

*For*

25

*Years &*

**Beyond**

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*For*  
**25**  
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The World Trade Centre (WTC), an iconic landmark of Colombo celebrated a milestone of 25 years in 2022. The WTC was successful in transforming the city of Colombo to a modern and futuristic business hub through this strategically placed corporate ecosystem equipped with world class infrastructure. Recognized as a symbol of excellence and prestige the WTC is associated with superlative international standards of quality which has elevated Colombo to a modern and vibrant business hub. Our trail blazing journey continues as we remain invested and committed to transform the city of Colombo for 25 years and beyond.

## 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 a Way of Life

Hold Our Selves Accountable



**1981**

Incorporation of the Company

**1982**

Listed on the Colombo Stock Exchange

**1992**

Entered into a BOI agreement to develop the Iconic World Trade Center, Colombo

Commencement of the Construction of World Trade Center, Colombo

**1997**

Opening the World Trade Center, Colombo by Her Excellency Chandrika Bandaranayake Kumaratunga, President of Sri Lanka

**2005**

Entered in to a BOI agreement to develop the Havelock City intergrated mixed-use project

**2006**

Commencement of the Construction of Havelock City Residential Phase 01

**2012**

Commencement of the Construction of Havelock City Residential Phase 02

**2016**

Acquisition of Bank of Ceylon stake of 40% in Mireka Capital Land (Pvt) Ltd

Entered in to a BOI agreement to develop the Havelock City Commercial Complex

Commencement of Construction of Havelock City Residential Phase 3 &amp; 4

**2017**

Commencement of Construction of the Havelock City Commercial Complex

**2022**

Opening of the Mireka Tower at Havelock City by His Excellency Ranil Wickremesinghe, President of Sri Lanka

The World Trade Center Colombo celebrates 25 years in operation

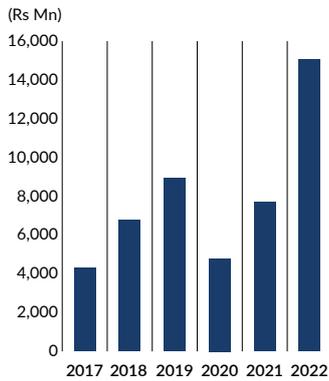


# Financial Highlights

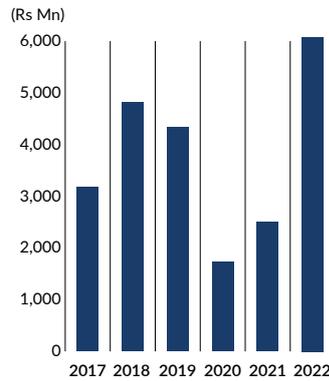
For the year ended 31st December	2022	2021
	Rs Mn	Rs Mn
<b>INCOME STATEMENT</b>		
Revenue	15,046	7,708
Gross Profit	6,843	3,734
Fair Value Gain/(Loss)	317	(432)
Profit Before Tax (PBT)	7,025	2,833
Profit After Tax (PAT)	6,079	2,499
<b>STATEMENT OF FINANCIAL POSITION</b>		
Total Assets	78,392	71,258
Total Liabilities	26,603	24,137
Loans and Borrowings	22,252	18,155
<b>SHAREHOLDERS' EQUITY</b>		
Stated Capital	18,443	18,443
Reserves	33,346	28,678
<b>FINANCIAL RATIOS</b>		
Gross Profit Margin	45%	48%
Net Profit Margin (Including Fair Value Adjustment)	40%	32%
Earnings Per Share (Including Fair Value Adjustment)	4.89	2.01
Return on Equity	12%	5%
Return on Assets	8%	4%
Debt Equity Ratio	43%	39%
Net Assets Per Share	41.66	37.91
PE Ratio	3.05	9.55

<p><b>Return on Equity</b> %</p> <p><b>12</b></p>	<p><b>Shareholders' Equity</b> LKR Mn</p> <p><b>51,790</b></p>	<p><b>Net Assets Per Share</b> LKR</p> <p><b>41.66</b></p>
<p><b>Return on Assets</b> %</p> <p><b>8</b></p>	<p><b>Net Profit After Tax</b> LKR Mn</p> <p><b>6,079</b></p>	<p><b>Earnings Per Share</b></p> <p><b>4.89</b></p>

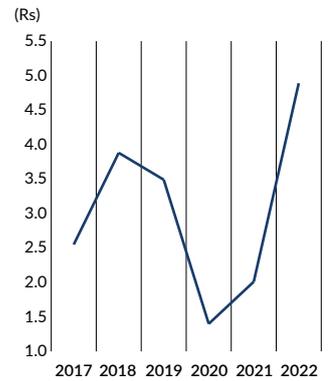
**GROUP REVENUE**



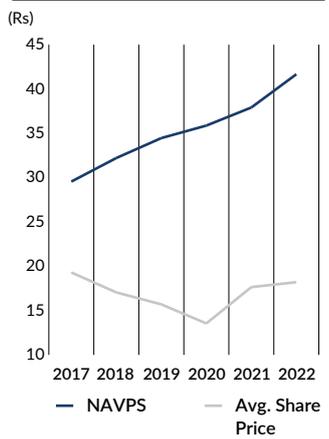
**GROUP PROFIT AFTER TAX**



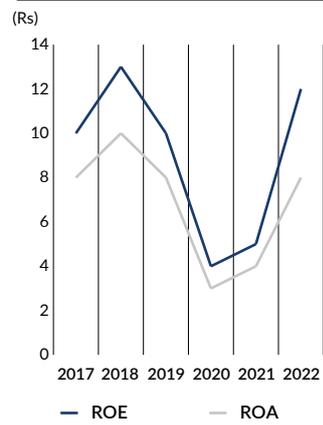
**EARNING PER SHARE**



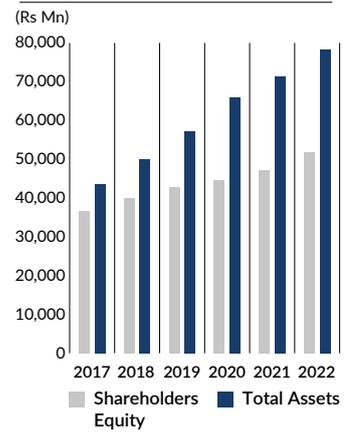
**NAVPS VS. AVG. SHARE PRICE**



**ROE AND ROA**



**SHAREHOLDERS EQUITY AND TOTAL ASSETS**



# Chairman's Message



## “The Strong growth in Revenue and Profitability was led by the robust performance of Residential sales during the first quarter of 2022”

On behalf of the Board of Directors, it gives me great pleasure to warmly welcome you to the 41st Annual General Meeting of Overseas Realty (Ceylon) PLC. I am pleased to present the Annual Report and Audited Financial Statements of the Company for the year ended 31st December 2022.

The Group recorded a Revenue of Rs 15,046 Mn and an Operating Profit of Rs 6,211 Mn.

### ECONOMIC OUTLOOK

Subsequent to the COVID 19 pandemic during 2020/2021 Sri Lanka faced a major financial crisis during 2022 with shortages of forex, liquidity and essential supplies.

Consequently, the economy contracted by 9%, the Sri Lankan Rupee depreciated by 83%, inflation hit an all-time high 60% at year end 2022, and interest rates increased to 30% p.a.

Furthermore, Sri Lanka announced a pre-emptive default on governmental debt and initiated discussions with the IMF and creditors for debt restructuring. The process is in progress, and we are hopeful some finalization will take place by the second quarter 2023, to bring stability to the economy.

In the meantime, the Government drastically increased taxes and introduced a 15% VAT

and 2.5% Social Security Contribution Levy on Condominium Sales.

The high interest rates and taxes and reducing disposable income, are expected to further contract the economy by around 4% in 2023.

The performance of the Group within this challenging external environment has been very encouraging.

### FINANCIAL PERFORMANCE

Overseas Realty (Ceylon) PLC recorded a strong growth in Revenue and Profitability, primarily driven by the Havelock City Residential sales, to record a Group Revenue

of Rs 15,046 Mn and a Group Profit Before Tax of Rs 7,025 Mn for year 2022. The depreciation of the LKR by 83% resulted in the Group incurring significant exchange losses on the foreign currency loans.

The strong growth in Revenue and Profitability was led by the robust performance of Residential sales during the first quarter of 2022. Since then, the steep depreciation of the Rupee and increase in interest rates have significantly slowed down demand for residential property.

The Company's Revenue of Rs 2,112 Mn at the World Trade Center, Colombo was 6% higher than last year, due to higher rental rates. Mireka Group recorded a Revenue of Rs 12,391Mn compared to Rs 5,144Mn in 2021 due to higher Residential Apartment Sales from Havelock City Phase 3 and Phase 4. Trading and Property Management Services recorded a lower Revenue of Rs 463 Mn in 2022 compared to Rs 614 Mn in 2021.

The Group Revenue and Profit before Tax excluding Fair Value Gain grew by 95% and 105% respectively.

### WORLD TRADE CENTER, COLOMBO

Uniquely located in the heart of the Central Business District, the twin towers of the World Trade Center comprise 39 floors housing 750,000 sqft of prime "A" Grade office space.

Since its inception, the World Trade Center, Colombo has remained Colombo's most coveted commercial landmark, as well as the most sought-after business address hosting the largest business-to-business network under one roof.

The World Trade Center, Colombo celebrated 25 years of operations in October 2022.

### HAVELOCK CITY

Havelock City is the largest integrated mixed-use development built in the heart of Colombo with both Residential and Commercial components.

#### Commercial Component

The Havelock City Commercial Complex comprises a 50-storey Office Tower- Mireka Tower offering 600,000 sqft of Grade "A" premium office space and an international standard Shopping Mall of 190,000 sqft providing a range of fashion, food and beverage and entertainment experiences.

Finally, after 5 years, since the groundbreaking, with many challenges due to the unfortunate pandemic and economic crisis, the construction of the entire Havelock City Commercial Complex was substantially completed by end 2022, and the opening of the Office Tower was held in October 2022.

However, the economic uncertainties, the challenges faced by the Mall tenants and the inability of the Banking Sector to support the servicing of our foreign currency borrowings are concerns impacting the short-term operations.

#### Residential Component

The Havelock City Residential development comprising eight residential towers with 1087 units was built in four Phases.

The fourth phase of the Residential Apartments was completed in 2021 and a majority of units have been sold with a limited number of ready to move in luxury apartments in Phases 3 and 4 available for purchase and immediate occupancy.

#### FUTURE OUTLOOK

The World Trade Center Colombo along with the newly constructed Mireka Tower at Havelock City consolidates the Group's dominance in the office market, bringing modern facilities, expertise and experience to better serve tenants and customers.

Despite challenges anticipated in the year ahead, I am confident the Havelock City Mall will commence operations by August 2023. This along with improving occupancy at the Mireka Tower will enhance the recurring income stream of the Company. Further, the balance Residential sales will generate much needed cash for re-investment.

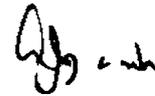
At present, the Company has deferred new investments, until operations of the Havelock City Commercial Complex and the economy stabilizes, whilst exploring potential property development opportunities suitable for future growth.

#### DIVIDENDS

The Board of Directors of your Company recommend a first and final dividend of Rs 1.25 per Share amounting to Rs 1,554 Mn (2021- Rs 1,554Mn).

### 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 continuing confidence and support. I also acknowledge the commitment and contribution of the entire Management and Staff. Finally, I extend my thanks to my fellow Directors for their guidance and expert advice offered during the year.



Ajit M. de S. Jayaratne  
Chairman

22nd February 2023

# 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 the Chairman of ORC PLC and also the Chairman of the Audit Committee.

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. He continues to serve on the Boards of several public companies.

## Mr. Ben Nien Tao

Mr. Tao was appointed as a Non-Executive Director in 2021.

Mr. Tao received his BFA from Tisch School of the Arts, New York University in 1982. He was an Engineer and Producer at Sierra Alegre Inc, a Music Production Company in Los Angeles from 1995 to 2000. In 2000, he founded Chalice Recording Studio, a premier music recording studio in Los Angeles, which he still owns. He has been a Director of the Shing Kwan Group of Companies since late 1970s.

In 2017, Mr. Tao returned to Asia. During 2018 he became a Director of the Central Hotel, Nanjing and the Jinling Hotel Corporation and the Chairman of Nanjing Peeli Real Estate Management Corporation. All 3 Companies have operations in the City of Nanjing, China. He became Sole Director of Peeli Ltd in 2019. The Peeli Companies are the Personal Commercial Legacies of late Mr. S.P. Tao.

Mr. Tao also represents the donor at the Jiangsu Tao Shing Pee Education Foundation, an Education Foundation set up by Mr. and

Mrs. S.P. Tao with a donation of over RMB 1 Billion to sponsor University Education for students from rural and underprivileged backgrounds throughout China. Annually the Foundation serves 4,500 students studying in 22 Universities in Jiangsu Province.

## 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. En Ping Ong

Mr. En Ping Ong was appointed to the Board of Directors of the Company in 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. Pravir Dhanoush Samarasinghe

Mr. Pravir D. Samarasinghe is the Director/ Chief Executive Officer of ORC PLC.

He was appointed to the Board of Directors as a Director in 2014.

Mr. Samarasinghe has over 30 years of professional and commercial experience and serves on the Board of Directors of several publicly listed and unlisted corporates.

Mr. Samarasinghe was the Past Chairman of the Sri Lanka Institute of Directors, Employers' Federation of Ceylon, 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 served as a Board member of the Ceylon Chamber of Commerce and Sri Lanka Accounting and Auditing Standards Monitoring Board.

Mr. Samarasinghe 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.

## Mr. Leslie Ralph de Lanerolle

Mr. Ralph de Lanerolle joined the Board of Directors of ORC PLC in 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.

## Dr. Rane Jayamaha

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

Dr. Rane Jayamaha was appointed to the Board of Directors of the Company as an Independent Non-Executive Director in 2013.

Dr. Jayamaha is currently a Member of the Monetary Board of the Central Bank of Sri Lanka; Lead Consultant for South Asia Region for the World Bank Group; Director of the Transnational Group of Companies, 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 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.

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

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

Mrs. Rohini Nanayakkara was appointed to the Board of Directors of the Company as an Independent Non-Executive Director in 2004. Mrs. Nanayakkara is also the Chairperson of the Remuneration Committee. 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.

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

Mr. Tissa Bandaranayake was appointed to the Board of Directors of ORC PLC as an Independent Non-Executive Director in 2011 and he is also the Chairman of the Related Party Transaction Review Committee. 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 former 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, 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.

### **Mr. Yap Boh Pin**

Mr. Yap Boh Pin was appointed as a Non-Executive Director of the Company in 1991 and was a member of the Executive Committee of the Board until 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 Singapore Chartered Accountants and the Institute of Chartered Accountants in England and Wales.

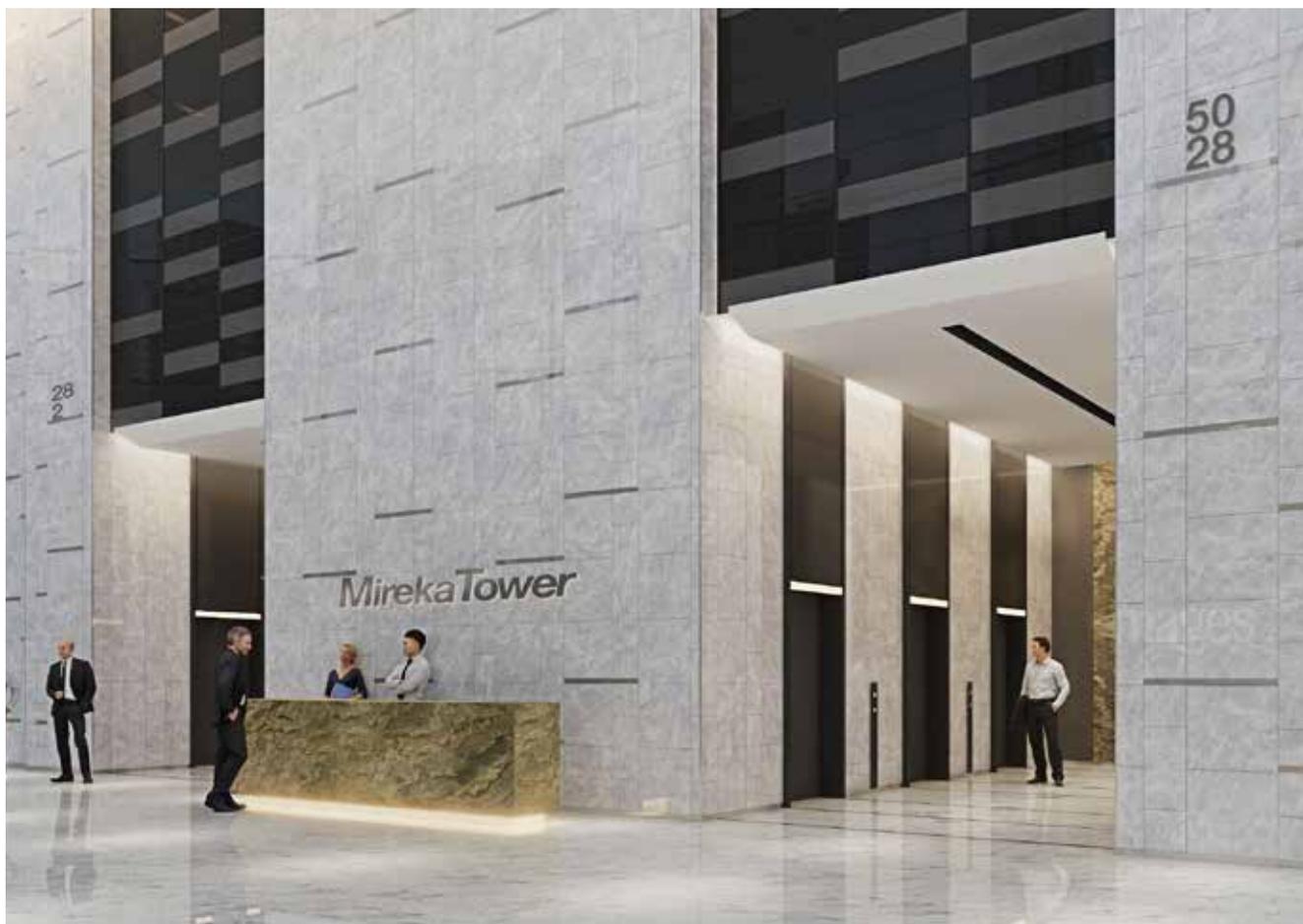
He is currently the Managing Director of B.P.Y. Private Limited, a firm of management consultants which provides financial planning, financial accounting, reviewing internal control systems as well as corporate secretarial services in Singapore.

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 a Director of 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 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. He had served as independent Director of TeleChoice International Limited, a public listed company, as Chairman of its Audit Committee and member of the Nominating Committee from May 2004 to June 2020.

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.

# Property Leasing



The World Trade Center (WTC), Colombo celebrated 25 successful years in operations, continuing to mark its presence as Sri Lanka's most iconic commercial landmark and the most sought-after business address.

Amidst the challenging economic and business environment, the occupancy levels at the WTC, Colombo reduced by 4% to 72% by end 2022, whilst the average rental rates marginally increased to Rs 391 Per sqft.

The Revenue and Profit Before Tax of Rs 2,191 Mn and Rs 2,425 Mn were 5% and 132% higher than last year.

After 5 years, since the groundbreaking, with many challenges due to the unfortunate pandemic and economic crisis, the construction of the Havelock City Commercial Complex was substantially completed by end 2022.

The 50 storey Office Tower- Mireka Tower was opened in October 2022 and the Shopping Mall is expected to be launched in August 2023. By December 2022, Mireka Tower had leased 19% of space and the Shopping Mall had pre-leased 81% of space.

# Property Trading



The Havelock City Residential development comprising 8 towers housing 1087 luxury apartments was constructed in four phases, with the last phase being successfully completed in 2021.

The Revenue and Profit Before Tax of Rs 12,688 Mn and Rs 4,827 Mn were 147% and 173% higher than last year. The robust performance of Residential apartment sales during the first quarter of 2022 contributed to the strong growth in Revenue and Profit.

The profitability was adversely affected by an exchange loss of Rs 1,904 Mn recorded on the USD Loans.

A limited number of completed units are currently available for purchase in both phases 3 and 4. The steep depreciation of the Rupee and increase in interest rates have significantly slowed down demand for residential property.

Widely renowned as a "City within a City" Havelock City offers its residents an exclusive lifestyle with a 7-acre landscaped garden, a clubhouse with a wide range of facilities and amenities and an international standard Shopping Mall expected to be opened by August 2023.

# Property Services



## Facility Management

The Facility Management Division provides property, investment, energy management and other advisory services for residential and commercial developments.

The Revenue of Rs 237 Mn was 22% higher than prior year. However, the Division recorded an Operating Loss of Rs 1.3 Mn due to higher operating costs.

## Real Estate Agency

The Revenue and Operating Profit of Rs 30Mn and Rs 12 Mn were 96% and 176% higher than prior year due mainly to improved secondary market transactions at Havelock City.

## Trading

Overseas Realty Trading Pvt Ltd is the exclusive distributor for NVC International since 2013 and have supplied lighting solutions for many projects in the industrial, commercial, retail, hospitality, and residential sectors. NVC International 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 and the UK.

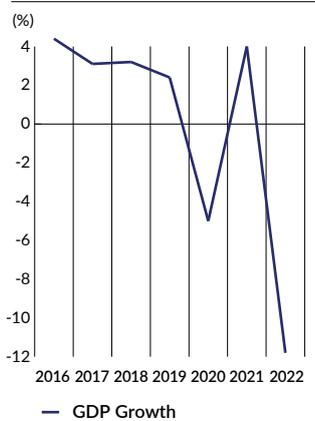
The Revenue and Profit Before Tax of Rs 196 Mn and Rs 32 Mn were 52% and 57% lower than prior year. The challenges faced by the construction industry, import restrictions introduced by the Government and forex shortages during 2022 adversely affected the operations.

# Financial Review

## The Economy

The economy of Sri Lanka shrank by 11.8% year-on-year in the third quarter of 2022, the second-worst contraction ever, amid the ongoing economic and financial crisis. The country is facing high inflation, power shortages, high interest rates, a dollar deficit and shortages of fuel and fertilizer. Agriculture plunged 8.7%, industries 21.2%, and services 2.6%. Sri Lanka's real GDP is expected to fall by 9.2% this year and 4.2% in 2023, according to the World Bank. The country's Central Bank estimates the economy will contract by about 8% in 2022.

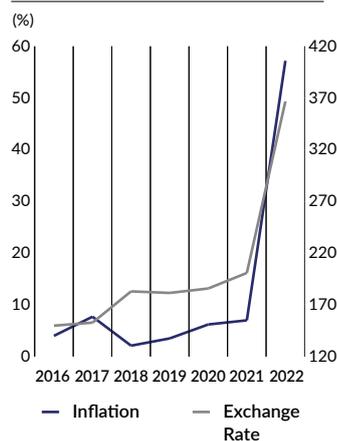
SRI LANKA



The annual average inflation was 57.2% (2021 - 7%) and the increase in inflation during the year was mainly driven by the increase of prices of Food items categories. In December 2022, the Average Weighted Prime Lending Rate (AWPLR) increased to 28.19% compared to 6.89% in the previous year and Average Weighted Fixed Deposit Rate (AWFDR) increased to 18.49% compared to 5.94% in the previous year.

The Sri Lankan rupee depreciated by 82.7% against the US dollar during the year 2022.

SRI LANKA



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

## Revenue

During 2022, Group Revenue of Rs. 15,046 Mn (2021 - Rs. 7,708 Mn) was 95% higher than last year, mainly due 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 Overseas Realty Trading (Pvt) Ltd through trading of imported lighting solutions.

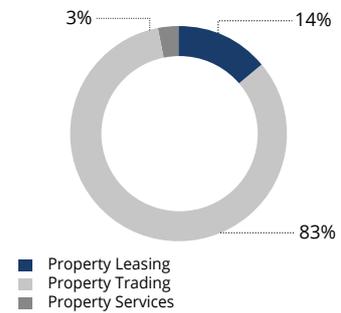
Revenue at MHL from the sale of condominium units amounted to Rs. 12,688 Mn (2021 - Rs. 5,144 Mn), an increase of 147% over the previous year mainly due to higher revenue from apartment sales in Havelock City.

The revenue from leasing spaces at WTC increased by 5% to Rs 2,191 Mn (2021 - Rs 2,083 Mn), mainly due to Increases in service charges and exchange rates.

RMS contributed Rs 267 Mn (2021 - Rs 208 Mn) to the group revenue which included Rs 237 Mn (2021 Rs 193 Mn) from Property Services and Rs 30 Mn (2021 - Rs 15 Mn) from Agency Services.

ORTL contributed Rs.196 Mn (2021 Rs. 406 Mn) to the group's revenue from Trading of imported lighting solutions during the current financial period.

GROUP REVENUE COMPOSITION



## Operating Expenses

The Company's operating expenses for the year of Rs. 495 Mn (2021 - Rs. 504 Mn), were included the expenditure on Members Contribution and Property Rates.

Group operating expenses, including administration and marketing expenses, were Rs 9,152 Mn (2021 - Rs 4,597 Mn), which was an increase of 99%, mainly due to higher cost of sale of Apartments with higher Revenue recognized.

## Gross Profit

The Group Gross Profit of Rs. 6,843 Mn (2021 - Rs. 3,734 Mn) was 83% higher than prior year. Gross Profit from property leasing of the WTC Colombo was Rs. 1,679 Mn (2021 - 1,563 Mn), an increase of 7% over the previous year mainly due to increases in service charge and exchange rates. Gross Profit from the sales of apartments at Havelock City was Rs. 5,238 Mn (2021 - Rs. 2,056 Mn), which was an increase of 155% over the previous year, mainly due to the higher revenue recognition from Phase 3 and Phase 4 Apartment sales at Havelock City.

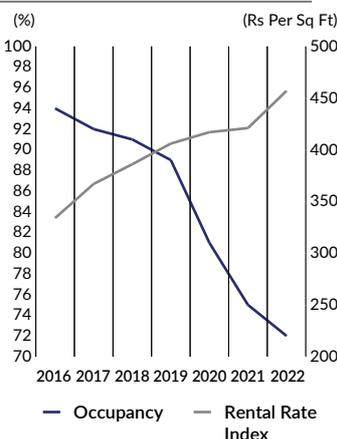
## Operating profit

The company's operating profit (excluding fair value gain/loss) of Rs. 1,385 Mn (2021 - Rs. 1,291 Mn) was 7% higher than last year, mainly due to increases in service charges and exchange rates. Consequently, the operating profit margin of 66% (excluding fair value gain/ loss) was 1% higher than the last year.

## Finance Income and Finance Expenses

The Group recorded a Finance income of Rs. 648 Mn (2021 - Rs.127 Mn) during the year which was an increase of 410% over the previous year due mainly to higher interest rate on short-term Investments.

WTC COLOMBO



## Financial Review

The Group recorded a finance cost of Rs. 62 Mn (2021 - Rs. 14 Mn) during the year mainly due to a fair value adjustment on Rental Deposits, adhering to SLFRS requirements.

### Profit Before Tax (PBT)

The Group's Profit Before Tax (Excluding Fair Value Gain /Loss) for the year of Rs. 6,708 Mn (2021- Rs. 3,265 Mn) was 105% higher than last year mainly due 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. 945 Mn (2021 - Rs. 334 Mn) and Rs. 154 Mn (2021 - Rs. 57 Mn) respectively. The Group Income tax expense for the year was 397% higher than the previous year mainly due to the increase of profit and interest income at the Group level.

### Cash and Borrowings

The Group's cash and short-term investments as at 31st December 2022 were Rs. 4,300 Mn (2021 - Rs. 3,517 Mn) which was an increase of 22% over the previous year.

The Group's total borrowing was Rs. 22,252 Mn (2021 - Rs. 18,155 Mn), which mainly includes loans obtained from shareholders finance the Havelock City Commercial Development Project undertaken by Havelock City (Pvt) Ltd and loan obtained from Bank of Ceylon to finance Havelock City Residencials by Mireka Homes (Pvt) Ltd.

### Net Assets

The Group's Net Assets value per share as at 31st December 2022 stood at Rs 41.66 (2021 - Rs 37.91).

### Earnings per Share

The Group's earnings per share for the year 2022 was Rs. 4.89 per ordinary share (2021 - Rs. 2.01).

### Price Earnings Ratio

The Price Earnings ratio of the Company as at 31st December 2022 was 3 times (2021 - 9.5 times).

### Return on Equity (ROE)

The Group's Return on Equity (ROE) was 12% for the year 2022 (2021 - 5%).

### Assets

The total Group's asset base increased from Rs. 71,258 Mn to Rs. 78,392 Mn in 2022. The increase was mainly derived from additions to Property, Plant and Equipment. The increase in Property, Plant and Equipment was mainly on account of work-in-progress relating to the "Havelock City Commercial project".

### Liability

Total Liabilities as at 31st December 2022 increased to Rs. 26,603 Mn compared to Rs. 24,137 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. 4,668 Mn to Rs. 51,790 Mn (2021 - Rs. 47,121 Mn) mainly due to the profit after tax of Rs. 6,079 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
<b>Risk and Governance</b>	Risk Management Framework allows the Board of Directors, the Committee of Management, the Audit Committee and the Senior Management of the Group to play an integral role in the process of risk management.
	Corporate governance structure, policies and principles are in accordance with Colombo Stock Exchange listing Rule number 7.6 and 7.10 and code of best practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.
<b>Market Presence and Economic Value creation</b>	We Operates in five key operational areas, Property Leasing, Property Trading, Facility Management, Agency Services and Trading.
<b>Environmental &amp; Social Sustainability</b>	Environmental and social sustainability policies govern the sustainability efforts and parameters of each of the Company's operational departments.
	Monitor different key areas such as energy, water usage, recycling water, waste water, solid waste, and quality of air, air pollution, sound pollution, transport, and eco system management, social and cultural development involving internal and external stakeholders.
<b>Employee Development, Equal Opportunity &amp; Anti-corruption</b>	Adopts a human development approach that has yielded positive results especially in terms of career development and inculcation of corporate values and ownership that extends beyond the conventional approach.
	Adopts a policy of innovative training and continuous learning that overcomes the customary barriers to effective learning.
	Gender equality and equal opportunity governed by Human Resource policy.
<b>Sustainable Purchase and Produce</b>	Anti-corruption training extended to all employees with honesty being a key corporate value.
	Sustainable supplier policy dictates that suppliers be evaluated and preference given based on their own commitments to sustainable practice.
	Bulk purchasing is given priority and supplies in returnable containers of packaging are encouraged.

## Brands

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

To date, WTC is one of the tallest Grade A office buildings 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.



Mireka Tower at Havelock City is the latest addition to the Overseas Realty's portfolio of brands. It is a striking 50 storey office tower with 600,000 sqft Grade A premium office space strategically located at the doorstep of Havelock city.



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



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

RMS offers Facility Management Services to over 25 selected large scale commercial and Residential projects in Sri Lanka and NVC and 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 their efficiency and to minimize water evaporation when running the Cooling Towers. A rainwater harvesting system has been implemented to collect the rainwater from the rooftop and façade and thus has reduced the water consumed from the city main supply. In order to reduce

# Sustainability Report

the water footprint of WTC Colombo, all commodes were replaced with dual flushing cistern tanks, Urinals were replaced with sensor operated flush valves and all taps for the washbasins were replaced with sensor operated taps.

## Biodiversity

Havelock City Project has been designed with a 7 acres landscaped roof garden, which ensures the protection of biodiversity through the flora and fauna within the project.



The World Trade Center, Colombo inaugurated the Rotary International One Million Tree Planting Program in Sri Lanka by planting a tree at the forecourt of the premises, demonstrating its commitment towards environmental sustainability.



## Energy Management

Energy Management System - ISO 50001: 2018

The organization has been implementing several energy efficiency 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 through efficient and consistent plant operations. ISO 50001: 2018 was implemented to standardize the management practices of plant & equipment. WTC Colombo became the 1st commercial building in Sri Lanka to be certified in ISO 50001: 2018 - Energy Management System and successfully completed the re-certification audit in 2022.

## Energy Conservation

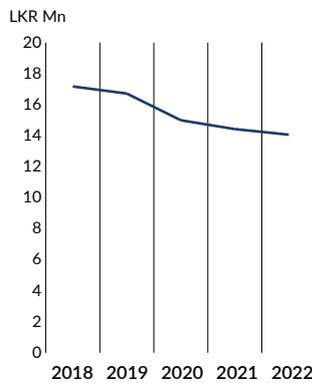
The Company is continuously focused on minimizing the energy consumption through the implementation of various energy saving methods.

Replacing two cooling towers led to a savings of about 100,000 kWh per year. The AHU operation, which provides conditioned air for the building's indoor spaces was also optimized and leading to an annual energy savings of about 20,000 kWh. Additionally, conventional bulbs were replaced with LED bulbs at the car park and level 03 which save about 15,000 kWh per year.

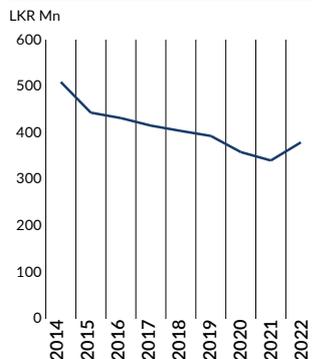
It is important to quantify the energy consumption of various plants and equipment in order to benchmark performance and to compare with standard KPIs. A state-of-the-art Energy Accounting System, comprising modern Energy Analyzers, Energy Dashboard, and a Report Generating Software has been introduced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

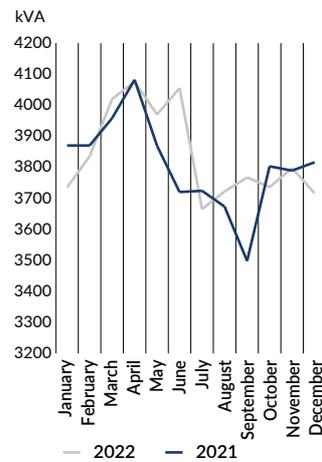
### ANNUAL ENERGY CONSUMPTION - KWH



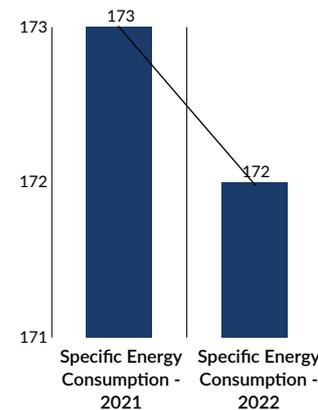
### ANNUAL ELECTRICITY COST OF WTC



### MAXIMUM DEMAND



### ENERGY EFFICIENCY INDEX



## Community

The company places high emphasis on contributing to the communities we operate. In order to fulfill 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

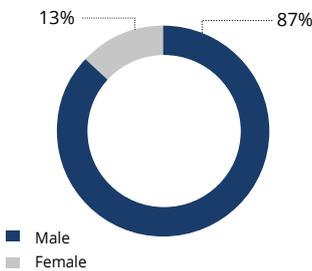
The Company celebrated Silver Jubilee of the World Trade Center Colombo during the year and recognised employees who completed 25 years of service with the Company.



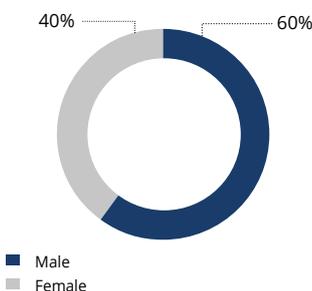
Our Human Resources Department is dynamic in recruiting and maintaining a well talented work force; providing a safe and pleasant work environment is essential for a healthy and productive workforce.

The Group's HR policy is aligned with the 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.

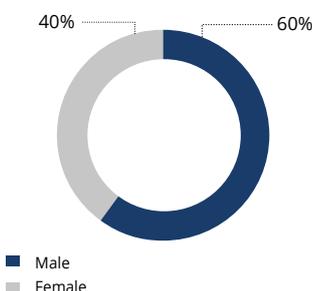
**EMPLOYEES BY GENDER**



**MANAGEMENT COMMITTEE BY GENDER**



**BOARD OF DIRECTORS 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 policies to cover in-house medical treatment to employees and their families. 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 workplace. Moreover, signposts 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 the ORCL Sports Club which organizes numerous events throughout the year. A few such events are Annual Outing for the employees, Sports day, Annual Pirith chanting and Annual Get together.

**Training and Development**

The Group's training and development programs are a key policy component of talent retention and ensuring a sustainable competitive advantage. 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 prerequisite 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 workplace. 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 workplace 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 workplace. 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 60.

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

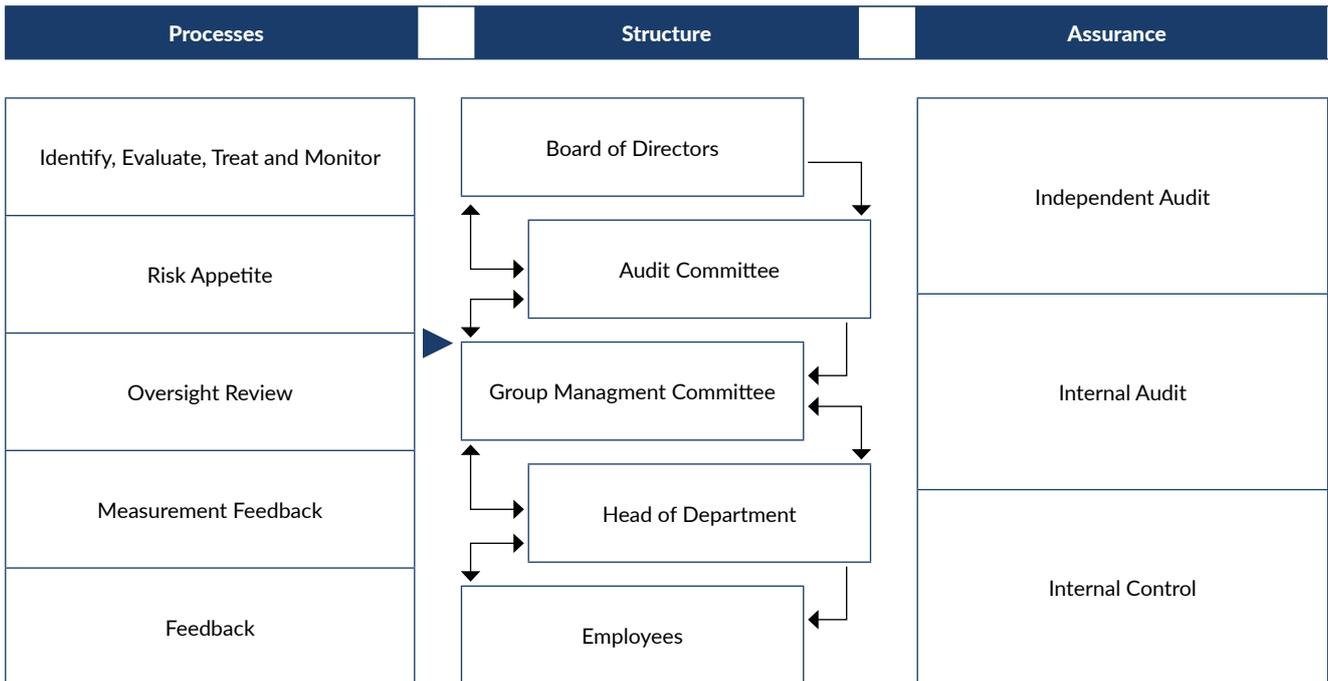
### Overview

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 framework 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 interconnected, and one aspect might give rise to various other factors. The Overseas Realty Group has a structured risk management process to address different risk categories: Strategic, Operational, Compliance and Financial.

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

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

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

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

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

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

Risk Type	Rank	Factor	Strategies/ Action Plan
Strategic Risk	Low	Risks of not achieving strategic goals and objectives of the Company, and variations etc.	Company operates with a clear Business Plan.  Company also operates within an approved Annual Budget & variances are reviewed periodically by the Board of Directors.
Fraud Risk	Low	Risks due to inadequate internal controls, processes and systems. Also due to employee abusing entrusted power for private gains leading to misappropriation of assets.	The Board has approved a structured internal control 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 Commercial Complex.	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 covers.
Building-Health and Safety	Low	Risk occurring from threats to personal, staff, tenants and general public at World Trade Center Colombo and Havelock City Commercial Complex.	The company complies with all Industrial Safety Requirements.  Preventive maintenance programs, potable water quality testing and air quality testing etc. are regularly carried out.  Specialized equipment and life support systems maintained by qualified professionals.
Technology Risk	Low	Risks occurring from failure to absorb Technological advancements.	The company has its own engineering maintenance teams abreast with latest technology.  Continuous updating & implementation of Energy Efficiency Projects.  Participation at Overseas trainings on technical enhancements and changes.
Foreign Currency	High	Risks from foreign currency borrowing for the Havelock City Project.	Some apartment sales are contracted in USD. Estimated Currency fluctuation is factored into cost of development.  Exchange rate movements are constantly monitored, and foreign currency borrowings minimized through Cash Flow Management.

## Risk Management Report

Risk Type	Rank	Factor	Strategies/ Action Plan
Interest Rate	Medium	Risks relating to Interest Income and Cost of Borrowing.	<p>Monitoring and management of cash flows daily.</p> <p>Negotiating favorable rates and terms on borrowings and deposits.</p> <p>Maintain an appropriate combination of fixed and floating rate borrowings.</p>
Credit Recovery	Low	Non-Recovery of Receivables.	<p>Regular 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 the Institute of Chartered Accountants of 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 the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka (SEC) appears on pages 28 to 35. 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 24 to 27.

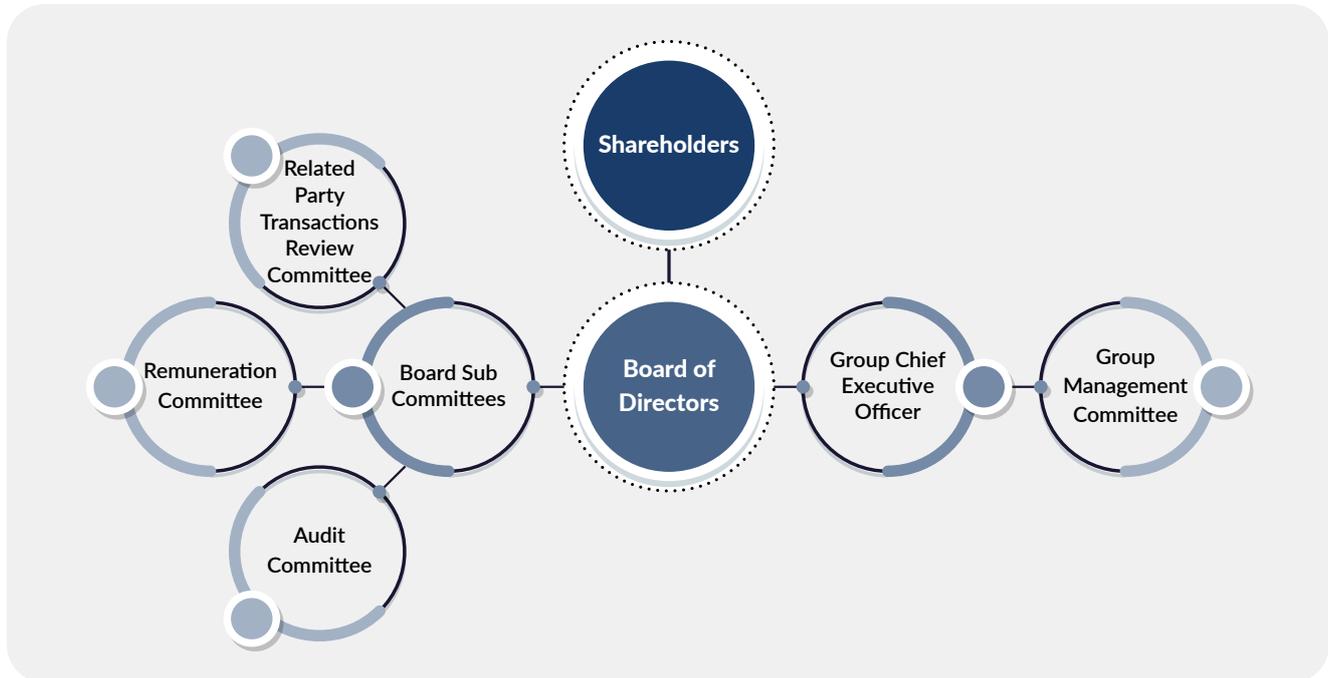
The Board of Directors also wishes to confirm that, to the best of their knowledge and belief, the Company has complied with all requirements under the Companies Act No 07 of 2007 and satisfied all its statutory payment obligations to the Government and other statutory/ regulatory bodies.

### Governance Structure

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

# Corporate Governance Report

## Our Internal Governance Structure



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

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

### Communications with Shareholders

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

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

### Annual General Meetings

An AGM is held each year as required by the provisions of companies Act. The Shareholders are allowed to directly communicate with the Board of Directors, it is regarded as the most effective mode of communication with all Shareholders. The 40th Annual General Meeting of the Company was held on the 27th April 2022 at the Havelock City Clubhouse, having given them fifteen working days' notice in advance of the meeting as required by the Companies Act.

### Annual Report

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

### Board of Directors

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

Board is responsible for the Shareholders for creating and delivering sustainable shareholder value through management of business activities.

## Role of Board of Directors



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

### Board Composition

The Board portrays a balance between Executive and Non-executive Directors each of whom bring a strong and in-depth mix of knowledge, business skills and experience to the Board's deliberation. By the end of the year there were ten directors in the Board. Out of them nine directors are non-executive and four 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 and 9 for profile of the members of the Board of Directors.

### Board's Interaction with the Management

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

### Attendance of the Board Meeting

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

Name	Directorship Status	Meeting Attended/ Eligible to Attend
Mr. A.M. De S. Jayaratne	Chairman and Independent Non-Executive Director	4/4
Mr. Pravir Samarasinghe	Executive Director	4/4
Mrs. Mildred Tao Ong	Non-Executive Director	4/4
Mr. Yap Boh Pin	Non-Executive Director	4/4
Mr. En Ping Ong	Non-Executive Director	4/4
Mr. L.R. De Lanerolle	Non-Executive Director	3/4
Mrs. R.L. Nanayakkara	Independent Non-Executive Director	4/4
Mr. T.K. Bandaranayake	Independent Non-Executive Director	4/4
Dr. Raneer Jayamaha	Independent Non-Executive Director	4/4
Mr. Ben Nien Tao	Non-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.

## Corporate Governance Report

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.

	Audit Committee	Remuneration Committee	Related Party Transaction Review Committee
Composition	Please refer Page 37 in the Audit Committee Report	Please refer Page 36 in Remuneration Committee Report	Please refer Page 39 in RP Transaction Review Committee Report

### Internal Audit

Our internal audit function is responsible for providing an independent risk-based oversight to the 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 page 32 under Section B for information relation to the remuneration procedure and page 95 for the details on Directors' remuneration.

### Role of the Chief Executive officer (CEO)

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

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

Rule No.	Corporate Governance Rule	Compliance Status	Details
7.10	<b>Corporate Governance - Compliance</b>		
7.10.1	<b>Non-Executive Directors</b>		
(a)	The Board of Directors of a listed entity shall include at least; a. Two Non-Executive Directors; or b. One third of the total number of Directors, whichever is higher should be Non- executive Directors.	Complied with	As at the conclusion of the immediately preceding AGM nine (9) out of ten (10) 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 ten (10) 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	<b>Independent Directors</b>		
(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 2022 four (4) out of nine (09) non-executive 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.

Rule No.	Corporate Governance Rule	Compliance Status	Details
<b>7.10.3</b>	<b>Disclosure Relating to Directors</b>		
(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 27 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 on page 27 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 and 9 of this Report.
(d)	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the rules of the Colombo Stock Exchange.	Not Applicable	
<b>7.10.4</b>	<b>Criteria for Defining 'Independence'</b>		
(a) (h)	Requirement for meeting criteria to be independent.	Complied with	All the independent directors met the criteria for independence specified in this rule.
<b>7.10.5</b>	<b>Remuneration Committee</b>		
	A listed entity shall have a Remuneration Committee.	Complied with	Please refer page 36 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 Four 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 36 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	Please refer Remuneration Committee report on page 36 of this Report.  Please refer Page 95
<b>7.10.6</b>	<b>Audit Committee</b>		
	A listed entity shall have an Audit Committee.	Complied with	Please refer pages 37 and 38 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 four Non-Executive Directors three of whom are independent.
	One non-executive Director shall be appointed as the Chairman of the Committee by the Board of Directors.	Complied with	Chairman of the Audit Committee is a Non-Executive Director.
	Group Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings.	Complied with	The Group Chief Executive Officer and the Chief Financial Officer attends the meetings by invitation.
	The Chairman of the Audit Committee or one member should be a member of a recognized professional accounting body.	Complied with	Chairman and Two other members of the Audit Committee are Chartered Accountants with a vast knowledge on Financial reporting and compliance.

## Corporate Governance Report

Rule No.	Corporate Governance Rule	Compliance Status	Details
(b)	<p>Functions of the Audit Committee shall include:</p> <p>a. Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with SLFRS/ LKAS.</p> <p>b. Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.</p> <p>c. Overseeing the process to ensure that the internal controls and risk management processes are adequate to meet the requirements of the SLFRS/LKAS.</p> <p>d. Assessment of the independence and performance of the external auditors.</p> <p>e. Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditors.</p>	Complied with	Please refer Audit Committee Report on pages 37 and 38 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 37 and 38 of this Report.
<b>Compliance with Requirements of Rule 7.6 of the listing rules of the Colombo Stock Exchange</b>			
<b>7.6</b>	<b>Contents of Annual Report</b>		
	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 42 of the Board of Directors Report.
iii)	The names and the numbers of shares held by the 20 largest voting and non-voting shareholders and percentages.	Complied with	Please refer page 105 of this Report.
iv)	The Public Holding percentage.	Complied with	Please refer page 106 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 104 of this Report.
vi)	Information pertaining to material foreseeable risk factors of the entity.	Complied with	Please refer pages 96 to 99 of this Report.
vii)	Details of material issues pertaining to employees and industrial relations of the entity.	Not Applicable	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 107 of this Report.
ix)	Number of shares representing the entity' stated capital.	Complied with	Please refer pages 94 and 103 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 103 of this Report.

Rule No.	Corporate Governance Rule	Compliance Status	Details
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 page 101 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 76 of this Report.
xiii)	If during the year the entity has raised funds either through a public issue, right Issue, and private placement.	Not Applicable	
xiv)	<b>EMPLOYEE SHARE OPTION SCHEMES.</b>  All Following information shall be disclosed in the Annual Report of the listed entity in respect of each ESOS;  <ul style="list-style-type: none"> <li>● number of options granted to each category of employees, during the year.</li> <li>● total number of options vested but not exercised by each category of employees during the financial year.</li> <li>● total number of options exercised by each category of employees and the total number of shares arising there from during the financial year.</li> <li>● options cancelled during the financial year and the reasons for such cancellation.</li> <li>● the exercise price.</li> <li>● 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.</li> </ul>	Complied with	Please refer page 44 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 7of the Rules.	Complied with	Please refer pages 24 to 27.
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.	Not Applicable	The Company did not have any related party transaction exceeding 10% of the Equity or 5% of the total Assets.

**\*Note.**

Mrs. Rohini L. Nanayakkara was appointed to the Board as an Independent Non-Executive Director on 20.05.2004, continues to be an Independent Non-Executive Director of the Company amidst her tenor in office exceeding ten years. Mr. Ajit M. De S. Jayaratne was appointed as a Non-Executive Director on 19.10.2005, continues to be an Independent Non-Executive Director of the Company amidst his tenor in office exceeding ten years. Mr. Tissa K. Bandaranayake was appointed as an Independent Non-Executive Director to the Board on 19.05.2011, continues to be an Independent Non-Executive Director of the Company amidst his tenor in office exceeding ten years. Dr. Ranee Jayamaha was appointed as an Independent Non-Executive Director to the Board on 15.03.2013, continues to be an Independent Non-Executive Director of the Company amidst her tenor in office exceeding ten years.

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

Mrs. Mildred Tao Ong, Mr. Yap Boh Pin, Mr. En Ping Ong and Mr. Ben Tao Nien represent 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.

## Corporate Governance Report

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
<b>1</b>	<b>The Company</b>		
<b>A</b>	<b>Directors</b>		
<b>A.1</b>	<b>The Board</b>	Every public company should be headed by an effective Board, which should direct, lead and control the Company.	<b>Compliant</b> 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 42 to 45.
<b>A.1.1</b>	<b>Regular Board Meetings</b>	Frequency of Board meetings. (at least once every quarter).	<b>Compliant</b> 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 23.
<b>A.1.2</b>	<b>Board Responsibilities</b>	Ensure formulation and implementation of a sound business strategy.	<b>Compliant</b> 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 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.	<b>Compliant</b> 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.	<b>Compliant</b> 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.	<b>Compliant</b> 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.
<b>A.1.2</b>	<b>Board Responsibilities Contd.</b>	Ensure that the company's activities are conducted in compliance with laws, regulations and ethical standards.	<b>Compliant</b> 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.	<b>Compliant</b> 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.	<b>Compliant</b> The Board recognizes the necessity of sustainable business development in the corporate strategy, decisions and activities. Please refer sustainability report on pages 15 to 17.

Section Number		Compliance Status	Company' Commitment
	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 48.
	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	<b>Compliance with Laws and Access to Independent Professional Advice</b>	Compliant	The board act in accordance with the laws in the country. The Board has permitted all Directors to seek independent professional advice.
A.1.4	<b>Access to Advice and the Services of a Company Secretary</b>	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 Related Party Transaction Review Committee.
A.1.5	<b>Independent Judgment of Directors</b>	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	<b>Dedication of adequate time and effort to matters of the Board and the Company</b>	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 meetings attended by each Director is given on page 23.
A.1.7	<b>Training and continuous Development of Directors</b>	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	<b>Chairman and Chief Executive Officer</b>	Compliant	The functions of the Chairman and CEO are clearly separated to ensure balance of power and authority.
A.2.1		Not Applicable	The positions of the Chairman and CEO are separated.
A.3	<b>Chairman's Role</b>	Compliant	The Chairman is responsible for leading the Board and ensuring that it operates under the highest standards of governance.

## Corporate Governance Report

Section Number		Compliance Status	Company' Commitment
A.4	<b>Financial Acumen</b>	Availability of sufficient financial acumen and knowledge to offer guidance on matters of finance.	<b>Compliant</b>  The following members of the Board are knowledgeable and experienced individuals who can provide guidance on matters of 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 and 9.
A.5	<b>Board Balance</b>	The Board should have a balance of executive and non- Executive Directors.	<b>Compliant</b>  At the end of the year, the Board comprised ten Directors and all except the CEO, are non-executive, thereby promoting critical review and control. Please refer Page 8 and 9 of the Profile of Directors.
A.5.1		Presence of non- Executive Directors.	<b>Compliant</b>  Nine of the ten Board members are non-Executive, which is in excess of one third of the total number of Directors.
A.5.2		Independent Directors.	<b>Compliant</b>  Four 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.	<b>Compliant</b>  All four 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.	<b>Compliant</b>  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.	<b>Compliant</b>  The Note on page 27 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.	<b>Compliant</b>  One Non-Executive Director has appointed an alternate director, such alternate director is not an executive or employee of the Company.
A.5.7		Appointment of Senior Independent Director.	<b>Not Applicable</b>  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.	<b>Compliant</b>  The Chief Executive officer functions as the apex executive in charge of the day-to-day management of the Company. The chairman hold meetings with non-executive Directors whenever necessary.
A.5.10		Recording of concerns which cannot be unanimously resolved in Board minutes.	<b>Compliant</b>  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	<b>Supply of Information</b>	The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.	<b>Compliant</b>  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.	<b>Compliant</b>  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 is included in this analysis.

Section Number		Compliance Status	Company' Commitment
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	<b>Appointments to the Board</b>	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	<b>Re Election</b>	Compliant	Please refer page 108 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 108 of the Annual Report.
A.8.2	Election of Directors by the shareholders.	Compliant	Please refer page 108 of the Annual Report.
A.9	<b>Appraisal of Board Performance</b>	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	<b>Disclosure of Information of Directors.</b>		Shareholders should be kept advised of relevant details in respect of Directors.
A.10.1	Disclosures on Directors in the annual report.	Compliant	Required information with respect to Directors are disclosed in this annual report, where relevant. Names, qualifications and profiles, including expertise in relevant functional areas of all Board Members are provided on pages 8 and 9.  Details of Directors interest in contracts are given on page 42.  Details of related party transactions are provided on pages 94 to 95.  Details on Directors attendance and other sub committees are provided on page 23.
A.11	<b>Appraisal of CEO</b>	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.	<b>Directors Remuneration</b>		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.

## Corporate Governance Report

Section Number		Compliance Status	Company' Commitment
B.1.1	Presence of a Remuneration Committee.	Compliant	A Remuneration Committee has been appointed and functions within agreed terms of reference.  Please refer page 36 for the Remuneration Committee Report.
B.1.2	Composition of Remuneration Committee.	Compliant	Please refer page 36 for details of the composition of Remuneration Committee.
B.1.3	Disclosure of the members of the Remuneration Committee in the Annual Report.	Compliant	Members responsibilities and other information in respect of the remuneration committee are disclosed on page 36.
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	<b>Level and Make up of Remuneration</b>		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	<b>Disclosure of Remuneration</b>		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, non-Executive Directors and the Management Committee is disclosed on page 95 of this report. The Remuneration Committee's Report which highlights the remuneration policy at the Company is give on page 36.
<b>C. Relations with Share Holders</b>			
C.1	<b>Constructive use of the Annual General Meeting (AGM) and Conduct of General Meeting</b>	Compliant	Boards should use the AGM to communicate with shareholders and should encourage their participation.  Please refer page 108 for details of the Annual General Meeting.

Section Number		Compliance Status	Company' Commitment
C.1.1	Companies should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	Compliant	The Annual Report together with notice of meeting and related documents and other resolutions if any is circulated to the shareholders at least 15 working days prior to the date of the AGM. The Annual Report 2021 was submitted to the CSE on 01st April 2022 and was posted to all shareholders by 01st April 2022. The AGM was held on 27th April 2022.
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	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.1.4	Notice of the Meeting	Compliant	The Company secretary makes sure to send the notice of AGM with other related papers.
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 and methodology.		
C.2.3			
C.2.4	The Company should disclose the contact person for such communications.	Compliant	The Company Secretary will be the main contact person with regard to any public disclosures. Further the Chief Financial Officer can also be contacted with regard to any clarifications on financial information published.
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	<b>Major and Material Transaction</b>	Not Applicable	There is no major Transactions that required to disclose separately.
<b>D. Accountability and Audit</b>			
D.1	<b>Financial Reporting</b>	The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.	
D.1.1	The 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 42 to 45.

## Corporate Governance Report

Section Number		Compliance Status	Company' Commitment
D.1.3	Statements by Directors and Auditors on responsibility for financial reporting.	Compliant	Page 47 Contains the statement setting out the responsibility of the Board for the preparation and presentation of Financial Statements.
D.1.4	Management Discussion Analysis.	Compliant	The Management discussion and analysis are appearing in pages 10 to 12.
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 2022. The declaration of the company as a 'going concern' is given in the Directors Report on page 45.
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 39.  Related party transactions are disclosed on Pages 94 and 95.
D.2	<b>Internal Control</b> The Board should have a process of Risk Management and a sound system of 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	The need for an internal audit function.	Compliant	The Company has appointed Messrs. PricewaterhouseCoopers (PWC) as the Internal Auditors of the Company. All reports by the Internal Auditors are tabled at the Audit Committee meetings.
D 2.3	Audit Committee to ensure carrying out the reviews of the process and effectiveness of risk management and Internal Control.	Compliant	Audit committee review quarterly the effectiveness of risk management and internal control with Internal Auditors and the Management.
D.3	Audit Committee.	Compliant	The Board has established formal and transparent arrangement for considering how they should select and apply accounting policies, financial reporting, risk management and internal control principles and maintain an appropriate relationship with the company auditors.
D 3.1	The Board Should establish an Audit Committee.	Compliant	Please refer Audit committee Report on Pages 37 to 38.
D.3.2	Duties 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.

Section Number		Compliance Status	Company' Commitment
D.3.3	<p>Terms of reference of the Audit Committee.</p> <p>Disclosure of names of the members of the Audit Committee.</p> <p>The number of meetings held attendance of each director.</p> <p>The scope of work and how its roles and responsibilities were discharged.</p>	Compliant	<p>The Audit Committee operates with clearly defined terms of reference which are reviewed annually.</p> <p>Names of Directors comprising the Audit Committee are set out on page 37 of the Annual Report.</p>
D. 4	Code of Business Conduct & Ethics.	Compliant	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.5	Corporate Governance Disclosure.	Compliant	Directors should disclose the extent to which the Company addresses to establish principles and practices of good corporate governance.
D.5.1	Disclosure of compliance with the Corporate Governance Code.	Compliant	Page 28 to 35 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.
<b>2. Shareholders</b>			
<b>E. Institutional Investors</b>			
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.	
<b>F. Other Investors</b>			
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 General Meeting and cast their votes.	
G.	Sustainability Reporting	Compliant	Please refer Sustainability Report on pages 15 to 17

# 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 present Remuneration Committee consists of four members out of whom three 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;

Mrs. Rohini L. Nanayakkara	- Independent Non-Executive Director (Chairperson of the Committee)
Mr. En Ping Ong	- Non-Executive Director
Mr. Ajit M. de S. Jayaratne	- Independent Non-Executive Director
Mr. Tissa K. Bandaranayake	- Independent Non-Executive Director

The brief profiles of the directors are given on pages 8 to 9 of the Annual Report.

## Meetings and Attendance

The Committee met on one occasion during the financial year ended 31st December 2022 and the attendance record is given below.

Mrs. Rohini L. Nanayakkara - Chairperson	1/1
Mr. En Ping Ong	1/1
Mr. Ajit M. de S. Jayaratne	1/1
Mr. Tissa K. Bandaranayake	1/1

In addition to the Committee members, the meeting was attended by the Group CEO.

## 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 26.2 on page 95 .



**Rohini L. Nanayakkara**  
Chairperson - Remuneration Committee

22nd February 2023

# Audit Committee Report

## Composition

The Audit Committee appointed by the Board of Directors of Overseas Realty (Ceylon) PLC, comprises of four Non-Executive Directors and three of them being Independent Non-Executive Directors. The Committees's composition fulfills the requirements of rule 7.10.6 of Listing Rules of the Colombo Stock Exchange. As of the financial year ended 31st December 2022, the Board Audit Committee comprised the following Directors:

Mr. Ajit M. de S. Jayaratne	– Independent Non-Executive Director (Chairman of the Committee)
Mr. Yap Boh Pin	– Non-Executive Director
Mrs. Rohini L. 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 40 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 and 9 of this Report.

## Charter of the Committee

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

## Role of the Audit Committee

The Audit Committee's main objective is to assist and represent the Board of Directors in discharging its responsibilities by overseeing the financial reporting process to ensure the integrity and transparency of the financial reporting of the Company, compliance with financial reporting requirements, information requirements of the Companies Act, No. 07 of 2007 and other related financial reporting regulations, oversee the internal and external audit process, review the effectiveness and adequacy of the internal control and risk management process, assessing the performance of the internal and external auditors, ensuring independence of the Company's Auditors and ensuring compliance with laws and regulations which effective financial reporting and business conduct.

In fulfilling this role, the Audit Committee is empowered to examine the financial records of the Company, internal auditor's reports, and other communications as necessary in order to ensure the Company adheres to accepted norms of ethical guidelines, rules and regulations.

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

## Meetings and Attendance

The Audit Committee has met four (04) times during the financial year ended 31st December 2022 and the attendance was as follows:

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

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

## Financial Reporting

The Committee reviews the interim financial statements of the Company before Director's Approval and submission to Colombo Stock Exchange and year end Financial Statements before certification by External Auditors in order to monitor integrity of the Financial Statements of the Company, prepared for disclosure and significant financial reporting assumptions and judgments contained therein.

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

## Internal Controls, Risk Management Function and Going Concern

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

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

## Internal Audit

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

## Audit Committee Report

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 safe guarded 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 Messrs. 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 do 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 Messrs. Ernst & Young in the presence of their representatives.

Messrs. 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 31st December 2023, 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

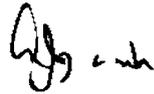
An independent Chartered Valuation Surveyor Mr. P B Kalugalagedara has conducted the annual valuation of the Investment Property of the Group. The Committee has discussed and understood the valuation method and the assumptions used in the determination of the fair value of Investment Property.

### 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 give true and fair opinion.



**Ajit M. de S. Jayaratne**

*Chairman - Audit Committee*

22nd February 2023

# 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 three (3) 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. Tissa K. Bandaranayake	- Independent Non-Executive Director - (Chairman of the Committee)
Mr. Ajit M. de S. Jayaratne	- Independent Non-Executive Director
Mr. Yap Boh Pin	- Non-Executive Director
Mrs. Rohini L. Nanayakkara	- Independent Non-Executive Director

## Meetings and Attendance

The Committee met on four occasions during the financial year ended 31st December 2022 and the attendance record is given below.

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

In addition to the Committee members, the meetings were 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.

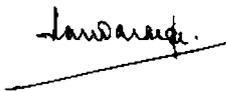
- Make appropriate disclosures in the Annual Report on Related Party Transactions as per the regulatory guidelines in a timely and detailed manner.

## 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 and its Group Companies during the year are disclosed in Note 26 to the Financial Statements.

## Declaration

A declaration by the Board of Directors in the Annual Report to the effect that 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 44.



**Tissa K. Bandaranayake**  
Chairman - Related Party Transaction Review Committee

22nd February 2023



# Financial Report

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## FINANCIAL CALENDER

Interim Financial Statements	Targeted date	Submitted date
1st Quarter ended 31st March	15th May 2023	27th April 2022
2nd Quarter ended 30th June	15th August 2023	26th July 2022
3rd Quarter ended 30th September	15th November 2023	19th October 2022
4th Quarter ended 31st December	28th February 2023	23rd February 2023
<b>Annual Report and Financial Statements to Shareholders</b>		
2021		1st April 2022
2022	30th March 2023	
<b>Annual General Meeting</b>		
40th Annual General Meeting		27th April 2022
41st Annual General Meeting	26th April 2023	

# 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 2022. 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. The Company was listed on the main board of the Colombo Stock Exchange of Sri Lanka on 1st January 1982.

## 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 Overseas Realty Trading (Pvt) Ltd carries out 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 Group is contained in the Management Review of Operations (pages 10 to 12) and Financial Review (Pages 13 and 14) of this Annual Report. Segment wise contribution to Group revenue, results, assets and liabilities

is disclosed in Notes to the Financial Statements on pages 57 to 99 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 Group and the Company 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 57 to 69 of this Annual Report.

## Auditors' Report

The Auditors' Report on the Financial Statements of the Group and the Company is given on pages 48 to 51.

## Accounting Policies

The Board of Directors wishes to confirm that there were no changes to the Accounting Policies used by the Group and the Company during the year under review. Significant Accounting policies, together with the notes adopted in preparation of the Financial Statements of the Group and the Company are given on pages 57 to 69.

## Group Turnover

The turnover of the Group during the year under review was Rs. 15,045,636,508/- (2021 - Rs. 7,708,131,002/-). 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 pages 71 and 72.

## Financial Results and Dividend

The Group recorded a consolidated net profit after tax of Rs. 6,079,337,485/- (2021 - Rs. 2,499,345,318/-) for the year. The Consolidated Statement of Profit or Loss along with the Company's Income Statement for the year is given on pages 53 to 54.

The Directors recommended the payment of a first and final dividend of Rs.1.25 per share for the financial year ended 31st December 2021 which was approved by the shareholders at the Annual General Meeting of the Company held on 27th April 2022.

The dividend was paid out of profits after tax under BOI concessions granted to the Company.

Further, at a meeting of the Board of Directors held on 22nd February 2023, 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 2022 to be approved by the Shareholders at the Annual General Meeting of the Company to be held on 26th April 2023.

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. 74,776,985 /- (2021 - Rs. 5,530,659/-) and Rs. 1,067,758/- (2021 - 1,478,810/-) respectively. The carrying value of the Property, Plant and Equipment of the Group and the Company as at the reporting date amounted to Rs. 1,407,452,561 (2021 - Rs. 1,218,349,498/-) and Rs. 475,275,916/- (2021 - Rs. 417,614,120/-) 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 76 to 79.

## Market Value of the Buildings

All the buildings owned by the Group were subjected to a revaluation by an independent qualified valuer. The carrying value of the buildings of the Group is Rs. 1,225,867,635 /- (2021 - Rs. 1,099,528,567/-). The details are provided in Note 6 to the Financial Statements.

## Fair Value of Investment Properties

The fair value of Investment properties owned by the Group as at 31st December 2022 is included in the Financial Statements at Rs. 27,763,638,947/- (2021 - Rs. 27,446,613,713/-) based on the independent valuations undertaken by a Chartered Valuation Surveyor in December 2022. The Directors are of the opinion that the value is not more than 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 15.1 and 21 on pages 85 and 92 of the Financial Statements.

## Stated Capital

The total stated capital of the Company amounts to Rs. 18,443,353,347/- (2021 - Rs. 18,443,353,347/-) comprising No. of Shares of 1,243,029,582/- (2021 - 1,243,029,582/-), as given in Note 13 to the Financial Statements.

## Reserves

Total Group Reserves as at 31st December 2022 was Rs. 33,346,163,575/- (2021 - Rs. 28,677,709,220/-). The movement of these reserves is shown in the Statement of Changes in Equity in the Financial Statements on page 55.

## Share Information

Information relating to earnings, dividends, net assets, market value per share and share trading is given on pages 103 and 104 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 'Shareholder Information' on pages 105 to 106 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 and 9 of this Report.

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

The proposed resolutions proposes that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mrs. Rohini Letitia

Nanayakkara, who attained the age of 70 years on 12th April 2006, Mr. Ajit Mahendra 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. Leslie 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, Dr. Raneey Jayamaha who attained the age of 70 years on 27th May 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 21 and other committee Reports on pages 36 to 39.

## Directors' Interest in Shares

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

Name	Position	31st December 2021		31st December 2022	
		Direct Interest	Deemed Interest	Direct Interest	Deemed Interest
Mr. A. M. De S. Jayaratne	Chairman and Independent Non-Executive Director	Nil	Nil	Nil	Nil
Mr. Pravir Samarasinghe	Executive Director / CEO	15,892,093	Nil	15,892,093	Nil
Mrs. Mildred Tao Ong	Non-Executive Director	Nil	906,707,904*	Nil	906,707,904*
Mr. Yap Boh Pin	Non-Executive Director	Nil	906,707,904*	Nil	906,707,904*
Mr. En Ping Ong	Non-Executive Director	1,060,000	Nil	20,914,890	Nil
Mr. L. R. de Lanerolle	Non-Executive Director	Nil	Nil	Nil	Nil
Mrs. R.L. Nanayakkara	Independent Non-Executive Director	Nil	Nil	Nil	Nil
Mr. T. K. Bandaranayake	Independent Non-Executive Director	Nil	Nil	Nil	Nil
Dr. Raneey Jayamaha	Independent Non-Executive Director	Nil	Nil	Nil	Nil
Mr. Ben Nien Tao	Non-Executive Director	Nil	1,063,543,897*	Nil	1,063,543,897*

\*Directors' interest of Mrs. Mildred Tao Ong and Mr. Yap Boh Pin are declared as Directors of Shing Kwan Group including Unity Builders Limited. Interest of Mr. Ben Nien Tao is Declared as a Director/ Shareholder of the said Shing Kwan Group, Unity Builders Ltd and Peeli Limited.

## Annual Report of the Board of Directors

### 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 totaling to 25,305,530 amounting to 3% of the issued shares in the Company ("the Options") at an exercise price being the market price of the shares of the Company at the time of granting of the Option or the volume weighted average price of the shares of the Company thirty (30) days prior to the grant of the Option whichever is higher, was approved at the EGM held on 24th May 2012.

The Option was not granted to any category

of employees of the Company during the financial year under review.

### Interest Register

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

### Directors' Interest in Transactions

The Directors of the Company have made general declarations of their interests in transactions of the Company as per Section 192(2) of the Companies Act No. 07 of 2007. The particulars of those transactions are set out on pages 94 to 95 under related party transactions of the Annual Report.

### Directors' Remuneration

Directors' remuneration, in respect of the Group and the Company for the financial year ended 31st December 2022 is given in the Note 26.2 to the Financial Statements, on page 95.

### 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. Non-recurrent transactions that occurred between the Company and its' Subsidiaries are listed below,

Name of the Related Party	Relationship	Nature of the Transactions	Value of the Related Party Transactions entered into during the financial year - Rs	Value of Related Party Transactions as a % of Equity	Value of Related Party Transactions as a % of Total Assets	Terms and Conditions of the Related Party Transactions	The rationale for entering into the transactions
Mireka Capital Land (Private) Limited	Fully owned subsidiary of the Company	Havelock City (Pvt) Ltd issued 57,875,700 shares @ Rs 10/= to Mireka Capital Lands (Pvt) Ltd	578,757,000	1.34%	1.27%	All the transactions are on normal commercial terms	Investment of part of required funds to finance the construction of the Commercial Development
Mireka Homes (Private) Limited	Sub-subsidiary of the Company	Havelock City (Pvt) Ltd issued 795,600,000 shares @ Rs 10/= to Mireka Homes (Pvt) Ltd	7,956,000,000	18.40%	17.48%	All the transactions are on normal commercial terms	Investment of part of required funds to finance the construction of the Commercial Development
Total			8,534,757,000				

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 its subsidiaries 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 200 Mn for the period covering 1st January 2023 to 31st December 2023.

### 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 and its subsidiaries, 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 18 and 46 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 21 to 35 in this Report.

### Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Group and the Company to reflect a true and fair view of the state of affairs of the Group and 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 47 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 and its subsidiaries 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.

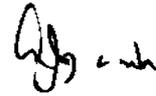
The Auditors, Messrs. Ernst & Young, Chartered Accountants were paid Rs. 5,258,296/- (2021 - Rs. 4,792,030/-) and Rs. 2,304,115 /- (2021 - Rs. 2,000,000/-) as audit fees by the Group and the Company respectively. In addition, they were paid Rs. 2,821,365/- (2021 - Rs. 4,036,946/-) and Rs. 556,604/- (2021 - Rs. 2,489,277/-), by the Group and the Company, 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 subsidiaries. In accordance with the Companies Act No. 07 of 2007, a resolution proposing the re-appointment of Messrs. Ernst & Young, Chartered Accountants, as Auditors to the Company will be submitted at the forthcoming Annual General Meeting.

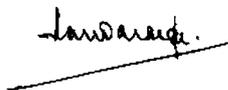
### Annual General Meeting

The Annual General Meeting will be held on 26th April 2023 at 10 a.m. at the Havelock City Club House, No. 324, Havelock Road, Colombo 06. The Notice of the Annual General Meeting appears on page 108 of the Annual Report.

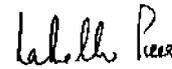
For and on behalf of the Board,



Ajith M. de S. Jayaratne  
Director



Tissa K Bandaranayake  
Director



Laknathi Perera  
Company Secretary

22nd February 2023

# 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 Group and the Company. 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:

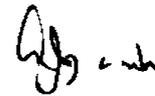
- The Board Committees and Management Committee are established to assist the Board in ensuring the effectiveness of Company's operations and that the operations are in accordance with the corporate strategies and annual budget.
- The Company's internal audit function has been outsourced to Messrs. PricewaterhouseCoopers (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.

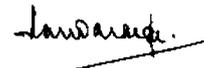
- The Audit Committee reviews internal control issues identified by the Internal Auditors and the Independent External Auditors and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit function with particular emphasis on the 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 ended 31st December 2022 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 Group and 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.



**Ajith M. de S. Jayaratne**  
Chairman, Audit Committee



**Tissa K. Bandaranayake**  
Director

22nd February 2023

# Directors' Responsibility for Financial Reporting

The responsibility of the Directors, in relation to the Financial Statements of the Group and the Company 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 31st December 2022, 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 31st December 2022 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 52 to 56 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 its subsidiaries 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 Group's businesses 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 transactions of the Company and its

subsidiaries and assist in determining the financial position of the Group and the Company with reasonable accuracy at any time are maintained by the Company and its subsidiaries enabling the preparation of Financial Statements.

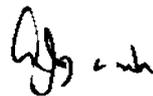
The Directors also ensured that the Group has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Group and the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Group and 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 48 to 51 of the Annual Report.

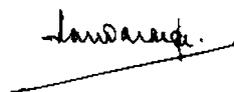
The Directors are required to prepare the Financial Statements and to provide the Auditor with every opportunity to take whatever steps and undertake whatever inspections they may consider appropriate to enable them to give their audit opinion. The Directors are of the view that they have discharged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



**Ajith M. de. S. Jayaratne**  
Director



**Tissa K. Bandaranayake**  
Director

22nd February 2023

# Independent Auditor's Report



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

Tel: +94 11 246 3500  
Fax (Gen): +94 11 269 7369  
Fax (Tax): +94 11 557 8180  
Email: eysl@lk.ey.com  
ey.com

## 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 2022, 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 2022 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: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N S W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA FCMA, D K Hulangamuwa FCA FCMA LLB (London), G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeewani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACMA, D L B Karunathilaka ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Key audit matter	How our audit addressed the key audit matter
<b>Fair Value of Investment Property Completed and Investment Property Under Development</b>	
<p>As at 31 December 2022, Group's Completed Investment Property and Investment Property Under Development amounted to LKR 27.7 Billion and 38.2 Billion which represent 35% and 49% of the Group's total assets respectively.</p> <p>As described in note 5 and 2.3.12 to the financial statements, the Group measures Completed Investment Property and Investment Property Under Development at fair value.</p> <p>Fair value of the Completed Investment Property and Investment Property Under Development is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>the materiality of the reported amounts;</li> <li>use of unobservable inputs in the determination of fair value of Investment Property Completed and Under Development, such as estimated market rent per square foot, rate of growth in future rentals, capitalization rate, and anticipated maintenance cost that are subject to significant estimation uncertainty;</li> <li>the degree of judgement involved in estimating the cost to complete the Investment Property Under Development.</li> </ul>	<p>our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>We considered the competence, capability and objectivity of the external valuer engaged by management and obtained an understanding of the methodology adopted in estimating the fair value of the Completed Investment Property and Investment Property Under Development.</li> <li>We had discussions with the external valuer to obtain an understanding of the key unobservable inputs used, and the impact of increased market uncertainty due to continuing economic impact on the fair value estimation.</li> <li>We tested the reasonableness of estimated market rent per square foot, rate of growth in future rentals used in the valuation by comparing the existing rentals of tenants sample and referring to Group's contractual rights for future variations.</li> <li>We corroborated the capitalization rate and anticipated maintenance cost by cross-checking them with available industry data having taken into consideration relevant market factors.</li> <li>We evaluated the reasonableness of the estimated cost to complete the Investment Property Under Development by comparing the cost incurred to date with management budgets, agreeing them to third party contracts and testing the significant items of the cost components to source documents to ascertain the existence and accuracy of the same.</li> </ul> <p>We also evaluated the Group's disclosures on key assumptions to which the outcome of the valuation is most sensitive as stated in Note 5 to the financial statements.</p>
<b>Measurement of the Carrying Value of Completed Apartments for Sale</b>	
<p>As at 31 December 2022, Group's Inventories included Completed Apartments for sale amounting to LKR 2 Billion as disclosed in note 10 to the financial statements.</p> <p>Completed Apartments are stated at the lower of cost and Net Realisable Value (NRV) as described in notes 2.3.7 and 2.2.2 (b).</p> <p>Measurement of the carrying value of Completed Apartments for Sale is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>determination of the Net Realisable Value of these Inventories are dependent upon the management's estimates of future demand and selling prices; and</li> <li>the significant judgment required in estimating the selling prices as such are impacted by prevailing market and economic conditions.</li> </ul>	<p>our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>We assessed the reasonableness of the management's estimated future demand and selling prices with available recent market sales data of comparable properties based on our knowledge of the Group's business.</li> <li>We obtained an understanding of prevailing market and economic conditions relevant to the property market.</li> <li>We assessed the management's estimated selling prices with our own estimate range that included applied stress factors for current market and economic conditions.</li> <li>We evaluated the adequacy of Group's disclosures including those relating to estimation uncertainty as stated in note 10 to the financial statements.</li> </ul>

Other information included in the 2022 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 re-quired 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.
- 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.

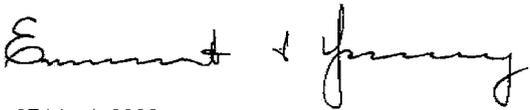
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and 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 2200.



27 March 2023  
Colombo

# Statement of Financial Position

As at 31 December 2022	Note	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Investment Property Completed	5.1	27,763,638,947	27,446,613,713	26,855,002,947	26,548,457,713
Investment Property Under Development	5.2	38,262,037,589	25,637,156,828	-	-
Property, Plant and Equipment	6	1,407,452,561	1,218,349,498	475,275,917	417,614,120
Intangible Assets	7	6,840,141	11,426,661	6,840,141	11,426,661
Investments in Subsidiaries	8	-	-	13,708,884,591	13,708,884,591
Inventories	10.2	89,480,683	89,480,683	-	-
Deferred Tax Assets	9	137,904,418	115,699,533	-	-
Other Assets	12	-	-	466,600,000	506,600,000
		67,667,354,339	54,518,726,916	41,512,603,596	41,192,983,085
<b>Current Assets</b>					
Inventories	10.3	2,102,239,262	7,478,099,261	16,195,290	9,628,537
Contract Assets	11.1	-	348,038,800	-	-
Trade and Other Receivables	11	4,320,985,007	5,394,979,121	1,154,768,452	549,748,655
Other Assets	12.1	-	-	18,252,426	44,710,863
Income Tax Recoverable		1,548,671	1,548,701	-	-
Short Term Investments	15.1	-	1,820,118,274	-	1,820,118,274
Cash and Short Term Deposits	21	4,300,156,840	1,696,471,180	2,822,141,821	836,917,049
		10,724,929,780	16,739,255,337	4,011,357,989	3,261,123,378
<b>Total Assets</b>		<b>78,392,284,119</b>	<b>71,257,982,253</b>	<b>45,523,961,585</b>	<b>44,454,106,463</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity Attributable to Equity Holders of the Parent</b>					
Stated Capital	13	18,443,353,347	18,443,353,347	18,443,353,347	18,443,353,347
Revaluation Reserve	14.1	575,002,528	437,703,440	464,019,853	397,598,959
Retained Earnings		32,771,161,048	28,240,005,780	24,330,770,043	23,651,666,100
<b>Total Equity</b>		<b>51,789,516,923</b>	<b>47,121,062,567</b>	<b>43,238,143,243</b>	<b>42,492,618,406</b>
<b>Non-Current Liabilities</b>					
Post Employment Benefit Liability	16	57,689,819	56,707,918	31,705,512	30,899,154
Amounts due to Related Parties	19	19,566,086,530	10,052,737,023	-	-
Deferred Tax Liabilities	9	922,677,547	836,800,868	545,971,467	538,703,454
<b>Total Non-Current Liabilities</b>		<b>20,546,453,896</b>	<b>10,946,245,809</b>	<b>577,676,979</b>	<b>569,602,608</b>
<b>Current Liabilities</b>					
Trade and Other Payables	17	1,398,425,932	2,818,676,032	15,355,088	91,169,129
Rental and Customer Deposits	18	1,247,286,910	1,936,890,101	1,218,437,310	1,200,171,780
Amounts due to Related Parties	19	36,307,272	1,052,460	278,143,726	1,866,370
Interest Bearing Loans and Borrowings	15.2	2,685,978,540	8,102,112,748	60,508,925	-
Income Tax Payable		657,372,890	307,536,484	104,754,558	74,272,118
Dividends Payable	20	30,941,756	24,406,052	30,941,756	24,406,052
		6,056,313,300	13,190,673,877	1,708,141,363	1,391,885,449
<b>Total Liabilities</b>		<b>26,602,767,196</b>	<b>24,136,919,686</b>	<b>2,285,818,342</b>	<b>1,961,488,057</b>
<b>Total Equity and Liabilities</b>		<b>78,392,284,119</b>	<b>71,257,982,253</b>	<b>45,523,961,585</b>	<b>44,454,106,463</b>
Net Assets Value per Ordinary Share (Rs.)		41.66	37.91	34.78	34.18

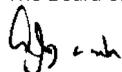
I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



**Roschen Perera**

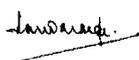
Group Chief Financial Officer

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



**Ajit M De Jayaratne**

Director



**Tissa K Bandaranayake**

Director

The accounting policies and notes on pages 57 through 99 form an integral part of the Financial Statements.

27 March 2023

Colombo

# Statement of Profit or Loss

Year ended 31 December 2022	Note	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
Revenue	3	15,045,636,508	7,708,131,002	2,112,228,234	1,998,759,199
Direct Operating Expenses		(838,660,243)	(973,660,357)	(494,801,322)	(503,938,501)
Cost of Sales of Apartments		(7,363,634,749)	(3,000,215,593)	-	-
<b>Gross Profit</b>		<b>6,843,341,516</b>	<b>3,734,255,052</b>	<b>1,617,426,912</b>	<b>1,494,820,698</b>
Fair Value Gain/(Loss) on Investment Property	5.1	317,025,234	(432,117,363)	306,545,234	(418,712,363)
Administration Expenses		(649,060,102)	(462,634,926)	(232,261,867)	(204,004,035)
Marketing and Promotional Expenses		(300,617,383)	(160,120,122)	-	-
<b>Operating Profit</b>		<b>6,210,689,265</b>	<b>2,679,382,641</b>	<b>1,691,710,279</b>	<b>872,104,300</b>
Finance Cost	22.1	(61,899,471)	(14,130,350)	(59,439,263)	(12,501,634)
Finance Income	22.2	648,266,367	126,702,440	533,126,700	131,536,486
Other Income	22.3	38,957,027	22,881,995	55,000,000	(10,083,424)
Exchange Gain		188,637,991	18,214,062	162,362,479	11,423,316
<b>Profit Before Tax</b>	23	<b>7,024,651,179</b>	<b>2,833,050,788</b>	<b>2,382,760,195</b>	<b>992,479,044</b>
Income Tax	24.1	(945,313,694)	(333,705,470)	(154,104,687)	(57,233,906)
<b>Profit after Tax for the Year</b>		<b>6,079,337,485</b>	<b>2,499,345,318</b>	<b>2,228,655,508</b>	<b>935,245,138</b>
Attributable to:					
Equity Holders of the Parent		6,079,337,485	2,499,345,318		
Non-controlling Interest		-	-		
		6,079,337,485	2,499,345,318		
<b>Earnings per share - Basic and Diluted (Rs.)</b>	25	<b>4.89</b>	<b>2.01</b>	<b>1.79</b>	<b>0.75</b>
<b>Dividend Per Share (Rs.)</b>	20	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>

The accounting policies and notes on pages 57 through 99 form an integral part of the Financial Statements.

# Statement of Comprehensive Income

Year ended 31 December 2022	Note	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
<b>Profit For the Year</b>		<b>6,079,337,485</b>	2,499,345,318	<b>2,228,655,508</b>	935,245,138
<b>Other Comprehensive Income:</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Revaluation of Buildings	14.1	<b>151,162,533</b>	30,187,728	<b>67,776,422</b>	3,154,859
Deferred Tax Effect		<b>(13,863,445)</b>	(3,991,833)	<b>(1,355,528)</b>	63,097
		<b>137,299,088</b>	26,195,895	<b>66,420,894</b>	3,217,956
Actuarial Gains on Defined Benefit Plans	16	<b>5,650,877</b>	12,774,397	<b>4,321,850</b>	5,214,403
Deferred Tax Effect		<b>(46,116)</b>	1,168,747	<b>(86,437)</b>	(104,288)
		<b>5,604,761</b>	13,943,144	<b>4,235,413</b>	5,110,115
		<b>142,903,849</b>	40,139,039	<b>70,656,307</b>	8,328,071
<b>Other Comprehensive Income for the Year, Net of Tax</b>		<b>142,903,849</b>	40,139,039	<b>70,656,307</b>	8,328,071
<b>Total Comprehensive Income for the Year, Net of Tax</b>		<b>6,222,241,334</b>	2,539,484,357	<b>2,299,311,815</b>	943,573,209
<b>Attributable to:</b>					
Equity Holders of the Parent		<b>6,222,241,334</b>	2,539,484,357		
Non-controlling Interest		-	-		
		<b>6,222,241,334</b>	2,539,484,357		

The accounting policies and notes on pages 57 through 99 form an integral part of the Financial Statements.

# Statement of Changes in Equity

Year ended 31 December 2022	Note	Stated Capital	Revaluation Reserve	Retained Earnings	Total
		Rs.	Rs.	Rs.	Rs.
<b>Group</b>					
<b>Balance as at 01 January 2021</b>		18,443,353,347	411,507,545	25,726,717,318	44,581,578,210
Profit for the Year		-	-	2,499,345,318	2,499,345,318
Other Comprehensive Income for the Year		-	26,195,895	13,943,144	40,139,039
<b>Balance as at 31 December 2021</b>		18,443,353,347	437,703,440	28,240,005,780	47,121,062,567
Profit for the Year		-	-	6,079,337,485	6,079,337,485
Other Comprehensive Income for the Year		-	137,299,088	5,604,761	142,903,849
Dividends Paid for Ordinary Shares for Y/E 31/12/2021	20	-	-	(1,553,786,978)	(1,553,786,978)
<b>Balance as at 31 December 2022</b>		18,443,353,347	575,002,528	32,771,161,048	51,789,516,923

Year ended 31 December 2022	Note	Stated Capital	Revaluation Reserve	Retained Earnings	Total
		Rs.	Rs.	Rs.	Rs.
<b>Company</b>					
<b>Balance as at 01 January 2021</b>		18,443,353,347	394,381,003	22,711,310,847	41,549,045,197
Profit for the Year		-	-	935,245,138	935,245,138
Other Comprehensive Income for the Year		-	3,217,956	5,110,115	8,328,071
<b>Balance as at 31 December 2021</b>		18,443,353,347	397,598,959	23,651,666,100	42,492,618,406
Profit for the Year		-	-	2,228,655,508	2,228,655,508
Other Comprehensive Income for the Year		-	66,420,894	4,235,413	70,656,307
Dividends Paid on Ordinary Shares for Y/E 31/12/2021	20	-	-	(1,553,786,978)	(1,553,786,978)
<b>Balance as at 31 December 2022</b>		18,443,353,347	464,019,853	24,330,770,043	43,238,143,243

The accounting policies and notes on pages 57 through 99 form an integral part of the Financial Statements.

# Statement of Cash Flows

Year ended 31 December 2022	Note	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
<b>Cash Flows from Operating Activities:</b>					
Profit Before Tax Expense		7,024,651,179	2,833,050,788	2,382,760,195	992,479,044
<b>Adjustments for -</b>					
Depreciation Charge for the Year	6	36,836,455	39,341,349	11,182,383	14,062,581
Amortization / write-off of Intangible Assets	7.1	4,586,520	4,586,520	4,586,520	4,586,520
Post Employment Benefit Expense	16	17,107,582	12,821,015	7,757,860	5,079,107
Finance Cost	22.1	61,899,471	14,130,350	59,439,263	12,501,634
Finance Income	22.2	(648,266,367)	(126,702,440)	(533,126,700)	(131,536,486)
Fair Value (Gain) On Investment	15.1.1	-	(95,925,714)	-	(95,925,714)
Exchange (Gain)/ Loss		1,916,239,607	192,006,076	11,334,379	(11,423,316)
Loss on Disposal of Property, Plant and Equipment	22.3	-	10,083,424	-	10,083,424
Fair Value (gain)/ loss on Investment Property	5	(317,025,234)	432,117,363	(306,545,234)	418,712,363
<b>Operating profit before working capital changes</b>		<b>8,096,029,213</b>	<b>3,315,508,731</b>	<b>1,637,388,666</b>	<b>1,218,619,157</b>
Decrease / (increase) in Trade and Other Receivables, Other Assets and Contract Assets		1,734,275,131	(1,589,860,229)	(383,194,828)	377,988,910
Increase / (decrease) in Rental and Customer Deposits		(760,376,833)	477,229,735	64,327,453	(45,738,367)
Decrease / (increase) in Inventories		5,375,859,999	2,217,108,641	(6,566,753)	(745,170)
(Decrease) / increase in Trade and Other Payables		(1,420,250,096)	640,649,902	(75,814,041)	88,425,017
Increase/ (decrease) in Amounts due to Related Parties		9,548,604,319	905,061,291	276,277,356	1,054,547
<b>Cash generated from operations</b>		<b>22,574,141,733</b>	<b>5,965,698,071</b>	<b>1,512,417,853</b>	<b>1,639,604,094</b>
Income Tax Paid		(545,755,147)	(149,367,129)	(117,796,199)	(54,776,766)
Finance Cost Paid		(2,460,208)	(14,130,350)	-	(12,501,634)
Defined Benefit Plan Costs Paid	16	(10,474,807)	(3,096,380)	(2,629,652)	-
<b>Net cash generated from operating activities</b>		<b>22,015,451,571</b>	<b>5,799,104,212</b>	<b>1,391,992,001</b>	<b>1,572,325,694</b>
<b>Cash Flows from Investing Activities :</b>					
Additions or expenses incurred on Property Plant and Equipment	6	(74,776,985)	(5,530,659)	(1,067,758)	(1,478,810)
Additions or expenses incurred on Investment properties	5.2	(12,624,880,761)	(6,655,887,098)	-	(308,882,270)
Receipt from Related Party Loan		-	-	40,000,000	35,000,000
Acquisition of Short term investments	15.1	-	(575,000,000)	-	(575,000,000)
Proceeds from withdrawal of Short term investments	15.1	1,820,118,274	1,250,000,000	1,820,118,274	1,250,000,000
Investment in Subsidiaries		-	-	-	(1,500,000,000)
Finance Income Received		336,064,271	129,668,176	220,924,604	126,935,857
<b>Net cash (used in) / generated from investing activities</b>		<b>(10,543,475,201)</b>	<b>(5,856,749,581)</b>	<b>2,079,975,120</b>	<b>(973,425,223)</b>
<b>Cash flows from financing activities :</b>					
Repayment of Interest Bearing Loans and Borrowings	15.2	(7,392,015,327)	(16,915,777,040)	-	-
Dividends Paid		(1,547,251,274)	(3,563)	(1,547,251,274)	(3,563)
Proceed from Interest Bearing Loans and Borrowings	15.2	5,000,000	17,273,500,000	-	-
<b>Net cash flow (used in) / generated from financing activities</b>		<b>(8,934,266,601)</b>	<b>357,719,397</b>	<b>(1,547,251,274)</b>	<b>(3,563)</b>
Net increase in Cash and Cash Equivalents		2,537,709,769	300,074,026	1,924,715,847	598,896,906
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	21	<b>1,603,493,542</b>	<b>1,303,419,516</b>	<b>836,917,049</b>	<b>238,120,143</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	21	<b>4,141,203,311</b>	<b>1,603,493,542</b>	<b>2,761,632,896</b>	<b>836,917,049</b>

The accounting policies and notes on pages 57 through 99 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.

### 1.4 Date of Authorization for Issue

The Financial Statements of Overseas Realty (Ceylon) PLC for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 27th March 2023.

## 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 "SLAS") as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

These consolidated financial statements presented in Sri Lankan Rupees 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.

The preparation and presentation of these consolidated financial statements are in compliance with the Companies Act No. 07 of 2007.

### 2.1.1 Going Concern

The Company's Management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern and they do

not intend either to liquidate or to cease operations of the Group. Therefore, the Financial Statements continue to be prepared on the going concern basis.

### 2.1.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as

at the reporting date. Control is achieved when the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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 other comprehensive income 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

## Notes to the Financial Statements

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
- It is due to be settled within twelve months after the reporting period

Or

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

The Group classifies all other liabilities as non-current.

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

### 2.1.4 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The primary segment reporting format is determined to be a business segment.

## 2.2 Significant Accounting Judgments, Estimates and Assumptions

### 2.2.1 Critical Judgments in Applying the Accounting Policies

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

#### 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:

#### Classification of Property

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

Investment Property comprises land and buildings which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

The Group determines whether a property qualifies as Investment Property by considering whether the property generates cash flows largely independently of the other assets held by the entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the

production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as Investment Property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as Investment Property. The Group considers each property separately in making its judgment.

Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before, during and/or on completion of construction.

#### **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.

### **2.2.2 Critical Accounting Estimates and Assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available

when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### **Estimation of fair value of Investment Properties**

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model was used, as there is a lack of comparable market data because of the nature of the properties. In addition, it measures the office properties 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 2022 of the investment properties.

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

#### **Estimation of net realisable value for inventories**

At year end, the Group holds inventories is stated at the lower of cost and net realisable value (NRV).

NRV for completed inventories work in progress 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 is assessed with reference to market prices at the reporting date for similar completed property, less the estimated costs necessary to make

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

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

- Capital management Note 32
- Financial risk management and policies Note 31
- Sensitivity analyses disclosures Notes 5, 16 and 31.

## **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

## Notes to the Financial Statements

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 ended in 2019 and income tax rate at 10% for 2020 and 2021, thereafter sources falling under the BOI agreement is liable to income tax at 15%. Income from sources falling outside the BOI approved business, is liable to income tax at 30%. Companies in the group other than specified above are also liable

for income tax at 30%. All other operating subsidiaries are liable to pay income tax at 30%.

#### Deferred Taxation

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

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

### **Deferred taxation on Investment Property and owner occupied 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 2022 have been made as per the provisions of the Inland Revenue Act No. 24 of 2017 (as amended subsequently). 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.

### **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.

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) Rental and Service charge

#### **a) Sale of property**

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

## Notes to the Financial Statements

### 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.

### b) Rental and 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 SLFRS 16. These agreements include certain services offered to tenants comprising the overall property management, including common area maintenance services (such as cleaning, security). These services are specified in the lease agreements and separately invoiced.

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

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

### Contract balances

#### Contract assets

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

If the Group performs by transferring goods or services to a customer before the customer pays consideration

or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

#### Trade receivables

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

#### Contract liabilities

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

#### c) Rental Income

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

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

Premiums received to terminate leases are recognised in the Statement of Profit or Loss when they arise.

#### d) Finance Income

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

#### e) Others

Other income is recognized on an accrual basis.

### 2.3.6 Intangible Assets

#### (a) WTC Membership

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

#### (b) Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful life of 5 years. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

#### (c) Goodwill

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

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

### 2.3.7 Inventories

#### 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 may include:

- 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.

Building Stocks that is intended to be sold within one year is classified as 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.

## Notes to the Financial Statements

### 2.3.9 Property, Plant and Equipment

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

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are

included in the Statement of Profit or Loss.

### 2.3.10 Financial Instruments – Initial Recognition and Subsequent Measurement

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

#### 2.3.10.1 Financial Assets

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at 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.

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.

## Notes to the Financial Statements

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
- 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 completed or under development properties that is held, or to be held, to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, both investment property completed and investment property under development are stated at fair value, which reflects market conditions at the reporting date

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

## Notes to the Financial Statements

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 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.

### 2.4 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.

#### SLFRS 17 Insurance Contracts

In 8 January 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 - Insurance Contracts, in 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life,

direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

#### **Definition of Accounting Estimates - Amendments to LKAS 8**

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

#### **Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12**

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

#### **Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2**

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies.

- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

## Notes to the Financial Statements

Year ended 31 December 2022	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
<b>3. REVENUE</b>				
Revenue from contracts with customers	12,391,355,233	5,144,330,796	-	-
Rental and Other Services	2,654,281,275	2,563,800,206	2,112,228,234	1,998,759,199
	15,045,636,508	7,708,131,002	2,112,228,234	1,998,759,199

The Group has entered into leases on its property portfolio. The commercial property leases typically have lease terms between 1 and 5 years and includes clauses to enable upward revision of the rental charge according to prevailing market conditions

Future rental receivables under operating leases as at 31st December 2022 are as follows.

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
No later than 1 year	1,934,310,545	1,923,594,981	1,877,332,827	1,854,169,442
Later than 1 year and no later than 2 years	1,509,668,389	1,265,147,062	1,465,312,198	1,233,372,376
Later than 2 years and no later than 3 years	686,707,762	796,267,541	640,772,541	782,264,310
Later than 3 years and no later than 4 years	354,818,282	282,373,003	304,224,149	282,373,003
Later than 4 years and no later than 5 years	80,800,357	201,302,260	50,664,512	201,302,260
<b>Total</b>	<b>4,566,305,335</b>	<b>4,468,684,847</b>	<b>4,338,306,227</b>	<b>4,353,481,391</b>

### 3.1 Rental Income and Revenue Contract with customers

<b>Property Trading</b>				
Revenue from contracts with customers	12,391,355,233	5,144,330,796	-	-
	12,391,355,233	5,144,330,796	-	-
Rental and other service income (Excluding Straight-Lining of Lease Incentives)	2,593,830,071	2,543,551,762	2,052,523,387	1,978,716,736
Straight-lining of lease incentives	60,451,204	20,248,444	59,704,847	20,042,463
	2,654,281,275	2,563,800,206	2,112,228,234	1,998,759,199
<b>Total rental income and revenue from contracts with customers</b>	<b>15,045,636,508</b>	<b>7,708,131,002</b>	<b>2,112,228,234</b>	<b>1,998,759,199</b>

### 3.2 Operating Expenses

Property Rates and Members Contribution	511,595,478	520,281,608	494,801,322	503,938,501
Cost of Sales of Property Services	327,064,765	453,378,749	-	-
Total Direct Operating Expenses	838,660,243	973,660,357	494,801,322	503,938,501
*Cost of Sales of Apartments	7,363,634,749	3,000,215,593	-	-
	7,363,634,749	3,000,215,593	-	-
Total Direct Operating Expenses and Cost of Sales	8,202,294,992	3,973,875,950	494,801,322	503,938,501

\* Cost of sale of apartments includes Finance Cost and Exchange Difference amount of Rs.225,184,666 and Rs. 1,904,905,228 (2021 : Rs. 325,052,221/- and Rs. 196,231,677/-) respectively.

#### 4. SEGMENTAL INFORMATION

The Group has three business segments, Property Leasing, Property Services and Property Trading. Property Leasing is derived by Overseas Realty (Ceylon) PLC (ORC PLC) and Overseas Realty Investments (Private) Limited (ORIL), Property Services is derived by ORC PLC, ORIL and Realty Management Services (Pvt) Ltd (RMS) and Property Trading is derived through Mireka Capital Land (Pvt) Ltd (MCL) and Mireka Homes (Pvt) Ltd (MHL). ORC PLC and ORIL earns rental income by way of renting out the space at “World Trade Center” located at Echelon Square, Colombo 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 :

2022					
	Property Leasing	Property Services	Property Trading	Inter/Intra Segment Eliminations	Consolidated 2021
	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue from contracts with customers	-	-	12,687,611,908	(296,256,675)	12,391,355,233
Rental & Service Charge	2,190,806,555	463,474,719	-	-	2,654,281,274
<b>Total Revenue</b>	<b>2,190,806,555</b>	<b>463,474,719</b>	<b>12,687,611,908</b>	<b>-</b>	<b>15,045,636,507</b>
Direct Operating Expenses	(511,595,478)	(327,064,765)	-	-	(838,660,243)
Cost of Sales	-	-	(7,449,216,883)	85,582,135	(7,363,634,748)
<b>Gross Profit/ (Loss)</b>	<b>1,679,211,077</b>	<b>136,409,954</b>	<b>5,238,395,025</b>	<b>85,582,135</b>	<b>6,843,341,516</b>
Fair Value Gain on Investment Property	317,025,234	-	-	-	317,025,234
Administration Expenses	(232,831,113)	(108,793,799)	(307,435,190)	-	(649,060,102)
Marketing and Promotional Expenses	-	(3,289,048)	(297,328,335)	-	(300,617,383)
Exchange Gain/(Loss)	162,362,479	12,078,638	14,196,873	-	188,637,991
Finance Cost	(90,896,028)	(2,460,208)	-	31,456,765	(61,899,471)
Finance Income	534,980,876	4,789,582	139,952,674	(31,456,765)	648,266,367
Other Income	55,000,000	-	38,957,027	(55,000,000)	38,957,027
<b>Net Profit Before Tax</b>	<b>2,424,852,525</b>	<b>38,735,119</b>	<b>4,826,738,074</b>	<b>30,582,135</b>	<b>7,024,651,179</b>
2021					
	Property Leasing	Property Services	Property Trading	Inter/Intra Segment Eliminations	Consolidated 2020
	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue from contracts with customers	-	-	5,144,330,796	-	5,144,330,796
Rental & Service Charge	2,082,848,369	613,809,539	-	(132,857,703)	2,563,800,205
<b>Total Revenue</b>	<b>2,082,848,369</b>	<b>613,809,539</b>	<b>5,144,330,796</b>	<b>(132,857,703)</b>	<b>7,708,131,001</b>
Direct Operating Expenses	(520,281,608)	(453,378,749)	-	-	(973,660,357)
Cost of Sales	-	-	(3,088,488,502)	88,272,909	(3,000,215,593)
<b>Gross Profit/ (Loss)</b>	<b>1,562,566,761</b>	<b>160,430,790</b>	<b>2,055,842,294</b>	<b>(44,584,794)</b>	<b>3,734,255,051</b>
Fair Value Gain on Investment Property	(418,712,363)	-	(13,405,000)	-	(432,117,363)
Administration Expenses	(204,973,669)	(98,002,576)	(159,658,680)	-	(462,634,925)
Marketing and Promotional Expenses	-	(1,369,277)	(158,750,845)	-	(160,120,122)
Exchange Gain/(Loss)	11,423,316	(91,541)	6,882,287	-	18,214,062
Finance Cost	(27,124,073)	(1,628,716)	-	14,622,438	(14,130,351)
Finance Income	132,966,215	4,468,140	3,890,523	(14,622,438)	126,702,440
Other Income	(10,083,424)	-	32,965,419	-	22,881,995
<b>Net Profit Before Tax</b>	<b>1,046,062,763</b>	<b>63,806,820</b>	<b>1,767,765,998</b>	<b>(44,584,794)</b>	<b>2,833,050,787</b>

## Notes to the Financial Statements

### 4.2 Segment Assets and Liabilities :

	Property Leasing	Property Services	Property Trading	Inter/Intra Segment Eliminations	Consolidated
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>2022</b>					
Total Assets	46,455,181,295	211,173,879	46,489,687,487	(14,763,758,542)	78,392,284,119
Total Liabilities	2,595,740,414	99,288,617	24,162,830,437	(255,092,272)	26,602,767,196
<b>2021</b>					
Total Assets	45,396,056,656	354,993,041	39,883,589,420	(14,376,656,865)	71,257,982,252
Total Liabilities	2,286,711,289	220,755,716	21,708,545,738	(79,093,058)	24,136,919,685

### 4.3 Other Segment Information :

<b>2022</b>				
	Property Leasing	Property Services	Property Trading	Consolidated
	Rs.	Rs.	Rs.	Rs.
Total Cost Incurred during the Year to Acquire				
- Property, Plant and Equipment	1,067,758	1,465,499	72,243,728	74,776,985
Depreciation				
- Charge for the Year	11,182,383	2,317,753	23,336,319	36,836,455
Amortization	4,586,520	-	-	4,586,520
Employee Benefit Costs	7,757,860	2,465,907	6,883,815	17,107,582
<b>2021</b>				
	Property Leasing	Property Services	Property Trading	Consolidated
	Rs.	Rs.	Rs.	Rs.
Total Cost Incurred during the Year to Acquire				
- Property, Plant and Equipment	1,478,810	2,192,650	1,859,200	5,530,660
Depreciation				
- Charge for the Year	14,062,581	2,606,388	22,988,323	39,657,292
Amortization	4,586,520	-	-	4,586,520
Employee Benefit Costs	5,079,107	3,350,839	4,446,648	12,876,594

## 5. INVESTMENT PROPERTY

The Group's Investment Property consist of those that are completed as well as under development. These are measured at fair value.

### 5.1 Investment Property Completed

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
As at 1 January	27,446,613,713	27,569,848,806	26,548,457,713	26,658,287,806
Additions	-	308,882,270	-	308,882,270
Fair value Gain/(Loss) Completed Investment Property	317,025,234	(432,117,363)	306,545,234	(418,712,363)
As at 31 December, total Completed Investment Property	27,763,638,947	27,446,613,713	26,855,002,947	26,548,457,713

The detail of Fair Value of Investment Properties of the Group as follows;

	Type	Location	Valuation Technique	Area (Acres/Rood/Perch)	Value in Rs
<b>Company</b>					
	Condominium				
Overseas Realty Ceylon PLC	Unit	Colombo 01	Discounted Cash Flow (DCC)	2A	26,474,346,947
Overseas Realty Ceylon PLC	Land	Galle	Open Market Value (OMV)	1A, 2R, 24.7P	380,656,000
					26,855,002,947
<b>Group</b>					
Overseas Realty Investment (Private) Limited	Condominium Unit	Colombo 01	Discounted Cash Flow (DCC)	0A, 1R, 27P	908,636,000
					27,763,638,947

## 5.2 Investment Property Under Development

	2022	2021
	Rs.	Rs.
<b>At 1 January</b>	<b>25,637,156,828</b>	18,981,269,730
Capital Expenditure	<b>11,641,853,990</b>	6,246,750,732
Borrowing Cost Capitalized	<b>983,026,771</b>	409,136,366
<b>At 31 December</b>	<b>38,262,037,589</b>	25,637,156,828

As at 31st December 2022, fair value of Investment Property Under Development closely approximated to the cost incurred.

## 5.3 The significant assumptions used by the valuer in the years 2022 and 2021 are as follows:

Significant Unobservable Inputs	Valuation Technique	Completed Investment property		Investment property under development	
		2022	2021	2022	2021
Estimated Market Rent per sq:ft	Discounted cash flow (DCF method)	: <b>Rs.380-450</b>	: Rs.380-440	: <b>Rs.452-707</b>	: Rs.320-440
Rate of Growth in Future Rentals B10		: <b>1 to 2 years 0%</b>	: 1 to 2 years 0%	: <b>1 to 2 years 0%</b>	-
		: <b>3-10 years 2% p.a.</b>	: 3-10 years 2% p.a.	: <b>3-10 years 5% p.a.</b>	-
		: <b>After 10 years 0% p.a.</b>	: After 10 years 0% p.a.	: <b>After 10 years 0% p.a.</b>	-
Anticipated Maintenance Cost		: <b>47% of rentals</b>	: 46% of rentals	: <b>41% of rentals</b>	: 40% of rentals
Capitalization Rate		: <b>6.75% p.a.</b>	: 6.50% p.a.	: <b>6.25% p.a.</b>	: 5% p.a.
Estimated cost to complete		-	-	: <b>1.5%</b>	14%

### 5.3.A The Group's Investment Property were valued as at 31 December 2022 by Mr. P. B. Kalugalagedara independent professionally qualified, Chartered Valuation surveyer who has recent experience in the locations and types of investment properties valued.

Fair value of the Investment Property was appraised in accordance with Sri Lanka Accounting Standards and 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.

### 5.3.B Description of the valuation technique

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

## Notes to the Financial Statements

### Description of the valuation technique (Investment method)

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, and refurbishment. The appropriate durations are typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flows are typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

### 5.4 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 2022.

The sensitivity of the Statement of Profit or Loss and Statement of Financial Position is the effect of the assumed changes in each aspect (taken individually, while other variables are held constant) on the profit or loss and carrying value of Investment Property for the year.

#### 2022

Increase / (Decrease)				Completed Investment property		Investment property under development	
Capitalisation Rate	Growth in Future Rentals	Anticipated Maintenance Cost	Project completion	Investment Property valuation	Fair Value Gain/(Loss) on Investment Property	Investment Property valuation	Fair Value Gain/(Loss) on Investment Property
				Rs.	Rs.	Rs.	Rs.
1%				23,649,196,614	(3,733,786,333)	32,729,345,367	(5,600,712,047)
-1%				32,437,419,190	5,054,436,243	46,049,822,626	7,719,765,212
	1%			29,292,490,287	1,909,507,340	41,189,389,652	2,859,332,238
	-1%			25,841,495,884	(1,767,608,403)	35,672,272,435	(2,657,784,979)
		5%		26,210,605,071	(1,172,377,876)	36,985,502,638	(1,344,554,776)
		-5%		28,555,361,413	1,172,378,466	39,674,526,569	(53,250,949)
			1%	-	-	38,850,534,918	5,826,706
			-1%	-	-	38,838,881,506	(5,826,706)

#### 2021

Increase / (Decrease)				Completed Investment property		Investment property under development	
Capitalisation Rate	Growth in Future Rentals	Anticipated Maintenance Cost	Project completion	Investment Property valuation	Fair Value Gain/(Loss) on Investment Property	Investment Property valuation	Fair Value Gain/(Loss) on Investment Property
				Rs.	Rs.	Rs.	Rs.
1%				23,753,607,289	(3,815,837,973)	31,971,238,960	(6,011,876,150)
-1%				32,776,432,644	5,218,591,190	21,754,147,672	4,205,215,139
	1%			29,483,389,550	1,910,620,050	25,617,829,545	341,533,265
	-1%			22,146,211,577	(5,411,492,849)	26,300,896,076	(341,533,265)
		5%		21,490,828,130	(6,075,295,858)	28,805,473,355	(2,846,110,545)
		-5%		25,873,189,336	(1,690,145,197)	23,113,252,266	2,846,110,545
			1%	-	-	25,657,509,755	301,853,056
			-1%	-	-	26,261,215,867	(301,853,056)

Company  
2022

Increase / (Decrease)				
Capitalisation Rate	Growth in Future Rentals	Anticipated Maintenance Cost	Investment Property valuation	Fair Value Gain/(Loss) on Investment Property
			Rs.	Rs.
1%			22,864,358,855	(3,609,988,092)
-1%			31,361,292,427	4,886,945,480
	1%		28,320,961,886	1,846,614,939
	-1%		24,765,369,122	(1,708,977,825)
		5%	25,387,091,186	(1,087,255,761)
		-5%	27,561,602,978	1,087,256,031

2021

Increase / (Decrease)				
Capitalisation Rate	Growth in Future Rentals	Anticipated Maintenance Cost	Investment Property valuation	Fair Value Gain/(Loss) on Investment Property
			Rs.	Rs.
1%			22,943,163,607	(3,672,363,653)
-1%			31,634,947,423	5,019,420,163
	1%		28,467,391,464	1,851,864,204
	-1%		21,259,281,196	(5,356,246,064)
		5%	20,627,917,220	(5,987,610,040)
		-5%	24,837,696,245	(1,777,831,015)

5.8 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)

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

	Group		Company	
	2022	2021	2022	2021
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Rental income	2,191	2,083	2,112	1,999
Direct operating expenses	512	520	495	504



## 6.1.3 Net Book Value

	2022	2021
	Rs.	Rs.
<b>At Cost</b>		
Land	86,144,695	86,144,695
Temporary Building	453,884	1,269,891
Equipment	28,603,480	11,213,246
Computers and Electronic Equipment	36,848,390	6,840,863
Furniture and Fittings	28,662,449	12,480,209
Motor Vehicles	872,027	872,027
	<b>181,584,925</b>	<b>118,820,931</b>
<b>At Valuation</b>		
Buildings	1,225,867,636	1,099,528,567
	<b>1,225,867,636</b>	<b>1,099,528,567</b>
	<b>1,407,452,561</b>	<b>1,218,349,498</b>

	At Cost				At Valuation		Total Gross Carrying Amount
	Equipment	Computers and Electronic Equipment	Furniture and Fittings	Motor Vehicles	Buildings		Rs.
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.

## 6.2 Company

## Gross Carrying

## 6.2.1 Amounts

Balance as at 1 January	Equipment	Computers and Electronic Equipment	Furniture and Fittings	Motor Vehicles	Buildings	Total Gross Carrying Amount
2022	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2022	8,625,855	32,244,620	20,243,746	14,160,575	410,497,047	485,771,843
Additions during the Year	87,200	617,501	363,057	-	-	1,067,758
Revaluation	-	-	-	-	56,733,588	56,733,588
<b>Balance as at 31 December 2022</b>	<b>8,713,055</b>	<b>32,862,121</b>	<b>20,606,803</b>	<b>14,160,575</b>	<b>467,230,635</b>	<b>543,573,189</b>

	Equipment	Computers and Electronic Equipment	Furniture and Fittings	Motor Vehicles	Buildings	Total Gross Carrying Amount
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.

## 6.2.2 Depreciation

Balance as at 1 January	Equipment	Computers and Electronic Equipment	Furniture and Fittings	Motor Vehicles	Buildings	Total Gross Carrying Amount
2022	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2022	8,042,168	28,954,992	17,140,936	14,019,627	-	68,157,723
Charge for the Year	11,220	64,632	63,697	-	11,042,834	11,182,383
Transfers*	-	-	-	-	(11,042,834)	(11,042,834)
<b>Balance as at 31 December 2022</b>	<b>8,053,388</b>	<b>29,019,624</b>	<b>17,204,633</b>	<b>14,019,627</b>	<b>-</b>	<b>68,297,272</b>

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

## Notes to the Financial Statements

### 6.2.3 Net Carrying Amounts

	2022	2021
	Rs.	Rs.
<b>At Cost</b>		
Equipment	659,667	583,687
Computers and Electronic Equipment	3,842,497	3,289,628
Furniture and Fittings	3,402,170	3,102,810
Motor Vehicles	140,948	140,948
	<b>8,045,282</b>	7,117,073
<b>At Valuation</b>		
Buildings	467,230,635	410,497,047
	<b>467,230,635</b>	410,497,047
	<b>475,275,917</b>	417,614,120

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 2022 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 2022. 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 6.2.

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 2022 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 2022.

6.5 Cash payments amounting to Rs.74,776,985/- (2021 : Rs.5,530,660/- ) were made during the year by the Group and Rs.1,067,758/- (2021 : Rs.1,478,810/-) 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 :

	2022	2021
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 Property, Plant and Equipment of the Group and the Company includes fully depreciated assets having a gross carrying amount of Rs.91,213,722/- and Rs. 80,771,562/- (2020 : Rs.111,782,994/- and Rs. 63,039,951/-) respectively.

6.8 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	Cumulative Depreciation If assets were carried at cost	Net Carrying Amount 2022	Net Carrying Amount 2021
	Rs.	Rs.	Rs.	Rs.
Group				
Building - Level 18	87,431,566	(34,055,932)	53,375,634	54,832,827
Building - Club House	728,785,769	(116,477,609)	612,308,160	626,883,875

- 6.9 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	Computer Software	Total
	Rs.	Rs.	Rs.
	(Note 7.2)	(Note 7.3)	
<b>Summary</b>			
<b>Cost</b>			
As at 1 January 2022	7,297,734	48,458,072	55,755,806
As at 31 December 2022	7,297,734	48,458,072	55,755,806
<b>Amortization</b>			
As at 1 January 2022	7,297,734	37,031,411	44,329,145
Amortization for the Year	-	4,586,520	4,586,520
As at 31 December 2022	7,297,734	41,617,931	48,915,665
<b>Net book value</b>			
As at 1 January 2022	-	11,426,661	11,426,661
As at 31 December 2022	-	6,840,141	6,840,141

- 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 of Loss.

## 8. INVESTMENTS IN SUBSIDIARIES

	% Holding	Company	
		2022	2021
		Rs.	Rs.
<b>Non-Quoted Investment at cost</b>			
Mireka Capital Land (Pvt) Ltd.	100%	13,634,322,400	13,634,322,400
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	10
Property Mart (Pvt) Ltd.	100%	20	20
Overseas Realty Investments (Pvt) Ltd	100%	74,552,141	74,552,141
		<b>13,821,043,698</b>	13,821,043,698
Provision for Impairment: Hospitality International (Pvt) Ltd.		(112,159,107)	(112,159,107)
		<b>13,708,884,591</b>	13,708,884,591

- 8.1 All subsidiaries are incorporated in Sri Lanka.



## 9.2

Company

Company	Statement of Financial Position			Statement of Profit or Loss			Statement of Other Comprehensive income		
	2022	2021	2022	2021	2022	2021	2022	2021	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
<b>Deferred Tax Assets Arising on:</b>									
Post Employment Benefit Liability	634,110	617,983	102,564	722,271	(86,437)	(104,288)	(86,437)	(104,288)	
	634,110	617,983	102,564	722,271	(86,437)	(104,288)	(86,437)	(104,288)	
<b>Deferred Tax Liability Arising on:</b>									
Investment Property	(537,100,059)	(530,969,154)	(6,130,905)	2,196,602	-	-	-	-	
Property Plant and Equipment	(9,505,518)	(8,352,283)	202,293	327,205	(1,355,528)	63,097	(1,355,528)	63,097	
	(546,605,577)	(539,321,437)	(5,928,612)	2,523,807	(1,355,528)	63,097	(1,355,528)	63,097	
<b>Deferred Tax Expense/(Income)</b>			<b>(5,826,048)</b>	<b>3,246,078</b>	<b>(1,441,965)</b>	<b>(41,191)</b>	<b>(1,441,965)</b>	<b>(41,191)</b>	
<b>Net Deferred Tax Asset/(Liability)</b>	<b>(545,971,467)</b>	<b>(538,703,454)</b>							

## 9.3 Reflected in the Statement of Financial Position as follows:

	2022	2021
	Rs.	Rs.
<b>Balance brought forward</b>	<b>538,703,454</b>	<b>541,908,341</b>
Deferred Income Tax (Credit)/Charge-Statement of Profit or Loss	<b>5,826,048</b>	<b>(3,246,078)</b>
Deferred Income Tax (Credit)/Charge- Statement of Comprehensive Income	<b>1,441,965</b>	<b>41,191</b>
<b>Net Deferred Tax (Asset)/Liability</b>	<b>545,971,467</b>	<b>538,703,454</b>

## Notes to the Financial Statements

### 10. INVENTORIES

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
<b>10.1 Summary</b>				
Land Stock	89,480,683	89,480,683	-	-
Completed Apartments for Sale	2,042,865,754	7,456,495,093	-	-
	2,132,346,437	7,545,975,776	-	-
Consumables and Spares	59,373,508	21,604,168	-	-
	2,191,719,945	7,567,579,944		
<b>10.2 Non Current Inventories</b>				
Land Stock	89,480,683	89,480,683	-	-
	89,480,683	89,480,683	-	-
<b>10.3 Current Inventories</b>				
Completed Apartments for Sale	2,042,865,754	7,456,495,093	-	-
Consumables and Spares	59,373,508	21,604,168	16,195,290	9,628,537
	2,102,239,262	7,478,099,261	16,195,290	9,628,537
	2,191,719,945	7,567,579,944	16,195,290	9,628,537
<b>10.4 A summary of movement in inventories are set out below:</b>				
<b>At 1 January</b>	7,567,579,944	9,784,688,585	9,628,537	8,883,367
Incurred during the year	86,917,275	1,185,612,086	48,096,304	10,083,430
Recognised in Cost of Sales	(5,421,247,724)	(3,393,382,467)	-	-
Recognised in Administration Expense	(41,529,550)	(9,338,259)	(41,529,550)	(9,338,259)
<b>At 31 December</b>	2,191,719,945	7,567,579,944	16,195,290	9,628,537

### 11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Rent and Service Charge Receivables	313,020,914	175,265,084	313,020,914	175,265,084
Trade Receivables	1,648,712,623	2,125,371,076	-	-
	1,961,733,537	2,300,636,160	313,020,914	175,265,084
Other Receivables	1,878,605,936	2,441,723,045	216,403,148	58,824,958
Accrued Rental Income	278,146,592	226,496,607	267,124,104	214,727,762
	4,118,486,065	4,968,855,812	796,548,166	448,817,804
Advances and Prepayments	202,498,942	426,123,309	358,220,286	100,930,851
	4,320,985,007	5,394,979,121	1,154,768,452	549,748,655
<b>11.1 Contract Assets</b>	-	348,038,800	-	-
	-	348,038,800	-	-

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

Group	Total	Past Due but not Impaired					
		Before 30 days	31-60 days	61-90 days	91-120 days	> 150 days	
2022	1,961,733,537	779,744,534	176,379,994	223,361,340	341,906,758	4,638,428	435,702,483
2021	2,300,636,160	674,061,745	319,050,237	214,000,898	67,882,944	41,243,983	984,396,353
<b>Company</b>							
	Total	Past Due but not Impaired					
		Before 30 days	31-60 days	61-90 days	91-120 days	> 150 days	
2022	313,020,914	27,138,662	36,083,365	202,004,034	13,665,958	532,291	33,596,603
2021	175,265,084	2,942,184	44,013,152	99,975,417	2,673,058	138,733	25,522,540

11.3 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, which is over and above the dues on account of rent and service charge receivable. In the case of apartments the group delivers the unit once all payments dues are settled, and has the right to repudiate for non settlement.

## 12. OTHER ASSETS - NON CURRENT

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Amounts Due From Related Party (Note 12.2)	-	-	115,000,000	155,000,000
Unquoted Preference Shares (Note 12.3)	-	-	351,600,000	351,600,000
	-	-	466,600,000	506,600,000
<b>Other Assets - Current</b>				
Group		Company		
2022	2021	2022	2021	
Rs.	Rs.	Rs.	Rs.	
-	-	18,252,426	44,710,863	
-	-	18,252,426	44,710,863	

12.1

## Notes to the Financial Statements

	Relationship	Company	
		2022	2021
		Rs.	Rs.
<b>12.2</b>	<b>Amounts Due From Related Party - Financial Asset- Non Current</b>		
	Overseas Realty Investments (Pvt) Ltd.	115,000,000	155,000,000
		<b>115,000,000</b>	<b>155,000,000</b>

### 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 Assest - Non Current

	Carrying value		
	2022	2021	
		Rs.	Rs.
	Overseas Realty Investments (Pvt) Ltd.	351,600,000	351,600,000
		<b>351,600,000</b>	<b>351,600,000</b>

### 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	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
	Realty Management Services (Pvt) Ltd.	-	-	1,680,114	7,224,303
	Mireka Capital Land (Pvt) Ltd	-	-	-	254,757
	Havelock City (Pvt) Ltd	-	-	4,222,880	682,035
	Mireka Homes (Pvt) Ltd.	-	-	-	1,864,211
	Overseas Realty Investment (Pvt) Ltd.	-	-	12,103,118	32,103,118
	Overseas Realty Trading (Pvt) Ltd.	-	-	246,314	2,582,439
		-	-	<b>18,252,426</b>	<b>44,710,863</b>
	Less : Allowance for Impairment	-	-	-	-
		-	-	<b>18,252,426</b>	<b>44,710,863</b>

## 13. STATED CAPITAL

	2022	2021
	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	<b>18,443,353,347</b>	<b>18,443,353,347</b>

**13.1 Number of Ordinary Shares**

	2022	2021
	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**

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
<b>14.1 Revaluation Reserve</b>				
Balance as at 1 January	437,703,440	411,507,545	397,598,959	394,381,003
Surplus during the Year	151,162,533	30,187,728	67,776,422	3,154,859
Deferred Tax Effect	(13,863,445)	(3,991,833)	(1,355,528)	63,097
Balance as at 31 December	575,002,528	437,703,440	464,019,853	397,598,959

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

**15. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES****15.1 Investments in Money Market Funds and Fixed deposits**

	As at 01.01.2022	Additions/ (Withdrawals)	Fair Value Gain / (Loss)	As at 31.12.2022
	Rs.	Rs.	Rs.	Rs.
<b>15.1.1 Group / Company</b>				
NDB Wealth Management	633,718,285	(633,718,285)	-	-
Guardian Acuity Asset Management Ltd.	595,242,169	(595,242,169)	-	-
Ceybank Asset Management Ltd	591,157,820	(591,157,820)	-	-
Fixed Deposits and REPO	-	-	-	-
	1,820,118,274	(1,820,118,274)	-	-

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. Refer note 33 for fair value information.

## Notes to the Financial Statements

	2022			2021		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>15.2 Interest Bearing Loans and Borrowings</b>						
<b>15.2.1 Group</b>						
Loan from Bank of Ceylon (BOC) (Note 15.2.3)	2,522,025,011	-	2,522,025,011	2,408,555,110	-	2,408,555,110
Loan from NITB (Note 15.2.4)	-	-	-	67,500,000	-	67,500,000
Loan from DFCC (Note 15.2.5)	-	-	-	150,000,000	-	150,000,000
Loan from DFCC (Note 15.2.6)	-	-	-	5,379,000,000	-	5,379,000,000
Loan from Commercial Bank (Note 15.2.7)	5,000,000	-	5,000,000	4,080,000	-	4,080,000
Bank Overdrafts (Note 21)	158,953,529	-	158,953,529	92,977,638	-	92,977,638
	2,685,978,540	-	2,685,978,540	8,102,112,748	-	8,102,112,748
<b>15.2.2 Company</b>						
Bank Overdrafts	60,508,925	-	60,508,925	-	-	-
<b>Total Loans and Overdraft</b>	<b>60,508,925</b>	<b>-</b>	<b>60,508,925</b>	<b>-</b>	<b>-</b>	<b>-</b>

Movement in the Interest Bearing Loans and Borrowings

	As At 01.01.2022	Loans Obtained during the Year	Repayments	Exchange Difference	As At 31.12.2022
	Rs.	Rs.	Rs.	Rs.	Rs.

**15.2.3 Loan - Bank of Ceylon**

Revolving Loan	2,408,555,110	-	(1,791,435,327)	1,904,905,228	2,522,025,011
	2,408,555,110	-	(1,791,435,327)	1,904,905,228	2,522,025,011

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.

	As At 01.01.2022	Loans Obtained during the Year	Repayments	Exchange Difference	As At 31.12.2022
	Rs.	Rs.	Rs.	Rs.	Rs.

**15.2.4 Loan - Nations Trust Bank**

Loan - NTB	67,500,000	-	(67,500,000)	-	-
	67,500,000	-	(67,500,000)	-	-

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.

	As At 01.01.2022	Loans Obtained during the Year	Repayments	Exchange Difference	As At 31.12.2022
	Rs.	Rs.	Rs.	Rs.	Rs.

**15.2.5 Loan - DFCC**

Loan - DFCC	150,000,000	-	(150,000,000)	-	-
	150,000,000	-	(150,000,000)	-	-

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.

	As At 01.01.2022	Loans Obtained during the Year	Repayments	Exchange Difference	As At 31.12.2022
	Rs.	Rs.	Rs.	Rs.	Rs.

**15.2.6 Loan - DFCC**

Loan - DFCC	5,379,000,000	-	(5,379,000,000)	-	-
	5,379,000,000	-	(5,379,000,000)	-	-

As per the loan agreement Interest payable at monthly AWPLR plus 0.85% per annum. The loan proceeds has been utilized for Commercial Complex project.

## Notes to the Financial Statements

	As At 01.01.2022	Loans Obtained during the Year	Repayments	Exchange Difference	As At 31.12.2022
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>15.2.7 Loan - Commercial Bank</b>					
Loan - Commercial	4,080,000	5,000,000	(4,080,000)	-	5,000,000
	4,080,000	5,000,000	(4,080,000)	-	5,000,000

As per the loan agreement Interest is payable monthly at 5% per annum. The loan proceeds has been utilized for two months working capital requirements of the business.

## 16. POST EMPLOYMENT BENEFIT LIABILITY

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 1 January</b>	<b>56,707,920</b>	59,757,680	<b>30,899,154</b>	31,034,450
Charge for the Year (Note 16.1)	<b>17,107,582</b>	12,821,015	<b>7,757,860</b>	5,079,107
Actuarial Gain	<b>(5,650,876)</b>	(12,774,397)	<b>(4,321,850)</b>	(5,214,403)
Payments Made during the Year	<b>(10,474,807)</b>	(3,096,380)	<b>(2,629,652)</b>	-
<b>Balance as at 31 December</b>	<b>57,689,819</b>	56,707,918	<b>31,705,512</b>	30,899,154
<b>16.1 Post Employee Benefit Expense for Year Ended 31 December</b>				
Current Service Cost	<b>12,530,096</b>	9,764,028	<b>3,720,949</b>	3,930,273
Interest Cost	<b>5,043,994</b>	4,089,591	<b>3,463,794</b>	2,125,859
Past service cost	<b>(466,508)</b>	(1,032,604)	<b>573,117</b>	(977,025)
Post Employment Benefit Expense	<b>17,107,582</b>	12,821,015	<b>7,757,860</b>	5,079,107
<b>Actuarial Gain or loss</b>				
Actuarial changes arising from changes in financial assumptions	<b>(5,650,877)</b>	(12,774,397)	<b>(4,321,850)</b>	(5,214,403)
	<b>(5,650,877)</b>	(12,774,397)	<b>(4,321,850)</b>	(5,214,403)

**16.2** Messrs. Piyal S Goonetilleke and Associates : Actuaries, carried out an actuarial valuation of the Group as at 31 December 2022. Appropriate and compatible assumptions were used in determining the cost of post employment benefits. The principal assumptions used are as follows:

	2022	2021
<b>a) Demographic Assumptions</b>		
Retirement Age :	60 Years	60 Years

b) Assumed rate of employee turnover is 19% from age 20 to age 30. Such is estimated to decrease between 13% to 17% in respect of ages 35 to 40 & 10% from age 45 to 50. From which point onwards up to retirement it is estimated at 1% p.a.

	2022	2021
<b>c) Financial Assumptions</b>		
Discount Rate	<b>18.00%</b>	11.21%
Salary Increment Rate	<b>12%</b>	8%
Expected Average Future Working Life of Employees	<b>6.25 years</b>	5.9 years

### 16.3 Discount Rate

The group uses market yields at the end of the reporting date on Treasury Bonds issued by the Government of Sri Lanka for the remaining maturity corresponds with the remaining average working life of the employees of the group to determine the Discount Rate. However, due to the economic conditions prevailing in the country as at the reporting date, the exceptionally high Treasury Bond market yields would not be a reasonable reflection of the time value of money. Therefore, year-end Treasury Bond market yields have been adjusted for the credit risk spread to derive the rate used to discount the defined benefit obligation.

Such adjustment has been made based on the method set out in illustration 1 of the 'Frequently Asked Questions (FAQs) on Use of Discount Rate under the Uncertain Economic Conditions' issued by the Institute of Chartered Accountants of Sri Lanka. Credit Risk Spread has been calculated based on Sovereign Default and Recovery Rates published by Moody's. Adjusted Discount Rate has been calculated for tenors available, and estimated using the yield curve for any remaining maturities and corresponds with the remaining average working life of the employees of the group.

### 16.4 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 2022.

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

Increase/(Decrease)		Group		Company	
		2022			
In Discount Rate	Salary Increment Rate	Effect on Income Statement (reduction) / increase in results for the Year 2022	Performa Post Employment Benefit Liability 2022	Effect on Income Statement (reduction) / increase in results for the Year 2022	Performa Post Employment Benefit Liability 2022
		Rs.	Rs.	Rs.	Rs.
-1%	-	2,453,019	60,142,838	1,323,118	33,028,630
1%	-	(2,257,321)	55,432,498	(1,234,499)	30,471,013
-	-1%	(2,256,438)	55,433,381	(1,192,407)	30,513,105
-	1%	2,417,598	60,107,417	1,258,271	32,963,783

### 16.5 Maturity analysis of the payment

The following payments are expected on employee benefit plan - Gratuity in future years.

As at 31st December	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Within the next 12 Months	7,954,790	6,932,386	3,343,741	2,194,244
Between 1 and 2 years	15,412,412	7,962,739	5,087,465	3,921,945
Between 2 and 5 years	56,362,165	55,827,261	39,570,009	39,339,531
Between 5 and 10 years	96,421,735	63,390,162	41,823,090	27,882,909
Beyond 10 years	436,964,616	139,188,336	109,029,002	53,362,139
Total Expected payments	613,115,718	273,300,884	198,853,307	126,700,768

## 17. TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Trade Payables - Related Parties	-	-	-	-
- Payable to Contractor	658,527,102	1,976,908,887	50,000	441,617
- Others	24,884,032	161,838,963	-	-
	683,411,134	2,138,747,850	50,000	441,617
Other Payables	60,937,622	72,254,482	3,641,376	2,703,817
Sundry Creditors including Accrued Expenses	654,077,176	607,673,700	11,663,712	88,023,695
	1,398,425,932	2,818,676,032	15,355,088	91,169,129

## Notes to the Financial Statements

### 18. RENTAL AND CUSTOMER DEPOSITS

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Rental Deposits	1,244,274,280	1,232,189,079	1,218,437,310	1,200,171,780
Customer Deposits	3,012,630	704,701,022	-	-
	1,247,286,910	1,936,890,101	1,218,437,310	1,200,171,780
<b>Classified Under:</b>				
Current Liabilities	1,247,286,910	1,936,890,101	1,218,437,310	1,200,171,780
Non Current Liabilities	-	-	-	-
<b>Total</b>	<b>1,247,286,910</b>	<b>1,936,890,101</b>	<b>1,218,437,310</b>	<b>1,200,171,780</b>

### 19. AMOUNTS DUE TO RELATED PARTIES

	Relationship	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
Mireka Capital Land (Pvt) Ltd.	Subsidiary	-	-	35,075,261	728,450
Realty Management Services (Pvt) Ltd	Subsidiary	-	-	-	85,460
Mireka Homes (Pvt) Ltd.	Subsidiary	-	-	206,761,193	-
Management Corporation Condominium Plan 1824	Other Related Party	36,307,272	1,052,460	36,307,272	1,052,460
Shing Kwan Pte Ltd - Loan (Note 19.1 & 19.2)	Affiliate	3,288,572,207	1,689,614,912	-	-
Shing Kwan Investment (Singapore) Pte Ltd - Loan (Note 19.1 & 19.2)	Affiliate	16,277,514,323	8,363,122,111	-	-
		19,602,393,802	10,053,789,483	278,143,726	1,866,370
<b>Classified Under:</b>					
Current Liabilities		36,307,272	1,052,460	278,143,726	1,866,370
Non Current Liabilities		19,566,086,530	10,052,737,023	-	-
<b>Total</b>		<b>19,602,393,802</b>	<b>10,053,789,483</b>	<b>278,143,726</b>	<b>1,866,370</b>

#### 19.1 Terms of the loans

Interest rate	3 months LIBOR + 2% p.a
Repayment of loan and interest	7 years from commencement of commercial operations or 31.12.2021 whichever occurs latter

## 19.2

	As At 31.12.2021		Interest Cost		Exchange Difference		As At 31.12.2022		As At 31.12.2022		As At 31.12.2021	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	USD	USD	USD	USD		
Shang Kwan Pte Ltd	1,689,614,912	148,630,720	1,450,326,575	3,288,572,207	8,847,145	8,416,513						
Shing Kwan Investment (Singapore) Pte Ltd	8,363,122,111	735,680,565	7,178,711,647	16,277,514,323	43,790,897	41,659,388						
	10,052,737,023	884,311,285	8,629,038,222	19,566,086,530	52,638,042	50,075,900						

The Interest Cost and the Exchange Difference was capitalized to the Development Cost of the Havelock City (Pvt) Ltd's Commercial Complex during the construction Period.

## 20. DIVIDENDS PAID AND PAYABLE

Dividend per share is calculated by dividing the dividend paid/proposed for the year attributable to ordinary share holders of the Company by the weighted average number of ordinary shares outstanding during the year. Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors and approved by the shareholders.

Dividends for the year, that are approved after the reporting date and not provided for, are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standard - LKAS 10 on "Events after the Reporting Period" as stated in Note 30.

	Note	2022	2021
For the year ended 31st December			
Dividend proposed	20.1	1,553,786,978	1,553,786,978
Weighted average number of ordinary shares		1,243,029,582	1,243,029,582
Dividend per share		1.25	1.25

## 20.1

## Dividend Paid/ Proposed During the Year

	2022	2021
Final dividend of Rs. 1.25 per share proposed for 2021 was paid on 12th May 2022	-	1,553,786,978
Final dividend of Rs. 1.25 per share proposed for 2022	1,553,786,978	-
	1,553,786,978	1,553,786,978

## 20.2

## Dividends Payable as at the end of the Year

	2022	2021
Dividends on Ordinary Shares Unclaimed	30,941,756	24,406,052
	30,941,756	24,406,052

## Notes to the Financial Statements

### 21. CASH AND SHORT TERM DEPOSITS

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	448,073,646	1,194,550,689	19,097,626	636,125,018
Call Deposits and Fixed Deposits	3,852,083,194	501,920,491	2,803,044,195	200,792,031
	4,300,156,840	1,696,471,180	2,822,141,821	836,917,049
Bank Overdraft (Note 15.2.2)	(158,953,529)	(92,977,638)	(60,508,925)	-
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	4,141,203,311	1,603,493,542	2,761,632,896	836,917,049

### 22. FINANCE COST AND INCOME

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
<b>22.1 Finance Cost</b>				
Interest Expense on Interest Bearing Loans and Borrowings	-	-	-	9,405
Fair Value Adjustment on Rental Deposits	61,899,471	14,130,350	59,439,263	12,492,229
	61,899,471	14,130,350	59,439,263	12,501,634
<b>22.2 Finance Income</b>				
Income from Investments				
- Interest on Fixed Deposits	197,663,140	14,201,631	57,710,466	8,389,153
- Income from Investment in Fair Value through Profit & Loss	328,144,939	107,399,410	328,144,939	107,399,410
Amortization of Deferred Lease Interest Income on Rental Deposits	116,835,565	2,026,488	116,835,565	1,244,544
Interest Income - Related party loan	5,622,723	3,074,911	30,435,730	14,503,379
	648,266,367	126,702,440	533,126,700	131,536,486
<b>22.3 Other Income</b>				
Dividend Income	-	-	55,000,000	-
Club House Income & Other Income	38,957,027	32,965,419	-	-
Gain/(Loss) on Disposal of Property, Plant and Equipment	-	(10,083,424)	-	(10,083,424)
	38,957,027	22,881,995	55,000,000	(10,083,424)

### 23. PROFIT BEFORE TAX

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
<b>Stated after Charging /(Crediting)</b>				
Directors Fee	4,885,113	2,675,000	-	-
Auditors Remuneration	5,258,296	4,792,030	2,304,115	2,000,000
Depreciation Charge for the Year	36,836,455	39,341,349	11,182,383	14,062,581
Exchange (Gain)/Loss	(188,637,991)	(18,214,062)	(162,362,479)	(11,423,316)
(Profit)/Loss on Disposal of Property, Plant and Equipment	-	10,083,424	-	10,083,424
Employee Benefit Expenses Including the following:				
- Staff salaries	370,030,701	357,299,865	123,747,163	114,327,280
- Defined Benefit Plan Cost - Gratuity	17,107,582	12,821,015	7,757,860	5,079,107
- Defined Contribution Plan Cost - EPF & ETF	51,308,899	38,291,296	14,102,393	12,648,112
Amortization / write off of Intangible Assets	4,586,520	4,586,520	4,586,520	4,586,520

## 24. TAX EXPENSES

The major components of income tax expense for the years ended 31 December 2022 and 31 December 2021 are as follows :

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
<b>24.1 Statement of Profit or Loss</b>				
Current Tax Expense	907,734,661	345,095,492	160,079,145	71,509,592
Over Provision of Current Taxes in respect of Prior Year	(12,143,108)	(9,679,854)	(11,800,506)	(11,029,608)
<b>Deferred tax:</b>				
Recognition of Deferred Tax on Temporary Differences	21,532,543	(1,710,168)	5,826,048	(3,246,078)
Recognition of Deferred Tax on Income Tax Rate Change	28,189,598	-	-	-
<b>Income Tax Expense Reported in the Statement of Profit or Loss</b>	<b>945,313,694</b>	<b>333,705,470</b>	<b>154,104,687</b>	<b>57,233,906</b>

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

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Accounting Profit Before Tax	7,024,651,179	2,833,050,788	2,382,760,195	992,479,044
Income Exempted from Tax	(57,710,466)	(8,783,580)	(57,710,466)	(8,389,153)
Less : Other Income	(306,032,689)	133,333,336	(303,580,669)	(134,810,762)
Aggregate Disallowed Items	275,277,616	99,786,388	4,162,730	1,108,471,336
Aggregate Allowed Item	(454,984,141)	(227,737,453)	-	-
Net Profit /(Loss) from Trade	6,481,201,499	2,829,649,479	2,025,631,790	1,957,750,465
Other Income	448,921,734	142,100,666	303,580,669	134,810,762
Total Statutory Income	6,930,123,233	3,016,334,939	2,329,212,459	2,092,561,227
Less Tax Losses Claimed	(47,486,772)	(28,523,011)	-	-
Assessable Liabile Income	6,882,636,461	2,987,811,928	2,329,212,459	2,092,561,227
Income Tax at the Concession Rate 2%	40,512,636	39,155,009	40,512,636	39,155,009
Income Tax at the Concession Rate 15%	696,469,595	-	-	-
Income Tax at the Statutory Rate 24%	56,489,854	305,940,483	119,566,509	32,354,583
Income Tax at the Statutory Rate 30%	114,262,576	-	-	-
<b>Current Tax Expense on Total Assessable income</b>	<b>907,734,661</b>	<b>345,095,492</b>	<b>160,079,145</b>	<b>71,509,592</b>

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 2022 amounting to Nil and Rs.438 Mn (2021- Nil and Rs 480 Mn) respectively.

24.5 According to the Inland Revenue (Amendment) Act, No. 45 Of 2022, the group and the company liable to pay tax at 30% with effect from 01.07.2022. Meanwhile, the Social Security Contribution Levy (SSCL) of 2.5% that was introduced commencing from 1st October 2022.

## 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.

## Notes to the Financial Statements

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

	Company	
	2022	2021
	Rs.	Rs.
<b>Amounts Used as the Numerator</b>		
Net Profit Attributable to Shareholders for Earnings Per Share	6,079,337,485	2,499,345,318
<b>Number of Ordinary Shares Used as the Denominator</b>		
Weighted Average Number of Ordinary Shares in Issue Applicable to Earnings Per Share (Note 25.3)	1,243,029,582	1,243,029,582
<b>25.3 Weighted Average Number of Ordinary Shares in Issue Applicable to Earnings Per Share</b>		
Ordinary Shares at the beginning of the year	1,243,029,582	1,243,029,582
Weighted Average Number of Ordinary Shares in Issue	1,243,029,582	1,243,029,582

## 26. RELATED PARTY DISCLOSURES

### 26.1 Transactions with Related Entities

	Group		Company	
	2022	2021	2022	2021
<b>26.1.1 Subsidiaries</b>				
Amounts Receivable as at 1 January	-	-	551,310,863	590,226,996
Amounts Payable as at 1 January	-	-	(1,866,370)	(811,823)
Loan Interest	-	-	30,435,730	14,503,379
Reimbursements / (Settlements)	-	-	(283,484,071)	(52,607,689)
Amounts Receivable as at 31 December	-	-	18,252,426	551,310,863
Amounts Payable as at 31 December	-	-	278,143,726	(1,866,370)
<b>26.1.2 Affiliates</b>				
Amounts Receivable as at 1 January	-	-	-	-
Amounts Payable as at 1 January	(10,052,737,024)	(9,148,728,193)	-	-
(Funds received) / Settlements	-	-	-	-
Interest Accrued	(884,311,285)	(218,160,398)	-	-
Other	(8,629,038,221)	(685,848,433)	-	-
Amounts Receivable as at 31 December	-	-	-	-
Amounts Payable as at 31 December	(19,566,086,530)	(10,052,737,024)	-	-

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, and the Chief Executive Officer of the Group and the Management Committee.

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

	2022	2021
	Rs.	Rs.
Fees for Directors	4,885,113	2,675,000
Emoluments	106,290,705	90,074,958
Short Term Employment Benefits	9,920,000	8,680,000
Post Employment Benefits	13,677,522	10,215,234
	<b>134,773,340</b>	111,645,192

## 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	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
<b>Contracted but not Provided for</b>				
Enterprise Resources Planning	960,705	960,705	960,705	960,705
Havelock City Project	500,608,038	5,026,085,969	-	-
	<b>500,608,038</b>	5,027,046,674	<b>960,705</b>	960,705

## 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 has appealed against the TAC Determination in the court of Appeal. Although there can be no assurance, the Directors believe, based on the expert advice received and the information currently available, that the ultimate resolution of the said legal proceedings 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 Homes (Pvt) Ltd (MHL) has been assessed for ESC amounting to Rs 2.9 Mn plus penalties and the Company has appealed against same. Further the Department of Inland Revenue has raised assessments disallowing input VAT of Rs 324 Mn and the Company has appealed at the Tax Appeal Commission and the TAC determination has been issued dismissing the said appeal of the company. The Company has appealed against the TAC Determination in the court of Appeal. 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 favorable to the Company and therefore would not have an adverse effect on the results of operations or financial position.

## Notes to the Financial Statements

### 29. ASSETS PLEDGED

Company	Nature of the Asset	Nature of Liability	Land Extent			Group	
						Carrying amount of the Assets pledged	
						2022	2021
			A	R	P	Rs.	Rs.
Have lock City (Pvt) Ltd	Land and Building	Primary mortgage over loans and borrowings to the extent of Rs.9 Bn	4	3	31.75	<b>38,262,037,589</b>	25,902,275,556

### 30. EVENTS OCCURRING AFTER THE REPORTING DATE

Pursuant to the resolution adopted on 22 February 2023, the Board of directors of the company approved, a payment of a final dividend of Rs. 1,553,786,978 for the financial year ended 31 December 2022.

Except for the above, no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the Financial Statements.

### 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 <sup>1</sup>
<b>Group</b>		
Cash at bank and in hand	425,152,120	62,058
Short term deposits	3,337,038,998	1,404,500
Interest Bearing Loans & Borrowings	103,444,604	59,422,968
<b>Company</b>		
Cash at bank and in hand	10,658,610	23,013
Short term deposits	2,288,000,000	1,404,500

#### 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.

	Group		Company	
	2022	2021	2022	2021
<b>Financial Assets and Liabilities</b>				
Financial Assets	<b>3,852,083,194</b>	2,322,038,765	<b>2,803,044,195</b>	2,020,910,305
Financial Liabilities	<b>2,685,978,540</b>	8,102,112,748	-	-

		Group		Company	
		2022	2021	2022	2021
<b>Cash flow sensitivity analysis for financial instruments</b>	Increase/Decrease				
Financial Assets	+ - 1000 bp	<b>38,520,832</b>	23,220,388	<b>28,030,442</b>	20,209,103
Financial Liabilities	+ - 1000 bp	<b>26,859,785</b>	81,021,127	-	-

#### 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
2022	USD 60.7 Mn	371.71	+5%	1,129,038,019
			+15%	3,387,114,056
			+25%	5,645,190,094
2021	USD 62.9 Mn	200.75	+5%	627,788,913
			+15%	1,883,366,739
			+25%	3,138,944,566

The movement on the post-tax effect is a result of a change in the fair value of monetary assets and liabilities denominated in US dollars, where the functional currency of the entity is a currency other than US dollars.

### 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.

## Notes to the Financial Statements

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

### 2022

#### 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	-	-	1,398,425,932	-	-	1,398,425,932
Amounts due to Related Parties	-	-	36,307,272	-	19,566,086,530	19,602,393,802
Interest Bearing Loans and Borrowings	-	-	2,685,978,540	-	-	2,685,978,540
Rental and Customer Deposit	-	139,421,238	434,306,330	673,559,342	-	1,247,286,910
	-	139,421,238	4,555,018,074	673,559,342	19,566,086,530	24,934,085,184

#### 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	-	-	15,355,088	-	-	15,355,088
Amounts due to Related Parties	-	-	278,143,726	-	-	278,143,726
Rental and Customer Deposit	-	139,421,238	222,614,537	856,401,535	-	1,218,437,310
	-	139,421,238	516,113,351	856,401,535	-	1,511,936,124

### 2021

#### 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	-	-	3,065,875,267	-	-	3,065,875,267
Amounts due to Related Parties	-	-	1,052,460	10,052,737,023	-	10,053,789,483
Interest Bearing Loans and Borrowings	-	-	8,102,112,748	-	-	8,102,112,748
Rental and Customer Deposit	-	219,581,530	397,483,563	1,072,625,774	-	1,689,690,867
	-	219,581,530	11,566,524,038	11,125,362,797	-	22,911,468,365

**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	-	-	338,368,364	-	-	338,368,364
Interest Bearing Loans and Borrowings	-	-	1,866,370	-	-	1,866,370
Rental and Customer Deposit	-	219,581,530	185,791,770	547,559,246	-	952,932,545
	-	219,581,530	526,026,504	547,559,246	-	1,293,167,279

**32. CAPITAL MANAGEMENT**

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

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The primary objective of the Group's capital management is to ensure that it remains within its quantitative banking covenants and maintains a strong credit rating. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021.

**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 2022, the Group held the following financial instruments carried at fair value on the statement of financial position:

**b) Financial Assets measured at fair value**

	2022	Level 1	Level 2	Level 3
	Rs.	Rs.	Rs.	Rs.
Short Term Investments (Note 15.1)	-	-	-	-

	2021	Level 1	Level 2	Level 3
	Rs.	Rs.	Rs.	Rs.
Short Term Investments (Note 15.1)	1,820,118,274	1,820,118,274	-	-

During the reporting period ending 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

# Group Performance - Ten Year Summary

Rs. Mn

INCOME STATEMENT	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Rental Revenue	2,387	2,083	2,261	2,409	2,334	2,090	1,886	1,962	1,764	1,590
Revenue from Other Services	267	481	344	414	351	292	259	205	104	69
Apartment Revenue	12,392	5,144	2,192	6,098	4,100	1,935	285	974	4,329	3,190
<b>Total Revenue</b>	<b>15,046</b>	<b>7,708</b>	<b>4,797</b>	<b>8,922</b>	<b>6,785</b>	<b>4,317</b>	<b>2,431</b>	<b>3,141</b>	<b>6,198</b>	<b>4,848</b>
Direct Operating Expenses	(839)	(974)	(757)	(833)	(768)	(695)	(615)	(548)	(482)	(424)
Cost of Sales of Apartment	(7,364)	(3,000)	(1,610)	(3,838)	(2,272)	(1,307)	(160)	(653)	(3,308)	(2,635)
<b>Gross Profit</b>	<b>6,843</b>	<b>3,734</b>	<b>2,429</b>	<b>4,251</b>	<b>3,744</b>	<b>2,316</b>	<b>1,656</b>	<b>1,940</b>	<b>2,408</b>	<b>1,789</b>
Fair Value Gain /(Loss) on Investment Property	317	(432)	(281)	774	1,223	1,191	1,267	1,175	1,016	930
Other Operating Expenses	(949)	(623)	(541)	(588)	(523)	(417)	(323)	(305)	(266)	(268)
Net Finance Income	586	113	210	212	253	450	277	169	155	175
<b>Profit from Operating Activities</b>	<b>6,797</b>	<b>2,792</b>	<b>1,817</b>	<b>4,648</b>	<b>4,697</b>	<b>3,540</b>	<b>2,878</b>	<b>2,979</b>	<b>3,312</b>	<b>2,626</b>
Other Income	39	23	20	4	41	41	85	84	64	-
Exchange Gain / (Loss)	189	18	9	(10)	222	175	11	10	10	15
<b>Net Profit Before Tax</b>	<b>7,025</b>	<b>2,833</b>	<b>1,847</b>	<b>4,642</b>	<b>4,960</b>	<b>3,756</b>	<b>2,974</b>	<b>3,073</b>	<b>3,386</b>	<b>2,641</b>
Income Taxes	(946)	(334)	(113)	(307)	(142)	(582)	(44)	(42)	(50)	(2)
<b>Net Profit After Tax</b>	<b>6,079</b>	<b>2,499</b>	<b>1,734</b>	<b>4,336</b>	<b>4,817</b>	<b>3,173</b>	<b>2,930</b>	<b>3,031</b>	<b>3,336</b>	<b>2,639</b>
Profit Attributable to Equity Holders of the Parent	6,079	2,499	1,734	4,336	4,817	3,173	2,911	2,991	2,957	2,435
Non-controlling Interest	-	-	-	-	-	-	19	40	379	204
	6,079	2,499	1,734	4,336	4,817	3,173	2,930	3,031	3,336	2,639
<b>STATEMENT OF FINANCIAL POSITION</b>										
<b>Assets</b>										
<b>Non-Current Assets</b>										
Investment Property	27,764	27,447	27,570	27,851	27,077	25,854	24,652	22,579	21,405	20,389
Property Plant & Equipment	39,670	26,856	20,215	12,100	5,965	3,799	1,782	1,598	1,559	703
Intangible Assets	7	11	16	11	0	1	2	12	14	18
Inventory	89	89	89	89	266	1,841	3,193	2,362	2,125	1,785
Deferred Tax Assets	138	116	142	139	170	154	149	29	27	41
	67,668	54,519	48,033	40,190	33,478	31,649	29,779	26,581	25,130	22,937
<b>Current Assets</b>										
Inventory	2,102	7,478	9,695	9,071	6,967	1,983	94	272	424	3,565
Trade & Other Receivables	4,321	5,743	4,089	4,468	4,688	2,445	1,456	892	1,379	1,448
Other Assets	-	-	372	217	-	-	-	-	-	-
Amounts due From Related Parties	-	-	-	-	-	-	-	1	9	25
Income Tax Recoverable	2	2	11	-	23	14	17	-	10	2
Short Term Investments	-	1,820	2,399	2,275	2,018	2,615	1,473	2,862	2,155	1,236
Cash & Short Term Deposits	4,300	1,696	1,307	1,012	2,877	4,817	1,344	1,666	1,170	1,680
	10,725	16,739	17,873	17,043	16,573	11,874	4,383	5,693	5,146	7,956
<b>TOTAL ASSETS</b>	<b>78,393</b>	<b>71,258</b>	<b>65,906</b>	<b>57,233</b>	<b>50,050</b>	<b>43,522</b>	<b>34,161</b>	<b>32,274</b>	<b>30,276</b>	<b>30,893</b>

STATEMENT OF FINANCIAL POSITION	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Equity &amp; Liabilities</b>										
Stated Capital	18,443	18,443	18,443	18,443	18,443	18,443	11,163	11,163	10,186	10,186
Revaluation Reserve	575	438	412	393	373	335	464	291	265	239
Retained Earnings	32,771	28,240	25,727	23,998	21,219	17,956	16,207	17,151	15,478	13,750
Equity Attributable to Equity Holders	51,790	47,121	44,582	42,834	40,035	36,734	27,833	28,605	25,929	24,175
Minority Interest	-	-	-	-	-	-	-	1,512	1,507	1,147
<b>Total Equity</b>	<b>51,790</b>	<b>47,121</b>	<b>44,582</b>	<b>42,834</b>	<b>40,035</b>	<b>36,734</b>	<b>27,833</b>	<b>30,117</b>	<b>27,436</b>	<b>25,322</b>
<b>Non-Current Liabilities</b>										
Interest Bearing Loans & Borrowings	-	-	-	-	-	-	-	46	96	146
Non Interest Bearing Borrowings & Loans	-	-	-	-	-	-	-	-	-	-
Post Employment Benefit Liability	58	57	60	48	40	30	27	27	21	18
Customer Deposit	-	-	-	1	1,138	735	1,215	323	-	-
Amounts due to Related Parties	19,566	10,053	9,149	4,426	1,050	825	759	-	-	-
Deferred Tax Liability	923	837	860	859	831	775	226	23	-	-
<b>Total Non Current Liabilities</b>	<b>20,546</b>	<b>10,947</b>	<b>10,068</b>	<b>5,333</b>	<b>3,059</b>	<b>2,365</b>	<b>2,226</b>	<b>418</b>	<b>117</b>	<b>163</b>
<b>Current Liabilities</b>										
Trade & Other Payables	1,398	3,066	2,425	2,980	2,812	1,301	780	782	825	1,594
Rental Income Received in Advance	-	-	-	-	-	131	105	-	-	-
Rental & Customer Deposits	1,247	1,690	1,212	1,217	1,080	927	856	875	904	1,888
Amounts Due to Related Parties	36	1	-	-	51	22	35	21	-	12
Interest Bearing Loans & Borrowings	2,686	8,102	7,471	4,692	2,914	2,007	2,304	50	986	1,888
Non Interest Bearing Borrowings & Loans	-	-	-	-	-	-	-	-	-	-
Income Tax Payable	658	308	123	152	79	19	8	4	2	21
Dividend Payable	31	24	24	25	21	16	13	7	5	3
<b>Total Current Liabilities</b>	<b>6,057</b>	<b>13,191</b>	<b>11,256</b>	<b>9,066</b>	<b>6,956</b>	<b>4,424</b>	<b>4,101</b>	<b>1,739</b>	<b>2,723</b>	<b>5,407</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>78,393</b>	<b>71,258</b>	<b>65,906</b>	<b>57,233</b>	<b>50,050</b>	<b>43,522</b>	<b>34,161</b>	<b>32,274</b>	<b>30,276</b>	<b>30,893</b>
Earnings Per Share	4.89	2.01	1.40	3.49	3.88	2.55	3.28	3.44	3.48	2.89
Earnings Per Share (Excluding Fair Value Loss)	4.63	2.36	1.62	2.87	2.89	1.59	1.85	2.09	2.29	1.78
Dividend Per Share	1.25	1.25	-	-	1.25	1.25	1.50	1.50	1.45	0.30
Net Asset Value Per Share	41.66	37.91	35.87	34.46	32.21	29.55	31.35	32.22	30.74	28.66
Share Value (High)	25.40	21.50	15.00	17.20	18.80	21.80	26.10	24.10	29.30	21.30
Share Value (Low)	11.00	13.80	12.10	14.20	15.30	16.80	19.30	20.50	18.50	13.90
Current Ratio	1.77	1.27	1.59	1.88	2.38	2.68	1.07	3.27	1.89	1.47
Return on equity (%)	12%	5%	4%	10%	13%	10%	10%	11%	13%	11%
Total Debt to Total Assets (%)	34%	34%	32%	25%	20%	16%	19%	7%	9%	18%
Debt Equity Ratio (%)	5%	17%	17%	11%	7.3%	5.5%	8.3%	0.3%	4%	8%
Return on Assets (%)	8%	4%	3%	8%	10%	8%	9%	10%	11%	9%
Asset Turnover (%)	20%	11%	8%	17%	15%	11%	7%	10%	20%	16%
Dividend Payout Ratio (%)	26%	62%	0%	0%	32%	49%	46%	44%	42%	10%

## **Group Performance - Ten Year Summary**

### **DEFINITION OF FINANCIAL TERMS**

#### **Net Asset Value Per Share**

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

#### **Current Ratio**

Total Current Assets divided by total Current Liabilities.

#### **Return on Equity**

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

#### **Total Debt to Total Assets**

Total Liabilities divided by total Assets.

#### **Debt Equity Ratio**

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

#### **Return on Assets**

Profit Attributable to Equity Holders divided by Average Assets.

#### **Asset Turnover**

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

#### **Dividend Payout Ratio**

The percentage of earnings paid to shareholders in dividends.

# Shareholder Information

## 1. STATED CAPITAL

	31st December 2022	31st December 2021
Issued and Fully paid Capital (Rs.)	18,443,353,347	18,443,353,347
No of Shares	1,243,029,582	1,243,029,582
Class of Shares	Ordinary Shares	
Voting Rights	One Vote per Ordinary Share	

## 2. STOCK EXCHANGE LISTING

The issued ordinary shares of Overseas Realty Ceylon PLC are listed with the Colombo Stock Exchange of Sri Lanka. The Audited Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2022 and the Audited Statement of Financial Position at that date have been submitted to the Colombo Stock Exchange within three months of the reporting date.

## 3. ORDINARY SHAREHOLDERS AS AT 31ST DECEMBER 2022

The number of Share Holders as at 31st December 2022 was 4,855 (As at 31st December 2021 - 4,627).

Shareholdings	Resident			Non Resident			Total		
	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)
1 - 1,000	2,693	835,854	0.07%	17	9,037	0.00%	2,710	844,891	0.07%
1,001 - 10,000	1,409	5,672,363	0.46%	12	48,687	0.00%	1,421	5,721,050	0.46%
10,001 - 100,000	565	17,308,450	1.39%	16	673,992	0.05%	581	17,982,442	1.45%
100,001 - 1,000,000	108	27,687,791	2.23%	11	4,397,129	0.35%	119	32,084,920	2.58%
Over 1,000,000	13	94,988,924	7.64%	11	1,091,407,355	87.80%	24	1,186,396,279	95.44%
	4,788	146,493,382	11.79%	67	1,096,536,200	88.21%	4,855	1,243,029,582	100.00%

## Categories of Shareholders

Category	As of 31 December 2022			As of 31 December 2021		
	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)
Individual	4,579	86,059,396	6.84%	4,362	61,027,648	4.83%
Institutional	276	1,156,970,186	93.16%	265	1,182,001,934	95.17%
	4,855	1,243,029,582	100.00%	4,627	1,243,029,582	100.00%

#### 4. SHARE TRADING INFORMATION

	31 December 2022		31 December 2021	
	Date	Price (Rs.)	Date	Price (Rs.)
Highest	05.01.2022	25.40	27.12.2021	21.50
Lowest	27.04.2022	11.00	12.05.2021	13.80
Closing Price	30.12.2022	14.90	31.12.2021	19.20

	31 December 2022	31 December 2021
Number of Transactions	13,666	23,226
Number of Shares Traded	79,483,217	112,871,442
Value of Shares Traded (Rs.)	1,419,692,534	931,868,541

#### 5. MARKET CAPITALISATION

Market Capitalisation of the Company which is the number of the Ordinary Shares in Issue multiplied by the market value of a share as at the end of the year was Rs 18.5 Bn (2021 - Rs 23.9 Bn).

#### 6. DIVIDENDS

	31 December 2022	31 December 2021
Dividends Per Share (Rs.) - Proposed (Note 20)	1.25	1.25
Dividends Proposed (Rs.)	1,553,786,978	1,553,786,978
Dividend Payout (%)	70%	166%

#### 7. 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 2022 No of Shares	31st December 2021 No of Shares
Mr. Melvin Yap Boh Pin	Nil	Nil
Mrs. Mildred Tao Ong	Nil	Nil
Mr. Ben Nien Tao	Nil	Nil
Mr. En Ping Ong	20,914,890	1,160,000
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

### 8. TOP TWENTY SHAREHOLDERS AS AT 31ST DECEMBER

Name	As at 31st Dec 2022		As at 31st Dec 2021	
	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	158,778,176	12.77
4 Peeli Limited	151,835,993	12.21	151,835,993	12.21
5 Shing Kwan Investment (Singapore) Pte Ltd	38,323,522	3.08	38,323,522	3.08
6 Peoples Bank Manager-Treasury-Ops	30,538,203	2.46	30,538,203	2.46
7 Mr. E.P. Ong	20,914,890	1.68	-	-
8 Browns Investments PLC	18,682,530	1.50	20,010,234	1.61
9 Mr. P.D. Samarasinghe	15,892,093	1.28	15,892,093	1.28
10 Employees Trust Fund Board	9,768,964	0.79	10,225,072	0.82
11 Able Trend Ventures Limited	5,020,000	0.40	5,020,000	0.40
12 Sri Lanka Insurance Corporation Ltd-Life Fund	4,649,218	0.37	4,649,218	0.37
13 Bank Of Ceylon No2 A/C, C/O BOC Pension Trust Fund	3,177,474	0.26	3,177,474	0.26
14 J.B. Cocoshel (Pvt) Ltd	3,061,374	0.25	2,333,263	0.19
15 Oriental Pearl International Inc	2,684,210	0.22	2,684,210	0.22
16 Mr. Rajinda Priyanjith Weerasooriya	2,174,381	0.17	-	-
17 Hatton National Bank PLC/Dinesh Nagendra Sellamuttu	1,765,880	0.14	-	-
18 Mr. Gautam Rahul	1,643,499	0.13	1,615,100	0.13
19 Mr. Pujitha Punsiri Subasinghe	1,622,957	0.13	1,762,957	0.14
20 Mr. Alain Blaise Michel Chevalier	1,570,000	0.13	1,570,000	0.13
<b>TOTAL</b>	<b>1,181,709,570</b>	<b>95.07</b>	<b>1,158,021,721</b>	<b>93.16</b>
Balance held by other Shareholders	61,320,012	4.93	85,007,861	6.84
<b>Total number of Ordinary Shares</b>	<b>1,243,029,582</b>	<b>100.00</b>	<b>1,243,029,582</b>	<b>100.00</b>
Public Holding	142,658,702	11.48	142,658,702	13.07
Others	1,100,370,880	88.52	1,100,370,880	86.93
<b>Total</b>	<b>1,243,029,582</b>	<b>100.00</b>	<b>1,243,029,582</b>	<b>100.00</b>

## 9. PUBLIC SHAREHOLDING

Parent/Group/Subsidiary	31st December 2022 No. of Shares	31st December 2021 No. of Shares
Shing Kwan Investments Company Limited	477,655,116	477,655,116
Unity Builders Limited	231,951,090	231,951,090
Shing Kwan (Pte) Ltd	158,778,176	158,778,176
Peeli Ltd	151,835,993	151,835,993
Shing Kwan Investment (Singapore) Pte Ltd	38,323,522	38,323,522
Able Trend Ventures Limited	5,020,000	5,020,000
	<b>1,063,563,897</b>	1,063,563,897
<b>Issued number of ordinary shares as at 31 December</b>	<b>1,243,029,582</b>	1,243,029,582
<b>Less</b>		
Parent/Group	477,655,116	477,655,116
Subsidiaries or Associate Companies of Parent	585,908,781	585,888,781
Holding of 10% or More - Jointly or Severally	-	-
Directors' Shareholding	36,806,983	17,052,093
Spouses of Directors and CEO	-	-
<b>Public Holding</b>	<b>142,658,702</b>	162,433,592
<b>Public Holding as a percentage of Issued Ordinary Shares</b>	<b>11.48%</b>	13.07%
Float adjusted Market Capitalization	Rs 2.1 Bn	Rs 3.1 Bn
Required minimum Public Holding % as per Listing Rules	20.0%	10.0%
Public Holding as a % of Issued Share Capital	11.5%	13.1%
Number of Public Shareholders	4,848	4,619

On 6th February 2023, the Company requested the Colombo Stock Exchange to transfer Overseas Realty (Ceylon) PLC to the Diri Savi Board, where the relevant minimum Public Holding is 10%.

## Group Real Estate 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	-	-	27,850	Investment Property / Property Plant & Equipment	1	976,538
No 324, Havelock City, Colombo 06. Clubhouse Building	-	3	22	1,908	Property Plant & Equipment	1	45,130
No 324, Havelock City, Colombo 06. Havelock City Commercial	4	3	32	38,262	Lease Hold Land/ Work in progress Investment Property	2	1,205,030
No 324, Havelock City, Colombo 06. Mireka Capital Land	-	3	27	89	Inventory – Long term Assets	-	-
No 414/1, Dodanduwa Road, Galle. Dodanduwa Land	1	2	25	381	Investment Property	-	-

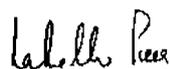
# Notice of Meeting

Notice is hereby given that the Forty First (41st) Annual General Meeting of OVERSEAS REALTY (CEYLON) PLC will be held on Wednesday, 26th April 2023 at 10.00 a.m. at the Pavilion Hall, Havelock City Club House, No. 324, Havelock Road, Colombo 06, for the following purposes:

## AGENDA

1. To receive and consider the Report of the Board of Directors and the Financial Statement as at 31st December 2022 and the Report of the Auditors thereon.
2. To declare a First and Final dividend of Rs.1.25 per Ordinary Share as recommended by the Directors.
3. To propose and adopt the following Ordinary Resolutions;
  - (I) 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.
  - (II) 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.
  - (III) 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.
  - (IV) 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.
  - (V) That the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to LESLIE 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.
  - (VI) 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.
  - (VII) That the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Dr. 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



**Laknadhi Perera**  
Company Secretary.

Colombo on this 22nd February 2023

## NOTES:

- A Shareholder entitled to attend, speak and vote at the meeting is entitled to appoint a proxy holder to attend, speak and vote in his/her stead.
- A proxy need not to be a shareholder of the Company. The Form of Proxy accompanies this notice.
- The completed Form of Proxy should be deposited at the Registered Office of the Company, [#18-01, East Tower, World Trade Center, Echelon Square, Colombo 01, not less than 48 hours before the time appointed for the Meeting.

# Corporate Information

## Legal Form

A Quoted Public Company with limited liability, incorporated in Sri Lanka on 28th October 1980 under the Companies Ordinance (Cap.145) bearing Company Registration No.PBS 1084 and listed on the Colombo Stock Exchange. The Company was re-registered under Companies Act No. 7 of 2007 and bears the Company Registration No. PQ 39.

## Directors

Ajit Mahendra De Silva Jayaratne - Chairman  
Tissa Kumara Bandaranayake  
Leslie Ralph de Lanerolle  
Rohini Lettitia Nanayakkara  
Mildred Tao Ong  
Yap Boh Pin  
En Ping Ong  
Dr. Ranee Jayamaha  
Ben Nien Tao  
Pravir Dhanoush Samarasinghe

Lee Kang Ho - (Alternate to Yap Boh Pin)

## Audit Committee

Ajit Mahendra De Silva Jayaratne - Chairman  
Yap Boh Pin  
Rohini Lettitia Nanayakkara  
Tissa Kumara Bandaranayake

## Remuneration Committee

Rohini Lettitia Nanayakkara - Chairperson  
Ajit Mahendra De Silva Jayaratne  
En Ping Ong  
Tissa Kumara Bandaranayake

## Related Party Review Committee

Tissa Kumara Bandaranayake - Chairman  
Ajit Mahendra De Silva Jayaratne  
Yap Boh Pin  
Rohini Lettitia Nanayakkara

## Company Secretary

Laknadh Perera - Attorney - at - Law

## Auditors

Messrs. Ernst & Young - Chartered Accountants

## Registrars

S S P Corporate Services (Private) Limited

## Registered Office

Overseas Realty (Ceylon) PLC  
Level 18 - East Tower  
World Trade Center  
Echelon Square  
Colombo 01  
Tel: +94 112 346 333

## Subsidiaries

Realty Management Services (Pvt) Ltd  
Mireka Capital Land (Pvt) Ltd  
Mireka Homes (Pvt) Ltd  
Havelock City (Pvt) Ltd  
Mireka Residencies (Pvt) Ltd  
Mireka Property (Pvt) Ltd  
Overseas Realty Investments (Pvt) Ltd  
Overseas Realty Trading (Pvt) Ltd

Level 18 - East Tower  
World Trade Center  
Echelon Square  
Colombo 01  
Tel: +94 112 346 333

## Websites

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

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