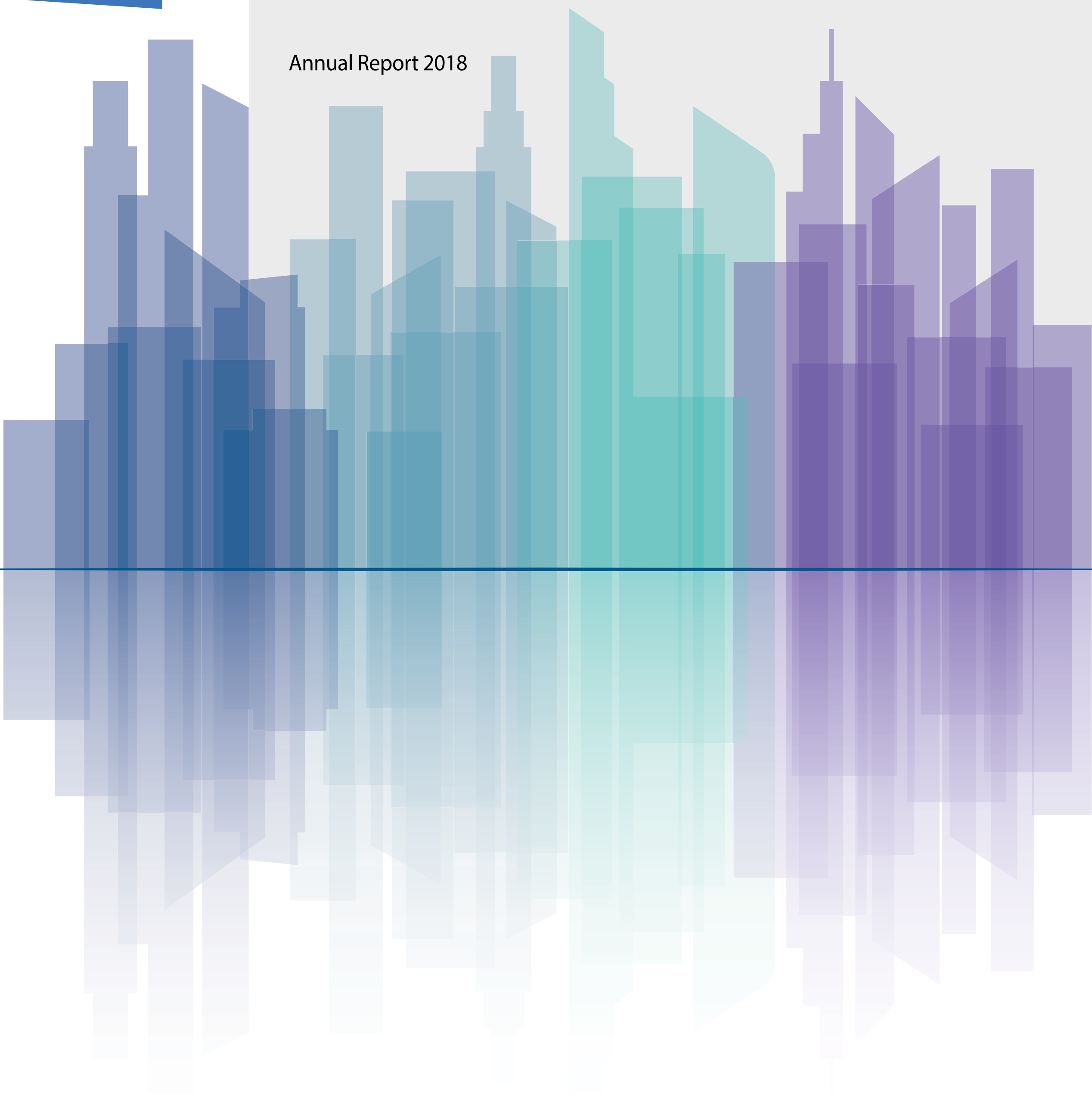
Envisioning Modernism

K OVERSEAS REALTY

Annual Report 2018



Envisioning
Modernism

Colombo's skyline is characterized by towering sky scrapers introducing modern living standards of a developed city. Many years ago, we spearheaded the iconic World Trade Center and the Havelock City developments taking the lead towards a modernistic city. Today we witness the modernism we envisioned many years ago taking shape.

As we progress forward we set the benchmark and envision modernism.

CONTENTS

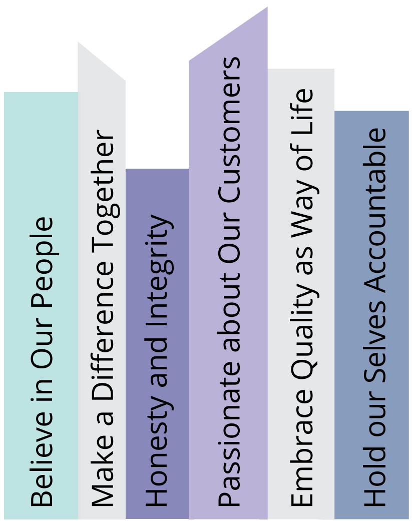
Our Vision

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

Our Mission

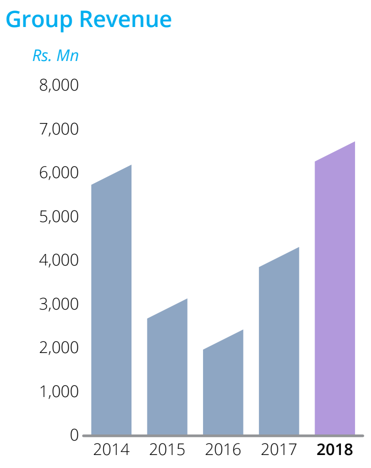
To be a truly Sri Lankan, self-contained, diversified, real estate solutions provider, driven by a highly motivated professional team to exceed the expectations of customers and shareholders.

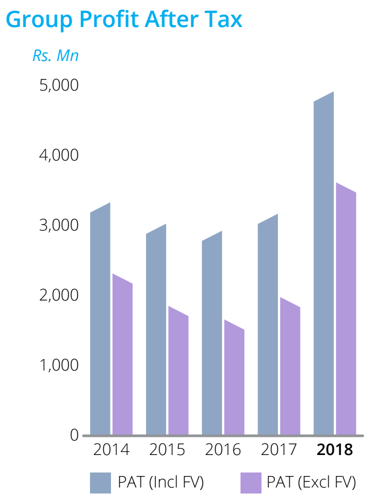
Our Values

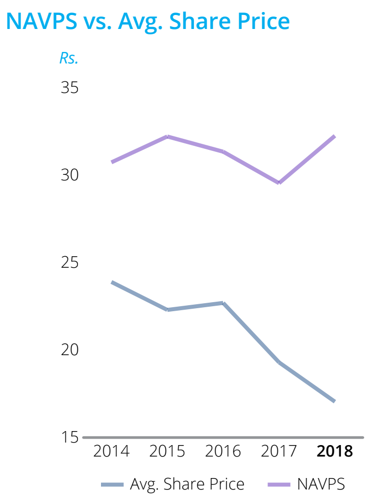


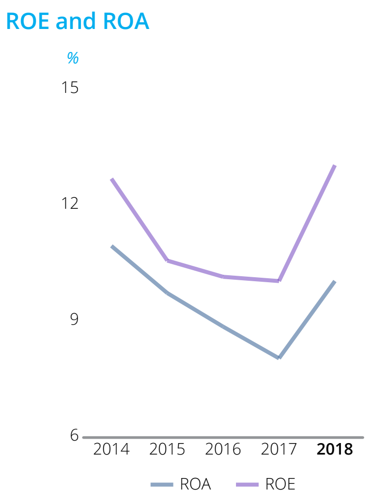
Financial Highlights

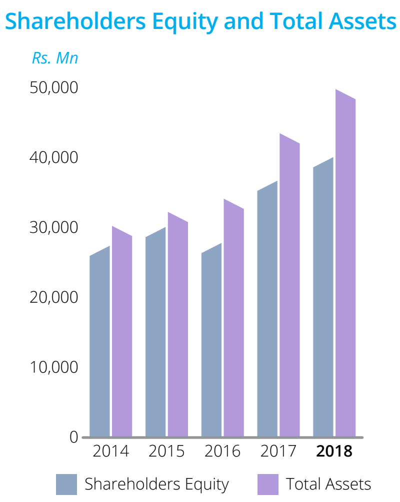
For the year ended 31st December	2018	2017
	Rs. Mn	Rs. Mn
INCOME STATEMENT		
Revenue	6,785	4,317
Gross Profit	3,744	2,316
Fair Value Gain (FVG)	1,223	1,191
Profit Before Tax (PBT)	4,960	3,756
Profit After Tax (PAT)	4,817	3,173
PAT (Excluding FVG)	3,594	1,983
STATEMENT OF FINANCIAL POSITION		
Total Assets	50,050	43,522
Total Liabilities	10,015	6,789
Loans and Borrowings	2,914	2,007
SHAREHOLDERS' EQUITY		
Stated Capital	18,443	18,443
Reserves	21,592	18,290
FINANCIAL RATIOS		
Gross Profit Margin	55%	54%
PAT (Including FVG) Margin	71%	74%
PAT (Excluding FVG) Margin	53%	46%
Earnings Per Share (Including FVG)	3.88	2.55
Earnings Per Share (Excluding FVG)	2.89	1.59
Return on Equity	13%	10%
Return on Assets	10%	8%
Debt Equity Ratio	7.3%	5.5%
Net Assets Per Share	32.21	29.55
PE Ratio	4.3	6.9











Total Assets

Rs. 50,050 Mn

Earning Per Share

Rs. 3.88

Group Revenue

Rs. 6,785 Mn

Profit after tax PAT

Rs. 4,817 Mn

Chairman's Review

"I am extremely happy to report that your group recorded a Net Profit After Tax of Rs. 4.8 Bn, an increases of 52% compared to last year."

It gives me great pleasure to present the Annual Report and Financial Statements of Overseas Realty (Ceylon) PLC for the Year ended 31st December 2018. On behalf of Board of Directors, I am pleased to welcome my fellow shareholders to the 37th Annual General Meeting of Overseas Realty (Ceylon) PLC.

I am extremely happy to report that your group recorded a Net Profit After Tax of Rs. 4.8 Bn, an increases of 52% compared to last year.

Economic Outlook

The Sri Lankan economy slowed down and grew by 2.9% in 2018 compared to 3.1% in 2017. Interest rates continued to increase during the year while inflation remained at single digits. The Sri Lanka Rupee depreciated by 19% against the US Dollar adding pressure on construction costs. The political impasse experienced during the last quarter of 2018 resulted in further challenges to the real estate sector. The performance of the Company within this challenging economy was noteworthy.

Financial Performance

The Company and its fully owned subsidiaries, Mireka Homes (Pvt) Ltd. and Realty Management Services (Pvt) Ltd., achieved good operational and financial results during the year 2018.

The Company Revenue of Rs. 2.3 Bn, was 10% higher than last year due mainly to higher rental rates and healthy occupancy levels maintained during the year. Further Mireka Homes recorded a Revenue of Rs. 4.1 Bn compared to Rs. 1.9 Bn in 2017 due mainly to increased revenue recognized from Havelock City Phase 3 apartment sales. Consequently the Group Revenue and Profit Before Tax grew by 57% and 32% respectively.

World Trade Centre, Colombo

Since its inception 24 years ago the World Trade Center has been the "best business address" in Colombo with unmatched built quality, facilities, services and location in the central business district.

The World Trade Centre continued to perform strongly and achieved a 10% increase in Rental Revenue amid a marginal decrease in occupancy.

The Company has commenced a comprehensive refurbishing and upgrading program to the common facilities of the building with the intention of continuing to provide a superior service to owners, occupants and visitors. It is a strong testament to the Company's dedication and commitment to excellence in providing quality office space.

Havelock City

Havelock City- the premier integrated mixed-use real estate development project in Sri Lanka comprises both Residential and Commercial components.

Residential Component

The Havelock City Residential development is built in four Phases. Phase 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 simultaneously under construction.

Phase 3 consisting of 304 units with 80% construction completed by end 2018, is 62% pre-sold and the construction is expected to be finished by September 2019. On the other hand, Phase 4 which was launched to market in August 2018 was 28% completed by end 2018 with 16% pre-sold and is expected to be finished in October 2020.

Commercial Component

The Havelock City Commercial Development comprises a 50 storeyed Office Tower and a Shopping Mall built to International Standards which will be an iconic landmark in the vicinity.

The on-time completion of the piling works paved the way to commence the construction of the Super Structure on target with completion expected by April 2021. Pre-leasing of retail space has already begun.

Future Outlook

Sri Lanka is evolving as one of the leading destinations in the region, with office, commercial, tourism and service sectors expected to grow over the next decade. Political stability, economic growth and business confidence are key ingredients for the property sector to prosper in any country. I believe your Company is well positioned to be a direct beneficiary of the long-term prospects for Sri Lanka. Whilst we have recorded steady growth up to 2018, the Company will endeavor to explore property related opportunities to enhance Shareholder value.

Dividends

Your Board recommend a first and final divided of Rs. 1.25 per Share amounting to Rs. 1,554 Mn (2017 - Rs. 1,554 Mn)

Acknowledgement

In Conclusion, on behalf of the Board of Directors, of the Company, I wish to take this opportunity to convey my gratitude to all our Stakeholders for their continuous confidence and support during the year. I also wish to thank the Management and Staff for their dedication and performance. Finally, I extend my appreciation to my Directors for their expert guidance and professional advice offered during the year.

S. P. Tao
Chairman
15th February 2019

Profiles of Directors

Mr. Shing Pee Tao

Mr. Shing Pee Tao is the Founder of the Shing Kwan Group of companies. A naturalized Singapore citizen 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 and in the 1970's, he assisted Sri Lanka to establish the Ceylon National Shipping Corporation. In 1991, Mr. Tao revisited Colombo and was introduced to the Echelon Square site by his old and dear friend, Mr. Baku Mahadeva, then Chairman of National Development Bank. Thereafter, being convinced of the country's strategic location, its long term growth and investment potential and attracted by the generous incentives offered by Sri Lanka Government for a Flagship development. Mr. Tao acquired Overseas Realty (Ceylon) PLC (ORC PLC), a listed Company on the Colombo Stock Exchange, that owned the land at Echelon Square in the Colombo Fort area.

Mr. Tao then decided on a significant investment in Sri Lanka, for his legacy, in developing the World Trade Center (WTC) 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 Centre 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 ORCPLC. 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 (Shanghai) 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 welfare and educational organizations. He is a Honorary Council Member of the Singapore Hokkien Huay Kuan and 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 in 2001 with a BA (Hons) in Applied Mathematics and later attended the Graduate School of Business at Stanford University for his MBA. Mr. Ong has a background in investment banking and in 2012, co-founded Barghest Building Performance, a leading Energy Efficiency solutions company based in Singapore.

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

Dr. Ranee Jayamaha is currently the Lead Consultant for South Asia Region for the World Bank Group and a Director of the Regional Centre for Strategic Studies. 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 Lettitia Nanayakkara

Mrs. Rohini Nanayakkara was appointed to the Board of Directors of the Company as an independent Non-Executive Director in 2005. She holds a second Class BA Honours Degree from the University of Peradeniya, Sri Lanka. She also holds a Diploma in French from the Chamber of Commerce, Brussels. She is a Fellow of the Institute of Management& the Institute of Bankers, Sri Lanka. She has also been the President of the Sri Lanka Banks Association and the Association of Professional Bankers, a member of the Commission of the University of Colombo, Sri Lanka and of the Task Force 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 and Asian Institute of Business and Science. She is also a trustee of the National Trust of Sri Lanka.

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 publicly listed and unlisted corporates.

He is the Chairman of the Employers' Federation of Ceylon and serves as a Board member of the Ceylon Chamber of Commerce. He also serves on the Financial System Stability Consultative Committee of the Central Bank of Sri Lanka. 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.

Management
Review

Property Leasing

Revenue
Rs. 2,334 Mn
2017 - Rs. 2,090 Mn

Assets
Rs. 42,191 Mn
2017 - Rs. 40,230 Mn

Profit Before Tax

Rs. 3,335 Mn

2017 - Rs. 3,246 Mn

Liabilities

Rs. 2,574 Mn

2017 - Rs. 2,316 Mn

Developed 25 years ago, as the prime attraction of Sri Lanka's business and financial district, the World Trade Centre (WTC) Colombo is an international business complex and impressive landmark that comprises two 39 storey towers connected by a four storey retail block. This complex is situated in the Central Business District (CBD), providing easy access to all main banks, major five-star hotels, government offices, shops and the head officers of some of the largest businesses in the country.

In spite of the challenging business and political environments prevalent in the country, the average occupancy of the WTC was 91% for 2018. The Company is confident in maintaining healthy occupancy levels in coming years.

The company commenced its' common area refurbishment program of WTC during the year, which will enable us to offer improved facilities and services to the owners, occupants and visitors of the building. Our well experienced and professional team will also continue to enhance tenant experiences to maintain our reputation as the "Best Business Address" in Colombo.

The Group's next long term asset with a recurring rental income stream will be the Havelock City Commercial Development, which would comprise of a landmark 50 storied office tower of 600,000 sq.ft and a 200,000 sq.ft shopping mall servicing the life style needs of the catchment. During the year the superstructure contract was awarded to a world renowned contractor. The construction is expected to be completed in April 2021.

Property Trading

Revenue

Rs. 4,100 Mn

2017 - Rs. 1,935 Mn

Assets

Rs. 18,986 Mn

2017 - Rs. 9,950 Mn

Profit Before Tax
Rs. 1,752 Mn
2017 - Rs. 476 Mn

Liabilities
Rs. 7,444 Mn
2017 - Rs. 5,736 Mn

Built on 18 acres of prime land in the heart of Colombo, Havelock City is the largest mixed-use development which comprises both Residential and Commercial components.

Havelock City Residential is built in Phases, and the successful sell outs of Phase 1 & 2 paved the way for Phase 3 which; will be ready for occupation by end-2019. Phase 4 comprising two more apartment towers named Peterson and Edmonton were launched for sale to the market in August 2018 thus offering buyers different completion and payment options.

The Havelock City Clubhouse equipped with many facilities and amenities ranging from swimming pools, gymnasiums, squash courts, launderettes, Jacuzzis complements the unique lifestyle Havelock City has to offer to its residents.

For a growing high and middle income population, luxury housing is a key attraction in residential markets. Demand for such housing is derived from a growing urban wealthy demographic and non-resident Sri Lankans keen to invest in their country of origin.

However, the recent slowdown in economic activity resulted in lower off-take of apartments casting an amber light to a potential over supply in the super luxury sector.

At the same time, as a large number of our people continue to migrate from rural areas to urban territories, there is a huge supply gap in affordable and middle-income housing.

As population and land prices grow, vertical living becomes a necessity. Currently, Colombo has less than 5% of its population living in apartment complexes when compared with 30-50% in other regional cities in South and South East Asia, and it is evident that much more scope exists for apartment construction to cater to future housing demand.

The biggest challenge the industry is facing today, is the sharp increase in construction costs. This is due mainly to a plethora of taxes and levies imposed on imports, building materials and contractors. Construction costs in Sri Lanka are 30-50% higher than regional countries. On top of the heavy taxes levied on the construction industry the steep depreciation of the SL rupee (by 19% during the year 2018) brings about additional challenges.

Property Services

Revenue
Rs. 380 Mn
2017 - Rs. 267 Mn

Assets
Rs. 383 Mn
2017 - Rs. 126 Mn

Facility Management/Agency Services

With a portfolio of properties that spans over 8 Mn sq.ft. of space, Realty Management Services (Pvt) Ltd. (RMS) has emerged as the largest integrated facilities management service provider in Sri Lanka.

The extent of expertise and experience in managing facilities ranges from commercial, retail to residential properties. As a provider of complete real estate solutions, RMS facilitates the process of property management, development management, residential and commercial asset management, and offers advisory services in retail, office and energy management.

Furthermore, RMS has an unparalleled team of technical, mechanical, electrical and building works specialists combining international and local expertise for streamlining and sustaining facilities management solutions suited to any environment.

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 8 more prestigious establishments during 2018.

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

Trading

Realty Management Services (Pvt) Ltd., - Trading Division has been the exclusive distributor for NVC Lighting Solutions and Faro Barcelona designer lighting and fans in Sri Lanka. NVC Lighting Technology Corporation is the largest lighting manufacture in China offering innovative indoor, outdoor and decorative lighting solutions. It offers a broad range of products for professional and domestic use supported by extensive research and development and manufacturing facilities across China.

The success of NVC lighting in the local market in the last 5 years paved the way to expand the product portfolio by introducing FARO designer brand to the local market.

FARO Barcelona, a designer European brand with over 60 years of experience in the industry, has a range of decorative fans and Indoor lighting to cater to Luxury architectural designs such as villas, boutique and Luxury hotels and homes.

We will continue to expand our presence in the “projects” market by focusing on NVC industrial, commercial and street lighting solutions and Faro quality designer lighting solutions for residential and hospitality segments. From 2019, the operations will be carried out by Overseas Realty Trading (Pvt) Ltd., which is a 100% own subsidiary of Overseas Realty (Ceylon) PLC.

Profit Before Tax

Rs. 62 Mn

2017 - Rs. 37 Mn

Liabilities

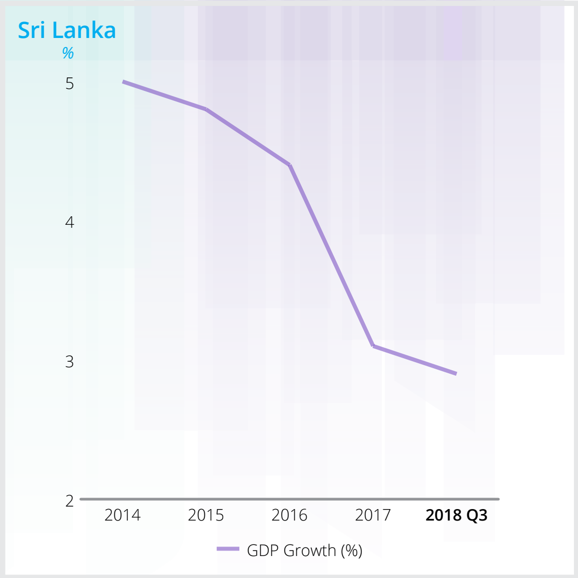
Rs. 329 Mn

2017 - Rs. 66 Mn

Financial Review

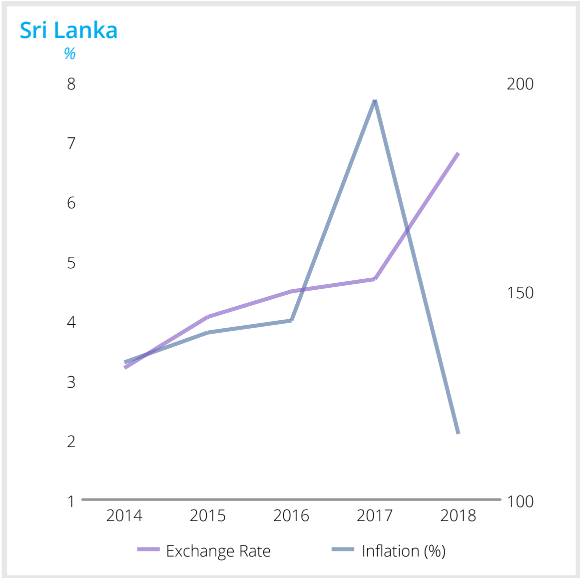
The Economy

The Sri Lanka economy recorded a growth of 2.9% of the Gross Domestic Product (GDP) for the end of 3rd Quarter 2018 compared to 3.1% in 2017. Agriculture, Industry and Services, the major components of the economy have contributed their share to the GDP growth by 3.3%, 1.9% and 3.9% respectively. Real Estate activity has contributed to the GDP growth by 2.2%.



The annual average inflation was 2.1% (2017 - 7.7%) and the decrease in inflation in the year was driven by the decrease of prices of items in both Food and Non-food categories. In December 2018 the Average Weighted Prime Lending Rate (AWPLR) increased to 12.09% compared to 11.55% in the previous year while Average Weighted Fixed Deposit Rate (AWFDR) decreased to 10.85% compared to 11.48% in the previous year.

The widening trade deficit, tight conditions in the global markets and excessive speculation in the domestic market exerted pressure on the exchange rate, and the Sri Lankan rupee depreciated by 19% against the US dollar during 2018.



Within this challenging macro-economic conditions faced by the country, pressure on the exchange rate and upward movement on interest rates, the Group recorded a worthy performance for the year under review.

Revenue

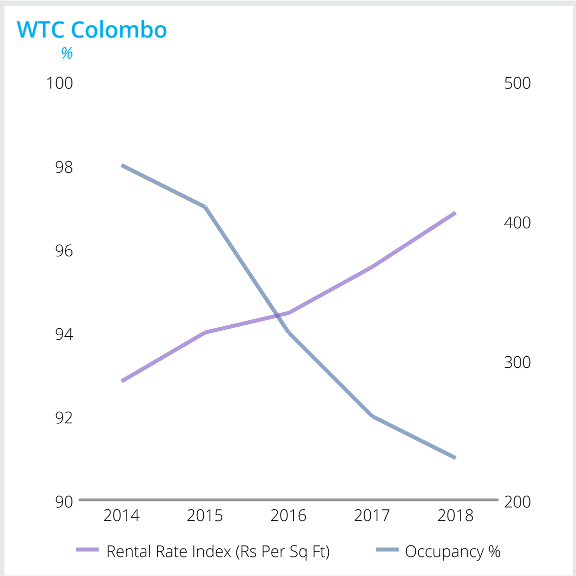
During 2018, Group Revenue of Rs. 6,785 Mn (2017 - Rs. 4,317 Mn) was 57% higher than last year due mainly to increased revenue from Havelock City Apartment Sales. The main sources of income were derived from Mireka Homes (Pvt) Ltd., (MHL); through sale of condominium units at Havelock City (HC), Overseas Realty (Ceylon) PLC; through leasing of office space at the World Trade Center (WTC) Colombo and Realty Management Services (Pvt) Ltd., (RMS); through Property servicing, Agency commission and Trading of imported lighting solutions.

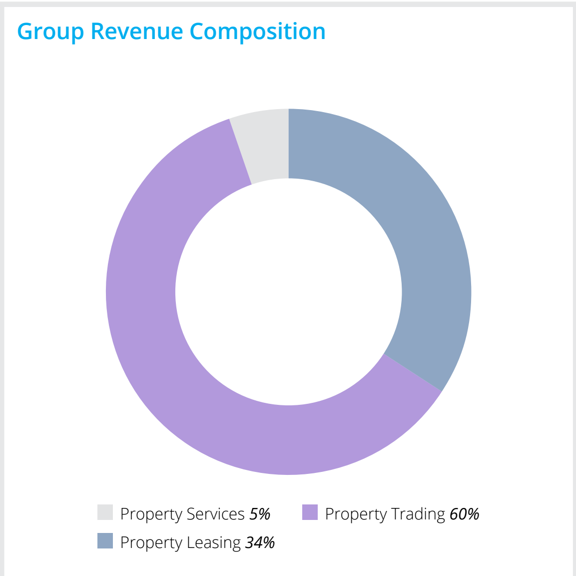
Revenue of MHL from the sale of condominium units amounted to Rs. 4,100 Mn (2017 - Rs. 1,935 Mn), an increase of 112% over the previous year due mainly to increased revenue recognition during the year from Phase 3 Apartment Sales of Havelock City.

Financial Review

The revenue from leasing spaces at WTC increased by 12% to Rs. 2,334 Mn (2017 - Rs. 2,090 Mn), due mainly to higher rental rates and healthy occupancy levels maintained during the year.

RMS contributed Rs. 380 Mn (2017 - Rs. 267 Mn) to the group revenue which included Rs. 155 Mn (2017 - Rs. 111 Mn) from Property Services and Rs. 20 Mn (2017 - Rs. 21 Mn) from Agency Services and Rs. 205 Mn (2017 - Rs. 135 Mn) from Trading of imported lighting solutions.





Operating Expenses

The Company's operating expenses for the year of Rs. 729 Mn (2017 - Rs. 663 Mn), was 10% higher than compared to the last year, due mainly to higher expenditure on Members Contribution and Property Rates.

The Group operating expenses including administration and marketing expenses were Rs. 3,564 Mn (2017 - Rs. 2,418 Mn), which was an increase of 47%, due mainly to higher Revenue/cost recognized from Apartments sale.

Gross Profit

The Group Gross Profit of Rs. 3,744 Mn (2017 - Rs. 2,316 Mn) was 61% higher than prior year. Gross Profit from property leasing of the WTC Colombo was Rs. 1,827 Mn (2017 - Rs. 1,625 Mn), an increase of 12% over the previous year due mainly to the higher rental rates. Gross Profit from the sales of apartments at Havelock City was 1,955 Mn (2017 - Rs. 628 Mn), which was an increase of 211% over the previous year, due mainly to the higher revenue recognition from Phase 3 Apartment Sales of Havelock City.

Operating profit

The company's operating profit (excluding fair value gain) of Rs. 1,564 Mn (2017 - Rs. 1,413 Mn) was 11% higher than last year due mainly to higher rental rates maintained during the year. Consequently the operating profit margin of 68% (excluding fair value gain) was inline with the last year.

Finance Income and Finance Expenses

The Group recorded a Finance income of Rs. 313 Mn (2017 - Rs. 460 Mn) during the year which was a decrease of 32% over the previous year due mainly to lower surplus of excess funds.

The company recorded a cost of Rs. 55 Mn (2017 - Rs. 2 Mn) during the year as fair value adjustment on Rental Deposits, adhering to SLFRS requirements.

Profit Before Tax (PBT)

The Group Profit Before Tax for the year of Rs. 4,960 Mn (2017 - Rs. 3,756 Mn) was 32% higher than last year due mainly to the higher profit from Havelock City apartment sales.

Taxation

The income tax expense of the Group and the Company for the year were Rs. 142 Mn (2017 - Rs. 582 Mn) and Rs. 101 Mn (2017 - 537 Mn) respectively. The last year income tax expense was higher due to initial recognition of 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% on turnover in terms of the agreement entered with the Board of Investment.

Cash and Borrowings

The Group's cash and short term investment as at 31st December 2018 were Rs. 4,895 Mn (2017 - Rs. 7,431 Mn) which was a decrease of 34% over the previous year. This was mainly due to the investment made in the Mixed Development Project undertaken by Havelock City (Pvt) Limited, a subsidiary company of Mireka Capital Land (Private) Limited.

The Group's total borrowing was Rs. 2,914 Mn (2017 - Rs. 2,007 Mn), which mainly includes Rs. 2,893 Mn loans obtained for finance the Havelock City Residential Development undertaken by Mireka Homes (Pvt) Ltd.

Net Assets

The Group Net Asset value per share as at 31st December 2018 stood at Rs. 32.21 (2017 - Rs. 29.55).

Earnings per Share

The Group earnings per share for the year 2018 increased by 54% to Rs. 3.88 per ordinary share (2017 - Rs. 2.55).

Price Earnings Ratio

The Price Earnings ratio of the Company as at 31st December 2018 was 4.3 times (2018 - 6.9 times).

Dividends

Dividend paid to ordinary shareholders in 2017 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 2018. The total Dividend outflow would be Rs. 1,554 Mn (2017 - 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 13% for the year 2018 (2017 - 10%).

Assets

The total Group asset base increased from Rs. 43,522 Mn to Rs. 50,050 Mn in 2018. The increase was mainly derived from additions to Property, Plant & Equipment, other Current Assets and gain on Investment Property fair valuation. The increase in Property, Plant & Equipment was mainly on account of work-in-progress relating to the "Havelock City Commercial project".

Liability

Total Liabilities as at 31st December 2018 increased to Rs. 10,015 Mn compared to Rs. 6,789 Mn in the previous year, due mainly to the loans obtained during the year and contractors' payable for Havelock City Residential and Commercial Development projects.

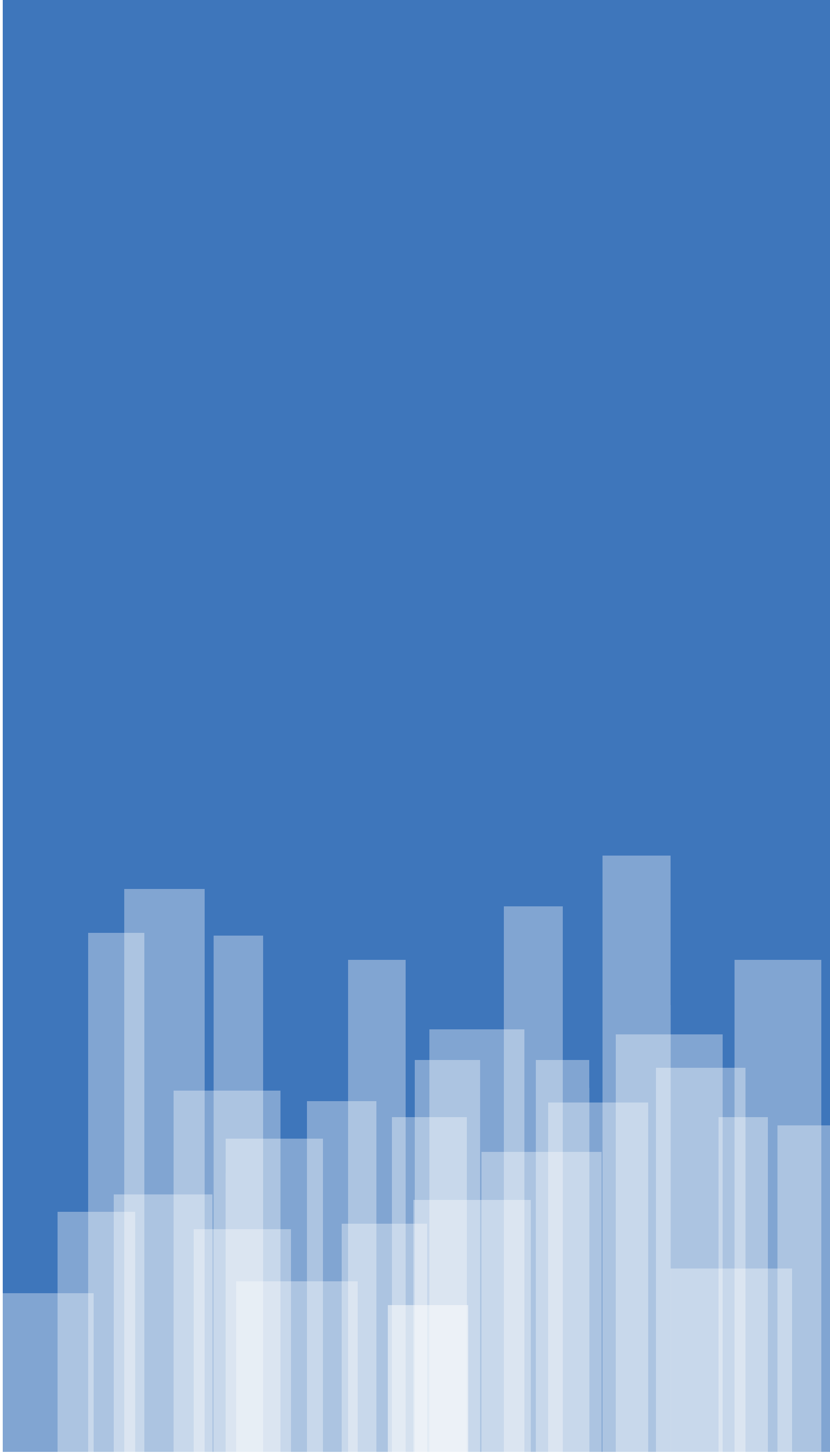
Total Equity

Total Equity of the Group Increased by Rs. 3,301 Mn to Rs. 40,035 Mn (2017 - Rs. 36,734 Mn) mainly due to the profit after tax of Rs. 4,817 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.

Sustainability Report



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.

1 NO POVERTY	We have provided direct and indirect employment to over 2000 people among our projects, allowing them to generate a secure source of income.
3 GOOD HEALTH AND WELL-BEING	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.
5 GENDER EQUALITY	We are an employer of equal opportunity and our overall female representation rate amounted to 19% in 2018. At management level, female representation was at 25%.
13 CLIMATE ACTION	During the year we introduced a number of initiatives to reduce our energy consumption in the WTC Colombo building and other buildings we manage.
8 DECENT WORK AND ECONOMIC GROWTH	We provide a rewarding and dynamic work environment to all our employees and invest in their training and development and career progression.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Multiple measures for the efficient use of energy and water in our main building and construction sites are implemented.
11 SUSTAINABLE CITIES AND COMMUNITIES	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.
2 ZERO HUNGER	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.
6 CLEAN WATER AND SANITATION	We ensure clean water and Sanitation for all our employees, tenants and visitors who step in to our World Trade Centre - Colombo building.

Sustainability Report

Group Sustainability Strategy

Developing a sustainable business is our core strategy and corporate responsibility has long been a belief 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	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. 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.
Market Presence and Economic Value creation	We operates in five key operational areas, Property Leasing, Property Trading, Facility Management, Agency Services and Trading.
Environmental & Social Sustainability	Environmental and social sustainability policies govern the sustainability efforts and parameters of each of the Company's operational departments. 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.
Employee Development, Equal Opportunity & Anti-corruption	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. Adopts a policy of innovative training and continuous learning that overcomes the customary barriers to effective learning. Gender equality and equal opportunity governed by Human Resource policy. Anti-corruption training extended to all employees with honesty being a key corporate value.
Sustainable Purchase and Produce	Sustainable supplier policy dictates that suppliers be evaluated and preference given based on their own commitments to sustainable practice. Bulk purchasing is given priority and supplies in returnable containers of packaging are encouraged.

Sustainability Report

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 327 World Trade Centers located in 91 countries worldwide which makes the brand unique and unparalleled.

WORLD TRADE CENTER®
COLOMBO

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.

HavelockCity
A CITY WITHIN A CITY

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

RMS offers Facilities Management Services to selected large scale projects in Sri Lanka and NVC & FARO provides Lighting Solutions for Industrial and Residential projects in the country.

RMS

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. A rain water harvesting system has been implemented to collect rain water from the rooftop and façade and has reduced the water consumption from the city main supply.

Biodiversity

Havelock City Project has been designed with a 7 acres landscaped roof garden, which ensures the protection of bio-diversity 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 standardize the management practices of plant & equipment.

Energy Conservation

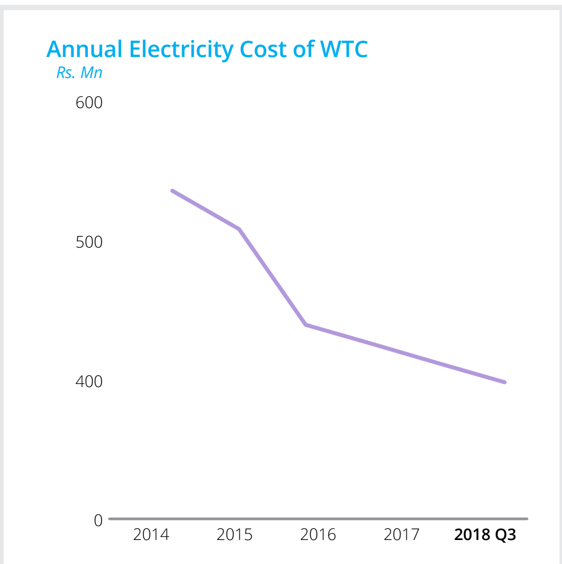
The Company is continuously focused in minimizing the energy consumption through implementation of various energy saving methods.

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, Two Cooling Towers renovation were completed during the year 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 Analyzers, 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.

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

Continuosly the Company has been recognised in the last 9 years, at the CA Sri Lanka Annual Report Awards Ceremonies and was awarded the Silver Award for the Land and Property sector, at the CA Sri Lanka 54th Annual Report Awards Ceremony - 2018.

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.

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 neighboring buildings & properties.

We manage Havelock City development minimizing disturbances to neighboring residence complying with regulations.

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.

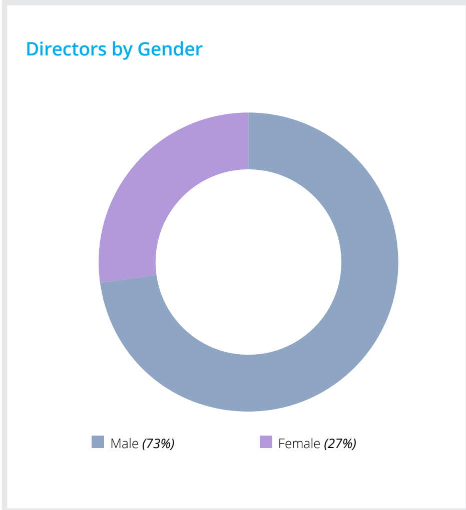
The Group's HR policy is aligned with legal framework and covers all aspects of people management including recruitment, motivation, rewards and recognition, performance management, industrial relations and grievance mechanisms. The policies ensure compliance with regulatory requirements including the 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.

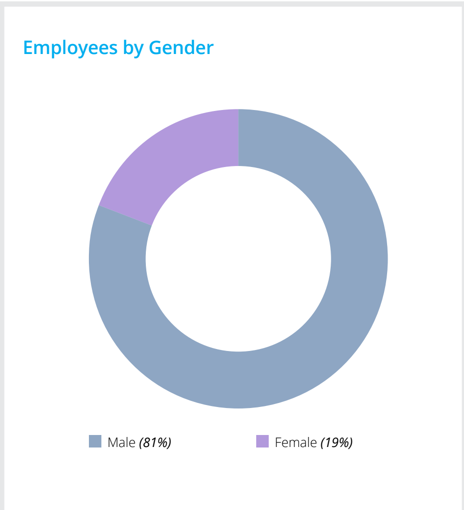
Continuous training, development and career progression opportunities are provided to all categories of employees. A structured performance management system is adopted with half yearly reviews, which provides an objective based appraisal system and reward and recognition process.

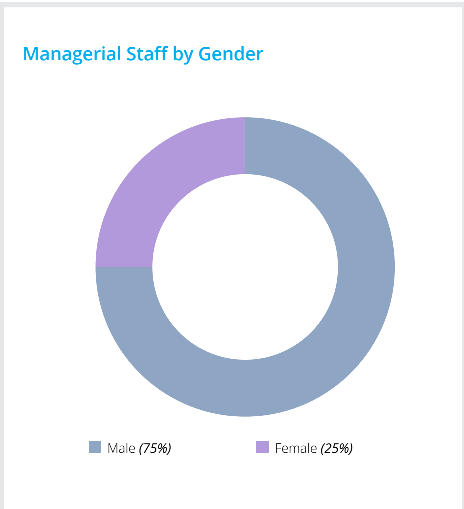
The company provides medical and surgical insurance policy to cover in house medical treatment to employees and their family. Further, employees are provided a personal accident cover in order to claim for any accidental injuries or partial disabilities covering 24 hours of the day. In addition, employees 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 dinner with senior management and directors.







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 is successfully practicing its new values launched 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

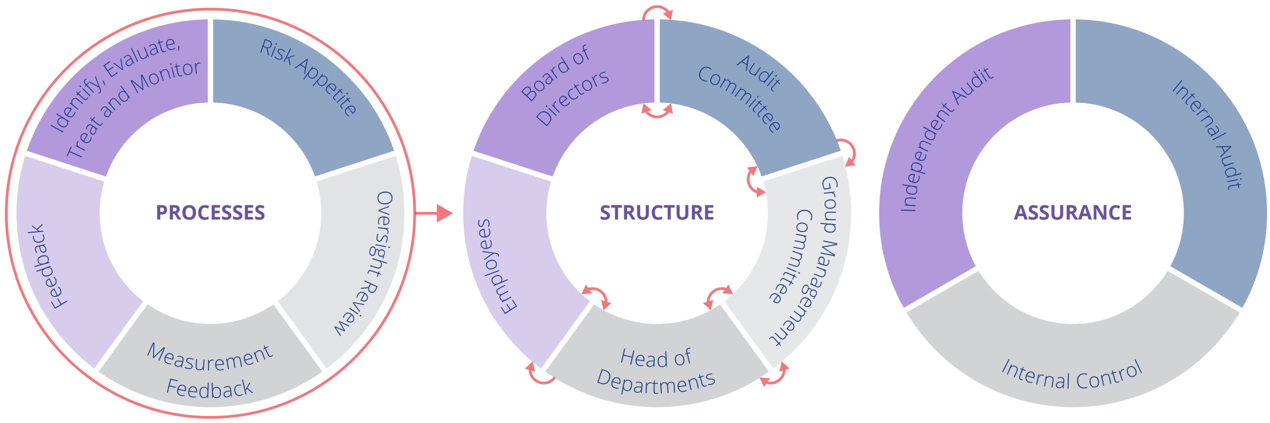
Enterprise Risk Management Process

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 issues 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 frame work 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.
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	Medium	Risks from increase in construction material and other costs	Fixed price SLRS/USD 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.

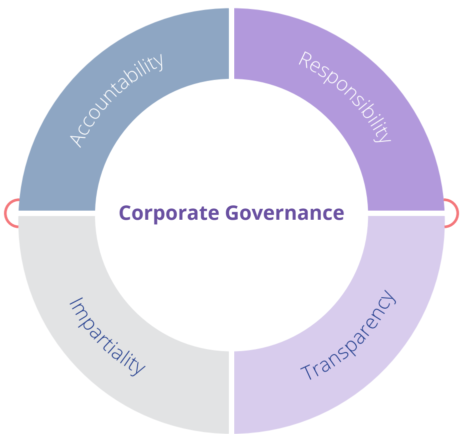
Risk Management Report

Risk Type	Rank	Factor	Strategies/Action Plan
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	Some apartment sales are contracted in USD. Estimated Currency fluctuation is factored into cost of development. Exchange rate movements are constantly monitored and foreign currency borrowings minimized through Cash Flow Management.
Interest Rate	Medium	Risks relating to Interest Income and Cost of Borrowing	Monitoring and management of cash flows daily. Negotiating favorable rates and terms on borrowings and deposits. Maintain an appropriate combination of fixed and floating rate borrowings.
Credit Recovery	Low	Non recovery of receivables	Regular review of Trade Receivables and follow-up. Contractual obligation which allows the Company to obtain adequate refundable deposits from lessees of leased property. Contractual obligation to repudiate an Apartment Unit whilst retaining 10% of purchase price. Contractual obligation to release assets only upon full payment is made for relevant property.
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	Senior management involvement in talent retention led by the Human Resources (HR) Department. Significant level of investment in training and development. Adoption of best practices in Human Resources Management.

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 44 to 56. 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 39 to 43.

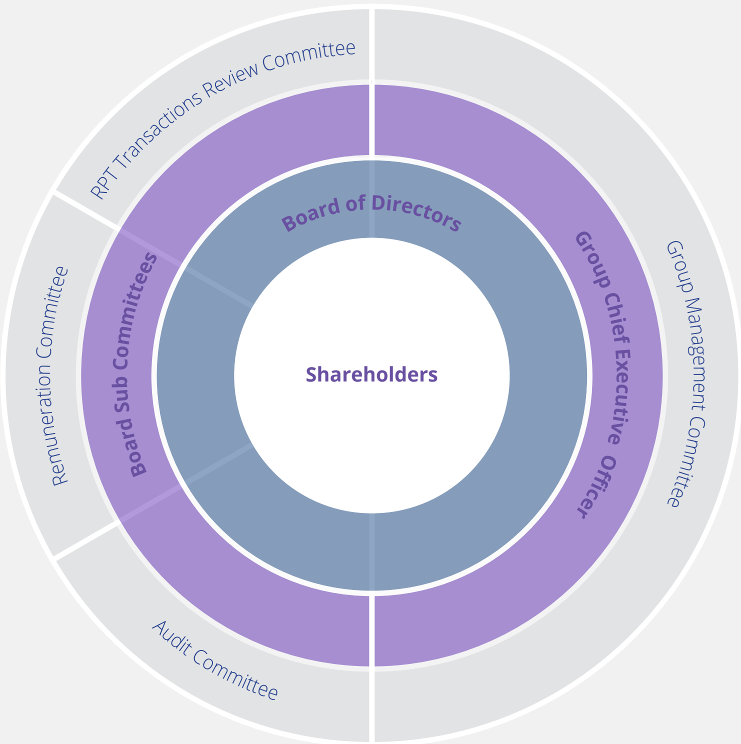
The Board of Directors also wishes to confirm that, to the best of their knowledge and belief, the Company has complied with all requirements under the Companies Act No. 07 of 2007 and satisfied all its statutory payment obligations to the Government and other statutory/ regulatory bodies.

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.

Corporate Governance Report

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 36th Annual General Meeting of the Company was held on the 29th March 2018 at the Havelock City Clubhouse, having given them fifteen working days' notice in advance of the meeting as required by the Companies Act.

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 11 directors in the Board. Out of them 10 directors are Non-Executive and 5 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-Executive	0/4
Mrs. Mildred Tao Ong	Non-Executive	4/4
Mr. Yap Boh Pin	Non-Executive	4/4
Mr. En Ping Ong	Non-Executive	4/4
Mr. H.Z. Cassim	Independent Non-Executive	4/4
Mr. A.M. De S. Jayaratne	Independent Non-Executive	4/4
Mr. L.R. De Lanerolle	Non-Executive	4/4
Mrs. R.L. Nanayakkara	Independent Non-Executive	3/4
Mr. T.K. Bandaranayake	Independent Non-Executive	4/4
Dr. Ranee Jayamaha	Independent Non-Executive	4/4
Mr. Pravir Samarasinghe	Executive Director	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 Committees 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 58 in the Audit Committee Report	Please refer Page 57 in Remuneration Committee Report	Please refer Page 60 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 49 and 56 under Section B for information relation to the remuneration procedure and page 135 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.

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 2018 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 43 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 43 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	No new directors were appointed during the year.

Rule No.	Corporate Governance Rule	Compliance Status	Details
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.
7.10.5	**Remuneration Committee**		
	A listed entity shall have a Remuneration Committee.	Complied with	Please refer page 57 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 57 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 57 of this Report. Please refer Page 135.
7.10.6	**Audit Committee**		
	A listed entity shall have an Audit Committee.	Complied with	Please refer pages 58 and 59 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.

Rule No.	Corporate Governance Rule	Compliance Status	Details
	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.
(b)	Functions of the Audit Committee shall include:		
	a. Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with SLFRS/LKAS.	Complied with	Please refer Audit Committee Report on pages 58 and 59 of this Report for the functions of Audit Committee.
	b. Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	Complied with	
	c. Overseeing the process to ensure that the internal controls and risk management processes are adequate to meet the requirements of the SLFRS/LKAS.	Complied with	
	d. Assessment of the independence and performance of the external auditors.	Complied with	
	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.	Complied with	
(c)	Names of Directors comprising the Audit Committee should be disclosed in the Annual Report.	Complied with	
	The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Complied with	Please refer the Audit Committee Report on pages 58 and 59 of this Report.
	The Annual Report shall contain a Report by the Audit Committee, setting out the manner of compliance in relation to the above.	Complied with	

Corporate Governance Report

Rule No.	Corporate Governance Rule	Compliance Status	Details
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 64 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 150 of this Report.
iv)	The Public Holding percentage.	Complied with	Please refer page 151 of this Report.
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 149 of this Report.
vi)	Information pertaining to material foreseeable risk factors of the entity.	Complied with	Please refer pages 132 to 134 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 106 and 152 of this Report.
ix)	Number of shares representing the entity' stated capital.	Complied with	Please refer pages 122 and 147 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 147 of this Report.
xi)	Following ratios and market price information. 1. Dividend per share 2. Dividend pay out 3. Net asset value per share 4. Market value per share Highest and the lowest value recorded. Value as at the end of the year.	Complied with	Please refer pages 146 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 106 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 122 of this Report.

Rule No.	Corporate Governance Rule	Compliance Status	Details
xiv)	**EMPLOYEE SHARE OPTION SCHEMES** All Following information shall be disclosed in the Annual Report of the listed entity in respect of each ESOS; • 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.	Complied with Complied with Complied with Complied with	Please refer page 66 of the Board of Directors Report.
xv)	Disclosure pertaining to Corporate Governance practices In terms of Rules 7.10.3, 7.10.5c and 7.10.6 c of Section 7 of the Rules.	Complied with	Please refer pages 39 to 43.
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.	Complied with	Please refer Note 26 on page 134 for the related party transactions

**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.

Corporate Governance Report

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 35 to 38.
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 37.
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.

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 22 to 30.
	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 71.
	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 advices 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.

Corporate Governance Report

Section Number		Compliance Status	Company' Commitment
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.
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 endeavors 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 37.
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 Chartered Accountants. Please refer profiles of Directors on pages 6 to 9.

Section Number		Compliance Status	Company' Commitment
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.
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 43 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-Executive Directors have appointed alternate directors, such alternate directors are not executives 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 43 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.

Section Number		Compliance Status	Company' Commitment
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.
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	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. Details of Directors interest in contracts are given on page 66. Details of related party transactions are provided on pages 134 to 135. Details on Directors attendance and other sub committees are provided on pages 57 to 61.
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	A Remuneration Committee has been appointed and functions within agreed terms of reference. Please refer page 57 for the Remuneration Committee Report.

Section Number		Compliance Status	Company' Commitment
B.1.2	Composition of Remuneration Committee.	Compliant	Please refer page 57 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 57.
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.
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.

Section Number		Compliance Status	Company' Commitment
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 135 of this report. The Remuneration Committee's Report which highlights the remuneration policy at the Company is give on page 57.
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 153 for details of the Annual General Meeting.
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 2017 was submitted to the CSE on 8th March 2018 and was posted to all shareholders by 08th March 2018. The AGM was held on 29th March 2018.
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.

Section Number		Compliance Status	Company' Commitment
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 **C 2.2** **C 2.3**	Communication channel to reach shareholders Company's Communication policy and methodology.	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 2.4	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.
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.	Compliant	Please refer Note 26 to the Financial Statements on page 134.

Section Number		Compliance Status	Company' Commitment
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 64 to 68.
D.1.3	Statements by Directors and Auditors on responsibility for financial reporting.	Compliant	Page 70 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 10 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 2018. The declaration of the Company as a 'going concern' is given in the Directors Report on page 67.
D.1.6	Requirement to summon an Extraordinary General Meeting (EGM) to notify serious loss of capital.	Not applicable	
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 60 and 61. Related party transactions are disclosed on Pages 134 and 135.

Section Number		Compliance Status	Company' Commitment
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 32 to 34.
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 58 to 59.
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

Section Number		Compliance Status	Company' Commitment
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 58 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 60 to 61 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 44 to 56 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 22 to 30.

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 6 to 9 of the Annual Report.

Meetings and Attendance

The Committee met on one occasion during the financial year 2018 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 135.

H. Z. Cassim
Chairman - Remuneration Committee

15th February 2019

Audit Committee Report

Composition

The Audit Committee appointed by the Board of Directors of Overseas Realty (Ceylon) PLC, comprises of five Non-Executive Directors and four of them being Independent Non-Executive Directors. As of the financial year ended 31 December 2018, 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 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 2018 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	3/4
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 2019, 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

15th February 2019

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 2018 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	3/4
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.

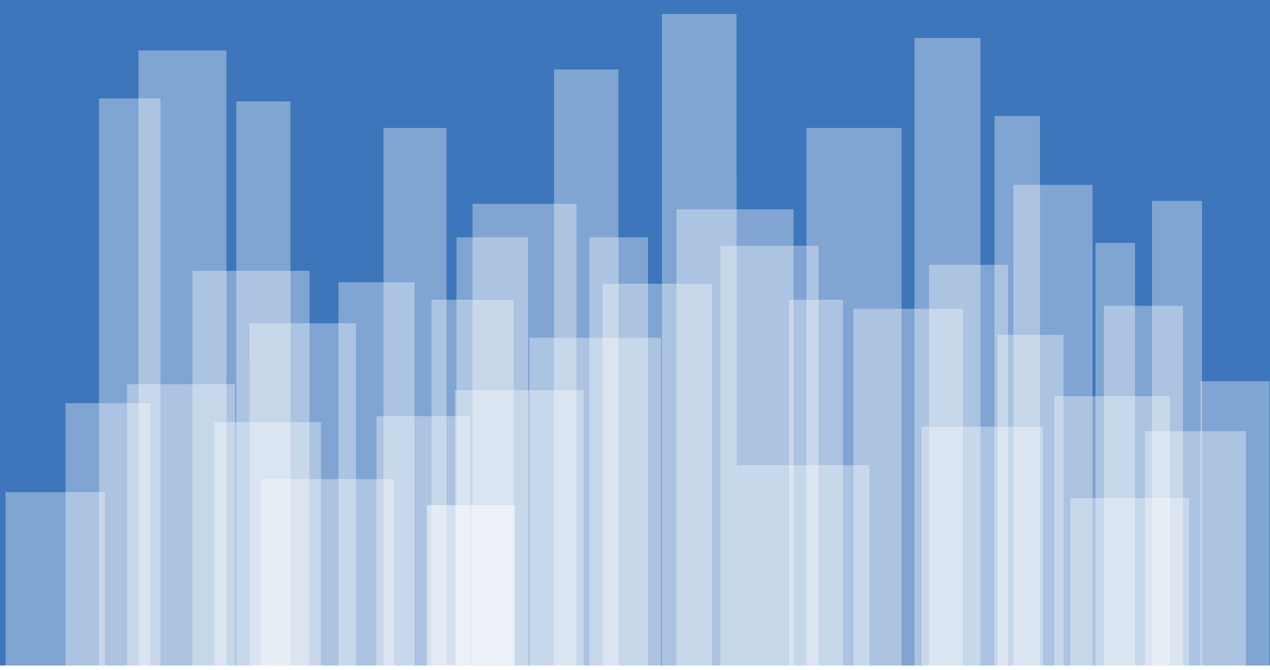
Related Party Transactions during the Year

During the year the Committee reviewed the related party transactions and their compliances in the Company and its Group Companies and communicated the same to the Board. Details of Related Party Transactions entered into by the Company during the year are disclosed in Note 26 to the Financial Statements.

Ajit M. de S. Jayaratne
Chairman – Related Party Transaction Review Committee

15th February 2019

Financial Calender		
Interim Financial Statements	**Target set for 2019**	**Achievement in 2018**
1st Quarter (Ended 31st March)	April 2019	15th May 2018
2nd Quarter (Ended 30th June)	July 2019	25th July 2018
3rd Quarter (Ended 30th September)	October 2019	25th October 2018
4th Quarter (Ended 31st December)	January 2020	18th February 2019
Annual Report and Financial Statements to Shareholders		
2017		8th March 2018
2018	7th March 2019	
Dividends		
First and Final dividend for 2017		10th April 2018
First and Final dividend for 2018	9th April 2019	
Annual General Meetings		
36th Annual General Meeting		29th March 2018
37th Annual General Meeting	29th March 2019	



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 2018. 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 10 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 103 to 105 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 76 to 83 of this Annual Report.

Auditors' Report

The Auditors' Report on the Financial Statements of the Company and the Group is given on page 71.

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 84 to 143.

Group Turnover

The turnover of the Group during the year under review was Rs. 6,784,718,473/- (2017 - Rs. 4,316,998,595/-). A detailed analysis of the Group's turnover, profits and asset allocation relating to the different segments of the business is given in Note 4 to the Financial Statements on page 107.

Financial Results and Dividend

The Group recorded a consolidated net profit after tax of Rs. 4,817,477,760/- (2017 - 3,173,486,901/-) for the year. The Consolidated Statement of Profit or Loss along with the Company's Income Statement for the year is given on pages 78 to 79.

The Directors recommended the payment of a first and final dividend of Rs. 1.25 per share for the financial year ended 31st December 2017 which was approved by the shareholders at the Annual General Meeting of the Company held on 29th March 2018.

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 15th February 2019, 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 2018 to be approved by the Shareholder at the Annual General Meeting of the Company to be held on 29th March 2019.

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. 2,097,341,422/- (2017 - Rs. 1,564,189,472/-) and Rs. 50,264,952/- (2017 - Rs. 2,392,558/-) respectively. The carrying value of the Property, Plant and Equipment of the Group and the Company as at the reporting date amounted to Rs. 5,964,615,088/- (2017 - Rs. 3,799,092,489/-) and Rs. 420,081,978/- (2017 - Rs. 389,178,028/-) 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 109 to 113.

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. 1,097,729,745/- (2017 - Rs. 1,079,777,567/-). 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 2018 is included in the Financial Statements at Rs. 27,076,853,146/- (2017 - Rs. 25,853,507,171/-) based on the Independent valuations undertaken by a Chartered Valuation Surveyor in December 2018. 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 115 and 123 of the Financial Statements.

Stated Capital

The total stated capital of the Company amounts to Rs. 18,443,353,347/- (2017 - Rs. 18,443,353,347/-) comprising No. of Shares 1,243,029,582/- (2017 - 1,243,029,582/-), as given in Note 13 to the Financial Statements.

Reserves

Total Group Reserves as at 31st December 2018 was Rs. 21,592,110,584/- (2017 - Rs. 18,290,446,001/-). The movement of these reserves is shown in the Statement of Changes in Equity in the Financial Statements on page 88.

Share Information

Information relating to earnings, dividends, net assets, market value per share and share trading is given on pages 147 and 148 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 147 to 151 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.

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 Lettitia 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, Mrs. Mildred Tao Ong, who attained the age of 70 years on 28th February 2019 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 37 and other committee Reports on pages 57 and 61.

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 2017		31st December 2018	
		Direct Interest	Deemed Interest	Direct Interest	Deemed Interest
Mr. S P Tao	Chairman	Nil	747,929,728*	**Nil**	**Nil***
Mrs. Mildred Tao Ong	Director	Nil	764,129,728*	**Nil**	**764,129,728***
Mr. Yap Boh Pin	Director	Nil	764,129,728*	**Nil**	**764,129,728***
Mr. En Ping Ong	Director	560,000	Nil	**1,060,000**	**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	14,320,000	Nil	**15,892,093**	**Nil**

**The deemed interests in shares at the end of 2017 as declared by Mr. S P Tao as a director of Shing Kwan Group excluding Shing Kwan (Pte) Ltd. and as a shareholder of Unity Builders Limited, is declared to be Nil at the end of 2018. 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 134 to 135 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 2018 is given in the Note 26 to the Financial Statements, on page 135.

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

The Board of Directors has given the following statement in respect of the related party transactions. The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee and are in compliance with the Section 9 of the CSE Listing Rules.

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.

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 Allianz Insurance Lanka Limited for its Directors and Officers amounting to USD 1 Mn for the period covering 1st January to 31st December 2019.

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 32 and 34 give further details.

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 35 to 56 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. 24 of 2017 and amendments thereto, and the Listing Rules of the Colombo Stock Exchange. The Statement of Directors' Responsibility for Financial Reporting is given on page 70 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. 1,681,074/- (2017 - Rs. 1,733,166/-) and Rs. 3,424,786/- (2017 - Rs. 3,441,297/-) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 2,143,237/- (2017 - Rs. 688,543/-) and Rs. 3,337,380/- (2017 - Rs. 2,600,924/-), 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. 07 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 2019 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 153 of the Annual Report.

For and on behalf of the Board,

H. Z. Cassim
Director

Ajit M. de S. Jayaratne
Director

Minoka S. Fernando
Company Secretary

15th February 2019

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 were 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 2018 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

Ajit M. de S. Jayaratne
Chairman, Audit Committee

15th February 2019

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 2018, 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

- Statements of Profit or Loss 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 2018 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 76 to 83 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. 125 per share for this year which is to be approved by the shareholders at the Annual General Meeting to be held on 29th March 2019.

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 71 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

15th February 2019

INDEPENDENT AUDITOR'S REPORT

Building a better working world

Ernst & Young
Chartered Accountants
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TO THE SHAREHOLDERS OF OVERSEAS REALTY (CEYON) PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Overseas Realty (Ceylon) PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Property	
As at 31 December 2018, Group's investment property carried at fair value amounts to LKR 27 Bn which represents 54% of the Group's total assets. The Group adopts the fair value model for its investment property as stated in Note 5 and 2.3.12 to the financial statements. The Group had engaged external valuer to determine the fair value of the investment property. The valuation of investment property is significant to our audit due to their magnitude, valuation method with the high dependency on a range of estimates (amongst others, rental income data and yield rate) which are based on current and future market or economic conditions.	Our audit procedures focused on the valuation performed by the external valuer engaged by the Group, which included, amongst others, the following procedures: • We considered the objectivity and expertise of the external valuer engaged by management. • We obtained an understanding of the methodology adopted by the external valuer in estimating the fair value of the investment property. • We had discussions with the external valuer to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental in-come data and yield rate. • We tested the reasonability of rental income data applied in the valuation by comparing them with lease agreements and corroborated the yield rate by comparing them with available industry data, taking into consideration comparability and market factors. • We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profiles. • We also evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive as stated in Note 5 to the financial statements.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Revenue recognition of construction of apartments:</td></tr>
<tr><td>The Group adopted Sri Lanka Financial Reporting Standard 15 Revenue from Customer Contracts (New Revenue Standard) with effect from 1 January 2018.

The new Revenue Standard had a significant impact on the method of accounting adopted by real - estate sector businesses when recognizing revenue arising from the construction of apartments. Revenue from construction of apartments contributed approximately 65% to the Group's total revenue.

Management was required to evaluate compliance of existing revenue recognition policies with the new Revenue Standard. This also involved making significant judgments and assumptions in the process of recognizing revenue. The assumptions and judgements made are more fully described in Note 2.2.1 and 2.3.5 to the financial statements.

Accordingly, the recognition of revenue arising from construction of apartments were considered a Key Audit Matter.</td><td>Our audit procedures which included, amongst others, the following:

• With regards to the application of SLFRS 15, assessed the appropriateness of the Identification of contracts with the customers.

• Read the management's expert opinion when determining the enforceability of these contracts under local laws.

• In our testing of the revenue recognition for the construction of Properties:
  • Discussed with management and the respective project teams about the progress of the projects.
  • Tested the actual costs incurred on construction work and certification of work done by site Engineer.
  • Recalculated percentage of completion based on the latest budgeted cost and the total actual cost incurred.
  • Recalculated the revenue recognized based on the percentage of completion.

• Perused the periodic billing and settlement by the customers.

• We also evaluated the Group's disclosures made in note 2.3.5 and 3 to the financial statements.</td></tr>
</table>

Other information included in the 2018 Annual Report

Other information consists of the information included in Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. Other Information is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and ap-propriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrep-resentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are ap-propriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group .

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and re-lated disclosures made by management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty ex-ists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence ob-tained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2097.

15 February 2019
Colombo

Statement of Financial Position

As at 31 December 2018	Note	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
ASSETS					
Non-Current Assets					
Investment Property	5	**27,076,853,146**	25,853,507,171	**26,112,309,145**	24,946,607,170
Property, Plant and Equipment	6	**5,964,651,088**	3,799,092,488	**420,081,978**	389,178,028
Intangible Assets	7	**155,686**	863,098	**155,686**	863,098
Investments in Subsidiaries	8	**-**	-	**10,708,884,581**	5,079,562,181
Inventories	10.1	**266,290,846**	1,840,969,072	**-**	-
Deferred Tax Assets	9	**169,788,098**	154,141,700	**-**	-
Other Assets	12	**-**	-	**601,600,000**	641,600,000
		33,477,738,864	31,648,573,529	**37,843,031,390**	31,057,810,477
Current Assets					
Inventories	10.2	**6,966,602,566**	1,983,426,890	**10,753,042**	11,949,358
Trade and Other Receivables	11	**4,688,009,071**	2,445,167,046	**649,408,450**	525,777,644
Other Assets	12.1	**-**	-	**46,258,120**	1,190,346,506
Income Tax Recoverable		**23,134,033**	13,924,457	**-**	-
Short Term Investments	15.1	**2,017,757,340**	2,614,872,067	**2,017,757,340**	2,614,872,067
Cash and Short Term Deposits	21	**2,877,173,067**	4,816,531,286	**638,170,693**	3,882,464,599
		16,572,676,077	11,873,921,746	**3,362,347,645**	8,225,410,174
Total Assets		**50,050,414,941**	43,522,495,275	**41,205,379,035**	39,283,220,651
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	13	**18,443,353,347**	18,443,353,347	**18,443,353,347**	18,443,353,347
Revaluation Reserve	14	**373,436,660**	334,567,325	**363,016,323**	322,127,884
Retained Earnings		**21,218,673,924**	17,955,878,676	**20,268,013,378**	18,664,709,197
Total Equity		**40,035,463,931**	36,733,799,348	**39,074,383,048**	37,430,190,428

As at 31 December 2018		Group		Company	
	Note	2018	2017	2018	2017
		Rs.	Rs.	Rs.	Rs.
Non-Current Liabilities					
Post Employment Benefit Liability	16	**39,509,278**	30,254,456	**19,405,590**	15,570,622
Customer Deposits	18	**1,138,102,093**	735,248,137	**-**	-
Amounts due to Related Parties	19	**1,050,269,926**	824,614,727	**-**	-
Deferred Tax Liabilities	9	**830,685,975**	775,069,895	**530,647,822**	506,299,076
		3,058,567,272	2,365,187,215	**550,053,412**	521,869,698
Current Liabilities					
Trade and Other Payables	17	**2,811,920,695**	1,301,492,759	**389,255,119**	229,655,667
Rental and Customer Deposits	18	**1,080,121,288**	1,057,265,994	**1,051,458,077**	1,032,672,473
Amounts due to Related Parties	19	**50,503,020**	22,341,632	**51,783,039**	22,341,632
Interest Bearing Loans and Borrowings	15.2	**2,914,340,826**	2,006,747,602	**-**	17,346,140
Income Tax Payable		**78,908,153**	19,318,182	**67,856,584**	12,802,070
Dividends Payable	20	**20,589,756**	16,342,543	**20,589,756**	16,342,543
		6,956,383,738	4,423,508,712	**1,580,942,575**	1,331,160,525
Total Liabilities		**10,014,951,010**	6,788,695,927	**2,130,995,987**	1,853,030,223
Total Equity and Liabilities		**50,050,414,941**	43,522,495,275	**41,205,379,035**	39,283,220,651

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 84 through 143 form an integral part of the Financial Statements.

15th February 2019
Colombo

Statement of Profit or Loss

Year ended 31 December 2018		Group		Company	
	Note	2018	2017	2018	2017
		Rs.	Rs.	Rs.	Rs.
Revenue	3	**6,784,718,473**	4,316,998,595	**2,292,950,497**	2,076,702,882
Direct Operating Expenses		**(768,016,513)**	(694,659,007)	**(521,856,422)**	(479,911,278)
Cost of Sales of Apartments		**(2,272,309,650)**	(1,306,775,019)	**-**	-
Gross Profit		**3,744,392,310**	2,315,564,569	**1,771,094,075**	1,596,791,604
Fair Value Gain on Investment Property	5	**1,223,345,975**	1,190,943,827	**1,165,701,975**	1,105,908,315
Administration Expenses		**(366,710,871)**	(300,967,542)	**(207,315,932)**	(183,372,317)
Marketing and Promotional Expenses		**(156,589,242)**	(115,697,816)	**-**	-
Operating Profit		**4,444,438,172**	3,089,843,038	**2,729,480,118**	2,519,327,602
Finance Cost	22.1	**(59,883,850)**	(9,925,186)	**(54,525,127)**	(9,925,186)
Finance Income	22.2	**312,699,505**	460,210,829	**327,043,751**	479,594,452
Other Income	22.3	**40,978,749**	41,117,123	**54,124,704**	6,713,683
Exchange Gain		**221,692,810**	174,608,733	**201,774,131**	175,092,539
Profit Before Tax	23	**4,959,925,386**	3,755,854,537	**3,257,897,577**	3,170,803,090
Income Tax	24.1	**(142,447,626)**	(582,367,636)	**(100,517,732)**	(536,853,974)
Profit after Tax for the Year		**4,817,477,760**	3,173,486,901	**3,157,379,845**	2,633,949,116
Attributable to:					
Equity Holders of the Parent		**4,817,477,760**	3,173,486,901		
Non-controlling Interest		**-**	-		
		4,817,477,760	3,173,486,901		
Earnings Per Share - Basic/Diluted	25	**3.88**	2.55		
Dividend Per Share	20	**1.25**	1.25		

The accounting policies and notes on pages 84 through 143 form an integral part of the Financial Statements.

Statement of Comprehensive Income

Year ended 31 December 2018		Group		Company	
	Note	2018	2017	2018	2017
		Rs.	Rs.	Rs.	Rs.
Profit For the Year		**4,817,477,760**	3,173,486,901	**3,157,379,845**	2,633,949,116
Other Comprehensive Income:					
Items that will not be reclassified to profit or loss:					
Revaluation of Buildings	14.1	**39,547,729**	7,429,850	**41,923,146**	9,227,868
Deferred Tax Effect		**(678,394)**	(7,636,636)	**(1,034,707)**	(7,366,933)
		38,869,335	(206,786)	**40,888,439**	1,860,935
Actuarial Gains/(Losses) on Defined Benefit Plans	16	**(950,544)**	1,589,596	**(288,686)**	553,092
Deferred Tax Effect		**55,009**	(248,904)	**-**	-
		(895,535)	1,340,692	**(288,686)**	553,092
Other Comprehensive Income for the Year, Net of Tax		**37,973,800**	1,133,906	**40,599,754**	2,414,027
Total Comprehensive Income for the Year, Net of Tax		**4,855,451,560**	3,174,620,807	**3,197,979,597**	2,636,363,144
Attributable to:					
Equity Holders of the Parent		**4,855,451,560**	3,174,620,807		
Non-controlling Interest		**-**	-		
		4,855,451,560	3,174,620,807		

The accounting policies and notes on pages 84 through 143 form an integral part of the Financial Statements.

Statement of Changes in Equity

Year ended 31 December 2018 Group	Stated Capital	Revaluation Reserve	Retained Earnings	Total	Non-controlling Interest	Total Equity
Balance as at 1 January 2017	11,162,751,513	334,774,111	16,335,924,010	27,833,449,634	-	27,833,449,634
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 1 January 2018	18,443,353,347	334,567,325	17,955,878,677	36,733,799,349	-	36,733,799,349
Profit for the Year	-	-	4,817,477,760	4,817,477,760	-	4,817,477,760
Other Comprehensive Income for the Year	-	38,869,335	(895,535)	37,973,800	-	37,973,800
Dividends Paid for Ordinary Shares for Y/E 31/12/2017	-	-	(1,553,786,978)	(1,553,786,978)	-	(1,553,786,978)
Balance as at 31 December 2018	**18,443,353,347**	**373,436,659**	**21,218,673,924**	**40,035,463,931**	**-**	**40,035,463,931**

Company	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 January 2017	11,162,751,513	320,266,949	17,585,079,914	29,068,098,376
Profit for the Year	-	-	2,633,949,116	2,633,949,116
Other Comprehensive Income for the Year	-	1,860,935	553,092	2,414,027
Issue of Ordinary Shares - Right issue	7,280,601,834	-	-	7,280,601,834
Transaction Cost Relating to Share Issue	-	-	(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)
Balance as at 01 January 2018	18,443,353,347	322,127,884	18,664,709,197	37,430,190,428
Profit for the Year			3,157,379,845	3,157,379,845
Other Comprehensive Income for the Year		40,888,439	(288,686)	40,599,753
Dividends Paid on Ordinary Shares for Y/E 31/12/2017			(1,553,786,978)	(1,553,786,978)
Balance as at 31 December 2018	**18,443,353,347**	**363,016,323**	**20,268,013,378**	**39,074,383,048**

The accounting policies and notes on pages 84 through 143 form an integral part of the Financial Statements.

Statement of Cash Flows

Year ended 31 December 2018		Group		Company	
		2018	2017	2018	2017
	Note	Rs.	Rs.	Rs.	Rs.
Cash Flows from Operating Activities:					
Profit Before Tax Expense		**4,959,636,700**	3,755,854,537	**3,257,608,890**	3,170,803,090
Adjustments for -					
Depreciation Charge for the Year	6	**38,683,989**	35,721,597	**14,069,335**	13,728,277
Amortization / write-off of Intangible Assets	7	**707,412**	1,200,972	**707,412**	1,200,972
Post Employment Benefit Expense	16	**8,734,287**	7,151,802	**3,899,735**	3,373,145
Finance Cost	22.1	**59,883,850**	9,925,186	**54,525,127**	9,925,186
Finance Income	22.2	**(312,699,505)**	(460,210,829)	**(327,043,751)**	(479,594,452)
Gain on Share Re-purchase		**-**	-	**(49,491,285)**	-
(Profit)/Loss on Disposal of Property, Plant and Equipment		**(4,633,419)**	430,816	**(4,633,419)**	-
Fair Value (Gain) on Investment Property	5	**(1,223,345,975)**	(1,190,943,827)	**(1,165,701,975)**	(1,105,908,315)
Operating Profit before Working Capital Changes		**3,526,967,339**	2,159,130,254	**1,783,940,069**	1,613,527,904
(Increase)/Decrease in Amounts due from Related Parties		**-**	-	**1,144,088,386**	(1,188,936,700)
(Increase)/Decrease in Trade and Other Receivables		**(2,242,842,025)**	(989,657,670)	**(123,630,806)**	(149,518,610)
Increase/(Decrease) in Rental and Customer Deposits		**425,709,250**	(409,437,727)	**18,785,604**	60,235,099
(Increase)/Decrease in Inventories		**(3,408,497,450)**	(1,018,629,623)	**1,196,316**	1,291,866
Increase/(Decrease) in Trade and Other Payables		**1,450,544,086**	547,450,822	**159,599,452**	21,178,218
Increase/(Decrease) in Amounts due to Related Parties		**28,161,388**	(78,664,905)	**29,441,407**	(15,451,553)
Cash Generated From Operations		**(219,957,411)**	210,191,151	**3,013,420,427**	342,326,224
Income Tax Paid		**(51,998,006)**	(15,979,301)	**(20,369,075)**	(10,370,394)
Finance Cost Paid	22.1	**-**	(9,925,186)	**-**	(9,925,186)
Defined Benefit Plan Costs Paid	16	**(430,009)**	(1,863,996)	**(353,453)**	(1,780,421)
Net Cash Generated From Operating Activities		**(272,385,427)**	182,422,668	**2,992,697,899**	330,250,222

Year ended 31 December 2018		Group		Company	
		2018	2017	2018	2017
	Note	Rs.	Rs.	Rs.	Rs.
Cash Flows from Investing Activities :					
Proceeds from Sale of Property, Plant and Equipment		**4,633,419**	-	**4,633,419**	-
Acquisition of Property Plant and Equipment	6	**(2,097,341,422)**	(1,499,908,890)	**(50,264,952)**	(2,392,558)
(Acquisition)/disposals of Investment	15.1	**747,843,473**	(1,004,119,417)	**797,334,758**	(1,004,119,417)
Receipt of Loans		**-**	-	**40,000,000**	10,000,000
Received on Share Repurchase		**-**	-	**49,419,285**	-
Investment in Subsidiaries		**-**	-	**(5,629,322,400)**	-
Finance Income Received		**98,076,947**	284,646,466	**120,298,462**	304,030,089
Net Cash From Investing Activities		**(1,246,787,584)**	(2,219,381,841)	**(4,670,105,901)**	(692,481,886)
Cash Flows from Financing Activities :					
Repayment of Interest Bearing Loans and Borrowings	15.2	**(3,359,467,319)**	(1,148,087,000)	**-**	-
Dividends Paid		**(1,549,539,764)**	(1,556,832,425)	**(1,549,539,764)**	(1,556,832,425)
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		**4,499,741,812**	2,863,483,127	**-**	-
Net Cash Flow from/(Out Flow) Financing Activities		**(409,265,270)**	7,438,079,588	**(1,549,539,764)**	5,722,683,461
Net Increase/(Decrease) in Cash and Cash Equivalents		**(1,928,438,280)**	5,401,120,414	**(3,226,947,766)**	5,350,451,797
Cash and Cash Equivalents at the Beginning of the Year	21	**4,795,858,684**	(605,261,733)	**3,865,118,459**	(1,485,333,338)
Cash and Cash Equivalents at the End of the Year	21	**2,867,420,404**	4,795,858,684	**638,170,693**	3,865,118,459

The accounting policies and notes on pages 84 through 143 form an integral part of the Financial Statements.

Notes to the Financial Statements
Year ended 31 December 2018

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 and Office Tower.

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.

1.4 Date of Authorization for Issue

The Financial Statements of Overseas Realty (Ceylon) PLC for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 15 February 2019.

2. Basis of Preparation

The Consolidated Financial Statements of the Company 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 consolidated 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 Going Concern

The Company's Management has assessed 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

2.1.2 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group 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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and 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 vote 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.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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)
- 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)

2.1.3 Current Versus Non-Current Classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- It does not have a right at reporting date to defer the settlement of the liability by transfer of cash or other assets for at least twelve months after the reporting period

 The Group classifies all other liabilities as non-current.

 Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

The preparation of the Group's consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management Note 32
- Financial instruments risk management and policies Note 31
- Sensitivity analyses disclosures Notes 31

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated Financial Statements:

Revenue from Contracts with Customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction of performance obligation

In recognizing revenue from sale of properties, management applies judgment ascertaining when 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.

The Group determined that the input method is the best method in measuring progress of the construction because there is a direct relationship between the Group's effort and the transfer of service to the customer. The Group recognises revenue on the basis of the total cost incurred relative to the total expected cost to complete the construction.

Property Lease Classification – Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

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 and Note 6.

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.

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 will be taxed at 2% based on its turnover.

During the year, the Income tax provisions for the year ended 31st December 2018 have been made as per the provisions of the Inland Revenue Act No. 24 of 2017 (as amended subsequently) which is applicable for Year of Assessment 2018/19. Based on the new law, the gain arising from sale of Investment property and owner occupied property is treated as part of business income, provided 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 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 uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimation of Fair Value of Investment Properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model was used, as there is a lack of comparable market data because of the nature of the properties. In addition, it measures the office properties in the Group at revalued amounts, with changes in fair value being recognised in OCI. The office properties were valued by reference to transactions involving properties of a similar nature, location and condition. The Group engaged an independent valuation specialist to assess fair values as at 31 December 2018 for the investment properties.

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Notes 5.

Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 5 & 6.

Deferred Taxation

Deferred tax assets are recognised for 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 assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. More information regarding deferred tax assets is given in Note 9 and 2.3.3.

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 will 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 is exempted from Income Tax for a period of 12 years. Such exemption period is reckoned from the year in which the Company commences to make profits or any year of assessment not later than 2 years from the date of commencement of commercial operations, whichever is earlier, as may be specified in the BOI agreement.

The 12 year tax exemption period commenced in 2007 and will end on 2019. Income from sources falling outsides the BOI approved business, is liable to income tax at 28%. Companies in the group other than specified above are also 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; and

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.

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 from Contracts with Customers

The Group is in the business of providing real estate and related services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2.2.1.

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.

The Group has identified the following revenue streams that are in the scope of SLFRS 15:

a) Sale of property
b) Service charge

a) Sale of Property

The Group enters into contracts with customers to sell properties that are either complete or under development.

The sale of completed property is generally expected to be the only performance obligation and the Group has determined that it will be satisfied at the point in time when control transfers. For unconditional exchange of contracts, this is generally expected to be when legal title transfers to the customer. For conditional exchanges, this is expected to be when all significant conditions are satisfied. The determination of transfer of control for both unconditional and conditional exchanges are not expected to change upon the adoption of SLFRS 15.

For contracts relating to the sale of properties under development, the Group is responsible for the overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures (e.g., windows, doors, cabinetry, etc.) and finishing work. In such contracts, the Group has determined that the goods and services are not distinct and will generally account for them as a single performance obligation. Depending on the terms of each contract, the Group will determine whether control is transferred at a point in time or over time:

- For sales of properties under development currently recognised on a percentage-of-completion basis, the Group expects to continue recognising revenue over time because it expects that control will transfer over time. Generally, its performance does not create an asset with alternative use to the Group and the Group has concluded that it has an enforceable right to payment for performance completed to date.

- For sales of properties under development currently recognised upon completion, the Group generally expects that control will transfer at a point in time. However, the Group has determined that, for its typical contracts, its performance does not create an asset with alternative use to the Group and it has concluded that it has an enforceable right to payment for performance completed to date. Therefore, control transfers over time for these contracts.

- For some contracts involving the sale of properties under development recognised over time and the sale of properties under development recognised at a point in time, the Group is entitled to receive an advance payment. This is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. This is because payments are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payment.

For contracts that meet the over time recognition criteria, the Group's performance is expected to be measured using an input method, by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the properties. The Group will exclude the effect of any costs incurred that do not contribute to the Group's performance in transferring control of goods or services to the customer (such as unexpected amounts of wasted materials, labour or other resources) and will adjust the input method for any costs incurred that are not proportionate to the Group's progress in satisfying the performance obligation (such as uninstalled materials). This will be consistent with current practice. As a result, no adjustment is expected on transition to SLFRS 15 for those contracts currently recognised over time.

b) Service Charges, Management Charges and Other Expenses Recoverable from Tenants (Service Charges)

For investment properties held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of LKAS 17. These agreements include certain services offered to tenants comprising the overall property management, including common area maintenance services (such as cleaning, security). These services are specified in the lease agreements and separately invoiced.

Consistent with current accounting, the Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of SLFRS 15. The Group will allocate the consideration in the contract to the separate lease and revenue (non-lease) components on a relative basis, consistent with current accounting.

For the revenue component, the Group has concluded that these services represent a series of daily services that are individually satisfied over time and will apply a time-elapsed measure of progress. The consideration charged to tenants for these services includes fees charged based on a rate per square feet occupied and reimbursement of certain expenses incurred. The Group has determined that this variable consideration only relates to this non-lease component and that allocating it to each distinct period of service (i.e., each day) meets the variable consideration allocation exception criteria. The Group does not expect SLFRS 15 to have an impact on the accounting for service charges, as this accounting is aligned with the current accounting.

Contract Balances

Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer.

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section p) Financial instruments – initial recognition and subsequent measurement.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group executed performance obligations under the contract. The Customer deposits disclosed under Note 18 is considered as contract liabilities.

c) 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.

d) Rendering of Services

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

e) Finance Income

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

f) 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

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 properties 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 if material, less costs to completion 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 short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.3.10.1 Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables do not contain a significant financing component. Refer to the accounting policies in section 2.3.17 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial Assets at Amortised Cost (Debt Instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash and short-term deposits, trade and other receivables and other financial assets.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes short term investments which the Group had not irrevocably elected to classify at fair value through OCI. Income from these investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- 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, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. 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.

Impairment of Financial Assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Trade receivables, including contract assets Note 11

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.3.10.2 Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in SLFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and Borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 15.2.

Derecognition

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 the derecognition of the original liability and the recognition of a new liability. 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:

- 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 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 decides, 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.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Note 5
- Quantitative disclosures of fair value measurement hierarchy Note 33
- Property, plant and equipment under revaluation model Note 6
- Investment properties Note 5
- Financial instruments (including those carried at amortised cost) Note 12

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 completed. At that time, it is reclassified and subsequently accounted for as Investment Property.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a 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 discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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:

- 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 indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount 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. When the carrying amount of an asset or CGU 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 ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the 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.

2.3.17 Changes in Accounting Policies and Disclosures

New and amended standards and interpretations

The Group applied SLFRS 15 and SLFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated Financial Statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted SLFRS 15 using the full retrospective method of adoption. The Group did not apply any of the other available optional practical expedients. There is no material effects to Financial Statements due to the adoption of SLFRS 15.

SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The nature of these adjustments are described below:

(a) Classification and Measurement

Under SLFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of SLFRS 9 did not have a significant impact on the Group.

The Group continued measuring at fair value all financial assets previously held at fair value under LKAS 39.

The following are the changes in the classification of the Group's financial assets:

- Trade receivables and Other non-current financial assets previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

(b) Impairment

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of SLFRS 9, the Group did not have a significant impact in terms of impairment on Trade receivables and has not recognised additional impairment.

Amendments to LKAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated Financial Statements.

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 31st December 2018. Accordingly these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31st December 2018.

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 1st January 2019. The impact on the implementation of the above standard has not been quantified yet.

2.5 Comparative Information

Presentation and classification of the Financial Statements of the previous year have been amended, where relevant for better presentation and to be comparable with those of current year. These have not resulted any change in results of the Company and group.

3. Revenue

	Group		Company	
	2018	**2017**	**2018**	**2017**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Revenue from contracts with customers	**4,420,315,055**	2,199,459,371	**-**	-
Rental and Service Charge	**2,364,403,417**	2,117,539,224	**2,292,950,497**	2,076,702,882
	6,784,718,473	4,316,998,595	**2,292,950,497**	2,076,702,882

4. 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 01 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.

4.1 Segment Results :

	2018					2017				
	Property Leasing	Property Services	Property Trading	Inter/Intra Segment Eliminations	Consolidated 2018	Property Leasing Rs.	Property Services Rs.	Property Trading Rs.	Inter/Intra Segment Eliminations Rs.	Consolidated 2017 Rs.
Revenue from contracts with customers	-	380,534,042	4,296,203,370	(256,422,356)	4,420,315,055	-	266,676,407	1,934,582,964	(1,800,000)	2,199,459,371
Rental and Service Charge	2,364,403,417	-	-	-	2,364,403,417	2,117,539,224	-	-	-	2,117,539,224
Total Revenue	2,364,403,417	380,534,042	4,296,203,370	(256,422,356)	6,784,718,473	2,117,539,224	266,676,407	1,934,582,964	(1,800,000)	4,316,998,595
Direct Operating Expenses	(537,159,273)	(278,613,127)	-	47,755,888	(768,016,513)	(492,855,730)	(201,803,277)	-	-	(694,659,007)
Cost of Sales	-		(2,341,040,758)	68,731,108	(2,272,309,650)	-		(1,306,775,019)	-	(1,306,775,019)
Gross Profit/ (Loss)	1,827,244,144	101,920,915	1,955,162,612	(139,935,360)	3,744,392,310	1,624,683,494	64,873,130	627,807,945	(1,800,000)	2,315,564,569
Fair Value Gain on Investment Property	1,223,345,975	-	-	-	1,223,345,975	1,190,943,827	-	-	-	1,190,943,827
Administration Expenses	(207,862,864)	(43,876,186)	(114,971,821)	-	(366,710,871)	(185,375,263)	(31,425,269)	(85,967,010)	1,800,000	(300,967,542)
Marketing and Promotional Expenses	-	-	(156,589,242)	-	(156,589,242)	-	-	(115,697,816)	-	(115,697,816)
Exchange Gain/(Loss)	201,774,131	-	19,918,679	-	221,692,810	175,092,539	14,868	(498,674)	-	174,608,733
Finance Cost	(96,125,339)	-	(387,010)	36,628,499	(59,883,850)	(51,075,186)	-	-	41,150,000	(9,925,186)
Finance Income	332,992,359	3,784,432	12,551,214	(36,628,499)	312,699,506	485,086,961	3,436,915	12,836,954	(41,150,000)	460,210,829
Other Income	54,125,130	-	36,344,904	(49,491,285)	40,978,749	6,986,048	-	37,234,274	(3,103,200)	41,117,123
Net Profit Before Tax	3,335,493,535	61,829,161	1,752,029,336	(189,426,645)	4,959,925,386	3,246,342,420	36,899,643	475,715,673	(3,103,200)	3,755,854,537

4.2 Segment Assets and Liabilities :

	Property Leasing	Property Services	Property Trading	Inter/Intra Segment Eliminations	Consolidated
2018					
Total Assets	**42,191,153,448**	**383,485,416**	**18,986,058,704**	**(11,510,571,312)**	**50,050,126,256**
Total Liabilities	**2,574,062,504**	**329,282,896**	**7,444,087,231**	**(332,452,017)**	**10,014,980,615**
2017					
Total Assets	40,230,259,920	125,576,122	9,949,945,745	(6,783,286,511)	43,522,495,275
Total Liabilities	2,316,494,676	66,186,284	5,735,689,119	(1,329,674,152)	6,788,695,927

4.3 Other Segment Information :

	2018				2017			
	Property Leasing Rs.	Property Services Rs.	Property Trading Rs.	Consolidated Rs.	Property Leasing Rs.	Property Services Rs.	Property Trading Rs.	Consolidated Rs.
Total Cost Incurred during the Year to Acquire								
- Property, Plant and Equipment	**3,050,139**	**4,124,127**	**2,157,885,597**	**2,165,054,862**	2,392,558	1,795,508	1,560,001,406	1,564,189,472
- Charge for the Year	**14,069,335**	**1,194,413**	**9,556,624**	**38,683,989**	13,728,277	773,560	21,219,760	35,721,597
Amortization	**707,412**	**-**	**-**	**707,412**	1,200,972	-	-	1,200,972
Employee Benefit Costs	**3,899,735**	**2,039,839**	**2,788,100**	**8,734,287**	3,373,145	1,846,877	1,931,780	7,151,802

5. Investment Property

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
As at 1st January	**25,853,507,171**	24,651,770,855	**24,946,607,170**	23,840,698,855
Additions	**-**	10,792,489	**-**	-
Net Gain from Fair Value Adjustment	**1,223,345,975**	1,190,943,827	**1,165,701,975**	1,105,908,315
As at 31st December	**27,076,853,146**	25,853,507,171	**26,112,309,145**	24,946,607,170

5.1 The Company filed a Deed of Declaration No. 237 dated 27th 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 25th 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 14th June 2001.

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

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

Fair value of the Investment Property is ascertained annually by independent valuations carried out by Mr. P.B. Kalugalagedera, Chartered Valuation Surveyor who 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 2018 and 2017 are as follows:

Significant Unobservable Inputs	Valuation Technique	2018	2017
Estimated Market Rent per sq.ft.	Investment Method (Income Approach) using the discounted cash flows	**: Rs. 250-375**	: Rs. 250-350
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		**: 6.50% p.a.**	: 6.25% p.a.

5.3 Sensitivity Analysis of Assumptions Employed in Investment Property Valuation

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 2018.

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.

Group

Increase/(Decrease)				
Capitalisation Rate	Growth in Future Rentals	Anticipated Maintenance Cost	Investment Property Valuation Rs.	Fair Value Gain/ (Loss) on Investment Property Rs.
1%			23,173,139,211	(3,903,713,933)
-1%			32,430,929,876	5,354,076,732
	1%		28,710,083,671	1,633,230,527
	-1%		25,540,885,069	(1,535,968,075)
		5%	24,593,542,634	(2,483,310,510)
		-5%	29,560,163,654	2,483,310,510

Company

Increase/(Decrease)				
Capitalisation Rate	Growth in Future Rentals	Anticipated Maintenance Cost	Investment Property Valuation Rs.	Fair Value Gain/ (Loss) on Investment Property Rs.
1%			22,352,069,531	(3,760,239,613)
-1%			31,267,214,849	5,154,905,705
	1%		27,686,783,825	1,574,474,681
	-1%		24,631,587,853	(1,480,721,291)
		5%	23,716,684,452	(2,395,624,692)
		-5%	28,507,933,836	2,395,624,692

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)	
	2018	**2017**	**2018**	**2017**
Rental income	**2,364**	2,117	**2,292**	2,076
Direct operating expenses	**768**	695	**521**	480

6. Property, Plant and Equipment

6.1 Group

6.1.1 Gross Carrying Amounts

	At Cost						At Valuation		
At Cost or Valuation	Land Rs.	Temporary Building Rs.	Equipment Rs.	Computer and Electronic Equipment Rs.	Furniture and Fittings Rs.	Motor Vehicles Rs.	Buildings Rs.	In the Course of Construction Rs.	Total Gross Carrying Amount Rs.
Balance as at 1 January 2018	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	3,902,456,356
Additions during the Year	-	2,918,535	2,212,821	6,018,651	3,563,488	682,738	-	2,149,658,629	2,165,054,862
Disposals during the Year	-	-	-	-	-	(5,291,667)	-	-	(5,291,667)
Transfers on Revaluation	-	-	-	-	-	-	(21,235,550)	-	(21,235,550)
Revaluations	-	-	-	-	-	-	39,187,728	-	39,187,728
Balance as at 31 December 2018	**567,743,028**	**15,129,948**	**25,487,544**	**54,906,720**	**52,246,311**	**23,118,742**	**1,097,729,745**	**4,243,809,691**	**6,080,171,729**

6.1.2 Depreciation

At Cost or Valuation	Land Rs.	Temporary Building Rs.	Equipment Rs.	Computer and Electronic Equipment Rs.	Furniture and Fittings Rs.	Motor Vehicles Rs.	Buildings Rs.	Total Depreciation Rs.
Balance as at 1 January 2018	-	6,775,049	14,323,339	37,183,208	28,086,399	16,995,874	-	103,363,869
Charge for the Year	-	1,460,059	2,768,179	4,902,617	4,039,476	4,278,108	21,235,550	38,683,989
Disposals during the Year	-	-	-	-	-	(5,291,667)	-	(5,291,667)
Transfers on Revaluation	-	-	-	-	-	-	(21,235,550)	(21,235,550)
Balance as at 31 December 2018	**-**	**8,235,108**	**17,091,518**	**42,085,825**	**32,125,875**	**15,982,315**	**-**	**115,520,641**

6.1.3 Net Book Value

	2018 Rs.	2017 Rs.
At Cost		
Land	**567,743,028**	567,743,028
Temporary Building	**6,894,840**	5,436,364
Equipment	**8,396,026**	8,951,385
Computers and Electronic Equipment	**12,820,895**	11,704,861
Furniture and Fittings	**20,120,436**	20,596,424
Motor Vehicles	**7,136,427**	10,731,797
	623,111,652	625,163,859
At Valuation		
Buildings	**1,097,729,745**	1,079,777,567
	1,097,729,745	1,079,777,567
In the Course of Construction		
Capital Work in Progress	**4,243,809,691**	2,094,151,062
	4,243,809,691	2,094,151,062
	5,964,615,088	3,799,092,488

** 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 Company

6.2.1 Gross Carrying Amounts

	At Cost				At Valuation	
	Equipment	Computers and Electronic Equipment	Furniture and Fittings	Motor Vehicles	Buildings	Total Gross Carrying Amount
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January 2018	6,668,895	30,664,743	23,826,709	27,365,834	368,346,642	456,872,823
Additions during the Year	186,351	1,603,840	1,259,947	-	-	3,050,139
Disposals during the Year	-	-	-	(5,291,667)	-	(5,291,667)
Revaluation	-	-	-	-	41,923,146	41,923,146
Transfers*	-	-	-	-	(7,366,932)	(7,366,932)
Balance as at 31 December 2018	**6,855,246**	**32,268,583**	**25,086,656**	**22,074,167**	**402,902,856**	**489,187,509**

6.2.2 Depreciation

	Equipment	Computers and Electronic Equipment	Furniture and Fittings	Motor Vehicles	Buildings	Total Depreciation
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January 2018	5,210,388	25,936,631	19,821,674	16,726,102	-	67,694,795
Charge for the Year	344,678	1,754,459	368,882	4,234,384	7,366,932	14,069,335
Disposals during the Year	-	-	-	(5,291,667)	-	(5,291,667)
Discontinued Assets	-	-	-	-	-	-
Transfers*	-	-	-	-	(7,366,932)	(7,366,932)
Balance as at 31 December 2018	**5,555,066**	**27,691,090**	**20,190,556**	**15,668,819**	**-**	**69,105,531**

** 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

	2018 Rs.	2017 Rs.
At Cost		
Equipment	**1,300,180**	1,458,507
Computers and Electronic Equipment	**4,577,493**	4,728,112
Furniture and Fittings	**4,896,100**	4,005,035
Motor Vehicles	**6,405,348**	10,639,732
	17,179,122	20,831,386
At Valuation		
Buildings	**402,902,856**	368,346,642
	402,902,856	368,346,642
	420,081,978	389,178,028

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 2018 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 31st December 2018. 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 2018 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 31st December 2018.

6.5 Cash payments amounting to Rs. 2,097,341,422 (2017 : Rs. 1,564,189,472/-) were made during the year by the Group and Rs. 50,264,952 (2017 : Rs. 2,392,558/-) 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 :

	2018	2017
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

6.7 Depreciation of Rs. 128,455/- for the year 2018 and 2017 - Nil 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. 74,478,196/- and Rs. 47,179,500/- (2017 : Rs. 62,406,133/- and Rs. 52,525,275/-) 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: 113

Class of Asset Group	Cost Rs.	Cumulative Depreciation If Assets were Carried at Cost Rs.	Net Carrying Amount 2018 Rs.	Net Carrying Amount 2017 Rs.
Building - Level 18	87,431,566	(28,227,161)	**59,204,405**	60,661,598
Building - Club House	726,671,879	(58,129,128)	**668,542,751**	683,076,189

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 1st January 2018	7,297,734	28,919,768	8,794,864	45,012,366
Acquired/Incurred during the Year	-	-	-	-
As at 31st December 2018	**7,297,734**	**28,919,768**	**8,794,864**	**45,012,366**
Amortization				
As at 1st January 2018	7,297,734	28,056,670	8,794,864	44,149,268
Amortization made during the Year	-	707,412	-	707,412
As at 31st December 2018	**7,297,734**	**28,764,082**	**8,794,864**	**44,856,680**
Net book value				
As at 1st January 2018	-	863,098	-	863,098
As at 31st December 2018	**-**	**155,686**	**-**	**155,686**

7.2 Company

	WTC Membership Rs.	Computer Software Rs.	Total Rs.
Summary	(Note 7.3)	(Note 7.4)	
Cost			
As at 1st January 2018	7,297,734	28,919,768	36,217,502
Acquired/Incurred during the Year	-	-	-
As at 31st December 2018	**7,297,734**	**28,919,768**	**36,217,502**
Amortization			
As at 1st January 2018	7,297,734	28,056,670	35,354,404
Amortization for the Year	-	707,412	707,412
As at 31st December 2018	**7,297,734**	**28,764,082**	**36,061,816**
Net book value			
As at 1st January 2018	-	863,098	863,098
As at 31st December 2018	**-**	**155,686**	**155,686**

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 2018 and 2017 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

		Group		Company	
Non-Quoted Investment at cost	**% Holding**	**2018 Rs.**	**2017 Rs.**	**2018 Rs.**	**2017 Rs.**
Mireka Capital Land (Pvt) Ltd.	100%	**-**	-	**10,634,322,400**	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**	74,552,141
			-	**10,821,043,688**	5,191,721,288
Provision for Impairment: Hospitality International (Pvt) Ltd.		**-**	-	**(112,159,107)**	(112,159,107)
		-	-	**10,708,884,581**	5,079,562,181

8.1 All subsidiaries are incorporated in Sri Lanka.

9. Deferred Tax

9.1 Group

	Statement of Financial Position		Statement of Profit or Loss/ Statement of Comprehensive Income	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Deferred Tax Assets Arising on:				
Unused Carried Forward Tax Losses	**164,893,218**	151,240,145	**13,653,073**	5,010,104
Post Employment Benefit Liability	**3,932,271**	2,512,255	**1,420,015**	(216,904)
Property Plant and Equipment	**962,609**	389,299	**573,310**	97,324
	169,788,098	154,141,700	**15,646,398**	4,890,525
Deferred Tax Liability Arising on:				
Investment Property	**(677,910,147)**	(631,549,229)	**(46,360,918)**	(532,708,528)
Property, Plant and Equipment	**(152,775,828)**	(143,520,666)	**(9,255,162)**	(16,032,164)
	(830,685,975)	(775,069,895)	**(55,616,080)**	(548,740,692)
Deferred Tax Expense/(Income)			**(39,969,682)**	(543,850,167)
Net Deferred Tax Asset/(Liability)	**(660,897,877)**	(620,928,195)		

Reflected in the Statement of Financial Position as follows:

	2018 Rs.	2017 Rs.
Balance Brought Forward	**620,928,195**	77,078,028
Deferred Income Tax (Credit)/Charge - Statement of Profit or Loss	**39,346,298**	535,964,627
Deferred Income Tax (Credit)/Charge - Statement of Comprehensive Income	**623,384**	7,885,540
Net Deferred Tax (Asset)/Liability	**660,897,877**	620,928,195

9.2 Company

	Statement of Financial Position		Statement of Profit or Loss/ Statement of Comprehensive Income	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Deferred Tax Assets Arising on:				
Tax Loss Carried Forward	**-**	-	**-**	8,906,643
Deferred Tax Liability Arising on:				
Investment Property	**(522,246,183)**	(498,932,143)	**23,314,040**	498,932,143
Property, Plant and Equipment	**(8,401,640)**	(7,366,933)	**1,034,707**	7,366,933
Deferred Tax Expense/(Income)			**24,348,746**	515,205,719
Net Deferred Tax Asset/(Liability)	**(530,647,822)**	(506,299,076)		

9.3 Reflected in the Statement of Financial Position as follows:

	2018 Rs.	2017 Rs.
Balance Brought Forward	**506,299,076**	(8,906,643)
Deferred Income Tax (Credit)/Charge - Statement of Profit or Loss	**23,314,040**	507,838,786
Deferred Income Tax (Credit)/Charge - Statement of Comprehensive Income	**1,034,707**	7,366,933
Net Deferred Tax (Asset)/Liability	**530,647,822**	506,299,076

10. Inventories

		Group		Company	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
10.1	**Non Current Inventories**				
	Work in Progress	**266,290,846**	1,840,969,072	**-**	-
		266,290,846	1,840,969,072	**-**	-
10.2	**Current Inventories**				
	Work in Progress	**6,945,159,474**	1,899,670,551	**-**	-
	Completed Apartments for Sale	**-**	65,528,939	**-**	-
	Consumables and Spares	**21,443,092**	18,227,400	**10,753,042**	11,949,358
		6,966,602,566	1,983,426,890	**10,753,042**	11,949,358
10.3	**Total Inventories**	**7,232,893,412**	3,824,395,962	**10,753,042**	11,949,358

10.4 The borrowing cost capitalised during the year is Rs. 219,006,287/- (2017 - Rs. 59,349,034/-).

11. Trade and Other Receivables

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Rent and Service Charge Receivables	**228,605,859**	211,290,702	**228,605,859**	211,290,702
Trade Receivables - Apartment Sales	**536,412,303**	238,239,324	**-**	-
	765,018,162	449,530,025	**228,605,859**	211,290,702
Other Receivables	**934,860,228**	400,437,580	**149,699,763**	88,454,704
Accrued Rental Income	**217,440,537**	177,522,657	**216,355,481**	177,522,657
	1,917,318,926	1,027,490,263	**594,661,103**	477,268,063
VAT Receivables	**241,572,345**	242,761,034	**-**	-
Advances and Prepayments	**2,529,117,800**	1,174,915,749	**54,747,348**	48,509,581
	4,688,009,071	2,445,167,046	**649,408,450**	525,777,644

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

Group	Total	Before 30 days	Past Due but not Impaired				
			31-60 days	61-90 days	91-120 days	121-150 days	> 150 days
2018	**765,018,162**	**272,228,743**	**135,739,305**	**153,602,238**	**46,239,082**	**79,544,734**	**77,664,061**
2017	449,530,026	294,218,956	55,823,410	29,906,058	24,783,636	12,320,536	32,477,430

Company	Total	Before 30 days	Past Due but not Impaired				
			31-60 days	61-90 days	91-120 days	121-150 days	> 150 days
2018	**228,605,859**	**34,406,651**	**111,237,609**	**66,861,455**	**4,823,775**	**1,084**	**11,275,286**
2017	211,290,702	145,072,811	10,464,760	29,312,348	11,025,286	1,702,400	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 2018 and 2017.

12. Other Assets - Non-Current

		Group		Company	
		2018	2017	2018	2017
	Relationship	Rs.	Rs.	Rs.	Rs.
Amounts Due From Related Party (Note 12.2)	Subsidiary	-	-	**250,000,000**	290,000,000
Unquoted Preference Shares (Note 12.3)	Subsidiary	-	-	**351,600,000**	351,600,000
		-	-	**601,600,000**	641,600,000

12.1 Other Assets - Current

		Group		Company	
		2018	2017	2018	2017
	Relationship	Rs.	Rs.	Rs.	Rs.
Amounts Due From Related Party (Note 12.4)	Subsidiary	-	-	**46,258,120**	1,190,346,506
		-	-	**46,258,120**	1,190,346,506

12.2 Amounts Due From Related Party - Financial Asset - Non-Current

		Group		Company	
		2018	2017	2018	2017
	Relationship	Rs.	Rs.	Rs.	Rs.
Overseas Realty Investments (Pvt) Ltd.	Subsidiary	-	-	**250,000,000**	290,000,000
		-	-	**250,000,000**	290,000,000

12.2.1 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-Financial Asset - Non-Current

	No. of Shares		Carrying Value	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Overseas Realty Investments (Pvt) Ltd.	-	-	351,600,000	351,600,000
	-	-	351,600,000	351,600,000

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 Company 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

		Group		Company	
		2018	2017	2018	2017
	Relationship	Rs.	Rs.	Rs.	Rs.
Realty Management Services (Pvt) Ltd.	Subsidiary	-	-	3,648,920	886,652
Mireka Homes (Pvt) Ltd.	Sub-Subsidiary	-	-	6,349,153	4,040,486
Havelock City (Pvt) Ltd.	Sub-Subsidiary	-	-	-	101,699
Overseas Realty Investments (Pvt) Ltd.	Subsidiary	-	-	36,260,046	37,499,253
Mireka Capital Land (Pvt) Ltd.	Subsidiary	-	-	-	1,147,818,416
		-	-	46,258,120	1,190,346,506
Less : Allowance for Impairment		-	-	-	-
		-	-	46,258,120	1,190,346,506

13. Stated Capital

	2018 Rs.	2017 Rs.
13.1 Stated Capital		
Balance as at 1st January	**18,443,353,347**	11,162,751,513
Issue of shares during the Year	**-**	7,280,601,834
Balance as at 31st December	**18,443,353,347**	18,443,353,347

13.2 Number of Ordinary Shares

	2018 Number	2017 Number
Balance as at 1st January	**1,243,029,582**	887,878,273
Issue of shares during the Year	**-**	355,151,309
Balance as at 31st December	**1,243,029,582**	1,243,029,582

14. Reserves

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
14.1 Revaluation Reserve				
Balance as at 1st January	**334,567,325**	334,774,111	**322,127,884**	320,266,949
Surplus during the Year	**39,547,729**	7,429,850	**41,923,146**	9,227,868
Deferred Tax Effect	**(678,394)**	(7,636,636)	**(1,034,707)**	(7,366,933)
	373,436,660	334,567,325	**363,016,323**	322,127,884
Balance as at 31st December	**373,436,660**	334,567,325	**363,016,323**	322,127,884

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 01.01.2018 Rs.	Additions/ (Withdrawals) Rs.	Fair Value Gain/(Loss) Rs.	As at 31.12.2018 Rs.
15.1.1 Group/Company				
Namal High Yield Fund	924,776,556	(946,963,993)	22,187,437	-
NDB Wealth Management	1,128,341,493	(646,046,528)	36,152,350	**518,447,315**
Guardian Acuity Asset Management Ltd.	561,754,018	845,167,048	92,388,959	**1,499,310,025**
	2,614,872,067	(747,843,473)	150,728,746	**2,017,757,340**

15.1.2 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.

15.2 Interest Bearing Loans and Borrowings

	2018			2017		
	Amounts Repayable within 1 Year Rs.	Amounts Repayable after 1 Year Rs.	Total Rs.	Amounts Repayable within 1 Year Rs.	Amounts Repayable after 1 Year Rs.	Total Rs.
15.2.1 Group						
Loan from Bank of Ceylon (BOC) (15.2.3)	**935,130,000**	**-**	**935,130,000**	534,712,500	-	534,712,500
Loan from NTB (15.2.4)	**-**	**-**	**-**	1,145,812,500	-	1,145,812,500
Loan from DFCC (15.2.5)	**1,958,100,000**	**-**	**1,958,100,000**	305,550,000	-	305,550,000
Bank Overdrafts (21)	**9,752,713**	**-**	**9,752,713**	20,672,602	-	20,672,602
Import loan	**11,358,113**	**-**	**11,358,113**	-	-	-
	2,914,340,826	**-**	**2,914,340,826**	2,006,747,602	-	2,006,747,602

	2018			2017		
	Amounts Repayable within 1 Year Rs.	Amounts Repayable after 1 Year Rs.	Total Rs.	Amounts Repayable within 1 Year Rs.	Amounts Repayable after 1 Year Rs.	Total Rs.
15.2.2 Company						
Bank Overdrafts	**-**	**-**	**-**	17,346,140	-	17,346,140
Total Loans and Overdraft	**-**	**-**	**-**	17,346,140	-	17,346,140

15.2.3 Loan - Bank of Ceylon

	As At 01.01.2018 Rs.	Obtained during the Year Rs.	Repayments Rs.	Exchange Difference Rs.	As At 31.12.2018 Rs.
Revolving Loan - BOC	534,712,500	724,223,500	(430,082,500)	106,276,500	**935,130,000**
	534,712,500	724,223,500	(430,082,500)	106,276,500	**935,130,000**

As per the loan agreement a loan facility of USD 40MN has been approved to Mireka Homes (Pvt) Ltd. (MHL) in 2012. Interest has been paid monthly at 6 Months LIBOR + 3% (Floor rate -5%) per annum during the year. The loan proceeds has been utilized for Phase III & IV of Havelock City Housing Project. The parent company (ORCL) has provided corporate guarantee for USD 20 Mn to bank for the MHL's facility.

15.2.4 Loan - Nations Trust Bank

	As At 01.01.2018 Rs.	Loans Obtained during the Year Rs.	Repayments Rs.	Exchange Difference Rs.	**As At 31.12.2018 Rs.**
Loan - NTB	1,145,812,500	316,550,000	(1,551,262,500)	88,900,000	**-**
	1,145,812,500	316,550,000	(1,551,262,500)	88,900,000	**-**

As per the loan agreement a loan facility of USD 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. The parent company (ORCL) has provided corporate guarantee for USD 20 Mn to bank for the MHL's facility.

15.2.5 Loan - DFCC

	As At 01.01.2018 Rs.	Loans Obtained during the Year Rs.	Repayments Rs.	Exchange Difference Rs.	**As At 31.12.2018 Rs.**
Loan - DFCC	305,550,000	3,221,955,000	(1,799,736,798)	230,331,798	**1,958,100,000**
	305,550,000	3,221,955,000	(1,799,736,798)	230,331,798	**1,958,100,000**

As per the loan agreement a loan facility of USD 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. The parent company (ORCL) has provided corporate guarantee for USD 20 Mn to bank for the MHL's facility.

16. Post Employment Benefit Liability

	Group		Company	
	2018	**2017**	**2018**	**2017**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Balance as at 1st January	**30,254,456**	26,556,246	**15,570,622**	14,530,990
Charge for the Year (16.1)	**8,734,287**	7,151,802	**3,899,735**	3,373,145
Actuarial (Gain)/Loss	**950,544**	(1,589,596)	**288,686**	(553,092)
Payments Made during the Year	**(430,009)**	(1,863,996)	**(353,453)**	(1,780,421)
Balance as at 31st December	**39,509,278**	30,254,456	**19,405,590**	15,570,622

16.1 Post Employee Benefit Expense for

	Group		Company	
Year Ended 31st December	**2018**	**2017**	**2018**	**2017**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Current Service Cost	**5,708,842**	3,885,384	**2,342,673**	1,585,834
Interest Cost	**3,025,445**	3,266,418	**1,557,062**	1,787,312
Post Employment Benefit Expense	**8,734,287**	7,151,802	**3,899,735**	3,373,145

16.2 Messrs. Piyal S. Goonetilleke and Associates : Actuaries, carried out an actuarial valuation of the Group as at 31st December 2018. Appropriate and compatible assumptions were used in determining the cost of post employment benefits. The principal assumptions used are as follows:

	2018	**2017**
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 5% to 11% in respect of ages 35 to 40, & from 1% to 7% from age 45 to 50. From which point onwards up to retirement it is estimated at 1% p.a.

	2018	2017
c) Financial Assumptions		
Discount Rate	**10.00%**	10.00%
Salary Increment Rate	**8%**	8%
Expected Average Future Working Life of Employees	**6.1 years**	6 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 2018.

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)		Group		Company	
		2018		2018	
In Discount Rate	In Salary Increment Rate	Effect on Income Statement (Reduction)/ Increase in Results for the Year 2018	Performa Post Employment Benefit Liability 2018	Effect on Income Statement (Reduction)/ Increase in Results for the Year 2018 Rs.	Performa Post Employment Benefit Liability 2018 Rs.
-1%	-	(3,031,876)	41,541,154	(997,987)	20,403,577
1%	-	773,884	37,735,394	871,270	18,534,320
-	-1%	692,193	37,817,085	831,147	18,574,443
-	1%	(2,822,103)	41,331,381	(894,954)	20,300,544

17. Trade and Other Payables

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Trade Payables - Related Parties	-	-	-	-
- Payable to Contractor	1,156,685,169	493,300,347	43,769,503	-
- Others	410,521,847	269,501,693	-	-
	1,567,207,016	762,802,040	43,769,503	-
Other Payables	217,656,471	39,332,617	-	-
Sundry Creditors including Accrued Expenses	1,027,057,208	499,358,102	345,485,616	229,655,667
	2,811,920,695	1,301,492,759	389,255,119	229,655,667

18. Rental and Customer Deposits

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Rental Deposits	1,080,121,288	1,057,265,994	1,051,458,077	1,032,672,473
Customer Deposits	1,138,102,093	735,248,137	-	-
	2,218,223,380	1,792,514,131	1,051,458,077	1,032,672,473
Classified Under:				
Current Liabilities	1,080,121,288	1,057,265,994	1,051,458,077	1,032,672,473
Non-Current Liabilities	1,138,102,093	735,248,137	-	-
Total	2,218,223,380	1,792,514,131	1,051,458,077	1,032,672,473

19. Amounts Due to Related Parties

		Group		Company	
		2018	2017	2018	2017
	Relationship	Rs.	Rs.	Rs.	Rs.
Mireka Capital Land (Pvt) Ltd.	Subsidiary	**-**	-	**1,437,588**	-
Management Corporation Condominium Plan 8308	Other Related Party	**157,569**	-	**-**	-
Management Corporation Condominium Plan 1824	Other Related Party	**50,345,451**	22,341,632	**50,345,451**	22,341,632
Shing Kwan Investment (Singapore) Pte Ltd.*	Affiliate	**1,050,269,926**	824,614,727	**-**	-
		1,100,772,946	846,956,359	**51,783,039**	22,341,632
Classified Under:					
Current Liabilities		**50,503,020**	22,341,632	**51,783,039**	22,341,632
Non-Current Liabilities		**1,050,269,926**	824,614,727	**-**	-
Total		**1,100,772,946**	846,956,359	**51,783,039**	22,341,632

19.1 *This balance bears interest at the rate of 3 months LIBOR + 2% p.a

Letter of undertaking provided by the Company to lender.

Re-payable at expiry of 5 years from 22nd February 2017 in full as bullet payment.

20. Dividends Paid and Payable

	2018	2017
	Rs.	Rs.
20.1 Declared and Paid during the Year		
Equity Dividends on Ordinary Shares		
- Final dividend for 2018 Rs. 1.25 : (2017 Rs.1.25)	**1,553,786,978**	1,553,786,978
	1,553,786,978	1,553,786,978
20.2 Dividends Payable as at the end of the Year		
Dividends on Ordinary Shares Unclaimed	**20,589,756**	16,342,543
	20,589,756	16,342,543

21. Cash and Short Term Deposits

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	298,427,032	242,158,875	82,613,840	106,834,264
Call Deposits and Fixed Deposits	2,578,746,035	4,574,372,411	555,556,853	3,775,630,335
	2,877,173,067	4,816,531,286	638,170,693	3,882,464,599
Bank Overdraft (15)	(9,752,663)	(20,672,602)	-	(17,346,140)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	2,867,420,404	4,795,858,684	638,170,693	3,865,118,459

22. Finance Cost and Income

		Group		Company	
		2018	2017	2018	2017
		Rs.	Rs.	Rs.	Rs.
22.1	**Finance Cost**				
	Interest Expense on Interest Bearing Loans and Borrowings	-	7,730,324	-	7,730,324
	Fair Value Adjustment on Rental Deposits	**59,883,850**	2,194,862	**54,525,127**	2,194,862
		59,883,850	9,925,186	**54,525,127**	9,925,186
22.2	**Finance Income**				
	Income from Investments				
	- Interest on Fixed Deposits	**98,076,947**	284,646,466	**83,861,394**	262,880,089
	- Income from Investment in Fair Value through Profit & Loss	**150,728,746**	173,669,374	**150,728,746**	173,669,374
	Amortization of Deferred Lease Interest Income on Rental Deposits	**63,893,812**	1,894,989	**55,825,111**	1,894,989
	Interest Income	**-**	-	**36,628,500**	41,150,000
		312,699,505	460,210,829	**327,043,751**	479,594,452
22.3	**Other Income**				
	Dividend Income	**-**	3,610,483	**-**	6,713,683
	Gain on share re-purchasing	**-**	-	**49,491,285**	-
	Club House Income	**36,345,330**	37,506,640	**-**	-
	Gain on PPE Disposal	**4,633,419**	-	**4,633,419**	-
		40,978,749	41,117,123	**54,124,704**	6,713,683

23. Profit Before Tax

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Stated after Charging/(Crediting)				
Directors Fee	**5,125,000**	5,679,000	**5,075,000**	5,125,000
Auditors Remuneration	**3,693,277**	3,120,000	**1,681,074**	1,733,166
Depreciation Charge for the Year	**38,683,989**	35,721,597	**14,069,335**	13,728,277
Exchange (Gain)/Loss	**(221,692,810)**	174,608,733	**(201,774,131)**	175,092,539
(Profit)/Loss on Disposal/Discontinuation of Property, Plant and Equipment	**(4,633,419)**	430,816	**(4,633,419)**	-
Employee Benefit Expenses Including the following;				
- Defined Benefit Plan Cost - Gratuity	**8,734,287**	7,151,802	**3,899,735**	3,373,145
- Defined Contribution Plan Cost - EPF & ETF	**22,943,932**	13,750,306	**10,872,947**	10,872,947
Amortization/write off of Intangible Assets	**707,412**	1,200,972	**707,412**	1,200,972

24. Tax Expenses

The major components of income tax expense for the years ended 31 December 2017 and 31 December 2018 are as follows :

24.1 Statement of Profit or Loss

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Current Tax Expense on Other Income	**103,101,328**	45,944,107	**77,203,692**	29,015,188
Under/(Over) Provision of Current Taxes in respect of Prior Year	**-**	458,902	**-**	-
Deferred tax:				
Deferred Taxation Charge/(Credit)	**39,346,298**	535,964,627	**23,314,040**	507,838,786
Income Tax Expense/(Credit) Reported in the Statement of Profit or Loss	**142,447,625**	582,367,636	**100,517,732**	536,853,974

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

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Accounting Profit Before Tax	**4,959,925,386**	3,755,854,537	**3,257,897,577**	3,170,803,090
Income Exempted from Tax	**(1,065,753,933)**	3,567,317,860	**(2,982,170,106)**	(3,035,403,263)
Less : Other Income	**(313,780,435)**	(159,349,818)	**(275,727,471)**	(134,206,796)
Aggregate Disallowed Items	**3,966,433**	66,355,463	**-**	-
Aggregate Allowed Item	**(18,654,888)**	(105,274,790)	**-**	-
Net Profit/(Loss) from Trade	**3,565,702,563**	(23,092,957)	**-**	1,193,031
Other Income	**313,780,435**	159,349,818	**275,727,471**	134,206,796
Total Statutory Income	**368,801,546**	197,782,630	**275,727,471**	135,399,827
Less Tax Losses Claimed	**(528,518)**	(33,696,535)	**-**	(31,774,157)
Assessable Liable Income	**368,219,028**	164,086,095	**275,727,471**	103,625,670
Income Tax at the Statutory Rate 15% - 28%	**103,101,328**	45,944,107	**77,203,692**	29,015,188
Current Tax Expense on Other Income	**103,101,328**	45,944,107	**77,203,692**	29,015,188

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 31st December 2018 amounting to Nil and Rs. 676 Mn (2017 - Nil and Rs. 726 Mn) respectively.

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	
	2018	2017
	Rs.	Rs.
Amounts Used as the Numerator		
Net Profit Attributable to Shareholders for Earnings Per Share	**4,817,189,074**	3,173,486,901
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**	1,243,029,582

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

	Group	
	2018	2017
Ordinary Shares at the beginning of the year	**1,243,029,582**	887,878,273
Effect of Right Issue	**-**	355,151,309
Weighted Average Number of Ordinary Shares in Issue	**1,243,029,582**	1,243,029,582

26. Related Party Disclosures

26.1 Transactions with Related Entities

		Group		Company	
		2018	2017	2018	2017
26.1.2	**Subsidiaries**				
	Amounts Receivable as at 1st January	**-**	-	**1,831,946,506**	28,785,101
	Amounts Payable as at 1st January	**-**	-	**-**	(2,796,885)
	Rendering of Services	**-**	-	**-**	1,200,000
	Investment	**-**	-	**(1,150,000,000)**	641,600,000
	Funding	**-**	-	**-**	1,150,000,000
	Loan Interest	**-**	-	**(75,851,980)**	41,150,000
	Reimbursements/(Settlements)	**-**	-	**40,427,704**	(27,991,710)
	Amounts Receivable as at 31st December	**-**	-	**646,522,230**	1,831,946,506
	Amounts Payable as at 31st December	**-**	-	**-**	-
26.1.3	**Affiliate**				
	Amounts Receivable as at 1st January	**-**	-	**-**	(4,610)
	Amounts Payable as at 1st January	**(846,956,359)**	(758,613,710)	**(4,610)**	-
	(Reimbursements)/Settlements	**(203,313,567)**	(88,342,649)	**4,610**	-
	Amounts Receivable as at 31st December	**-**	-	**-**	-
	Amounts Payable as at 31st December	**(1,050,269,926)**	(846,956,359)	**-**	(4,610)

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

26.1.4 Other Related Parties

a) Management Corporation Condominium Plan 1824

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Amounts Receivable as at 1st January	-	-		
Amounts Payable as at 1st January	**(22,341,631)**	(34,991,691)	**(22,341,631)**	(34,991,691)
Property Facility Fee	**22,440,000**	22,440,000	**22,440,000**	22,440,000
Membership Fee Collected on behalf	**(435,039,600)**	(384,453,600)	**(435,039,600)**	(384,453,600)
Due on account of Supply of Electricity	**234,787,029**	241,377,332	**234,787,029**	241,377,332
Other Expense Borne on behalf	**250,499,654**	177,969,590	**250,499,654**	177,969,590
Amounts Receivable as at 31st December	-	-	-	-
Amounts Payable as at 31st December	**50,345,452**	22,341,631	**50,345,452**	22,341,631

Management Corporation Condominium Plan No. 1824 ("Corporation") is a body corporate constituted on 4th 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 the Chief Executive Officer of the Group and members of management committee.

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

	2018	2017
	Rs.	Rs.
Fees for Directors	**5,075,000**	5,679,000
Emoluments	**93,163,520**	86,054,663
Short Term Employment Benefits	**8,450,000**	8,235,000
Post Employment Benefits	**10,937,016**	11,306,560
	117,625,536	111,275,283

26.3 During the year company has invested in equity shares of Havelock City (Pvt) Ltd., through Mireka Capital Land (Pvt) Ltd., the balance money from right issue of Rs. 5.6 Bn.

26.4 During the year Havelock City (Pvt) Ltd., has entered in to a shareholder loan agreement with Shin Kwan Investment (Singapore) Pte Ltd. and Shin Kwan Pte Ltd., for a loan of USD 39.5 Mn with the interest at 3 months LIBOR + 2% p.a. to fund the development of Havelock City commercial complex.

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	
	2018	2017	2018	2017
	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	**24,162,000,000**	9,771,000,000	**-**	-
	24,163,162,157	10,933,157	**1,162,157**	1,162,157

Letters of Credit opened with Banks Favouring Suppliers by the Group and the Company amounted to Rs. 692,007,177/- (2017 - Nil) and Rs. 112,237,556/- (2017- Nil) 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. 324 Mn 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 Occurring 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 31st December 2018. 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. Dividend is taxed at 14%.

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	85,476,994	18,969,595
Short term deposits	72,561,578	566,726,853
Short Term Investments	2,017,757,340	-
Interest Bearing Loans & Borrowings	11,358,703	21,549,180
Company		
Cash at bank and in hand	21,653,646	18,458,628
Short term deposits	42,361,963	555,556,853
Other Financial Assets (Unit Trust Investments)	2,017,757,340	-
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 inventory and capital WIP, 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 Inventory and Capital WIP
2018	**USD 18.6 Mn**	**183.00**	**+-7.5%**	**254,749,087**
2017	USD 11.7 Mn	152.78	+-7.5%	134,060,063

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.

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.

2018 Group	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	More than 5 Years Rs.	Total Rs.
Trade and Other Payables	-	-	2,811,920,695	-	-	2,811,920,695
Amounts due to Related Parties	-	-	50,503,020	1,050,269,926	-	1,100,772,946
Interest Bearing Loans and Borrowings	-	-	2,914,340,826	-	-	2,914,340,826
Rental and Customer Deposit	-	166,233,026	274,269,479	1,746,383,981	-	2,186,886,486
	-	166,233,026	6,051,034,020	2,796,653,907	-	9,013,920,953

2018 Company	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	More than 5 Years Rs.	Total Rs.
Trade and Other Payables	-	-	389,255,119	-	-	389,255,119
Interest Bearing Loans and Borrowings	-	-	22,341,632	-	-	22,341,632
Rental and Customer Deposit	-	166,233,026	274,269,479	579,618,677	-	1,020,121,182
	-	166,233,026	685,866,230	579,618,677	-	1,431,717,932

2017 Group	On Demand Rs.	Less than 3 Months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	More than 5 years Rs.	Total Rs.
Trade and Other Payables	-	-	1,301,492,759	-	-	1,301,492,759
Amounts due to Related Parties	-	-	22,341,632	-	824,614,727	846,956,359
Interest Bearing Loans and Borrowings	-	-	2,006,747,602	-	-	2,006,747,602
Rental and Customer Deposit	-	166,233,026	274,269,479	1,352,011,626	-	1,792,514,131
	-	166,233,026	3,604,851,472	1,352,011,626	824,614,727	5,947,710,851

2017 Company	On Demand Rs.	Less than 3 Months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	More than 5 years Rs.	Total Rs.
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	592,169,968	-	901,963,294
	17,346,140	166,233,026	526,266,778	592,169,968	-	1,171,306,733

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 determine 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 effects of the recorded fair value that are not based-on observable market data.

As at 31st December 2018 the Group held the following financial instrument carried at fair valued on the statement of financial position.

b) Financial Assets Measured at Fair Value

	2018 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Short term investment Note 15.1	2,017,757,340	2,017,757,340	-	-

	2017 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Short term investment Note 15.1	2,614,872,067	2,614,872,067	-	-

During the reported period ending 31st December 2018 there were no transfer between level 1 and level 2 fair value measurements.

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 analyse 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:

Group/Company	Financial Assets Held for Trading at Fair Value		Financial Assets and Liabilities at Amortised Cost		Total	
As at 31 December 2018	Group	Company	Group	Company	Group	Company
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Trade and Other Receivables	-	-	1,917,318,926	594,661,603	1,917,318,926	594,661,103
Other Financial Assets	-	-	-	296,258,120	-	296,258,120
Short Term Investments	2,017,757,340	2,017,757,340	-	-	2,017,757,340	2,017,757,340
Cash and Short Term Deposits	-	-	2,877,173,067	638,170,693	2,877,173,067	638,170,693
Total Financial Assets	2,017,757,340	2,017,757,340	4,794,491,993	1,529,089,916	6,812,249,333	3,546,847,256
Financial Liabilities						
Trade and Other Payables	-	-	2,811,920,695	389,255,119	2,811,920,695	389,255,119
Amounts Due to Related Parties	-	-	1,100,772,946	51,783,039	1,100,772,946	51,783,039
Interest Bearing Loans and Borrowings (Current)	-	-	2,914,340,826	-	2,914,340,826	-
Rental and Customer Deposits	-	-	1,080,121,288	1,051,458,077	1,080,121,288	1,051,458,077
Total Financial Liabilities	-	-	7,907,155,754	1,492,496,234	7,907,155,754	1,492,496,234

Group/Company	Financial Assets Held for Trading at Fair Value		Financial Assets and Liabilities at Amortised Cost		Total	
As at 31 December 2017	**Group**	**Company**	**Group**	**Company**	**Group**	**Company**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Financial Assets						
Trade and Other Receivables	-	-	1,027,490,263	477,268,063	1,027,490,263	477,268,063
Other Financial Assets	-	-	-	1,480,346,506	-	1,480,346,506
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	5,840,079,168	8,458,893,616	8,454,951,235
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	24,436,521
Interest Bearing Loans and Borrowings (Current)	-	-	2,006,747,602	17,346,140	2,006,747,602	17,346,140
Rental and Customer Deposits	-	-	1,057,265,994	1,032,672,473	1,057,265,994	1,032,672,473
Total Financial Liabilities	-	-	5,212,462,714	1,302,015,912	5,212,462,714	1,302,015,912

Group Performance - Ten Year Summary

Rs. Mn	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Income Statement										
Rental Revenue	**2,334**	2,090	1,886	1,962	1,764	1,590	1,339	850	697	666
Revenue from Other Services	**351**	292	259	205	104	69	54	57	51	41
Apartment Revenue	**4,100**	1,935	285	974	4,329	3,190	554	1,588	950	1,234
Total Revenue	**6,785**	4,317	2,431	3,141	6,198	4,848	1,948	2,495	1,698	1,941
Direct Operating Expenses	**(768)**	(695)	(615)	(548)	(482)	(424)	(426)	(338)	(329)	(334)
Cost of Sales of Apartment	**(2,272)**	(1,307)	(160)	(653)	(3,308)	(2,635)	(397)	(1,231)	(633)	(1,051)
Gross Profit	**3,744**	2,316	1,656	1,940	2,408	1,789	1,125	926	736	556
Fair Value Gain on Investment Property	**1,223**	1,191	1,267	1,175	1,016	930	1,563	2,123	473	1,019
Other Operating Expenses	**(523)**	(417)	(323)	(305)	(266)	(268)	(260)	(270)	(274)	(187)
Net Finance Income/(Expense)	**253**	450	277	169	155	175	176	27	(94)	3
Profit from Operating Activities	**4,697**	3,540	2,878	2,979	3,312	2,626	2,604	2,806	841	1,391
Other Income	**41**	41	85	84	64	-	-	-	-	-
Exchange Gain/(Loss)	**222**	175	11	10	10	15	(85)	(40)	84	0
Net Profit Before Tax	**4,960**	3,756	2,974	3,073	3,386	2,641	2,519	2,766	925	1,391
Income Taxes	**(142)**	(582)	(44)	(42)	(50)	(2)	(51)	(25)	(11)	(7)
Net Profit After Tax	**4,817**	3,173	2,930	3,031	3,336	2,639	2,468	2,741	914	1,384
Profit Attributable to Equity Holders of the Parent	**4,817**	3,173	2,911	2,991	2,957	2,435	2,469	2,681	844	1,342
Non-controlling Interest	**-**	-	19	40	379	204	(1)	60	70	43
	4,817	3,173	2,930	3,031	3,336	2,639	2,468	2,741	914	1,384
Statement of Financial Position										
Assets										
Non-Current Assets										
Investment Property	**27,077**	25,854	24,652	22,579	21,405	20,389	19,459	17,884	15,751	15,278
Property Plant & Equipment	**5,965**	3,799	1,782	1,598	1,559	703	644	395	254	246
Intangible Assets	**0**	1	2	12	14	18	18	26	30	35
Inventory	**266**	1,841	3,193	2,362	2,125	1,785	-	-	-	-
Deferred Tax Assets	**170**	154	149	29	27	41	-	-	-	-
	33,478	31,649	29,779	26,581	25,130	22,937	20,122	18,305	16,035	15,560

Rs. Mn	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Current Assets										
Inventory	**6,967**	1,983	94	272	424	3,565	4,129	3,167	3,981	4,093
Trade & Other Receivables	**4,688**	2,445	1,456	892	1,379	1,448	1,839	1,563	1,275	1,635
Amounts due From Related Parties	**-**	-	-	1	9	25	14	25	53	4
Income Tax Recoverable	**23**	14	17	-	10	2	-	-	1	1
Short Term Investments	**2,018**	2,615	1,473	2,862	2,155	1,236	-	-	-	-
Cash & Short Term Deposits	**2,877**	4,817	1,344	1,666	1,170	1,680	1,811	2,197	1,008	177
	16,573	11,874	4,383	5,693	5,146	7,956	7,793	6,952	6,318	5,910
Total Assets	**50,050**	43,522	34,161	32,274	30,276	30,893	27,915	25,257	22,353	21,470
Equity & Liabilities										
Stated Capital	**18,443**	18,443	11,163	11,163	10,186	10,186	10,186	10,186	10,186	9,713
Revaluation Reserve	**373**	335	464	291	265	239	216	165	149	135
Retained Earnings	**21,219**	17,955	16,207	17,151	15,478	13,750	11,559	9,343	6,915	6,283
Equity Attributable to Equity Holders	**40,035**	36,732	27,833	28,605	25,929	24,175	21,961	19,694	17,250	16,131
Minority Interest	**-**	-	-	1,512	1,507	1,147	943	963	903	833
Total Equity	**40,035**	36,732	27,833	30,117	27,436	25,322	22,904	20,657	18,153	16,964
Non-Current Liabilities										
Interest Bearing Loans & Borrowings	**-**	-	-	46	96	146	196	246	2,194	1,549
Non-Interest Bearing Borrowings & Loans	**-**	-	-	-	-	-	-	-	1	2
Post Employment Benefit Liability	**40**	30	27	27	21	18	27	23	21	20
Customer Deposit	**1,138**	735	1,215	323	-	-	-	-	-	-
Amounts due to Related Parties	**1,050**	825	759	-	-	-	-	-	-	-
Deferred Tax Liability	**831**	775	226	23	-	-	-	-	-	-
Total Non-Current Liabilities	**3,059**	2,365	2,226	418	117	163	223	269	2,216	1,571
Current Liabilities										
Trade & Other Payables	**2,812**	1,301	780	782	825	1,594	543	697	871	831
Rental Income Received in Advance	**-**	131	105	-	-	-	-	-	-	-
Rental & Customer Deposits	**1,080**	927	856	875	904	1,888	2,082	976	418	440
Amounts Due to Related Parties	**51**	22	35	21	-	12	20	9	9	26
Interest Bearing Loans & Borrowings	**2,914**	2,007	2,304	50	986	1,888	2,117	2,636	683	1,596
Non-Interest Bearing Borrowings & Loans	**-**	-	-	-	-	-	-	1	1	1
Income Tax Payable	**79**	19	8	4	2	21	24	10	-	-
Dividend Payable	**21**	16	13	7	5	3	3	2	2	39
Total Current Liabilities	**6,956**	4,424	4,101	1,739	2,723	5,407	4,788	4,331	1,984	2,935
Total Equity & Liabilities	**50,050**	43,522	34,161	32,274	30,276	30,893	27,915	25,257	22,353	21,470

Group Performance - Ten Year Summary

Rs. Mn	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Earnings Per Share	**3.88**	2.55	3.28	3.44	3.48	2.89	2.93	3.18	1.23	2.25
Earnings Per Share (Excluding Fair Value Gains))	**2.89**	1.59	1.85	2.09	2.29	1.78	1.07	0.66	0.58	0.57
Dividend Per Share	**1.25**	1.25	1.50	1.50	1.45	0.30	0.30	0.30	0.26	0.40
Net Asset Value Per Share	**32.21**	29.55	31.35	32.22	30.74	28.66	26.04	23.35	20.45	28.69
Share Value (High)	**18.80**	21.80	26.10	24.10	29.30	21.30	15.60	19.40	24.00	15.00
Share Value (Low)	**15.30**	16.80	19.30	20.50	18.50	13.90	9.50	13.10	14.00	5.75
Current Ratio	**2.38**	2.68	1.07	3.27	1.89	1.47	1.63	1.61	3.18	2.01
Return on Equity (%)	**13%**	10%	10%	11%	13%	11%	11%	14%	5%	8%
Total Debt to Total Assets (%)	**20%**	16%	19%	7%	9%	18%	18%	18%	19%	21%
Debt Equity Ratio (%)	**7.3%**	5.5%	8.3%	0.3%	4%	8%	11%	15%	17%	19%
Return on Assets (%)	**10%**	8%	9%	10%	11%	9%	9%	11%	4%	6%
Asset Turnover (%)	**15%**	11%	7%	10%	20%	16%	7%	10%	8%	9%
Dividend Payout Ratio (%)	**32%**	49%	46%	44%	42%	10%	10%	9%	21%	18%

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.

Shareholder Information

1. Stated Capital

	31st December 2018	31st December 2017
Issued and Fully paid Capital (Rs.)	**18,443,353,347**	18,443,353,347
No of Shares	**1,243,029,582**	1,243,029,582
Class of Shares	Ordinary Shares	
Voting Rights	One Vote per Ordinary Share	

2. Stock Exchange Listing

The issued ordinary shares of Overseas Realty Ceylon PLC are listed with the Colombo Stock Exchange of Sri Lanka. The Audited Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2018 and the Audited Statement of Financial Position at that date have been submitted to the Colombo Stock Exchange within three months of the reporting date.

3. Ordinary Shareholders as at 31st December 2018

The number of Share Holders as at 31st December 2018 was 3,873 (As at 31st December 2017 - 3,910).

Shareholdings	Resident			Non Resident			Total		
	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)
1 - 1,000	2,154	654,729	0.05%	18	9,068	0.00%	2,172	663,797	0.05%
1,001 - 10,000	1,138	4,462,679	0.36%	17	88,815	0.01%	1,155	4,551,494	0.37%
10,001 - 100,000	428	12,465,100	1.00%	21	949,929	0.08%	449	13,415,029	1.08%
100,001 - 1,000,000	67	18,650,734	1.50%	11	3,127,991	0.25%	78	21,778,725	1.75%
Over 1,000,000	8	62,185,332	5.00%	11	1,140,435,205	91.75%	19	1,202,620,537	96.75%
	3,795	98,418,574	7.91%	78	1,144,611,008	92.09%	3,873	1,243,029,582	100.00%

Shareholder Information

Categories of Shareholders

Category	As of 31st December 2018		As of 31st December 2017	
	No. of Shareholders	No. of Shares	No. of Shareholders	No. of Shares
Individual	**3,635**	**50,451,783**	3,670	48,263,741
Institutional	**238**	**1,192,577,799**	240	1,194,765,841
	3,873	**1,243,029,582**	3,910	1,243,029,582

4. Share Trading Information

	31st December 2018		31st December 2017	
	Date	Price (Rs.)	Date	Price (Rs.)
Highest	**12.03.2018**	**18.80**	20.04.2017	21.80
Lowest	**05.07.2018**	**15.30**	08.12.2017	16.80
Closing Price	**31.12.2018**	**16.50**	31.12.2017	17.60

	31st December 2018	31st December 2017
Number of Transactions	**2,403**	3,667
Number of Shares Traded	**6,062,565**	10,497,110
Value of Shares Traded (Rs.)	**100,936,035**	203,836,660

5. Dividends

	31st December 2018	31st December 2017
Dividends Per Share (Rs.)	**1.25**	1.25
Dividends Payment (Rs.)	**1,553,786,978**	1,553,786,978
Dividend Payout (%)	**32%**	49%

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 2018 No. of Shares	31st December 2017 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	**1,060,000**	560,000
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	**15,892,093**	14,320,000

7. Top Twenty Shareholders as at 31st December

	Name	As at 31st Dec 2018		As at 31st Dec 2017	
		Shareholding	Percentage (%)	Shareholding	Percentage (%)
1	SHING KWAN INVESTMENT COMPANY LIMITED	**477,655,116**	**38.43**	477,655,116	38.43
2	JIANGSU TAO SHING PEE EDCUATION FOUNDATION	**299,414,169**	**24.09**	299,414,169.00	24.09
3	UNITY BUILDERS LIMITED	**231,951,090**	**18.66**	231,951,090	18.66
4	PERSHING LLC S/A AVERBACH GRAUSON & CO.	**62,040,238**	**4.99**	62,040,238	4.99
5	SHING KWAN INVESTMENT (SINGAPORE) PTE LTD.	**38,323,522**	**3.08**	38,323,522	3.08
6	PEOPLES BANK	**30,538,203**	**2.46**	30,538,203	2.46
7	SHING KWAN (PTE.) LTD.	**16,200,000**	**1.30**	16,200,000	1.3
8	MR. P.D. SAMARASINGHE	**15,892,093**	**1.28**	14,320,000.00	1.15
9	CHIPPERFIELD INVESTMENTS LIMITED	**8,090,860**	**0.65**	8,090,860	0.65
10	SRI LANKA INSURANCE CORPORATION LTD - LIFE FUND	**4,649,218**	**0.37**	4,649,218	0.37
11	BANK OF CEYLON-NO2 A/C	**3,971,842**	**0.32**	3,971,842	0.32
12	ORIENTAL PEARL INTERNATIONAL INC.	**2,684,210**	**0.22**	2,684,210	0.22
13	E.W. BALASURIYA & CO. (PVT) LTD.	**2,260,992**	**0.18**	2,260,992	0.18
14	SEYLAN BANK PLC/SYMPHONY CAPITAL LTD.	**1,858,190**	**0.15**	1,858,190	0.15
15	MR. PUJITHA PUNSIRI SUBASINGHE	**1,813,570**	**0.15**	1,691,978	0.14
16	MR. ALAIN BLAISE MICHEL CHEVALIER	**1,570,000**	**0.13**	1,570,000.00	0.13
17	MR. GAUTAM RAHUL	**1,446,000**	**0.12**	1,338,700	0.11
18	MR. AMARAKOON MUDIYANSELAGE WEERASINGHE	**1,201,224**	**0.10**	1,054,834.00	0.08
19	MR. EN-PING ONG	**1,060,000**	**0.09**	-	-
20	BANK OF CEYLON-NO1 A/C	**957,792**	**0.08**	957,792.00	0.08
	Total	**1,203,578,329**	**96.83**	1,200,570,954	96.59
	Balance held by other Shareholders	**39,451,253**	**3.17**	42,458,628	3.42
	Total number of Ordinary Shares	**1,243,029,582**	**100.00**	1,243,029,582	100.00
	Public Holding	**461,947,761**	**37.16**	464,019,854	37.33
	Others	**781,081,821**	**62.84**	779,009,728	62.67
	Total	**1,243,029,582**	**100.00**	1,243,029,582	100.00

8. Public Shareholding

Parent/Group/Subsidiary	31st December 2018 No. of Shares	31st December 2017 No. of Shares
Shing Kwan Investments 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**	38,323,522
Shing Kwan (Pte) Ltd.	**16,200,000**	16,200,000
	764,129,728	764,129,728
Issued number of ordinary shares as at 31st December	**1,243,029,582**	1,243,029,582
Less		
Parent/Group	**477,655,116**	477,655,116
Subsidiaries or Associate Companies of Parent	**286,474,612**	286,474,612
Over 10% Holding	**-**	-
Directors' Shareholding	**16,952,093**	14,880,000
Spouses of Directors and CEO	**-**	-
Public Holding	**461,947,761**	464,019,854
Public Holding as a percentage of Issued Ordinary Shares	**37.16%**	37.33%

Group Land Portfolio

Location	Land Extent			Market Value (Rs. Mn)	Category	Building Area (Sq.ft.)
	A	R	P			
Echelon Squire, Colombo 01 **WTC Building**	2	-	-	27,480	Investment Property/ Property, Plant & Equipment	976,538
No. 324, Havelock City, Colombo 06 **Clubhouse Building**	-	3	22	1,688	Property Plant & Equipment	45,130
No. 324, Havelock City, Colombo 06	13	2	19	15,253	Inventory – Long term Assets	-

Notice of Meeting

Notice is hereby given that the Thirty- Seventh (37th) Annual General Meeting of OVERSEAS REALTY (CEYLON) PLC will be held on Friday 29th March 2019 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 2018 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 2018 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.

   (viii) 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 MILDRED TAO ONG, who attained the age of 70 years on 28th February 2019 and that she 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 15th February 2019

Notes

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Notes

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
Yap Boh Pin
En Ping Ong
Ranee Jayamaha
Pravir Samarasinghe

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

Audit Committee

Ajit Mahendra De Silva Jayaratne – Chairman
Hussein Zubire Cassim
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

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