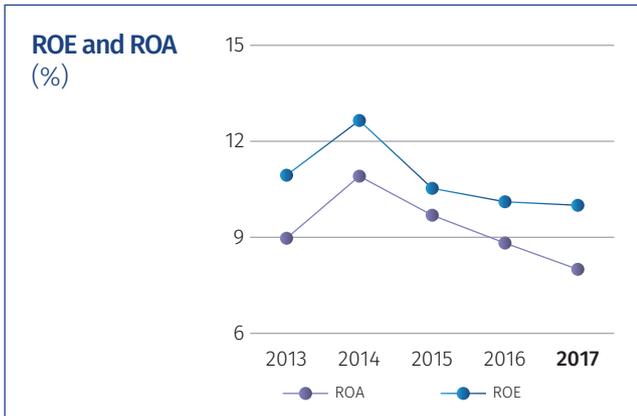
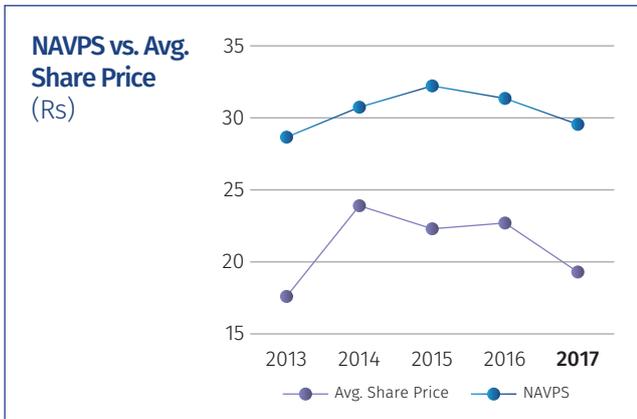
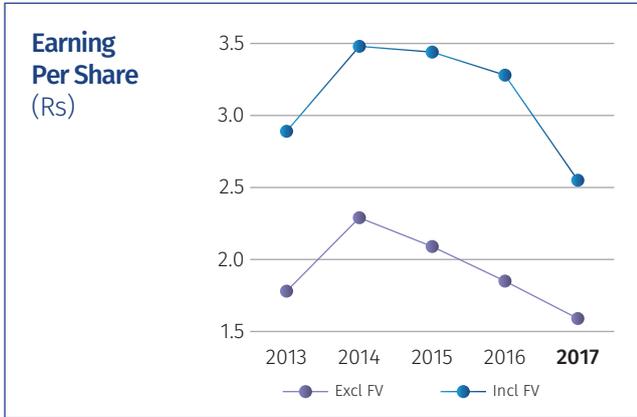
	2017	2016
	Rs Mn	Rs Mn
INCOME STATEMENT		
Revenue	4,317	2,431
Gross Profit	2,316	1,656
Fair Value Gain (FVG)	1,191	1,267
Profit Before Tax (PBT)	3,756	2,974
Profit After Tax (PAT)	3,173	2,930
PAT (Excluding FVG)	1,983	1,663
STATEMENT OF FINANCIAL POSITION		
Total Assets	43,522	34,181
Total Liabilities	6,789	6,348
Loans and Borrowings	2,007	2,304
SHAREHOLDERS' EQUITY		
Stated Capital	18,443	11,163
Reserves	18,290	16,671
FINANCIAL RATIOS		
Gross Profit Margin	54%	68%
PAT (Including FVG) Margin	74%	121%
PAT (Excluding FVG) Margin	46%	68%
Earnings Per Share (Including FVG)	2.55	3.28
Earnings Per Share (Excluding FVG)	1.59	1.85
Return on Equity	10%	10%
Return on Assets	8%	9%
Debt Equity Ratio	5.5%	8.3%
Net Assets Per Share	29.55	31.35
PE Ratio	6.9	6.1

Group Revenue
(Rs Mn)



Group Profit After Tax
(Rs Mn)





Group Revenue

Rs. 4,317Mn

2016 Rs. 2,431 Mn

Group Profit after Tax

Rs. 3,173Mn

2016 Rs. 2,930 Mn

Total Assets

Rs. 43,522Mn

2016 Rs. 34,161 Mn

Share Holders Equity

Rs. 36,734Mn

2016 Rs. 27,833 Mn

Earning Per Share

Rs. 2.55

2016 Rs. 3.28

Chairman's Review



“

Having personally witnessed considerable changes regionally and globally over so many decades, I am even more bullish on the growth momentum of Sri Lanka. Consequently, I am very confident of the development plans and prospects for your Company

”

It is with great pleasure that I present the Annual Report and Financial Statements of Overseas Realty (Ceylon) PLC (ORCL) for the Year ended 31st December 2017.

ECONOMIC OUTLOOK

The Sri Lankan economy slowed down to 3.8% in 2017 compared to 4.1% in 2016. Interest rates decreased marginally during the year and inflation remained at a single digit. The Sri Lanka Rupee depreciated by 2% against the US Dollar. Within this economic environment, the performance of the Company was noteworthy.

FINANCIAL PERFORMANCE

ORCL and its wholly owned subsidiaries, Mireka Homes (Pvt) Ltd and Realty Management Services (Pvt) Ltd, recorded satisfactory operational and financial results for the financial year 2017. Revenue and Profit Before Tax grew by 77% and 26% respectively due mainly to increased revenue recognized from Havelock City Residential-Phase 3 sales and higher interest income received from surplus funds at ORCL.

WORLD TRADE CENTRE (WTC)

The World Trade Centre Colombo continued to perform satisfactorily and achieved a 11% increase in Rental revenue amid a slight decrease in occupancy. With its prime location in the heart of the Central Business District, even after 22 years, the WTC Colombo enjoys the premier position and reputation as the best business address in the Country.

The Company maintains its leadership position in built quality, facilities and services. It is currently embarked on refurbishing and upgrading the common areas and facilities to provide a more modern aesthetic and even better service to the owners, occupants and visitors of the building.

We are confident that the World Trade Centre Colombo will continue to perform strongly in future.

HAVELOCK CITY

Havelock City is the largest integrated mixed-use real estate development in the Country.

Residential component

The Havelock City Residential development is built in four Phases. Phases 1 and 2 comprising 445 luxury apartments have

been successfully built and sold. Phases 3 and 4 comprising another 644 beautifully designed condominium units are under construction. By the end of 2017, 53% of the Phase 3 stock was pre-sold while Phase 4 is yet to be officially launched.

Commercial component

All design work for this landmark 50 storeyed Office Tower and Shopping Mall which visually anchors the Havelock City residences in the whole complex has been finalized.

Piling work that commenced in June 2017 was successfully completed on time by February 2018. The Super Structure Construction contract was awarded to an internationally renowned Contractor and construction is expected to commence in April 2018, with completion scheduled for April 2021.

FUTURE OUTLOOK

I am a fervent believer that the property market is the most dynamic enterprise in any leading city in the world and its development tracks a country's social and economic success. Having personally witnessed considerable changes regionally and globally over so many decades, I am even more bullish on the growth momentum of Sri Lanka. Consequently, I am very confident of the development plans and prospects for your Company.

DIVIDENDS

Your Board recommends a first and final dividend of Rs 1.25 per Share amounting to Rs 1,554 Million (2016 - Rs 1554 Mn)

ACKNOWLEDGEMENT

As we conclude another successful year, on behalf of the Board of Directors, I wish to take this opportunity to convey our appreciation to our loyal Shareholders, Tenants and Customers for their continuous confidence and support during the year and to acknowledge the dedication and performance of Management and Staff. Finally, I am most grateful to my Board Members for the expert guidance and professional contribution extended to the Company.



S.P. Tao
Chairman

27th February 2018

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. S.P Tao has been the non-executive Chairman of the Company since the Shing Kwan Group invested in the Company in 1991.

Mr. S P 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 to 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 Lanka 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) PLC (ORC PLC), 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) 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 Limited 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 ORC PLC in April 1991, Mr. Hussein Zubire Cassim presently serves as the Deputy Chairman of the Board and a Member of the Audit Committee and Remuneration Committee. He is an Associate Member of the Institute of Chartered Ship Brokers, London, having qualified in the Inter-arts Examination, London, in 1950. Mr. Cassim held the post of Secretary to the Minister of Trade, Commerce & Tourism from 1952 to 1956. He was appointed General Manager of Ceylon Shipping Lines in 1958 and held this post until 1963. He was the Chairman of HZ Cassim & Co Shipping Agents from 1963 to 1971 till he relocated to Singapore. From 1960 to date he has held executive and non-executive directorates in Singapore and Sri Lanka.

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. He held this post for two consecutive years. He was also a member of the Executive Committee 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 Limited (until 1990), P T Jakarta Land (until 2005) and ORCLC. Mrs. Ong participated in the Advanced Management Program in Harvard Business School in 1983.

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

Mr. Yap Boh Pin

Mr. Yap Boh Pin was appointed as a non-executive Director of the Company on April 1991 and was a member of the Executive Committee of the Board until 18th January 2010. Mr. Yap serves as a member of the Company's Audit Committee from November 1996.

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 Chartered Accountants of Singapore and the Institute of Chartered Accountants in England and Wales.

He is currently the Managing Director of B.P.Y. Private Limited, 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 Limited, a public listed company, Asia Mobile Holdings Pte Ltd and STT Communications (Beijing) Co Ltd (both are private subsidiaries of Singapore Technologies Telemedia Pte Ltd), which is part of the Singapore Technology Group. He is also Chairman of the Audit Committee and member of the Nominating Committee for TeleChoice International Limited. He is also an independent Director of public listed company, Lereno Bio-Chem Ltd, serving as Chairman of its Audit Committee and member of its Nominating Committee.

He has also held directorships in various public companies between 1975 and 2000, including Singapore Land Limited, L&M Investments Limited and Pan Pacific Company Limited 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 Honorary Council Member of the Singapore Hokkien Huay Kuan and a member of the Audit Committee of the Chinese Development Assistance Council. He is also a Director of Anglo-Chinese School (International) and chairman of its finance Sub Committee.

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 of U.K. Returning to Sri Lanka, he became a member of the Institute of Chartered Accountants of Sri Lanka.

He served at Forbes & Walker Limited 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. En Ping Ong

Mr. En Ping Ong was appointed to the Board of Directors of the Company on 18th January 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 focused on growing the real estate business of Shing Kwan Group.

Profiles of Directors

Mr. Leslie Ralph de Lanerolle

Mr. Ralph de Lanerolle joined the Board of Directors of ORC PLC on 3rd June 2010. Mr. de Lanerolle has over 50 years of work experience in both in the public and private sectors, where he has held senior management positions.

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

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 and property, 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 ORCPLC 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 19th 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 Bandaranayake 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 is a Past Chairman of the Audit Faculty and the current Chairman of the Quality Assurance Board 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 Nawaloka Hospitals PLC, Samson International PLC, Laugfs Gas PLC, Renuka Foods PLC, Renuka Holdings PLC, Micro

Holdings Ltd, Harischandra Mills PLC and Brown & Company PLC. He also serves as a Consultant to the Board of Noritake Lanka Porcelain (Pvt) Ltd.

Dr. Rane Jayamaha

B.A. (Hons) (University of Ceylon, Peradeniya, Sri Lanka), MSc (University of Stirling, U.K.), PhD (University of Bradford, U.K.), DUniv (University of Stirling, U.K.)

Dr. Rane Jayamaha was appointed to the Board of Directors of the Company as an Independent Non-Executive Director on 15th March 2013,

Dr. Rane Jayamaha is currently a Council member of the University of Colombo and the Lead Consultant for South Asia Region for the World Bank Group. She was the Chairperson of Hatton National Bank Plc., HNB Assurance PLC and Sithma Development (Pvt) Ltd. Dr. Jayamaha had been the Deputy Governor in charge of Financial System Stability of the Central Bank of Sri Lanka from 2004 up to her retirement at end of May 2009. She has over 40 years of extensive experience in the field of economics, banking, finance, regulation and administration, having held a number of positions in the Central Bank and outside.

On release from the Central Bank, she has served as Secretary – Presidential Commission on Finance & Banking, Advisor-Financial Sector Reform Committee, Ministry of Finance and Special Advisor (Economic) – Commonwealth Secretariat, London, UK.

She has been a member of the Securities & Exchange Commission of Sri Lanka, the Insurance Board of Sri Lanka, the Chairperson of Credit Information Bureau of Sri Lanka and the National Payments Council. Dr. Jayamaha has been a Member of the Working Group on General Payment System Development of the Bank for International Settlements, Member of the Global Payments Forum, Member of the Advisory Panel of the G-8 Remittance Working Group and Member of the Expert Panel of the Safeguard Assessment Policy Review 2010 of the IMF. She had been providing advisory services to a number of International financial Institutions and Central Banks in the Region.

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 member 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 setup 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 was the Chairperson of the LOLC Group of Companies and the Browns Group of Companies. She is presently the Chairperson of Subsidiaries of Browns Group of Companies. She is also a trustee of the National Trust of Sri Lanka.

Mr. Pravir Samarasinghe

He is the Group Director/ Chief Executive Officer Overseas Realty (Ceylon) PLC the premier property company in Sri Lanka.

He has over 30 years of professional and commercial experience and has served on the Board of Directors of several public listed and unlisted corporates.

He is the Deputy Chairman of the Employers' Federation of Ceylon and serves as a Board member of the Ceylon Chamber of Commerce. He was the Past Chairman of the Sri Lanka Institute of Directors, Industrial Association of Sri Lanka, Condominium Developers Association of Sri Lanka and EFC Affiliated Group of Companies. He was the Past President of the Chartered Institute of Management Accountants Sri Lanka Division and former Council Member, CIMA (UK).

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants UK and holds a Master's Degree in Business Administration.





“As the premier property owning, development and Management Company in Sri Lanka we have created iconic landmarks to the emerging skyline of Sri Lanka.”

Management Review

Property Leasing



12



Revenue

Rs. 2,090Mn

2016 Rs. 1,886 Mn

Profit Before Tax

Rs. 3,246Mn

2016 Rs. 2,964 Mn

Assets

Rs. 40,230Mn

2016 Rs. 33,192 Mn

Liabilities

Rs. 2,316Mn

2016 Rs. 3,347 Mn

“The Company is in the process of refurbishing and upgrading its common facilities with the intention of providing a better service to the owners, occupants and visitors of the building.”



With its prime location in the heart of the Central Business District, WTC Colombo enjoys the premier position as the best Business address in the Island. Given this standing, along with superior facilities and services offered, the company maintained an average occupancy of 90% throughout the year and achieved a 10% Increase in the average rental rates.

The Company is in the process of refurbishing and upgrading its common facilities with the intention of providing a better service to the owners, occupants and visitors of the building.

The Company has implemented several energy efficient Initiatives over the last few years, significantly reducing the single largest cost component in the operating budget "Electricity Cost". It is Important to sustain the benefits of the Initiatives, via efficient and consistent plant operation. ISO 50001 is being implemented in order to standardise the management practices of plant & equipment.

Further, Havelock City Sri Lanka's first and largest fully integrated mixed-use real estate space being developed comprise a Commercial complex with an iconic 50 storeyed Office Tower and a community level Shopping Mall servicing the Life Style needs of the catchment. This further broadens the Group's long term asset base with a recurring rental income stream. The construction is expected to be completed in April 2021.

Management Review

Property Trading



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Revenue

Rs. 1,935Mn

2016 Rs. 285 Mn

Profit Before Tax

Rs. 476Mn

2016 Rs. 58 Mn

Assets

Rs. 9,950Mn

2016 Rs. 6,551 Mn

Liabilities

Rs. 5,736Mn

2016 Rs. 2,808 Mn

“The apartments at Havelock City offer all home comforts, elevated to the next level of luxury and elegance. They combine form and function in perfect synthesis, with ingenious space utilization, ample cross ventilation and splendid natural lighting.”



Havelock City

“Truly a city within a City” built on 18 acres of prime land in Colombo, Havelock City is the first and largest fully integrated mixed-use development project engineered in Sri Lanka. Comprising Commercial and Residential components, it also houses a Clubhouse equipped with a range of facilities and a seven acre landscaped elevated garden with lush tropical foliage.

The Havelock City Residential Development is being built in phases, two phases have been completed comprising four apartment towers, namely Park, Elibank, Davidson and Layards where residents enjoy a unique lifestyle Havelock City has to offer.

Phase 3 comprising two more towers, Stratford and Melford, with 304 luxury apartments is currently under construction with over 35% completed and is expected to be handed over by mid 2019. Phase 4 which is also under construction comprising two more towers, Peterson and Edmonton with 340 Luxury Apartments and is expected to be completed by mid 2020. Over 50% of Havelock City Phase 3 apartments have been pre-sold at the end of 2017.

With over 50% of Phase 3 units pre-sold and VAT on sales effective 1st April 2018, we released Phase 4 for reservation in December 2017. Consequently, we are offering customers’ 2 options with differing completion dates/payment periods.

The apartments at Havelock City offer all home comforts, elevated to the next level of luxury and elegance. They combine form and function in perfect synthesis, with ingenious space utilization, ample cross ventilation and splendid natural lighting. All apartments are furnished with premium high quality fittings and finishes, carefully curated to suit luxurious and modern urban living.

Management Review

Property Services



16



Revenue

Rs. 267Mn

2016 Rs. 224 Mn

Profit Before Tax

Rs. 37Mn

2016 Rs. 23 Mn

Assets

Rs. 126Mn

2016 Rs. 105 Mn

Liabilities

Rs. 66Mn

2016 Rs. 70 Mn

“We will continue to expand our presence in the mid/ upper projects market by focusing on NVC industrial, commercial and street lighting solutions and Faro quality designer lighting solutions for residential and hospitality segments.”



Facility Management/ Agency Services

Realty Management Services (Pvt) Ltd (RMS) is the leading real estate service provider in Sri Lanka with more than 7.5 Mn sqft of prime Commercial and Residential properties under its management.

During the last five years, the sector broadened its range of services offered with property management, agency and advisory services on real estate. The company secured the facilities management contracts for 5 more prestigious establishments during 2017.

RMS professional management team works round-the-clock to ensure that all common facilities are kept in pristine condition, while dedicated absentee landlord management service assist non-resident owners with maintenance and leasing of their units.

With the increased number of new projects entering the market and existing facilities looking at outsourcing professional Property Management services, we intend to further expand our presence in the residential and commercial space.

Trading

Realty Management Services (Pvt) Ltd (RMS) has been the distributor for NVC Lighting Solutions and Faro Barcelona product solutions with a wide range of designer lighting and fans in Sri Lanka since 2013, NVC Lighting Technology Corporation is the largest lighting manufacturer in China. It offers a broad range of products for professional and domestic use, supported by extensive research, development and manufacturing facilities.

Over the last 4 years NVC has been well accepted by the market and the foundation has been established for accelerated growth.

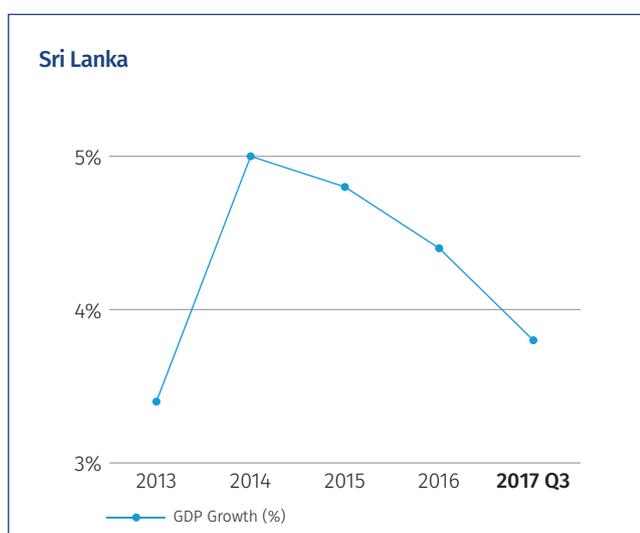
We will continue to expand our presence in the mid/ upper projects market by focusing on NVC industrial, commercial and street lighting solutions and Faro quality designer lighting solutions for residential and hospitality segments.



Financial Review

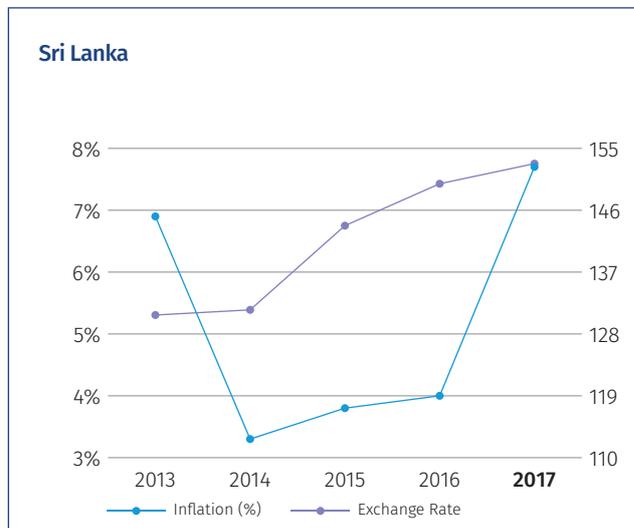
The Economy

The Sri Lanka economy recorded a growth of 3.3% of the Gross Domestic Product (GDP) by the end of 3rd Quarter 2017 compared to 4.4% in 2016. Construction and Financial Services were among the strongest contributors towards the GDP growth in the first 9 months of 2017. Notably, Real Estate activity has emerged as the third highest contributor towards growth during this period.



The annual average inflation was 7.7% (2016 - 4.0%) and the increase in inflation in the year was mainly attributed to the impact of tax adjustments and the supply shock due to adverse weather conditions during 2017. In December 2017 the Average Weighted Prime Lending Rate (AWPLR) increased marginally to 11.55% compared to 11.52% in the previous year while Average Weighted Fixed Deposit Rate (AWFDR) increased to 11.48% compared to 10.46% in the previous year.

The Sri Lankan rupee depreciated around 2% in 2017 and was broadly steady, despite having periods of both appreciatory and depreciatory pressure. The LKR was supported by the US dollar which weakened close to 10% against a basket of currencies. While there was import pressure weighing on the rupee due to the rise in the fuel import bill, the continuous increase in foreign holdings of local government securities shaped the rupee stability.



Within this challenging macro-economic conditions faced by the country in the sphere of growth, inflationary pressures and upward movement on interest rates, the Group recorded a worthy performance for the year under review.

Revenue

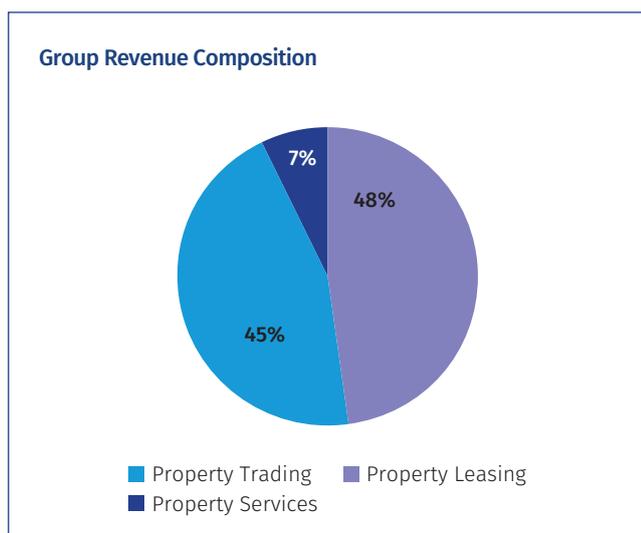
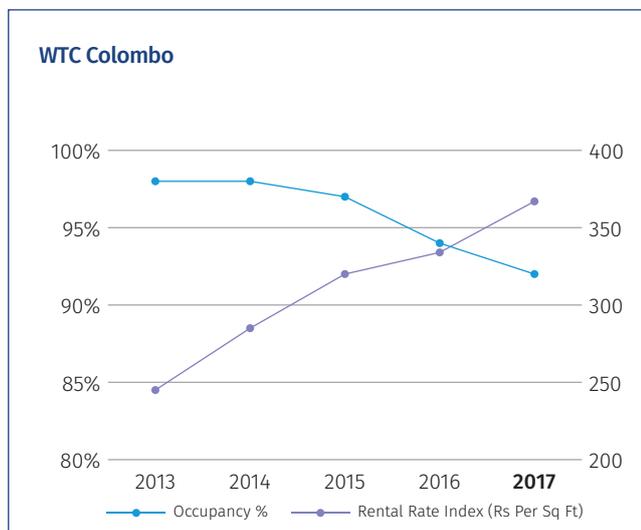
During 2017, Group Revenue of Rs 4,317 Mn (2016 - Rs 2,431 Mn) was 78% higher than last year due mainly to increased revenue from Havelock City Apartment Sales. The main sources of income were derived from Overseas Realty (Ceylon) PLC; through leasing of office space at the World Trade Center (WTC) Colombo, Mireka Homes (Pvt) Ltd (MHL); through sale of condominium units at Havelock City (HC) and Realty Management Services (Pvt) Ltd (RMS); through Property servicing, Agency commission and Trading of imported lighting solutions.

The revenue from leasing spaces at WTC increased by 11% to Rs 2,090 Mn (2016 - Rs 1,886 Mn), due mainly to higher average rental rates during the year.

Revenue of MHL from the sale of condominium units amounted to Rs 1,935 Mn (2016 - Rs 285 Mn), an increase of 578% over the previous year due to revenue recognized during the year from Phase 3 Apartment Sales of Havelock City.

RMS contributed of Rs 267 Mn (2016 Rs 225 Mn) to the group revenue which included Rs 111 Mn (2016 Rs 94 Mn) from Property Services and Rs 21 Mn (2016 Rs 17 Mn) from Agency Services and Rs 135 Mn (2016 Rs 114 Mn) from Trading of imported lighting solutions.

Financial Review



Operating Expenses

The Company's operating expenses for the year of Rs 663 Mn, increased by 11% compared to last year, with higher expenditure on Property Rates.

Group operating expenses including administration and marketing expenses were Rs 2,418 Mn, which was an increase of 120%, due mainly to higher cost of sale of Apartment with higher Revenue recognized.

Gross Profit

Group Gross Profit of Rs 2,316 Mn was 40% higher than prior year. Gross Profit from property leasing of the WTC Colombo was Rs 1,597 Mn, an increase of 8% over the previous year due mainly higher revenue recorded during the year. Gross Profit from the sales of apartments at Havelock City was 628 Mn, which was an increase of 400% over the previous year, due mainly to the recognition of revenue from Phase 3 Apartment Sales of Havelock City during the year.

Operating profit

The company's operating profit (excluding fair value gain) of Rs 1,413 Mn was 8% higher than last year with higher revenue recorded during the year. However the operating profit margin (excluding fair value gain) slightly decreased from 69% to 68%.

Finance Income and Finance Expenses

The Group recorded a Finance income of Rs 460 Mn during the year which was an increase of 39% over the previous year.

The company recorded a cost of Rs 2 Mn (2016 – Rs 43 Mn) during the year as fair value adjustment on Rental Deposits, adhering to SLFRS requirements.

Profit Before Tax (PBT)

Group Profit Before Tax for the year of Rs 3,756 Mn was 26% higher than prior year due mainly to the higher profit from Havelock City apartment sales.

Taxation

The income tax expense of the Group and the Company for 2017 were Rs 582 Mn (2016 – Rs 44 Mn) and Rs 537 Mn (2016 – 19 Mn) respectively. The increase of the income tax expense was due mainly to the deferred tax liability on Company's Investment Property and owner occupied property, considering possible tax liability that could arise at the time of sale as per the provisions of the Inland Revenue Act No. 24 of 2017 which will be effective from 1st April 2018 onwards, by applying the applicable tax rate of 2% based on the BOI agreement.

Cash and Borrowings

The Group's cash and short term investment as at 31st December 2017 were Rs 7,431 Mn (2016 – Rs 2,817 Mn) which was a increase of 164% over the previous year. This mainly includes the funds raised through the Right Issue to invest in Mixed Development Project undertaken by Havelock City (Pvt) Limited, a subsidiary company of Mireka Capital Land (Private) Limited which in turn is a fully owned subsidiary by the Company.

The Group's total borrowing was Rs 2,007 Mn (2016 – Rs 2,304 Mn), which mainly includes Rs 1,986 Mn loans obtained for funding the Havelock City Residential Development by Mireka Homes (Pvt) Ltd.

Net Assets

The Group Net Asset value per share as at 31st December 2017 stood at Rs 29.55 (2016 – Rs 31.35).

Earnings per Share

The Group earnings per share for the year 2017 decreased to Rs 2.55 per ordinary share (2016 – Rs 3.28) with the increased no of shares of the Company from the Rights Issue made during the year.

Price Earnings Ratio

The Price Earnings ratio of the Company as at 31st December 2017 was 6.9 times (2016 - 6.1 times).

Dividends

Dividend paid to ordinary shareholders in 2016 was Rs 1.25 per share. The Board of Directors has proposed a dividend of Rs 1.25 per share to the ordinary shareholders for the year ended 31st December 2017. The total Dividend outflow would be Rs 1,554 Mn (2016 - Rs Rs 1,554 Mn).

Solvency

Section 56 of the Companies Act no 07 of 2007 requires that a solvency test to be carried out prior to the payment of a dividend. A certificate of solvency from the Auditors was obtained for the proposed dividend payment.

Return on Equity (ROE)

The Group Return on Equity (ROE) was 10% for the year 2017 (2016 - 10%).

Assets

The total Group asset base increased from Rs 34,161 Mn to Rs 43,522 Mn in 2017. The increase was mainly derived from Cash and Short Term Investment, additions to Property, Plant & Equipment, other Current Assets and Investment Property fair valuation. The increase in Property, Plant & Equipment was mainly on account of work-in-progress costs relating to the "Havelock City Commercial project".

Liability

Total Liabilities as at 31 December 2017 increased to Rs 6,789 Mn compared to Rs 6,328 Mn in the previous year, due mainly to loans obtained during the year and customer deposit received on Apartment sales.

Total Equity

Total Equity of the Group Increased by Rs 8,900 Mn to Rs. 36,734 Mn (2016 - Rs 27,833 Mn) mainly due to the funds generated from Rights Issue amounting to Rs. 7,281Mn and the profit after tax of Rs. 3,173 Mn which were partially offset by the dividends paid during the year amounting to Rs. 1,554 Mn.

Accounting Policies

The Financial Statements contained in this report are prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) the requirements of the Colombo Stock Exchange and the Companies Act No 07 of 2007.





“ Growing a sustainable business is our core strategy and corporate responsibility is a philosophy at Overseas Realty (Ceylon) PLC. We believe that through our sustainable corporate responsibility initiatives we connect positively with the societies in which we operate”

Our Commitments to the Sustainable Development Goals (SDGs)

The Sustainable Development Goals were set out by the United Nations to eradicate poverty, promote prosperity and protect the environment. Governments, the private sector and communities will play a vital role in achieving these goals and as an organisation we are exploring how we can contribute most effectively. The following table exemplifies our commitments to doing so.



We have provided direct and indirect employment to over 1500 people among our projects, allowing them to generate a secure source of income.



We always promote good health and well - being of our employees and their families and we strive to maintain healthy hygiene conditions in our main building and other buildings of we manage.



We are an employer of equal opportunity and our overall female representation rate amounted to 17% in 2017. At management level, female representation was at 20%.



During the year we introduced a number of initiatives to reduce our energy consumption in the WTC Colombo building and other buildings we manage.



We provide a rewarding and dynamic work environment to all our employees and invest in their training and development and career progression.



Multiple measures for the efficient use of energy and water in our main building and construction sites are implemented.



We are a major contributor to the development of sustainable cities and Communities through our landmark developments of World Trade Centre - Colombo and Havelock City.



We provide access to quality food for our employees, tenants and visitors in our developments through various food outlets and further we provide refreshments for employees who are assigned for night duty.



We ensure clean water and Sanitation for all over employees, tenants and visitors who step in to our World Trade Centre- Colombo building.

Sustainability Report



Group Sustainability Strategy

Growing a sustainable business is our core strategy and corporate responsibility has long been a philosophy at Overseas Realty (Ceylon) PLC. It has been a way to connect with the societies in which we operate, a way to positively contribute to the global fight against global warming and most importantly a way to enrich the lives of our stakeholders. Our efforts towards that end have primarily been motivated by our need to become more sustainable in all aspects of the business.

Management approach driven by integrated sustainability policy.

The Group continues to strategically integrate sustainable practices across all aspects of operations. The Group adopts best practices in economic, environmental and social governance in order to provide a better life to all the stakeholders and society.

The Management Approach Outlined

Core Area	Management Approach
Risk and Governance	<p>Risk Management Framework allows the Board of Directors, the Committee of Management, the Audit Committee and the Senior Management of the Group to play an integral role in the process of risk management.</p> <p>Corporate governance structure, policies and principles are in accordance with Colombo Stock Exchange listing Rule number 7.6 and 7.10 and code of best practice on Corporate Governance issued jointly by CA Sri Lanka and the Securities Exchange Commission of Sri Lanka.</p>
Market Presence and Economic Value creation	We Operates in five key operational areas, Property Leasing, Property Trading, Facility Management, Agency Services and Trading.

Sustainability Report

Core Area	Management Approach
Environmental & Social Sustainability	<p>Environmental and social sustainability policies govern the sustainability efforts and parameters of each of the Company's operational departments.</p> <p>Monitor different key areas such as energy, water usage, recycling water, waste water, solid waste, and quality of air, air pollution, sound pollution, transport, and eco system management, social and cultural development involving internal and external stakeholders.</p>
Employee Development, Equal Opportunity & Anti-corruption	<p>Adopts a human development approach that has yielded positive results especially in terms of career development and inculcation of corporate values and ownership that extends beyond the conventional approach.</p> <p>Adopts a policy of innovative training and continuous learning that overcomes the customary barriers to effective learning.</p> <p>Gender equality and equal opportunity governed by Human Resource policy.</p> <p>Anti-corruption training extended to all employees with honesty being a key corporate value.</p>
Sustainable Purchase and Produce	<p>Sustainable supplier policy dictates that suppliers be evaluated and preference given based on their own commitments to sustainable practice.</p> <p>Bulk purchasing is given priority and supplies in returnable containers of packaging are encouraged.</p>

Brands

At Overseas Realty Ceylon PLC, we take pride in owning two of the largest and most iconic brand names in the Real Estate Domain in Sri Lanka; The World Trade Center (WTC) Colombo and Havelock City.

WTC to date is the tallest Grade A office building in Sri Lanka which has marked its presence among the local and international community through its iconic location, superior facilities ahead of its time. This international brand is one of the 320 World Trade Centers located in 88 countries worldwide which makes the brand unique and unparalleled.



Havelock City is one of the premier integrated mixed-use developments currently altering the skyline of Sri Lanka, with an iconic Shopping Mall, Officer Tower, 8 Residential Towers and a fully functional Clubhouse the largest of its kind in Sri Lanka with over 7 acres of garden space.



In addition to our two main brands, we also house a local brand named, Realty Management Service (RMS) and two international brands, NVC & FARO.

RMS offers Facilities Management Services to a handful of selected large scale projects in Sri Lanka and NVC & FARO

provides Lighting Solutions for Industrial and Residential projects in the country.



Water Management

Recognizing the global water challenge, Overseas Realty (Ceylon) PLC is working continuously to improve operations in order to minimize water consumption, while reducing water waste in day to day operations. Further we have upgraded the Cooling Towers of the Air-conditioning system to improve the efficiency and to minimize the water evaporation when running the Cooling Towers.

Biodiversity

Havelock City Project has been designed with a seven acre landscaped roof garden, which ensures the protection of biodiversity through the flora and fauna within the project.



Energy Management

Energy Management System - ISO 50001

The organization has been implementing several energy efficient Initiatives over the last few years significantly reducing the single largest cost component in the operating budget “Electricity cost”. It is Important to sustain the benefits of the Initiatives via efficient and consistent plant operations. ISO 50001 is being implemented in order to standardise the management practices of plant & equipment.

Energy Conservation

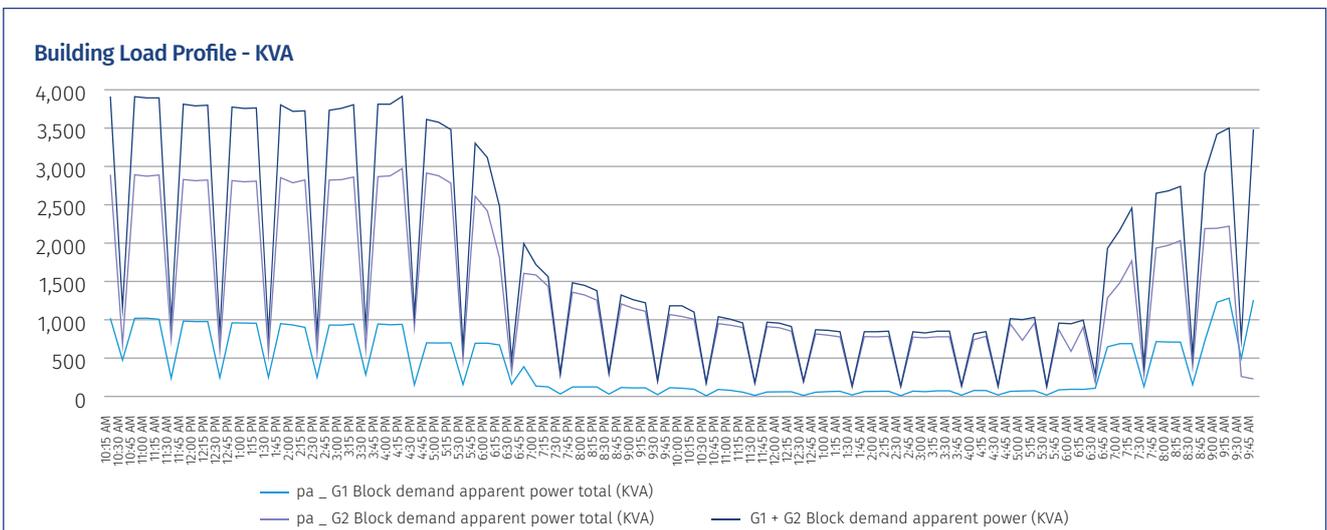
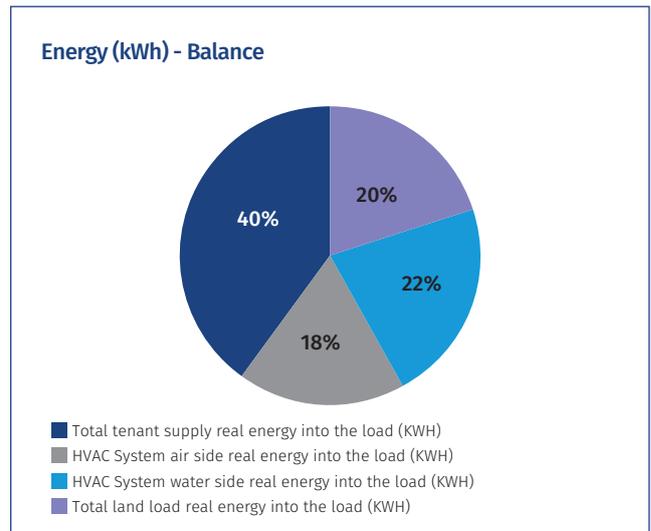
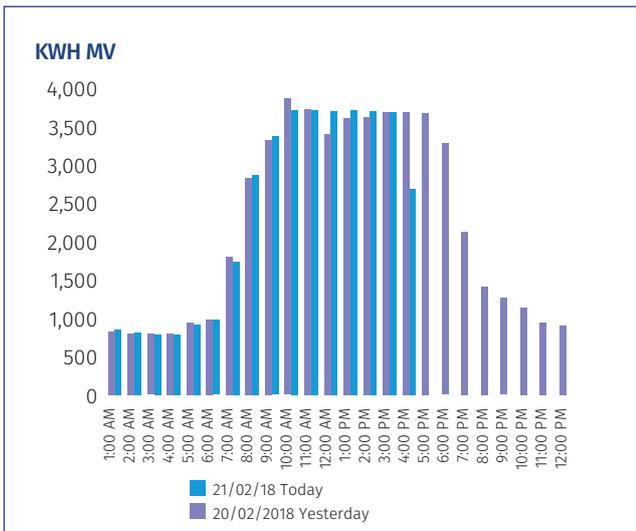
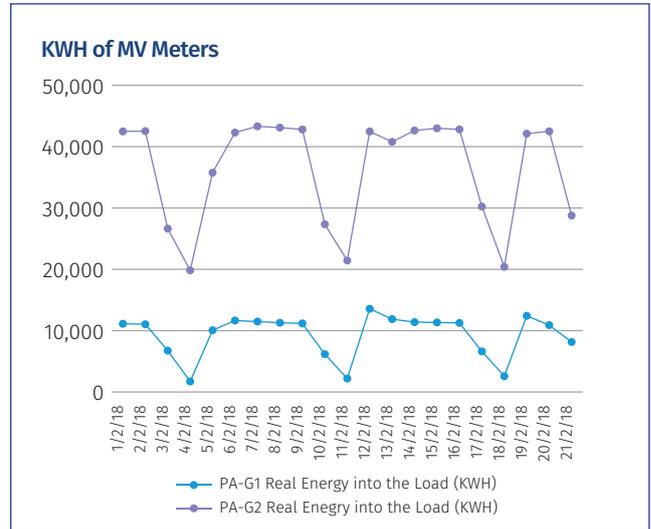
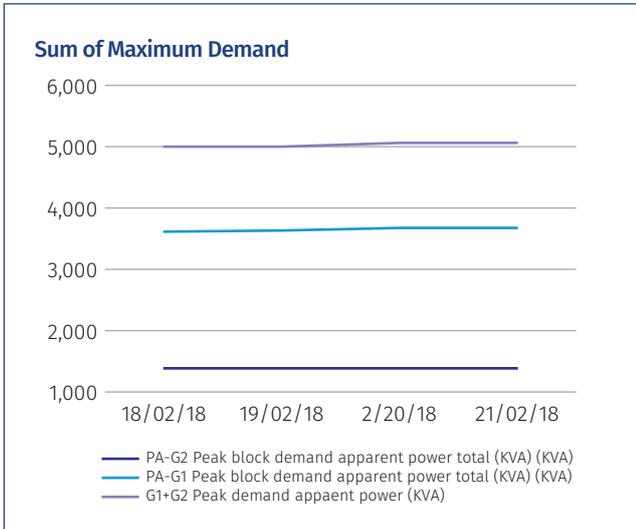
The Company is continuously focused in minimizing the energy consumption through implementation of various energy conservation methods.

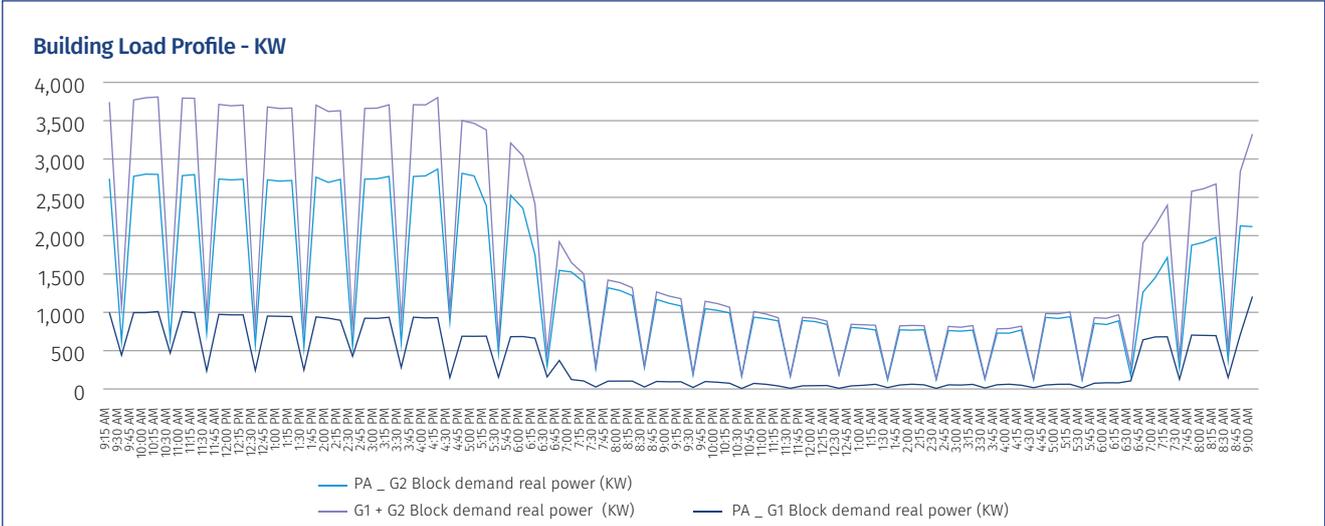
The main focus of the year was on the air side equipment of the central air-conditioning system, where a new set of Variable Speed Drives (VSDs) have been introduced to optimise the efficiency of the Air Handling Units (AHUs) in the building. The initiative resulted in 30% to 50 % reduction of energy used by the AHUs.

Further a Cooling Tower has been replaced to improve the performance of the Central Air-Conditioning plant.

It is important to quantify the energy consumption of various plant & equipment in order to benchmark performance and to compare with standard KPIs. A state of the art Energy Accounting System, comprising modern Energy Analysers, Energy Dashboard and a Report Generating Software has been introduced to provide necessary assistance for the Management / Plant operators to monitor and manage in a more consistent and efficient manner.

Sustainability Report

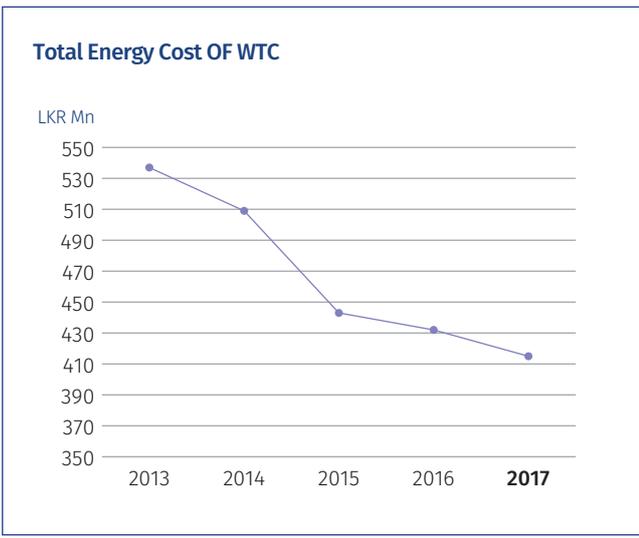




It is eminent that the energy efficient initiatives taken over the past several years have significantly reduced the overall energy consumption of the World Trade Center, making the WTC to be a true high performance Green Building, with a Gold Certification of Green rating system from Green Building Council of Sri Lanka.

Achievements

Continuously the Company has been recognised in the last 8 years, at the CA Sri Lanka Annual Report Awards Ceremonies and was awarded the Bronze Award for the Land and Property sector, at the CA Sri Lanka 53rd Annual Report Awards Ceremony - 2017.



Sustainability Report

Realty Management Services Pvt Ltd, the exclusive distributor of NVC lighting and FARO Barcelona was adjudged merit award for The Most Innovative and Informative Stall at the recently concluded Architect's 2018 Exhibition.



Our People

Our Human Resources Department is dynamic in recruiting and maintaining a well talented work force; providing a safe and pleasant work environment is essential for a healthy and productive workforce.

The Group's HR policy is aligned with legal framework and covers all aspects of people management including recruitment, motivation, rewards and recognition, performance management, industrial relations and grievance mechanisms. The policies ensure compliance with regulatory requirements including the prohibition of child labour and forced/compulsory labour. We are an equal opportunity employer and do not discriminate on gender, age, ethnicity or sexual orientation.

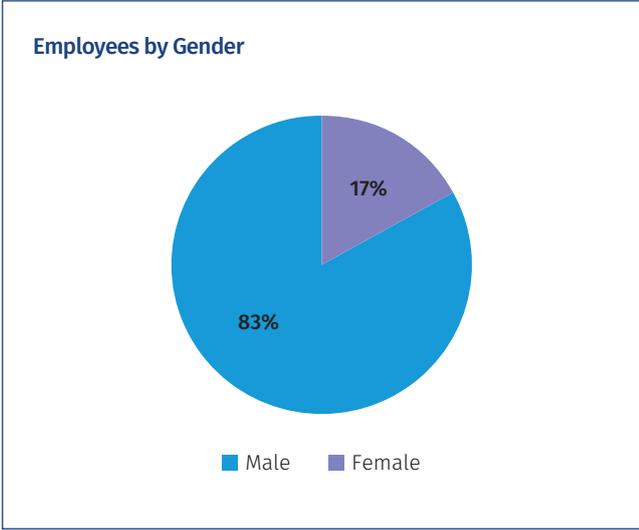


Community

The company places high emphasis on contributing to the communities we operate. In order to fulfil this requirement the company has undertaken a series of initiatives aimed at improving the living environment of the communities around its premises. The Group developed and donated the "Sama Vihara" Temple to the Buddhist devotees, which is located within the Havelock City.

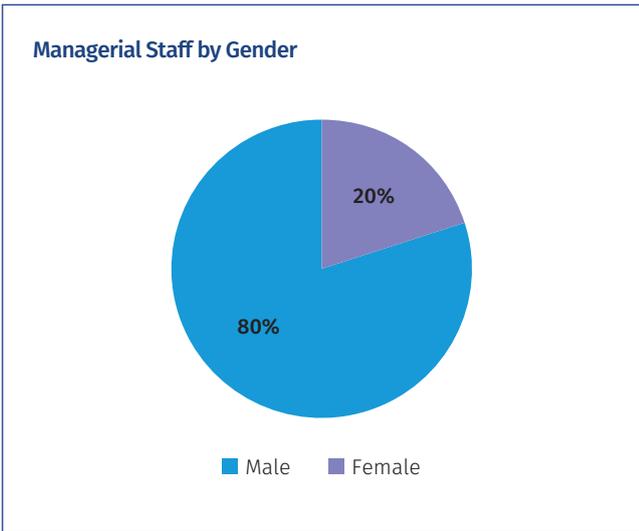
We annually conduct four evacuation and fire drills at the WTC building in order to safeguard the tenants, visitors, staff and the neighbouring buildings & properties.





Overall Female Employees **17%**

Female participation at Management Level **20%**



Continuous training, development and career progression opportunities are provided to all categories of employees. A structured performance management system is adopted with half yearly reviews, which provides an objective based appraisal system and reward and recognition process.

The company provides medical and surgical insurance policy to cover in house medical treatment to employees and their family. Further, employees are provided a personal accident cover in order to claim for any accidental injuries or partial disabilities covering 24 hours of the day. In addition, employees on duty are covered by a workman compensation policy.

The Group places high importance on ensuring a safe working environment for all employees, taking steps to ensure that health and safety concerns are prioritized and addressed across the Group. All business units within the Group have been empowered to undertake any measure it may deem necessary to ensure that it is a safe place to work, as part of its Human Capital. Accordingly, steps have been taken to improve the cleanliness of the work place. Moreover, sign posts are displayed at all necessary locations to guide the employees and visitors towards desired destinations.

In terms of staff welfare, a key role is played by the Staff Welfare Society and ORCL Sports Club which organizes numerous events throughout the year. Few such events are; Annual Outing for the employees and their families at a star class hotel, Sports day, Annual Pirith chanting and Annual Get together.

Sustainability Report

Training and Development

The Group's training and development programs is a key policy component of talent retention and ensuring a sustainable competitive advantages. Each year training programs for employees are determined on a need basis, aligning the business specific requirements with gaps identified in employee skills and the competencies. Through the performance appraisal system, employees can request for training when conducting self-appraisals while supervisors also nominate employees for training based on needs. As part of group career development strategy, the Group carries out Leadership Development, Customer Relationship management, Enhancement of English language proficiency in collaboration with reputed International and local bodies.



Value Relaunch

The Company relaunched its value in 2017 with a greater determination to change the culture to support in achieving the Company ultimate objectives in the journey to be the most successful and innovative real estate solutions provider in the region. The Group Human Resource department organised and conducted awareness programmes and training programs to inculcate the Company's new value system to the entire work force of the Organisation.



Labor Practices

A fair and sound grievance handling policy and procedure is a pre requisite for good Human Resource practices and for healthy employee - employer relations. This is implemented through the joint consultative committee having employee representatives.

Grievance mechanism

Our grievance practices are aimed at allowing employees to bring to the attention of the management any dissatisfaction or injustice which may exist at the work place. It is a formal process offering employees of different levels solving grievance issues and aiding to maintain a fair and cordial working environment.

Non-discrimination, child labor and compulsory labor

We consider upholding good standards of human rights in our work place and in all our dealings and discrimination, child labor and compulsory labor are avoided.

We believe in the fair treatment of employees regardless of their age, race, gender, position or any other diversity factor. Accordingly, our management and employees are expected to adhere to a strict code of ethics in relation to favourism and all forms of discrimination.

Our stance on labor is to employ individuals over 18 years of age at their own free will. Thus no forced or compulsory labor is entertained at our work place. All recruitments are handled centrally at the Human Resources Division ensuring best practices.

Resignation, Termination and Transfers

Our policy and procedure on cessation of services is clearly laid out in our HR Manual. Employees may resign from the company subject to the terms and conditions set in their appointment letters while retirement age of employees would be at the age of 55.

The company may terminate the services of an employee due to reasons specified in the manual but should such a situation occur a fair and equitable procedure will be followed.

Compliance with Law and anti-corruption

We maintain maximum adherence to all laws applicable within the jurisdiction of Sri Lanka. Our senior management along with the Human Resources Division and Legal Department monitor strict vigilance in this regard.

Risk Management Report

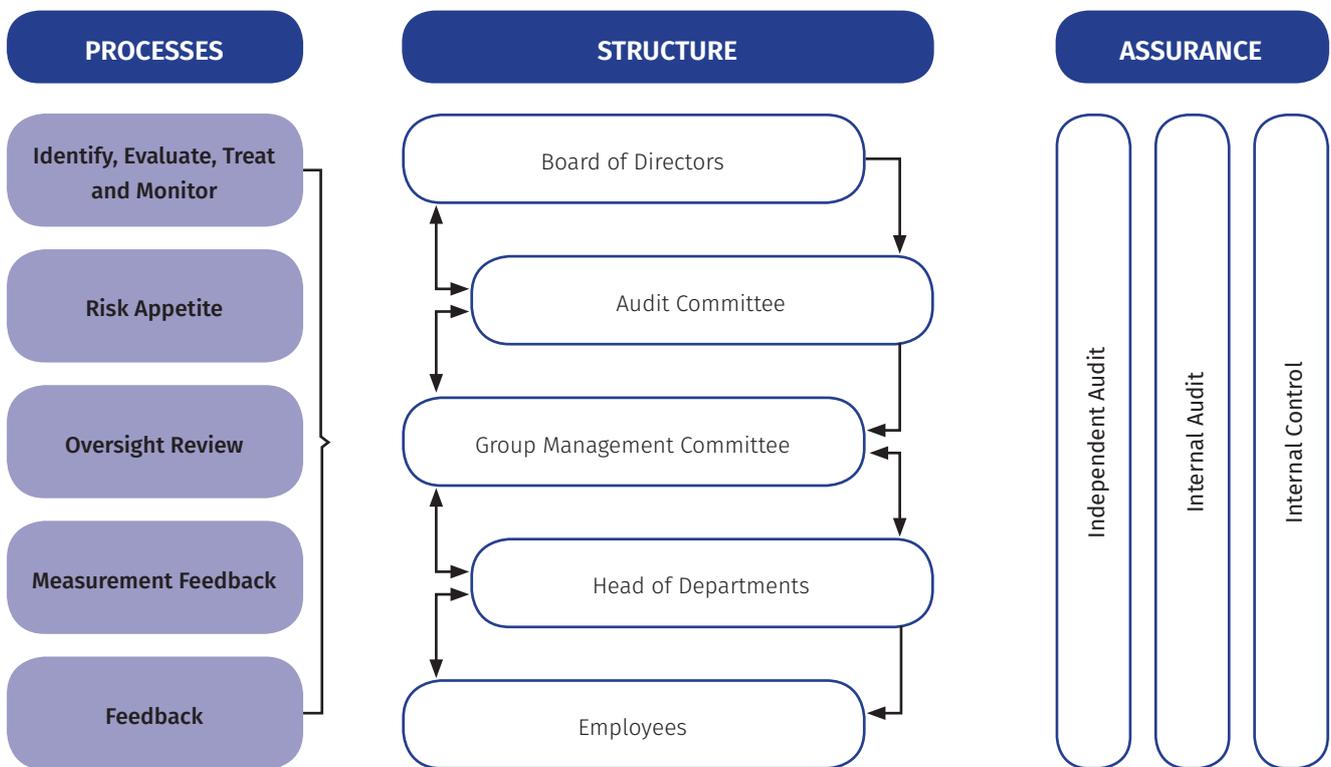
Enterprise Risk Management process

Overview

Risk arises in all our business activities. Risk, in our context, is the component, which has the potential to negatively affect business or an organization. Its' significance is measured in terms of the probability of occurrence. Therefore an integrated risk management frame work has become a mandatory existence, which provides the guide line for managing risks.

Managing risk is a key aspect of the Board's stewardship obligations and a component of the 'performance' dimension of Enterprise Governance.

The risk management framework illustrates our approach to risk management, reflecting the risk management process, the structure in place to administer the process and sources of comfort with regard to its effectiveness.



Risk Management Framework

A risk cannot be viewed in isolation as it is inter connected and also one aspect might give rise to various other factors. The Overseas Realty Group has a structured risk management process to address different risk categories: Strategic, Operational, Compliance and Financial.

The Board is responsible for ensuring effective risk management and recognizes that the proper management of risk is a core leadership function that must be practiced throughout the Organization.

Internal Audit process coordinates the identification and documentation of control risk areas throughout the Group, enhancing the risk management system and monitoring its effectiveness at regular intervals. In addition, during the year-end, the External Auditor issue a Management Letter and informs the Group Management Committee, Audit Committee

and the Board of Directors of the outcome of these evaluations. These outcomes are taken into account in the continuing enhancement of our risk management system. Further the Audit Committee constantly evaluates risk, its impact and measures taken to manage risk.

The principal aim of the Group’s risk management governance structure and system of Internal Control is to manage business and operational risks, with a view to enhancing the value of shareholders’ investments and safeguarding assets.

We have put in place a number of key policies, processes and independent controls to provide assurance to the Board on the integrity of our reporting and effectiveness of our systems of Internal Control and risk management.

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

Risk Type	Rank	Factor	Strategies/ Action Plan
Strategic Risk	Low	Risks of not achieving strategic goals and objectives of the company, and variations etc.	Company operates with a clear Business Plan. Company also operates within an approved Annual Budget & variances are reviewed periodically by the Board of Directors.
Fraud Risk	Low	Risks due to inadequate internal controls, processes and systems. Also due to employee abusing entrusted power for private gains leading to misappropriation of assets.	The Board has approved a structured internal control framework with different levels of delegated authorization. The company applies an independent internal audit mechanism. Comprehensive policy manual covering all major departments, operations and processes are in place.
Legal and Regulatory Framework	Medium	Risks due to changes to tax and other legal regulations including changes in Government policies.	Constant dialogue and lobbying with Regulatory authorities. Monthly scanning of Government bills. The company has retained the services of Tax Consultants, Legal Consultants & a professional Company Secretary for the respective regulatory requirements.

Risk Management Report

Risk Type	Rank	Factor	Strategies/ Action Plan
Competition	Medium	Risks arising from new Commercial and Residential Developments	Monitoring of existing and new supply of Commercial and Residential Developments. Quarterly competitor Analysis reports.
Construction Costs	Low	Risks from increase in construction material and other costs	Fixed price SLRS contracts are entered into with contractors.
Brand & Reputation	Low	Risks relating to product quality, timely delivery and service standards	Maintaining high product and service quality standards and quality assurance/control systems in project and facilities management. Regular reviews of customer comments and feedback.
Fire	Low	Risks of a fire at the World Trade Center Colombo and Havelock City Residential	Periodic review and maintenance of building fire systems, training of staff on fire protection procedures, conducting regular fire drills, obtaining services of a Professional fire consultant and having adequate insurance cover.
Building-Health and Safety	Low	Risk occurring from threats to personal, staff, tenants and general public at World Trade Center Colombo and Havelock City Residential.	The company complies with all Industrial Safety Requirements. Preventive maintenance programs, potable water quality testing and air quality testing etc. are regularly carried out. Specialized equipment and life support systems maintained by qualified professionals.
Technology Risk	Low	Risks occurring from failure to absorb Technological advancements.	The company has its own engineering maintenance teams abreast with latest technology. Continuous updating & implementation of Energy Efficiency Projects. Participation at Overseas trainings on technical enhancement and changes
Foreign Currency	High	Risks from foreign currency borrowing for the Havelock City Project	Construction contracts are entered into in Sri Lankan Rupees (LKRS). Some apartment sales are contracted in USD. Estimated Currency fluctuation is factored into cost of development. Exchange rate movements are constantly monitored through Cash Flow Forecast.

Risk Type	Rank	Factor	Strategies/ Action Plan
Interest Rate	Medium	Risks relating to Interest Income and Cost of Borrowing	<p>Monitoring and management of cash flows daily.</p> <p>Negotiating favorable rates and terms on borrowings and deposits.</p> <p>Maintain an appropriate combination of fixed and floating rate borrowings.</p>
Credit Recovery	Low	Non recovery of receivables	<p>Regular trade debtor balance review and follow-up. Contractual obligation which allows the company to Adequate refundable deposits are collected from lessees of leased property.</p> <p>Contractual obligation to repudiate an Apartment Unit whilst retaining 10% of purchase price.</p> <p>Contractual obligation to release assets only upon full payment is made for relevant property.</p>
Human Capital	Medium	Failure to achieve growth plans as a result of failure to attract and retain sufficient numbers of qualified and experienced employees and/or inability to ensure their ongoing engagement and commitment	<p>Senior management involvement in talent retention led by the Human Resources (HR) Department.</p> <p>Significant level of investment in training and development.</p> <p>Adoption of best practices in Human Resources Management.</p>

Corporate Governance Report

Corporate Governance

Corporate Governance at Overseas Realty (Ceylon) PLC comprehends promoting corporate impartiality, transparency, accountability and responsibility in directing and controlling the company in the best interest of the stakeholders. All structures, principles and policies are focused on ensuring that the company is governed in a manner that safeguards the best interest of all stakeholders and this report aims to provide the details of how this is done in practice.



Company's Brief and Commitment towards Corporate Governance

We firmly believe that good Corporate Governance is not only the fundamental in ensuring that the Company is well managed in the interest of all its stakeholders, but is also essential to attain long term sustainable growth. Corporate Governance is of utmost importance in driving the company towards its high standards of managing the company in an ethical, efficient and effective manner whilst fostering an entrepreneurial culture.

Compliance with Corporate Governance Codes

Overseas Realty (Ceylon) PLC's practices are consistent with the requirements given in the Code of Best Practice on Corporate Governance issued jointly by CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka (SEC) as well as Rule Number 7.6 and 7.10 of Listing Rules issued on Corporate Governance by the Colombo Stock Exchange (CSE). The principles set out in these codes have been adopted by us to shape our corporate governance stance.

Statement of Compliance

We aim to ensure that good corporate governance provides a solid basis for our business, in promoting transparent and ethical business conduct at all levels and add value for our stakeholders. Thus, we continue to be committed to highest standards of corporate governance across all dimensions of our operations and these standards are encapsulated in our governance policies and documents.

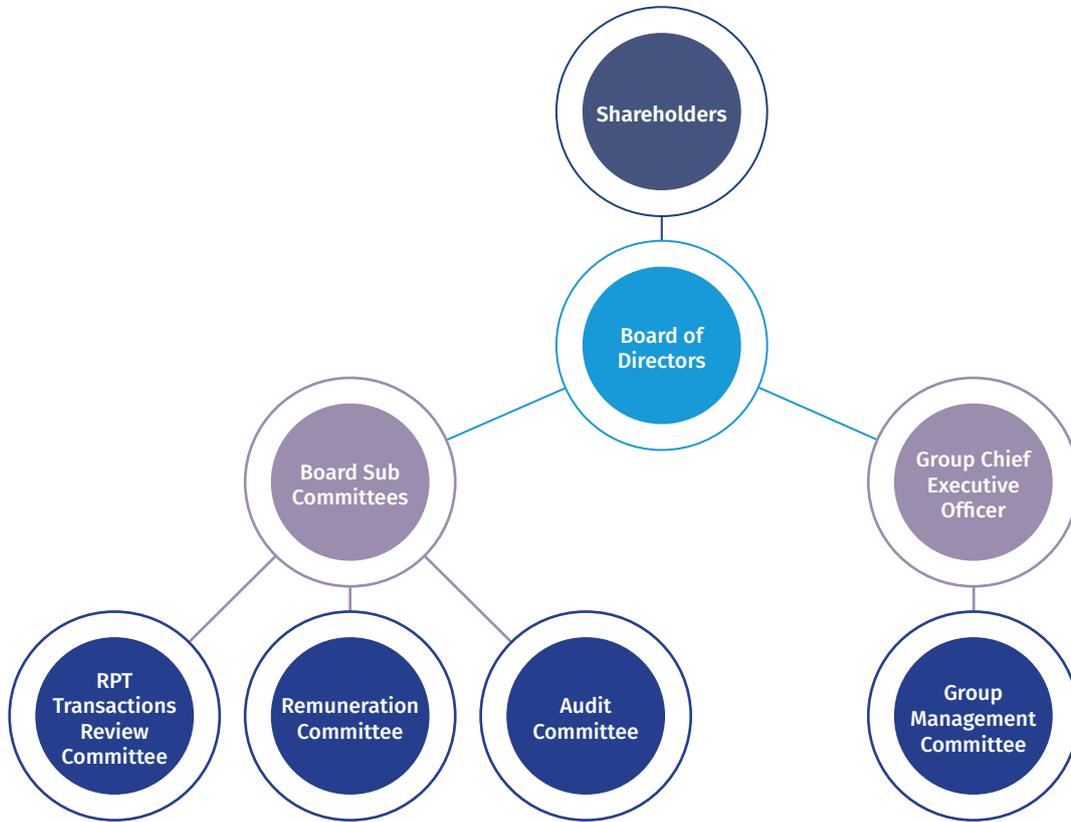
Our status of compliance with each section of the Code of Best Practices on Corporate Governance issued jointly by CA Sri Lanka and Securities and Exchange Commission of Sri Lanka (SEC) appears on pages 47 to 58 We have also included a table which summarizes the status of compliance with Rule No 7.6 and 7.10 of the Listing Rules of the CSE, on pages 42 to 46.

The Board of Directors also wishes to confirm that, to the best of their knowledge and belief, the Company has complied with all requirements under the Companies Act No 07 of 2007 and satisfied all its statutory payment obligations to the Government and other statutory/ regulatory bodies.

Governance Structure

The Governance Structure of Overseas Realty (Ceylon) PLC allows effective and efficient decision making while interconnecting elements in governance. It is enabled by having the right balance of authority and power throughout the organization. It comprises process and structures which affect the way an organization is directed, managed and monitored and its activities are reported.

Our Internal Governance Structure



Shareholders participate in supervision and control of the Company and exercise their right to speak and vote at Annual General Meetings. Shareholders' right to influence the company Centre on certain fundamental corporate decision making, such as the election/ removal of Board members, suggesting amendments to the Company's Articles of Associations, approving of major transactions, approval or election of Auditors distribution of profits and other basic issues as specified in the companies Act.

One of the main objectives of the Board of Directors of the Company is to represent, formulate and realize the interests and expectations of its shareholders.

Communications with Shareholders

All our stakeholders are encouraged to have continued dialog with the management and the Board.

The Company facilitates institutional investors, Brokers and Financial Analysts to collect required information and maintain constant dialogue in order to decide their perceived value of the Company. However, the Board and the management strictly adhere to statutory and ethical guidelines regarding their responsibility of maintaining confidentiality of price sensitive information.

Annual General Meetings

An AGM is held each year as required by the provisions of companies Act. The Shareholders are allowed to directly communicate with the Board of Directors, it is regarded as the most effective mode of communication with all Shareholders. The 35th Annual General Meeting of the Company was held on the 24th April 2017 at the Havelock City Clubhouse, having given them fifteen working days' notice in advance of the meeting as required by the Companies Act.

Corporate Governance Report

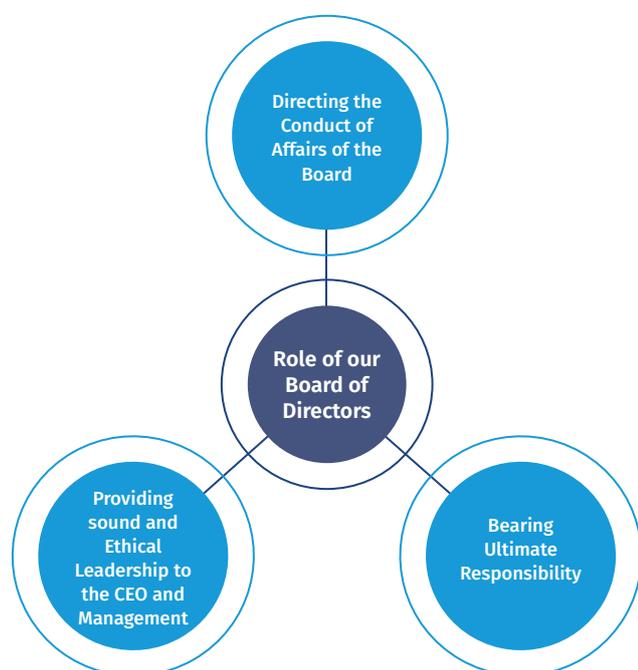
Annual Report

The Company's Annual Report is the main document that is used to disclose corporate information to the Shareholders. The Company discloses financial and non-financial information. Further quarterly financial statements, dividend declarations and other required information is published in the CSE website for the reference of all shareholders statements.

Board of Directors

The Company's commitment to uphold highest standards of corporate governance is driven by the Board of Directors which is led by the Chairman, assumes overall responsibility for the governance of the company. Each Director identifies himself/herself with a duty to act in good faith and in the best interest of the Company. The Board is responsible for the Shareholders for creating and delivering sustainable shareholder value through management of business activities.

Role of Board of Directors



The fundamental role of the Board is to provide entrepreneurial and coherent leadership within a framework of prudent and efficient controls, which enables risks to be assessed and managed. The Board has the final decision making authority and directs the management team to uphold highest level of integrity, function in compliance within the applicable rules and regulations and delegate the necessary authority to fulfill their job responsibilities. Each Director has unrestricted access

to information and services of Senior Management and the Company Secretary. Prior notices are given to the Directors regarding Board Meetings. The Board papers are circulated well in advance so that all Directors could actively deliberate and contribute to the Board proceedings.

Board Composition

The Board portrays a balance between Executive and Non-executive Directors each of whom bring a strong and in-depth mix of knowledge, business skills and experience to the Board's deliberation. By the end of the year there were eleven directors in the Board. Out of them ten directors are non-executive and five of them are considered as independent. The Board is collectively responsible for the long-term success of the Company and is accountable to shareholders for financial and operational performance.

Please refer pages 6 to 9 for profile of the members of the Board of Directors.

Board's Interaction with the Management

The Board is regularly updated by the Management on the performance and prospects of the Group, by providing detailed reports at Board Meetings. Directors also have direct access to Management to obtain any information to take timely decisions.

Attendance of the Board Meeting

The number of meetings of the Board and individual attendance by the members are as follows:

Name	Directorship Status	Meeting Attended/ Eligible to Attend
Mr. S.P. Tao	Non Exe	0/4
Mrs. Mildred Tao Ong	Non Exe	3/4
Mr. Yap Boh Pin	Non Exe	4/4
Mr. En Ping Ong	Non Exe	4/4
Mr. H.Z. Cassim	Independent Non Exe	4/4
Mr. A.M. De S. Jayaratne	Independent Non Exe	4/4
Mr. L.R. De Lanerolle	Non Exe	4/4
Mrs. R.L. Nanayakkara	Independent Non Exe	4/4
Mr. T.K. Bandaranayake	Independent Non Exe	4/4
Dr. Ranee Jayamaha	Independent Non Exe	4/4
Mr. Pravir Samarasinghe	Exe Dir	4/4

Board Meetings

Meeting of the Board and its Committees are held in an atmosphere of robust, direct and constructive debate among the Board and Committee members. These meetings are held at least quarterly to discuss key areas of operations, including strategy and governance.

Board Committees

The board has delegated certain of its functions to Board Committees established in line with the corporate governance framework of the Company. This enables the Board to allocate adequate time to all matters within its sphere.

Board committees comprised Non- Executive Directors and experienced chairmen. In determining the composition of the Committees, the Board takes into account applicable regulations, skills and experience of its members.

The Committee Chairmen report to the Board on the activities of the respective committee at Board meetings and are accountable for the effective functioning of the committees.

Board Audit Committee, Remuneration and Related party Transactions review Committee function as Board Sub Committees with Directors who possess requisite qualifications and experience.

	Board Audit Committee	Remuneration Committee	RPT Transaction Review Committee
Composition	Please refer Page 60 in the Audit Committee Report	Please refer Page 59 in Remuneration Committee Report	Please refer Page 62 in RPT Transaction Review Committee Report

Internal Audit

Our internal audit function is responsible for providing an independent risk based oversight to the Board Audit committee over financial, operational, IT functions and regulatory compliances. Independent firm of Chartered Accountants carries out the Group internal audit function with the supervision and guidance of Group Audit Committee.

Re-election

According to the provisions of the Articles of Association of the Company, The Board possesses the power to appoint any person, at any time, as a Director, either to fill a casual vacancy or as an additional member of the Board. Any director so appointed, shall hold office until the next Annual General Meeting where he/she is then eligible for re-election.

The re-election of a Director safeguards the right of the shareholders by providing 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, enabling them to make informed decisions on such appointments.

Directors' Remuneration

Please refer to pages 52 and 53 under Section B for information relation to the remuneration procedure and page 124 for the details on Directors' remuneration.

Role of the Chief Executive officer (CEO)

The CEO is the top executive of the Company and is responsible for the management of day-to day functions/operations with the support of the Management. The CEO is accountable to the Board to recommend the Group's strategy and its subsequent implementation, to ensure that appropriate internal controls are in place to manage and assess risks and that they are fully complied with and he represents the management at meetings of the Board.

Corporate Governance Report

The disclosures below demonstrate the Company's adherence to Corporate Governance Rules as set out under Section 7.10 and the disclosure in the Annual Report under Section 7.6 of the Listing Rules of the Colombo Stock Exchange.

Rule No.	Corporate Governance Rule	Compliance Status	Details
7.10	Corporate Governance - Compliance		
7.10.1	Non-Executive Directors		
(a)	The Board of Directors of a listed entity shall include at least; a. Two Non-Executive Directors; or b. One third of the total number of Directors, whichever is higher should be Non- executive Directors.	Complied with	As at the conclusion of the immediately preceding AGM all ten (10) out of eleven (11) Directors on the Board functioned in the non-executive capacity.
(b)	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Complied with	The total number of directors was eleven (11) as at the conclusion of the immediately preceding AGM.
(c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of change.	Not Applicable	
7.10.2	Independent Directors		
(a)	Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non-Executive Directors shall be independent. In all other instances two or one third of non-executive Directors, whichever is higher, shall be 'independent'.	Complied with	As at 31st December 2017 Five (5) out of eleven (11) directors were independent.
(b)	Each Non-executive Director should submit a signed and dated declaration annually of his/ her independence/non-independence in the prescribed format.	Complied with	All Non-Executive Directors have submitted the declaration in the prescribed format.
7.10.3	Disclosure Relating to Directors		
(a)	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.	Complied with	Please refer note * on page 46 of this Report.
(b)	The basis for the Board to determine a Director is Independent, if criteria specified for independence is not met.	Complied with	Please refer note * on page 46 of this Report.
(c)	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise.	Complied with	Please refer "Profiles of Directors" on pages 6 to 9 of this Report.
(d)	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.	Not Applicable	
7.10.4	Criteria for Defining 'Independence'		
(a) - (h)	Requirement for meeting criteria to be independent .	Complied with	All the independent directors met the criteria for independence specified in this rule.

Rule No.	Corporate Governance Rule	Compliance Status	Details
7.10.5 Remuneration Committee			
	A listed entity shall have a Remuneration Committee.	Complied with	Please refer page 59 of this Report.
(a)	The Remuneration Committee Shall comprise of ; a. A minimum of two Independent Non- executive Directors (in instances where an entity has only two directors) or' b. Non-Executive directors, a majority of whom shall be independent.	Complied with	The Committee consists of Five Members, all of whom are Non-Executive Directors, out of whom a majority are independent.
	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Complied with	The Chairman of the Remuneration Committee is a Non-Executive Director.
(b)	The Remuneration Committee shall recommend the remuneration of the Group Chief Executive Officer and Executive Directors.	Complied with	Please refer Remuneration Committee report on page 59 of this Report which set out the functions of the Committee.
(c)	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.	Complied with Complied with Complied with	Please refer Remuneration Committee report on page 59 of this Report. Please refer Page 124.
7.10.6 Audit Committee			
	A listed entity shall have an Audit Committee.	Complied with	Please refer pages 60 and 61 of this Report.
(a)	The Audit Committee Shall comprise of a. A minimum of two independent Non- Executive Directors (in instances where an entity has only two directors) or, b. A majority of Non-executive Directors shall be independent;	Complied with	Audit Committee consists of five Non-Executive Directors four of whom are independent.
	One non-executive Director shall be appointed as the Chairman of the Committee by the Board of Directors.	Complied with	Chairman of the Audit Committee is a Non-Executive Director.
	Group Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings.	Complied with	The Group Chief Executive Officer and the Chief Financial Officer attends the meetings by invitation.
	The Chairman of the Audit Committee or one member should be a member of a recognized professional accounting body.	Complied with	Chairman and Two other members of the Audit Committee are Chartered Accountants with a vast knowledge on Financial reporting and compliance.

Corporate Governance Report

Rule No.	Corporate Governance Rule	Compliance Status	Details
(b)	<p>Functions of the Audit Committee shall include:</p> <p>a. Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with SLFRS/LKAS.</p> <p>b. 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>c. Overseeing the process to ensure that the internal controls and risk management processes are adequate to meet the requirements of the SLFRS/LKAS.</p> <p>d. Assessment of the independence and performance of the external auditors.</p> <p>e. 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>	<p>Complied with</p> <p>Complied with</p> <p>Complied with</p> <p>Complied with</p> <p>Complied with</p>	<p>Please refer Audit Committee Report on pages 60 and 61 of this Report for the functions of Audit Committee.</p>
(c)	<p>Names of Directors comprising the Audit Committee should be disclosed in the Annual Report.</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 by the Audit Committee, setting out the manner of compliance in relation to the above.</p>	<p>Complied with</p>	<p>Please refer the Audit Committee Report on pages 60 and 61 of this Report.</p>
Compliance with Requirements of Rule 7.6 of the listing rules of the Colombo Stock Exchange			
7.6	Contents of Annual Report		
	All listed entities must include in its Annual Reports and accounts, inter alia;		
i)	Names of persons who were directors of the entity during the year.	Complied with	Please refer Corporate Information on inner back cover of this Report.
ii)	Principal activities of the entity and its subsidiaries during the year and any changes therein.	Complied with	Please refer page 66 of the Board of Directors Report.
iii)	The names and the numbers of shares held by the 20 largest voting and non-voting shareholders and percentages.	Complied with	Please refer page 139 of this Report.
iv)	The Public Holding percentage.	Complied with	Please refer page 140 of this Report.

Rule No.	Corporate Governance Rule	Compliance Status	Details
v)	A statement of each Director's holding and Chief Executive Officer's holdings in shares of the entity at the beginning and end of each year.	Complied with	Please refer page 138 of this Report.
vi)	Information pertaining to material foreseeable risk factors of the entity.	Complied with	Please refer pages 34 to 37 of this Report.
vii)	Details of material issues pertaining to employees and industrial relations of the entity.	N/A	No material issues pertaining to employees and industrial relations.
viii)	Extents, locations, valuations and other number of buildings of the entity's land holding and investment properties.	Complied with	Please refer pages 99 and 141 of this Report.
ix)	Number of shares representing the entity' stated capital.	Complied with	Please refer pages 112 and 136 of this Report.
x)	A distribution schedule of the number of holders in each class of equity security and the percentage of their total holdings in the specified categories.	Complied with	Please refer page 136 of this Report.
xi)	<p>Following ratios and market price information.</p> <ol style="list-style-type: none"> 1. Dividend per share 2. Dividend pay out 3. Net asset value per share 4. Market value per share <p>Highest and the lowest value recorded. Value as at the end of the year.</p>	Complied with	Please refer pages 134 to 135 of this Report.
xii)	Significant changes in the entity's or its subsidiary's' fixed asset and the market value of land, if the value differs substantially from the book value.	Complied with	Please refer Note 5 to the Financial Statement on page 99 of this Report.
xiii)	If during the year the entity has raised funds either through a public issue, right Issue and private placement.	Complied with	Please refer page 67 of this Report.

Corporate Governance Report

Rule No.	Corporate Governance Rule	Compliance Status	Details
xiv)	<p>EMPLOYEE SHARE OPTION SCHEMES.</p> <p>m. All Following information shall be disclosed in the Annual Report of the listed entity in respect of each ESOS;</p> <ul style="list-style-type: none"> • number of options granted to each category of employees, during the year. • total number of options vested but not exercised by each category of employees during the financial year. • total number of options exercised by each category of employees and the total number of shares arising there from during the financial year. • options cancelled during the financial year and the reasons for such cancellation. • the exercise price. • a declaration by the Directors of the entity confirming that the entity or any of its subsidiaries has not directly or indirectly provided funds for ESOS. 	<p>Complied with</p> <p>Complied with</p> <p>Complied with</p> <p>Complied with</p>	<p>Please refer page 69 of the Board of Directors Report.</p>
xv)	Disclosure pertaining to Corporate Governance practices In terms of Rules 7.10.3, 7.10.5c and 7.10.6 c of Section 7of the Rules.	Complied with	Please refer pages 42 to 46.
xvi)	Related party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower.	N/A	The Company did not have any related party transaction exceeding 10% of the Equity or 5% of the total Assets

***Note.**

Mr. H.Z Cassim who was appointed as a Non-Executive Director on 12.04.1991, continues to be a Non-Executive, Independent Director of the Company amidst his tenor in office exceeding nine years. Mrs. Rohini L. Nanayakkara was appointed to the Board as a Non-Executive Independent Director on 20.05.2004, continues to be a Non- Executive, Independent Director of the Company amidst her tenor in office exceeding nine years. Mr. Ajit M. De S. Jayaratne was appointed as a Non-Executive Director on 10.10.2005, continues to be a Non-Executive Independent Director of the Company amidst his tenor in office exceeding nine years. Mr. Tissa K. Bandaranayake was appointed as a Non-Executive Independent Director to the Board on 19.05.2011 and Dr. Ranee Jayamaha was appointed as a Non-Executive Independent Director to the Board on 15.03.2013.

Mr. Pravir Samarasinghe was appointed to the Board as an Executive Director on 24.04.2014.

Mr. S. P. Tao, the Chairman of the Company, Mrs. Mildred Tao Ong, Mr. Yap Boh Pin and Mr. En Ping Ong represent the parent Company Shing Kwan Group which hold more than 50% of shares of the Company.

Mr. Ralph De Lanerolle who was appointed to the Board on 03.06.2010 is also an Executive Director of Mireka Capital Land (Private) Limited, which is a subsidiary of the Company.

The Board is of the collective opinion that the majority of Non-Executive 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 free and fair judgment.

Code of Best Practice of Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka.

Section Number		Compliance Status	Company' Commitment
1 The Company			
A Directors			
A.1 The Board	Every public company should be headed by an effective Board, which should direct, lead and control the Company.	Compliant	The Company is headed by an effective Board. The role of the Board and its members, Board functions, Board procedures and governance activities are discussed in detail from pages 38 to 41.
A.1.1 Regular Board Meetings	Frequency of Board meetings. (at least once every quarter)	Compliant	Board meets once every quarter, mainly to review the Company's performance and to determine whether its strategies and business practices are in line with the expectation of the Board. Individual attendance is given on page 40.
A.1.2 Board Responsibilities	Ensure formulation and implementation of a sound business strategy.	Compliant	The Board assumes the primary responsibility for the overall success of the company. The Board is involved in formulating the overall strategy and measuring, that it is implemented by the CEO. The MD/CEO, together with the management team develops corporate strategies, annual budgets and action plans to implement corporate strategies on annual basis. The corporate plan and annual budget are approved by the Board every year and achievement of the objectives set in the plan is monitored closely by the Board.
	Ensure that the MD/CEO and the management team possess the necessary skills, experience and knowledge for effective implementation of the strategy.	Compliant	The Board actively works to ensure that the CEO and the management team continue to have the right balance of skills, experience and knowledge necessary to discharge their responsibilities in accordance with the highest standards of governance.
	Adapt effective CEO and senior management succession strategy.	Compliant	Succession plans are in place for the CEO and for other key managerial positions and are monitored continuously.
	Ensure that effective systems are in place to secure integrity of information, internal controls, business continuity and risk management.	Compliant	Effective systems and procedures are in place to ensure the integrity of information, internal controls and information security. Such systems are continuously monitored by the management, internal and external auditors and at times by independent experts.

Corporate Governance Report

Section Number		Compliance Status	Company' Commitment
A.1.2 Board Responsibilities Contd.	Ensure that the company's activities are conducted in compliance with laws, regulations and ethical standards.	Compliant	The Board has adopted a compliance policy to give direction to the management with regard to compliance activities. The company has also issued a group policy that employees should comply with.
	Ensure that all stakeholder interests are considered in corporate decisions.	Compliant	The board ensures that the interest of all stakeholders is considered and safeguarded in making corporate decision.
	Recognized sustainable business development in corporate strategy, decisions and activities.	Compliant	The Board recognizes the necessity of sustainable business development in the corporate strategy, decisions and activities. Please refer sustainability report on pages 25 to 29.
	Ensure that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.	Compliant	The company's accounting policies are fully in line with Sri Lanka Accounting Standards (SLFRS/LKAS) which was adopted from the financial year 2013. Further the accounting policies are reviewed annually to be in line with the changing business requirements and best practices in the industry. Please refer independent auditor's report given on page 73.
	Fulfill other Board functions that are vital, given the scale, nature and complexity of the business concerned.	Compliant	The Board takes all its decisions paying due attention to the interest of all stakeholders. The Board also intervenes when necessary, in any other function that is vital given the scale, nature and the complexity of the company's business.
A.1.3 Compliance with Laws and Access to Independent Professional Advice	Act in accordance with the laws of the country and seek professional advice whenever required.	Compliant	The board act in accordance with the laws in the country. The Board has permitted all Directors to seek independent professional advice.
A.1.4 Access to Advice and the Services of a Company Secretary	Advice and Services of the Company Secretary.	Compliant	The company secretary, who is an attorney-at-law by profession, is accessible by any Director for the services of the company. The company secretary advises the board and ensures that matters concerning the Companies Act, board procedures and other applicable rules and regulations are followed. She also serves as the secretary to the audit committee and the remuneration committee.
A.1.5 Independent Judgment of Directors	Bring Independent judgment on various business issues and standards of business conduct.	Compliant	All directors exercise independent judgment on decisions made by the board on issues of strategy, performance, resource allocation and the conduct of business.

Section Number		Compliance Status	Company' Commitment
A 1.6 Dedication of adequate time and effort to matters of the Board and the Company	Every Director should dedicate adequate time and effort to matters of the Board and the Company, to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged.	Compliant	To ensure that the duties and responsibilities owned to the Company are satisfactorily discharged, the Directors attend quarterly Board meetings and discuss the matters. As far as possible the company endeavours to circulate the board papers amongst its members at least one week prior to each Board meeting in order to enable the Directors to analyse and call for additional information and clarifications. The number of meeting attended by each Director is given on page 40.
A 1.7 Training and continuous Development of Directors	Every Director should receive appropriate training when first appointed to the Board and subsequently as necessary.	Compliant	All Directors in the Company are highly qualified and well experienced personalities. The Directors are also kept abreast of applicable legislation and regulations, changes to rules, latest trends, standards and codes as well as relevant regulatory changes and development.
A.2 Chairman and Chief Executive Officer	Chairman and CEO are two different positions and need to be divided responsibilities.	Compliant	The functions of the Chairman and CEO are clearly separated to ensure balance of power and authority.
A.2.1	Disclosure required if the positions of the Chairman and the CEO are combined.	Not Applicable	The positions of the Chairman and CEO are separated.
A.3 Chairman's Role	The Chairman's role in preserving good Corporate Governance.	Compliant	The Chairman is responsible for leading the Board and ensuring that it operates under the highest standards of governance.
A.4 Financial Acumen	Availability of sufficient financial acumen and knowledge to offer guidance on matters of finance.	Compliant	The following members of the Board, are knowledgeable and experienced individuals who can provide guidance on matters of finance. All Directors possess qualifications and/or experience in accounting and finance. Mr Yap Boh Pin, Mr Ajith Mahendra De Silva Jayaratne, Mr Tissa Kumara Bandaranayake are qualified Accountants. Please refer profiles of Directors on pages 6 to 9.
A.5 Board Balance	The Board should have a balance of executive and non-Executive Directors.	Compliant	At the end of the year, the Board comprised eleven Directors and all except the CEO, are non-executive, thereby promoting critical review and control. Please refer Page 6 to 9 of the Profile of Directors.

Corporate Governance Report

Section Number		Compliance Status	Company' Commitment
A.5.1	Presence of non- Executive Directors.	Compliant	Ten of the eleven Board members are Non-Executive, which is in excess of one third of the total number of Directors.
A.5.2	Independent Directors.	Compliant	Five Non-Executive Directors are independent, which is in excess of one third of the Non-Executive Directors.
A.5.3	Criteria to evaluate "Independence" of Non-Executive Directors.	Compliant	All five independent non-executive directors meet the criteria for independence as per the code of best practices, corporate governance (code) and listing rules and free of business or other relationships that could moderately influence the exercise of their unfettered and independence judgment.
A.5.4	Annual Declaration of Non-Executive Directors.	Compliant	All Non-Executive directors have submitted the declaration of independence or non-independence as per the code.
A.5.5	Annual determination of 'Independence' of Non-Executive Directors by the Board.	Compliant	The Note on page 46 of this annual report has determined the independence or non-independence of each director.
A.5.6	Appointment of an Alternate Directors by a Non-executive/ independent Directors.	Compliant	Two Non Executives Directors has been appointed alternate directors, such alternate directors are not executive or employees of the Company.
A.5.7	Appointment of Senior Independent Director	Not Applicable	Since the role of the Chairman and the CEO of the Company are separated, this requirement does not arise
A.5.8	Availability of the senior independent director for confidential discussions with other directors.		
A.5.9	Responsibility of Chairman to hold meetings only with Non-executive Directors	compliant	The Chief Executive officer functions as the apex executive in charge of the day to day management of the Company. The chairman hold meetings with non-executive Directors whenever necessary.
A.5.10	Recording of concerns which cannot be unanimously resolved in Board minutes.	Compliant	All decisions of the Board were taken unanimously and there are no concerns raised by the directors during the year which needed to be recorded in the board minutes. However if such concerns do arise the company's policy is to record them accordingly.

Section Number		Compliance Status	Company' Commitment
A.6 Supply of Information	The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.	Compliant	Financial and non-financial information are analyzed and presented to the board to make accurate decisions.
A.6.1	Managements responsibility to provide the Board with appropriate and timely information.	Compliant	The management ensures that a set of timely accurate relevant and comprehensive information is provided to the Directors before the Board Meeting every quarter, with adequate time for them to review the same and prepare for discussions. All significant financial and non-financial information for the period are included in this analysis.
A.6.2	Preparation of minutes, agenda and Board papers prior to the Board meetings.	Compliant	The Company Secretary ensures that the agenda and Board papers to be tabled at Board meetings are prepared and circulated at least one week prior to the Board Meeting together with the minutes of the previous meeting.
A.7 Appointments to the Board	There should be a formal and transparent procedure for the appointment of new Directors to the Board.	Compliant	All new appointments of the Board are made following a formal and transparent procedure.
A.7.3	Disclosure of details of new directors to shareholders.	Compliant	All appointments of new directors are informed to the shareholders with sufficient details via immediate notification to the CSE.
A.8 Re Election	All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	Compliant	Please refer page 46 of the annual report for details of re-election of Directors.
A.8.1	Appointment and re-election of non-Executive Directors.	Compliant	Please refer page 46 of the Annual Report.
A.8.2	Election of Directors by the shareholders.	Compliant	Please refer page 46 of the Annual Report.
A 9 Appraisal of Board Performance	Board should periodically appraise their own performance	Compliant	The Board recognizes that it is necessary to periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged. The Board has a self-evaluation process in place that encourages all Directors to make a full and active contribution to the Board affairs.

Corporate Governance Report

Section Number		Compliance Status	Company' Commitment
A.10 Disclosure of Information of Directors.	Shareholders should be kept advised of relevant details in respect of Directors.		
A.10.1	Disclosures on Directors in the annual report.	Compliant	<p>Required information with respect to Directors are disclosed in this annual report, where relevant. Names, qualifications and profiles, including expertise in relevant functional areas of all Board Members are provided on pages 6 to 9.</p> <p>Details of Directors interest in contracts are given on page 69.</p> <p>Details of related party transactions are provided on pages 123 to 124.</p> <p>Details on Directors attendance and other sub committees are provided on pages 60 to 62.</p>
A.11 Appraisal of CEO	The Board should be required, at least annually, to assess the performance of the CEO.	Compliant	Annually the Remuneration Committee and the Board assess the CEO's performance.
A.11.1	Setting annual target for MD/ CEO.	Compliant	Based on long term strategy annual objectives are fixed by the Board.
A.11.2	Evaluation of the performance of the CEO.	Compliant	Evaluations of achievement set targets are reviewed annually by the Board.
B. Directors Remuneration	Companies should establish a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.		
B.1.1	Presence of a Remuneration Committee.	Compliant	<p>A Remuneration Committee has been appointed and functions within agreed terms of reference.</p> <p>Please refer page 59 for the Remuneration Committee Report.</p>
B.1.2	Composition of Remuneration Committee.	Compliant	Please refer page 59 for details of the composition of Remuneration Committee.
B.1.3	Disclosure of the members of the Remuneration Committee in the Annual Report.	Compliant	Members responsibilities and other information in respect of the remuneration committee are disclosed on page 59.
B.1.4	Determination of remuneration of Non-Executive Directors.	Compliant	Non-Executive Directors who are nominees of the parent company are paid a nominal fee for their attendance at the Board and sub committee meetings.

Section Number		Compliance Status	Company' Commitment
B.1.5	Ability to consult the chairman and/ or CEO and to seek professional advice by the committee.	Compliant	The committee consults the Chairman and the CEO, where necessary, has access to the professional advice from within and outside the company.
B.2 Level and Makeup of Remuneration	The Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully.		
B.2.1	Remuneration packages of Executive Directors.	Compliant	The Remuneration Committee and the Board ensure that the CEO who is the only Executive Director on the Board, is provided with an appropriate remuneration package.
B.2.2	Comparison of remuneration with other Companies.	Compliant	The Remuneration Committee compares the remuneration levels of the company with such packages of comparable companies in the industry and is sensitive to changes in the remuneration levels.
B.2.6	Designing performance – based remuneration of Executive Directors.	Compliant	Objectives for the CEO who is the only Executive Director on the Board, are set at the beginning of the year to align his interests with those of the company. Accordingly, his remuneration including the performance bonus is decided based upon the degree of achievement of such pre-set targets.
B.2.7 & B.2.8	Compensation commitments on early termination.	Compliant	Termination of the Executive Director (CEO) is governed by his contract of service/ employment.
B.2.9	Remuneration of Non-Executive Directors.	Compliant	Non-Executive Directors are paid only on their attendance at meetings.
B.3 Disclosure of Remuneration	The Company's Annual Report should contain a statement of Remuneration policy and details of Remuneration of the Board as whole.		
B.3.1	Disclosure of Remuneration.	Compliant	The aggregate remuneration paid to the CEO and non-Executive Directors is disclosed on page 124 of this report. The Remuneration Committee's Report which highlights the remuneration policy at the Company is give on page 59.
C. Relations with Share Holders			
C.1 Constructive use of the Annual General Meeting (AGM) and Conduct of General Meeting	Boards should use the AGM to communicate with shareholders and should encourage their participation.	Compliant	Please refer page 142 for details of the Annual General Meeting.

Corporate Governance Report

Section Number		Compliance Status	Company' Commitment
C.1.1	Companies should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	Compliant	The Annual Report together with notice of meeting and related documents and other resolutions if any is circulated to the shareholders at least 15 working days prior to the date of the AGM. The Annual Report 2016 was submitted to the CSE on 27th March 2017 and was posted to all shareholders by 27th March 2017. The AGM was held on 24th April 2017.
C.1.2	Separate Resolution to be proposed for each item.	Compliant	The Company proposes separate resolutions on each substantially separate issue. So, shareholders are given the opportunity to vote separately on each substantial issue.
C.1.3	Use of Proxy Votes	Complaint	The Company has a mechanism to count all proxy votes to indicate to the chairman the level of proxies lodged on each resolution and the number of votes for and against such resolution.
C.1.4	Availability of Chairmen of Board Committees at the AGM.	Compliant	The Chairman of the Board ensures that the Chairmen of Board Sub- committees are present at AGM to answer any query by shareholders.
C.1.5	Summary of procedures Governing voting at the General Meeting.	Compliant	The proxy form, which includes a summary of the procedures governing voting at the General Meetings, is circulated to all shareholders.
C.2	The Board should implement effective communication with shareholders.	Compliant	The AGM and the Annual Report are the primary means of communication with shareholders. Additionally, the Company makes disclosures on material and price sensitive matters from time to time to the CSE for dissemination among the public.
C.2.1	Communication channel to reach shareholders	Compliant	All financial information are released to the shareholders through the Annual Report, Annual General Meeting, financial and other notices when required through the Colombo Stock Exchange and the Corporate website.
C.2.2	Company's Communication policy and methodology.		
C.2.3			
C.2.4	The Company should disclose the contact person for such communications	Compliant	The Company Secretary will be the main contact person with regard to any public disclosures. Further the Chief Financial Officer can also be contacted with regard to any clarifications on financial information published.

Section Number		Compliance Status	Company' Commitment
C 2.5	Process to make directors aware of major issues and concerns of shareholders.	Compliant	The company Secretary maintain record of all correspondence received from shareholders and direct the same to the appropriate channel. if there are any major issues/or concerns raised by shareholders they are referred to the Board.
C 2.6	Person to be contacted on shareholders matters	Compliant	The company Secretary to be contacted for shareholder matters. The Company Secretary's detail are given on inner back cover.
C 2.7	Formulation of a process for responding to shareholders and disclosure on them.	Compliant	Upon receipt of instructions from the Board or other relevant channel, the company Secretary responds as directed.
C.3 Major and Material Transaction	Disclosure of all material transactions including related party transactions.	Not applicable	There is no major Transactions that required to disclose separately
D. Accountability and Audit			
D.1 Financial Reporting	The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.		
D.1.1	Board responsibility for statutory and regulatory reporting.	Compliant	The Company presents its financial statements in line with Sri Lanka Financial Reporting Standards (SLFRS) and other applicable laws and regulations.
D.1.2	Declarations by Directors in the Directors' report.	Compliant	The Directors have made all required declarations in the Annual Report of the Board of Directors on the affairs of the company which is given on pages 60 to 70.
D.1.3	Statements by Directors and Auditors on responsibility for financial reporting.	Compliant	Page 72 contains the statement setting out the responsibility of the Board for the preparation and presentation of Financial Statements.
D.1.4	Management Discussion Analysis.	Compliant	The Management discussion and analysis are appearing in pages 12 to 17.
D.1.5	Declaration by the Board on going concern of the business.	Compliant	The Board after conducting necessary reviews and enquires decided to apply the 'going concern' assumption in preparing the company's Financial Statements for the year 2017. The declaration of the company as a 'going concern' is given in the Directors Report on page 70.
D.1.6	Requirement to summon an Extraordinary General Meeting (EGM) to notify serious loss of capital.	Not applicable	

Corporate Governance Report

Section Number		Compliance Status	Company' Commitment
D 1.7	Adequate and accurate disclosure of related party transactions.	Compliant	The company has a related party transactions policy in place. This policy provides detailed procedures on identification of related parties and related party transactions. A Related Party Transaction Review committee was established in 2016 and details of the committee are presented in the Related Party Transactions Review Committee report on page 62 and 63. Related party transactions are disclosed on Pages 111 and 118.
D.2 Risk Management and Internal Control	Risk Internal Controls.	Compliant	The Board maintains a sound system of risk Management and internal controls to safeguard shareholders' investments and the Company assets.
D.2.1	Directors to conduct an annual review of Risk Management and internal controls.	Compliant	The Board has overall responsibility for the system of risk management and internal controls and has delegated some of these responsibilities to the Audit Committee.
D 2.2	Robust assessment of the principal risks facing the company	Compliant	Please refer risk management report on page 34 to 37.
D.2.3	The need for an internal audit function.	Compliant	The Company has appointed Ms Pricewaterhouse Coopers (PWC) as the Internal Auditors of the Company. All reports by the Internal Auditors are tabled at the Audit Committee meetings.
D 2.4	Audit Committee to ensure carrying out the reviews of the process and effectiveness of risk management and Internal Control.	Compliant	Audit committee review quarterly the effectiveness of risk management and internal control with Internal Auditors and the Management.
D.3	Audit Committee.	Compliant	The Board has established formal and transparent arrangement for considering how they should select and apply accounting policies, financial reporting, risk management and internal control principles and maintain an appropriate relationship with the company auditors.
D 3.1	The Board Should establish an Audit Committee	Compliant	Please refer Audit committee Report on Pages 61 to 62.

Section Number		Compliance Status	Company' Commitment
D.3.2	Duties of the Audit Committee. Terms of reference of the Audit Committee.	Compliant	The Audit Committee monitors and reviews the External Auditors independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements. The Audit Committee operates with clearly defined terms of reference which are reviewed annually
D.3.3	Disclosure of names of the members of the Audit Committee. The number of meetings held attendance of each directors. The scope of work and how its roles and responsibilities were discharged.	Compliant	Names of Directors comprising the Audit Committee are set out on page 60 of the Annual Report.
D.4 Related Party Transactions Review Committee	The Board Should establish a procedure to ensure that the Company does not engage in transactions with 'related parties" in a manner that would grant such parties "more favorable treatment" than that accorded to third parties in the normal course of business.	Compliant	The Board has appointed a committee to review Related Party Transactions and the committee has laid down procedures and policies to identify related party and track the transactions. The Committee meet every quarter to review the Related Party Transactions. Page 62 to 63 includes the Related Party Transaction Review Committee Report
D. 5	Code of Business Conduct & Ethics		Companies must adopt a Code of Business Conduct and Ethics for Directors and Members of the Senior Management team and must promptly disclose any waivers of the code by Directors or others.
D.6	Corporate Governance Disclosure.	Compliant	Directors should be required to disclose the extent to which the Company addresses to establish principles and practices of good corporate governance.
D.6.1	Disclosure of compliance with the Corporate Governance Code.	Compliant	Page 47 to 58 set out the manner and extent to which the company has complied with the principles and provisions of the Code of Best Practice on Corporate Governance issued jointly by the SEC and the CA Sri Lanka.

Corporate Governance Report

Section Number		Compliance Status	Company' Commitment
2. Shareholders			
E. Institutional Investors			
E.1 Shareholder Voting	Should ensure institutional shareholders' voting intentions are translated into practice.		
E1.1	A listed company should conduct a regular and structured dialogue with shareholders.		
E.2 Evaluation on Governance Disclosures	Institutional investors should be encouraged to give due weight to the relevant governance arrangements.		
F. Other Investors			
F.1 Investing/ Divesting Decisions	Individual Shareholders are encouraged to seek independent advice on investing or divesting decisions.		
F.2 Shareholder Voting	All Shareholders are encouraged to participate at Annual General Meeting and cast their votes.		
G. Interest of Things and Cybersecurity	The Board review the IT environment through its audit committee.		
H. Environment, Society and Governance (ESG)			
H.1.1 - H.1.5	Disclose the policies and procedures adopted to develop environment, society and Governance. (ESG)	Compliant	Refer Sustainability Report on pages 25 to 33.

Remuneration Committee Report

Role and Responsibilities

The Committee deliberates and recommends to the Board of Directors on the remuneration package, annual increments and bonuses paid to the 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.

Composition of the Committee

The Remuneration Committee consists of five members out of whom four are Independent Non-Executive Directors. The Committee's composition fulfils the requirements of rule 7.10.5 of Listing Rules of the Colombo Stock Exchange. The Remuneration Committee consists of the following members;

Mr. H. Z. Cassim	- Independent Non-Executive Director (Chairman of the Committee)
Ms. Rohini L. Nanayakkara	- Independent Non-Executive Director
Mr. Ajit M.de S. Jayaratne	- Independent Non-Executive Director
Mr. Tissa K. Bandaranayake	- Independent Non-Executive Director
Mr. En Ping Ong	- Non Executive Director

The brief profiles of the directors are given on pages 10 to 13 of the Annual Report.

Meetings and Attendance

The Committee met on one occasion during the financial year 2017 and the attendance record is given below.

Mr. H. Z. Cassim – Chairman	1/1
Ms. Rohini L. Nanayakkara	1/1
Mr. Ajit M.de S. Jayaratne	1/1
Mr. Tissa K. Bandaranayake	1/1
Mr. En Ping Ong	1/1

Remuneration Policy

The Company's remuneration policy aims to attract and retain qualified and experienced team of high caliber managers and professionals and reward their performance.

Remuneration policy of the Company with regard to increment and bonus schemes is based on the performance management system and evaluation systems being practised 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 finalised proposals for the granting of increments to the key senior level staff.

All Non-Executive Directors receive a fee for serving on the Board and serving on sub-committees. They do not receive any performance related incentive payments.

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

The Directors' emoluments are disclosed in Note 26 on page 124.



H. Z. Cassim

Chairman - Remuneration Committee

27th February 2018

Audit Committee Report

Composition

The Audit Committee appointed by the Board of Directors of Overseas Realty (Ceylon) PLC, comprises five Non-Executive Directors and four of them being Independent Non-Executive Directors. As of the financial year ended 31 December 2017, the Board Audit Committee comprised the following Directors:

Mr. Ajit M de S. Jayaratne	– Independent Non-Executive Director (Chairman of the Committee)
Mr. H.Z. Cassim	– Independent Non-Executive Director
Mr. Yap Boh Pin	– Non-Executive Director
Mrs. Rohini Nanayakkara	– Independent Non-Executive Director
Mr. Tissa K Bandaranayake	– Independent Non-Executive Director

The Chairman of the Committee Mr. Ajit M de S. Jayaratne, an independent non-executive Director, is a finance professional with over 25 years of post qualification experience. He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Chartered Accountants of U.K.

The members have a well-balanced blend of experience in the commercial sectors, financial sectors 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 to 9 of this Report.

Charter of the Committee

The Terms of Reference of the Committee is clearly defined in the Charter of the Audit Committee. The 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.

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 the integrity and transparency of the financial reporting of the Company, compliance with financial reporting requirements, information requirements of the Companies Act, No. 07 of 2007 and other related financial reporting regulations, 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 of the Company's Auditors and ensuring compliance with laws and regulations which effective 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 external auditors ensuring their independence and maintains a close professional relationship with them. The Committee also recommends the fees payable to them in the execution of these services.

Meetings and Attendance

The Audit Committee has met four (04) times during the year ended 31 December 2017 and the attendance was as follows:

Mr. Ajit M de S. Jayaratne – Chairman	4/4
Mr. H.Z. Cassim	4/4
Mr. Yap Boh Pin	4/4
Mrs. Rohini L Nanayakkara	4/4
Mr. Tissa K Bandaranayake	4/4

The Company Secretary functions as the Secretary to the Audit Committee. Meetings were attended by the Group Chief Executive Officer and Group Chief Financial Officer, other senior management members, Internal Auditors and External Auditors by invitation. The proceedings of the Audit Committee are recorded with adequate details and regularly reported to the Board of Directors.

Financial Reporting

The Committee reviews the Interim Financial Statements of the Company before Director's Approval and submission to Colombo Stock Exchange and year end Financial Statements

before certification by External Auditors in order to monitor integrity of the Financial Statements of the Company, prepared for disclosure and significant financial reporting assumptions and judgments contained therein.

The Committee assesses the Company's compliance with financial reporting requirements, information requirements of the Companies Act No. 07 of 2007, and other relevant financial reporting related regulations and requirements.

Internal Controls, Risk Management Function and Going Concern

The Committee keeps under review the Company's internal controls and risk management systems ensuring the procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards. The Committee also assesses the Company's ability to continue as a going concern in the foreseeable future.

The Committee reviewed and approved the Directors' Statement on Internal Controls over financial reporting to be included in the Annual Report.

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 there of.

The Committee is of the view that adequate controls, processes and procedures are in place to provide reasonable assurance to the Board, 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.

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 reviews these audit and non-audit functions of the External Auditors before

such services are assigned in order to ensure that the provisions of such services does not impair independence and that work is assigned in such a manner as to prevent any conflict of interest.

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 2018, at a fee to be determined by the Board of Directors, subject to the approval by the shareholders at the Annual General Meeting.

Property Valuation

An independent Chartered Valuation Surveyor Mr. P B Kalugalagedara has conducted 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.

Conclusion

The Committee is satisfied that the Company's internal controls and Risk management process are effectively implemented as designed, and that the Company's assets are adequately safeguarded. The Company's Internal and External Auditors have been effective and independent throughout the year.

The Committee is also satisfied that the operational controls and the application of appropriate accounting policies provide reasonable assurance that the financial statements of the Company are true and fair.

Ajit M. de S. Jayaratne
Chairman - Audit Committee

27th February 2018

Related Party Transactions Review Committee Report

Introduction

The Related Party Transactions Review Committee was formed as a Board Sub Committee. The role of the Committee is to provide independent review, and oversight of all related party transactions on behalf of the Board in compliance with the provisions contained in the Listing Rules of Colombo Stock Exchange.

Composition of the Committee

The present Committee comprises four (4) Independent Non-Executive Directors and one (1) Non-Executive Director of the Board. The composition of the Committee fulfilled the requirements of the Listing Rule No. 9.2.2 of the Colombo Stock Exchange, throughout the financial year.

Members of the Related Party Transaction Review Committee are as follows:

Mr. Ajit M de S. Jayaratne	– Independent Non-Executive Director (Chairman of the Committee)
Mr. H.Z. Cassim	– Independent Non-Executive Director
Mrs. Rohini Nanayakkara	– Independent Non-Executive Director
Mr. Tissa K. Bandaranayake	– Independent Non-Executive Director
Mr. Yap Boh Pin	– Non-Executive Director

Meetings and Attendance

The Committee met on four occasions during the financial year 2017 and the attendance record is given below.

Mr. Ajit M de S. Jayaratne – Chairman	4/4
Mr. H.Z. Cassim	4/4
Mr. Yap Boh Pin	4/4
Mrs. Rohini Nanayakkara	4/4
Mr. Tissa K Bandaranayake	4/4

In addition to the Committee members, the meeting was attended by the Group CEO and Group CFO on invitation. The Company Secretary was also present at the meeting.

Policies and Procedures

The members of the Board of Directors of the Company have been identified as Key Management Personnel. In accordance with the Related Party Transaction Policy, declarations are obtained from all Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the data base of the Company.

Terms of Reference

The terms of reference of the Related Party Transactions Review Committee deals with its authority and duties and covers aspects relating to matters prescribed in the Listing Rules of the Colombo Stock Exchange.

Terms of reference of the Committee include the following:

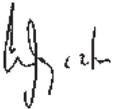
- Review in advance all proposed Related Party Transactions of the Company except those explicitly exempted by the Code.
- Determine whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company.
- Update the Board of Directors on the Related Party Transactions of the Company on a quarterly basis.
- Review all Related Party Transactions in line with the regulatory requirements.
- Adopt policies and procedures to review Related Party Transactions of the Company and oversee existing policies and procedures.
- Make immediate market disclosure on any applicable Related Party Transactions as required under Section 9 of the Listing Requirements of the Colombo Stock Exchange.
- Make appropriate disclosures in the Annual Report on Related Party Transactions as per the regulatory guidelines in a timely and detailed manner.

Related Party Transactions during the Year

The activities and observations of the Committee are communicated to the Board. During the year there were no non- recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules requiring disclosure in the Annual Report. Details of Related Party Transactions entered into by the Company during the year are disclosed in Note ... to the Financial Statements.

Declaration

A declaration by the Board of Directors in the Annual Report as a negative statement to the effect that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during the year, is given in the Annual Report of the Board of Directors on page 69.



Mr. Ajit M. de. S. Jayaratne

Chairman – Related Party Transaction Review Committee

27th February 2018





FINANCIAL CALENDER		
Interim Financial Statements	Target set for 2018	Achievement in 2017
1st Quarter (Ended 31st March)	April 2018	25th April 2017
2nd Quarter (Ended 30th June)	July 2018	28th July 2017
3rd Quarter (Ended 30th September)	October 2018	26th October 2017
4th Quarter (Ended 31st December)	February 2019	28th February 2018
Annual Report and financial Statements to shareholders		
2016		28th March 2017
2017	March 2018	
Dividends		
First and Final dividend for 2016		25th April 2017
First and Final dividend for 2017	10th April 2018	
Annual General Meetings		
35th Annual General Meeting		24th April 2017
36th Annual General Meeting	29th March 2018	

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Annual Report of the Board of Directors

General

The Board of Directors has pleasure in presenting their report on the affairs of the Company together with the audited Financial Statements of Overseas Realty (Ceylon) PLC and the audited Consolidated Financial Statements of the Group and the Auditor's Report on these Financial Statements for the Financial year ended 31st December 2017. The details set out herein provide the pertinent information required under Section 168 of the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka.

Overseas Realty (Ceylon) PLC is a Public Listed Company with limited liability, incorporated in Sri Lanka on 28th 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 property leasing, property trading, and provision of property 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 "Havelock City" Project and providing infrastructure facilities to the project. The development of residential apartments is undertaken by Mireka Homes (Pvt) Ltd, a fully owned subsidiary of Mireka Capital Land (Pvt) Ltd. Havelock City (Pvt) Ltd has undertaken the development of the Commercial component of the "Havelock City" project. Realty Management Services (Pvt) Ltd provides property services, and trading of lighting solutions.

Review of Business and Future Developments

An overall assessment 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 Financial Review (Pages 19 to 21) and Management Review of Operations (pages 12 to 17) of this Annual Report. Segment wise contribution to Group revenue, results, assets and liabilities is disclosed in Notes to the Financial Statements on pages 97 to 98 of this 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 the Group which have been prepared in accordance with the Sri Lanka Accounting Standards laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of Companies Act No. 07 of 2007, are appearing on pages 74 to 132 of this Annual Report.

Auditors' Report

The Auditors' Report on the Financial Statements of the Company and the Group is given on page 73.

Accounting Policies

The Board of Directors wishes to confirm that there were no changes to the Accounting Policies used by the Company and the Group during the year under review. Significant Accounting policies, together with the notes adopted in preparation of the Financial Statements of the Company and the Group are given on pages 80 to 96.

Group Turnover

The turnover of the Group during the year under review was Rs. 4,316,998,595/- (2016 - Rs. 2,430,733,019). 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 page 97.

Financial Results and Dividend

The Group recorded a consolidated net profit of Rs. 3,173,486,901/- (2016 - 2,930,117,501/-) for the year. The Consolidated Income Statement along with the Company's Income Statement for the year is given on pages 76 to 77.

The Directors recommended the payment of a first and final dividend of Rs. 1.25 per share for the financial year ended 31st December 2016 which was approved by the shareholders at the Annual General Meeting of the Company held on 24th April 2017.

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 27th February 2018, the Directors recommended the payment of a first and final dividend of Rs 1.25 per ordinary share for the financial year ended 31st December 2017 to be approved by the Shareholder at the Annual General Meeting of the Company to be held on 29th March 2018.

Directors have confirmed that the Company would satisfy the Solvency test requirement under section 56 of the Companies Act No. 07 of 2007 and the Listing Rules of the CSE. As required by Section 56 (2), the Board of Directors have obtained a certificate from the Auditor on the Statement of Solvency in respect of each dividend payment conforming to the above statutory provision.

Property, Plant & Equipment

Capital expenditure during the year, on property plant & equipment by the Group and by the Company incurred amounted to Rs. 2,045,787,805/- (2016 - Rs. 80,615,134/-) and Rs. 2,392,558/- (2016 - Rs. 3,852,381/-) respectively. The carrying value of the Property, Plant and Equipment of the Group and the Company as at the reporting date amounted to Rs. 3,799,092,489/- (2016 - Rs. 1,782,027,248/-) and Rs. 389,178,028 (2016 - Rs. 391,285,879/-) respectively.

An analysis of the property plant & equipment of the Group and the Company, additions and disposals made, together with the depreciation charge for the year, is set out in Note 6 to the Financial Statements on pages 104 to 106.

Market Value of the Building

All the buildings owned by the Group were subjected to a revaluation by an independent qualified valuer. The carrying value of the building of the Group is Rs. 1,079,777,567/- (2016 - Rs. 1,092,453,614/-). The details are provided in Note 6 to the Financial Statements.

Fair Value of Investment Properties

The fair value of Investment properties owned by the Group as at 31st December 2017 is included in the Financial Statements at Rs. 25,853,507,171/- (2016 - Rs. 24,651,770,855/-) based on the Independent valuations undertaken by a Chartered Valuation Surveyor in December 2017. 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 to the Financial Statements.

Investments

The details of investments held by the Company are disclosed in Note 8 and 15 on pages 107 and 113 of the Financial Statements.

Issue of Shares by the Company

The company issued 355,151,309 new ordinary shares at Rs 20.50 per share through a Rights Issue in the proportion of 2:5 during the year to raise a sum of Rs. 7,280,601,834.50 towards the investment in Mixed Development Project undertaken by Havelock City (Pvt) Limited, a subsidiary company of Mireka Capital Land (Private) Limited which in turn is a subsidiary fully owned by the Company.

The Shareholder Resolution passed at the Extra Ordinary General Meeting held on 24th April 2017 approved to change the initial objective and to utilise the Rights Issue funds for settling the loan of USD 13 Mn obtained from the Bank of Ceylon to part finance the acquisition of Mireka Capital Land (Pvt) Ltd Shares by the Company.

Stated Capital

The total stated capital of the Company amounts to Rs. 18,443,353,347/- (2016 - Rs. 11,162,751,513/-) comprising No of Shares 1,243,029,582/- (2016 - 887,878,273/-), as given in note 13 to the Financial Statements.

Reserves

Total Group Reserves as at 31st December 2017 was Rs. 18,290,446,001/- (2016 - Rs. 16,670,698,120/-). The movement of these reserves is shown in the Statement of Changes in Equity in the Financial Statements on page 78.

Share Information

Information relating to earnings, dividends, net assets, market value per share and share trading is given on pages 136 and 137 in the Financial Reports section of this Report.

Substantial Shareholdings

Significant shareholder information along with substantial shareholder details such as Major Share Holdings, Public Holding and other share related information is presented in detail under the title 'Share Information' on pages 139 to 140 of this Annual Report.

Board of Directors

Names of the Board of Directors together with their profiles including skills and experiences are set out on pages 6 to 9 of this Report.

Annual Report of the Board of Directors

The basis on which Directors are classified as independent Non-Executive Directors is discussed in the Corporate Governance Report.

The proposed resolutions proposes that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. Shing Pee Tao who attained the age of 70 years on 25th December 1986, Mr. Hussain Zubire Cassim who attained the age of 70 years on 9th September 1995, Mrs. Rohini Letitia Nanayakkara, who attained the age of 70 years on 12th April 2006, Mr. Ajit Mahendrs De Silva Jayaratne, who attained the age of 70 years on 30th April 2010, Mr. Yap Boh Pin, who attained the age of 70 years on 2nd February 2011, Mr. Tissa Kumara Bandaranayake, who attained the age of 70 years on 3rd January 2013, Mr. Leslei Ralph De Lanerolle, who attained the age of 70 years on 5th January 2013 and that they be re-elected as Directors of the Company.

Meetings

The Details of Board meetings and Board Subcommittee meetings which comprise Remuneration Committee, Audit Committee, and Related Party Transactions Review Committee are presented in the Corporate Governance Report on page 40 and other committee Reports on pages 60 and 62.

Directors' Interest in Shares

The Directors' individual shareholdings along with the Chief Executive Officers' individual shareholding in the Company at the beginning and at the end of the year was as follows:

Name	Position	31st December 2016		31st December 2017	
		Direct Interest	Deemed Interest	Direct Interest	Deemed Interest
Mr S P Tao	Chairman	Nil	732,335,424*	Nil	747,929,728*
Mrs Mildred Tao Ong	Director	Nil	516,584,334*	Nil	764,129,728*
Mr Yap Boh Pin	Director	Nil	516,584,334*	Nil	764,129,728*
Mr En Ping Ong	Director	400,000	Nil	560,000	Nil
Mr H Z Cassim	Deputy Chairman	Nil	Nil	Nil	Nil
Mr A M De S Jayaratne	Director	Nil	Nil	Nil	Nil
Mr L R de Lanerolle	Director	Nil	Nil	Nil	Nil
Mrs R Nanayakkara	Director	Nil	Nil	Nil	Nil
Mr T K Bandaranayake	Director	Nil	Nil	Nil	Nil
Dr Ranee Jayamaha	Director	Nil	Nil	Nil	Nil
Mr Pravir Samarasinghe	Director/ CEO	Nil	Nil	14,320,000	Nil

*The deemed interests in shares as declared by Mr. S P Tao is as a director of Shing Kwan Group excluding Shing Kwan (Pte) Ltd and as a shareholder of Unity Builders Limited, Mrs. Mildred Tao Ong as a director/ shareholder of the Shing Kwan Group and a director of Unity Builders Limited and Mr. Yap Boh Pin's deemed interest is declared as the spouse of a director of the said Shing Kwan Group including Unity Builders Limited.

Employee Share Option Scheme

At the Extraordinary General Meeting of the Company held on 24th May 2012 the establishment and implementation of an employee share option plan (“ESOP”) to issue to the executive directors and executives employed by the Company and its subsidiaries, as may be decided by the Board was approved. ESOP which will entitle such employees and Executive Directors to subscribe to and purchase shares offered by the Company totalling to 25,305,530 amounting to 3% of the issued shares in the Company (“the Options”) at an exercise price being the market price of the shares of the Company at the time of granting of the Option or the volume weighted average price of the shares of the Company thirty (30) days prior to the grant of the Option whichever is higher, was approved at the EGM held on 24th May 2012.

The Option was not granted to any category of employees of the Company during the financial year under review.

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 for inspection.

Directors’ Interest in Transactions

The Directors of the Company have made general declarations of their interests in transactions of the Company as per Section 192(2) of the Companies Act No. 07 of 2007. The particulars of those transactions are set out on pages 123 to 124 under related party transactions of the Annual Report.

Directors’ Remuneration

Directors’ remuneration, in respect of the Company and the Group for the financial year ended 31st December 2017 is given in the Note 26 to the Financial Statements, on page 124

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.

Related Party Transactions

There are no related party transactions which exceed the threshold of 10 % of the equity or 5 % of the total assets, whichever is lower in relation to non-recurrent related party transactions or 10 % of the gross revenue in relation to recurrent related party transactions. The Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions.

The Directors have disclosed transactions, if any, that could be classified as Related Party Transactions in terms of LKAS 24 - ‘Related Party Disclosures’, and are given in Note 26 to the Financial Statements.

Donations

Donations made by the Group amounted to Rs. 44,000/- (2016 - Rs. 60,500/-) which includes a sum of Nil (2016 Rs. Nil/-) made to Government approved charities.

Environmental Protection

The Directors confirm that to the best of their knowledge the Company and the Group have not engaged in any activity, which causes detriment to the environment.

Insurance and Indemnity

The Company has obtained an indemnity and insurance policy from Fairfirst Insurance Limited for its Directors and Officers amounting to US\$ 1 Million for the period covering 1st January to 31st December 2017.

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. The 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.

The Risk Management report and the Directors’ Statement on Internal Controls on pages 34 and 71 give further details.

Annual Report of the Board of Directors

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 in pages 38 to 41 in 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 (SLFRS/LKAS), Sri Lanka Accounting and Auditing Standards Act No 15 of 1995, Companies Act No 07 of 2007, Inland Revenue Act No. 10 of 2006 and amendments thereto, and the Listing Rules of the Colombo Stock Exchange. The Statement of Directors' Responsibility for Financial Reporting is given on page 72 and forms an integral part of this report.

Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief, confirm that 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, other regulatory institutions and in relation to the employees have been made in full and on time.

Events after Reporting Date

There have not been any material events that have occurred subsequent to the date of the Statement of Financial Position that require adjustments to the Financial Statements, other than those disclosed in Note 30 to the Financial Statements.

Going Concern

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

Auditors Remuneration and Reappointment

Messrs Ernst & Young, Chartered Accountants served as the Company's Auditor during the year under review. The Auditors have confirmed that they do not have any relationship or interest in the Company or its subsidiaries other than those disclosed below.

The Auditors, Messrs. Ernst & Young, Chartered Accountants were paid Rs. 1,733,166/- (2016 – Rs. 1,637,100/-) and Rs. 3,441,297/- (2016 -Rs. 3,181,013/-) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 688,543/- (2016-Rs. 920,350/-) and Rs. 2,600,924/- (2016 - Rs. 2,972,617/-), by the Company and the Group, for permitted non-audit related services.

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 forthcoming Annual General Meeting.

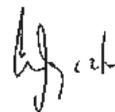
Annual General Meeting

The Annual General Meeting will be held on 29th March 2018 at 10.30 a.m. at the Havelock City Club House, No. 324, Havelock Road, Colombo 06. The Notice of the Annual General Meeting appears on page 142 of the Annual Report.

For and on behalf of the Board



H. Z. Cassim
Director



Ajith M. de S. Jayaratne
Director



Minoka S. Fernando
Company Secretary

27th February 2018

Directors, Statement on Internal Controls

Requirement

The Section D.1.3 of the 'Code of Best Practice on Corporate Governance 2013' (The Code) issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors present a Statement on Internal Controls in the Annual Report.

Responsibility

The Board of Directors is responsible for maintaining a sound system of internal controls to safeguard Shareholders' Investments and the Company's Assets. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and the Group. This process includes enhancing the system of internal controls as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The Board has implemented the following to obtain reasonable assurance that proper systems of internal controls are in place:

- The Board Committees and Management Committee are established to assist the Board in ensuring the effectiveness of Company's operations and that the operations are in accordance with the corporate strategies and annual budget.
- The Company's internal audit function has been outsourced to Messrs. Pricewaterhouse Coopers (PWC) (Chartered Accountants). The Internal Auditors check for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on all subsidiaries in accordance with the annual audit plan approved by the Audit Committee. Findings are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee reviews internal control issues identified by the Internal Auditors and the Independent External Auditors, and evaluates the adequacy and effectiveness of the risk management and internal control

systems. They also review the internal audit function with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Audit Committee meetings are tabled at the Board meetings for the information of the Board on a quarterly basis.

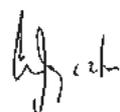
- In assessing the internal control system on financial reporting, relevant senior officers of the company collate relevant procedures and controls that are connected with significant accounts and disclosures of the Financial Statement of the Company. These in turn are observed and checked by the Internal Auditors for suitability and effectiveness on an ongoing basis.
- The adoption of new Sri Lanka Accounting Standards comprising SLFRS and LKAS in 2012 and processes required to comply with the new requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress and steps are being taken for improvements where required.
- The comments made by External Auditors in connection with the internal control system during the financial year 2017 were taken into consideration and appropriate steps have been taken to rectify them.

Conclusion

Based on the above processes, the Board of Directors confirm that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes, have been done in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS), requirements of the Company's Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.



H. Z. Cassim
Deputy Chairman



Ajith M. de S. Jayaratne
Chairman, Audit Committee

27th February 2018

Directors' Responsibility for Financial Reporting

The responsibility of the Directors, in relation to the Financial Statements of the Company and the Group 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 is set out in this statement.

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

- Statement of Financial position as at 31 December 2017, 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 present 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 2017 incorporated in this report have been prepared in accordance with the Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, Sri Lanka Accounting Standards (SLFRS/LKAS), Listing Rules of the Colombo Stock Exchange, the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and generally accepted accounting policies. The Directors consider that, in preparing the Financial Statements exhibited on pages 74 to 132 they have adopted appropriate accounting policies on a consistent basis, supported by reasonable and prudent judgments and estimates.

The Directors are also responsible for taking reasonable steps 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 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.

In compliance with Section 148 (1) of the Companies Act No. 07 of 2007, the Directors are also responsible for ensuring that proper accounting records which explain the Company's transactions and assist in determining the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of Financial Statements

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. 1.25 per share for this year which is to be approved by the shareholders at the Annual General Meeting to be held on 29th March 2018.

The Directors also ensured that the Group has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company.

Messrs. Ernst & Young, Chartered Accountants, have carried out an audit in accordance with Sri Lanka Auditing Standards and their report is given on page 73 of the Annual Report.

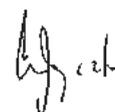
The Directors are required to prepare the Financial Statements and to provide the Auditor with every opportunity to take whatever steps and undertake whatever inspections they may consider appropriate to enable them to give their audit opinion. The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

The Directors confirm to the best of their knowledge that all taxes, duties, levies and financial obligations of the Group have been either paid or adequately provided for in the Financial Statements, except as specified in Note 28 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

27th February 2018

Independent Auditor's Report



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

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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 ("the Company"), the consolidated financial statements of the Company and its subsidiaries ("Group") which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal controls as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In our opinion :
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - the financial statements of the Company give a true and fair view of the financial position as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
 - the financial statements of the Company and the Group, comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.

27th February 2018
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA 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 Manalunga FCA Ms. P V K N Sajeevani FCA N M Sultaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

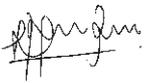
Statement of Financial Position

As at 31 December 2017					
	Note	Group		Company	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-Current Assets					
Investment Property	5	25,853,507,171	24,651,770,855	24,946,607,170	23,840,698,855
Property, Plant and Equipment	6	3,799,092,488	1,782,027,247	389,178,028	391,285,879
Intangible Assets	7	863,098	2,064,070	863,098	2,064,070
Investments in Subsidiaries	8	-	-	5,079,562,181	5,768,534,644
Inventories	10.1	1,840,969,072	3,193,406,720	-	-
Deferred Tax Assets	9	154,141,700	149,251,175	-	8,906,643
Other Financial Assets	12	-	-	641,600,000	-
		31,648,573,529	29,778,520,067	31,057,810,477	30,011,490,091
Current Assets					
Inventories	10.2	1,983,426,890	93,957,951	11,949,358	13,241,224
Trade and Other Receivables	11	2,445,167,046	1,455,509,376	525,777,644	375,437,886
Other Financial Assets	12.4	-	-	1,190,346,506	11,409,806
Income Tax Recoverable		13,924,457	16,656,190	-	-
Short Term Investments	15.1	2,614,872,067	1,472,627,772	2,614,872,067	1,437,083,277
Cash and Short Term Deposits	21	4,816,531,286	1,343,889,282	3,882,464,599	462,716,662
		11,873,921,746	4,382,640,572	8,225,410,174	2,299,888,855
Total Assets		43,522,495,275	34,161,160,639	39,283,220,651	32,311,378,946
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	13	18,443,353,347	11,162,751,513	18,443,353,347	11,162,751,513
Revaluation Reserve	14	334,567,325	334,774,111	322,127,884	320,266,949
Retained Earnings		17,955,878,676	16,335,924,009	18,664,709,197	17,585,079,914
Total Equity		36,733,799,348	27,833,449,633	37,430,190,428	29,068,098,376
Non-Current Liabilities					
Post Employment Benefit Liability	16	30,254,456	26,556,246	15,570,622	14,530,990
Customer Deposits	18	735,248,137	1,214,792,590	-	-
Amounts due to Related Parties	19	824,614,727	758,609,100	-	-
Deferred Tax Liabilities	9	775,069,894	226,329,203	506,299,076	-
		2,365,187,214	2,226,287,139	521,869,698	14,530,990

As at 31 December 2017

	Note	Group		Company	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
Current Liabilities					
Trade and Other Payables	17	1,301,492,759	779,907,551	229,655,667	234,343,063
Rental Income Received in Advance		130,709,179	104,843,565	130,709,179	104,843,565
Rental and Customer Deposits	18	926,556,815	856,450,089	901,963,294	841,728,195
Amounts due to Related Parties	19	22,341,632	35,000,910	22,341,632	37,793,185
Interest Bearing Loans and Borrowings	15.2	2,006,747,602	2,304,373,168	17,346,140	1,993,847,000
Income Tax Payable		19,318,183	7,551,488	12,802,070	2,897,476
Dividends Payable	20	16,342,543	13,297,096	16,342,543	13,297,096
		4,423,508,713	4,101,423,867	1,331,160,525	3,228,749,580
Total Liabilities		6,788,695,927	6,327,711,006	1,853,030,223	3,243,280,570
Total Equity and Liabilities		43,522,495,275	34,161,160,639	39,283,220,651	32,311,378,946

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Roschen Perera

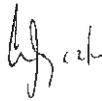
Group Chief Financial Officer

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



H. Z. Cassim

Director



A. M. de S. Jayaratne

Director

The accounting policies and notes on pages 80 through 132 form an integral part of the Financial Statements.

27th February 2018

Colombo

Statement of Profit or Loss

<i>Year ended 31 December 2017</i>					
	Note	Group		Company	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
Rental Revenue	3	2,090,167,248	1,886,277,287	2,049,330,906	1,859,225,262
Sale of Apartments		1,934,582,964	285,146,935	-	-
Other Services	4	292,248,383	259,308,797	27,371,976	47,696,512
Total Revenue	3	4,316,998,595	2,430,733,019	2,076,702,882	1,906,921,774
Direct Operating Expenses		(694,659,007)	(615,052,032)	(479,911,278)	(423,224,791)
Cost of Sales of Apartments		(1,306,775,019)	(159,685,351)	-	-
Gross Profit		2,315,564,569	1,655,995,636	1,596,791,604	1,483,696,983
Fair Value Gain on Investment Property	5	1,190,943,827	1,267,315,858	1,105,908,315	1,261,287,858
Administration Expenses		(300,967,542)	(267,552,578)	(183,372,317)	(175,731,230)
Marketing and Promotional Expenses		(115,697,816)	(55,411,940)	-	-
Operating Profit		3,089,843,038	2,600,346,976	2,519,327,602	2,569,253,611
Finance Cost	22.1	(9,925,186)	(54,576,893)	(9,925,186)	(43,765,600)
Finance Income	22.2	460,210,829	331,786,502	479,594,452	303,905,573
Other Income	22.3	41,117,123	85,264,640	6,713,683	110,411,725
Exchange Gain		174,608,733	11,032,104	175,092,539	3,988,262
Profit Before Tax	23	3,755,854,537	2,973,853,329	3,170,803,090	2,943,793,571
Income Tax - Current	24.1	(46,403,009)	(23,545,545)	(29,015,188)	(12,226,610)
Income Tax - Deferred Tax	24.1	(535,964,627)	(20,190,283)	(507,838,786)	(6,583,559)
Profit after Tax for the Year		3,173,486,901	2,930,117,501	2,633,949,117	2,924,983,402
Attributable to:					
Equity Holders of the Parent		3,173,486,901	2,911,371,018		
Non-controlling Interest		-	18,746,483		
		3,173,486,901	2,930,117,501		
Earnings Per Share - Basic/Diluted	25	2.55	3.28		
Dividend Per Share	20	1.25	1.50		

The accounting policies and notes on pages 80 through 132 form an integral part of the Financial Statements.

Statement of Comprehensive Income

<i>Year ended 31 December 2017</i>					
	Note	Group		Company	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
Profit For the Year		3,173,486,901	2,930,117,501	2,633,949,117	2,924,983,402
Other Comprehensive Income:					
Items that will not be reclassified to profit or loss:					
Revaluation of Buildings	14.1	7,429,850	50,708,051	9,227,868	36,185,002
Deferred Tax Effect		(7,636,636)	(2,178,457)	(7,366,933)	-
		(206,786)	48,529,594	1,860,935	36,185,002
Actuarial Gains/(Losses) on Defined Benefit Plans	16	1,589,596	(2,641,492)	553,092	(586,419)
Deferred Tax Effect		(248,904)	334,942	-	-
		1,340,692	(2,306,550)	553,092	(586,419)
Other Comprehensive Income for the Year, Net of Tax		1,133,906	46,223,044	2,414,027	35,598,583
Total Comprehensive Income for the Year, Net of Tax		3,174,620,807	2,976,340,544	2,636,363,144	2,960,581,985
Attributable to:					
Equity Holders of the Parent		3,174,620,807	2,953,285,169		
Non-controlling Interest		-	23,055,375		
		3,174,620,807	2,976,340,544		

The accounting policies and notes on pages 80 through 132 form an integral part of the Financial Statements.

Statement of Changes in Equity

Year ended 31 December 2017		Group	Note	Stated Capital	Revaluation Reserve	Retained Earnings	Total	Non-controlling Interest	Total Equity
				Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
		Balance as at 1 January 2016		11,162,751,513	291,182,354	17,151,060,831	28,604,994,698	1,511,844,687	30,116,839,385
		Profit for the Year		-	-	2,911,371,018	2,911,371,018	18,746,483	2,930,117,501
		Other Comprehensive Income for the Year		-	43,591,757	(1,677,606)	41,914,151	4,308,893	46,223,044
		Adjustments relating to business combination		-	-	(10,412,886)	(10,412,886)	-	(10,412,886)
		Dividends Paid for Ordinary Shares for Y/E 31/12/2015	20	-	-	(1,331,817,410)	(1,331,817,410)	-	(1,331,817,410)
		Subsidiary Dividends Paid for Non controlling interest for Y/E 31/12/2015		-	-	-	-	(37,500,000)	(37,500,000)
		Acquisition of Non Controlling Interest		-	-	(2,382,599,937)	(2,382,599,937)	(1,497,400,063)	(3,880,000,000)
		Balance as at 31 December 2016		11,162,751,513	334,774,111	16,335,924,010	27,833,449,633	-	27,833,449,633
		Profit for the Year		-	-	3,173,486,901	3,173,486,901	-	3,173,486,901
		Other Comprehensive Income for the Year		-	(206,786)	1,340,692	1,133,906	-	1,133,906
		Issue of Ordinary Shares - Right Issue		7,280,601,834	-	-	7,280,601,834	-	7,280,601,834
		Transaction Cost Relating to Right Issue		-	-	(1,085,948)	(1,085,948)	-	(1,085,948)
		Dividends Paid for Ordinary Shares for Y/E 31/12/2016		-	-	(1,553,786,978)	(1,553,786,978)	-	(1,553,786,978)
		Balance as at 31 December 2017		18,443,353,347	334,567,325	17,955,878,676	36,733,799,348	-	36,733,799,348
		Company							
		Balance as at 1 January 2016		11,162,751,513	284,081,947	15,992,500,341	27,439,333,801	-	27,439,333,801
		Profit for the Year		-	-	2,924,983,402	2,924,983,402	-	2,924,983,402
		Other Comprehensive Income for the Year		-	36,185,002	(586,419)	35,598,583	-	35,598,583
		Dividends Paid on Ordinary Shares for Y/E 31/12/2015	20	-	-	(1,331,817,410)	(1,331,817,410)	-	(1,331,817,410)
		Balance as at 31 December 2016		11,162,751,513	320,266,949	17,585,079,914	29,068,098,376	-	29,068,098,376
		Profit for the Year		-	-	2,633,949,117	2,633,949,117	-	2,633,949,117
		Other Comprehensive Income for the Year		-	1,860,935	553,092	2,414,027	-	2,414,027
		Issue of Ordinary Shares - Right Issue		7,280,601,834	-	-	7,280,601,834	-	7,280,601,834
		Transaction Cost Relating to Share Issue		-	-	(1,085,948)	(1,085,948)	-	(1,085,948)
		Dividends Paid on Ordinary Shares for Y/E 31/12/2016		-	-	(1,553,786,978)	(1,553,786,978)	-	(1,553,786,978)
		Balance as at 31 December 2017		18,443,353,347	322,127,884	18,664,709,197	37,430,190,428	-	37,430,190,428

The accounting policies and notes on pages 80 through 132 form an integral part of the Financial Statements.

Statement of Cash Flows

		Group		Company	
		2017	2016	2017	2016
Note	Rs.	Rs.	Rs.	Rs.	
Cash Flows from Operating Activities:					
Profit Before Tax Expense		3,755,854,537	2,973,853,329	3,170,803,090	2,943,793,571
Adjustments for -					
Depreciation Charge for the Year	6	35,721,597	33,546,040	13,728,277	12,686,369
Amortization / write-off of Intangible Assets	7	1,200,972	10,265,116	1,200,972	1,470,252
Post Employment Benefit Expense	16	7,151,802	5,949,374	3,373,145	2,971,391
Finance Cost	22.1	9,925,186	54,576,893	9,925,186	43,765,600
Finance Income	22.2	(460,210,829)	(331,786,502)	(479,594,452)	(303,905,573)
(Profit)/Loss on Disposal of Property, Plant and Equipment		430,816	(3,871,489)	-	(3,871,489)
Fair Value (Gain) on Investment Property	5	(1,190,943,827)	(1,267,315,858)	(1,105,908,315)	(1,261,287,858)
Operating Profit before Working Capital Changes		2,159,130,254	1,475,216,903	1,613,527,904	1,435,622,263
(Increase)/ Decrease in Amounts due from Related Parties		-	996,488	(1,178,936,700)	(1,566,066)
(Increase) / Decrease in Trade and Other Receivables		(989,657,670)	(583,149,652)	(149,518,610)	28,140,919
Increase / (Decrease) in Rental and Customer Deposits		(409,437,727)	872,986,939	60,235,099	(33,741,133)
(Increase) / Decrease in Inventories		(1,018,629,623)	(739,735,826)	1,291,866	2,374,580
Increase / (Decrease) in Trade and Other Payables		521,585,208	133,584,985	(4,687,396)	40,855,375
Increase / (Decrease) in Rental Income Received in Advance		25,865,614	(31,000,039)	25,865,614	(31,000,039)
Increase / (Decrease) in Amounts due to Related Parties		(12,659,278)	64,488,114	(15,451,553)	13,604,660
Cash Generated From Operations		276,196,778	1,193,387,912	352,326,224	1,454,290,559
Income Tax Paid		(15,979,301)	(16,678,000)	(10,370,394)	(5,008,639)
Finance Cost Paid	22.1	(9,925,186)	(54,576,893)	(9,925,186)	(43,765,600)
Defined Benefit Plan Costs Paid	16	(1,863,996)	(3,671,567)	(1,780,421)	(924,935)
Net Cash Generated From Operating Activities		248,428,295	1,118,461,452	330,250,222	1,404,591,385
Cash Flows from Investing Activities :					
Proceeds from Sale of Property, Plant and Equipment		-	3,871,489	-	3,871,489
Acquisition of Property Plant and Equipment	6	(1,499,908,890)	(80,615,134)	(2,392,558)	(3,852,381)
(Acquisition) / disposals of Investment	15.1	(1,004,119,417)	1,630,229,447	(1,004,119,417)	1,630,229,447
Investment in Subsidiaries		-	(42,067,056)	-	(4,643,524,604)
Finance Income Received		284,646,466	82,071,287	304,030,089	98,304,092
Net Cash From Investing Activities		(2,219,381,841)	1,593,490,033	(702,481,886)	(2,914,971,957)
Cash Flows from Financing Activities :					
Repayment of Interest Bearing Loans and Borrowings	15.2	(1,148,087,000)	(50,004,000)	-	(50,004,000)
Acquisition of Non Controlling Interest		-	(3,880,000,000)	-	-
Dividends Paid		(1,556,832,425)	(1,362,733,488)	(1,556,832,425)	(1,325,233,488)
Proceeds from Issue of Shares (Rights Issue)	13.1	7,280,601,834	-	7,280,601,834	-
Direct Expenses Related to Rights Issue		(1,085,948)	-	(1,085,948)	-
Proceed from Interest Bearing Loans and Borrowings		2,797,477,500	309,425,153	-	-
Net Cash Flow from/(Out Flow) Financing Activities		7,372,073,961	(4,983,312,335)	5,722,683,461	(1,375,237,488)
Net Increase/ (Decrease) in Cash and Cash Equivalents		5,401,120,415	(2,271,360,850)	5,350,451,797	(2,885,618,060)
Cash and Cash Equivalents at the Beginning of the Year	21	(605,261,733)	1,666,099,117	(1,485,333,338)	1,400,284,722
Cash and Cash Equivalents at the End of the Year	21	4,795,858,684	(605,261,733)	3,865,118,459	(1,485,333,338)

The accounting policies and notes on pages 80 through 132 form an integral part of the Financial Statements.

Notes to the Financial Statements

Year ended 31 December 2017

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 property Leasing, property services and property trading.

Mireka Capital Land (Private) Limited, 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 (Private) Limited, a sub-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.

Overseas Realty Investments (Private) Limited, a subsidiary, is engaged in renting of Level 36 & 37 of West Tower, World Trade Center, Colombo 01.

Realty Management Services (Private) Limited, a subsidiary, is engaged in renting and providing absentee landlord management of Havelock City condominiums on behalf of its owners and also providing facility management services and trading of lighting solution.

Havelock City (Pvt) Ltd, a sub-subsidiary is engaged in constructing and developing the Havelock City Shopping Mall.

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

1.3 Parent Entity and Ultimate controlling party

In the opinion of the Directors, the Company’s parent entity is the Shing Kwan Group headquartered in Singapore and Mr. Shing Pee Tao is the ultimate controlling party.

1.4 Date of Authorization for Issue

The Financial Statements of Overseas Realty (Ceylon) PLC for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 27 February 2018

2. BASIS OF PREPARATION

The Financial Statements of the Company and Group have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter referred as “SLFRS”) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The financial statements have been prepared on a historical cost basis, except for investment properties, buildings classified as property, plant and equipment, short term investments that have been measured at fair value.

These 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 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year. The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year as disclosed in Note 35.

2.1.2 Going Concern

The Company’s Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company’s

ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis

2.1.3 Consolidation Policies

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other share holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in Other Comprehensive Income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The following companies have been consolidated.

- Mireka Capital Land (Private) Limited (Subsidiary)
- Mireka Homes (Private) Limited (Sub-subsidiary)
- Realty Management Services (Private) Limited (Subsidiary)
- Overseas Realty Investments (Private) Limited (Subsidiary)

Notes to the Financial Statements

Year ended 31 December 2017

- Hospitality International (Private) Limited (Subsidiary)
- Property Mart (Private) Limited (Subsidiary)
- Havelock City (Private) Limited (Sub-Subsidiary)
- Mireka Residencies (Private) Limited (Sub-subsidiary)
- Mireka Property (Private) Limited (Sub-subsidiary)

2.1.4 Segment Reporting

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 a business segment.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

2.2.1 Critical Judgments in Applying the Accounting Policies

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) Classification of Property

The Group determines whether a property is classified as Investment Property, owner occupied property or inventories, using significant judgment as disclosed in Note 5, Note 6 and Note 10.

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.

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.

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.

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.

(b) Revenue recognition from sale of apartments

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.

(c) 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. More information regarding deferred tax assets is given in Note 2.2.1.c, Note 9 and 24.

Deferred taxation on Investment Property and owner occupied property (property)

As described in Note 2.3.3, the company enjoys tax exemption status up to the year 2020, and thereafter till 2035, company has the option to select to be taxed at 2% based on its turnover.

During the year, the Income tax provisions for the year ended 31st December 2017 have been made as per the provisions of the Inland Revenue Act No. 10 of 2006 (as amended subsequently) which is applicable for Year of Assessment 2017/18. The Inland Revenue Act No. 24 of 2017 will be effective from 01/04/2018. On the assumption that the management will execute the option given in the BOI agreement, the Company has recognized a deferred tax liability on Company's Investment Property and owner occupied property considering possible tax liability that could arise at the time of sale as per the provisions of the Inland Revenue Act No. 24 of 2017 by applying the applicable tax rate of 2% based on the BOI agreement as disclosed in Note 9.

2.2.2 Critical Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting 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.

(a) Estimation of fair value of Investment Properties

The Group carries its Investment Properties at fair value, with changes in fair values being recognised in the Statement of Profit or Loss. The Group engaged an independent valuer to determine the fair value as at 31 December 2017.

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 such estimates, 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 capitalization rates that reflect current market assessments of the returns and yields, and 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 is 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 reporting date.

The principal assumptions underlying management's estimation of fair value are those related to: the future rentals, maintenance requirements, and appropriate capitalization 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 capitalization rate, anticipated maintenance cost as well as the rate of growth in future rentals as 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.

Notes to the Financial Statements

Year ended 31 December 2017

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with LKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS/LKAS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.3.2 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 reporting 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 Statement of Profit or Loss.

2.3.3 Taxation

Current Taxes

Companies in the Group have entered into agreements with the Board of Investment of Sri Lanka (BOI), 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, as explained below for the specified businesses.

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 in 2005 and will end in 2020 where business income is exempted and other income is taxable at normal rate. Thereafter Company has the option to select to be taxed at 2% on turnover for another 15 years until 2035.

Havelock City (Private) Limited

Pursuant to the agreement with the Board of Investment of Sri Lanka (BOI) dated 10 June 2016, Havelock City (Private) Limited is exempted from income tax for a period of 15 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 the BOI agreement.

Mireka Homes (Private) Limited

Pursuant to the agreement with Board of Investment of Sri Lanka (BOI) dated 26th August 2005, Mireka Homes (Private) Limited was 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 the BOI agreement.

The 12 year tax exemption period commenced in 2007 and will end in 2019. Income from sources falling outside the BOI approved business, is liable to income tax at 28%.

Companies in the group other than specified above are liable for income tax at 28%.

Deferred Taxation

Deferred income tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the 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 reporting date.

Notes to the Financial Statements

Year ended 31 December 2017

2.3.4 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 capitalized 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.

The interest capitalized is calculated using Group's weighted average cost of borrowing after adjusting for borrowings associated with specific developments where, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investments. Interest is capitalized as from the commencement of the development work until date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for development, but only where activities necessary to prepare the asset for redevelopments are in progress.

2.3.5 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 and value added tax.

a) Sale of Apartments

In the case of sale of apartments, the group has determined that 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 recognition from sale of apartments is begun from the point of entering in to Sale and Purchase Agreement. Where the property is under development for a considerable time frame and agreement has been reached to sell such an apartment when

construction works are completed, the directors consider whether the contract comprises;

- A contract to construct a property or
- A contract for the sale of a completed property

Where a contract is judged to be for the construction of a property, revenue is recognized using the percentage of completion method as construction of apartment's progresses.

Where the contract is for the sale of a completed property, revenue is recognised, when significant risk and returns have been transferred to the buyer, which is normally on unconditional exchange contracts

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 Statement of Profit or Loss when they arise.

c) Rendering of Services

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

d) Finance Income

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

e) Others

Other income is recognized on an accrual basis.

2.3.6 Intangible Assets

(a) WTC Membership

Membership paid to World Trade Centers' Association (WTC Membership) is shown at historical cost. It is considered to have a finite useful life and carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost over its estimated useful life of 20 years.

(b) 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 amortized over their estimated useful life of 5 years. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

(c) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill carried at cost less any accumulated impairment losses.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit or Loss when the asset is de-recognized.

2.3.7 Inventory

Work-in-Progress and Completed Apartments

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, and completed apartments are shown as inventories and measured at the lower of cost and net realizable 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 realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money of material, less costs to complete and the estimated costs of sale. The cost of inventory recognized 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.

Work-in-progress that is intended to be completed within one year is classified as Current Inventories and those that take more than a year to complete are classified as Non-Current Inventories.

Consumables and Spares

Consumable and spares are stated at cost, accounted using at actual cost on weighted average basis.

2.3.8 Cash and Short-Term Deposits

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 original maturities of three months or less are also treated as cash equivalents.

Notes to the Financial Statements

Year ended 31 December 2017

2.3.9 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.

The assets' residual values, useful lives and method of depreciation 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) is credited to the revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. In which case, the increase is recognized in profit or loss. A revaluation deficit is recognized 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 revaluation reserve.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the Statement of Profit or Loss.

2.3.10 Financial Instruments — Initial Recognition and Subsequent Measurement

2.3.10.1 Financial Assets

The Group's financial assets include cash and short-term deposits, trade and other receivables, short term investments and other financial assets.

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

a) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the Statement of Profit or Loss.

The Group has designated short term deposits upon initial recognition as at fair value through profit or loss.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in finance costs.

The Group has designated trade and other receivables, other financial assets, cash and short term deposits upon initial recognition as at Loans and Receivables.

c) Financial Investments - Available for Sales

Available for Sale investments include investment in unquoted preference shares. This investment classified as 'Available for Sale' are those which are neither classified as held for trading nor designated at fair value through profit or loss. The Group has not designated any loans or receivables as 'Available for Sale'. After initial measurement, Financial Investments - Available for Sale are

subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity (Other comprehensive income). When the investment is disposed off, the cumulative gain or loss previously recognised in equity is recognised in the Statement of Profit or loss in 'Net Gain from Financial Investments'. Dividends earned whilst holding Available for Sale Financial Investments' are recognised in the Statement of Profit or loss as 'Net Gain from Financial Investments' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in 'Impairment Losses' in the Statement of Profit or loss.

De-recognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Notes to the Financial Statements

Year ended 31 December 2017

Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets carried classified as available for sale

In the case of instrument classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The Group treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Other Comprehensive Income is removed from equity and recognised in the Profit or loss. Impairment losses on equity investments are not reversed through the Profit or Loss in Statement of Comprehensive Income. Increases in the fair value after impairment are recognised in Other Comprehensive Income.

Financial Assets carried at Amortized Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset,

whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Asset that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows are discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Profit or Loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Statement of Profit or Loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised; the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Statement of Profit or Loss.

2.3.10.2 Financial Liabilities

The Group's financial liabilities include Trade and Other Payables, Dues to Related Parties, Rental and Customer Deposits and Interest Bearing Loans and Borrowings.

Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs. Any difference between initial fair value and the nominal amount is included as a component of operating lease income and recognized on a straight line basis over the applicable time period.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs those are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

2.3.10.3 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or**
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Notes to the Financial Statements

Year ended 31 December 2017

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable for the purpose of fair value disclosures, the group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Management of the Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and Property, Plant and Equipment-Buildings.

External valuer, Mr. P.B Kalugalgedara is involved in valuation of significant assets, such as Investment properties and Buildings.

Involvement of external valuers is decided upon annually by the Management after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management, after discussions with the Group's external valuer, which valuation techniques and inputs to use for each case.

At each reporting date, the Management analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Management, in conjunction with the Group's external valuer, also compares the change in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.11 Investments

a) Investment in Subsidiaries

Investments are stated at cost in the company's financial Statements. Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to the Statement of Profit or Loss.

2.3.12 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 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 Statement of Profit or Loss during the financial period in which they are incurred.

Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

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.

2.3.13 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, 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 recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss 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.

2.3.14 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

The Group is liable to pay gratuity in terms of the Gratuity Act No.12 of 1983.

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.

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.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales' and 'administration expenses' in the Statement of Profit or Loss:

Notes to the Financial Statements

Year ended 31 December 2017

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

The gratuity liability is not externally funded. This item is stated under Post Employee Benefit Liability in the Statement of Financial Position.

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.

2.3.15 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 Statement of Profit or Loss 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 recognized 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 recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the Statement of Profit or Loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.3.16 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that asset is not explicitly specified in an arrangement.

Group as Lessor

Leases in which the group does not transfer substantially all the risks and rewards of the ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to carrying amount of leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4 EFFECT OF SRI LANKA ACCOUNTING STANDARDS (SLFRS) ISSUED BUT NOT YET EFFECTIVE:

The following new accounting standards were issued by the Institute of Chartered Accountants in Sri Lanka which are not yet effective as at 31 December 2017. Accordingly these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 December 2017.

SLFRS 9 - Financial Instruments:

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted, but the Group does not anticipate early adopting SLFRS 9.

SLFRS 15 Revenue from Contracts with Customers SLFRS 15

SLFRS 15 is effective for periods beginning on 1 January 2018 with early adoption permitted. SLFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of SLFRS 15 and will be regulated by the other applicable standards (e.g., SLFRS 9, and SLFRS 16 Leases).

Revenue under SLFRS 15 will need to be recognized as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. The entity does not anticipate early adopting SLFRS 15.

SLFRS 16 Leases

SLFRS 16 provides a single lessee accounting model, requiring leases to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a lease, SIC 15 Operating Leases- Incentives; and SIC 27 evaluating the substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with Customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The impact on the implementation of the above standard has not been quantified yet.

Management believes that the SLFRS 9 would not have significant impact to the financial statements of the Company due to their business model. The initial impact analysis of SLFRS 15 and 16 carried out by the management reveals that there will not be a significant changes to current practice. However, the management is in the process of evaluating and quantifying the accounting impact.

2.5 AMENDMENTS TO EXISTING ACCOUNTING STANDARDS BUT NOT YET EFFECTIVE

The following amendments were issued by the Institute of Chartered Accountants in Sri Lanka which are effective as at 31 December 2017.

- **LKAS 7 Disclosure Initiative – Amendments to LKAS 7**

The amendments to LKAS 7 Statement of Cash Flows are part of the ICASL's Disclosure Initiative and require an entity to provide disclosures that enable users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments resulted in additional disclosure provided by the Company and the Group.

Notes to the Financial Statements

Year ended 31 December 2017

- **LKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to LKAS 12**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

There is no significant unrealized losses as at 31 December 2017.

- **SLFRS 12 – Disclosure of interest in other Entities – Clarification of the scope of the disclosure requirements**

The amendments SLFRS 12 is not resulted any significant impact to the group, since it has not classified any subsidiary as held for sale and the subsidiaries are wholly owned by the Company.

3. SEGMENTAL INFORMATION

The Group has three business segments, Property Leasing, Property Services and Property Trading. Property Leasing is derived by Overseas Realty (Ceylon) PLC (ORC PLC) and Overseas Realty Investments (Private) Limited (ORIL), Property Services is derived by ORC PLC, ORIL and Realty Management Services (Pvt) Ltd (RMS) and Property Trading is derived through Mireka Capital Land (Pvt) Ltd (MCL) and Mireka Homes (Pvt) Ltd (MHL). ORC PLC and ORIL earns rental income by way of renting out the space at "World Trade Center" located at Echelon Square, Colombo 1, while Realty Management Services (Pvt) Ltd (RMS) is engaged in brokering, providing absentee landlord management, providing facility management and related services and trading lighting solutions. MCL recognises revenue through the sale of land and infrastructure and MHL recognises 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 :

	2017					2016				
	Property Leasing Rs.	Property Services Rs.	Property Trading Rs.	Inter/Intra Segment Eliminations Rs.	Consolidated 2017 Rs.	Property Leasing Rs.	Property Services Rs.	Property Trading Rs.	Inter/Intra Segment Eliminations Rs.	Consolidated 2017 Rs.
Revenue	2,090,167,248	-	1,934,582,964	-	4,024,750,212	1,886,277,287	-	285,146,935	-	2,171,424,221
Other Services	27,371,976	266,676,407	-	(1,800,000)	292,248,383	47,696,512	224,846,041	-	(13,233,756)	259,308,797
Total Revenue	2,117,539,224	266,676,407	1,934,582,964	(1,800,000)	4,316,998,595	1,933,973,799	224,846,041	285,146,935	(13,233,756)	2,430,733,019
Direct Operating Expenses	(492,855,730)	(201,803,277)	-	-	(694,659,007)	(436,497,444)	(178,554,588)	-	-	(615,052,032)
Cost of Sales	-	-	(1,306,775,019)	-	(1,306,775,019)	-	-	(159,685,351)	-	(159,685,351)
Gross Profit/ (Loss)	1,624,683,494	64,873,130	627,807,945	(1,800,000)	2,315,564,569	1,497,476,355	46,291,453	125,461,584	(13,233,756)	1,655,995,636
Fair Value Gain on Investment Property	1,190,943,827	-	-	-	1,190,943,827	1,267,315,858	-	-	-	1,267,315,858
Administration Expenses	(185,375,263)	(31,425,269)	(85,967,010)	1,800,000	(300,967,542)	(176,444,460)	(24,901,064)	(66,207,054)	-	(267,552,578)
Marketing and Promotional Expenses	-	-	(115,697,816)	-	(115,697,816)	-	-	(55,411,940)	-	(55,411,940)
Exchange Gain/(Loss)	175,092,539	14,868	(498,674)	-	174,608,733	3,988,262	-	7,043,842	-	11,032,104
Finance Cost	(51,075,186)	-	-	41,150,000	(9,925,186)	(45,134,290)	-	(9,442,603)	-	(54,576,893)
Finance Income	485,086,961	3,436,915	12,836,954	(41,150,000)	460,210,829	306,560,916	1,882,380	23,343,206	-	331,786,502
Other Income	6,986,048	-	37,234,274	(3,103,200)	41,117,123	110,453,429	-	33,106,915	(58,295,704)	85,264,640
Net Profit Before Tax	3,246,342,420	36,899,643	475,715,673	(3,103,200)	3,755,854,537	2,964,216,069	23,272,769	57,893,950	(71,529,460)	2,973,853,329

Notes to the Financial Statements

Year ended 31 December 2017

*Rental and Other Services includes the Company's Rental revenue of Rs. 2,049,330,906/- (2016- Rs. 1,859,225,262/-).

3. SEGMENTAL INFORMATION (Contd...)

3.2 Segment Assets and Liabilities :

	2017		2016		Inter/Intra Segment Eliminations		Consolidated Rs.
	Property Leasing Rs.	Property Services Rs.	Property Trading Rs.	Property Services Rs.	Property Trading Rs.	Property Trading Rs.	
Total Assets	40,230,259,920	125,576,122	9,949,945,745	9,949,945,745	(6,783,286,513)		43,522,495,275
Total Liabilities	2,316,494,676	66,186,284	5,735,689,119	5,735,689,119	(1,329,674,152)		6,788,695,927
Total Assets	33,191,796,891	104,625,360	6,551,222,588	6,551,222,588	(5,666,662,932)		34,180,981,907
Total Liabilities	3,346,818,706	69,731,853	2,807,641,988	2,807,641,988	123,339,726		6,347,532,273

3.3 Other Segment Information :

	2017			2016			Consolidated Rs.
	Property Leasing Rs.	Property Services Rs.	Property Trading Rs.	Property Leasing Rs.	Property Services Rs.	Property Trading Rs.	
Total Cost Incurred during the Year to Acquire							
- Property, Plant and Equipment	2,392,558	1,795,508	1,560,001,406	1,564,189,472	600,324	76,162,429	80,615,134
Depreciation							
- Charge for the Year	13,728,277	773,560	21,219,760	35,721,597	627,590	20,232,081	33,546,040
Amortization	1,200,972	-	-	1,200,972	-	-	1,470,252
Employee Benefit Costs	3,373,145	1,846,877	1,931,780	7,151,802	51,482,697	40,118,284	193,439,134

4. OTHER SERVICES

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Facility Management Fee	58,390,579	53,219,324	22,440,000	22,440,000
Net Income/(Expense) from Outside Car Park	(1,745,160)	(2,773,324)	(1,745,160)	(2,773,324)
Facility Management Operational Income	79,623,468	66,711,445	-	13,275,460
HC Related Legal Income	3,031,968	5,665,159	2,938,191	5,665,159
Agency Fees	15,374,432	13,022,743	-	-
Legal Fee Income/ Others	3,009,345	9,737,656	3,738,945	9,089,217
Income from Sale of Lighting Solutions	134,563,752	113,725,795	-	-
	292,248,383	259,308,797	27,371,976	47,696,512

5. INVESTMENT PROPERTY

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
As at 1 January	24,651,770,855	22,579,410,997	23,840,698,855	22,579,410,997
Additions	10,792,489	-	-	-
Acquisition of Subsidiary	-	805,044,000	-	-
Net Gain from Fair Value Adjustment	1,190,943,827	1,267,315,858	1,105,908,315	1,261,287,858
As at 31 December	25,853,507,171	24,651,770,855	24,946,607,170	23,840,698,855

- 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. Limited. 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 04 July 2001, thus resulting in the creation of the "Management Corporation Condominium Plan No. 1824" under the provisions of the Apartment Ownership Law.

Notes to the Financial Statements

Year ended 31 December 2017

5. INVESTMENT PROPERTY (Contd...)

- 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 annually by independent valuations carried out by Mr. P.B. Kalugalagedera, Chartered Valuation Surveyor that has recent experience in valuing properties of akin location and category. Investment Property was appraised in accordance with Sri Lanka Accounting Standards 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 2017 and 2016 are as follows:

Significant Unobservable Inputs	Valuation Technique	2017	2016
Estimated Market Rent per sq.ft	Investment Method (Income Approach) using the discounted cash flows	: Rs. 275-325	: Rs.275-325
Rate of Growth in Future Rentals		: 1 to 2 years 0%	: 1 to 2 years 0%
		: 3-10 years 5% p.a.	: 3-10 years 5% p.a.
Anticipated Maintenance Cost		: 45% of rentals	: 45% of rentals
Capitalization Rate		: 6.25% p.a.	: 6% p.a.

5.3 Sensitivity Analysis of Assumptions Employed in Investment Property Valuation

Group

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 2017.

The sensitivity of the Statement of Profit or Loss and Statement of Financial Position 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 carrying value of Investment Property for the year.

Increase / (Decrease)				
Capitalization Rate	Growth in Future Rentals (3-10 Years)	Anticipated Maintenance Cost	Preforma Investment Property valuation	Effect on Fair Value Gain/ (Loss) on Investment Property
			Rs.	Rs.
1%			22,032,834,362	(3,820,672,809)
-1%			31,154,982,745	5,301,475,575
	1%		27,426,521,052	1,573,013,882
	-1%		24,374,736,890	(1,478,770,280)
		5%	23,482,382,159	(2,371,125,011)
		-5%	28,224,632,182	2,371,125,011

Company

Increase / (Decrease)				
Capitalization Rate	Growth in Future Rentals (3-10 Years)	Anticipated Maintenance Cost	Preforma Investment Property valuation	Effect on Fair Value Gain/ (Loss) on Investment Property
			Rs.	Rs.
1%			21,260,717,779	(3,685,889,392)
-1%			30,060,987,557	5,114,380,387
	1%		26,464,384,973	1,517,777,803
	-1%		23,519,772,713	(1,426,834,457)
		5%	22,657,927,613	(2,288,679,557)
		-5%	27,235,286,727	2,288,679,557

5.4 The Group and Company use unobservable market inputs in determining the fair value of the Investment Property (i.e. Falling under Level 3 of the fair value hierarchy)

5.5 Rental Income earned and Direct operating expenses relating to Investment Property is tabulated below:

	Group (Rs. Mn)		Company (Rs. Mn)	
	2017	2016	2017	2016
Rental income	2,090	1,886	2,049	1,859
Direct operating expenses	493	436	480	423

Notes to the Financial Statements

Year ended 31 December 2017

6. PROPERTY, PLANT AND EQUIPMENT

6.1 GROUP

6.1.1 Gross Carrying Amounts

	At Cost				At Valuation				Total Gross Carrying Amount
	Land	Temporary Building	Equipment	Computer and Electronic Equipment	Furniture and Fittings	Motor Vehicles	Buildings	In the Course of Construction	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At Cost or Valuation									
Balance as at 1 January 2017	86,144,695	6,488,324	19,481,645	41,727,917	36,003,521	27,607,834	1,092,453,614	561,818,430	1,871,725,980
Additions during the Year	-	5,723,089	3,953,778	7,165,152	10,974,381	119,837	1,615,681	1,534,637,553	1,564,189,472
Disposals during the Year	-	-	(160,700)	(5,000)	(600,000)	-	-	-	(765,700)
Transfers from Revaluation*	-	-	-	-	-	-	(21,721,578)	-	(21,721,578)
Transfers**	481,598,333	-	-	-	2,304,921	-	-	(2,304,921)	481,598,333
Revaluations	-	-	-	-	-	-	7,429,850	-	7,429,850
Balance as at 31 December 2017	567,743,028	12,211,413	23,274,723	48,888,069	48,682,823	27,727,671	1,079,777,567	2,094,151,062	3,902,456,357

6.1.2 Depreciation

	At Cost				At Valuation				Total Gross Carrying Amount
	Land	Temporary Building	Equipment	Computer and Electronic Equipment	Furniture and Fittings	Motor Vehicles	Buildings	In the Course of Construction	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At Cost or Valuation									
Balance as at 1 January 2017	-	6,146,950	11,993,837	33,348,762	25,483,274	12,725,910	-	-	89,698,733
Charge for the Year	-	628,099	2,444,667	3,839,446	2,817,844	4,269,964	21,721,578	-	35,721,597
Disposals during the Year	-	-	(115,165)	(5,000)	(214,719)	-	-	-	(334,884)
Transfers*	-	-	-	-	-	-	(21,721,578)	-	(21,721,578)
Balance as at 31 December 2017	-	6,775,049	14,323,339	37,183,208	28,086,399	16,995,874	-	-	103,363,868

6.1.3 Net Book Value

	2017	2016
	Rs.	Rs.
At Cost		
Land	567,743,028	86,144,695
Temporary Building	5,436,364	341,374
Equipment	8,951,385	7,487,808
Computers and Electronic Equipment	11,704,861	8,379,155
Furniture and Fittings	20,596,424	10,520,247
Motor Vehicles	10,731,797	14,881,924
	625,163,859	127,755,203
At Valuation		
Buildings	1,079,777,567	1,092,453,614
	1,079,777,567	1,092,453,614
In the Course of Construction		
Capital Work In Progress	2,094,151,062	561,818,430
	2,094,151,062	561,818,430
	3,799,092,488	1,782,027,247

* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

** Rs. 481,598,333/- is transferred from Inventory to Property, Plant and equipment.

Notes to the Financial Statements

Year ended 31 December 2017

6 PROPERTY, PLANT AND EQUIPMENT (Contd.)

6.2 COMPANY

6.2.1 Gross Carrying Amounts

	At Cost			At Valuation			Total Gross Carrying Amount
	Equipment	Computers and Electronic Equipment	Furniture and Fittings	Motor Vehicles	Buildings	In the Course of Construction	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January 2017	6,415,534	29,226,777	20,820,557	27,365,834	366,301,146	2,304,921	452,434,769
Additions during the Year	253,361	1,437,966	701,231	-	-	-	2,392,558
Revaluation	-	-	-	-	9,227,868	-	9,227,868
Transfers*	-	-	2,304,921	-	(7,182,372)	(2,304,921)	(7,182,372)
Balance as at 31 December 2017	6,668,895	30,664,743	23,826,709	27,365,834	368,346,642	-	456,872,823

6.2.2 Depreciation

	At Cost			At Valuation			Total Gross Carrying Amount
	Equipment	Computers and Electronic Equipment	Furniture and Fittings	Motor Vehicles	Buildings	In the Course of Construction	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January 2017	4,879,302	24,353,855	19,431,823	12,483,910	-	-	61,148,890
Charge for the Year	331,086	1,582,776	389,851	4,242,192	7,182,372	-	13,728,277
Transfers*	-	-	-	-	(7,182,372)	-	(7,182,372)
Balance as at 31 December 2017	5,210,388	25,936,631	19,821,674	16,726,102	-	-	67,694,795

* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

6.2.3 Net Carrying Amounts

	2017	2016
	Rs.	Rs.
At Cost		
Equipment	1,458,507	1,536,232
Computers and Electronic Equipment	4,728,112	4,872,922
Furniture and Fittings	4,005,035	1,388,734
Motor Vehicles	10,639,732	14,881,924
	20,831,386	22,679,812
At Valuation		
Buildings	368,346,642	366,301,146
	368,346,642	366,301,146
In the Course of Construction		
Capital Work In Progress	-	2,304,921
	-	2,304,921
	389,178,028	391,285,879

- 6.3** The fair value of building (Level 18 of the World Trade Centre held as owner occupied property) was determined by means of a revaluation during the financial year 2017 by Mr. P.B. Kalugalagedera, an independent valuer. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 31 December 2017. The surplus arising from the revaluation was transferred to a revaluation reserve. The valuation that was used to ascertain the value of investment property was used for the determination of the fair value of the Buildings-Level 18 carried at fair value. Further, similar assumptions have been used in determining the fair value of the property as given in Note 5.2.
- 6.4** The fair value of building (Club House at Havelock City) was determined by means of a revaluation using the replacement cost approach during the financial year 2017 by Mr. P.B. Kalugalagedera, an independent valuer. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 31 December 2017.
- 6.5** Cash payments amounting to Rs.1,564,189,472/- (2016 : Rs. 80,615,134/-) were made during the year by the Group and Rs.2,392,558/- (2016 : Rs. 3,852,381/-) were made by the Company for purchase of Property, Plant and Equipment.
- 6.6** Depreciation is calculated on a straight line basis over the useful life of the assets as follows :

	2017	2016
Buildings	Over 60 Years	Over 60 Years
Temporary Building	Over 5 Years	Over 5 Years
Computer and Electronic Equipment	Over 4 Years	Over 4 Years
Equipment	Over 5 - 10 Years	Over 5 - 10 Years
Furniture & Fittings	Over 10 Years	Over 10 Years
Motor Vehicles	Over 5 Years	Over 5 Years

Notes to the Financial Statements

Year ended 31 December 2017

6 PROPERTY, PLANT AND EQUIPMENT (Contd.)

- 6.7 No depreciation for the year 2017 and 2016 has been transferred to Inventory/Project Under Development during the year by the Group.
- 6.8 Property, Plant and Equipment of the Group and the Company includes fully depreciated assets having a gross carrying amount of Rs.62,406,133/- and Rs. 52,525,275/- (2016 : Rs. 57,459,654/- and Rs.48,197,482 /-) respectively. Those assets are still in use for supply of services and administrative purpose.
- 6.9 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	Cost Rs.	Cumulative Depreciation If assets were carried at cost Rs.	Net Carrying Amount	Net Carrying Amount
			2017 Rs.	2016 Rs.
Group				
Building - Level 18	87,431,566	(26,769,968)	60,661,598	67,843,970
Building - Club House	726,671,879	(43,595,690)	683,076,189	697,615,395

- 6.10 The Group and Company use unobservable market inputs in determining the fair value of the Buildings reflected at its fair value (i.e. Falling under Level 3 of the fair value hierarchy).

7. INTANGIBLE ASSETS

7.1 Group

	WTC Membership Rs.	Computer Software Rs.	Goodwill Rs.	Total Rs.
Summary	(Note 7.3)	(Note 7.4)	(Note 7.5)	
Cost				
As at 1 January 2017	7,297,734	28,919,768	8,794,864	45,012,366
Acquired / Incurred during the Year	-	-	-	-
As at 31 December 2017	7,297,734	28,919,768	8,794,864	45,012,366
Amortization				
As at 1 January 2017	7,297,734	26,855,698	8,794,864	42,948,296
Amortization made during the Year	-	1,200,972	-	1,200,972
As at 31 December 2017	7,297,734	28,056,670	8,794,864	44,149,268
Net book value				
As at 1 January 2017	-	2,064,070	-	2,064,070
As at 31 December 2017	-	863,098	-	863,098

7.2 Company

	WTC Membership Rs.	Computer Software Rs.	Total Rs.
Summary	(Note 7.3)	(Note 7.4)	
Cost			
As at 1 January 2017	7,297,734	28,919,768	36,217,502
Acquired / Incurred during the Year	-	-	-
As at 31 December 2017	7,297,734	28,919,768	36,217,502
Amortization			
As at 1 January 2017	7,297,734	26,855,698	34,153,432
Amortization for the Year	-	1,200,972	1,200,972
As at 31 December 2017	7,297,734	28,056,670	35,354,404
Net book value			
As at 1 January 2017	-	2,064,070	2,064,070
As at 31 December 2017	-	863,098	863,098

- 7.3 WTC membership fee represent the original amount paid to be eligible to use the trade name "World Trade Centre".
- 7.4 Computer software represent the Enterprise Resource Planning System (ERP) consisting of application software, user license and implementation services of which the management of the Company has determined the useful life as five (5) years. Amortization has been made on a straight line basis in the Statement of Profit of Loss. During the year 2017 and 2016 no investment made in the ERP system.
- 7.5 Goodwill is related to the acquisition of Mireka Capital Land (Pvt) Ltd.

8. INVESTMENTS IN SUBSIDIARIES

	% Holding	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Non-Quoted Investment at cost					
Mireka Capital Land (Pvt) Ltd.	100%	-	-	5,005,000,000	5,005,000,000
Hospitality International (Pvt) Ltd.	100%	-	-	112,159,107	112,159,107
Realty Management Services (Pvt) Ltd.	100%	-	-	10,020	10,020
Property Mart (Pvt) Ltd.	100%	-	-	20	20
Overseas Realty Investments (Pvt) Ltd (Note 8.2)	100%	-	-	74,552,141	763,524,604
		-	-	5,191,721,288	5,880,693,751
Provision for Impairment: Hospitality International (Pvt) Ltd.		-	-	(112,159,107)	(112,159,107)
		-	-	5,079,562,181	5,768,534,644

- 8.1 All subsidiaries are incorporated in Sri Lanka.

Notes to the Financial Statements

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8. INVESTMENTS IN SUBSIDIARIES (Contd...)

8.2 During the year, due to the change of management intention, the application money contributed by Company towards Overseas Realty Investments (Pvt) Ltd is converted as follows:

	Group		Company	
	2017	2016	2017	2016
	Rs. ' Mn	Rs. ' Mn	Rs. ' Mn	Rs. ' Mn
Preference shares *	-	-	352	-
Interest bearing borrowings *	-	-	300	-
Current borrowings**	-	-	37	-
	-	-	689	-

* Refer Note 12 to the financial statements.

** Non interest bearings, unsecured and payable by Subsidiary within 12 months.

9. DEFERRED TAX

9.1 Group

	Statement of Financial Position		Statement of Profit or Loss / Statement of Comprehensive Income	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Assets Arising on:				
Unused Carried Forward Tax Losses	151,240,145	146,230,041	5,010,104	120,050,629
Post Employment Benefit Liability	2,512,255	2,729,159	(216,904)	(222,004)
Property Plant and Equipment	389,299	291,975	97,324	58,395
	154,141,700	149,251,175	4,890,525	119,887,020
Deferred Tax Liability Arising on:				
Investment Property	(631,549,229)	(98,840,701)	(532,708,528)	(98,840,701)
Property Plant and Equipment	(143,520,666)	(127,488,502)	(16,032,164)	(104,780,468)
	(775,069,895)	(226,329,203)	(548,740,692)	(203,621,169)
Deferred Tax Expense/(Income)			(548,850,167)	(83,734,149)
Net Deferred Tax Asset/(Liability)	(620,928,195)	(77,078,028)		

Reflected in the Statement of Financial Position as follows:

	2017	2016
	Rs.	Rs.
Balance brought forward	77,078,028	(6,656,121)
Acquisition of Subsidiary	-	61,700,350
Deferred Income Tax (Credit)/Charge-Statement of Profit or Loss	535,964,627	20,190,283
Deferred Income Tax (Credit)/Charge- Statement of Comprehensive Income	7,885,540	1,843,516
Net Deferred Tax (Asset)/Liability	620,928,195	77,078,028

9.2 Company

	Statement of Financial Position		Statement of Profit or Loss / Statement of Comprehensive Income	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Assets Arising on:				
Tax Loss Carried Forward	-	8,906,643	8,906,643	6,583,559
Deferred Tax Liability Arising on:				
Investment Property	(498,932,143)	-	498,932,143	-
Property Plant and Equipment	(7,366,933)	-	7,366,933	-
Deferred Tax Expense/(Income)			515,205,719	6,583,559
Net Deferred Tax Asset/(Liability)	(506,299,076)	8,906,643		

9.3 Reflected in the Statement of Financial Position as follows:

	2017	2016
	Rs.	Rs.
Balance brought forward	(8,906,643)	(15,490,202)
Deferred Income Tax (Credit)/Charge-Statement of Profit or Loss	507,838,786	6,583,559
Deferred Income Tax (Credit)/Charge- Statement of Comprehensive Income	7,366,933	-
Net Deferred Tax (Asset)/Liability	506,299,076	(8,906,643)

10. INVENTORIES

	Group		Company	
	2017	2016	2017	2016
	Rs. ' Mn	Rs. ' Mn	Rs. ' Mn	Rs. ' Mn
10.1 Non Current Inventories				
Work in Progress	1,840,969,072	3,193,406,720	-	-
	1,840,969,072	3,193,406,720	-	-
10.2 Current Inventories				
Work in Progress	1,899,670,551	-	-	-
Completed Apartments for Sale	65,528,939	78,059,167	-	-
Consumables and Spares	18,227,400	15,898,784	11,949,358	13,241,224
	1,983,426,890	93,957,951	11,949,358	13,241,224
10.3 Total Inventories	3,824,395,962	3,287,364,671	11,949,358	13,241,224

10.4 The borrowing cost capitalised during the year is Rs. 59,349,034/- (2016 - Rs. 9,937,937/-). Refer Note No 15 for interest rates.

Notes to the Financial Statements

Year ended 31 December 2017

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11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	Rs. ' Mn	Rs. ' Mn	Rs. ' Mn	Rs. ' Mn
Rent and Service Charge Receivables	211,290,702	111,073,067	211,290,702	111,073,067
Trade Receivables - Apartment Sales	238,239,324	75,316,563	-	-
Other Receivables	449,530,026	186,389,629	211,290,702	111,073,066
Accrued Rental Income	400,437,580	183,957,510	88,454,704	25,648,893
	177,522,657	185,665,005	177,522,657	184,618,042
	1,027,490,263	556,012,144	477,268,063	321,340,001
VAT Receivables	242,761,034	252,757,338	-	-
Advances and Prepayments	1,174,915,749	646,739,895	48,509,581	54,097,885
	2,445,167,046	1,455,509,376	525,777,644	375,437,886

11.1 As at 31 December, the age analysis of trade receivables, is as follows:

Group	Total	Past Due but not Impaired				
		Before 30 days	31-60 days	61-90 days	91-120 days	121-150 days
2017	449,530,026	294,218,956	55,823,410	29,906,058	24,783,636	12,320,536
2016	186,389,629	99,645,841	10,305,764	38,465,345	15,456,366	5,980,988
						16,535,325
						32,477,430

Company	Total	Past Due but not Impaired				
		Before 30 days	31-60 days	61-90 days	91-120 days	121-150 days
2017	211,290,702	145,072,811	10,464,760	29,312,348	11,025,286	1,702,400
2016	111,073,066	39,769,636	9,454,237	57,897,804	(2,780,701)	6,148,006
						584,084
						13,713,097

11.2 Rent and Service Charge Receivable are not interest bearing and usually due within 30 days. The Group holds no collateral in respect of these receivables. However the Group is in a position to recover long outstanding dues from rental deposits and customer deposits obtained from customers and tenants.

11.3 There were no charge of reversal in respect of allowance for impairment for 2017 and 2016.

12. OTHER FINANCIAL ASSETS - Non Current

	Relationship	Group		Company	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
Amounts Due From Related Party (Note 12.2)	Subsidiary	-	-	290,000,000	-
Unquoted Preference Shares (Note 12.3)	Subsidiary	-	-	351,600,000	-
		-	-	641,600,000	-

12.1 OTHER FINANCIAL ASSETS - Current

	Relationship	Group		Company	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
Amounts Due From Related Party (Note 12.4)	Subsidiary	-	-	1,190,346,506	11,409,806
		-	-	1,190,346,506	11,409,806

12.2 Amounts Due From Related Party - Non Current

	Relationship	Group		Company	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
Overseas Realty Investments (Pvt) Ltd.	Subsidiary	-	-	290,000,000	-
		-	-	290,000,000	-
12.2.1 As at 01 January		-	-	-	-
Transfer		-	-	300,000,000	-
Interest Accrued		-	-	41,150,000	-
Repayment		-	-	(51,150,000)	-
As at 31 December		-	-	290,000,000	-

12.2.2 The terms of Interest bearing borrowings are as follows:

Unsecured

The Interest rate is Prime Lending Rate + 2% and calculated quarterly

Repayable by Subsidiary within 20 years by lump sum payment

12.3 Unquoted Preference Shares - Non Current

	No of shares		Carrying value	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Overseas Realty Investments (Pvt) Ltd.	-	-	351,600,000	-
	-	-	351,600,000	-

Notes to the Financial Statements

Year ended 31 December 2017

12. OTHER FINANCIAL ASSETS - Non Current (Contd...)

12.3.1 The terms of Unquoted Preference Shares are as follows:

Issuer shall give Thirty (30) days prior notice to Company for the redemption of all or part of the preference shares.

The preference shares shall not be entitled to any fixed rate of dividend unless the issuer at its sole discretion declares a dividend for preference shares.

The dividend on preference shares if any shall not be cumulative.

The preference shares shall not confer any voting rights to vote at a general meeting of the company.

12.4 Amounts Due From Related Party -Current

	Relationship	Group		Company	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
Realty Management Services (Pvt) Ltd.	Subsidiary	-	-	886,652	4,340,457
Mireka Homes (Pvt) Ltd.	Sub-Subsidiary	-	-	4,040,486	7,069,349
Havelock City (Pvt) Ltd.	Sub-Subsidiary	-	-	101,699	-
Overseas Realty Investments (Pvt) Ltd.	Subsidiary	-	-	37,499,253	-
Mireka Capital Land (Pvt) Ltd.	Subsidiary	-	-	1,147,818,416	-
		-	-	1,190,346,506	11,409,806
Less : Allowance for Impairment		-	-	-	-
		-	-	1,190,346,506	11,409,806

13. STATED CAPITAL

	2017	2016
	Rs.	Rs.

13.1 Stated Capital

Balance as at 1 January	11,162,751,513	11,162,751,513
Issue of shares during the Year	7,280,601,834	-
Balance as at 31 December	18,443,353,347	11,162,751,513

	2017	2016
	Number	Number

13.2 Number of Ordinary Shares

Balance as at 1 January	887,878,273	887,878,273
Issue of shares during the Year	355,151,309	-
Balance as at 31 December	1,243,029,582	887,878,273

14. RESERVES

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
14.1 Revaluation Reserve				
Balance as at 1 January	334,774,111	291,182,354	320,266,949	284,081,947
Surplus during the Year	7,429,850	50,708,051	9,227,868	36,185,002
Deferred Tax Effect	(7,636,636)	(2,178,457)	(7,366,933)	-
	334,567,325	339,711,948	322,127,884	320,266,949
Revaluation Surplus Attributable to Non Controlling Interest	-	(4,937,837)	-	-
Balance as at 31 December	334,567,325	334,774,111	322,127,884	320,266,949

14.2 Revaluation Reserve represents the surplus related to the regular revaluation as explained in Note 6.3.

15. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

15.1 Investments in Money Market Funds and Fixed deposits

	As at 01.01.2017	Additions/ (Withdrawals)	Fair Value Gain / (Loss)	As at 31.12.2017
	Rs.	Rs.	Rs.	Rs.
15.1.1 Group				
Namal High Yield Fund	759,474,767	101,076,984	64,224,805	924,776,556
Ceybank Saving Plus	85,171,283	(83,091,970)	(2,079,313)	-
Eagle Money Plus Fund	48,320,275	1,025,657,171	54,364,047	1,128,341,493
Guardian Acuity Asset Management Ltd.	544,116,952	(39,522,768)	57,159,834	561,754,018
Investment in Fixed Deposits	35,544,495	(35,544,495)	-	-
	1,472,627,772	968,574,922	173,669,373	2,614,872,067

	As at 01.01.2017	Additions/ (Withdrawals)	Fair Value Gain / (Loss)	As at 31.12.2017
	Rs.	Rs.	Rs.	Rs.
15.1.2 Company				
Namal High Yield Fund	759,474,767	101,076,984	64,224,805	924,776,556
Ceybank Saving Plus	85,171,283	(83,091,970)	(2,079,313)	-
Eagle Money Plus Fund	48,320,275	1,025,657,171	54,364,047	1,128,341,493
Guardian Acuity Asset Management Ltd.	544,116,952	(39,522,768)	57,159,834	561,754,018
	1,437,083,277	1,004,119,417	173,669,373	2,614,872,067

15.1.3 Fair values of the Investments in Money Market Funds are ascertained annually using the unit prices of each Trust Funds. These investments are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the statement of profit or loss as disclosed in note 22.2.

Notes to the Financial Statements

Year ended 31 December 2017

15. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Contd..)

15.2 Interest Bearing Loans and Borrowings

	2017		2017		2016		2016	
	Amounts Repayable within 1 Year	Amounts Repayable after 1 Year	Rs.	Total	Amounts Repayable within 1 Year	Amounts Repayable after 1 Year	Rs.	Total
15.2.1 Group								
Loan from Bank of Ceylon (BOC) (15.2.3)	534,712,500	-	534,712,500	534,712,500	284,715,000	-	284,715,000	
Loan from NTB (15.2.6)	1,145,812,500	-	1,145,812,500	1,145,812,500	-	-	-	
Loan from DFCC (15.2.7)	305,550,000	-	305,550,000	305,550,000	-	-	-	
SR & CC & T Fund Loan - BOC (15.2.4)	-	-	-	-	45,797,000	-	45,797,000	
Bank Overdrafts (21)	20,672,602	-	20,672,602	20,672,602	1,949,151,015	-	1,949,151,015	
Loan from Commercial Bank	-	-	-	-	24,710,153	-	24,710,153	
	2,006,747,602	-	2,006,747,602	2,006,747,602	2,304,373,168	-	2,304,373,168	
15.2.2 Company								
SR & CC & T Fund Loan (15.2.4)	-	-	-	-	45,797,000	-	45,797,000	
Bank Overdrafts *(21)	-	-	-	-	1,948,050,000	-	1,948,050,000	
Bank Overdrafts	17,346,140	-	17,346,140	17,346,140	-	-	-	
Total Loans and Overdraft	17,346,140	-	17,346,140	17,346,140	1,993,847,000	-	1,993,847,000	

* In 2016 the Company obtained USD 13 Mn as Permanent Overdraft from Bank of Ceylon to partly finance the acquisition of additional interest in Mireka Capital Land (Pvt) Ltd and fully settled in 2017. Terms of banking facility were:

- repayable over 4 years with reduction of USD 3.25 Mn per annum
- Interest 3% p.a + 3 months USD LIBOR
- collateral over previously held shareholding (40%) by Bank of Ceylon on Mireka Capital Land (Pvt) Ltd.

15.2.3 Loan - Bank of Ceylon

	As At 01.01.2017 Rs.	Obtained during the Year Rs.	Repayments Rs.	Exchange Difference Rs.	As At 31.12.2017 Rs.
Shareholder Loan - BOC	284,715,000	1,342,315,000	(1,102,290,000)	9,972,500	534,712,500
	284,715,000	1,342,315,000	(1,102,290,000)	9,972,500	534,712,500

As per the loan agreement a loan facility of US\$ 40MN has been approved to Mireka Homes (Pvt) Ltd(MHL) in 2012. Interest has been paid monthly at 3 Months LIBOR + 3.25% per annum during the year. The loan proceeds has been utilized for Phase III & IV of Havelock City Housing Project.

15.2.4 Unsecured Bank Loans

	As at 01.01.2017 Rs.	Loans Obtained during the Year Rs.	Repayments Rs.	As At 31.12.2017 Rs.
SR & CC & T Fund Loan - BOC (15.2.5)	45,797,000	-	(45,797,000)	-
	45,797,000	-	(45,797,000)	-

15.2.5 The Company signed an unsecured Term Loan Agreement on 30 March 1998 with Bank of Ceylon (BOC) to borrow Rs.500 million at a 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. The first capital repayment therefore commenced in December 2007.

15.2.6 Loan - Nations Trust Bank

	As At 01.01.2017 Rs.	Loans Obtained during the Year Rs.	Repayments Rs.	Exchange Difference Rs.	As At 31.12.2017 Rs.
Loan - NTB	-	1,148,812,500	-	(3,000,000)	1,145,812,500
	-	1,148,812,500	-	(3,000,000)	1,145,812,500

As per the loan agreement a loan facility of US\$ 20 MN has been approved to Mireka Homes (Pvt) Ltd(MHL) in 2017. Interest has been paid monthly at 3 Months LIBOR +3.25% per annum during the year. The loan proceeds has been utilized for Phase III & IV of Havelock City Housing Project.

Notes to the Financial Statements

Year ended 31 December 2017

15. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Contd..)

15.2.7 Loan - DFCC

	As At 01.01.2017 Rs.	Loans Obtained during the Year Rs.	Repayments Rs.	Exchange Difference Rs.	As At 31.12.2017 Rs.
Loan - DFCC	-	306,350,000	-	(800,000)	305,550,000
	-	306,350,000	-	(800,000)	305,550,000

As per the loan agreement a loan facility of US\$ 20 MN has been approved to Mireka Homes (Pvt) Ltd(MHL) in 2017. Interest has been paid monthly at 3 Months LIBOR + 3.25%per annum during the year. The loan proceeds has been utilized for Phase III & IV of Havelock City Housing Project.

15.2.8 Changes in liabilities arising from financing activities

Group	As At 01.01.2017 Rs.	Cash flows Rs.	Other Rs.	Exchange Difference Rs.	As At 31.12.2017 Rs.
Interest Bearing Loans and Borrowings - Current	1,949,151,015	-	-	-	20,672,602
Amounts due to Related Parties - Non Current	758,609,100	-	-	-	824,614,727
Amounts due to Related Parties - Current	35,000,910	-	-	-	22,341,632
Dividends Payable	13,297,096	(1,550,741,531)	1,553,786,978	-	16,342,543
	2,756,058,121	(1,550,741,531)	1,553,786,978	-	16,342,543

15.2.9 Changes in liabilities arising from financing activities

Company	As At 01.01.2017 Rs.	Cash flows Rs.	Other Rs.	Exchange Difference Rs.	As At 31.12.2017 Rs.
Interest Bearing Loans and Borrowings - Current	1,993,847,000	-	-	-	17,346,140
Amounts due to Related Parties - Current	37,793,185	-	-	-	22,341,632
Dividends Payable	13,297,096	(1,550,741,531)	1,553,786,978	-	16,342,543
	2,044,937,281	(1,550,741,531)	1,553,786,978	-	16,342,543

16. POST EMPLOYMENT BENEFIT LIABILITY

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Balance as at 1 January	26,556,246	26,511,177	14,530,990	11,650,115
Transfer	-	(4,874,230)	-	248,000
	26,556,246	21,636,947	14,530,990	11,898,115
Charge for the Year (16.1)	7,151,802	5,949,374	3,373,145	2,971,391
Actuarial (Gain)/ Loss	(1,589,596)	2,641,492	(553,092)	586,419
Payments Made during the Year	(1,863,996)	(3,671,567)	(1,780,421)	(924,935)
Balance as at 31 December	30,254,456	26,556,246	15,570,622	14,530,990

16.1 Post Employee Benefit Expense for

Year Ended 31 December	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Current Service Cost	3,885,384	3,870,064	1,585,834	1,827,982
Interest Cost	3,266,418	2,079,311	1,787,312	1,143,409
Post Employment Benefit Expense	7,151,802	5,949,374	3,373,145	2,971,391

- 16.2 Messrs. Piyal S Goonetilleke and Associates : Actuaries, carried out an actuarial valuation of the Group as at 31 December 2017. Appropriate and compatible assumptions were used in determining the cost of post employment benefits. The principal assumptions used are as follows:

	2017	2016
a) Demographic Assumptions		
Retirement Age :	55 Years	55 Years
b) Assumed rate of employee turnover is 18% from age 20 to age 30. Such is estimated to decrease between 7% to 13% in respect of ages 35 to 40, & 8% from age 45 to 50. From which point onwards up to retirement it is estimated at 1% p.a.		
	2017	2016
c) Financial Assumptions		
Discount Rate	10.00%	12.30%
Salary Increment Rate	8%	8%
Expected Average Future Working Life of Employees	6 years	5.7 years

16.3 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions used, with all other variables held constant in the post employment benefit liability measurement, in respect of the year 2017.

The sensitivity of the Statement of Profit or Loss and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and post employment benefit obligation for the year.

Increase/(Decrease)	In Salary Increment Rate	In Discount Rate	Group		Company	
			2017		2017	
			Effect on Income Statement (reduction)/ increase in results for the Year 2017 Rs.	Performa Post Employment Benefit Liability 2017 Rs.	Effect on Income Statement (reduction)/ increase in results for the Year 2017 Rs.	Performa Post Employment Benefit Liability 2017 Rs.
-1%	-		(1,579,452)	31,833,908	(811,838)	16,362,629
1%	-		1,447,059	28,807,397	743,788	14,807,002
-	-1%		1,388,607	28,865,849	713,744	14,837,046
-	1%		(1,488,942)	31,743,398	(765,316)	16,316,107

Notes to the Financial Statements

Year ended 31 December 2017

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Trade Payables - Related Parties	-	-	-	-
- Payable to Contractor	493,300,347	295,269,790	-	-
- Others	269,501,693	148,308,872	-	-
	762,802,040	443,578,662	-	-
Other Payables	39,332,617	-	-	-
Sundry Creditors including Accrued Expenses	499,358,102	336,328,889	229,655,667	234,343,063
	1,301,492,759	779,907,551	229,655,667	234,343,063

18. RENTAL AND CUSTOMER DEPOSITS

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Rental Deposits	926,556,815	856,450,089	901,963,294	841,728,195
Customer Deposits	735,248,137	1,214,792,590	-	-
	1,661,804,952	2,071,242,679	901,963,294	841,728,195
Classified Under:				
Current Liabilities	926,556,815	856,450,089	901,963,294	841,728,195
Non Current Liabilities	735,248,137	1,214,792,590	-	-
Total	1,661,804,952	2,071,242,679	901,963,294	841,728,195

19. AMOUNTS DUE TO RELATED PARTIES

Relationship	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Mireka Capital Land (Pvt) Ltd.	-	-	-	2,796,885
Management Corporation				
Condominium Plan 1824	22,341,632	35,000,910	22,341,632	34,991,690
Overseas Realty Investments (Pvt) Ltd.	-	-	-	4,610
Shing Kwan Investment (Singapore) Pte Ltd*				
	824,614,727	758,609,100	-	-
	846,956,359	793,610,010	22,341,632	37,793,185
Classified Under:				
Current Liabilities	22,341,632	35,000,910	22,341,632	37,793,185
Non Current Liabilities	824,614,727	758,609,100	-	-
Total	846,956,359	793,610,010	22,341,632	37,793,185

19.1 *The terms of Interest bearing borrowings are as follows:

This balance bears interest at the rate of 3 months LIBOR + 4.5% p.a

Letter of undertaking provided by the Company to lender

Repayable by at expiry of 5 years from 22 February 2017 in full as bullet payment

20. DIVIDENDS PAID AND PAYABLE

	2017	2016
	Rs.	Rs.
20.1 Declared and Paid during the Year		
Equity Dividends on Ordinary Shares		
- Final dividend for 2017 Rs. 1.25 : (2016 Rs.1.50)	1,553,786,978	1,331,817,410
	1,553,786,978	1,331,817,410
20.2 Dividends Payable as at the end of the Year		
Dividends on Ordinary Shares Unclaimed	16,342,543	13,297,096
	16,342,543	13,297,096

21. CASH AND SHORT TERM DEPOSITS

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	242,158,875	158,952,631	106,834,264	130,737,832
Call Deposits and Fixed Deposits	4,574,372,411	1,184,936,651	3,775,630,335	331,978,830
	4,816,531,286	1,343,889,282	3,882,464,599	462,716,662
Bank Overdraft (15)	(20,672,602)	(1,949,151,015)	(17,346,140)	(1,948,050,000)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	4,795,858,684	(605,261,733)	3,865,118,459	(1,485,333,338)

Notes to the Financial Statements

Year ended 31 December 2017

22. FINANCE COST AND INCOME

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
22.1 Finance Cost				
Interest Expense on Interest Bearing Loans and Borrowings	7,730,324	11,092,096	7,730,324	1,649,493
Fair Value Adjustment on Rental Deposits	2,194,862	43,484,797	2,194,862	42,116,107
	9,925,186	54,576,893	9,925,186	43,765,600
22.2 Finance Income				
Income from Investments				
- Interest on Fixed Deposits	284,646,466	74,623,359	262,880,089	55,540,661
- Interest on Government Securities (REPO)	-	7,447,928	-	-
- Income from Investment in Fair Value through Profit & Loss	173,669,374	205,601,481	173,669,374	205,601,481
Amortization of Deferred Lease Interest Income on Rental Deposits	1,894,989	44,113,734	1,894,989	42,763,431
Interest Income	-	-	41,150,000	-
	460,210,829	331,786,502	479,594,452	303,905,573
22.3 Other Income				
Dividend Income	3,610,483	52,157,725	6,713,683	110,411,725
Club House Income	37,506,640	33,106,915	-	-
	41,117,123	85,264,640	6,713,683	110,411,725

23. PROFIT BEFORE TAX

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Stated after Charging /(Crediting)				
Directors Fee	5,133,800	5,825,000	5,125,000	5,050,000
Auditors Remuneration	3,120,000	3,255,024	1,733,166	1,882,666
Depreciation Charge for the Year	35,721,597	33,546,040	13,728,277	12,686,369
Exchange (Gain)/Loss	174,608,733	11,032,104	175,092,539	3,988,262
(Profit)/Loss on Disposal/Discontinuation of Property, Plant and Equipment	430,816	(3,871,489)	-	(3,871,489)
Employee Benefit Expenses Including the following;				
- Defined Benefit Plan Cost - Gratuity	7,151,802	5,949,374	3,373,145	2,971,391
- Defined Contribution Plan Cost - EPF & ETF	13,750,306	22,189,028	10,872,947	9,878,816
Amortization / write off of Intangible Assets	1,200,972	10,265,116	1,200,972	1,470,252

24. TAX EXPENSES

The major components of income tax expense for the years ended 31 December 2016 and 31 December 2017 are as follows :

24.1 Statement of Profit or Loss

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Current Tax Expense on Other Income	45,944,107	23,545,545	29,015,188	12,226,610
Under/(Over) Provision of Current Taxes in respect of Prior Year	458,902	-	-	-
Deferred tax:				
Deferred Taxation Charge/(Credit)	535,964,627	20,190,283	507,838,786	6,583,559
Income Tax Expense /(Credit) Reported in the Statement of Profit or Loss	582,367,636	43,735,828	536,853,974	18,810,169

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

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Accounting Profit Before Tax	3,755,854,537	2,973,853,329	3,170,803,090	2,943,793,571
Income Exempted from Tax	3,567,317,860	(2,945,327,538)	(3,035,403,263)	(2,876,614,397)
Less : Other Income	(159,349,818)	(64,617,150)	(134,206,796)	(51,011,879)
Aggregate Disallowed Items	66,355,463	33,866,760	-	-
Aggregate Allowed Item	(105,274,790)	(112,352,350)	-	-
Net Profit /(Loss) from Trade	(23,092,957)	(114,576,949)	1,193,031	16,167,295
Other Income	159,349,818	64,617,150	134,206,796	51,011,879
Total Statutory Income	197,782,630	106,743,069	135,399,827	67,179,174
Less Tax Losses Claimed	(33,696,535)	(23,969,475)	(31,774,157)	(23,512,711)
Assessable Liabile Income	164,086,095	82,773,594	103,625,670	43,666,463
Income Tax at the Statutory Rate 15% - 28%	45,944,107	23,545,545	29,015,188	12,226,610
Current Tax Expense on Other Income	45,944,107	23,545,545	29,015,188	12,226,610

24.3 The above current 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 2.3.3.

24.4 The carried forward unutilized tax losses of the Company and Group respectively as at 31 December 2017 amounting to Nil- and Rs.146,112,420/- (2016-Rs.31,809,438/- and 102,821,531/-) respectively.

Notes to the Financial Statements

Year ended 31 December 2017

24. TAX EXPENSES (Contd..)

24.5 The company enjoys tax exemption status up to the year 2020, and thereafter till 2035, company will be taxed at 2% based on its turnover. During the year, the Income tax provisions for the year ended 31st December 2017 have been made as per the provisions of the Inland Revenue Act No. 10 of 2006 (as amended subsequently) which is applicable for Year of Assessment 2017/18. Based on the new law, the gain arising from sale of Investment property and owner occupied property is treated as part of business income, on the basis that management will execute the option given in the BOI agreement to be taxed at 2% on turnover. As a result, the Company has recognized a deferred tax liability on Company's Investment Property and owner occupied property considering possible tax liability that could arise at the time of sale as per the provisions of the Inland Revenue Act No. 24 of 2017 by applying the applicable tax rate of 2% based on the BOI agreement. The deferred tax liability is disclosed in Note 9.

25. EARNINGS PER SHARE

25.1 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.

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

	Group	
	2017	2016
	Rs.	Rs.
Amounts Used as the Numerator		
Net Profit Attributable to Shareholders for Earnings Per Share	3,173,486,901	2,911,371,018
Number of Ordinary Shares Used as the Denominator		
Weighted Average Number of Ordinary Shares in Issue Applicable to Earnings Per Share (25.3)	1,243,029,582	887,878,273

25.3 Weighted Average Number of Ordinary Shares in Issue Applicable to Earnings Per Share

	Group	
	2017	2016
Ordinary Shares at the beginning of the year	887,878,273	887,878,273
Bonus Element on Right Issue	-	-
Effect of Right Issue	355,151,309	-
Weighted Average Number of Ordinary Shares in Issue	1,243,029,582	887,878,273

26. RELATED PARTY DISCLOSURES

26.1 Transactions with Related Entities

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
26.1.1 Subsidiaries				
Amounts Receivable as at 1 January	-	-	28,785,101	5,581,772
Amounts Payable as at 1 January	-	-	(2,796,885)	(3,265,480)
Rendering of Services	-	-	1,200,000	13,117,239
Transfer from investment	-	-	641,600,000	-
Funding	-	-	1,150,000,000	-
Loan Interest	-	-	41,150,000	-
Reimbursements / (Settlements)	-	-	(27,991,710)	10,554,685
Amounts Receivable as at 31 December	-	-	1,831,946,506	28,785,101
Amounts Payable as at 31 December	-	-	-	(2,796,885)
26.1.2 Other Affiliates				
Amounts Receivable as at 1 January	-	996,488	(4,610)	996,488
Amounts Payable as at 1 January	(758,613,710)	-	-	-
Receipt of Loan	-	(758,692,603)	-	-
Receipt of Services	-	-	-	-
(Reimbursements) / Settlements	(88,342,649)	(917,595)	4,610	(1,001,098)
Amounts Receivable as at 31 December	-	-	-	(4,610)
Amounts Payable as at 31 December	(846,956,359)	(758,613,710)	-	-

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

Notes to the Financial Statements

Year ended 31 December 2017

26. RELATED PARTY DISCLOSURES (Contd...)

26.1.3 Other Related Parties

a) Management Corporation Condominium Plan 1824

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Amounts Receivable as at 1 January	-	8,583,920	-	8,583,920
Amounts Payable as at 1 January	(34,991,691)	-	(34,991,691)	-
Property Facility Fee	22,440,000	22,440,000	22,440,000	22,440,000
Membership Fee Collected on behalf	(384,453,600)	(384,453,600)	(384,453,600)	(384,453,600)
Due on account of Supply of Electricity	241,377,332	246,474,726	241,377,332	246,474,726
Other Expense Borne on behalf	177,969,590	71,963,263	177,969,590	71,963,263
Amounts Receivable as at 31 December	-	-	-	-
Amounts Payable as at 31 December	22,341,631	(34,991,691)	22,341,631	(34,991,691)

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) were appointed by Overseas Realty Ceylon PLC.

26.2 Transactions with Key Management Personnel of the Company or its Subsidiaries

- a) The Key Management Personnel are the members of the Board of Directors, of the company and of its parent, and the Chief Executive Officer of the Group.

Payments made to Key Management Personnel during the year were as follows:

	2017	2016
	Rs.	Rs.
Fees for Directors	5,679,000	5,825,000
Emoluments	73,023,496	74,488,937
Short Term Employment Benefits	8,235,000	9,066,000
Post Employment Benefits	11,306,560	10,847,220
	98,244,056	100,227,157

27. COMMITMENTS

As at the reporting date the following amounts have been agreed and consequently committed to future capital and operating expenditure in respect of project under development.

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Contracted but not Provided for				
Enterprise Resources Planning	1,162,157	1,162,157	1,162,157	1,162,157
Havelock City Project	9,771,000	5,310,000,000	-	-
	10,933,157	5,311,162,157	1,162,157	1,162,157

Letters of Credit opened with Banks Favours Suppliers by the Group and the Company amounted to Rs. Nil/- (2016 - 72,624,800/-) and Rs. Nil/- (2016- 72,624,800/-) respectively.

28. 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 favorable 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.

The Company's Subsidiary Mireka Capital Land (Pvt) Ltd was assessed for Value Added Tax (VAT) for periods between January 2006 and January 2009 amounting to Rs 190 Mn plus penalties. The Company appealed against same and filed a Writ Application in the Court of Appeal to prevent recovery action being taken by Authorities. The Company appealed at the Tax Appeal Commission (TAC) on the same matter and the TAC Determination has been issued dismissing the said appeal of the Company. The Company appealed against the TAC Determination in the Court of Appeal. Although there can be no assurance, the Directors believe, based on the expert advise received and the information currently available, that the ultimate resolution of the said legal proceedings would be favourable to the Company and therefore would not have an adverse effect on the results of operations or financial position.

The Companys' Subsidiary Mireka Homes (Pvt) Ltd (MHL) has been assessed for ESC amounting to Rs 2.9 Mn plus penalties and the Company has appealed against same. Further the Department of Inland Revenue has raised assessments disallowing Input VAT of Rs 324Mn and the Company has appealed at the Tax Appeal Commission. Although there can be no assurance, the Directors believe, based on the information currently available, that the ultimate resolution of appeal / legal proceedings would be favourable to the Company and therefore would not have an adverse effect on the results of operations or financial position.

29. ASSETS PLEDGED

Except as disclosed in Note 15, the Company has not pledged any asset for any business transaction.

30. EVENTS OCCURING AFTER THE REPORTING DATE

The Board of Directors of the Company has declared a final dividend of Rs. 1.25 per share for the financial year ended 31 December 2017. As required by section 56 (2) of the Companies Act No 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No 07 of 2007. Dividend is to be approved by shareholders at the Annual General Meeting of the Company

Notes to the Financial Statements

Year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company's Board of Directors oversees the management of these risks. The Board of Directors is supported by an Audit Committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The Audit Committee provides guidance to the Board of Directors that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with policies.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

31.1 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and unit prices will affect the Group's income or the value of its holdings of financial instruments.

An analysis of the carrying amount of financial instruments based on the currency they are denominated are as follows:

	Denominated in LKR	Denominated in USD
Group		
Cash at bank and in hand	35,570,713	430,858
Short term deposits	352,923,344	28,412,857
Other Financial Assets (Unit Trust Investments)	2,614,872,068	-
Interest Bearing Loans & Borrowings	-	18,000,000
Company		
Cash at bank and in hand	(13,156,022)	235,000
Short term deposits	66,740,897	24,712,857
Other Financial Assets (Unit Trust Investments)	2,614,872,068	-
Interest Bearing Loans & Borrowings	-	-

a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations. The Group manages its interest rate risk by monitoring and managing of cash flow, by keeping borrowings to a minimum and negotiating favorable rates on borrowings and deposits and by borrowing at fixed rates.

b) Foreign Currency Risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's USD denominated loans for the Havelock City Project.

The Group manages its foreign currency risk by entering into construction contracts in LKR and building in the foreign exchange loss into the cost of development.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, on the Group's profit before tax, due to possible changes in the USD exchange rate, on the Group's USD denominated interest bearing loan.

	Average Loan Value	Year End Exchange Rate	Change In USD Rate	Effect on Profit Before Tax
2017	USD 11.7 Mn	152.78	+/-7.5%	134,060,063
2016	USD 2.4 Mn	149.85	+/-7.5%	27,133,554

31.2 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management.

The following practice are implemented within the Group in order to manage credit risk related to receivables:

- Adequate customer deposits are collected from lessees of leased property.
- Outstanding customer receivables are regularly monitored with regular trade debtor review meetings.
- Contractual obligation to release assets only upon full payment of receivable, for related contracts and assets.

Credit quality information is provided in Note 11.

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31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

31.3 Liquidity risk

The Group monitors its risk to a shortage of funds by forecasting its operational cash requirements on an annual basis and forecasts cash flow requirements as per the project implementation period. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, and bank loans. Access to sources of funding is sufficiently available and financing for current operations is already secured.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

2017 Group	On Demand Rs.	Less than			More than		Total Rs.
		3 Months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	5 years Rs.		
Trade and Other Payables	-	-	1,301,492,759	-	-	1,301,492,759	
Amounts due to Related Parties	-	-	-	-	824,614,727	824,614,727	
Interest Bearing Loans and Borrowings	-	-	2,006,747,602	-	-	2,006,747,602	
Rental and Customer Deposit	-	166,233,026	274,269,479	1,221,302,447	-	1,661,804,952	
	-	166,233,026	3,582,509,840	1,221,302,447	824,614,727	5,794,660,040	
Company							
Trade and Other Payables	-	-	229,655,667	-	-	229,655,667	
Amounts due to Related Parties	-	-	22,341,632	-	-	22,341,632	
Interest Bearing Loans and Borrowings	17,346,140	-	-	-	-	17,346,140	
Rental and Customer Deposit	-	166,233,026	274,269,479	461,460,789	-	901,963,294	
	17,346,140	166,233,026	526,266,778	461,460,789	-	1,171,306,733	
2016 Group							
Trade and Other Payables	-	-	779,907,551	-	-	779,907,551	
Amounts due to Related Parties	-	-	-	-	758,609,100	758,609,100	
Interest Bearing Loans and Borrowings	-	-	2,304,373,168	-	-	2,304,373,168	
Rental and Customer Deposit	-	52,327,160	253,262,491	1,765,653,028	-	2,071,242,679	
	-	52,327,160	3,337,543,209	1,765,653,028	758,609,100	5,914,132,497	
Company							
Trade and Other Payables	-	-	229,655,667	-	-	229,655,667	
Amounts due to Related Parties	-	-	22,341,632	-	-	22,341,632	
Interest Bearing Loans and Borrowings	-	-	1,993,847,000	-	-	1,993,847,000	
Rental and Customer Deposit	-	52,327,160	238,540,597	550,860,438	-	841,728,195	
	-	52,327,160	2,484,384,896	550,860,438	-	3,087,572,494	

32. CAPITAL MANAGEMENT

The stated capital of the Company, and Group reserves are given in Note 13 and 14.

33. FAIR VALUES

The carrying amounts of the Group's and Company's financial instruments by classes, that are not carried at fair value in the financial statements are not materially different from their fair values.

a) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31 December 2017, the Group held the following financial instruments carried at fair value on the statement of financial position:

b) Financial Assets measured at fair value

	2017	Level 1	Level 2	Level 3
	Rs.	Rs.	Rs.	Rs.
Short Term Investments (Note 15.1)	2,614,872,067	-	2,614,872,067	-

	2016	Level 1	Level 2	Level 3
	Rs.	Rs.	Rs.	Rs.
Short Term Investments (Note 15.1)	1,437,083,277	-	1,437,083,277	-

During the reporting period ending 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

Notes to the Financial Statements

Year ended 31 December 2017

34. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amount of financial assets and liabilities by category as defined in LKAS 39 - Financial Instruments : Recognition and measurement and by Statement of Financial Position heading:

	Financial Assets Held for Trading at Fair Value		Financial Assets and Liabilities at Amortised Cost		Total	
	Group	Company	Group	Company	Group	Company
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Group/ Company						
As at 31 December 2017						
Financial Assets						
Trade and Other Receivables	-	-	1,027,490,263	477,268,063	1,027,490,263	477,268,063
Other Financial Assets	-	-	-	1,831,946,506	-	1,831,946,506
Short Term Investments	2,614,872,067	2,614,872,067	-	-	2,614,872,067	2,614,872,067
Cash and Short Term Deposits	-	-	4,816,531,286	3,882,464,599	4,816,531,286	3,882,464,599
Total Financial Assets	2,614,872,067	2,614,872,067	5,844,021,549	6,191,679,168	8,458,893,616	8,806,551,235
Financial Liabilities						
Trade and Other Payables	-	-	1,301,492,759	229,655,667	1,301,492,759	229,655,667
Amounts Due to Related Parties	-	-	846,956,359	22,341,632	846,956,359	22,341,632
Interest Bearing Loans and Borrowings (Current)	-	-	2,006,747,602	17,346,140	2,006,747,602	17,346,140
Rental and Customer Deposits	-	-	926,556,815	901,963,294	926,556,815	901,963,294
Total Financial Liabilities	-	-	5,081,753,535	1,171,306,733	5,081,753,535	1,171,306,733

34. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (Contd...)

	Financial Assets Held for Trading at Fair Value		Financial Assets and Liabilities at Amortised Cost		Total	
	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
Group/ Company						
As at 31 December 2016						
Financial Assets						
Trade and Other Receivables	-	-	556,012,144	321,340,001	556,012,144	321,340,001
Other Financial Assets	-	-	-	11,409,806	-	11,409,806
Short Term Investments	1,437,083,277	1,437,083,277	35,544,495	-	1,472,627,772	1,437,083,277
Cash and Short Term Deposits	-	-	1,343,889,282	462,716,662	1,343,889,282	462,716,662
Total Financial Assets	1,437,083,277	1,437,083,277	1,935,445,921	795,466,469	3,372,529,198	2,232,549,746
Financial Liabilities						
Trade and Other Payables	-	-	779,907,551	234,343,063	779,907,551	234,343,063
Amounts Due to Related Parties	-	-	793,610,010	37,793,185	793,610,010	37,793,185
Interest Bearing Loans and Borrowings (Current)	-	-	2,304,373,168	1,993,847,000	2,304,373,168	1,993,847,000
Rental and Customer Deposits	-	-	856,450,089	841,728,195	856,450,089	841,728,195
Total Financial Liabilities	-	-	4,734,340,817	3,107,711,443	4,734,340,817	3,107,711,443

Notes to the Financial Statements

Year ended 31 December 2017

35. COMPARATIVE INFORMATION

The presentation and classification of the financial statements of the previous years have been amended as follows for better presentation and to be comparable with those of the current year.

	As reported in 31 December 2016 Rs.	Adjustment Rs.	Amended for 31 December 2016 Rs.
Group			
Statement of Financial Position			
Revaluation Reserve	464,046,014	(129,271,903)	334,774,111
Retained Earnings	16,206,652,106	129,271,903	16,335,924,009
Trade and Other Receivables	1,475,330,642	(19,821,266)	1,455,509,376
Income Tax Payable	27,372,755	(19,821,266)	7,551,489
Trade and Other Payables	884,751,116	(104,843,565)	779,907,551
Rental Income Received in Advance	-	104,843,565	104,843,565
Amounts due to Related Parties - Current	793,610,010	(758,609,100)	35,000,910
Amounts due to Related Parties - Non Current	-	758,609,100	758,609,100
Company			
Trade and Other Receivables	395,259,152	(19,821,266)	375,437,886
Income Tax Payable	22,718,743	(19,821,266)	2,897,477
Trade and Other Payables	339,186,628	(104,843,565)	234,343,063
Rental Income Received in Advance	-	104,843,565	104,843,565

The above reclassification do not have an impact on equity and statement of profit or loss and cash flows.

Group Performance - Ten Year Summary

Rs. Mn	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Income Statement										
Rental Revenue	2,090	1,886	1,962	1,764	1,590	1,339	850	697	666	805
Revenue from Other Services	292	259	205	104	69	54	57	51	41	42
Apartment Revenue	1,935	285	974	4,329	3,190	554	1,588	950	1,234	598
Total Revenue	4,317	2,431	3,141	6,198	4,848	1,948	2,495	1,698	1,941	1,445
Direct Operating Expenses	(695)	(615)	(548)	(482)	(424)	(426)	(338)	(329)	(334)	(350)
Cost of Sales of Apartment	(1,307)	(160)	(653)	(3,308)	(2,635)	(397)	(1,231)	(633)	(1,051)	(403)
Gross Profit	2,316	1,656	1,940	2,408	1,789	1,125	926	736	556	692
Fair Value Gain on Investment Property	1,191	1,267	1,175	1,016	930	1,563	2,123	473	1,019	1,388
Other Operating Expenses	(417)	(323)	(305)	(266)	(268)	(260)	(270)	(274)	(187)	(202)
Net Finance Income / (Expense)	450	277	169	155	175	176	27	(94)	3	43
Profit from Operating Activities	3,540	2,878	2,979	3,312	2,626	2,604	2,806	841	1,391	1,921
Other Income	41	85	84	64	-	-	-	-	-	-
Exchange Gain / (Loss)	175	11	10	10	15	(85)	(40)	84	0	(88)
Net Profit Before Tax	3,756	2,974	3,073	3,386	2,641	2,519	2,766	925	1,391	1,833
Income Taxes	(582)	(44)	(42)	(50)	(2)	(51)	(25)	(11)	(7)	(16)
Net Profit After Tax	3,173	2,930	3,031	3,336	2,639	2,468	2,741	914	1,384	1,817
Profit Attributable to Equity Holders of the Parent	3,173	2,911	2,991	2,957	2,435	2,469	2,681	844	1,342	1,783
Non-controlling Interest	-	19	40	379	204	(1)	60	70	43	33
	3,173	2,930	3,031	3,336	2,639	2,468	2,741	914	1,384	1,817
STATEMENT OF FINANCIAL POSITION										
Assets										
Non-Current Assets										
Investment Property	25,854	24,652	22,579	21,405	20,389	19,459	17,884	15,751	15,278	14,259
Property Plant & Equipment	3,799	1,782	1,598	1,559	703	644	395	254	246	236
Intangible Assets	1	2	12	14	18	18	26	30	35	15
Inventory	1,841	3,193	2,362	2,125	1,785	-	-	-	-	-
Deferred Tax Assets	154	149	29	27	41	-	-	-	-	-
	31,649	29,779	26,581	25,130	22,937	20,122	18,305	16,035	15,560	14,510

Group Performance - Ten Year Summary

Rs. Mn	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Current Assets										
Inventory	1,983	94	272	424	3,565	4,129	3,167	3,981	4,093	4,226
Trade & Other Receivables	2,445	1,456	892	1,379	1,448	1,839	1,563	1,275	1,635	971
Amounts due From Related Parties	-	-	1	9	25	14	25	53	4	22
Income Tax Recoverable	14	17	-	10	2	-	-	1	1	-
Short Term Investments	2,615	1,473	2,862	2,155	1,236	-	-	-	-	-
Cash & Short Term Deposits	4,817	1,344	1,666	1,170	1,680	1,811	2,197	1,008	177	244
	11,874	4,383	5,693	5,146	7,956	7,793	6,952	6,318	5,910	5,462
TOTAL ASSETS	43,522	34,161	32,274	30,276	30,893	27,915	25,257	22,353	21,470	19,972
Equity & Liabilities										
Stated Capital	18,443	11,163	11,163	10,186	10,186	10,186	10,186	10,186	9,713	9,713
Revaluation Reserve	335	464	291	265	239	216	165	149	135	112
Retained Earnings	17,955	16,207	17,151	15,478	13,750	11,559	9,343	6,915	6,283	5,241
Equity Attributable to Equity Holders	36,732	27,833	28,605	25,929	24,175	21,961	19,694	17,250	16,131	15,066
Minority Interest	-	-	1,512	1,507	1,147	943	963	903	833	791
Total Equity	36,732	27,833	30,117	27,436	25,322	22,904	20,657	18,153	16,964	15,857
Non-Current Liabilities										
Interest Bearing Loans & Borrowings	-	-	46	96	146	196	246	2,194	1,549	567
Non Interest Bearing Borrowings & Loans	-	-	-	-	-	-	-	1	2	3
Post Employment Benefit Liability	30	27	27	21	18	27	23	21	20	18
Customer Deposit	735	1,215	323	-	-	-	-	-	-	-
Amounts due to Related Parties	825	759	-	-	-	-	-	-	-	-
Deferred Tax Liability	775	226	23	-	-	-	-	-	-	-
Total Non Current Liabilities	2,365	2,226	418	117	163	223	269	2,216	1,571	588
Current Liabilities										
Trade & Other Payables	1,301	780	782	825	1,594	543	697	871	831	996
Rental Income Received in Advance	131	105	-	-	-	-	-	-	-	-
Rental & Customer Deposits	927	856	875	904	1,888	2,082	976	418	440	925
Amounts Due to Related Parties	22	35	21	-	12	20	9	9	26	13
Interest Bearing Loans & Borrowings	2,007	2,304	50	986	1,888	2,117	2,636	683	1,596	1,587
Non Interest Bearing Borrowings & Loans	-	-	-	-	-	-	1	1	1	1
Income Tax Payable	19	8	4	2	21	24	10	-	-	4
Dividend Payable	16	13	7	5	3	3	2	2	39	1
Total Current Liabilities	4,424	4,101	1,739	2,723	5,407	4,788	4,331	1,984	2,935	3,527
TOTAL EQUITY & LIABILITIES	43,522	34,161	32,274	30,276	30,893	27,915	25,257	22,353	21,470	19,972

Rs. Mn	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Earnings Per Share	2.55	3.28	3.44	3.48	2.89	2.93	3.18	1.23	2.25	3.04
Earnings Per Share (Excluding Fair Value Gains))	1.59	1.85	2.09	2.29	1.78	1.07	0.66	0.58	0.57	0.70
Dividend Per Share	1.25	1.50	1.50	1.45	0.30	0.30	0.30	0.26	0.40	0.50
Net Asset Value Per Share	29.55	31.35	32.22	30.74	28.66	26.04	23.35	20.45	28.69	26.79
Share Value (High)	21.80	26.10	24.10	29.30	21.30	15.60	19.40	24.00	15.00	15.00
Share Value (Low)	16.80	19.30	20.50	18.50	13.90	9.50	13.10	14.00	5.75	5.75
Current Ratio	2.68	1.07	3.27	1.89	1.47	1.63	1.61	3.18	2.01	1.55
Return on equity (%)	10%	10%	11%	13%	11%	11%	14%	5%	8%	12%
Total Debt to Total Assets (%)	16%	19%	7%	9%	18%	18%	18%	19%	21%	21%
Debt Equity Ratio (%)	5.5%	8.3%	0.3%	4%	8%	11%	15%	17%	19%	14%
Return on Assets (%)	8%	9%	10%	11%	9%	9%	11%	4%	6%	9%
Asset Turnover (%)	11%	7%	10%	20%	16%	7%	10%	8%	9%	7%
Dividend Payout Ratio (%)	49%	46%	44%	42%	10%	10%	9%	21%	18%	16%

DEFINITION OF FINANCIAL TERMS

Net Asset Value Per Share

Net assets at the year-end divided by the number of shares in issue.

Current Ratio

Total Current Assets divided by total Current Liabilities.

Return on Equity

Profit Attributable to Equity Holders divided by Average Equity Attributable to Equity Holders of the Parent.

Total Debt to Total Assets

Total Liabilities divided by total Assets.

Debt Equity Ratio

Total Interest Bearing Loans and Borrowing divided by Equity Attributable to Equity Holders of the Parent.

Return on Assets

Profit Attributable to Equity Holders divided by Average Assets.

Asset Turnover

The amount of sales generated for every rupee worth of assets. It is calculated by dividing total Revenue by total Average Assets.

Dividend Payout Ratio

The percentage of earnings paid to shareholders in dividends.

Categories of Shareholders

Category	As of 31 December 2017		As of 31 December 2016	
	No. of		No. of	
	Shareholders	No. of Shares	Shareholders	No. of Shares
Individual	3,670	48,263,741	3,675	33,213,051
Institutional	240	1,194,765,841	242	854,665,222
	3,910	1,243,029,582	3,917	887,878,273

4. SHARE TRADING INFORMATION

	As of 31 December 2017		As of 31 December 2016	
	Date	Price (Rs.)	Date	Price (Rs.)
Highest	20.04.2017	21.80	25.04.2016	26.10
Lowest	08.12.2017	16.80	29.11.2016	19.30
Closing Price	31.12.2017	17.60	31.12.2016	20.00

	31 December 2017	31 December 2016
Number of Transactions	3,667	4,930
Number of Shares Traded	10,497,110	40,281,635
Value of Shares Traded (Rs.)	203,836,660	969,142,470

5. DIVIDENDS

	31 December 2017	31 December 2016
Dividends Per Share (Rs.)	1.25	1.50
Dividends Payment (Rs.)	1,553,786,978	1,331,817,410
Dividend Payout (%)	49%	46%

Shareholder Information

6. DIRECTOR'S SHAREHOLDINGS

The Shareholding of the Directors at the beginning and at the end of the year was as follows:

Name of Director	31st December 2017 No of Shares	31st December 2016 No of Shares
Mr. Shing Pee Tao	Nil	Nil
Mr. Melvin Yap Boh Pin	Nil	Nil
Mrs. Mildred Tao Ong	Nil	Nil
Mr. Hussein Zubire Cassim	Nil	Nil
Mr. En Ping Ong	560,000	400,000
Mrs. Rohini Lettitia Nanayakkara	Nil	Nil
Mr. Ajith Mahendra De Silva Jayaratne	Nil	Nil
Mr. Leslie Ralph De Lanerolle	Nil	Nil
Mr. Tissa Kumara Bandaranayake	Nil	Nil
Dr. Ranee Jayamaha	Nil	Nil
Mr. Pravir Dhanoush Samarasinghe	14,320,000	Nil

7. TOP TWENTY SHAREHOLDERS AS AT 31ST DECEMBER

NAME	As at 31st Dec 2017		As at 31st Dec 2016	
	Shareholding	Percentage (%)	Shareholding	Percentage (%)
1 SHING KWAN INVESTMENT COMPANY LIMITED.	477,655,116	38.43	477,655,116	53.8
2 JIANGSU TAO SHING PEE EDUCATION FOUNDATION	299,414,169	24.09	-	-
3 UNITY BUILDERS LIMITED	231,951,090	18.66	231,951,090	26.12
4 PERSHING LLC S/A AVERBACH GRAUSON & CO.	62,040,238	4.99	44,314,470	4.99
5 SHING KWAN INVESTMENT (SINGAPORE) PTE LTD	38,323,522	3.08	22,729,218	2.56
6 PEOPLES BANK	30,538,203	2.46	21,813,003	2.46
7 SHING KWAN (PTE.) LTD	16,200,000	1.3	16,200,000	1.82
8 MR. P.D. SAMARASINGHE	14,320,000	1.15	-	-
9 CHIPPERFIELD INVESTMENTS LIMITED	8,090,860	0.65	8,075,052	0.91
10 SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	4,649,218	0.37	4,649,218	0.52
11 BANK OF CEYLON-NO2 A/C	3,971,842	0.32	3,971,842	0.45
12 ORIENTAL PEARL INTERNATIONAL INC	2,684,210	0.22	2,684,210	0.3
13 E.W. BALASURIYA & CO. (PVT) LTD	2,260,992	0.18	2,260,992	0.25
14 SEYLAN BANK PLC/SYMPHONY CAPITAL LTD	1,858,190	0.15	1,567,658	0.18
15 MR. PUJITHA PUNSIRI SUBASINGHE	1,691,978	0.14	1,154,039	0.13
16 MR. ALAIN BLAISE MICHEL CHEVALIER	1,570,000	0.13	-	-
17 MR. GAUTAM RAHUL	1,338,700	0.11	1,120,000	0.13
18 SAMPATH BANK PLC/DR. T.SENTHILVERL	1,299,453	0.1	-	-
19 MR. AMARAKOON MUDIYANSELAGE WEERASINGHE	1,054,834	0.08	-	-
20 BANK OF CEYLON-NO1 A/C	957,792	0.08	-	-
TOTAL	1,201,870,407	96.69	840,145,908	94.62
Balance held by other Shareholders	41,159,175	3.31	47,732,365	5.38
Total number of Ordinary Shares	1,243,029,582	100.00	887,878,273	100.00
Public Holding	464,019,854	37.33	138,942,849	15.65
Others	779,009,728	62.67	748,935,424	84.35
Total	1,243,029,582	100.00	887,878,273	100.00

Shareholder Information

8. PUBLIC SHAREHOLDING

	31st December 2017	31st December 2016
	No. of Shares	No. of Shares
Parent/Group/Subsidiary		
Shing Kwan Investment Company Limited	477,655,116	477,655,116
Unity Builders Limited	231,951,090	231,951,090
Shing Kwan Investment (Singapore) Pte Ltd	38,323,522	22,729,218
Shing Kwan (Pte) Ltd	16,200,000	16,200,000
	764,129,728	748,535,424
Issued number of ordinary shares as at 31 December	1,243,029,582	887,878,273
Less		
Parent/Group	477,655,116	477,655,116
Subsidiaries or Associate Companies of Parent	286,474,612	270,880,308
Over 10% Holding	-	-
Directors' Shareholding	14,880,000	400,000
Spouses of Directors and CEO	-	-
Public Holding	464,019,854	138,942,849
Public Holding as a percentage of Issued Ordinary Shares	37.33%	15.65%

Group Land Portfolio

Location	Land Extent			Market Value (Rs. Mn)	Category	Building Area (Sqft)
	A	R	P			
Echelon Squire, Colombo 01. WTC Building	2	-	-	26,222	Investment Property/ Property Plant & Equipment	976,538
No 324, Havelock City, Colombo 06. Clubhouse Building	-	3	22	1,421	Property Plant & Equipment	45,130
No 324, Havelock City, Colombo 06.	13	2	19	10,895	Inventory – Long term Assets	-

Notice of Meeting

Notice is hereby given that the Thirty- Sixth (36th) Annual General Meeting of OVERSEAS REALTY (CEYLON) PLC will be held on Thursday, 29th March 2018 at 10.30 a.m. at the Havelock City Club House, No. 324, Havelock Road, Colombo 06, for the transaction of the following business:

AGENDA

1. To receive and consider the Report of the Board of Directors and the Financial Statement as at 31st December 2017 and the Report of the Auditors thereon.
2. To declare a First and Final Dividend of Rs. 1.25 per Ordinary Share in respect of the financial year ending 31st December 2017 as recommended by the Directors.

3. **i) Ordinary Resolution**

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 25th December 1986 and that he be re-elected as a Director of the Company.

ii) Ordinary Resolution

That the age limit of 70 years referred to in Section. 210 of the Companies Act No. 07 of 2007 shall not apply to HUSSAIN ZUBIRE CASSIM who attained the age of 70 years on 9th September 1995 and that he be re-elected as a Director of the Company.

iii) Ordinary Resolution

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 12th April 2006 and that she be re-elected as a Director of the Company.

iv) Ordinary Resolution

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 30th April 2010 and that he be re-elected as a Director of the Company.

v) Ordinary Resolution

That the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to YAP BOH PIN, who attained the age of 70 years on 2nd February 2011 and that he be re-elected as a Director of the Company.

vi) Ordinary Resolution

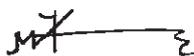
That the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to TISSA KUMARA BANDARANAYAKE, who attained the age of 70 years on 3rd January 2013 and that he be re-elected as a Director of the Company.

vii) Ordinary Resolution

That the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to LESLEI RALPH DE LANEROLLE, who attained the age of 70 years on 5th January 2013 and that he be re-elected as a Director of the Company.

4. To re-appoint Messrs. Ernst & Young, Chartered Accountants, as Auditors to the Company and to authorize the Directors to determine their remuneration.

By Order of the Board
Overseas Realty (Ceylon) Plc.



Minoka S. Fernando
Company Secretary

Colombo on this 27th February 2018

Corporate Information

Name of the Company

Overseas Realty (Ceylon) PLC

Company Registration No.

PQ39

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.PBS1084 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
Level18–East Tower
World Trade Center
Echelon Square
Colombo01
Tel: 2346333

Directors

Shing Pee Tao – Chairman
Hussein Zubire Cassim – Deputy Chairman
Tissa Kumara Bandaranayake
Ajit Mahendra De Silva Jayaratne
Leslie Ralph de Lanerolle
Rohini Lettitia Nanayakkara
Mildred Tao Ong
Melvin Yap Boh Pin
En Ping Ong
Ranee Jayamaha
Pravir Samarasinghe

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

Group Management Committee

Pravir Samarasinghe
Roschen Perera
Remaz Ghouse
Pradeep Pethiyagoda
Minoka Fernando
Indradeva Mendis
Anshal Ambawatte
Yasheela Amarawardena
Kumi Miranda

Company Secretary

Minoka Fernando
Attorney-at-Law

Auditors

Messrs. Ernst &Young
201, De Saram Place
Colombo10
Tel: 2463500

Registrars

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

Subsidiaries

Mireka Capital Land (Private) Limited
Mireka Homes (Private) Limited
Havelock City (Private) Limited
Overseas Realty Investments Lanka (Private) Limited
Mireka Residencies (Private) Limited
Mireka Property (Private) Limited
Realty Management Services (Private) Limited

Level 18–East Tower
World Trade Center
Echelon Square
Colombo 01
Tel: 2346333/2502247/2505100

Websites

www.orcl.lk
www.wtc.lk
www.havelockcity.lk



Overseas Realty (Ceylon) PLC

Level 18-East Tower, World Trade Center, Echelon Square, Colombo 01, Sri Lanka.