



SEEING BEYOND THE PRESENT

In the forefront of the real estate sector in Sri Lanka, we have always envisioned the future by seeing beyond the present. Creating paragons of excellence and setting the benchmark in residential and property leasing we have had a vision of modernity in scaling up the City of Colombo to international standards. With our significant projects on the pathway of completion, we are geared to create iconic landmarks which would position the city to its futuristic setting.

Contents

Financial Highlights	4
Chairman's Message	6
Profiles of Directors	8

Management Review

Property Leasing	14
Property Trading	15
Property Services	16
Financial Review	17
Sustainability Report	19
Risk Management Report	23
Corporate Governance Report	26
Remuneration Committee Report	47
Audit Committee Report	48
Related Party Transactions Review Committee Report	50

Financial Report

Financial Calendar	53
Annual Report of the Board of Directors	54
Directors, Statement on Internal Controls	59
Directors' Responsibility for Financial Reporting	60
Independent Auditor's Report	61
Statement of Financial Position	65
Statement of Profit Or Loss	67
Statement of Comprehensive Income	68
Statement of Changes In Equity	69
Statement of Cash Flows	70
Notes to the Financial Statements	72
Group Performance - Ten Year Summary	121
Shareholder Information	124
Group Land Portfolio	128
Notice of Meeting	129
Notes	130
Corporate Information	IBC



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

Believe in Our People

Make a Difference Together

Honesty and Integrity

Passionate about Our Customers

Embrace Quality as Way of Life

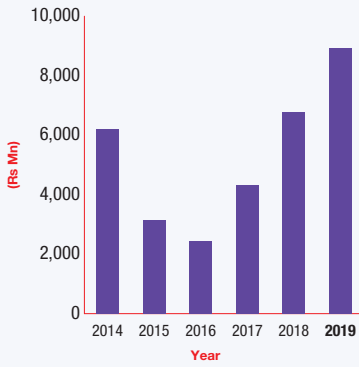
Hold our Selves Accountable



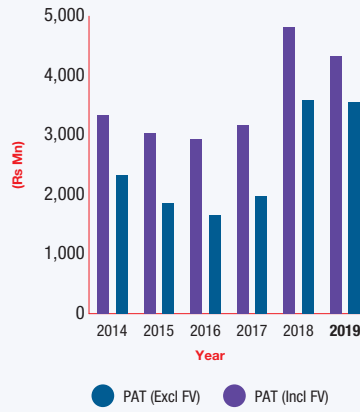
FINANCIAL HIGHLIGHTS

For the year ended 31st December	2019	2018
	Rs Mn	Rs Mn
INCOME STATEMENT		
Revenue	8,922	6,785
Gross Profit	4,251	3,744
Fair Value Gain (FVG)	774	1,223
Profit Before Tax (PBT)	4,642	4,960
Profit After Tax (PAT)	4,336	4,817
PAT (Excluding FVG)	3,562	3,594
STATEMENT OF FINANCIAL POSITION		
Total Assets	57,233	50,050
Total Liabilities	14,399	10,015
Loans and Borrowings	4,692	2,914
SHAREHOLDERS' EQUITY		
Stated Capital	18,443	18,443
Reserves	24,391	21,592
FINANCIAL RATIOS		
Gross Profit Margin	48%	55%
PAT (Including FVG) Margin	49%	71%
PAT (Excluding FVG) Margin	40%	53%
Earnings Per Share (Including FVG)	3.49	3.88
Earnings Per Share (Excluding FVG)	2.87	2.89
Return on Equity	10%	13%
Return on Assets	8%	10%
Debt Equity Ratio	11.0%	7.3%
Net Assets Per Share	34.46	32.21
PE Ratio	4.6	4.3

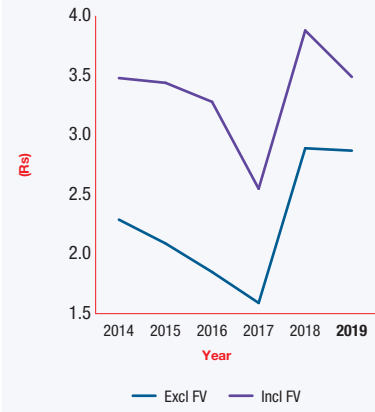
Group Revenue



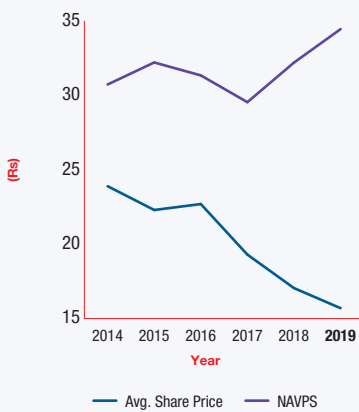
Group Profit After Tax



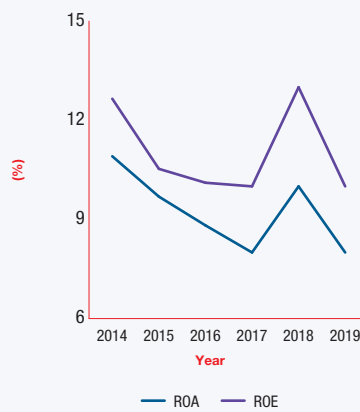
Earning Per Share



NAVPS vs. Avg. Share Price



ROE and ROA



Shareholders Equity and Total Assets



CHAIRMAN'S MESSAGE



“ The multiple terror attacks across the Country on Easter Sunday, 21 April 2019, and the unstable political and economic conditions experienced during the year resulted in further challenges to the real estate sector. The performance of the Company within this challenging external environment was noteworthy ”

I welcome you to the 38th Annual General Meeting of Overseas Realty (Ceylon) PLC. I am pleased to present the Annual Report and Financial Statements of the Company for the Year ended 31st December 2019. It is with great pleasure that I report that your Group recorded a Revenue of Rs 8.9 Bn and an Operating Profit excluding Fair Value Gain of Rs 3.7Bn during 2019.

The Revenue and the Operating Profit excluding Fair Value Gain have increased by 31% and 14% respectively during the year under review.

Economic Outlook

The Sri Lankan economy slowed down and grew by only 2.3% in 2019 compared to 3.3% in 2018. Interest rates continued to decrease during the year while inflation showed an increasing trend. The Sri Lanka Rupee was stable against the US Dollar during the year. The multiple terror attacks across the Country on Easter Sunday, 21 April

2019, and the unstable political and economic conditions experienced during the year resulted in further challenges to the real estate sector. The performance of the Company within this challenging external environment was noteworthy.

Financial Performance

The Company and its fully owned subsidiaries, Mireka Homes (Pvt) Ltd and Realty Management Services (Pv) Ltd achieved acceptable operational and financial results during the year 2019.

The Company Revenue of Rs 2.33Bn, was 2% higher than last year due mainly to higher rental rates maintained during the year. Further Mireka Group recorded a Revenue of Rs 6.1Bn compared to Rs 4.3Bn in 2018 due mainly to increased revenue recognized from Havelock City Phase 3 on completion and Phase 4 apartment sales. The Trading and Facility Management businesses contributed Rs 456Mn and Rs 46Mn to the Revenue and Operating

Profit respectively. Consequently, the Group Revenue and Operating Profit excluding Fair Value Gain grew by 31% and 14% respectively.

World Trade Centre, Colombo

With its prime location in the heart of the Central Business District, the WTC Colombo enjoys the premier position as the best Business Address in the Country, with unmatched design, built quality, facilities and services.

Although the Building occupancy reduced during the year due to the prevailing business climate, the World Trade Centre continued to perform satisfactorily and achieved a 5% increase in Rental rates.

The comprehensive refurbishment program of the building with the intention of continuing to provide a superior service to owners, occupants and visitors which commenced in 2018 is progressing successfully. 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 out. Construction of Phases 3 comprising another 304 was completed end 2019 and 66% of the units have been sold and handover has commenced.

Phase 4 consisting of 340 units with 76% construction completed by end 2019, is 22% pre-sold and the construction is expected to be finished by 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 Construction of the buildings are progressing satisfactorily and 40% of the works have been completed by end 2019. The construction is expected to be completed in April 2021. Pre-leasing of retail space has already begun and over 40% already contracted and reserved.

Future Outlook

Despite another challenging year ahead, I am confident Sri Lanka will evolve as a prominent destination in the region for tourism, logistics and service sectors over the next decade. Political

stability, economic growth and business confidence are key elements for the property sector to flourish in any country. I believe your Company will be a direct beneficiary of the long-term prospects for Sri Lanka. Whilst we have recorded steady growth up to 2019, the Company will endeavor to explore other property related opportunities to capitalize on potential upside in the market in the years ahead.

Dividends

Your Board recommend a first and final dividend of Rs 1.25 per Share amounting to Rs 1,554 Million (2018- Rs 1,554 Mn)

Post Balance Sheet Events

It is important to note that there has been a fundamental change in circumstances since the Reporting date due to the turmoil caused by the Covid 19 Virus. Its impact on the business is disclosed under the Events Occurring after the Reporting Date note, on Page 116 of the Financial Statements.

Acknowledgement

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



S. P. Tao

Chairman

22 May 2020

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 ORC PLC. 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, KTMG Ltd (formerly known as Lereno Bio-Chem Ltd), serving as Chairman of its Audit Committee and member of its Nominating and Remuneration Committees.

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 an 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 Yap had served on the Board of the Chinese Development Assistance Council as well as member of its Audit Committee from June 2008 to June 2018.

PROFILES OF DIRECTORS

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.

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 ORC PLC 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.

Mr. Bandaranayake presently serves also 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 45 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.

PROFILES OF DIRECTORS

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/Director of few Subsidiaries of Browns Group of Companies and the Chairperson of Asian Institute of Business and Science. She is also a trustee of the National Trust of Sri Lanka.

PRAVIR SAMARASINGHE

He is the 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 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



WTC Colombo was established more than 20 years ago in Sri Lanka. Since its inception, WTC Colombo has emerged as Sri Lanka's most impressive commercial landmark, as well as the most sought-after business address in the country, boasting the largest business-to-business network under one roof.

Situated in the heart of the Central Business District (CBD) and surrounded by key public transport hubs, the 750,000-plus-square-foot building accommodates a prestigious tenant base with more than 200 local, international, and multinational brand names including the Colombo Stock Exchange (CSE), and the Securities Exchange Commission (SEC) and Board of Investment (BOI) of Sri Lanka.

"In accordance with the WTCA's motto for global trade connectivity, the comprehensive refurbishment and upgrading program of the building with the intention of continuing to provide a superior service to owners, occupants and visitors commenced in 2018 and is progressing successfully. It is a strong testament to the Company's dedication

and commitment to excellence in providing quality office space.

Mireka Tower which will be ready for occupation by mid-2021, will set a new precedent for the future of workspaces. It brings a metropolitan corporate edge to Sri Lanka's largest and most anticipated mixed-use real estate development project with its unparalleled, modern office spaces.

The striking design of this 50-storey office tower is a vertical embodiment of 600,000sqft of accessibility and functionality, designed to provide an inspiring energy-efficient corporate environment equipped with modern luxuries and all amenities needed for the smooth functioning of any business.

Occupants of Mireka Tower will benefit from expansive column-free and light-filled offices which come with a spectacular cityscape view. Open floor layouts offer flexibility in spatial design, allowing for the easy and efficient subdivision of a space that goes beyond the conventional.

A smart functioning infrastructure with computerized car park, elevator and building management systems along with 100% stand-by power supply and end-to-end optic enabled high-speed voice, data and telecommunication facilities will address the needs of futuristic workspaces.

Company culture being at the forefront of workplace design, this exclusive corporate address houses common facilities such as a gymnasium, training rooms, meeting rooms, and an executive club sky bar for business networking. The property provides other conveniences as well due to its immediate proximity to the Havelock City shopping mall which includes medical, banking and telecommunication services, retail and a variety of F&B options. Two basement levels of parking for over 800 vehicles complements the convenience and vibrancy offered by the Havelock City Commercial development.

PROPERTY TRADING



With 18 acres of space in the heart of Colombo, Havelock City is an architectural triumph designed to give you never-ending space to live, work and play.

Havelock City - Sri Lanka's largest fully integrated mixed-use development, is an oasis of exclusivity founded on prime acreage, to world-class standards of luxury. The unique design of Havelock City comprises of both Residential and Commercial space making it truly a city within a city.

With over 7 acres of space dedicated to lush gardens and carefully landscaped greenery surrounding allows you to have all the space you need to indulge in a healthy outdoor lifestyle. The fully equipped Havelock City Clubhouse, the largest of its kind in Sri Lanka is the ideal place for you to enjoy all the facilities to take a breather from your busy schedule.

The luxury apartments at Havelock City is built in phases, while phase 1 & 2 are completed and sold out. Construction of Phases 3 comprising another 304

was completed end 2019 and 66% of the units have been sold and handovers have commenced.

Phase 4 the latest edition, is currently under construction comprising two apartment towers namely Edmonton and Peterson, hosting 340 elegantly designed 1,2,3 and 4-bedroom units along with a select number of luxury suites and penthouses across 31 floors, of which 76% construction completed by end 2019, is 22% pre-sold and the construction is expected to be finished by October 2020.

Havelock city Residential is your very own safe haven with breathtaking interiors carefully designed to give you an outstanding living experience.

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 has also resulted in lower off-take of apartments casting an amber light to a potential over supply in the super luxury sector.

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 an evidence that much more scope for apartment construction to cater to the future housing demand.

PROPERTY SERVICES



Facilities Management/ Agency Services

Realty Management Services (RMS), the largest Integrated Facilities Management Services Provider in Sri Lanka with the diverse portfolio of over 8 million sq. ft of space under its management.

The extent of RMS's experience in facilities management 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. The Company secured the facilities management contracts for 6 more prestigious establishments during 2019.

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

With the increased number of new Condominium Apartments, Commercial and Mix-development projects entering the market and existing facilities looking at outsourcing professional Property Management Services, further expanding our presence in the Facilities Management are intended in the coming years.

Trading

NVC Lighting has been present in Sri Lanka since 2013 through Overseas Realty Trading (Pvt) Ltd, its exclusive distributor. NVC lighting locally has provided solutions to a wide range of projects in Industrial, Commercial, Retail, Hospitality and Residential sectors.

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 6 years paved the way for Overseas Realty Trading (Pvt) Ltd to expand its product portfolio by introducing another specialty designer brand to the local market named FARO Barcelona.

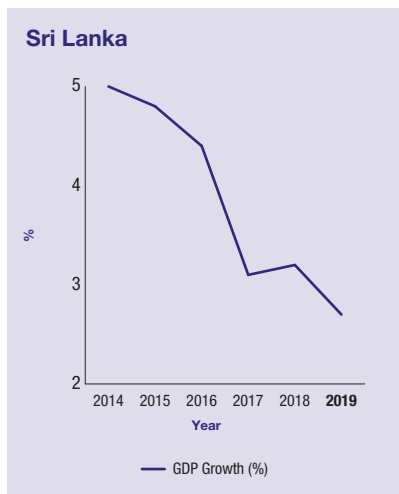
Faro Barcelona, a Designer European brand with over 60 years of experience in the industry is also available with its Decorative Fans and Indoor lighting products to cater to luxury architectural designs in the local market such as villas, boutique hotels, luxury hotels and homes etc.

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

FINANCIAL REVIEW

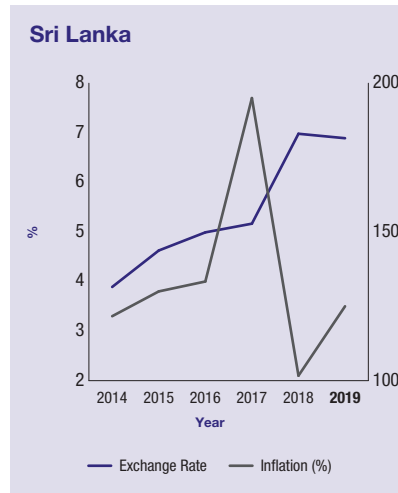
The Economy

The Sri Lanka economy recorded a growth of 2.3% of the Gross Domestic Product (GDP) for the year 2019 compared to 3.3% in 2018. Agriculture, Industry and Services, the major components of the economy have contributed their share to the GDP growth by 0.6%, 2.7% and 2.3% respectively. Real Estate activity has contributed to the GDP growth by 2.4%.



The annual average inflation was 3.5% (2018 - 2.1%) and the increase in inflation in the year was mainly driven by the increase of prices of Food items categories. In December 2019 the Average Weighted Prime Lending Rate (AWPLR) decreased to 9.94% compared to 12.09% in the previous year while Average Weighted Fixed Deposit Rate (AWFDR) decreased to 10.05% compared to 10.85% in the previous year.

The Sri Lankan rupee remained stable in December 2019 and appreciated by 0.8 % against the US dollar during the year 2019.



Within this challenging macro-economic conditions faced by the country, the Group recorded a worthy performance for the year under review.

Revenue

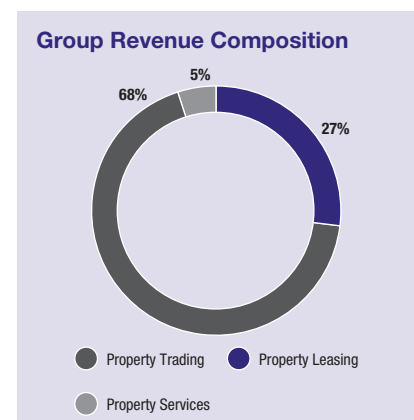
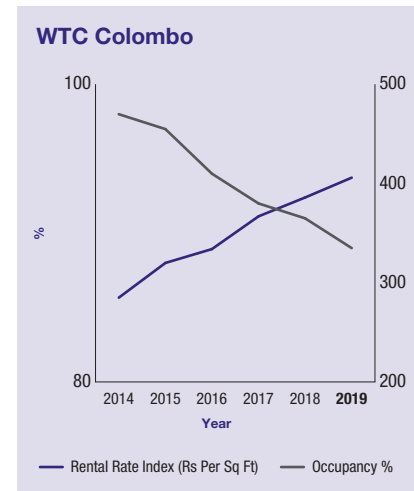
During 2019, Group Revenue of Rs. 8,922 Mn (2018 - Rs. 6,785 Mn) was 31% higher than last year due mainly to increased revenue from Havelock City Apartment Sales. The main sources of income were derived from Mireka Homes (Pvt) Ltd., (MHL); through sale of condominium units at Havelock City (HC), Overseas 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. 6,098 Mn (2018 - Rs. 4,296 Mn), an increase of 42% over the previous year due mainly to increased revenue recognition during the year from Phase 4 Apartment Sales of Havelock City.

The revenue from leasing spaces at WTC increased by 2% to Rs 2,409 Mn (2018 - Rs 2,364 Mn), due mainly to higher rental rates and healthy occupancy levels maintained during the year.

RMS contributed of Rs 456 Mn (2018 - Rs 380 Mn) to the group revenue which

included Rs 200 Mn (2018 Rs 155 Mn) from Property Services and Rs 13 Mn (2018 - Rs 20 Mn) from Agency Services and Rs 243 Mn (2018 Rs 205 Mn) from Trading of imported lighting solutions.



Operating Expenses

The Company's operating expenses for the year of Rs. 729 Mn (2018 - Rs. 729 Mn), were included the expenditure on Members Contribution and Property Rates.

Group operating expenses including administration and marketing expenses were Rs 5,259 Mn (2018 - Rs 3,564 Mn), which was an increase of 48%, due mainly to higher cost of sale of Apartments with higher Revenue recognized.

FINANCIAL REVIEW

Gross Profit

The Group Gross Profit of Rs. 4,251 Mn (2018 - Rs. 3,744 Mn) was 14% higher than prior year. Gross Profit from property leasing of the WTC Colombo was Rs. 1,871 Mn (2018 - 1,827 Mn), an increase of 2% over the previous year due mainly to the higher rental rates. Gross Profit from the sales of apartments at Havelock City was 2,286 Mn (2018 - Rs. 1,955 Mn), which was an increase of 17% over the previous year, due mainly to the higher revenue recognition from Phase 3 and 4 Apartment Sales of Havelock City.

Operating profit

The company's operating profit (excluding fair value gain) of Rs. 1,605 Mn (2018 - Rs. 1,563 Mn) was 3% higher than last year due mainly to higher rental rates maintained during the year. Consequently the operating profit margin of 69% (excluding fair value gain) was 1% higher than the last year.

Finance Income and Finance Expenses

The Group recorded a Finance income of Rs. 223 Mn (2018 - Rs. 313 Mn) during the year which was a decrease of 29% over the previous year due mainly to lower surplus of excess funds.

The company recorded a finance cost of Rs. 9 Mn (2018 - Rs. 55 Mn) during the year as fair value adjustment on Rental Deposits, adhering to SLFRS requirements.

Profit Before Tax (PBT)

The Group Profit Before Tax (Excluding Fair Value Gain) for the year of Rs. 3,868 Mn (2018 - Rs. 3,737 Mn) was 4% 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. 307 Mn (2018 - Rs. 142 Mn) and Rs. 56 Mn (2018 - 101 Mn) respectively.

The Group Income tax expense for the year was 116% higher than the previous year due mainly to the income tax on Apartment sale profits which was liable for income tax from year 2019 as per the Agreement with the BOI.

Cash and Borrowings

The Group's cash and short term investment as at 31st December 2019 were Rs. 3,287 Mn (2018 - Rs. 4,895 Mn) which was a decrease of 33% 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. 9,118 Mn (2018 - Rs. 3,965 Mn), which mainly includes Rs. 4,650 Mn loans for Havelock City Residential Development undertaken by Mireka Homes (Pvt) Ltd and Rs. 4,426 Mn for Havelock City Commercial Development undertaken by Havelock City (Pvt) Ltd.

Net Assets

The Group Net Asset value per share as at 31st December 2019 stood at Rs 34.46 (2018 - Rs 32.21).

Earnings per Share

The Group earnings per share for the year 2019 was Rs. 3.49 per ordinary share (2018 - Rs. 3.88).

Price Earnings Ratio

The Price Earnings ratio of the Company as at 31st December 2019 was 4.6 times (2018 - 4.3 times).

Dividends

Dividend paid to ordinary shareholders in 2018 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 2019. The total Dividend outflow would be Rs 1,554 Mn (2018 - Rs 1,554 Mn).

Solvency

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

Return on Equity (ROE)

The Group Return on Equity (ROE) was 10% for the year 2019 (2018 - 13%).

Assets

The total Group asset base increased from Rs. 50,050 Mn to Rs. 57,233 Mn in 2019. The increase was mainly derived from additions to Property, Plant & Equipment, inventories 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 2019 increased to Rs. 14,399 Mn compared to Rs. 10,015 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. 2,799 Mn during the year from Rs. 40,035 Mn to Rs. 42,834 Mn mainly due to the profit after tax of Rs. 4,335 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

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	<p>Risk Management Framework allows the Board of Directors, the Committee of Management, the Audit Committee and the Senior Management of the Group to play an integral role in the process of risk management.</p> <p>Corporate governance structure, policies and principles are in accordance with Colombo Stock Exchange listing Rule number 7.6 and 7.10 and code of best practice on Corporate Governance issued jointly by CA Sri Lanka and the Securities Exchange Commission of Sri Lanka.</p>
Market Presence and Economic Value creation	<p>We Operates in five key operational areas, Property Leasing, Property Trading, Facility Management, Agency Services and Trading.</p>
Environmental & Social Sustainability	<p>Environmental and social sustainability policies govern the sustainability efforts and parameters of each of the Company's operational departments.</p> <p>Monitor different key areas such as energy, water usage, recycling water, waste water, solid waste, and quality of air, air pollution, sound pollution, transport, and eco system management, social and cultural development involving internal and external stakeholders.</p>
Employee Development, Equal Opportunity & Anti-corruption	<p>Adopts a human development approach that has yielded positive results especially in terms of career development and inculcation of corporate values and ownership that extends beyond the conventional approach.</p> <p>Adopts a policy of innovative training and continuous learning that overcomes the customary barriers to effective learning.</p> <p>Gender equality and equal opportunity governed by Human Resource policy.</p> <p>Anti-corruption training extended to all employees with honesty being a key corporate value.</p>
Sustainable Purchase and Produce	<p>Sustainable supplier policy dictates that suppliers be evaluated and preference given based on their own commitments to sustainable practice.</p> <p>Bulk purchasing is given priority and supplies in returnable containers of packaging are encouraged.</p>

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



Havelock City is one of the premier integrated mixed-use developments currently altering the skyline of Sri Lanka, with an iconic Shopping Mall, Office 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 named, Realty Management Service (RMS) and two international brands, NVC & FARO.

RMS offers Facilities Management Services to over 20 selected large scale commercial and Residential projects in Sri Lanka and NVC & FARO provides Lighting Solutions for Industrial and Residential projects in the country.



Water Management

Recognizing the global water challenge, Overseas Realty (Ceylon) PLC is working continuously to improve operations in order to minimize water consumption, while reducing water waste in day to day operations. Further we have upgraded the Cooling Towers of the Air-conditioning system to improve the efficiency and to minimize the water evaporation when running the Cooling Towers. A rain water harvesting system has been implemented to collect the rain water from the rooftop and façade and thus has reduced the water consumed 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. WTC Colombo became the 1st commercial building in Sri Lanka to be certified in ISO 50001 : 2011 – Energy Management System

Energy Conservation

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

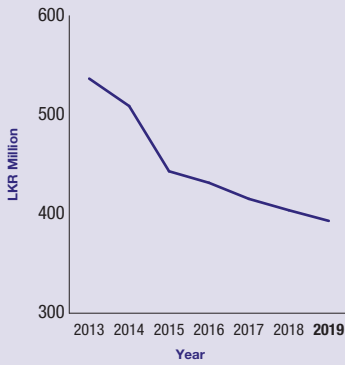
The main focus of the year was on the air side equipment of the central air-conditioning system, where a new set of Variable Speed Drives (VSDs) have been introduced to optimise the efficiency of the Air Handling Units (AHUs) in the building. The initiative resulted in 30% to 50 % reduction of energy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

Further, Two Cooling Towers renovations were completed during the year to improve the performance of the Central Air-Conditioning plant.

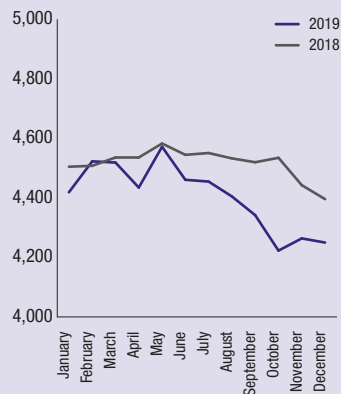
It is important to quantify the energy consumption of various plant & equipment in order to benchmark performance and to compare with standard KPIs. A state of the art Energy Accounting System, comprising modern Energy Analyzers, Energy Dashboard and a Report Generating Software has been introduced to 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.

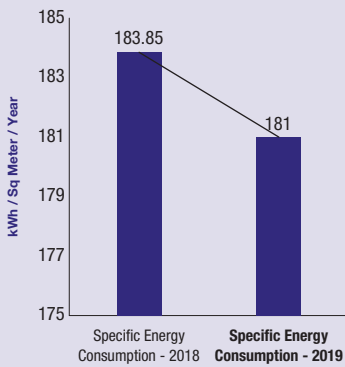
Annual Electricity cost of WTC



Maximum Demand kVA



Energy Efficiency Index



Achievements

Continuously the Company has been recognised in the last 9 years, at the CA Sri Lanka Annual Report Awards Ceremonies and was awarded the Bronze Award for the Land and Property sector, at the CA Sri Lanka 55th Annual Report Awards Ceremony - 2019.

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.

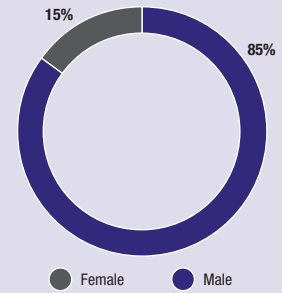
We manage Havelock City development minimizing disturbances to neighboring residence complying with regulations.

Our People

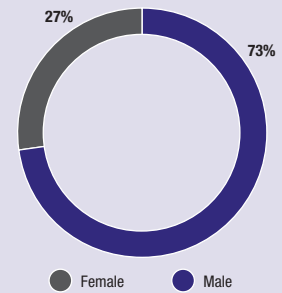
Our Human Resources Department is dynamic in recruiting and maintaining a well talented work force; providing a safe and pleasant work environment is essential for a healthy and productive workforce.

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.

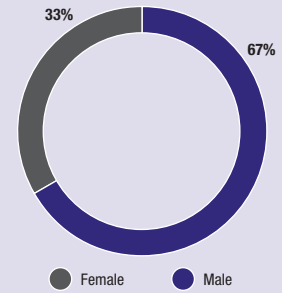
Employees By Gender



Board of Directors By Gender



Management Committee By Gender



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

SUSTAINABILITY REPORT

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

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

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

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.

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.

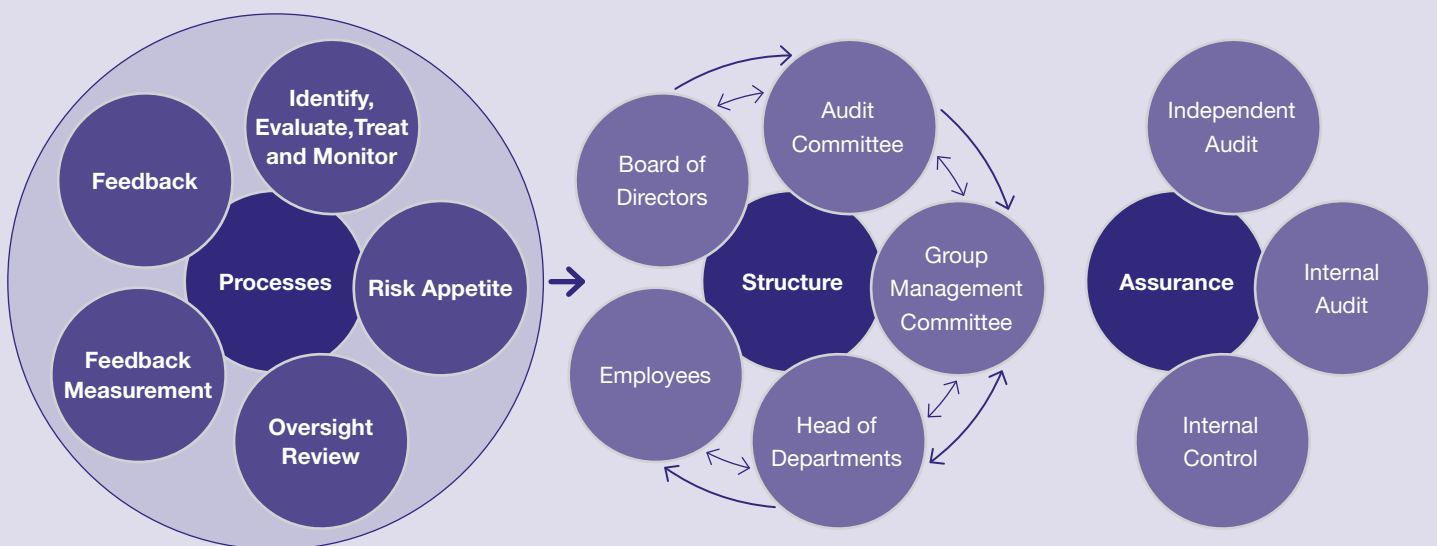
The Board is responsible for ensuring effective risk management and recognizes that the proper management of risk is a core leadership function that must be practiced throughout the Organization.

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.



RISK MANAGEMENT REPORT

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

Risk Type	Rank	Factor	Strategies/ Action Plan
Strategic Risk	Low	Risks of not achieving strategic goals and objectives of the Company, and variations etc.	Company operates with a clear Business Plan. Company also operates within an approved Annual Budget & variances are reviewed periodically by the Board of Directors.
Fraud Risk	Low	Risks due to inadequate internal controls, processes and systems. Also due to employee abusing entrusted power for private gains leading to misappropriation of assets.	The Board has approved a structured internal control framework with different levels of delegated authorization. The company applies an independent internal audit mechanism. Comprehensive policy manual covering all major departments, operations and processes are in place.
Legal and Regulatory Framework	Medium	Risks due to changes to tax and other legal regulations including changes in Government policies.	Constant dialogue and lobbying with Regulatory authorities. Monthly scanning of Government bills. The company has retained the services of Tax Consultants, Legal Consultants & a professional Company Secretary for the respective regulatory requirements.
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 Type	Rank	Factor	Strategies/ Action Plan
Technology Risk	Low	Risks occurring from failure to absorb Technological advancements.	<p>The company has its own engineering maintenance teams abreast with latest technology.</p> <p>Continuous updating & implementation of Energy Efficiency Projects.</p> <p>Participation at Overseas trainings on technical enhancement and changes.</p>
Foreign Currency	High	Risks from foreign currency borrowing for the Havelock City Project.	<p>Some apartment sales are contracted in USD. Estimated Currency fluctuation is factored into cost of development.</p> <p>Exchange rate movements are constantly monitored and foreign currency borrowings minimized through Cash Flow Management.</p>
Interest Rate	Medium	Risks relating to Interest Income and Cost of Borrowing.	<p>Monitoring and management of cash flows daily.</p> <p>Negotiating favorable rates and terms on borrowings and deposits.</p> <p>Maintain an appropriate combination of fixed and floating rate borrowings.</p>
Credit Recovery	Low	Non Recovery of Receivables.	<p>Regular review of Trade Receivables and follow-up.</p> <p>Contractual obligation which allows the Company to obtain adequate refundable deposits from lessees of leased property.</p> <p>Contractual obligation to repudiate an Apartment Unit whilst retaining 10% of purchase price.</p> <p>Contractual obligation to release assets only upon full payment is made for relevant property.</p>
Human Capital	Medium	Failure to achieve growth plans as a result of failure to attract and retain sufficient numbers of qualified and experienced employees and/ or inability to ensure their ongoing engagement and commitment.	<p>Senior management involvement in talent retention led by the Human Resources (HR) Department.</p> <p>Significant level of investment in training and development.</p> <p>Adoption of best practices in Human Resources Management.</p>

CORPORATE GOVERNANCE REPORT

Corporate Governance

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



Company's Brief and Commitment towards Corporate Governance

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

Compliance with Corporate Governance Codes

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

Statement of Compliance

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

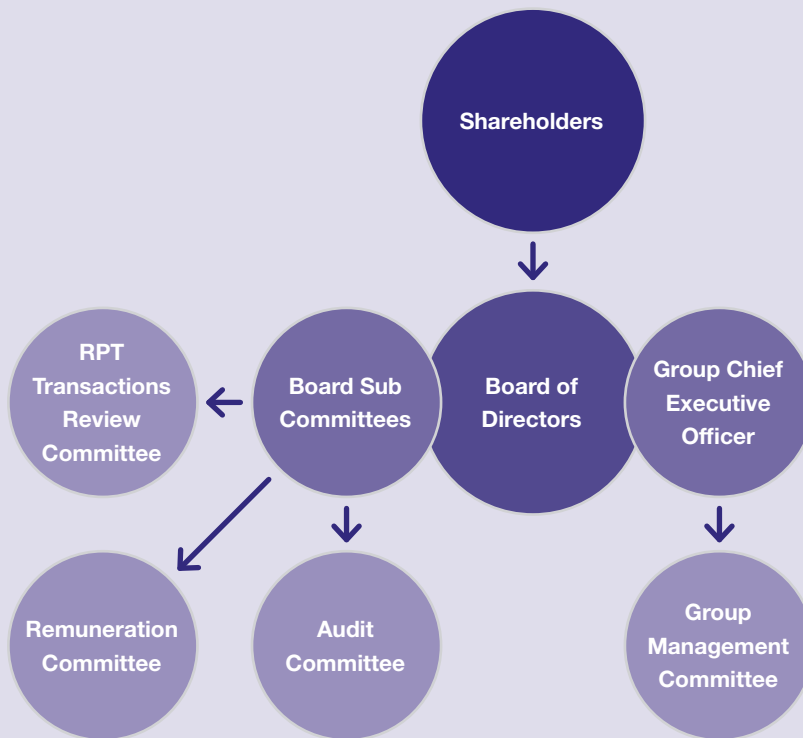
Our status of compliance with each section of the Code of Best Practices on Corporate Governance issued jointly by CA Sri Lanka and Securities and Exchange Commission of Sri Lanka (SEC) appears on pages 35 to 46. We have also included a table which summarizes the status of compliance with Rule No 7.6 and 7.10 of the Listing Rules of the CSE, on pages 30 to 34.

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

Governance Structure

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

Our Internal Governance Structure



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

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

Communications with Shareholders

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

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

Annual General Meetings

An AGM is held each year as required by the provisions of companies Act. The Shareholders are allowed to directly communicate with the Board of Directors, it is regarded as the most effective mode of communication with all Shareholders. The 37th Annual General Meeting of the Company was held on the 29th March 2019 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.

CORPORATE GOVERNANCE REPORT

Role of Board of Directors



The fundamental role of the Board is to provide entrepreneurial and coherent leadership within a framework of prudent and efficient controls, which enables risks to be assessed and managed. The Board has the final decision making authority and directs the management team to uphold highest level of integrity, function in compliance within the applicable rules and regulations and delegate the necessary authority to fulfill their job responsibilities. Each Director has unrestricted access to information and services of Senior Management and the Company Secretary. Prior notices are given to the Directors regarding Board Meetings. The Board papers are circulated well in advance so that all Directors could actively deliberate and contribute to the Board proceedings.

Board Composition

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

Please refer pages 8 to 12 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	2/4
Mr. Yap Boh Pin	Non-Executive	2/4
Mr. En Ping Ong	Non-Executive	3/4
Mr. H.Z. Cassim	Independent Non -Executive	4/4
Mr. A.M. De S. Jayaratne	Independent Non Exe	4/4
Mr. L.R. De Lanerolle	Non-Executive	4/4
Mrs. R.L. Nanayakkara	Independent Non Exe	3/4
Mr. T.K. Bandaranayake	Independent Non-Exe	4/4
Dr. Ranee Jayamaha	Independent Non-Exe	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 Committee Chairmen report to the Board on the activities of the respective committee at Board meetings and are accountable for the effective functioning of the committees.

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

	Board Audit Committee	Remuneration Committee	RPT Transaction Review Committee
Composition	Please refer Pages 48 and 49 in the Audit Committee Report	Please refer Page 47 in Remuneration Committee Report	Please refer Pages 50 and 51 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 40 and 41 under Section B for information relation to the remuneration procedure and page 114 for the details on Directors' remuneration.

Role of the Chief Executive officer (CEO)

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

CORPORATE GOVERNANCE REPORT

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

Rule No.	Corporate Governance Rule	Compliance Status	Details
7.10.	Corporate Governance - Compliance		
7.10.1.	Non-Executive Directors		
(a)	The Board of Directors of a listed entity shall include at least; <ul style="list-style-type: none"> 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 2019 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 on page 34 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 page 34 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 8 to 12 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.
7.10.4	Criteria for Defining 'Independence'		
(a) - (h)	Requirement for meeting criteria to be independent .	Complied with	All the independent directors met the criteria for independence specified in this rule.

Rule No.	Corporate Governance Rule	Compliance Status	Details
7.10.5 Remuneration Committee			
	A listed entity shall have a Remuneration Committee.	Complied with	Please refer page 47 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 47 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 47 of this Report. Please refer Page 114
7.10.6 Audit Committee			
	A listed entity shall have an Audit Committee.	Complied with	Please refer pages 48 and 49 of this Report.
(a)	The Audit Committee Shall comprise of a. A minimum of two independent Non- Executive Directors (in instances where an entity has only two directors) or, b. A majority of Non-executive Directors shall be independent;	Complied with	Audit Committee consists of five Non-Executive Directors four of whom are independent.
	One non-executive Director shall be appointed as the Chairman of the Committee by the Board of Directors.	Complied with	Chairman of the Audit Committee is a Non-Executive Director.
	Group Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings.	Complied with	The Group Chief Executive Officer and the Chief Financial Officer attends the meetings by invitation.

CORPORATE GOVERNANCE REPORT

Rule No.	Corporate Governance Rule	Compliance Status	Details
	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)	<p>Functions of the Audit Committee shall include:</p> <p>a. Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with SLFRS/LKAS.</p> <p>b. Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.</p> <p>c. Overseeing the process to ensure that the internal controls and risk management processes are adequate to meet the requirements of the SLFRS/LKAS.</p> <p>d. Assessment of the independence and performance of the external auditors.</p> <p>e. Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditors.</p>	Complied with	Please refer Audit Committee Report on pages 48 and 49 of this Report for the functions of Audit Committee.
(c)	<p>Names of Directors comprising the Audit Committee should be disclosed in the Annual Report.</p> <p>The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.</p> <p>The Annual Report shall contain a Report by the Audit Committee, setting out the manner of compliance in relation to the above.</p>	Complied with	Please refer the Audit Committee Report on pages 48 and 49 of this Report.
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 54 of the Board of Directors Report.

Rule No.	Corporate Governance Rule	Compliance Status	Details
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 126 of this Report.
iv)	The Public Holding percentage.	Complied with	Please refer page 127 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 125 of this Report.
vi)	Information pertaining to material foreseeable risk factors of the entity.	Complied with	Please refer pages 117 to 118 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 page 128 of this Report.
ix)	Number of shares representing the entity' stated capital.	Complied with	Please refer pages 113 and 124 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 124 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 122 and 125 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 6 to the Financial Statement on page 96 of this Report.
xiii)	If during the year the entity has raised funds either through a public issue, right Issue and private placement.	N/A	

CORPORATE GOVERNANCE REPORT

Rule No.	Corporate Governance Rule	Compliance Status	Details
xiv)	<p>EMPLOYEE SHARE OPTION SCHEMES.</p> <ul style="list-style-type: none"> 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	Please refer page 56 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 30 to 34
xvi)	Related party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower.	N/A	The Company did not have any related party transaction exceeding 10% of the Equity or 5% of the total Assets

***Note.**

Mr. H.Z Cassim who was appointed as a Non-Executive Director on 12.04.1991, continues to be a Non-Executive, Independent Director of the Company amidst his tenor in office exceeding nine years. Mrs. Rohini L. Nanayakkara was appointed to the Board as a Non-Executive Independent Director on 20.05.2004, continues to be a Non- Executive, Independent Director of the Company amidst her tenor in office exceeding nine years. Mr. Ajit M. De S. Jayaratne was appointed as a Non-Executive Director on 19.10.2005, 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. Raneer Jayamaha was appointed as a Non-Executive Independent Director to the Board on 15.03.2013.

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

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

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

The Board is of the collective opinion that the majority of Non-Executive Directors are Independent of the management of the company and free from any business or other relationship that could materially interfere in the exercise of their free and fair judgment.

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

Section Number		Compliance Status	Company' Commitment
1 The Company			
A Directors			
A.1 The Board	Every public company should be headed by an effective Board, which should direct, lead and control the Company.	Compliant	The Company is headed by an effective Board. The role of the Board and its members, Board functions, Board procedures and governance activities are discussed in detail from pages 54 To 58.
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 28.
A.1.2 Board Responsibilities	Ensure formulation and implementation of a sound business strategy.	Compliant	The Board assumes the primary responsibility for the overall success of the company. The Board is involved in formulating the overall strategy and measuring, that it is implemented by the CEO. The MD/CEO, together with the management team develops corporate strategies, annual budgets and action plans to implement corporate strategies on annual basis. The corporate plan and annual budget are approved by the Board every year and achievement of the objectives set in the plan is monitored closely by the Board.
	Ensure that the MD/CEO and the management team possess the necessary skills, experience and knowledge for effective implementation of the strategy.	Compliant	The Board actively works to ensure that the CEO and the management team continue to have the right balance of skills, experience and knowledge necessary to discharge their responsibilities in accordance with the highest standards of governance.
	Adapt effective CEO and senior management succession strategy.	Compliant	Succession plans are in place for the CEO and for other key managerial positions and are monitored continuously.
	Ensure that effective systems are in place to secure integrity of information, internal controls, business continuity and risk management.	Compliant	Effective systems and procedures are in place to ensure the integrity of information, internal controls and information security. Such systems are continuously monitored by the management, internal and external auditors and at times by independent experts.

CORPORATE GOVERNANCE REPORT

Section Number		Compliance Status	Company' Commitment
A.1.2 Board Responsibilities Contd.	Ensure that the company's activities are conducted in compliance with laws, regulations and ethical standards.	Compliant	The Board has adopted a compliance policy to give direction to the management with regard to compliance activities. The company has also issued a group policy that employees should comply with.
	Ensure that all stakeholder interests are considered in corporate decisions.	Compliant	The board ensures that the interest of all stakeholders is considered and safeguarded in making corporate decision.
	Recognized sustainable business development in corporate strategy, decisions and activities.	Compliant	The Board recognizes the necessity of sustainable business development in the corporate strategy, decisions and activities. Please refer sustainability report on pages 19 to 22.
	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 61.
	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 acts in accordance with the laws in the country. The Board has permitted all Directors to seek independent professional advice.
A.1.4 Access to Advice and the Services of a Company Secretary	Advice and Services of the Company Secretary.	Compliant	The company secretary, who is an attorney-at-law by profession, is accessible by any Director for the services of the company. The company secretary advises the board and ensures that matters concerning the Companies Act, board procedures and other applicable rules and regulations are followed. She also serves as the secretary to the audit committee and the remuneration committee.

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 28.
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 8 to 12.

CORPORATE GOVERNANCE REPORT

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 8 to 12 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 34 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,

Section Number		Compliance Status	Company' Commitment
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.
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 129 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 129 of the Annual Report.
A.8.2	Election of Directors by the shareholders.	Compliant	Please refer page 129 of the Annual Report.

CORPORATE GOVERNANCE 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	<p>Required information with respect to Directors are disclosed in this annual report, where relevant. Names, qualifications and profiles, including expertise in relevant functional areas of all Board Members are provided on pages 8 to 12.</p> <p>Details of Directors interest in contracts are given on page 56.</p> <p>Details of related party transactions are provided on pages 103 to 104.</p> <p>Details on Directors attendance and other sub committees are provided on page 114.</p>
A.11 Appraisal of CEO	The Board should be required, at least annually, to assess the performance of the CEO.	Compliant	Annually the Remuneration Committee and the Board assess the CEO's performance.
A.11.1	Setting annual target for MD/CEO.	Compliant	Based on long term strategy annual objectives are fixed by the Board.
A.11.2	Evaluation of the performance of the CEO.	Compliant	Evaluations of achievement set targets are reviewed annually by the Board.
B. Directors Remuneration	Companies should establish a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.		
B.1.1	Presence of a Remuneration Committee.	Compliant	<p>A Remuneration Committee has been appointed and functions within agreed terms of reference.</p> <p>Please refer page 47 for the Remuneration Committee Report.</p>
B.1.2	Composition of Remuneration Committee.	Compliant	Please refer page 47 for details of the composition of Remuneration Committee.

Section Number		Compliance Status	Company' Commitment
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 47.
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 subcommittee 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.
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 114 of this report. The Remuneration Committee's Report which highlights the remuneration policy at the Company is give on page 47.

CORPORATE GOVERNANCE REPORT

Section Number		Compliance Status	Company' Commitment	
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 129 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 2018 was submitted to the CSE on 8th March 2019 and was posted to all shareholders by 08th March 2019. The AGM was held on 29th March 2019.
C.1.2		Separate Resolution to be proposed for each item.	Compliant	The Company proposes separate resolutions on each substantially separate issue. So, shareholders are given the opportunity to vote separately on each substantial issue.
C.1.3		Use of Proxy Votes	Complaint	The Company has a mechanism to count all proxy votes to indicate to the chairman the level of proxies lodged on each resolution and the number of votes for and against such resolution.
C.1.4		Availability of Chairmen of Board Committees at the AGM.	Compliant	The Chairman of the Board ensures that the Chairmen of Board Sub- committees are present at AGM to answer any query by shareholders.
C.1.5		Summary of procedures Governing voting at the General Meeting.	Compliant	The proxy form, which includes a summary of the procedures governing voting at the General Meetings, is circulated to all shareholders.
C.2		The Board should implement effective communication with shareholders.	Compliant	The AGM and the Annual Report are the primary means of communication with shareholders. Additionally, the Company makes disclosures on material and price sensitive matters from time to time to the CSE for dissemination among the public.
C.2.1		Communication channel to reach shareholders	Compliant	All financial information is released to the shareholders through the Annual Report, Annual General Meeting, financial and other notices when required through the Colombo Stock Exchange and the Corporate website.
C.2.2		Company's Communication policy		
C.2.3		and methodology.		

Section Number		Compliance Status	Company' Commitment
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 is given on inner back cover.
C 2.7	Formulation of a process for responding to shareholders and disclosure on them.	Compliant	Upon receipt of instructions from the Board or other relevant channel, the company Secretary responds as directed.
C.3 Major and Material Transaction	Disclosure of all material transactions including related party transactions.	Not applicable	There is no major Transactions that required to disclose separately
D. Accountability and Audit			
D.1 Financial Reporting	The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.		
D.1.1	Board responsibility for statutory and regulatory reporting.	Compliant	The Company presents its financial statements in line with Sri Lanka Financial Reporting Standards (SLFRS) and other applicable laws and regulations.
D.1.2	Declarations by Directors in the Directors' report.	Compliant	The Directors have made all required declarations in the Annual Report of the Board of Directors on the affairs of the company which is given on pages 54 to 58.
D.1.3	Statements by Directors and Auditors on responsibility for financial reporting.	Compliant	Page 59 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 14 to 16.

CORPORATE GOVERNANCE REPORT

Section Number		Compliance Status	Company' Commitment
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 2019. The declaration of the company as a 'going concern' is given in the Directors Report on page 57.
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 50 and 51. Related party transactions are disclosed on Pages 103 and 104.
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 23 to 25.
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.

Section Number		Compliance Status	Company' Commitment
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 48 to 49.
D.3.2	Duties of the Audit Committee. Terms of reference of the Audit Committee.	Compliant	The Audit Committee monitors and reviews the External Auditors independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements. The Audit Committee operates with clearly defined terms of reference which are reviewed annually
D.3.3	Disclosure of names of the members of the Audit Committee. The number of meetings held attendance of each directors. The scope of work and how its roles and responsibilities were discharged.	Compliant	Names of Directors comprising the Audit Committee are set out on page 48 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. Pages 50 to 51 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.

CORPORATE GOVERNANCE REPORT

Section Number		Compliance Status	Company' Commitment
D.6.1	Disclosure of compliance with the Corporate Governance Code.	Compliant	Page 35 to 45 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.
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 19 to 22.

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 8 to 12 of the Annual Report.

Meetings and Attendance

The Committee met on one occasion during the financial year 2019 and the attendance record is given below.

Mr. H. Z. Cassim – Chairman	1/1
Ms. Rohini L. Nanayakkara	0/1
Mr. Ajit M.de S. Jayaratne	1/1
Mr. Tissa K. Bandaranayake	1/1
Mr. En Ping Ong	1/1

Remuneration Policy

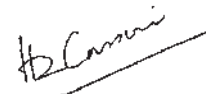
The Company's remuneration policy aims to attract and retain qualified and experienced team of high caliber managers and professionals and reward their performance.

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 114.



H. Z. Cassim

Chairman - Remuneration Committee

22nd May 2020

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 2019, 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 8 to 12 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 2019 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	2/4
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 2020, at a fee to be determined by the Board of Directors, subject to the approval by the shareholders at the Annual General Meeting.

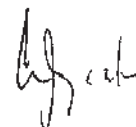
Property Valuation

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

22nd May 2020

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 2019 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	2/4
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:

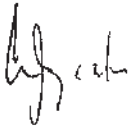
- Review in advance all proposed Related Party Transactions of the Company except those explicitly exempted by the Code.
- Determine whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company.
- Update the Board of Directors 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.

Declaration

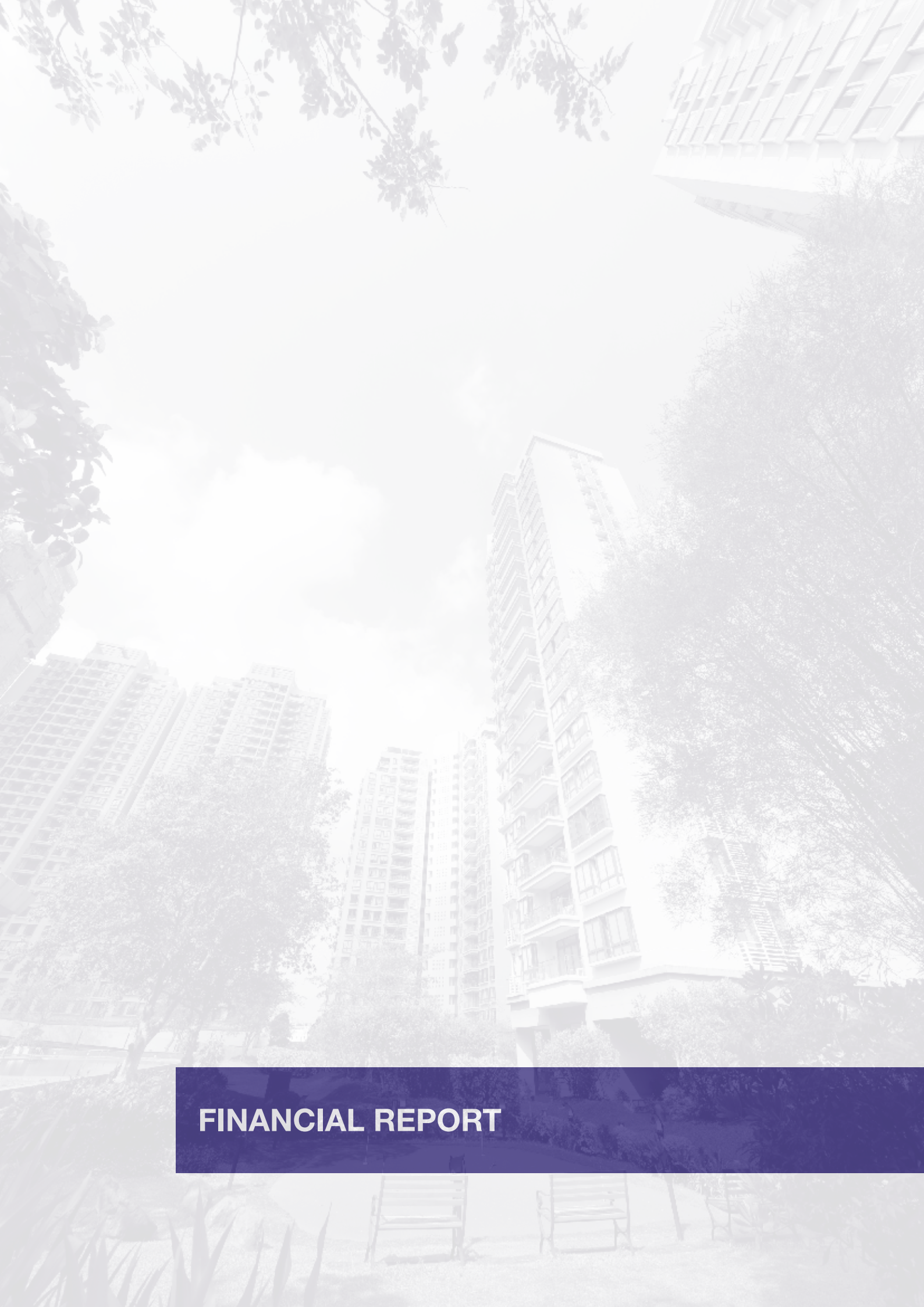
A declaration by the Board of Directors in the Annual Report as a negative statement to the effect that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during the year, is given in the Annual Report of the Board of Directors on page 54.



Mr. Ajit M. de. S. Jayaratne

*Chairman - Related Party Transaction
Review Committee*

22nd May 2020



FINANCIAL REPORT

FINANCIAL CALENDER

Interim Financial Statements	Target set for 2020	Achievement in 2019
1st Quarter (Ended 31st March)	May 2020	08th May 2019
2nd Quarter (Ended 30th June)	July 2020	01st August 2019
3rd Quarter (Ended 30th September)	October 2020	29th October 2019
4th Quarter (Ended 31st December)	February 2021	18th February 2020
Annual Report and Financial Statements to Shareholders		
2018		07th March 2019
2019	June 2020	
Dividends		
First and Final dividend for 2018		09th April 2019
Annual General Meetings		
37th Annual General Meeting		29th March 2019
38th Annual General Meeting	25th June 2020	

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 2019. 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 17 to 18) and Management Review of Operations (pages 13 to 16) of this Annual Report. Segment wise contribution to Group revenue, results, assets and liabilities is disclosed in Notes to the Financial Statements on pages 91 to 93 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 65 to 71 of this Annual Report.

Auditors' Report

The Auditors' Report on the Financial Statements of the Company and the Group is given on page 61.

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 72 to 120.

Group Turnover

The turnover of the Group during the year under review was Rs. 8,921,805,584/- (2018 - Rs. 6,784,718,473/-). 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 91.

Financial Results and Dividend

The Group recorded a consolidated net profit after tax of Rs. 4,335,522,497/- (2018 - 4,817,477,760/-) for the year. The Consolidated Statement of Profit or Loss along with the Company's Income Statement for the year is given on pages 67 to 68.

The Directors recommended the payment of a first and final dividend of Rs. 1.25 per share for the financial year ended 31st December 2018 which was approved by the shareholders at the Annual General Meeting of the Company held on 29th March 2019.

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 18th February 2020, 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 2019 to be approved by the Shareholder at the Annual General Meeting of the Company to be held on 25 June 2020.

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. 30,745,802/- (2018 - Rs. 15,396,233/-) and Rs. 18,886,596/- (2018 - Rs. 3,050,139/-) respectively. The carrying value of the Property, Plant and Equipment of the Group and the Company as at the reporting date amounted to Rs. 1,248,089,203/- (2018 - Rs. 1,239,243,064/-) and Rs. 439,410,122/- (2018 - Rs. 420,081,978/-) 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 96 to 99.

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. 1,097,417,770/- (2018 - Rs. 1,097,729,745/-). 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 2019 is included in the Financial Statements at Rs. 27,850,799,851/- (2018 - Rs. 27,076,853,146/-) based on the Independent valuations undertaken by a Chartered Valuation Surveyor in December 2019. 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 100 and 105 of the Financial Statements.

Stated Capital

The total stated capital of the Company amounts to Rs. 18,443,353,347/- (2018 - Rs. 18,443,353,347/-) comprising No. of Shares 1,243,029,582/- (2018 - 1,243,029,582/-), as given in Note 13 to the Financial Statements.

Reserves

Total Group Reserves as at 31st December 2019 was Rs. 24,390,818,887/- (2018 - Rs. 21,592,110,584/-). The movement of these reserves is shown in the Statement of Changes in Equity in the Financial Statements on page 105.

Share Information

Information relating to earnings, dividends, net assets, market value per share and share trading is given on pages 124 and 125 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 124 to 127 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 8 to 12 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 Letitia Nanayakkara, who attained the age of 70 years on 12th April 2006, Mr. Ajit Mahendrs De Silva Jayaratne, who attained the age of 70 years on 30th April 2010, Mr. Yap Boh Pin, who attained the age of 70 years on 2nd February 2011, Mr. Tissa Kumara Bandaranayake, who attained the age of 70 years on 3rd January 2013, Mr. Leslei Ralph De Lanerolle, who attained the age of 70 years on 5th January 2013, 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 27 and other committee Reports on pages 47 and 50.

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:

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Name	Position	31st December 2018		31st December 2019	
		Direct Interest	Deemed Interest	Direct Interest	Deemed Interest
Mr S P Tao	Chairman	Nil	Nil	Nil	Nil
Mrs Mildred Tao Ong	Director	Nil	764,129,728*	Nil	906,707,904*
Mr Yap Boh Pin	Director	Nil	764,129,728*	Nil	906,707,904*
Mr En Ping Ong	Director	1,060,000	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	15,892,093	Nil	15,892,093	Nil
Mr Ben Tao	Alternative Director	Nil	Nil	Nil	1,063,543,897

*Mrs. Mildred Tao Ong is declared as a Director/Shareholder of the Shing Kwan Group and a Director of Unity Builders Limited. Mr. Yap Boh Pin's interest is declared as a director of the said Shing Kwan Group including Unity Builders Limited. Mr. Ben Tao Nien, an Alternative Director of ORCL is declared as a Director / Shareholder of the said Shing Kwan Group, Unity Builders Ltd and Peeli 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 page 26 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 2019 is given in the Note 26 to the Financial Statements, on page 114.

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 LKR 180 Mn for the period covering 1st January to 31st December 2020.

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 23 to 25 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 26 to 46 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 60 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. 1,811,677/- (2018 - Rs. 1,681,074/-) and Rs. 3,839,519/- (2018 - Rs. 3,424,786/-) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 2,489,277/- (2018 - Rs. 2,143,237/-) and Rs. 4,036,946/- (2018 - Rs. 3,337,380/-), 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 REPORT OF THE BOARD OF DIRECTORS

Annual General Meeting

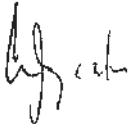
The Annual General Meeting will be held on 25th June 2020 at 10.30 a.m. at the Havelock City Club House, No. 324, Havelock Road, Colombo 06. The Notice of the Annual General Meeting appears on page 129 of the Annual Report.

For and on behalf of the Board,



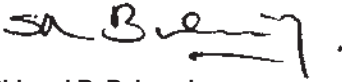
H. Z. Cassim

Director



Ajith M. de S. Jayaratne

Director



Shiromi R. Balasuriya

Company Secretary

22nd May 2020

DIRECTORS, STATEMENT ON INTERNAL CONTROLS

Requirement

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

Responsibility

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

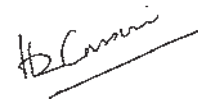
The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and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

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

- The Board Committees and Management Committee are established to assist the Board in ensuring the effectiveness of Company's operations and that the operations are in accordance with the corporate strategies and annual budget.
- The Company's internal audit function has been outsourced to Messrs. Pricewaterhouse Coopers (PWC) (Chartered Accountants). The Internal Auditors check for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on all subsidiaries in accordance with the annual audit plan approved by the Audit Committee. Findings are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee reviews internal control issues identified by the Internal Auditors and the Independent External Auditors, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit function with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Audit Committee meetings are tabled at the Board meetings for the information of the Board on a quarterly basis.
- In assessing the internal control system on financial reporting, relevant senior officers of the company collate relevant procedures and controls that are connected with significant accounts and disclosures of the Financial Statement of the Company. These in turn are observed and checked by the Internal Auditors for suitability and effectiveness on an ongoing basis.
- The adoption of new Sri Lanka Accounting Standards comprising SLFRS and LKAS in 2012 and processes required to comply with the new requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress and steps are being taken for improvements where required.
- The comments made by External Auditors in connection with the internal control system during the financial year 2019 were taken into consideration and appropriate steps have been taken to rectify them.

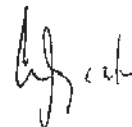
Conclusion

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



H. Z. Cassim

Deputy Chairman



Ajith M. de S. Jayaratne

Chairman, Audit Committee

22nd May 2020

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 2019, which present a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year and
- Income Statements which present a true and fair view of the profit and loss of the Company and its subsidiaries for the financial year then ended.

Accordingly, the Directors confirm that the Financial Statements of the Company and its subsidiaries for the year ended 31 December 2019 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 65 to 71 they have adopted appropriate accounting policies on a consistent basis, supported by reasonable and prudent judgments and estimates.

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

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

Further, as required by Section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors have confirmed that the Company based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 07 of 2007 and has obtained a certificate from the auditors, prior to recommending a final dividend of Rs. 1.25 per share for this year which is to be approved by the shareholders at the Annual General Meeting to be held on 29th March 2019.

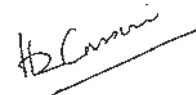
The Directors also ensured that the Group has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with 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 61 of the Annual Report.

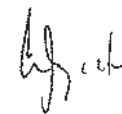
The Directors are required to prepare the Financial Statements and to provide the Auditor with every opportunity to take whatever steps and undertake whatever inspections they may consider appropriate to enable them to give their audit opinion. The Directors are of the view that they have discharged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

22nd May 2020

INDEPENDENT AUDITOR'S REPORT



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

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

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 2019, and the statement of profit or loss, statement of comprehensive income, statements 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 2019 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.

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Property	
<p>As at 31 December 2019, Group's investment property carried at fair value, amounts to LKR 27,850,799,851 which represents 49% of the Group's total assets.</p> <p>The Group adopts the fair value model for its investment property as stated in Note 5, 2.2.2 (a) and 2.3.12 to the financial statements.</p> <p>The valuation of investment property is significant to our audit due to its magnitude, significant estimates and assumptions used by the external valuer to determine the fair value of the investment property, its sensitivities and the method of valuation as disclosed in Note 5. As a result, we have considered this as key audit matter.</p>	<p>Our audit procedures focused on the valuation performed by the external valuer engaged by the Group, which included, amongst others, the following procedures:</p> <ul style="list-style-type: none"> • We considered the objectivity and expertise of the external valuer engaged by management and obtained an understanding of the methodology adopted 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 income data and yield rate. • We tested the reasonability of rental income input data used in the valuation by comparing them with a sample of 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. • Where relevant, by using our internal specialized resources we developed estimates that were compared with the recorded values. • 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.
Measurement of inventories	
<p>As at 31 December 2019, Group's inventories- work in progress and completed apartments for sale as disclosed in note 10 amounts to LKR 9,150,395,166 which represents 16% of the Group's total assets. These inventories are measured at the lower of cost and Net Realisable Value.</p> <p>The estimates and assumptions applied in the determination of carrying amount and Net Realisable Value (NRV) as described in 2.2.2 (b) are impacted by the volatile current and future market and economic conditions.</p> <p>Due to the significance of the balance and subjectivity of key assumptions and estimates involved in ascertaining its carrying value, measurement of inventories- work in progress and completed apartments for sale were considered as a key audit matter.</p>	<p>Our procedures in relation to assessing whether the inventories-work in progress and completed apartments for sale were stated at the lower of cost and NRV included the following:</p> <ul style="list-style-type: none"> • Assessing the management's process in estimating the future costs to completion of the inventories- work in progress, on a sample basis, by comparing them to the actual development cost of similar completed properties of the Group; • Assessing on a sample basis the appropriateness of the NRV of the inventories-work in progress and completed apartments for sale, by comparing the NRV to market prices achieved in the same projects or comparable properties and our knowledge of the Group's business; • We also evaluated the Group's disclosures as stated in Note 10 to the financial statements.

Other information included in the 2019 Annual Report of Overseas Realty (Ceylon) PLC

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 scepticism 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 appropriate 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, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related 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 exists, 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 obtained 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.

INDEPENDENT AUDITOR'S REPORT

- 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.

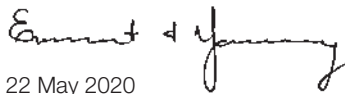
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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

The Institute of Chartered Accountant of Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2199.



22 May 2020

Colombo

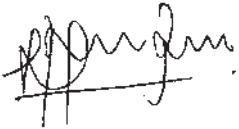
STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Group		Company	
		2019	2018	2019	2018
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-Current Assets					
Investment Property	5	27,850,799,851	27,076,853,146	26,901,597,851	26,112,309,145
Investment Property Under Development	5.6	10,851,491,583	4,725,408,024	-	-
Property, Plant and Equipment	6	1,248,089,203	1,239,243,064	439,410,122	420,081,978
Intangible Assets	7	11,212,355	155,686	11,212,355	155,686
Investments in Subsidiaries	8	-	-	10,708,884,591	10,708,884,581
Inventories	10.1	89,480,683	266,290,846	-	-
Deferred Tax Assets	9	139,064,674	169,788,098	-	-
Other Assets	12	-	-	571,600,000	601,600,000
		40,190,138,349	33,477,738,864	38,632,704,919	37,843,031,390
Current Assets					
Inventories	10.2	9,070,820,851	6,966,602,566	1,454,735	10,753,042
Trade and Other Receivables	11	4,468,439,535	4,688,009,071	396,042,951	649,408,450
Other Assets	12.1	216,689,691	-	256,728,124	46,258,120
Income Tax Recoverable		-	23,134,033	-	-
Short Term Investments	15.1	2,274,952,162	2,017,757,340	2,274,952,162	2,017,757,340
Cash and Short Term Deposits	21	1,011,692,130	2,877,173,067	493,426,491	638,170,693
		17,042,594,369	16,572,676,077	3,422,604,463	3,362,347,645
Total Assets		57,232,732,718	50,050,414,941	42,055,309,382	41,205,379,035
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	393,284,583	373,436,660	380,351,561	363,016,323
Retained Earnings		23,997,534,305	21,218,673,924	21,288,882,272	20,268,013,378
Total Equity		42,834,172,235	40,035,463,931	40,112,587,180	39,074,383,048

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Group		Company	
		2019	2018	2019	2018
		Rs.	Rs.	Rs.	Rs.
Non-Current Liabilities					
Post Employment Benefit Liability	16	47,675,025	39,509,278	17,304,914	19,405,590
Customer Deposits	18	847,200	1,138,102,093	-	-
Amounts due to Related Parties	19	4,425,613,268	1,050,269,926	-	-
Deferred Tax Liabilities	9	858,584,991	830,685,975	546,820,159	530,647,822
Total Non-Current Liabilities		5,332,720,484	3,058,567,272	564,125,073	550,053,412
Current Liabilities					
Trade and Other Payables	17	2,980,041,497	2,811,920,695	149,571,675	389,255,119
Rental and Customer Deposits	18	1,217,001,224	1,080,121,288	1,149,122,327	1,051,458,077
Amounts due to Related Parties	19	23,600	50,503,020	455,325	51,783,039
Interest Bearing Loans and Borrowings	15.2	4,692,369,724	2,914,340,826	-	-
Income Tax Payable		151,855,404	78,908,153	54,899,252	67,856,584
Dividends Payable	20	24,548,550	20,589,756	24,548,550	20,589,756
		9,065,839,999	6,956,383,738	1,378,597,129	1,580,942,575
Total Liabilities		14,398,560,483	10,014,951,010	1,942,722,202	2,130,995,987
Total Equity and Liabilities		57,232,732,718	50,050,414,941	42,055,309,382	41,205,379,035

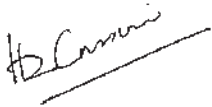
I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



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 72 through 120 form an integral part of the Financial Statements.

22 May 2020

Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 December	Note	Group		Company	
		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Revenue	3	8,921,805,584	6,784,718,473	2,333,582,410	2,292,950,497
Direct Operating Expenses		(833,275,105)	(768,016,513)	(522,371,321)	(521,856,422)
Cost of Sales of Apartments		(3,837,505,352)	(2,272,309,650)	-	-
Gross Profit		4,251,025,127	3,744,392,310	1,811,211,089	1,771,094,075
Fair Value Gain on Investment Property	5	773,946,705	1,223,345,975	789,288,706	1,165,701,975
Administration Expenses		(478,728,961)	(366,710,871)	(206,277,028)	(207,315,932)
Marketing and Promotional Expenses		(109,339,573)	(156,589,242)	-	-
Operating Profit		4,436,903,298	4,444,438,172	2,394,222,767	2,729,480,118
Finance Cost	22.1	(11,575,918)	(59,883,850)	(8,612,563)	(54,525,127)
Finance Income	22.2	222,948,857	312,699,505	244,264,652	327,043,751
Other Income	22.3	4,213,328	40,978,749	4,213,328	54,124,704
Exchange Gain/(Loss)		(10,279,159)	221,692,810	(2,803,406)	201,774,131
Profit Before Tax	23	4,642,210,406	4,959,925,386	2,631,284,778	3,257,897,577
Income Tax	24.1	(306,687,909)	(142,447,626)	(55,759,114)	(100,517,732)
Profit after Tax for the Year		4,335,522,497	4,817,477,760	2,575,525,664	3,157,379,845
Attributable to:					
Equity Holders of the Parent		4,335,522,497	4,817,477,760		
Non-controlling Interest		-	-		
		4,335,522,497	4,817,477,760		
Earnings Per Share - Basic/Diluted	25	3.49	3.88		
Dividend Per Share	20	1.25	1.25		

The accounting policies and notes on pages 72 through 120 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December	Note	Group		Company	
		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Profit For the Year		4,335,522,497	4,817,477,760	2,575,525,664	3,157,379,845
Other Comprehensive Income:					
Items that will not be reclassified to profit or loss:					
Revaluation of Buildings	14.1	20,772,920	39,547,729	17,721,801	41,923,146
Deferred Tax Effect		(924,996)	(678,394)	(386,563)	(1,034,707)
		19,847,924	38,869,335	17,335,238	40,888,439
Actuarial Gains/(Losses) on Defined Benefit Plans	16	(3,686,746)	(950,544)	(870,917)	(288,686)
Deferred Tax Effect		810,483	55,009	-	-
		(2,876,263)	(895,535)	(870,917)	(288,686)
		16,971,661	37,973,800	16,464,321	40,599,754
Other Comprehensive Income for the Year, Net of Tax		16,971,661	37,973,800	16,464,321	40,599,754
Total Comprehensive Income for the Year, Net of Tax		4,352,494,158	4,855,451,560	2,591,989,985	3,197,979,597
Attributable to:					
Equity Holders of the Parent		4,352,494,158	4,855,451,560		
Non-controlling Interest		-	-		
		4,352,494,158	4,855,451,560		

The accounting policies and notes on pages 72 through 120 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Group

Year ended 31 December	Note	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 January 2018		18,443,353,347	334,567,325	17,955,878,677	36,733,799,349
Profit for the Year				4,817,477,760	4,817,477,760
Other Comprehensive Income for the Year			38,869,335	(895,535)	37,973,800
Dividends Paid for Ordinary Shares for Y/E 31/12/2017	20		-	(1,553,786,978)	(1,553,786,978)
Balance as at 01 January 2019		18,443,353,347	373,436,659	21,218,673,924	40,035,463,931
Profit for the Year				4,335,522,497	4,335,522,497
Other Comprehensive Income for the Year			19,847,924	(2,876,263)	16,971,661
Dividends Paid for Ordinary Shares for Y/E 31/12/2018	20			(1,553,785,853)	(1,553,785,853)
Balance as at 31 December 2019		18,443,353,347	393,284,583	23,997,534,305	42,834,172,235

Company

Year ended 31 December	Note	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
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	20			(1,553,786,978)	(1,553,786,978)
Balance as at 01 January 2019		18,443,353,347	363,016,323	20,268,013,378	39,074,383,048
Profit for the Year		-	-	2,575,525,664	2,575,525,664
Other Comprehensive Income for the Year		-	17,335,238	(870,917)	16,464,321
Dividends Paid on Ordinary Shares for Y/E 31/12/2018	20			(1,553,785,853)	(1,553,785,853)
Balance as at 31 December 2019		18,443,353,347	380,351,561	21,288,882,272	40,112,587,180

The accounting policies and notes on pages 72 through 120 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 December	Note	Group		Company	
		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Cash Flows from Operating Activities:					
Profit Before Tax Expense		4,642,210,406	4,959,636,700	2,631,284,778	3,257,608,890
Adjustments for -					
Depreciation Charge for the Year	6	43,127,473	38,683,989	17,196,711	14,069,335
Amortization / write-off of Intangible Assets	7	155,686	707,412	155,686	707,412
Post Employment Benefit Expense	16	13,177,964	8,734,287	4,494,436	3,899,735
Finance Cost	22.1	11,575,918	59,883,850	8,612,563	54,525,127
Finance Income	22.2	(222,948,857)	(98,076,947)	(244,264,652)	(120,298,462)
Gain on share repurchase		-	-	-	(49,491,285)
Fair Value (Gain) On Investment	15.1.1	(177,194,822)	(214,622,558)	(177,194,822)	(206,745,289)
Exchange (Gain)/ Loss	15.2	(11,227,790)	-	-	-
(Profit)/Loss on Disposal of Property, Plant and Equipment	22.3	(4,213,328)	(4,633,419)	(4,213,328)	(4,633,419)
Fair Value (Gain) on Investment Property	5	(773,946,705)	(1,223,345,975)	(789,288,706)	(1,165,701,975)
Operating Profit before Working Capital Changes					
		3,520,715,945	3,526,967,339	1,446,782,666	1,783,940,069
(Increase)/ Decrease in Amounts due from Related Parties		-	-	-	1,144,088,386
(Increase) / Decrease in Trade and Other Receivables		(2,879,845)	(2,242,842,025)	42,895,495	(123,630,806)
Increase / (Decrease) in Rental and Customer Deposits		(1,000,374,958)	425,709,250	97,664,250	18,785,604
(Increase) / Decrease in Inventories		(1,927,408,123)	(3,408,497,450)	9,298,307	1,196,316
Increase / (Decrease) in Trade and Other Payables		168,120,802	1,450,544,086	(239,683,443)	159,599,452
Increase/ (Decrease) in Amounts due to Related Parties		3,324,863,922	28,161,388	(51,327,714)	29,441,407
Cash Generated From Operations					
		4,083,037,743	(219,957,411)	1,305,629,561	3,013,420,427
Income Tax Paid		(146,877,489)	(51,998,006)	(52,930,682)	(20,369,075)
Finance Cost Paid	22.1	(11,575,918)	-	(8,612,563)	-
Defined Benefit Plan Costs Paid	16	(8,698,963)	(430,009)	(7,466,029)	(353,453)
Net Cash Generated From Operating Activities					
		3,915,885,373	(272,385,427)	1,236,620,287	2,992,697,899

Year ended 31 December	Note	Group		Company	
		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Cash Flows from Investing Activities :					
Proceeds from Sale of Property, Plant and Equipment		4,296,870	4,633,419	4,296,870	4,633,419
Acquisition of Property Plant and Equipment (Acquisition) / disposals of Investment Properties	6	(30,745,802)	(15,396,233)	(18,886,596)	(3,050,139)
Receipt from Interest Bearing Loans and Borrowings		-	-	30,000,000	40,000,000
(Acquisition) / disposals of Investment (Acquisition) / disposals of Intangible Assets	15.1	(80,000,000)	747,843,473	(80,000,000)	747,843,473
Receipt on share repurchase		-	-	-	49,491,285
Investment in Subsidiaries		-	-	-	(5,629,322,400)
Finance Income Received		222,948,857	98,076,947	244,264,652	120,298,462
Net Cash From Investing Activities		(6,020,795,989)	(1,246,787,582)	168,462,570	4,670,105,901
Cash Flows from Financing Activities :					
Repayment of Interest Bearing Loans and Borrowings		(6,010,901,125)	(3,359,467,319)	-	-
Dividends Paid		(1,549,827,059)	(1,549,539,764)	(1,549,827,059)	(1,549,539,764)
Proceed from Interest Bearing Loans and Borrowings		7,767,511,177	4,499,741,812	-	-
Net Cash Flow from/(Out Flow) Financing Activities		206,782,993	(409,265,270)	(1,549,827,059)	(1,549,539,764)
Net Increase/ (Decrease) in Cash and Cash Equivalents		(1,898,127,623)	(1,928,438,280)	(144,744,202)	3,226,947,766
Cash and Cash Equivalents at the Beginning of the Year	21	2,867,420,404	4,795,858,684	638,170,693	3,865,118,459
Cash and Cash Equivalents at the End of the Year	21	969,292,781	2,867,420,404	493,426,491	638,170,693

The accounting policies and notes on pages 72 through 120 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were 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.

Overseas Realty Trading (Pvt) Ltd, a subsidiary is engaged in trading of lighting solution.

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

1.3 Parent Entity and Ultimate controlling party

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

1.4 Date of Authorization for Issue

The Financial Statements of Overseas Realty (Ceylon) PLC for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 22 May 2020.

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

These financial statements are prepared on a going concern basis as the Board of Directors has assessed and is satisfied that the Company and its subsidiaries have adequate resources to continue its operations in the foreseeable future. In making such assessment, the management has considered the existing effects of COVID-19 on the Company and its subsidiaries based on the facts and circumstances known at the date of the approval of these financial statements.

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

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)
- Overseas Realty Trading (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

NOTES TO THE FINANCIAL STATEMENTS

- 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.

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 5, 16 and 31.

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.

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

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:

a) Classification of Property

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

b) 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.

c) 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 2019 have been made as per the provisions of the Inland Revenue Act No. 10 of 2006 (as amended subsequently) which is applicable for Year of Assessment 2019/20. 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.

d) 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 controls 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 over a period of time (percentage of completion method) as the Group's performance does not create an asset with an alternative use to the it and the group has an enforceable right to payment for performance completed to date.

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 control 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.

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.

a) Estimation of fair value of Investment Properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the 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

NOTES TO THE FINANCIAL STATEMENTS

measures the office properties 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 2019 for the investment properties.

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

b) Estimation of net realisable value for inventory property

At year end, the Group holds inventory property with a carrying value of Rs. 9,160,301,534/- (2018: Rs. 7,232,893,412/-). Inventory property is stated at the lower of cost and net realisable value (NRV).

NRV for completed inventory property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group for property in the same geographical market serving the same real estate segment.

NRV in respect of inventory property under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the development and the estimated costs necessary

to make the sale, taking into account the time value of money, if material.

c) 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.

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 outside 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%.

All other operating subsidiaries are liable to pay 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

NOTES TO THE FINANCIAL STATEMENTS

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) Sale of lighting solutions
- c) Service charge

a) Sale of property

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

Revenue recognised at a point in time

The sale of completed property is generally expected to be the single 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 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.

During the year group has not recognised revenue under this method.

Revenue recognised over time

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

b) Sale of lighting solutions

The sale of Sale of lighting solutions is generally expected to be the single performance obligation and the Group has determined that it will be satisfied at the point in time when control transfers.

c) 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.

d) 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.

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 incurred up to the point of commencing revenue recognition under SLFRS 15 (revenue recognized over the period), 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.

NOTES TO THE FINANCIAL STATEMENTS

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 amortized 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 that do not contain a significant financing component.

In order for a financial asset to be classified and measured at amortized 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 recognized 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 amortized 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 amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized 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 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 amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized 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 at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized 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 recognized 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

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 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:

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 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 5
- Property, plant and equipment under revaluation model Note 6
- Investment properties Note 5

NOTES TO THE FINANCIAL STATEMENTS

- Financial instruments (including those carried at amortised cost) Note 15

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, except, investment property under construction, all other completed Investment Property is carried at fair value.

The investment property under construction is subsequently measured at cost, since fair value of the said property is not reliably ascertained as at reporting date and management has assessed that the carrying value of these property is recoverable and as such no impairment is necessary.

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

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

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

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

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

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), 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.

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. These costs are included in statement of Profit or Loss.

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

NOTES TO THE FINANCIAL STATEMENTS

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 16 and IFRIC -23 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 2019, 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 16 Leases

IFRS 16 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. The standard sets out the principles for the recognition, measurement, presentation and

disclosure of leases and requires lessees to recognise most leases on the balance sheet.

As a result of the publication of SLFRS 16, many amendments were made to LKAS 40. One consequence of the amendments is that an entity can no longer elect to classify and measure a property interest held by a lessee under a lease as investment property at fair value on a property-by-property basis. Instead, the measurement of investment property at cost or fair value has now become a policy choice that applies to all investment property, whether leased or owned.

Lessor accounting under SLFRS 16 is, however, substantially unchanged from present accounting under LKAS 17. Lessors continue to classify all leases using the same classification principle as in LKAS 17 and distinguish between two types of leases: operating leases and finance leases. One exception is that SLFRS 16 requires the intermediate lessor to classify the sublease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. However, this change does not have an impact on the Group's classification of the subleases. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

Transition to IFRS 16

The Group adopted SLFRS 16 using the full retrospective method of adoption, with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4 at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

Since, the group is predominantly lessor and the adoption of the SLFRS 16 does not have significant impact to the financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12. It does not apply to taxes or levies

outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions where the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

2.4 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.

2.5 Effect Of Sri Lanka Accounting Standards (SLFRS) Issued but not Yet Effective:

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to SLFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in SLFRS 3 Business Combinations

to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an

NOTES TO THE FINANCIAL STATEMENTS

optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Amendments to LKAS 1 and LKAS 8: Definition of Material

In October 2018, the IASB issued amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

3. REVENUE

Year ended 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Revenue from contracts with customers	6,098,241,590	4,420,315,055	-	-
Rental & Service Charge	2,823,563,994	2,364,403,417	2,333,582,410	2,292,950,497
	8,921,805,584	6,784,718,473	2,333,582,410	2,292,950,497

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 and Realty Management Services (Pvt) Ltd (RMS) and Property Trading is derived through Mireka Capital Land (Pvt) Ltd (MCL) and Mireka Homes (Pvt) Ltd (MHL). ORC PLC and ORIL earns rental income by way of renting out the space at "World Trade Center" located at Echelon Square, Colombo 1. while Realty Management Services (Pvt) Ltd (RMS) is engaged in brokering, providing absentee landlord management, providing facility management and related services and trading lighting solutions. MCL recognises revenue through the sale of land and infrastructure and MHL recognises revenue through the sale of condominium units of "Havelock City".

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

4.1 Segment Results :

	2019				
	Property Leasing	Property Services	Property Trading	Inter/Intra Segment Eliminations	Consolidated 2019
	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue from contracts with customers	-	456,205,677	6,098,241,590	(66,646,947)	6,487,800,320
Rental & Service Charge	2,409,107,859	-	24,897,404	-	2,434,005,263
Total Revenue	2,409,107,859	456,205,677	6,123,138,994	(66,646,947)	8,921,805,583
Direct Operating Expenses	(537,674,173)	(344,263,983)	-	48,663,051	(833,275,105)
Cost of Sales	-	-	(3,837,505,352)	-	(3,837,505,352)
Gross Profit/ (Loss)	1,871,433,685	111,941,694	2,285,633,642	(17,983,896)	4,251,025,125
Fair Value Gain on Investment Property	773,946,705	-	-	-	773,946,705
Administration Expenses	(206,704,337)	(66,082,095)	(184,271,707)	(21,670,822)	(478,728,961)
Marketing and Promotional Expenses	-	-	(109,339,573)	-	(109,339,573)
Exchange Gain/(Loss)	(2,803,406)	(2,059,188)	(5,416,565)	-	(10,279,159)
Finance Cost	(43,721,917)	-	-	32,146,000	(11,575,918)
Finance Income	248,356,839	1,320,761	5,417,257	(32,146,001)	222,948,856
Other Income	4,213,328	-	-	-	4,213,328
Net Profit Before Tax	2,644,720,896	45,121,172	1,992,023,054	(39,654,719)	4,642,210,403

NOTES TO THE FINANCIAL STATEMENTS

	2018				
	Property Leasing	Property Services	Property Trading	Inter/Intra Segment Eliminations	Consolidated 2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue from contracts with customers	-	380,534,042	4,296,203,370	(256,422,356)	4,420,315,055
Rental & Service Charge	2,364,403,417	-	-	-	2,364,403,417
Total Revenue	2,364,403,417	380,534,042	4,296,203,370	(256,422,356)	6,784,718,473
Direct Operating Expenses	(537,159,273)	(278,613,127)	-	47,755,888	(768,016,513)
Cost of Sales	-	-	(2,341,040,758)	68,731,108	(2,272,309,650)
Gross Profit/ (Loss)	1,827,244,144	101,920,915	1,955,162,612	(139,935,360)	3,744,392,310
Fair Value Gain on Investment Property	1,223,345,975	-	-	-	1,223,345,975
Administration Expenses	(207,862,864)	(43,876,186)	(114,971,821)	-	(366,710,871)
Marketing and Promotional Expenses	-	-	(156,589,242)	-	(156,589,242)
Exchange Gain/(Loss)	201,774,131	-	19,918,679	-	221,692,810
Finance Cost	(96,125,339)	-	(387,010)	36,628,499	(59,883,850)
Finance Income	332,992,359	3,784,432	12,551,214	(36,628,499)	312,699,506
Other Income	54,125,130	-	36,344,904	(49,491,285)	40,978,749
Net Profit Before Tax	3,335,493,535	61,829,161	1,752,029,336	(189,426,645)	4,959,925,386

4.2 Segment Assets and Liabilities :

	Property Leasing	Property Services	Property Trading	Inter/Intra Segment Eliminations	Consolidated
	Rs.	Rs.	Rs.	Rs.	Rs.
	2019				
Total Assets	43,164,950,869	141,897,064	25,529,957,284	(11,604,072,499)	57,232,732,718
Total Liabilities	2,499,869,886	76,943,798	12,199,537,375	(377,790,575)	14,398,560,483
2018					
Total Assets	42,191,153,448	383,485,416	18,986,058,704	(11,510,571,312)	50,050,414,941
Total Liabilities	2,574,062,504	329,282,896	7,444,087,231	(332,452,017)	10,014,951,010

4.3 Other Segment Information :

	2019			
	Property Leasing Rs.	Property Services Rs.	Property Trading Rs.	Consolidated Rs.
Total Cost Incurred during the Year to Acquire				
- Property, Plant and Equipment	18,886,596	4,082,226	7,776,980	30,745,802
Depreciation				
- Charge for the Year	17,196,711	1,792,557	24,138,205	43,127,473
Amortization	155,686	-	-	155,686
Employee Benefit Costs	4,494,436	4,610,654	4,072,874	13,177,964

	2018			
	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
Depreciation				
- Charge for the Year	14,069,335	1,194,413	9,556,624	38,683,989
Amortization	707,412	-	-	707,412
Employee Benefit Costs	3,899,735	2,039,839	2,788,100	8,734,287

5. INVESTMENT PROPERTY

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
As at 1 January	27,076,853,146	25,853,507,171	26,112,309,145	24,946,607,170
Additions	-	-	-	-
Net Gain from Fair Value Adjustment	773,946,705	1,223,345,975	789,288,706	1,165,701,975
As at 31 December	27,850,799,851	27,076,853,146	26,901,597,851	26,112,309,145

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

The said Condominium Plan and Deed of Declaration were registered with the Land Registry on 04 July 2001, thus resulting in the creation of the "Management Corporation Condominium Plan No. 1824" under the provisions of the Apartment Ownership Law.

NOTES TO THE FINANCIAL STATEMENTS

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

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

The significant assumptions used by the valuer in the years 2019 and 2018 are as follows:

Significant Unobservable Inputs	Valuation Technique	2019	2018
Estimated Market Rent per sq:ft	Investment Method (Income Approach) using the discounted cash flows	: Rs.300-410	: Rs.250-375
Rate of Growth in Future Rentals		: 2 to 6 years 5%	: 1 to 2 years 0%
		: 7-10 years 3% p.a.	: 3-10 years 5% p.a.
		: After 10 years 0% p.a.	: After 10 years 0% p.a.
Anticipated Maintenance Cost		: 45% of rentals	: 45% of rentals
Capitalization Rate		: 6.50% p.a.	: 6.50% p.a.

5.3 Sensitivity Analysis of Assumptions Employed in Investment Property Valuation

Group

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of Investment Property, in respect of the year 2019.

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.

Capitalisation Rate	Increase / (Decrease)		Investment Property valuation	Fair Value Gain/ (Loss) on Investment Property
	Growth in Future Rentals	Anticipated Maintenance Cost		
			Rs.	Rs.
1%			23,897,778,848	(3,957,737,005)
-1%			33,264,574,891	5,420,662,846
	1%		29,793,050,110	1,934,210,019
	-1%		26,039,576,463	(1,804,198,554)
		5%	25,318,908,956	(2,533,285,623)
		-5%	30,382,690,747	2,533,285,623

Company

Capitalisation Rate	Increase / (Decrease)		Investment Property valuation	Fair Value Gain/ (Loss) on Investment Property
	Growth in Future Rentals	Anticipated Maintenance Cost		
			Rs.	Rs.
1%			23,087,335,166	(3,814,262,685)
-1%			32,123,089,670	5,221,491,819
	1%		28,777,052,024	1,875,454,173
	-1%		25,152,646,081	(1,748,951,770)
		5%	24,455,998,046	(2,445,599,805)
		-5%	29,347,197,656	2,445,599,805

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)	
	2019	2018	2019	2018
Rental income	2,409	2,364	2,334	2,292
Direct operating expenses	538	537	522	521

5.6 Investment Property Under Development

	2019	2018
	Rs.	Rs.
At 1 January	4,725,408,024	2,575,749,395
Capital expenditure	6,070,350,059	2,139,460,434
Interest capitalised	55,733,500	10,198,195
At 31 December	10,851,491,583	4,725,408,024

NOTES TO THE FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Group

6.1.1 Gross Carrying Amounts

	At Cost				At Valuation			
	Land** Rs.	Temporary Building Rs.	Equipment Rs.	Computer and Electronic Equipment Rs.	Furniture and Fittings Rs.	Motor Vehicles Rs.	Buildings Rs.	Total Gross Carrying Amount Rs.
At Cost or Valuation								
Balance as at 1 January 2019	86,144,695	15,129,948	25,487,544	54,906,720	52,246,311	23,118,742	1,097,729,745	1,354,763,705
Additions during the Year	-	1,301,106	5,506,888	5,154,810	4,470,037	13,814,751	498,209	30,745,802
Disposals / write off made during the Year	-	-	-	(3,158,948)	(6,696,671)	(7,828,343)	-	(17,683,962)
Transfers*	-	-	-	-	-	(242,000)	(22,121,537)	(22,363,537)
Revaluations	-	-	-	-	-	-	21,311,353	21,311,353
Balance as at 31 December 2019	86,144,695	16,431,054	30,994,432	56,902,582	50,019,677	28,863,150	1,097,417,770	1,366,773,361

6.1.2 Depreciation

	Rs.			Rs.			Rs.		
	Temporary Building	Equipment	Computer and Electronic Equipment	Furniture and Fittings	Motor Vehicles	Buildings	Total Depreciation		
Balance as at 1 January 2019	8,235,108	17,091,518	42,085,825	32,125,875	15,982,315	-	-	115,520,641	
Charge for the Year	1,791,081	4,859,767	5,733,831	4,232,681	4,388,575	22,121,537	43,127,473		
Transfers*	-	-	-	-	(242,000)	(22,121,537)	(22,363,537)		
Disposals / write off made during the Year	-	-	(3,158,948)	(6,696,671)	(7,744,801)	-	(17,600,420)		
Balance as at 31 December 2019	10,026,189	21,951,286	44,660,709	29,661,885	12,384,089	-	-	118,684,157	

6.1.3 Net Book Value

	2019	2018
	Rs.	Rs.
At Cost		
Land	86,144,695	86,144,695
Temporary Building	6,404,864	6,894,840
Equipment	9,043,147	8,396,026
Computers and Electronic Equipment	12,241,874	12,820,895
Furniture and Fittings	20,357,792	20,120,436
Motor Vehicles	16,479,061	7,136,427
	150,671,433	141,513,319
At Valuation		
Buildings	1,097,417,770	1,097,729,745
	1,097,417,770	1,097,729,745
	1,248,089,203	1,239,243,064

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

** As at 01 January 2018, Land and capital in the course of construction amounting to Rs. 481,598,333/- and Rs. 2,094,151,062/- respectively included under property, plant and equipment were reclassified to investment property under construction to comply with the current year's presentation.

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 2019	6,855,246	32,268,583	25,086,656	22,074,167	402,902,856	489,187,509
Additions during the Year	1,210,409	2,007,675	1,853,761	13,814,751	-	18,886,596
Disposals / write off made during the Year	-	(3,158,948)	(6,696,671)	(7,828,343)	-	(17,683,962)
Revaluation	-	-	-	-	17,721,801	17,721,801
Transfers*	-	-	-	-	(8,222,508)	(8,222,508)
Balance as at 31 December 2019	8,065,655	31,117,310	20,243,746	28,060,575	412,402,149	499,889,435

NOTES TO THE FINANCIAL STATEMENTS

6.2.2 Depreciation

	Equipment	Computer and Electronic Equipment	Furniture and Fittings	Motor Vehicles	Buildings	Total Depreciation
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January 2019	5,555,066	27,691,090	20,190,556	15,668,819	-	69,105,531
Charge for the Year	2,034,847	1,075,879	1,474,902	4,388,575	8,222,508	17,196,711
Disposals / write off made during the Year	-	(3,158,948)	(6,696,671)	(7,744,801)	-	(17,600,420)
Transfers*	-	-	-	-	(8,222,508)	(8,222,508)
Balance as at 31 December 2019	7,589,913	25,608,021	14,968,787	12,312,593	-	60,479,314

* 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

	2019	2018
	Rs.	Rs.
At Cost		
Equipment	475,742	1,300,180
Computers and Electronic Equipment	5,509,289	4,577,493
Furniture and Fittings	5,274,959	4,896,100
Motor Vehicles	15,747,982	6,405,348
	27,007,973	17,179,121
At Valuation		
Buildings	412,402,149	402,902,856
	412,402,149	402,902,856
	439,410,122	420,081,977

- 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 2019 by Mr. P.B. Kalugalagedera, an independent valuer. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 31 December 2019. 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 2019 by Mr. P.B. Kalugalagedera, an independent valuer. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 31 December 2019.
- 6.5** Cash payments amounting to Rs. 30,745,802/- (2018 : Rs.15,396,233/-) were made during the year by the Group and Rs. 18,886,546/- (2018 : Rs. 3,050,139/-) 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 :

	2019	2018
Buildings	Over 50 to 60 Years	Over 50 to 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 379,423/- (2018 - Rs. 128,455/-) has been transferred to investment property 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.73,804,683/- and Rs. 49,004,274/- (2018 : Rs.74,478,196/- and Rs. 47,179,500/-) respectively.

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

Class of Asset	Cost Rs.	Cumulative Depreciation If assets were carried at cost Rs.	Net Carrying Amount 2019 Rs.	Net Carrying Amount 2018 Rs.
Group				
Building - Level 18	87,431,566	(29,684,354)	57,747,212	59,204,405
Building - Club House	726,671,879	(72,662,565)	654,009,314	668,542,751

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/Company

	WTC Membership Rs.	Computer Software Rs.	Total Rs.
Summary	(Note 7.2)	(Note 7.3)	
Cost			
As at 1 January 2019	7,297,734	28,919,768	36,217,502
Acquired / Incurred during the Year	-	11,212,355	11,212,355
As at 31 December 2019	7,297,734	40,132,123	47,429,857
Amortization			
As at 1 January 2019	7,297,734	28,764,082	36,061,816
Amortization for the Year	-	155,686	155,686
As at 31 December 2019	7,297,734	28,919,768	36,217,502

NOTES TO THE FINANCIAL STATEMENTS

	WTC Membership Rs.	Computer Software Rs.	Total Rs.
Net book value			
As at 1 January 2019	-	155,686	155,686
As at 31 December 2019	-	11,212,355	11,212,355

7.2 WTC membership fee represent the original amount paid to be eligible to use the trade name “World Trade Centre”.

7.3 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 or Loss.

8. INVESTMENTS IN SUBSIDIARIES

	% Holding	Company	
		2019 Rs.	2018 Rs.
Non-Quoted Investment at cost			
Mireka Capital Land (Pvt) Ltd.	100%	10,634,322,400	10,634,322,400
Hospitality International (Pvt) Ltd.	100%	112,159,107	112,159,107
Realty Management Services (Pvt) Ltd.	100%	10,020	10,020
Overseas Realty Trading (Pvt) Ltd	100%	10	-
Property Mart (Pvt) Ltd.	100%	20	20
Overseas Realty Investments (Pvt) Ltd	100%	74,552,141	74,552,141
		10,821,043,698	10,821,043,688
Provision for Impairment: Hospitality International (Pvt) Ltd.		(112,159,107)	(112,159,107)
		10,708,884,591	10,708,884,581

8.1 All subsidiaries are incorporated in Sri Lanka.

9. DEFERRED TAX

9.1 Group

	Statement of Financial Position		Statement of Profit or Loss	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Deferred Tax Assets Arising on:				
Unused Carried Forward Tax Losses	135,127,292	164,893,218	(29,765,926)	13,653,073
Post Employment Benefit Liability	3,531,834	3,932,271	(400,437)	1,420,015
Property Plant and Equipment	405,548	962,609	(557,061)	573,310
	139,064,674	169,788,098	(30,723,424)	15,646,398
Deferred Tax Liability Arising on:				
Investment Property	(696,273,220)	(677,910,147)	(18,363,073)	(46,360,918)
Property Plant and Equipment	(162,311,771)	(152,775,828)	(9,535,943)	(9,255,162)
	(858,584,991)	(830,685,975)	(27,899,016)	(55,616,080)
Deferred Tax Expense/(Income)			(58,622,440)	(39,969,682)
Net Deferred Tax Asset/(Liability)	(719,520,317)	(660,897,877)		

Reflected in the Statement of Financial Position as follows:

	2019	2018
	Rs.	Rs.
Balance brought forward	660,897,877	620,928,195
Deferred Income Tax (Credit)/Charge-Statement of Profit or Loss	58,507,927	39,346,298
Deferred Income Tax (Credit)/Charge- Statement of Comprehensive Income	114,513	623,384
Net Deferred Tax (Asset)/Liability	719,520,317	660,897,877

9.2 Company

	Statement of Financial Position		Statement of Profit or Loss	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability Arising on:				
Investment Property	(538,031,957)	(522,246,182)	(15,785,774)	(23,314,040)
Property Plant and Equipment	(8,788,202)	(8,401,640)	(386,563)	(1,034,706)
Deferred Tax Expense/(Income)			(16,172,337)	(24,348,746)
Net Deferred Tax Asset/(Liability)	(546,820,159)	(530,647,822)		

9.3 Reflected in the Statement of Financial Position as follows:

	2019	2018
	Rs.	Rs.
Balance brought forward	530,647,822	506,299,076
Deferred Income Tax (Credit)/Charge-Statement of Profit or Loss	15,785,774	23,314,040
Deferred Income Tax (Credit)/Charge- Statement of Comprehensive Income	386,563	1,034,707
Net Deferred Tax (Asset)/Liability	546,820,159	530,647,822

10. INVENTORIES

	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
10.1 Summary				
Inventories -Work in Progress	6,439,434,741	6,945,159,474	-	-
Completed Apartments for Sale	2,710,960,425	-	-	-
	9,150,395,166	6,945,159,474	-	-
Consumables and Spares	9,906,368	21,443,092	-	-
	9,160,301,534	6,966,602,566	-	-
10.2 Non Current Inventories				
Work in Progress	89,480,683	266,290,846	-	-
	89,480,683	266,290,846	1,454,735	10,753,042

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
10.3 Current Inventories				
Work in Progress	6,349,954,057	6,945,159,474	-	-
Completed Apartments for Sale	2,710,960,425	-	-	-
Consumables and Spares	9,906,368	21,443,092	1,454,735	10,753,042
	9,070,820,851	6,966,602,566	1,454,735	10,753,042
	9,160,301,534	7,232,893,412	1,454,735	10,753,042

10.4 The average rate of interest used to capitalise the borrowing cost during the year is 6.5% (2018 - 5%).

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Rent and Service Charge Receivables	92,127,557	228,605,859	92,127,557	228,605,859
Trade Receivables	2,027,875,800	536,412,303	-	-
	2,120,003,357	765,018,162	92,127,557	228,605,859
Other Receivables	608,529,389	934,860,228	61,689,547	149,699,763
Accrued Rental Income	218,724,569	217,440,537	215,548,419	216,355,481
	2,947,257,315	1,917,318,927	369,365,523	594,661,103
VAT Receivables	-	241,572,345	-	-
Advances and Prepayments	1,521,182,220	2,529,117,800	26,677,428	54,747,347
	4,468,439,535	4,688,009,071	396,042,951	649,408,450

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
2019	2,120,003,357	658,502,033	515,754,511	151,296,810	78,897,664	373,385,124	342,167,215
2018	765,018,162	272,228,743	135,739,305	153,602,238	46,239,082	79,544,734	77,664,061

Company

	Total	Before 30 days	Past Due but not Impaired				
			31-60 days	61-90 days	91-120 days	121-150 days	> 150 days
2019	92,127,557	6,074,035	6,003,633	45,679,931	3,997,525	7,133	30,365,300
2018	228,605,859	34,406,651	111,237,609	66,861,455	4,823,775	1,084	11,275,286

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 2019 and 2018.

12. OTHER ASSETS - NON CURRENT

	Relationship	Group		Company	
		2019	2018	2019	2018
		Rs.	Rs.	Rs.	Rs.
Amounts Due From Related Party (Note 12.2)	Subsidiary	-	-	220,000,000	250,000,000
Unquoted Preference Shares (Note 12.3)	Subsidiary	-	-	351,600,000	351,600,000
		-	-	571,600,000	601,600,000

12.1 Other Assets - Current

	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Amounts Due From Others (Note 12.5)	216,689,691	-	210,515,876	-
Amounts Due From Related Party (Note 12.4)	-	-	46,212,248	46,258,120
	216,689,691	-	256,728,124	46,258,120

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

	Relationship	Company	
		2019	2018
		Rs.	Rs.
Overseas Realty Investments (Pvt) Ltd.	Subsidiary	220,000,000	250,000,000
		220,000,000	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

	Carrying value	
	2019	2018
	Rs.	Rs.
Overseas Realty Investments (Pvt) Ltd.	351,600,000	351,600,000
	351,600,000	351,600,000

NOTES TO THE FINANCIAL STATEMENTS

12.3.1 The terms of Interest bearing borrowings 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

	Relationship	Group		Company	
		2019	2018	2019	2018
		Rs.	Rs.	Rs.	Rs.
Realty Management Services (Pvt) Ltd.	Subsidiary	-	-	8,359,492	3,648,920
Mireka Homes (Pvt) Ltd.	Sub-Subsidiary	-	-	331,520	6,349,153
Overseas Realty Investments (Pvt) Ltd.	Subsidiary	-	-	37,103,118	36,260,046
Overseas Realty Trading (Pvt) Ltd.	Subsidiary	-	-	418,117	-
		-	-	46,212,248	46,258,120
Less : Allowance for Impairment		-	-	-	-
		-	-	46,212,248	46,258,120

12.5 Amounts Due From Others -Current

	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Management Corporation Condominium Plan 5770	2,632,832	-	-	-
Management Corporation Condominium Plan 8308A	3,540,983	-	-	-
Management Corporation Condominium Plan 1824	210,515,876	-	210,515,876	-
	216,689,691	-	210,515,876	-

13. STATED CAPITAL

	2019	2018
	Rs.	Rs.
Balance as at 1 January	18,443,353,347	18,443,353,347
Issue of shares during the Year	-	-
Balance as at 31 December	18,443,353,347	18,443,353,347

13.1 Number of Ordinary Shares

	2019	2018
	Number	Number
Balance as at 1 January	1,243,029,582	1,243,029,582
Issue of shares during the Year	-	-
Balance as at 31 December	1,243,029,582	1,243,029,582

14. RESERVES**14.1 Revaluation Reserve**

	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January	373,436,659	334,567,325	363,016,323	322,127,884
Transfers	-	-	-	-
Surplus during the Year	20,772,920	39,547,729	17,721,801	41,923,146
Deferred Tax Effect	(924,996)	(678,394)	(386,563)	(1,034,707)
Balance as at 31 December	393,284,583	373,436,659	380,351,561	363,016,323

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****15.1.1 Group / Company**

	As at 01.01.2019 Rs.	Additions/ (Withdrawals) Rs.	Fair Value Gain / (Loss) Rs.	As at 31.12.2019 Rs.
NDB Wealth Management	518,447,315	355,000,000	47,134,995	920,582,310
Guardian Acuity Asset Management Ltd.	1,499,310,025	(275,000,000)	130,059,827	1,354,369,852
	2,017,757,340	80,000,000	177,194,822	2,274,952,162

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.

NOTES TO THE FINANCIAL STATEMENTS

15.2 Interest Bearing Loans and Borrowings

15.2.1 Group

	2019		2018	
	Amounts	Amounts	Amounts	Amounts
	Repayable within 1 Year	Repayable after 1 Year	Repayable within 1 Year	Repayable after 1 Year
	Rs.	Rs.	Rs.	Rs.
Loan from Bank of Ceylon (BOC) (15.2.3)	2,545,845,375	-	2,545,845,375	-
Loan from NTB (15.2.4)	200,000,000	-	200,000,000	-
Loan from DFCC (15.2.5)	499,125,000	-	499,125,000	-
Loan from DFCC (15.2.6)	1,405,000,000	-	1,405,000,000	-
Bank Overdrafts (21)	42,399,349	-	42,399,349	-
Import loan	-	-	-	-
	4,692,369,724	-	4,692,369,724	-
			935,130,000	935,130,000
			1,958,100,000	1,958,100,000
			9,752,713	9,752,713
			11,358,113	11,358,113
			2,914,340,826	2,914,340,826

15.2.2 Company

	2019		2018	
	Amounts	Amounts	Amounts	Amounts
	Repayable within 1 Year	Repayable after 1 Year	Repayable within 1 Year	Repayable after 1 Year
	Rs.	Rs.	Rs.	Rs.
Bank Overdrafts	-	-	-	-
Total Loans and Overdraft	-	-	-	-

15.2.3 Loan - Bank of Ceylon

	As At 01.01.2019 Rs.	Obtained during the Year Rs.	Repayments Rs.	Exchange Difference Rs.	As At 31.12.2019 Rs.
Revolving Loan	935,130,000	2,112,724,984	(543,492,750)	41,483,140	2,545,845,375
	935,130,000	2,112,724,984	(543,492,750)	41,483,140	2,545,845,375

As per the loan agreement Interest payable at 06 months LIBOR plus 3% per annum (Floor Rate 5% p.a). The loan proceeds has been utilized for Phase III & IV of Havelock City Housing Project.

15.2.4 Loan - Nations Trust Bank

	As At 01.01.2019 Rs.	Loans Obtained during the Year Rs.	Repayments Rs.	Exchange Difference Rs.	As At 31.12.2019 Rs.
Loan - NTB	-	2,294,731,193	(2,094,731,193)	-	200,000,000
	-	2,294,731,193	(2,094,731,193)	-	200,000,000

As per the loan agreement Interest payable at weekly AWPLR plus 1 % per annum. The loan proceeds has been utilized for Phase III & IV of Havelock City Housing Project.

15.2.5 Loan - DFCC

	As At 01.01.2019 Rs.	Loans Obtained during the Year Rs.	Repayments Rs.	Exchange Difference Rs.	As At 31.12.2019 Rs.
Loan - DFCC	1,958,100,000	1,955,055,000	(3,361,319,070)	(52,710,930)	499,125,000
	1,958,100,000	1,955,055,000	(3,361,319,070)	(52,710,930)	499,125,000

As per the loan agreement Interest payable at 03 months LIBOR plus 3.25% per annum. The loan proceeds has been utilized for Phase III & IV of Havelock City Housing Project.

15.2.6 Loan - DFCC

	As At 01.01.2019 Rs.	Loans Obtained during the Year Rs.	Repayments Rs.	Exchange Difference Rs.	As At 31.12.2019 Rs.
Loan - DFCC	-	1,405,000,000	-	-	1,405,000,000
	-	1,405,000,000	-	-	1,405,000,000

As per the loan agreement Interest payable at monthly AWPLR plus 0.75% per annum. The loan proceeds has been utilized for Phase III & IV of Havelock City Housing Project.

NOTES TO THE FINANCIAL STATEMENTS

16. POST EMPLOYMENT BENEFIT LIABILITY

	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January	39,509,278	30,254,456	19,405,590	15,570,622
Charge for the Year (16.1)	13,177,964	8,734,287	4,494,436	3,899,735
Actuarial (Gain)/ Loss	3,686,746	950,544	870,917	288,686
Payments Made during the Year	(8,698,963)	(430,009)	(7,466,029)	(353,453)
Balance as at 31 December	47,675,025	39,509,278	17,304,914	19,405,590

16.1 Post Employee Benefit Expense for Year Ended 31 December

	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Current Service Cost	9,227,036	5,708,842	2,553,877	2,342,673
Interest Cost	3,950,928	3,025,445	1,940,559	1,557,062
Post Employment Benefit Expense	13,177,964	8,734,287	4,494,436	3,899,735

16.2 Messrs. Piyal S Goonetilleke and Associates : Actuaries, carried out an actuarial valuation of the Group as at 31 December 2019. Appropriate and compatible assumptions were used in determining the cost of post employment benefits. The principal assumptions used are as follows:

	2019	2018
a) Demographic Assumptions		
Retirement Age :	55 Years	55 Years
b) Assumed rate of employee turnover is 18% from age 20 to age 30. Such is estimated to decrease between 7% to 13% in respect of ages 35 to 40, & % from age 45 to 50. From which point onwards up to retirement it is estimated at 1% p.a.		
c) Financial Assumptions		
Discount Rate	10.00%	10.00%
Salary Increment Rate	8%	8%
Expected Average Future Working Life of Employees	6.1 years	6.1 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 2019.

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.

		Group		Company	
		2019			
Increase/(Decrease)		Effect on Income Statement (reduction)/ increase in results for the Year 2019	Performa Post Employment Benefit Liability 2019	Effect on Income Statement (reduction)/ increase in results for the Year 2019	Performa Post Employment Benefit Liability 2019
In Discount Rate	In Salary Increment Rate	Rs.	Rs.	Rs.	Rs.
-1%	-	(3,537,289)	51,212,314	(1,273,424)	18,436,433
1%	-	856,679	(46,818,346)	308,404	(16,854,605)
-	-1%	779,762	(46,895,263)	280,714	(16,882,295)
-	1%	(3,419,190)	51,094,215	(1,230,908)	18,393,917

17. TRADE AND OTHER PAYABLES

		Group		Company	
		2019	2018	2019	2018
		Rs.	Rs.	Rs.	Rs.
Trade Payables - Related Parties		-	-	-	-
- Payable to Contractor		2,764,014,437	1,156,685,169	441,617	43,769,503
- Others		1,157,647	410,521,847	-	-
		2,765,172,084	1,567,207,016	441,617	43,769,503
Other Payables		15,510,234	217,656,471	1,027,739	-
Sundry Creditors including Accrued Expenses		199,359,179	1,027,057,208	148,102,319	345,485,616
		2,980,041,497	2,811,920,695	149,571,675	389,255,119

18. RENTAL AND CUSTOMER DEPOSITS

		Group		Company	
		2019	2018	2019	2018
		Rs.	Rs.	Rs.	Rs.
Rental Deposits		1,217,001,224	1,080,121,288	1,149,122,327	1,051,458,077
Customer Deposits		847,200	1,138,102,093	-	-
		1,217,848,424	2,186,886,485	1,149,122,327	1,051,458,077
Classified Under:					
Current Liabilities		1,217,001,224	1,080,121,288	1,149,122,327	1,051,458,077
Non Current Liabilities		847,200	1,138,102,093	-	-
Total		1,217,848,424	2,186,886,486	1,149,122,327	1,051,458,077

NOTES TO THE FINANCIAL STATEMENTS

19. AMOUNTS DUE TO RELATED PARTIES

	Relationship	Group		Company	
		2019	2018	2019	2018
		Rs.	Rs.	Rs.	Rs.
Mireka Capital Land (Pvt) Ltd. Management Corporation	Subsidiary	-	-	455,325	1,437,588
Condominium Plan 8308	Other Related Party	23,600	157,569	-	-
Management Corporation Condominium Plan 1824	Other Related Party	-	50,345,451	-	50,345,451
Shang Kwan Pte Ltd*	Affiliate	508,200,000	-	-	-
Shing Kwan Investment (Singapore) Pte Ltd*	Affiliate	3,917,413,268	1,050,269,926	-	-
		4,425,636,868	1,100,772,946	455,325	51,783,039
Classified Under:					
Current Liabilities		23,600	50,503,020	455,325	51,783,039
Non Current Liabilities		4,425,613,268	1,050,269,926	-	-
Total		4,425,636,868	1,100,772,946	455,325	51,783,039

19.1 *Terms of the loans

	Agreement 1	Agreement 2
Interest rate	3 months LIBOR + 2% p.a	3 months LIBOR + 2% p.a
Repayment of loan and interest	7 years from 2017	7 years from commencement of commercial operation or 31.12.2021 whichever occurs later

19.2

	As At 01.01.2019	Obtained during the Year	Repayments	Exchange Difference	As At 31.12.2019
	Rs.	Rs.	Rs.	Rs.	Rs.
Shang Kwan Pte Ltd	-	493,080,000	-	15,120,000	508,200,000
Shing Kwan Investment (Singapore) Pte Ltd*	1,050,269,926	2,765,404,364	-	101,738,978	3,917,413,268
	1,050,269,926	3,258,484,364	-	116,858,978	4,425,613,268

20. DIVIDENDS PAID AND PAYABLE

	2019	2018
	Rs.	Rs.
20.1 Declared and Paid during the Year		
Equity Dividends on Ordinary Shares		
- Final dividend for 2019 Rs. 1.25 : (2018 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	24,548,550	20,589,756
	24,548,550	20,589,756

21. CASH AND SHORT TERM DEPOSITS

	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	429,863,662	298,427,032	107,424,308	82,613,840
Call Deposits and Fixed Deposits	581,828,468	2,578,746,035	386,002,183	555,556,853
	1,011,692,130	2,877,173,067	493,426,491	638,170,693
Bank Overdraft (15)	(42,399,349)	(9,752,663)	-	-
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	969,292,781	2,867,420,404	493,426,491	638,170,693

22. FINANCE COST AND INCOME

	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
22.1 Finance Cost				
Interest Expense on Interest Bearing Loans and Borrowings	-	-	-	-
Fair Value Adjustment on Rental Deposits	11,575,918	59,883,850	8,612,563	54,525,127
	11,575,918	59,883,850	8,612,563	54,525,127
22.2 Finance Income				
Income from Investments				
- Interest on Fixed Deposits	35,919,527	98,076,947	28,242,062	83,861,394
- Income from Investment in Fair Value through Profit & Loss	177,194,822	150,728,746	177,194,822	150,728,746
Amortization of Deferred Lease Interest Income on Rental Deposits	9,834,508	63,893,812	6,566,854	55,825,111
Interest Income - Related party loan	-	-	32,260,914	36,628,500
	222,948,857	312,699,505	244,264,652	327,043,751
22.3 Other Income				
Dividend Income	-	-	-	-
Gain on share repurchase	-	-	-	49,491,285
Club House Income & Other Income	-	36,345,330	-	-
Gain on PPE Disposal	4,213,328	4,633,419	4,213,328	4,633,419
	4,213,328	40,978,749	4,213,328	54,124,704

NOTES TO THE FINANCIAL STATEMENTS

23. PROFIT BEFORE TAX

	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Stated after Charging /(Crediting)				
Directors Fee	4,950,000	5,125,000	-	5,075,000
Auditors Remuneration	4,317,844	3,683,989	2,279,251	1,681,074
Depreciation Charge for the Year	41,811,366	38,683,989	17,196,711	14,069,335
Exchange (Gain)/Loss	10,279,159	(221,692,810)	2,803,406	(201,774,131)
(Profit)/Loss on Disposal of Property, Plant and Equipment	(4,213,328)	4,633,419	(4,213,328)	4,633,419
Employee Benefit Expenses Including the following;				
- Staff salaries	312,503,848	236,127,535	149,618,052	117,554,355
- Defined Benefit Plan Cost - Gratuity	13,177,964	8,734,287	4,494,436	7,899,735
- Defined Contribution Plan Cost - EPF & ETF	35,727,707	22,943,932	12,023,286	10,872,947
Amortization / write off of Intangible Assets	155,686	707,412	155,686	707,412

24. TAX EXPENSES

The major components of income tax expense for the years ended 31 December 2018 and 31 December 2019 are as follows :

24.1 Statement of Profit or Loss

	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Current Tax Expense on Other Income	275,298,727	103,101,328	67,092,084	77,203,692
Under/(Over) Provision of Current Taxes in respect of Prior Year	(27,118,744)	-	(27,118,744)	
Deferred tax:				
Deferred Taxation Charge/(Credit)	58,507,927	39,346,298	15,785,774	23,314,040
Income Tax Expense /(Credit) Reported in the Statement of Profit or Loss	306,687,909	142,447,625	55,759,114	100,517,732

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

	Group		Company	
	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Accounting Profit Before Tax	4,642,210,406	4,959,925,386	2,631,284,778	3,257,897,577
Income Exempted from Tax	(1,550,533,276)	(1,065,753,933)	(1,565,836,128)	(2,982,170,105)
Less : Other Income	(203,337,733)	(313,780,435)	(239,614,585)	(275,727,471)
Aggregate Disallowed Items	136,153,572	3,966,433	-	-
Aggregate Allowed Item	(366,687,897)	(18,654,888)	-	-
Net Profit /(Loss) from Trade	2,657,805,072	3,565,702,563	-	-
Other Income	203,337,733	313,780,435	239,614,585	275,727,471
Total Statutory Income	984,239,683	368,801,546	239,614,585	275,727,471
Less Tax Losses Claimed	(1,029,944)	(582,518)	-	-
Assessable Liabile Income	983,209,739	368,219,028	239,614,585	275,727,471
Income Tax at the Statutory Rate 15% - 28%	275,298,727	103,101,329	67,092,084	77,203,692
Current Tax Expense on Other Income	275,298,727	103,101,329	67,092,084	77,203,692

24.3 The above current tax expense relates to the interest income and other miscellaneous income that are not covered by the tax exemption enjoyed by Overseas Realty (Ceylon) PLC and its subsidiaries as detailed in note 2.3.3.

24.4 The carried forward unutilized tax losses of the Company and Group respectively as at 31 December 2019 amounting to Nil and Rs.497 Mn-(2018-Nil and Rs 676 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	
	2019	2018
	Rs.	Rs.
Amounts Used as the Numerator		
Net Profit Attributable to Shareholders for Earnings Per Share	4,335,522,497	4,817,189,074
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	
	2019	2018
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

NOTES TO THE FINANCIAL STATEMENTS

26. RELATED PARTY DISCLOSURES

26.1 Transactions with Related Entities

	Group		Company	
	2019	2018	2019	2018
26.1.1 Subsidiaries				
Amounts Receivable as at 1 January	-	-	647,858,120	1,831,946,506
Amounts Payable as at 1 January	-	-	(1,437,588)	-
Investment	-	-	-	(1,150,000,000)
Loan Interest	-	-	(32,146,000)	(75,851,980)
Reimbursements / (Settlements)	-	-	3,537,716	41,763,594
Amounts Receivable as at 31 December	-	-	617,812,248	647,858,120
Amounts Payable as at 31 December	-	-	(455,325)	(1,437,588)
26.1.2 Affiliates				
Amounts Receivable as at 1 January	-	-	-	-
Amounts Payable as at 1 January	(1,050,269,926)	(846,956,359)	-	(4,610)
(Funds received) / Settlements	(3,375,343,342)	(203,313,567)	-	4,610
Amounts Receivable as at 31 December	-	-	-	-
Amounts Payable as at 31 December	(4,425,613,268)	(1,050,269,926)	-	-

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

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

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

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

	2019	2018
	Rs.	Rs.
Fees for Directors	4,950,000	5,075,000
Emoluments	97,298,290	93,163,520
Short Term Employment Benefits	6,298,500	8,450,000
Post Employment Benefits	17,291,220	10,937,016
	125,838,010	117,625,536

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	
	2019	2018	2019	2018
	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	15,808,641,408	24,162,000,000	-	-
	15,809,803,565	24,163,162,157	1,162,157	1,162,157

Letters of Credit opened with Banks Favours Suppliers by the Group and the Company amounted to Rs. 485,928,734 /- (2018 - Rs 692,007,177/-) and Rs. Nil /- (2018- 112,237,556/-) 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 Company's Subsidiary Mireka Homes (Pvt) Ltd (MHL) has been assessed for ESC amounting to Rs 2.9 Mn plus penalties and the Company has appealed against same. Further the Department of Inland Revenue has raised assessments disallowing Input VAT of Rs 324Mn and the Company has appealed at the Tax Appeal Commission. Although there can be no assurance, the Directors believe, based on the information currently available, that the ultimate resolution of appeal / legal proceedings would be favourable to the Company and therefore would not have an adverse effect on the results of operations or financial position.

29. ASSETS PLEDGED

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

NOTES TO THE FINANCIAL STATEMENTS

30. EVENTS OCCURRING AFTER THE REPORTING DATE

30.1 Dividend

The Board of Directors of the Company has declared a final dividend of Rs. 1.25 per share for the financial year ended 31 December 2019. 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%.

The Board of Directors have received a communication from Shareholders who collectively own 82.48% of the ordinary voting shares of the Company that they intend to vote against the resolution for the payment of a dividend for 2019, which was recommended by the Board on the 18th February 2020 and disclosed to the Colombo Stock Exchange on the 19th February 2020.

The Board of Directors therefore believes that the resolution for the approval of the said dividend will be defeated at the Annual General Meeting of the Company scheduled for 25th June 2020.

30.2 Circumstances and developments resulting from COVID-19

Management and the Board have considered the potential impact of the non-adjusting post balance sheet events that have been caused by the pandemic, COVID-19, on the current and future operations of the group. In doing so, management have made estimates and judgements that are critical to the outcomes of these considerations, based on the information available as at the date of approval of these financial statements. Given the evolving and unprecedented nature of the impact of the pandemic, the ultimate extent on the business of the Group, its financial condition, liquidity, results of operations and prospects will depend on future developments, which are uncertain and cannot be reasonably predicted.

30.2.1 Operational update of the Group

The rental and service charge revenue and operating results depend significantly on the occupancy levels and the ability of our tenants to pay rent. Since the COVID 19 outbreak, the property leasing operation of the World Trade Center Colombo Building has remained open 24/7 with all services provided for our tenants. Occupancy remained unchanged across the post balance sheet period. Despite no premature lease terminations have taken place so far, any future premature lease terminations or non-renewal of leases may affect future rental and service charge revenue. In the wake of Covid-19, so far no sale and purchase agreements of residential properties have been cancelled or postponed.

The Government interventions including the curfew has resulted in construction works at the Havelock City Commercial and Residential complexes being temporarily stalled, other than for onsite safety measures being attended to, which will cause a corresponding delay in project completion. The management's current estimate of the resulting overall delay in completion of those complexes is 3 to 4 months based on the currently known factors that could contribute to a delay. Management has based such estimation of delay on the facts and circumstances known at this moment without considering any potential scenarios about how the COVID-19 virus and resulting government measures could evolve.

30.2.2 Impact on the Fair Value Measurement of Investment Property

As a result of the post balance sheet event of the pandemic due to COVID-19, the Group consulted the same independent valuer who was engaged to assess fair values of the investment properties as at 31 December 2019, to determine the impact on the fair value measurement already incorporated in these financial statements based on the conditions that prevailed as at the year end. The independent valuer advised the Group on 14 May 2020 that due to the evolving nature of the pandemic it was too premature to reasonably assess and estimate any impact on the fair value as at 31 December 2019 already determined by him. However, the future impact of the pandemic on the fair values of investment properties is uncertain and cannot be predicted with confidence, as a result of its evolving and unprecedented nature.

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	191,082,501	36,985,931
Short term deposits	155,242,305	387,002,183
Other Financial Assets (Unit Trust Investments)	2,275,187,563	-
Interest Bearing Loans & Borrowings	1,616,358,703	41,160,240
Company		
Cash at bank and in hand	18,025,462	36,621,177
Short term deposits	52,751,853	386,002,183
Other Financial Assets (Unit Trust Investments)	2,275,187,563	-

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
2019	USD 27.3 Mn	181.50	+7.5%	371,354,927
2018	USD 18.6 Mn	183.00	+7.5%	254,749,087

NOTES TO THE FINANCIAL STATEMENTS

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.

2019

	On Demand	Months			years		Total
	Rs.	Less than 3	3 to 12 months	1 to 5 years	More than 5	Rs.	
Group	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade and Other Payables	-	-	2,980,041,497	-	-	-	2,980,041,497
Amounts due to Related Parties	-	-	23,600	4,425,613,268	-	-	4,425,636,868
Interest Bearing Loans and Borrowings	-	-	4,692,369,724	-	-	-	4,692,369,724
Rental and Customer Deposit	-	-	209,644,667	1,008,203,757	-	-	1,217,848,424
	-	-	7,882,079,489	5,433,817,025	-	-	13,315,896,513

Company	On Demand	Less than 3 Months	3 to 12 months	1 to 5 years	More than 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade and Other Payables	-	-	149,571,675	-	-	149,571,675
Amounts due to Related Parties	-	-	51,783,039	-	-	51,783,039
Rental and Customer Deposit	-	-	208,797,467	940,324,860	-	1,149,122,327
	-	-	410,152,182	940,324,860	-	1,350,477,041

2018

Group	On Demand	Less than 3 Months	3 to 12 months	1 to 5 years	More than 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	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

Company	On Demand	Less than 3 Months	3 to 12 months	1 to 5 years	More than 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	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
	17,346,140	166,233,026	685,866,230	579,618,677	-	1,431,717,932

NOTES TO THE FINANCIAL STATEMENTS

32. CAPITAL MANAGEMENT

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

33. FAIR VALUES

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

a) Fair value hierarchy

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

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

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

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

As at 31 December 2018, the Group held the following financial instruments carried at fair value on the statement of financial position:

b) Financial Assets measured at fair value

	2019 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Short Term Investments (Note 15.1)	2,274,952,162	2,274,952,162	-	-

	2018 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Short Term Investments (Note 15.1)	2,017,757,340	2,017,757,340	-	-

During the reporting period ending 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

GROUP PERFORMANCE - TEN YEAR SUMMARY

Rs. Mn	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Income Statement										
Rental Revenue	2,409	2,334	2,090	1,886	1,962	1,764	1,590	1,339	850	697
Revenue from Other Services	414	351	292	259	205	104	69	54	57	51
Apartment Revenue	6,098	4,100	1,935	285	974	4,329	3,190	554	1,588	950
Total Revenue	8,922	6,785	4,317	2,431	3,141	6,198	4,848	1,948	2,495	1,698
Direct Operating Expenses	(833)	(768)	(695)	(615)	(548)	(482)	(424)	(426)	(338)	(329)
Cost of Sales of Apartment	(3,838)	(2,272)	(1,307)	(160)	(653)	(3,308)	(2,635)	(397)	(1,231)	(633)
Gross Profit	4,251	3,744	2,316	1,656	1,940	2,408	1,789	1,125	926	736
Fair Value Gain on Investment Property	774	1,223	1,191	1,267	1,175	1,016	930	1,563	2,123	473
Other Operating Expenses	(588)	(523)	(417)	(323)	(305)	(266)	(268)	(260)	(270)	(274)
Net Finance Income / (Expense)	212	253	450	277	169	155	175	176	27	(94)
Profit from Operating Activities	4,648	4,697	3,540	2,878	2,979	3,312	2,626	2,604	2,806	841
Other Income	4	41	41	85	84	64	-	-	-	-
Exchange Gain / (Loss)	(10)	222	175	11	10	10	15	(85)	(40)	84
Net Profit Before Tax	4,642	4,960	3,756	2,974	3,073	3,386	2,641	2,519	2,766	925
Income Taxes	(307)	(142)	(582)	(44)	(42)	(50)	(2)	(51)	(25)	(11)
Net Profit After Tax	4,336	4,817	3,173	2,930	3,031	3,336	2,639	2,468	2,741	914
Profit Attributable to Equity Holders of the Parent	4,336	4,817	3,173	2,911	2,991	2,957	2,435	2,469	2,681	844
Non-controlling Interest	-	-	-	19	40	379	204	(1)	60	70
	4,336	4,817	3,173	2,930	3,031	3,336	2,639	2,468	2,741	914
STATEMENT OF FINANCIAL POSITION										
Assets										
Non-Current Assets										
Investment Property	27,851	27,077	25,854	24,652	22,579	21,405	20,389	19,459	17,884	15,751
Investment Property Under Development	10,852	4,726	-	-	-	-	-	-	-	-
Property Plant & Equipment	1,248	1,239	3,799	1,782	1,598	1,559	703	644	395	254
Intangible Assets	11	-	1	2	12	14	18	18	26	30
Inventory	89	266	1,841	3,193	2,362	2,125	1,785	-	-	-
Deferred Tax Assets	139	170	154	149	29	27	41	-	-	-
	40,190	33,478	31,649	29,779	26,581	25,130	22,937	20,122	18,305	16,035
Current Assets										
Inventory	9,071	6,967	1,983	94	272	424	3,565	4,129	3,167	3,981
Trade & Other Receivables	4,468	4,688	2,445	1,456	892	1,379	1,448	1,839	1,563	1,275
Other Assets	217	-	-	-	-	-	-	-	-	-
Amounts due From Related Parties	-	-	-	-	1	9	25	14	25	53
Income Tax Recoverable	-	23	14	17	-	10	2	-	-	1
Short Term Investments	2,275	2,018	2,615	1,473	2,862	2,155	1,236	-	-	-
Cash & Short Term Deposits	1,012	2,877	4,817	1,344	1,666	1,170	1,680	1,811	2,197	1,008
	17,043	16,573	11,874	4,383	5,693	5,146	7,956	7,793	6,952	6,318
TOTAL ASSETS	57,233	50,050	43,522	34,161	32,274	30,276	30,893	27,915	25,257	22,353

GROUP PERFORMANCE - TEN YEAR SUMMARY

Rs. Mn	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Equity & Liabilities										
Stated Capital	18,443	18,443	18,443	11,163	11,163	10,186	10,186	10,186	10,186	10,186
Revaluation Reserve	393	373	335	464	291	265	239	216	165	149
Retained Earnings	23,998	21,219	17,956	16,207	17,151	15,478	13,750	11,559	9,343	6,915
Equity Attributable to Equity Holders	42,834	40,035	36,734	27,833	28,605	25,929	24,175	21,961	19,694	17,250
Minority Interest	-	-	-	-	1,512	1,507	1,147	943	963	903
Total Equity	42,834	40,035	36,734	27,833	30,117	27,436	25,322	22,904	20,657	18,153
Non-Current Liabilities										
Interest Bearing Loans & Borrowings	-	-	-	-	46	96	146	196	246	2,194
Non Interest Bearing Borrowings & Loans	-	-	-	-	-	-	-	-	-	1
Post Employment Benefit Liability	48	40	30	27	27	21	18	27	23	21
Customer Deposit	1	1,138	735	1,215	323	-	-	-	-	-
Amounts due to Related Parties	4,426	1,050	825	759	-	-	-	-	-	-
Deferred Tax Liability	859	831	775	226	23	-	-	-	-	-
Total Non Current Liabilities	5,333	3,059	2,365	2,226	418	117	163	223	269	2,216
Current Liabilities										
Trade & Other Payables	2,980	2,812	1,301	780	782	825	1,594	543	697	871
Rental Income Received in Advance	-	-	131	105	-	-	-	-	-	-
Rental & Customer Deposits	1,217	1,080	927	856	875	904	1,888	2,082	976	418
Amounts Due to Related Parties	-	51	22	35	21	-	12	20	9	9
Interest Bearing Loans & Borrowings	4,692	2,914	2,007	2,304	50	986	1,888	2,117	2,636	683
Non Interest Bearing Borrowings & Loans	-	-	-	-	-	-	-	-	1	1
Income Tax Payable	152	79	19	8	4	2	21	24	10	-
Dividend Payable	25	21	16	13	7	5	3	3	2	2
Total Current Liabilities	9,066	6,956	4,424	4,101	1,739	2,723	5,407	4,788	4,331	1,984
TOTAL EQUITY & LIABILITIES	57,233	50,050	43,522	34,161	32,274	30,276	30,893	27,915	25,257	22,353
Earnings Per Share	3.49	3.88	2.55	3.28	3.44	3.48	2.89	2.93	3.18	1.23
Earnings Per Share (Excluding Fair Value Gains)	2.87	2.89	1.59	1.85	2.09	2.29	1.78	1.07	0.66	0.58
Dividend Per Share	1.25	1.25	1.25	1.50	1.50	1.45	0.30	0.30	0.30	0.26
Net Asset Value Per Share	34.46	32.21	29.55	31.35	32.22	30.74	28.66	26.04	23.35	20.45
Share Value (High)	17.20	18.80	21.80	26.10	24.10	29.30	21.30	15.60	19.40	24.00
Share Value (Low)	14.20	15.30	16.80	19.30	20.50	18.50	13.90	9.50	13.10	14.00
Current Ratio	1.88	2.38	2.68	1.07	3.27	1.89	1.47	1.63	1.61	3.18
Return on equity (%)	10%	13%	10%	10%	11%	13%	11%	11%	14%	5%
Total Debt to Total Assets (%)	25%	20%	16%	19%	7%	9%	18%	18%	18%	19%
Debt Equity Ratio (%)	11%	7.3%	5.5%	8.3%	0.3%	4%	8%	11%	15%	17%
Return on Assets (%)	8%	10%	8%	9%	10%	11%	9%	9%	11%	4%
Asset Turnover (%)	17%	15%	11%	7%	10%	20%	16%	7%	10%	8%
Dividend Payout Ratio (%)	36%	32%	49%	46%	44%	42%	10%	10%	9%	21%

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.

4. SHARE TRADING INFORMATION

	31 December 2019		31 December 2018	
	Date	Price (Rs.)	Date	Price (Rs.)
Highest	04.12.2019	17.20	12.03.2018	18.80
Lowest	16.05.2019	14.20	05.07.2018	15.30
Closing Price	31.12.2019	16.00	31.12.2018	16.50
			31 December 2019	31 December 2018
Number of Transactions			8,681	2,403
Number of Shares Traded			333,397,758	6,062,565
Value of Shares Traded (Rs.)			4,930,612,433	100,936,035

5. DIVIDENDS

	31 December 2019	31 December 2018
Dividends Per Share (Rs.)	1.25	1.25
Dividends Payment (Rs.)	1,553,786,978	1,553,786,978
Dividend Payout (%)	36%	32%

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 2019 No of Shares	31st December 2018 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	1,160,000	1,060,000
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. Raneer Jayamaha	Nil	Nil
Mr. Pravir Dhanoush Samarasinghe	15,892,093	15,892,093

SHAREHOLDER INFORMATION

7. TOP TWENTY SHAREHOLDERS AS AT 31ST DECEMBER

Name	As at 31st Dec 2019		As at 31st Dec 2018	
	Shareholding	Percentage (%)	Shareholding	Percentage (%)
1 Shing Kwan Investment Company Limited.	477,655,116	38.43	477,655,116	38.43
2 Unity Builders Limited	231,951,090	18.66	231,951,090	18.66
3 Shing Kwan (PTE.) LTD	158,778,176	12.77	16,200,000	1.30
4 Peeli Limited	156,835,993	12.62	-	-
5 Pershing Llc S/A Averbach Grauson & CO.	49,587,035	3.99	62,040,238	4.99
6 Shing Kwan Investment (Singapore) PTE LTD	38,323,522	3.08	38,323,522	3.08
7 Peoples Bank	30,538,203	2.46	30,538,203	2.46
8 Mr. P.D. Samarasinghe	15,892,093	1.28	15,892,093	1.28
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 Mr. Pujitha Punsiri Subasinghe	1,960,072	0.16	1,813,570	0.15
15 Seylan Bank Plc/Symphony Capital LTD	1,858,190	0.15	1,858,190	0.15
16 Mr. Alain Blaise Michel Chevalier	1,570,000	0.13	1,570,000	0.13
17 Mr. Gautam Rahul	1,545,500	0.12	1,446,000	0.12
18 J.B. Cocoshel (PVT) LTD	1,373,120	0.11	1,201,224	0.10
19 Mr. Amarakoon Mudiyanseelage Weerasinghe	1,201,224	0.10	1,201,224	0.10
20 Mr. En-Ping Ong	1,160,000	0.09	1,060,000	0.09
Total	1,191,886,456	95.89	904,407,592	72.76
Balance held by other Shareholders	51,143,126	4.11	338,621,990	27.24
Total number of Ordinary Shares	1,243,029,582	100.00	1,243,029,582	100.00
Public Holding	162,433,592	13.07	461,947,761	37.16
Others	1,080,595,990	86.93	781,081,821	62.84
Total	1,243,029,582	100.00	1,243,029,582	100.00

8. PUBLIC SHAREHOLDING

	31st December 2019	31st December 2018
	No. of Shares	No. of Shares
Parent/Group/Subsidiary		
Shing Kwan Investments Company Limited	477,655,116	477,655,116
Unity Builders Limited	231,951,090	231,951,090
Shing Kwan (Pte) Ltd	158,778,176	16,200,000
Peeli Limited	156,835,993	-
Shing Kwan Investment (Singapore) Pte Ltd	38,323,522	38,323,522
	1,063,543,897	764,129,728
Issued number of ordinary shares as at 31 December	1,243,029,582	1,243,029,582
Less		
Parent/Group	477,655,116	477,655,116
Subsidiaries or Associate Companies of Parent	585,888,781	286,474,612
Directors' Shareholding	17,052,093	16,952,093
Spouses of Directors and CEO	-	-
Public Holding	162,433,592	461,947,761

GROUP LAND PORTFOLIO

Location	Land Extent			Market Value (Rs. Mn)	Category	No of Building	Building Area (Sqft)
	A	R	P				
Echelon Squire, Colombo 01. WTC Building	2	-	-	28,263	Investment Property / Property Plant & Equipment	1	976,538
No 324, Havelock City, Colombo 06. Clubhouse Building	-	3	22	1,820	Property Plant & Equipment	1	45,130
No 324, Havelock City, Colombo 06. Havelock City Commercial	4	3	31.75	4,893	Lease Hold Land	-	-
No 324, Havelock City, Colombo 06.	4	1	19	5,592	Inventory – Long term Assets	-	-

NOTICE OF MEETING

Notice is hereby given that the Thirty Eighth (38th) Annual General Meeting of OVERSEAS REALTY (CEYLON) PLC will be held on Thursday 25th June 2020 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 2019 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 2019 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.

ix) 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 RANEE JAYAMAHA, who attained the age of 70 years on 27th May 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.



Shiromi R. Balasuriya
Company Secretary

Colombo on this 22nd May 2020

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
Shiromi Balasuriya
Jeewaka Samarasekera
Anshal Ambawatte
Yasheela Amarawardena
Kumi Miranda

Company Secretary

Shiromi Balasuriya - Attorney-at-Law / LL.M

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
Overseas Realty Trading (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

This Annual Report is conceptualised, designed and produced by Redworks.



REDWORKS

Member of the Ogilvy Group



Overseas Realty (Ceylon) PLC

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