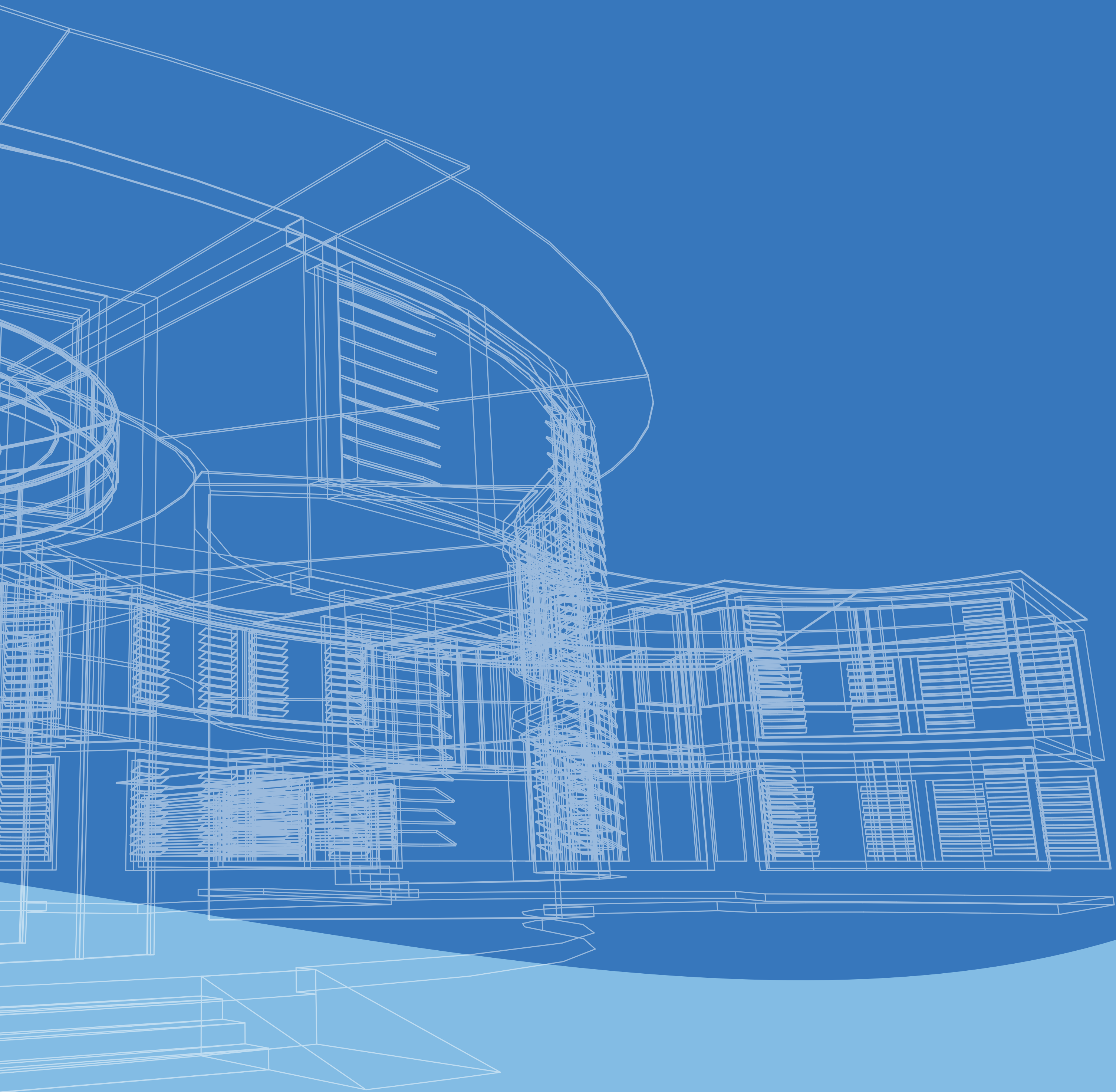
K OVERSEAS REALTY

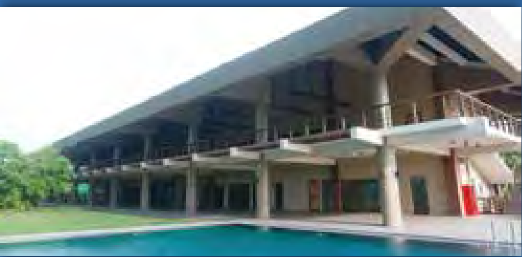


ENVISIONING THE FUTURE

Annual Report
2014

ENVISIONING THE FUTURE

From our beginnings in the commercial heart of Colombo City's World Trade Centre, we have now branched out into new and bigger markets and growth opportunities. We have diversified into Property Leasing, Property Trading and Property Services that has strengthened our footprint in Sri Lanka's rapidly evolving real estate industry.



Contents

Who We Are

Overseas Realty (ceylon) PLC is a premier property development, management and investment holding company with the philosophy of developing prime quality properties that maximize long term investment value.

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

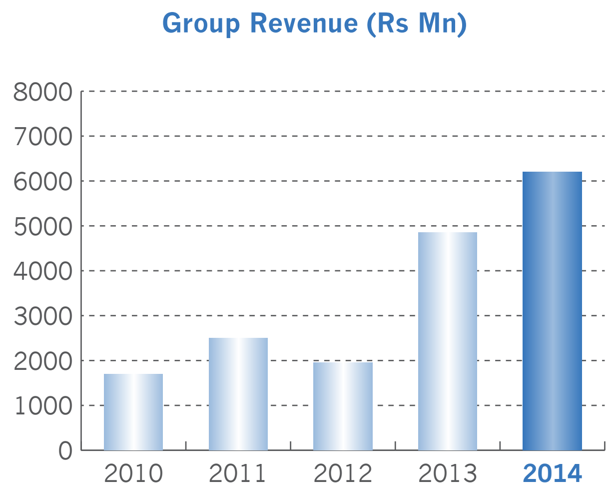
Customer Oriented
Quality
Team Work

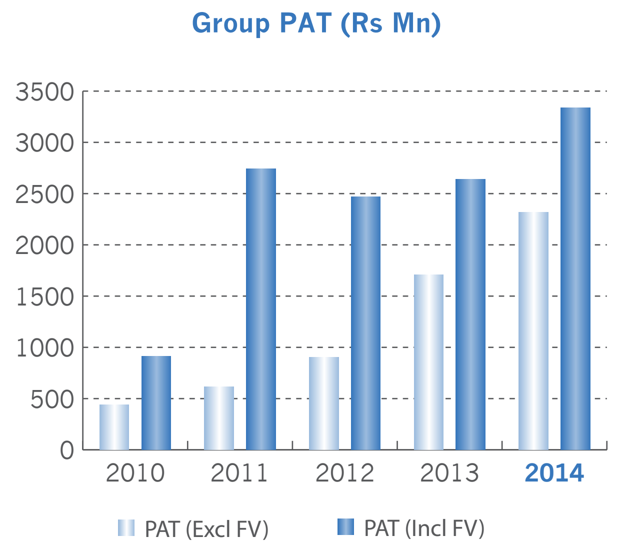
Honesty
Continuous Learning
Innovation

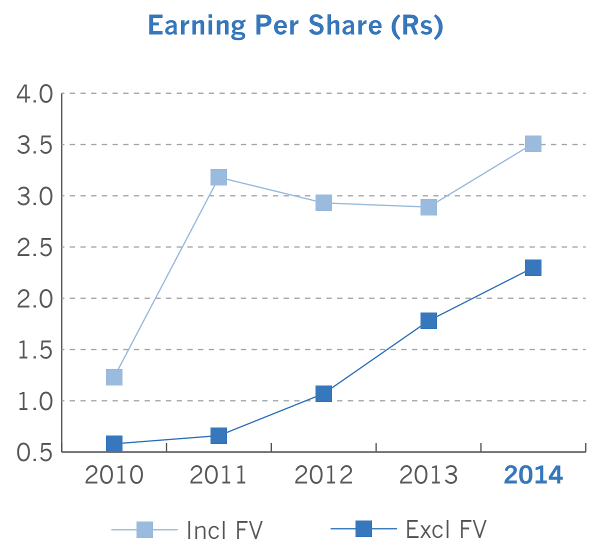
Accountability
Respect
Sense of Urgency

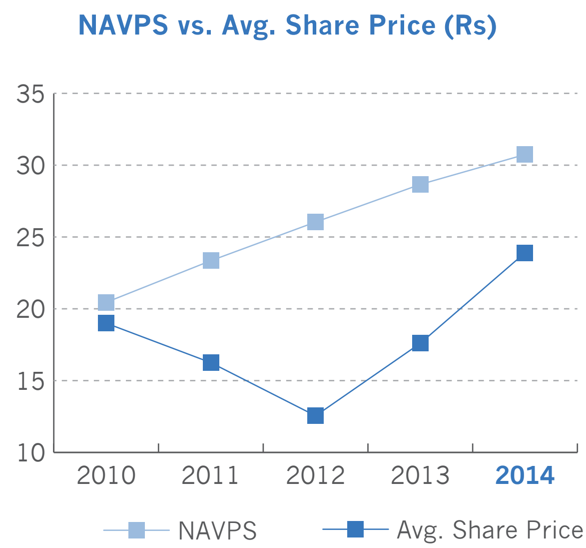
Group Financial Highlights

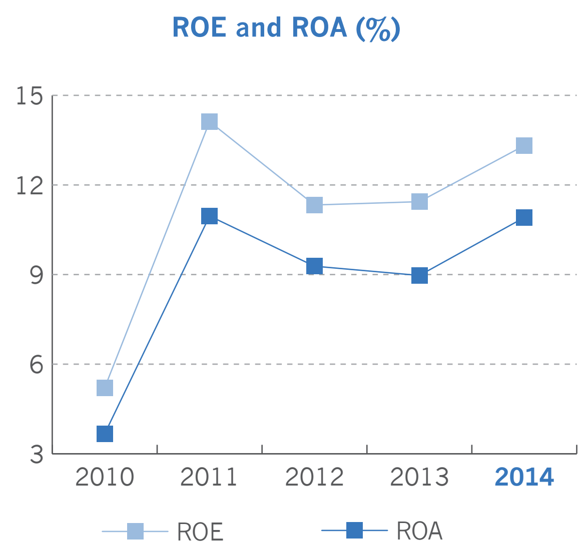
For the year ended 31st December	2014 Rs. Mn	2013 Rs. Mn
INCOME STATEMENT		
Revenue	**6,198**	4,848
Gross Profit	**2,408**	1,789
Fair Value Gain (FVG)	**1,016**	930
Profit Before Tax (PBT)	**3,386**	2,641
Profit After Tax (PAT)	**3,336**	2,639
PAT (Excluding FVG)	**2,320**	1,709
STATEMENT OF FINANCIAL POSITION		
Total Assets	**30,276**	30,893
Total Liabilities	**2,840**	5,570
Net Borrowings	**1,082**	2,034
SHAREHOLDERS' EQUITY		
Stated Capital	**10,186**	10,186
Reserves	**15,742**	13,989
FINANCIAL RATIOS		
Gross Profit Margin	**39%**	37%
PAT (Including FVG) Margin	**54%**	54%
PAT (Excluding FVG) Margin	**37%**	35%
Earnings Per Share (Including FVG)	**3.51**	2.89
Earnings Per Share (Excluding FVG)	**2.30**	1.78
Return on Equity	**13%**	11%
Debt Equity Ratio	**4%**	8%
Net Assets Per Share	**30.74**	28.66

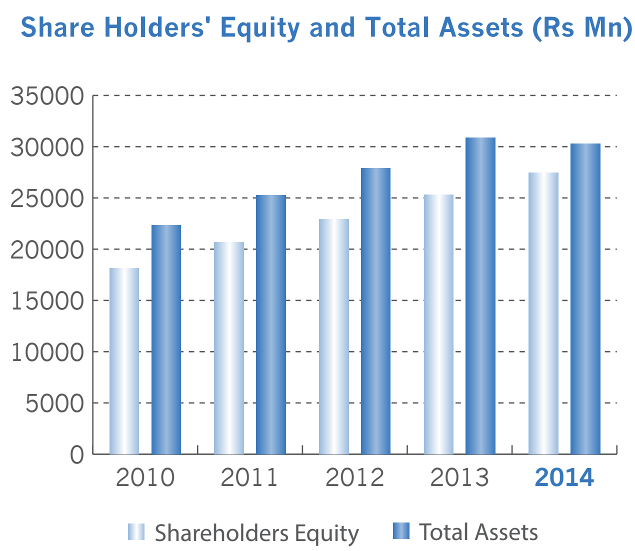

Group Revenue (Rs Mn)
8000
7000
6000
5000
4000
3000
2000
1000
0
2010
2011
2012
2013
2014


Group PAT (Rs Mn)
3500
3000
2500
2000
1500
1000
500
0
2010
2011
2012
2013
2014
PAT (Excl FV)
PAT (Incl FV)


Earning Per Share (Rs)
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
2010
2011
2012
2013
2014
Incl FV
Excl FV


NAVPS vs. Avg. Share Price (Rs)
35
30
25
20
15
10
2010
2011
2012
2013
2014
NAVPS
Avg. Share Price


ROE and ROA (%)
15
12
9
6
3
2010
2011
2012
2013
2014
ROE
ROA


Share Holders' Equity and Total Assets (Rs Mn)
35000
30000
25000
20000
15000
10000
5000
0
2010
2011
2012
2013
2014
Shareholders Equity
Total Assets

Chairman’s Review

On behalf of the Board of Directors, I am pleased to welcome my fellow Shareholders to the 33rd Annual General Meeting of Overseas Realty (Ceylon) PLC. I have pleasure in presenting to you the Annual Report and Audited Financial Statements for the year ended 31st December 2014.

I am happy to report that your Company recorded its highest Net Profit after Tax of Rs. 3.4Bn. (including fair value gains), an increase of 28% compared to last year.

The Economy

The Sri Lankan economy recorded a growth of 7.7% in 2014. Inflation and Interest rates continued to decline and remained in single digits. The Sri Lankan Rupee depreciated marginally against the US dollar. The Property sector is a direct beneficiary of sustainable economic growth, stability and business confidence. We are confident this Sector will continue to maintain strong growth in the foreseeable future.

At this juncture, I would like to take the opportunity to recollect my Statement to Shareholders last year, that; “I do believe we are finally able to begin, to reap the harvest of our considerable sacrifices in nurturing the World Trade Center”, to what it is today. 25 years ago, I made that commitment to develop the World Trade Center Colombo to the highest international standards based on concessions granted under flagship status. For a property company such as ours to be debt- free, the Shareholders have to be thanked for their confidence, faith, loyalty and considerable contribution. In my opinion, the Company is finally “out of the tunnel” and I am confident that the best years of ORCL lie in the years to come. Given the continued strong financial performance of your Company this year and the bright outlook, I am hopeful that this year’s dividend will provide a basis for the future.

“I do believe we are finally able to begin, to reap the harvest of our considerable sacrifices in nurturing the World Trade Center”, to what it is today. 25 years ago, I made that commitment to develop the World Trade Center Colombo to the highest international standards based on concessions granted under flagship status.”

Financial Performance

Group revenue of Rs. 6.2Bn. was 28% higher than last year; due mainly to increased revenue recognised from Havelock City Phase 2 apartment sales.The Group Profit before Tax (excluding fair value gains) increased by 39% to reach an all-time high of Rs. 2.3Bn. The Group Profit before Tax (after fair value gains) increased by 28% to Rs. 3.4Bn.

World Trade Centre Colombo (WTC)

Situated in the heart of the Central Business District, surrounded by banks, hotels, government institutions and key public transportation hubs, the WTC Colombo continues to be the best business address in Sri Lanka.

The Company continues to provide excellent facilities and services to the occupants of this business complex, which helped maintain average occupancy at 98% during the year. Together with the increase in average rental rates, the Company was able to record a 11% revenue growth during 2014.

Havelock City

During 2014 the construction of Havelock City Phase 2 residential development was completed. The revenue recognised from the sale of apartments amounted to Rs. 4.3Bn, a growth of 36%.

Marketing of Phase 3 of the Havelock City residential development is progressing with 22% of the units being reserved with deposits, as at February 2015.

Unfortunately, we experienced a delay in the implementation of Phase 3 as planned. Nevertheless, we are happy to report that the development works of Phase 3 has commenced in March 2015, with the renewed commitment by both partners to ensure the expedient completion of the largest integrated mixed-use development in Sri Lanka.

Dividend

The Board of Directors are pleased to recommend a final dividend of Rs. 1.50 per share for the year ended 31 December 2014.

The Future

The ingredients for continued growth in the Sri Lankan residential and commercial property market are firmly intact. An increasing number of entities are exploring business opportunities in Sri Lanka amid improving socio-economic and infrastructure development. As a result the Colombo office market will witness a steady demand. Likewise, urbanization and changing lifestyles continue to drive demand for apartment living in Colombo. Your Company is well placed to benefit from all of these developments. Hence, I am confident our property leasing, development and management businesses will continue to perform well in the years to come.

Appreciation

As we conclude another successful year, I wish to take this opportunity to thank our Board of Directors and Employees for their valued contribution, unstinted commitment and dedication during 2014.

Most of all, I would like to thank our valued shareholders for their confidence in the success of the Company.

S.P. Tao
Chairman

27th January 2015
Colombo

Profiles of Directors

Mr. Shing Pee Tao

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

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

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

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

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

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

Mr. Hussein Zubire Cassim

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

Mr. Cassim was also a member of the Panel of Advisors of the United Nations Youth Federation of Sri Lanka from May 1999 to 2004. He was the first President of the Sri Lanka - Singapore Business Council, an affiliate of the Ceylon Chamber of Commerce. He held this post for two consecutive years. He was also a member of the Executive Committee of the Ceylon Chamber of Commerce.

Mrs. Mildred Tao Ong (Dr.)

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

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

Mr. Melvin Yap Boh Pin

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

Mr. Yap qualified as a chartered accountant from the Institute of Chartered Accountants in England and Wales in 1966. He is a fellow member of both the Institute of Chartered Accountants of Singapore, and the Institute of Chartered Accountants in England and Wales.

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

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

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

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

Mrs. Rohini Lettitia Nanayakkara

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

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

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

She is presently the Chairperson of the Lanka ORIX Leasing Company PLC, Subsidiaries of Browns Group of Companies and Taprobane Holdings PLC. She is also a Director of Mireka Homes (Pvt) Ltd, and Eastern Merchants PLC. She is a trustee of the National Trust of Sri Lanka.

Profiles of Directors

Mr. Ajit Mahendra De Silva Jayaratne

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

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

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

Mr. En Ping Ong

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

Mr. Leslie Ralph de Lanerolle

Mr. Ralph de Lanerolle joined the Board of Directors of ORC PLC on 3rd June 2010. Mr. de Lanerolle has over 45 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 Honarary 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 Mireka Capital Land (Pvt) Ltd and Mireka Homes (Pvt) Ltd. He has also served, and continues to serve, on the Board of Directors of several private and public listed companies.

Mr. Tissa Kumara Bandaranayake

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

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

Mr. Bandaranayake presently serves as an independent Director of Nawaloka Hospitals PLC, Samson International PLC, Laugfs Gas PLC, Renuka Foods PLC, Renuka Holdings PLC, Micro Holdings Ltd, Harischandra Mills PLC and Waters Edge Ltd. He also serves as a Consultant to the Board of Noritake Lanka Porcelain (Pvt.) Ltd.

Dr. Ranee Jayamaha

B.A. (Hons) (University of Ceylon, Peradeniya, Sri Lanka), M.Sc (University of Stirling, U.K.), Ph.D (University of Bradford, U.K.), Duniv (University of Stirling, U.K.)

Dr. Ranee Jayamaha was appointed to the Board of Directors of ORC PLC as a non-executive independent director on 15th March 2013.

Dr. Ranee Jayamaha is the Chairperson of Hatton National Bank Plc, HNB Assurance PLC and Sithma Development (Pvt) Ltd. Dr. Jayamaha had been the Deputy Governor in charge of Financial System Stability of the Central Bank of Sri Lanka from 2004 up to her retirement at end of May 2009. She has over 40 years of extensive experience in the field of economics, banking, finance, regulation and administration, having held a number of positions in the Central Bank and outside.

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

She has been a member of the Security & 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.

Mr. Pravir Samarasinghe

Mr. Pravir Samarasinghe was appointed to the Board of Directors of the company with effect from 24th April 2014.

He is the Group Chief Executive Officer of Overseas Realty (Ceylon) PLC since his appointment on 10th March 2011 and prior to which he held the post of Group Director/ COO of a diversified conglomerate.

He has 28 years of professional and commercial experience and has served on the Board of Directors of several public listed and unlisted corporates.

He is a fellow member of the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants UK and holds a Masters Degree in Business Administration.

He is the Chairman of the Sri Lanka Institute of Directors, EFC Affiliated group of Companies and Condominium Developers Association of Sri Lanka. He is also a committee member of the Ceylon Chamber of Commerce and Employers Federation of Ceylon. He was former Chairman of Industrial Association of Sri Lanka and past president CIMA Sri Lanka Division and former council member CIMA Global.

Management Review

Property Leasing

Revenue

- Rs. 1,764Mn. 2014
- Rs. 1,590Mn. 2013

Assets

- Rs. 26,321Mn. 2014
- Rs. 25,014Mn. 2013

Profit Before Tax

- Rs. 2,480Mn. 2014
- Rs. 2,191Mn. 2013

Liabilities

- Rs. 1,339Mn. 2014
- Rs. 1,358Mn. 2013

“The quality facilities and services provided, coupled with positive economic outlook enabled WTC to maintain an occupancy of 98%.”

World Trade Center Colombo

The Iconic building situated in the heart of the economy’s commercial hub is one of the most sought after business addresses in Sri Lanka. Even after 18 years, the WTC facility remains unmatched both in terms of built quality and service. The quality facilities and services provided, coupled with positive economic outlook enabled WTC to maintain an occupancy of 98%. This along with higher rentals resulted in the company recording a profit before tax of Rs. 2.5Bn compared to Rs. 2.1Bn in 2013.

The revenue from leasing increased by 11% to reach Rs. 1.7Bn in 2014, this was possible due to higher rentals and occupancy. As a result the Company was able to increase its rental yield to 8.5 % in 2014 from the previous year’s 7.8% .The operating profit margin also increased to 68% from 64%.

WTC Colombo will strive to maintain high occupancies, enabling a sustainable growth in revenue and profits. In order to ensure this and to provide a best in class building and service, the Company is a strong believer in proper maintenance and training and development of its people.

The Company successfully undertook several facility improvements and energy management initiatives in 2014.

The Company was awarded the Gold Certification from the Green Building Council of Sri Lanka and the prestigious Gold Flame Award under large scale sector commercial buildings at the Sri Lanka National Energy Awards 2014 organized by the Sri Lanka Sustainable Energy Authority.


Management Review

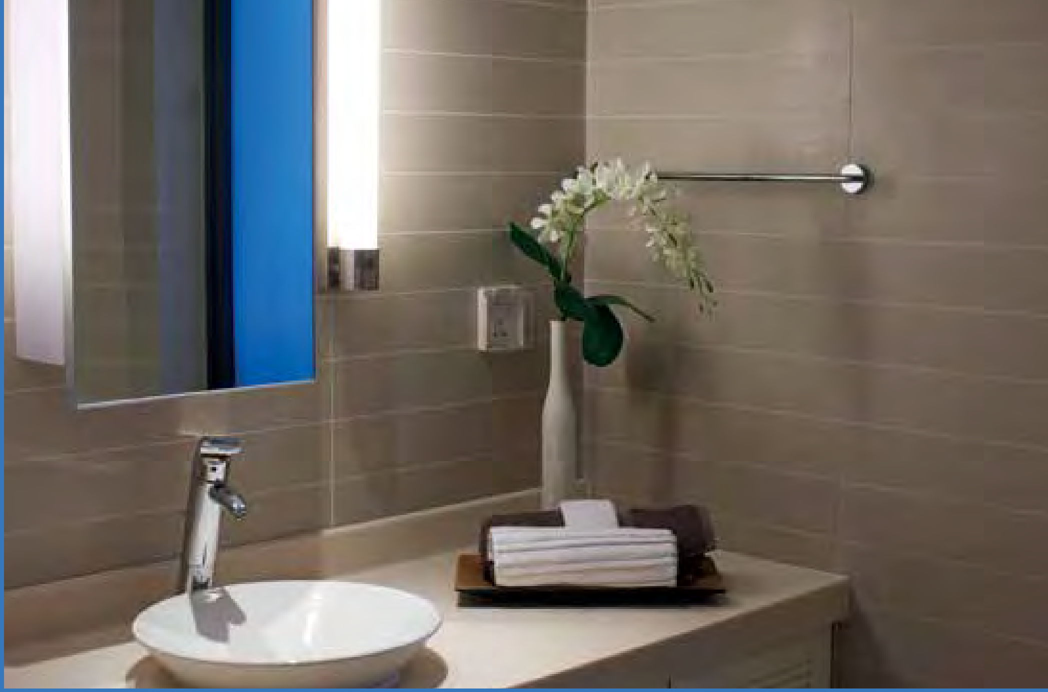
Property Trading

Revenue	
Rs. 4,329Mn.	2014
Rs. 3,190Mn.	2013

Assets	
Rs. 5,249Mn.	2014
Rs. 7,094Mn.	2013

Profit Before Tax	
Rs. 949Mn.	2014
Rs. 504Mn.	2013

Liabilities	
Rs. 1,480Mn.	2014
Rs. 4,226Mn.	2013



“With its continuous progress, Havelock City is fast moving towards delivering its promise of being a true “City within a City”

Havelock City

The Havelock City is an integrated mixed-use development project built on 18 acres of land in Colombo. Once completed, It is expected to comprise nearly 1200 apartments with landscaped gardens, a state of art Clubhouse and a Commercial complex. The Project is being undertaken by Mireka Capital Land (Pvt) Ltd (MCL) a BOI approved joint venture Company with the Bank of Ceylon. MCL through its fully owned subsidiary Mireka Homes (Pvt) Ltd (MHL) carries out the development of Residential Apartments.

MCL recorded a revenue of Rs. 4,329Mn through the sale of apartments in 2014. Net profit before tax recorded a growth of 88% compared to the previous year. Additionally, 20% of the 304 units of Phase 3, which comprises two new residential towers were reserved with deposits. Unfortunately there was a delay in commencing construction to accommodate a request made by our Joint venture partner. However, we are pleased to report that the development works of Phase 3 commenced in March 2015.

Increasing land rules and changing lifestyles of buyers including broader acceptance for apartment style living within the City, urges well for sales at Havelock City.

With its continuous progress, Havelock City is fast moving towards delivering its promise of being a true “City within a City”

Management Review

Property Services

Revenue

Rs. 74Mn.
2014

Rs. 26Mn.
2013

Assets

Rs. 32Mn.
2014

Rs. 17Mn.
2013

Profit Before Tax

Rs. 10Mn.
2014

Rs. 3Mn.
2013

Liabilities

Rs. 20Mn.
2014

Rs. 15Mn.
2013

"The Company continues to be the market leader in providing property services in the Country with more than 5 Mn sq. ft. of prime commercial and residential properties under its management."

Property Services and Trading

The demand for real estate assets in Sri Lanka has shown significant growth in the past few years. The continuous development and maturity of the Commercial and Condominium property market will create demand for 3rd party professional real estate service providers.

The Company continues to be the market leader in providing property services in the Country with more than 5 Mn sq. ft. of prime commercial and residential properties under its management. During the last two years the group broadened its range of services offered from property and development management, agency transactions to advisory services. The Company was awarded the facilities management contracts for three more leading residencies during 2014.

The Sector recorded a growth of 187% over the previous year to register a revenue of Rs. 73 Mn.

The Company continues to manage the common facilities at its prestigious property, WTC Colombo. A range of initiatives were undertaken to uplift the facilities and service standards.

The state of the art high speed-high capacity Fiber to the Home (FTTH), internet and data communication infrastructure was introduced at the WTC to provide enhanced service to our valued tenants.

Energy management has continued to be an important business process leading towards achieving high energy efficiency in comparison to international standards.

The Company's agency and consultancy services also gradually grew on the sound foundation laid last year.

Trading

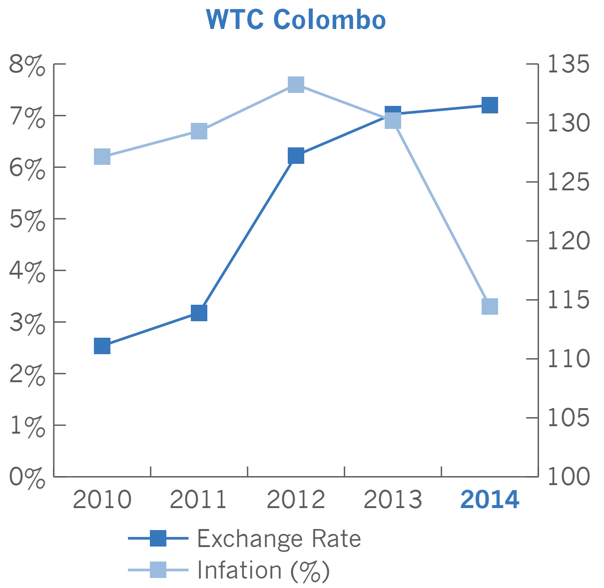
During the year under review, Reality Management Services (Pvt) LTD was appointed the exclusive distributor in Sri Lanka for NVC (Lighting). NVC is the largest manufacturer of lighting solutions in China ranging from indoor, outdoor to decorated lighting. Consequently a revenue of Rs. 23 Mn was recorded in 2014. We are confident that this quality brand will grow with the development of the real estate and infrastructure sector.

Financial Review

The Economy

The Sri Lanka economy in the year 2014 recorded an annual gross domestic product (GDP) growth of 7.7% compared to the growth of 7.3% in the previous year. Continuation of a single digit inflation enabled the Central Bank of Sri Lanka to ease the monetary policies during the year to stimulate economic activity. Sri Lanka Rupee remained steady, whilst the interest rate further decreased during the year 2014.

Improved macro economic conditions, including low inflation, declining interest rates and the relatively stable exchange rate contributed to the acceleration of economic growth.



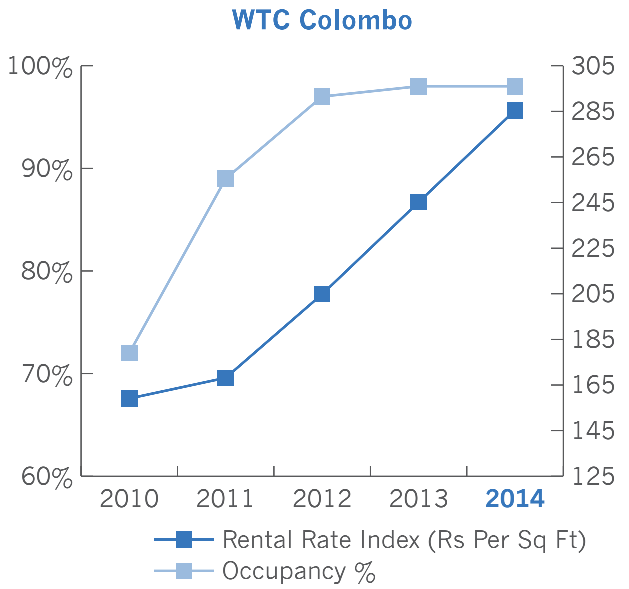
Revenue

Group revenue grew by 28% to reach Rs. 6,198 Mn. The main sources of this revenue was derived from Overseas Realty (Ceylon) PLC via leasing of office space at the World Trade Center (WTC) Colombo, Mireka Homes (Pvt) Ltd (MHL) through the sale of condominium units at Havelock City (HC) and Realty Management Services (Pvt) Ltd (RMS) through property servicing, agency commission and trading of imported lighting solutions.

The revenue from renting spaces at WTC grew by 11% to Rs. 1,764 Mn, which arose from the increase of rental rates while the average occupancy remained similar to last year at around 98%.

Revenue generated from MHL from the sale of condominium units amounted to Rs. 4,329 Mn, an increase of 36% over the previous year with the sales of remaining units of Phase 1 and recognition of revenue of 213 units of Phase 2 with the completion of construction in 2014. Last year 79% of construction was completed and income was recognized accordingly. Around 20% of Phase 3 units were pre sold. However no recognition of revenue was accounted in 2014.

RMS contributed Rs. 73 Mn (2013 - Rs. 26 Mn) to the group revenue which included Rs. 36 Mn (2013 - Rs. 21 Mn) through property services and Rs. 9 Mn (2013 - Rs. 4 Mn) from agency commission and Rs. 28 Mn (2013 - Rs. 1 Mn) from trading of imported lighting solutions.



Operating Expenses

The company's operating expenses for the year was Rs. 152 Mn which decreased by 6% over the previous year, due mainly to stringent cost control measures adopted by the company.

Group operating expenses including expense incurred on marketing were Rs. 266 Mn, sustained similar to the previous year.

Gross Profit

Gross Profit of Rs. 2,408 Mn increased by 35% over the previous year. Gross Profit from property leasing of the WTC Colombo was Rs. 1,394 Mn which is an increase of 10% over the previous year due mainly to increase of rental rates. Gross Profit from the sale of apartments at Havelock City was Rs. 1,021 Mn, which was an increase of 84% over the previous year, due mainly to increased revenue recognition from Phase 2, of Havelock City residential of which construction was completed in September 2014.

Finance Income and Finance Expenses

Group Finance income of Rs. 187 Mn, decreased by 19% over the previous year, due mainly to dividend income from Money Market Investments of Rs. 45 Mn being classified under other income.

The company has recorded a cost of Rs. 27 Mn (2013 – 53 Mn) as fair value adjustment on Rental Deposits, adhering to SLFRS requirements.

Rs. 103 Mn interest expenses incurred on the borrowing for the development of HC Residential Development was capitalized to the Cost of Development.

Profit Before Tax (PBT)

Group PBT (including Fair Value Gain on Investment Property) of Rs. 3,386 Mn was 28% higher than the previous year.

Group PBT (excluding fair value gain on investment property) of Rs. 2,371 Mn was an increase of 39% over the previous year.

Taxation

The income tax expense of Rs. 50 Mn was a significant increase over the previous year expense of Rs. 2 Mn due mainly to effect of deferred tax adjustment. Deferred tax assets of Rs. 41 Mn were initially recognized for all deductible temporary differences in 2013.

In 2014 Rs. 16 Mn was charged to the income statement due to reversal of initially recognized deferred tax assets.

The income tax on interest income was Rs. 34 Mn (2013 – Rs. 43 Mn) which included Rs. 13 Mn of previous year under provision on income tax, on interest income.

Cash and Borrowings

The group's cash and short term investments as at 31st December 2014 were Rs. 3,325 Mn (2013 – Rs. 2,916 Mn) hence the group was able to grow the cash and short term investments by 14% during the year.

The group's total borrowing was Rs. 1,082 Mn (2013 – Rs. 2,034 Mn) which included Rs. 935 Mn (2013 – Rs. 1,838 Mn) funding for the HC Residential Development and the remaining Rs. 146 Mn was SRCC & Terrorism soft loan obtained from Bank of Ceylon.

Equity and Net Assets

The equity attributable to ordinary shareholders as at 31st December 2014 was Rs. 27,436 Mn (2013 – Rs. 25,322 Mn) an increase of 8% over previous year.

As at 31st December 2014 the Net Assets value per share was Rs. 30.74 (2013 – Rs. 28.66) which increased by 7% over the last year.

Shareholder Returns

The Group earnings per share for the year 2014 was Rs. 3.51 per ordinary share (2013 – Rs. 2.89) which is an increase of 21% over last year and Dividend paid to ordinary share holders was Rs. 1.45 per share (2013 – 0.30). The directors have proposed Rs. 1.50 dividend per share to the ordinary share holders for the year ended 31st December 2014.

The Group return on equity (ROE) for the year 2014 was 13% (2013 - 11%) and the increase was due mainly to higher profit from HC Residential Development and leasing of office space at WTC.

Sustainability Report

Group Sustainability Strategy

Growing a sustainable business is a core strategy and corporate responsibility has long been a philosophy at Overseas Realty (Ceylon) PLC. It has been a way to connect with the society 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 every aspect of it's operation. The Group adopts best practices in economic, environmental and social governance in order to give a better life to all the stakeholders and society.

The Management Approach Outlined

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

Water Management

Recognizing the global water challenge, Overseas Realty (Ceylon) PLC is working internally to continuously improve operations in order to minimize water consumption while reducing water waste in day to day operations. Further, we have implemented a rain water harvesting system which enables us to use rain water for gardening and fire protection activities. In our Havelock City Project we use internal well-water, to maintain large extents of garden.

Biodiversity

Havelock City Project has been designed with a six acre landscaped roof garden which ensures the protection of bio-diversity through the flora and fauna within the project.

Energy Management

Energy Management Policy

The objective of this policy is to improve energy efficiency, optimize energy consumption, reduce operational cost, maximize return on capital investment, reduce environment and greenhouse gas emissions and conserve natural resources.

The Company is continuously focused to minimize the energy consumption through implementation of various energy conservation methods. Our approach is logical, which contains three main steps.

1. Zero cost implementation
2. Efficient retrofits
3. Replacement with state of the art energy efficient equipment.

The reduction of energy consumption without incurring expenditure is zero cost implementation, where the company employees improve the existing plans and processes in order to enhance the energy efficiency i.e. rescheduling of operational time of central plant equipment, optimization of common area (AHU) operations, etc.

Improvements which were done at a cost in order to enhance the efficiency of the plant and the processes are identified as efficient retrofit i.e. electronic ballasts for car park common area lighting, fixed capacitor installation to AHU motors, installation of Variable Speed Drives (VSD) for a high zone chilled water pumps, etc.

Additionally we replaced, high energy consuming chillers, chilled water pumps and condenser water pumps with the objective of reducing energy consumption.

The above practices resulted in the WTC being a true high performance Green Building, with a Gold Certification of Green rating system from Green Building council of Sri Lanka and being awarded the prestigious Gold Flame Award under large scale sector commercial building at Sri Lanka National Energy awards 2014 organized by the Sri Lanka Sustainable energy authority.

Sustainability Report

Our People

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

Brands

We understand that customers are seeking more than just a transaction experience, they are looking for the validation of Brand Promises and brands that reflects their own personal value systems. This is the fundamental reason for our offer of two strong brands. Stringent brand guidelines and standards are followed in all external and internal communications and in maintaining consistency in delivery of brand promise.

The World Trade Center (WTC) is an internationally recognized reputed brand which has been used by 320 WTC's building located in over 90 countries worldwide. WTC Colombo is synonymous with quality facilities and services. Our other brand is 'Havelock City' also very unique in Sri Lanka, promising a city within a city with its mixed use integrated property development.

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 granted the Sama Vihara temple to the Buddhist devotees, which is located within the Havelock City.

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

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

The company provides annual health checks to its employees while providing medical and surgical insurance policy to cover in house medical treatments to employees and their family.

In upholding the safety of our employees efforts have been made to arrange the work places in a safe manner. Accordingly, steps have been taken to improve the cleanliness of the work places. Moreover, sign posts are displayed at all necessary locations to guide the employees and visitors towards desired destinations.

In terms of staff welfare, a key role is played by the staff welfare society which organizes numerous events throughout the year. The few such events are; Annual Trip for the employees and their families at a star class hotel, sports day, Annual Christmas party and Annual pirith ceremony. We encourage participation of family members of employees for the above events.

Labor Practices

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

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

Non discrimination, Child Labor and Compulsory Labor

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

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

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

Resignation, Termination and Transfers

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

The company may terminate the services of an employee due to reason 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 negatively affecting a business or an organization. Its' significance is measured in terms of the probability of occurrence. Therefore it has become mandatory in existence of an integrated risk management frame work which provides the guide line for managing risks.

Risk Management Framework

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

The Board of Directors recognizes that the proper management of risk is a core leadership function that must be practiced throughout the Organization.

Group Internal Audit 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 audit, the External Auditor issues a Management Letter and informs the Group Management Committee and the Board of Directors of the outcomes of these evaluations. These outcomes are taken into account in the continuing enhancement of our risk management system. And also, 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 by the Board.
Fraud Risk	Low	Risks due to inadequate internal controls, processes and systems. Also due to employee abusing entrusted power for private gains leading to misappropriation of assets.	The Board has approved a structured internal control frame work with different levels of delegated authorization. The company applies independent internal audit mechanism. Please refer Directors' Statement on Internal Controls for more information. Comprehensive policy manual covering all major departments, operations and processes are in place.

Risk Type	Rank	Factor	Strategies/ Action Plan
Legal and Regulatory Framework	Medium	Risks due to changes to tax and other legal regulations	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 Development. Quarterly competitor Analysis reports.
Construction Costs	Low	Risks from increase in construction material and other costs	Fixed price SLR contracts are entered into with construction contractors.
Brand & Reputation	Low	Risks relating to product quality, timely delivery and service standards	Maintaining high product and service quality standards and quality assurance/control systems in project and facilities management. Regular reviews of customer comments and feedback.
Fire	Low	Risks of a fire at the World Trade Center Colombo and Havelock City Residential	Periodic review and maintenance of building fire systems, training of staff on fire protection procedures, obtaining services of a Professional fire consultant and having adequate insurance cover.
Building-Health and Safety	Low	Risk occurring from threats to personal, staff, tenants and general public at World Trade Center Colombo and Havelock City Residential.	The company complies with all Industrial Safety Requirements. Preventive maintenance programs, potable water quality testing and air quality testing etc. is regularly carried out. Specialized equipment and life support systems maintained by qualified professionals. Periodic structural health checks conducted by professional consultants.
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.

Risk Management Report

Risk Type	Rank	Factor	Strategies/ Action Plan
Foreign Currency	High	Risks from foreign currency borrowing for the Havelock City development	Construction contracts are entered into in Sri Lankan Rupees (LKR). Some apartment sales are contracted in USD. Estimated Currency fluctuation is factored into cost of development. Exchange rate movements are constantly monitored.
Interest Rate	Medium	Risks relating to Interest Income and Cost of Borrowings	Monitoring and management of cash flows daily. Negotiating favorable rates and terms on borrowings and deposits. Borrowing at fixed rates.
Credit Recovery	Low	Non recovery of receivables	Adequate refundable deposits are collected from lessees of leased property. Regular trade debtor balance review and follow-up. Contractual obligation which allows the company to repudiate a unit whilst retaining 10% of purchase price. Contractual obligation to release assets only upon full payment for relevant Property.

Corporate Governance Report

Corporate Governance

Corporate Governance at Overseas Realty (Ceylon) PLC encompasses promoting corporate impartiality, transparency and accountability in directing and controlling the company. 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 entrepreneual culture.

Compliance with Corporate Governance Codes

Overseas Realty (Ceylon) PLC's practices are consistent with the requirements given in the code of best practice on Corporate Governance issued jointly by CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka (SEC) as well as Rule Number 7.10 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

Overseas Realty (Ceylon) PLC is fully compliant with the code of Best Practice on corporate governance issued jointly by CA Sri Lanka and SEC. In addition, we have achieved the status of being 'fully compliant' with the applicable section of the listing rules, issued on corporate governance by the SEC.

Our status of compliance with each section of the code of best practices on corporate governance issued jointly by CA Sri Lanka and SEC appears on pages 35 to 46 We have also included a table which summarizes the status of compliance with Rule No 7.10 and 7.6 of the listing rules of the CSE, on pages 29 to 33.

Board of Directors

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

Role of Board of Directors

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

Board Composition

The Board portrays a balance between Executive and Non-executive Directors each of whom bring a strong and in-depth mix of knowledge, business skills and experience to the Board's deliberation. By the end of the year there were eleven directors in the Board. Out of them ten directors are non-executive and five of them are considered as independent.

Please refer pages 8 to 11 for profile of the members of the Board of Directors.

Corporate Governance Report

Attendance of the Board Meeting

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

Name	Directorship Status	Meetings Attended/ Meetings Eligible to Attend
Mr S P Tao	Non-Executive	1/6
Mrs Mildred Tao Ong	Non-Executive	4/6
Mr Melvin Yap Boh Pin	Non-Executive	4/6
Mr En Ping Ong	Non-Executive	5/6
Mr H Z Cassim	Independent Non-Executive	6/6
Mr A M De S Jayaratne	Independent Non-Executive	5/6
Mr L R de Lanerolle	Non-Executive	6/6
Mrs R Nanayakkara	Independent Non-Executive	6/6
Mr T K Bandaranayake	Independent Non-Executive	5/6
Dr Ranee Jayamaha	Independent Non-Executive	6/6
Mr Pravir Samarasinghe	Executive	5/5

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 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' Remunaration

Please refer to pages 41 and 42 under Section B for information relation to the remuneration procedure and page 104 for the details on Directors' remuneration.

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
7.10.1	**Non-Executive Directors**		
(a)	The Board of Directors of a listed entity shall include at least; a. Two Non-Executive Directors; or b. One third of the total number of Directors, whichever is higher should be Non-executive Directors.	Complied with	As at the conclusion of the immediately preceding AGM all ten (10) 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. The total number of directors was increased to eleven (11) as at 31st December 2014.
(c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of change.	Not Applicable	
7.10.2	**Independent Directors**		
(a)	Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non-Executive Directors shall be independent. In all other instances two or one third of non-executive Directors, whichever is higher, shall be 'independent'.	Complied with	As at the conclusion of the immediately preceding AGM, five (5) out of ten (10) Directors were independent. As at 31st December 2014 Five (5) out of eleven (11) directors were independent.
(b)	Each Non-executive Director should submit a signed and dated declaration annually of his/ her independence/non-independence in the prescribed format.	Complied with	All Non-Executive Directors have submitted the declaration in the prescribed format.
7.10.3	**Disclosure Relating to Directors**		
(a)	The Board shall annually make a determination as to the independence or otherwise of the Non-executive Directors and names of Independent Directors should be disclosed in the Annual Report.	Complied with	Please refer note * on page 34 of this Report.

Corporate Governance Report

Rule No.	Corporate Governance Rule	Compliance Status	Details
(b)	The basis for the Board to determine a Director is Independent, if criteria specified for independence is not met.	Complied with	Please refer note * on page 34 of this Report.
(c)	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise.	Complied with	Please refer "Profiles of Directors" on pages 8 to 11 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.	Complied with	A brief resume of Mr. Pravir Samarasinghe who was appointed as a director to the Board during the period has been provided to CSE on 25th April 2014.
7.10.5	**Remuneration Committee**		
	A listed entity shall have a Remuneration Committee.	Complied with	Please refer page 47 of this Report.
(a)	The Remuneration Committee Shall comprise of ; a. A minimum of two Independent Non-executive Directors (in instances where an entity has only two directors) or' b. Non-Executive directors, a majority of whom shall be independent.	Complied with	The Committee consists of Five Members, all of whom are Non-executive Directors, out of whom a majority are independent.
	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Complied with	The Chairman of the Remuneration Committee is a Non-Executive Director.
(b)	The Remuneration Committee shall recommend the remuneration of the Group Chief Executive Officer and Executive Directors.	Complied with	Please refer Remuneration Committee report on page 47 of this Report which set out the functions of the Committee.
(c)	The Annual Report should set out: a. Names of Directors comprising the Remuneration Committee b. Statement of remuneration policy c. Aggregate remuneration paid to Executive & non-executive Directors.	 Complied with Complied with Complied with	Please refer Remuneration Committee report on page 47 of this Report.
7.10.6	**Audit Committee**		
	A listed entity shall have an Audit Committee.	Complied with	Please refer pages 48 and 49 of this Report.

Rule No.	Corporate Governance Rule	Compliance Status	Details
(a)	The Audit Committee Shall comprise of a. A minimum of two independent Non-Executive Directors (in instances where an entity has only two directors) or, b. A majority of Non-executive Directors shall be independent;	Complied with	Audit Committee consists of five Non-executive Directors four of whom are independent.
	One non-executive Director shall be appointed as the Chairman of the Committee by the Board of Directors.	Complied with	Chairman of the Audit Committee is a Non-executive Director.
	Group Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings.	Complied with	The Group Chief Executive Officer and the Chief Financial Officer attends the meetings by invitation.
	The Chairman of the Audit Committee or one member should be a member of a recognized professional accounting body.	Complied with	Chairman and Two other members of the Audit Committee are Chartered Accountants with a vast knowledge on Financial reporting and compliance.
(b)	Functions of the Audit Committee shall include: a. Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with SLFRS/LKAS. b. Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. c. Overseeing the process to ensure that the internal controls and risk management processes are adequate to meet the requirements of the SLFRS/LKAS. d. Assessment of the independence and performance of the external auditors. e. Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditors.	Complied with Complied with Complied with Complied with Complied with	Please refer Audit Committee Report on pages 48 and 49 of this Report for the functions of Audit Committee.

Corporate Governance Report

Rule No.	Corporate Governance Rule	Compliance Status	Details
(c)	a. Names of Directors comprising the Audit Committee should be disclosed in the Annual Report.	Complied with	Please refer the Audit Committee Report on pages 48 and 49 of this Report
	b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Complied with	
	c. The Annual Report shall contain a Report by the Audit Committee, setting out the manner of compliance in relation to the above.	Complied with	
7.6	**Disclosure in the Annual Report**		
	All listed entities must include in its Annual Reports and accounts, inter alia;		
	a. 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.
	b. Principal activities of the entity and its subsidiaries during the year and any changes therein.	Complied with	Please refer pages 52 to 56 of the Board of Directors Report.
	c. Names and the numbers of shares held by the 20 largest voting and non-voting shareholders and percentages.	Complied with	Please refer page 115 of this Report
	d. Public Holding percentage	Complied with	Please refer page 115 of this Report
	e. 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 pages 114 to 115 of this Report.
	f. Information relating to material foreseeable risk factors of the entity.	Complied with	Please refer pages 24 to 26 of this Report.
	g. Details of material issues pertaining to employees and industrial relations of the entity.	N/A	No material issues pertaining to employees and industrial relations.
	h. Extents, locations, valuations and other number of buildings of the entity's land holding and investment property.	Complied with	Please refer pages 116 and 84 of this Report.
	i. Number of shares representing the entity' stated capital	Complied with	Please refer pages 114 and 94 of this Report.

Rule No.	Corporate Governance Rule	Compliance Status	Details
	j. 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 114 of this Report.
	k. 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 114 of this Report. Please refer page 114 of this Report.
	l. Significant changes in the entity's or its subsidiary's' fixed asset and the market value of land, if the value differs substantially from the book value	Complied with	Please refer Note 5 to the Financial Statement on page 84 of this Report
	EMPLOYEE SHARE OPTION SCHEMES. m. All Following information shall be disclosed in the Annual Report of the listed entity in respect of each ESOS; · number of options granted to each category of employees, during the year. · total number of options vested but not exercised by each category of employees during the financial year. · total number of options exercised by each category of employees and the total number of shares arising there from during the financial year. · options cancelled during the financial year and the reasons for such cancellation. · the exercise price. · a declaration by the directors of the entity confirming that the entity or any of its subsidiaries has not directly or indirectly provided funds for the ESOS.	Complied With Complied With Complied With Complied With	Please refer page 53 of the Board of Directors Report.

Corporate Governance Report

*Note.

Mr. H.Z Cassim who was appointed as a Non-Executive Director on 12.04.1991, continues to be a Non-Executive, Independent Director of the Company amidst his tenor in office exceeding nine years. Mrs. Rohini L. Nanayakkara was appointed to the Board as a Non-Executive Independent Director on 20.05.2004, continues to be a Non-Executive, Independent Director of the Company amidst her tenor in office exceeding nine years. Mr. Ajit M. De S. Jayaratne was appointed as a Non Executive Director on 10.10.2005 and continues to be a Non Executive Independent Director of the Company amidst his tenor in office exceeding nine years. Mr. Tissa K. Bandaranayake was appointed as a Non-Executive Independent Director to the Board on 19th May 2011 and Dr. Ranee Jayamaha was appointed as a Non Executive Independent Director to the Board on 15.03.2013.

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

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

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

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

Code of Best Practice of Corporate Governance issued Jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the CA-SRI Lanka.

Section Number			Compliance Status	Company' Commitment
1		The Company		
A		Directors		
A.1	**The Board**	Every public company should be headed by an effective Board, which should direct, lead and control the Company.	Compliant	The Company is headed by an effective Board. The role of the Board and its members, Board functions, Board procedures and governance activities are discussed in detail from pages 27 to 28.
A.1.1	**Regular Board Meetings**	Frequency of Board meetings (at least once every quarter)	Compliant	Board meets once in every quarter, mainly to review the Company's performance and to determine whether its strategies and business practices are in line with the expectation of the Board. Individual attendance is given on page 28
A.1.2	**Board Responsibilities**	Ensure formulation and implementation of a sound business strategy.	Compliant	The Board assumes the primary responsibility for the overall success of the company. The Board is involved in formulating the overall strategy and measuring, that it is implemented by the CEO. The MD/CEO, together with the management team develops corporate strategies, annual budgets and action plans to implement corporate strategies on annual basis. The corporate plan and annual budget are approved by the Board every year and achievement of the objectives set in the plan is monitored closely by the Board.
		Ensure that the MD/CEO and the Management team possess the necessary skills, experience and knowledge for effective implementation of the strategy.	Compliant	The Board actively works to ensure that the CEO and the management team continue to have the right balance of skills, experience and knowledge necessary to discharge their responsibilities in accordance with the highest standards of governance.
		Adapt effective CEO and senior management succession strategy	Compliant	Succession plans are in place for the CEO and for other key managerial positions and are monitored continuously.

Corporate Governance Report

Section Number		Compliance Status	Company' Commitment
A.1.2 **Board Responsibilities** *Contd...*	Ensure that effective systems are in place to secure integrity of information, internal controls, business continuity and risk management.	Compliant	Effective systems and procedures are in place to ensure the integrity of information, internal controls and information security. Such systems are continuously monitored by the management, internal and external auditors and at times by independent experts.
	Ensure that the company's activities are conducted in compliance with laws, regulations and ethical standards.	Compliant	The Board has adopted a compliance policy to give direction to the management with regard to compliance activities. The company has also issued a group policy that employees should comply with.
	Ensure that all stakeholder interests are considered in corporate decisions	Compliant	The board ensures that the interest of all stakeholders is considered and safeguarded in making corporate decision.
	Recognized sustainable business development in corporate strategy, decisions and activities	Compliant	The Board recognizes the necessity of sustainable business development in the corporate strategy, decisions and activities. Please refer sustainability report on pages 20 to 23.
	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 59.
	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.

Section Number			Compliance Status	Company' Commitment
A.1.3	**Compliance with Laws and Access to Independent Professional Advice**	Act in accordance with the laws of the country and seek professional advice whenever required.	Compliant	The board act in accordance with the laws in the country. The Board has permitted all Directors to seek independent professional advice.
A.1.4	**Access to Advice and the Services of a Company Secretary**	Advice and Services of the Company Secretary	Compliant	The company secretary, who is an attorney-at-law by profession, is accessible by any Director for the services of the company. The company secretary advices the board and ensures that matters concerning the Companies Act, board procedures and other applicable rules and regulations are followed. She also serves as the secretary to the audit committee and the remuneration committee.
A.1.5	**Independent Judgment of Directors**	Bring Independent judgment on various business issues and standards of business conduct	Compliant	All directors exercise independent judgement on decisions made by the board on issues of strategy, performance, resource allocation and the conduct of business.
A.2	**Chairman and Chief Executive Officer**	Chairman and CEO are two different positions and need to be divided responsibilities.	Compliant	The functions of the Chairman and CEO are clearly separated to ensure balance of power and authority.
A.2.1		Disclosure required if the positions of the Chairman and the CEO are combined.	Not Applicable	The positions of the Chairman and CEO are separated.
A.3	**Chairman's Role**	The Chairman's role in preserving good Corporate Governance	Compliant	The Chairman is responsible for leading the Board and ensuring that it operates under the highest standards of governance.

Corporate Governance Report

Section Number			Compliance Status	Company' Commitment
A.4	**Financial Acumen**	Availability of sufficient financial acumen and knowledge to offer guidance on matters of finance		The following members of the Board are made up of knowledgeable and experienced individuals who can provide guidance on matters of finance. All Directors possess qualifications and/or experience in accounting and finance. Mr Melvin Yap Boh Pin, Mr Ajith Mahendra De Silva Jayaratne, Mr Tissa Kumara Bandaranayake are qualified Accountants. Please refer profiles of Directors on pages 8 to 11.
A.5	**Board Balance**	The Board should have a balance of executive and non-Executive Directors.	Compliant	At the end of the year, the Board comprised eleven Directors and all except the CEO, are non-executive, thereby promoting critical review and control. Please refer Page 8 to11 of the Profile of Directors.
A.5.1		Presence of non- Executive Directors.	Compliant	Ten of the eleven Board members are Non-Executive, which is in excess of one third of the total number of Directors.
A.5.2		Independent Directors	Compliant	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	Compliant	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	Compliant	All non executive directors have submitted the declaration of independence or non independence as per the code.

Section Number		Compliance Status	Company' Commitment
A.5.5	Annual determination of 'Independence' of Non-Executive Directors by the Board	Compliant	The Note on page 34 of this annual report has determined the independence or non independence of each director.
A.5.6	Appointment and disclosure of senior independent directors	Not applicable	Since the role of the chairman and the CEO of the company are separated, this requirement does not arise.
A.5.7	Availability of the senior independent director for confidential discussions with other directors	Not Applicable	-Do-
A.5.9	Recording of concerns which cannot be unanimously resolved in Board minutes.	Compliant	All decisions of the Board were taken unanimously and there are no concerns raised by the directors during the year which needed to be recorded in the board minutes. However if such concerns do arise the company's policy is to record them accordingly.
A.6 Supply of Information	The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.		Financial and non financial information are analyzed and presented to the board to make informed and accurate decisions.
A.6.1	Managements responsibility to provide the Board with appropriate and timely information	Compliant	The management ensures that a set of timely accurate relevant and comprehensive information is provided to the Directors before the Board Meeting every month, with adequate time for them to review the same and prepare for discussions. All significant financial and non financial information for the period are included in this analysis.
A.6.2	Adequate time for effective Board Meetings	Compliant	All Board Papers and papers for subcommittee meetings are circulated at least once a week prior to such meetings.

Corporate Governance Report

Section Number			Compliance Status	Company' Commitment
A.7	**Appointments to the Board**	There should be a formal and transparent procedure for the appointment of new Directors to the Board.		All new appointments of the Board are made following a formal and transparent procedure.
A.7.3		Disclosure of details of new directors to shareholders	Compliant	All appointments of new directors are informed to the shareholders with sufficient details via immediate notification to the CSE.
A.8	**Re Election**	All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years		Please refer page 28 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 28 of the Annual Report
A.8.2		Election of Directors by the shareholders	Compliant	Please refer page 28 of the Annual Report
A.10	**Disclosure of Information of Directors.**	Shareholders should 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 to 11. Details of Directors interest in contracts are given on page 55. Details of related party transactions are provided on pages 102 to 105.

Section Number			Compliance Status	Company' Commitment
A.11	**Appraisal of CEO**	The Board should be required, at least annually, to assess the performance of the CEO		Annually the Remuneration Committee and the Board assessed 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	Evaluation of achievement set are reviewed annually by the Board.
B.	**Directors Remuneration**	Companies should establish a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.		
B.1.1		Presence of a Remuneration Committee	Compliant	A Remuneration Committee has been appointed and functions within agreed terms of reference. Please refer page 47 for the Remuneration Committee Report.
B.1.2		Composition of Remuneration Committee	Compliant	Please refer page 47 for details of the composition of Remuneration Committee.
B.1.3		Disclosure of the members of the Remuneration in the Annual Report.	Compliant	Members responsibilities and other information in respect of the remuneration committee are disclosed on page 47.
B.1.4		Determination of remuneration of Non-Executive Directors	Compliant	Non Executive Director who are nominees of the parent company are paid a nominal fee for their attendance at the Board and sub committee meetings
B.1.5		Ability to consult the chairman and/or CEO and to seek professional advice by the committee	Compliant	The committee consults the Chairman and the CEO, where necessary, has access to the professional advice from within and outside the company.
B.2	**Level and Makeup of Remuneration**	The Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully.		
B.2.1		Remuneration packages of Executive Directors	Compliant	The Remuneration Committee and the Board ensures that the CEO who is the only Executive Director on the Board, is provided with an appropriate remuneration package.

Corporate Governance Report

Section Number		Compliance Status	Company' Commitment
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 (CEO) is governed by his contract of service/ employment
B.2.9	Remuneration of Non – Executive Directors	Compliant	Non Executive Directors are paid only on their attendance at meetings
B.3 Disclosure of Remuneration	The Company's Annual Report should contain a statement of Remuneration policy and details of Remuneration of the Board as whole.		
B.3.1	Disclosure of Remuneration	Compliant	The aggregate remuneration paid to the CEO and non Executive Directors is disclosed on page 104 of this report. The Remuneration Committee's Report which highlights the remuneration policy at the company is give on page 47.
C. Relations with Share Holders			
C.1 Constructive use of the Annual General Meeting (AGM) and Conduct of General Meeting	Boards should use the AGM to communicate with shareholders and should encourage their participation.		Please refer pages 56 and 117 for details of the Annual General Meeting

Section Number		Compliance Status	Company' Commitment
C.1.1	Use of Proxy Votes	Compliant	The company has in place a mechanism to count all proxy votes to indicate to the chairman the level of proxies lodged on each resolution and the number of votes for and against such resolution.
C.1.3	Availability of Chairmen of Board Committees at the AGM	Compliant	The Chairman of the Board ensures that the Chairman of Board Sub-committees are present at AGM to answer any query by shareholders.
C.1.4	Adequate notice of the AGM		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 2013 was submitted to the CSE on 27th March 2014 and was posted to all shareholders by 30th March 2014. The AGM was held on 24th April 2014
C.1.5	Summary of procedures Governing voting at the General Meeting.		The proxy form, which includes a summary of the procedures governing voting at the General Meetings, is circulated to all shareholders.
C.2 Major and Material Transaction	All material transactions i.e which if entered into, would materially alter/vary the net asset value of the company should be disclosed.		
	Disclosure or proposed major transactions	Not applicable	There were no major transactions during the year, however if any such transactions do occur, it is the policy of the company to disclose them in the Quarterly and Annual Financial Statements in accordance with relevant SLFRS and the companies Act.

Corporate Governance Report

Section Number		Compliance Status	Company' Commitment
D. Accountability and Audit			
D.1 Financial Reporting	The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.		
D.1.1	Board responsibility for statutory and regulatory reporting	Compliant	The company presents its financial statements in line with Sri Lanka Accounting 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 52 to 56.
D.1.3	Statements by Directors and Auditors on responsibility for financial reporting	Compliant	Page 58 contains the statement setting out the responsibility of the Board for the preparation and presentation of Financial Statements.
D.1.4	Management Discussion Analysis	Compliant	The Management discussion and analysis are appearing in pages 12 to 17.
D.1.5	Declaration by the Board on the 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 2014. The declaration of the company as a 'going concern' is given in the Directors Report on page 56.
D.1.6	Requirement to summon an Extraordinary General Meeting (EGM) to notify serious loss of capital	Not applicable	
D.2 Internal Controls	The Board should maintain a sound system of internal controls to safeguard shareholders' investments and the Company assets.		
D.2.1	Directors to conduct an annual review of internal controls.	Compliant	The Board has overall responsibility for the system of internal controls and has delegated some of these responsibilities to the Audit Committee.

Section Number			Compliance Status	Company' Commitment
D.2.2		The need for an internal audit function.	Compliant	The Company has appointed Ms Pricewaterhouse Coopers (PWC) as the Internal Auditors of the Company. All reports by the Internal Auditors are tabled at the Audit Committee mettings.
D.3	**Audit Committee**	The Board has established formal and transparent arrangement for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintain an appropriate relationship with the company auditors		
D.3.1		Composition of the audit Committee	Compliant	The Audit Committee comprises five Directors, all of whom are Non Executive. Three Directors of the Committee are independent Non Executive Directors
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.
D.3.3		Terms of reference of the Audit Committee	Compliant	The Audit Committee operates with clearly defined terms of reference which are reviewed annually.
D.3.4		Disclosure of names of the members of the Audit Committee	Compliant	Names of Directors comprising the Audit Committee are set out on page 48 of the Annual Report
D.4	**Code of Business Conduct & Ethics**	Companies must adopt a Code of Business Conduct and Ethics for Directors and Members of the Senior Management team and must promptly disclose any waivers of the code by Directors or others		
D.5	**Corporate Governance Disclosure**	Directors should be required to 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 35 to 46 set out the manner and extent to which the company has complied with the principles and provisions of the Code of Best Practice on Corporate Governance issued jointly by the SEC and the CA Sri Lanka

Corporate Governance Report

Section Number		Compliance Status	Company' Commitment
2.	**Shareholders**		
E.	**Institutional Investors**		
E.1	**Shareholder Voting**	Should ensure institutional shareholder's voting intentions are translated into practice	
E.2	**Evaluation on Governance Disclosures**	Institutional investors should be encouraged to give due weight to the relevant governance arrangements	
F.	**Other Investors**		
F.1	**Investing/ Divesting Decisions**	Individual Shareholders are encouraged to seek independent advice on investing or divesting decisions.	
F.2	**Shareholder Voting**	All Shareholders are encouraged to participate at Annual General Meeting and cast their votes.	

Remuneration Committee Report

Composotion of the Committee

The Remuneration Committee consists of five members out of whom four are Non-Executive Independent Directors. The Remuneration Committee consists of the following members;

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

The brief profiles of the directors are given on pages 8 to 11 of the Annual Report.

Scope of the Committee

The Committee deliberates and recommends to the Board of Directors on remuneration packages, 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.

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

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

H. Z. Cassim
Chairman - Remuneration Committee
27th January 2015

Audit Committee Report

The Audit Committee of the Overseas Realty (Ceylon) PLC, appointed by and responsible to the Board of Directors, comprises four Independent Non-Executive Directors and a Non-Executive Director as follows:

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

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

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

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

The profiles of the members which detail their background and professional experience are on pages 8 to 11 of this Report.

Role of the Audit Committee

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

The Audit Committee recommends the appointment of 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

The Audit Committee has met four (04) times during the year ended 31 December 2014 and the attendance was as follows:

Mr. Ajit M de S. Jayaratne – Chairman	4/4
Mr. Hussein Zubire Cassim	4/4
Mr. Melvin Yap Boh Pin	4/4
Mrs. Rohini L Nanayakkara	4/4
Mr. Tissa K Bandaranayake	3/4

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 and other senior management members by invitation. The proceedings of the Audit Committee are regularly reported to the Board.

Internal Audit

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

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

Property Valuation

An independent Chartered Valuer Messrs P B Kalugalagedara and Associates 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.

External Audit

The Company has appointed Ernst & Young as its external auditor and the services provided by them are segregated between audit/assurance services and other advisory services such as tax consultancy. The Audit Committee reviews these audit and non-audit functions of the External Auditors before such services are assigned in order to ensure that the provisions of such services does not impair independence and that work is assigned in such a manner as to prevent any conflict of interest.

The Audit Committee has reviewed and discussed the key observations and recommendations on the Management Letter issued by Ernst & Young in the presence of their representatives.

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

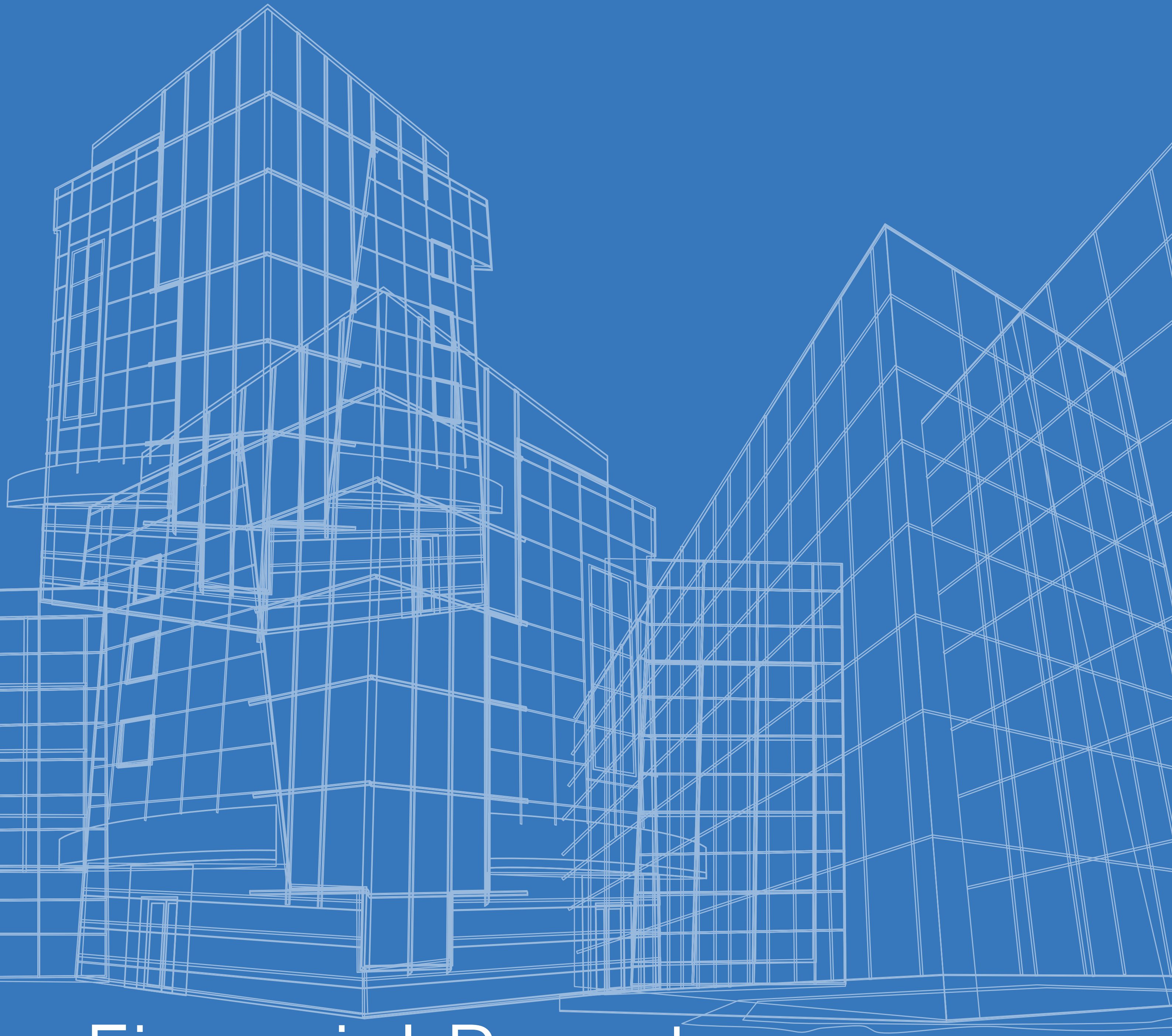
The Committee has recommended the re-appointment of Messrs. Ernst & Young as Auditors for the financial year ending 31 December 2015, at a fee to be determined by the Board of Directors, subject to the approval by the shareholders at the Annual General Meeting.

Conclusion

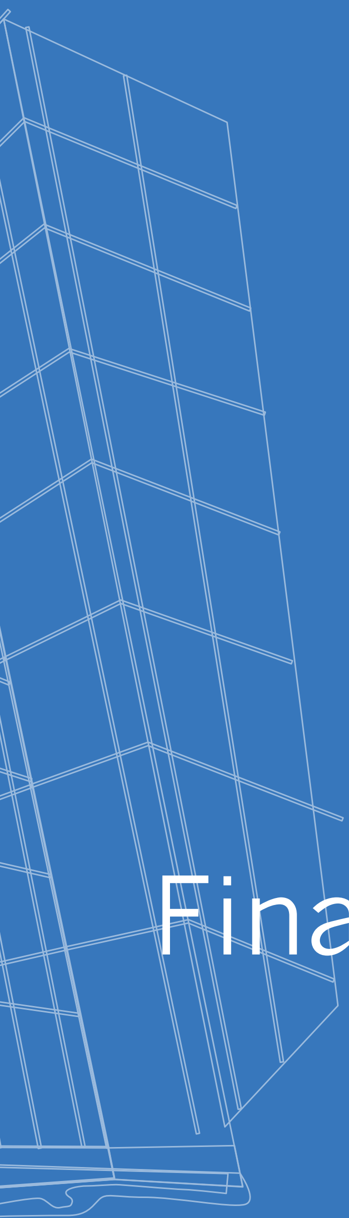
The Committee is satisfied that the Company's internal controls are effectively implemented as designed, and that the Company's assets are adequately safeguarded. The Company's Internal and External Auditors have been effective and independent throughout the year.

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

Ajit M de S. Jayaratne
Chairman - Audit Committee
27th January 2015



Financial Reports



Financial Calender

Interim Financial Statements	Target set for 2015	Achievement in 2014
1st Quarter (Ended 31st March) - Unaudited	May 2015	25th April 2014
2nd Quarter (Ended 30th June) - Unaudited	July 2015	24th July 2014
3rd Quarter (Ended 30th September) - Unaudited	October 2015	23rd October 2014
4th Quarter (Ended 31st December) - Unaudited	January 2016	28th January 2015
Annual Report and financial Statements to shareholders		
2013		27th March 2014
2014	March 2015	
Dividend Payment to shareholders		
First and Final dividend and Special dividend for 2013		6th May 2014
First and Final dividend and 2nd Final dividend for 2014	15th May 2015	
Annual General Meetings		
32nd Annual General Meeting		24th April 2014
33rd Annual general Meeting	06th May 2015	

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 for the year ended 31st December 2014. 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 recommended best practices on Corporate Governance.

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

Principal Activities

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

Mireka Capital Land (Pvt) Ltd is a subsidiary of the Company which has undertaken the development of the "Havelock City" Project and providing infrastructure facilities to the project. The development of residential apartments project is undertaken by Mireka Homes (Pvt) Ltd, a wholly owned subsidiary of Mireka Capital Land (Pvt) Ltd. Havelock City (Pvt) Ltd will undertake the development of the Commercial component of the "Havelock City" project. Realty Management Services (Pvt) Ltd provides property services, and trading of lighting solutions.

Review of Business

A review of financial and operational performance of the Company and its subsidiaries during the year, and the future developments of the Company is contained in the Financial Review (Pages 18 to 19) and Management Review of Operations (pages 12 to 17) of this Annual Report. The Audited Financial Statements are given on pages 59 to 111 of the Annual Report. These reports together reflect the state of affairs of the Company and its subsidiaries during the period under review.

Financial Statements

The Financial Statements of the Company and Group are given on pages 60 to 64.

Auditors Report

The Auditors' Report on the Financial Statements of the Company and the Group is given on page 59.

Accounting Policies

The Significant accounting policies adopted in the preparation of the Financial Statements are given on pages 65 to 81.

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by CA Sri Lanka.

Group Turnover

The turnover of the Group during the year under review was Rs. 6,197,715,027/- (2013 - Rs. 4, 848,345,049/-). A detailed analysis of the Group's turnover, profits and asset allocation relating to the different segments of the business is given in Note 3 to the Financial Statements.

Financial Results and Dividend

The Group recorded a consolidated net profit of Rs. 3,335,936,077/- (2013 – Rs. 2,638,945,823/-) for the year. The Consolidated Income Statement along with the Company's Income Statement for the year is given on page 61.

The Directors recommended the payment of a first and final dividend of Rs. 0.45 per share and a special dividend of Rs. 1.00 per share for the financial year ended 31st December 2013 which was approved by the shareholders at the Annual General Meeting of the Company held on 24th April 2014.

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

At the meeting of the Board of Directors held on 27th January 2015, the Directors recommended the payment of a first and final dividend of Rs.1/- and a second final dividend of Rs. 0.50 per ordinary share for the financial year ended 31st December 2014 to be approved by the Shareholder at the Annual General Meeting of the Company to be held on 6th May 2015.

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

Property, Plant & Equipment

Capital expenditure during the year, on property plant & equipment by the Group and by the Company amounted to Rs. 126,339,415/- (2013 - Rs. 47,091,796/-) and Rs. 9,688,212/- (2013 - Rs. 606,791/-) respectively. The carrying value of the Property, Plant and Equipment of the Group and the Company as at the reporting date amounted to Rs. 1,559,111,409/- (2013 - Rs. 703,213,131/-) and Rs. 338,456,150 (2013 - Rs. 310,909,887/-) respectively.

An analysis of the property plant & equipment of the Company, addition and disposal made, together with the depreciation charge for the year, is set out in Note 6 to the Financial Statements on page 86.

Market Value of the Building

All the buildings owned by Group companies were subjected to a revaluation by an independent qualified valuer. The carrying value of the building of the Group is Rs. 1,046,185,335 (2013 - Rs. 303,825,825). The details are provided in Note 6.1 to the Financial Statements.

Fair Value of Investment Properties

The fair value of Investment properties owned by the Group as at 31st December 2014 is included in the Financial Statements at Rs. 21,404,872,807/- (2013 - Rs. 20,389,314,845/-) based on the Independent valuations undertaken by the Chartered Valuer in December 2014. The Directors are of the opinion that the value is not in excess of the current market value. The details are provided in Note 5 to the Financial Statements.

Investments

The details of investments held by the Company are disclosed in Note 8 on page 90 of the Financial Statements.

Stated Capital and Reserves

The stated capital of the Company amounts to Rs. 10,186,085,405/- comprising 843,484,359 ordinary shares. There were no new shares issued during the year under review.

Total Group Reserves as at 31st December 2014 was Rs. 15,742,432,095/- (2013 -Rs. 13,988,796,875/-). The movement of these reserves is shown in the Statement of Changes in Equity in the Financial Statements on page 63.

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

Board of Directors

The Board of Directors of the Company consists of eleven Directors as at the end of the financial year and their profiles are on pages 8 to 11.

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

Mr. Pravir Samarasinghe was appointed to the Board as an Executive Director with effect from 24th April 2014 in terms of the Article of Association of the company.

Mr. En Ping Ong retires by rotation in terms of Article 29 of the Article of Association of the company, and being eligible has offered himself for re-election.

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

Board Sub Committees

The Board of Directors of the Company has formed the following subcommittees and following members serve on the Board sub committees. Details of Board Sub-Committee meetings (Board Remuneration Committee, Audit Committee) are presented on pages 47 and 48.

Audit Committee

Ajit Mahendra De Silva Jayaratne (Chairman)

Hussein Zubire Cassim

Melvin Yap Boh Pin

Rohini Letitia Nanayakkara

Tissa Kumara Bandaranayake

Remuneration Committee

Hussein Zubire Cassim (Chairman)

Ajit Mahendra De Silva Jayaratne

Rohini Lettitia Nanayakkara

En Ping Ong

Tissa Kumara Bandaranayake

Interest Register

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

Directors' Interest in Shares

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

	31st December 2013		31st December 2014	
Name of Director	**Direct Interest**	**Deemed Interest**	**Direct Interest**	**Deemed Interest**
Mr S P Tao	Nil	702,746,518*	Nil	695,096,518*
Mrs Mildred Tao Ong	Nil	474,940,030*	Nil	474,940,030*
Mr Melvin Yap Boh Pin	Nil	474,940,030*	Nil	474,940,030*
Mr En Ping Ong	380,000	Nil	380,000	Nil
Mr H Z Cassim	Nil	Nil	Nil	Nil
Mr A M De S Jayaratne	Nil	Nil	Nil	Nil
Mr L R de Lanerolle	Nil	Nil	Nil	Nil
Mrs R Nanayakkara	Nil	Nil	Nil	Nil
Mr T K Bandaranayake	Nil	Nil	Nil	Nil
Dr Ranee Jayamaha	Nil	Nil	Nil	Nil
Mr Pravir Samarasinghe	N/A	N/A	Nil	Nil

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

Related Party Transactions

The disclosures made by the directors of the related party transactions are given in note 26 to the Financial Statements forming part of the Annual Report of the Board of Directors.

Directors' Interest in Transactions

The Directors of the Company have made a general disclosure in terms of section 192(2) of the Companies Act No. 07 of 2007. The particulars of those transactions are set out on pages 102 to 104 of the Annual Report.

Directors' Remuneration

Directors' remuneration, in respect of the Company and the Group for the financial year ended 31st December 2014 is given in the Note 26.2 to the Financial Statements, on page 104.

Directorship held in Other Entities

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

Insurance and Indemnity

The Company has obtained an indemnity and insurance policy from Allianz Insurance Lanka Limited for its Directors and officers amounting to US$ 1 Million for the period covering 1st January to 31st December 2014.

Internal Controls

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

The Directors' Statement on Internal Controls on page 57 gives 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 27 to 46 in this Report.

Shareholdings

There were 3,635 (2013 - 3,319) registered shareholders of ordinary shares as at 31st December 2014. The distribution of shareholdings is given on page 114 of this Report.

Shareholder Information

Information relating to earnings, dividends, net assets, market value per share and share trading is given on pages 113 and 114 in the Financial Review section of this Report.

Major Shareholders

The twenty largest shareholders of the Company as at 31st December 2014 together with an analysis of the shareholdings are given on page 115 of this Report.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of affairs of the Company. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRS/LKAS), Sri Lanka Accounting and Auditing Standards, Companies Act No 07 of 2007, Inland Revenue Act No. 10 of 2006 and amendments thereto, and the Listing Rules of the Colombo Stock Exchange. The Statement of Directors' Responsibility for Financial Reporting is given on page 58 and forms an integral part of this report.

Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief, confirm that the Company has not engaged in any activities contravening the Laws and Regulations of the country.

Statutory Payments

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

Events after Statement of Financial Position 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

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

The Auditors Report is found in the Financial Information section of the Annual Report.

The Auditors, Messrs. Ernst & Young, Chartered Accountants were paid Rs. 1,450,672/- (2013 – Rs. 1,265,000/-) and Rs. 3,134,412/- (2013 -Rs. 2,688,400/- Mn) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 345,520/- (2013-Rs. 384,670/-) and Rs. 1,552,320/- (2013-Rs. 1,173,663/-), by the Company and the Group, for permitted non-audit related services.

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

Annual General Meeting

The Annual General Meeting will be held on 6th May 2015 at 4.00 p.m. at the Havelock City Club House, No. 324, Havelock Road, Colombo 06. The Notice of the Annual General Meeting appears on page 117 of the Annual Report.

For and on behalf of the Board

H. Z. Cassim
Deputy Chairman

Ajith M. de S. Jayaratne
Director

Minoka Samaranayake
Company Secretary

27th January 2014
Colombo

Directors' Statement on Internal Controls

The following statement fulfills the requirement to publish the Directors' Statement on Internal Control as per the Code of Best Practice on Corporate Governance issued by CA Sri Lanka and Securities and Exchange Commission of Sri Lanka.

The Board of Directors is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and the Group. This process includes enhancing the system of internal controls as and when there are changes to 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:

- Instituted various committees to assist the Board in ensuring the effectiveness of Company's operations and the operations are in accordance with the corporate strategies and annual budget.
- The Company's internal audit function has been outsourced to Messrs. Pricewaterhouse Coopers (PWC) (Chartered Accountants). The Internal Auditors check for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and the 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 Internal Auditors, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions 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 periodic basis.
- In assessing the internal control system over financial reporting, relevant senior officers of the company collated all procedures and control that are connected with significant accounts and disclosures of the Financial Statement of the Company. These in turn were observed and checked by the Internal Auditors for suitability of design and effectiveness on an ongoing basis.
- The adoption of new Sri Lanka Accounting Standards comprising SLFRS and LKAS in 2012, processes that are required to comply with new requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress to ensure effective implementation of the required processes.
- The comments made by External Auditors in connection with the internal control system during the financial year 2014 were taken into consideration and appropriate steps have been taken to rectify them.

Conclusion

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

H. Z. Cassim
Deputy Chairman

Ajith M de S. Jayaratne
Chairman, Audit Committee

27th January 2015

Directors' Responsibility for Financial Reporting

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

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

- Statement of Financial position as at 31 December 2014, which present a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year and
- Income Statements which presents a true and fair view of the profit and loss of the Company and its subsidiaries for the financial year then ended.

Accordingly, the Directors confirm that the Financial Statements of the Company and its subsidiaries for the year ended 31 December 2014 incorporated in this report have been prepared in accordance with the Companies Act No. 07 of 2007, Sri Lanka Accounting Standards (SLFRS/LKAS), Listing Rules of the Colombo Stock Exchange and generally accepted accounting policies. The Directors consider that, in preparing the Financial Statements exhibited on pages 60 to 111 they have adopted appropriate accounting policies on a consistent basis, supported by reasonable and prudent judgments and estimates.

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

Messrs. Ernst & Young, Chartered Accountants, have carried out an audit in accordance with Sri Lanka Auditing Standards and their report is given on page 59 of the Annual Report.

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

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

Recommending a final dividend of Rs. 1.00 per share and a second final divident of Rs. 0.50 per share for this year which is to be approved by the shareholders at the Annual General Meeting to be held on 6th May 2015.

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

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

For and on behalf of the Board

H. Z. Cassim
Deputy Chairman

A. M. de S. Jayaratne
Director

Colombo on this 27th day of January 2015

Independent Auditor's Report

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

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

TO THE SHAREHOLDERS OF OVERSEAS REALTY (CEYLON) PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Overseas Realty (Ceylon) PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries (together "Group") which comprise the statement of financial position as at 31 December 2014, and the Income Statements, Statements of Comprehensive Income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 60 to 111.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31 December 2014 and the financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on other legal and regulatory requirements

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

a) The basis of opinion and Scope and Limitations of the audit are as stated above.

b) In our opinion :

- We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company
- The financial statements of the Company give a true and fair view of the financial position as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards
- The financial statements of the Company and the Group, comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.

Ernst & Young

27 January 2015
Colombo

Statement of Financial Position

As at 31 December 2014

	Note	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
ASSETS					
Non-Current Assets					
Investment Property	5	21,404,872,807	20,389,314,845	21,404,872,807	20,389,314,845
Property, Plant and Equipment	6	1,559,111,409	703,213,131	338,456,150	310,909,887
Intangible Assets	7	13,799,438	17,733,849	5,004,574	8,938,985
Investments in Subsidiaries	8	-	-	1,125,010,040	1,125,010,060
Inventories	10.1	2,124,582,326	1,785,310,418	-	-
Deferred Tax Assets	9	27,170,393	41,162,226	23,613,326	39,474,180
		25,129,536,373	22,936,734,469	22,896,956,897	21,873,647,957
Current Assets					
Inventories	10.2	424,017,954	3,565,111,491	19,230,387	20,172,103
Trade and Other Receivables	11	1,378,720,419	1,448,311,077	355,457,085	339,987,739
Amounts due from Related Parties	12	8,666,291	24,868,022	12,058,039	51,836,889
Income Tax Recoverable		9,940,543	2,045,450	131,163	-
Short Term Investments	15.1	2,154,735,058	1,235,742,747	2,154,735,058	1,235,742,747
Cash and Short Term Deposits	21	1,170,006,576	1,679,843,233	792,836,167	1,492,280,729
		5,146,086,841	7,955,922,020	3,334,447,899	3,140,020,207
Total Assets		30,275,623,214	30,892,656,489	26,231,404,796	25,013,668,164
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	13	10,186,085,405	10,186,085,405	10,186,085,405	10,186,085,405
Revaluation Reserve	14	264,523,391	238,875,211	264,523,391	238,875,211
Retained Earnings		15,477,908,704	13,749,921,664	14,441,644,747	13,230,443,943
		25,928,517,500	24,174,882,280	24,892,253,543	23,655,404,559
Non-controlling Interest		1,507,482,118	1,147,341,548	-	-
Total Equity		27,435,999,618	25,322,223,828	24,892,253,543	23,655,404,559
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	15.2	95,801,000	145,805,000	95,801,000	145,805,000
Post Employment Benefit Liability	16	21,274,742	17,666,428	8,352,270	17,666,428
Total Non-Current Liabilities		117,075,742	163,471,428	104,153,270	163,471,428
Current Liabilities					
Trade and Other Payables	17	825,224,075	1,594,313,491	334,322,674	386,870,711
Rental and Customer Deposits	18	904,236,270	1,888,487,744	840,698,153	723,206,316
Amounts due to Related Parties	19	-	12,041,496	4,657,631	12,113,251
Interest Bearing Loans and Borrowings	15.2	985,796,951	1,888,483,145	50,004,000	50,004,000
Income Tax Payable		1,975,033	20,739,194	-	19,701,736
Dividends Payable	20	5,315,525	2,896,163	5,315,525	2,896,163
Total Current Liabilities		2,722,547,854	5,406,961,233	1,234,997,983	1,194,792,177
Total Liabilities		2,839,623,596	5,570,432,661	1,339,151,253	1,358,263,605
Total Equity and Liabilities		30,275,623,214	30,892,656,489	26,231,404,796	25,013,668,164

I certify 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 the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by,

H. Z. Cassim
Director

A. M. de S. Jayaratne
Director

The accounting policies and notes on pages 65 through 111 form an integral part of the financial statements.

27th January 2015
Colombo

Income Statement

Year ended 31 December 2014

	Note	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Rental Revenue	3	**1,764,445,362**	1,589,572,884	**1,764,445,362**	1,589,572,884
Sale of Apartments	3	**4,329,204,511**	3,190,046,959	**-**	-
Other Services	4	**104,065,154**	68,725,206	**54,040,648**	99,818,268
Total Revenue		**6,197,715,027**	4,848,345,049	**1,818,486,010**	1,689,391,152
Direct Operating Expenses		**(481,522,100)**	(423,852,597)	**(424,771,995)**	(423,852,597)
Cost of Sales of Apartments		**(3,308,320,133)**	(2,635,184,672)	**-**	-
Gross Profit		**2,407,872,794**	1,789,307,780	**1,393,714,015**	1,265,538,555
Fair Value Gain on Investment Property	5	**1,015,557,962**	929,852,137	**1,015,557,962**	929,852,137
Administration Expenses		**(220,841,508)**	(207,562,010)	**(152,013,163)**	(161,980,097)
Marketing & Promotional Expenses		**(45,554,839)**	(59,993,883)	**-**	-
Operating Profit		**3,157,034,409**	2,451,604,024	**2,257,258,814**	2,033,410,595
Finance Cost	22.1	**(32,571,014)**	(57,112,693)	**(29,874,649)**	(57,008,172)
Finance Income	22.2	**187,400,848**	231,854,866	**177,699,206**	213,093,077
Other Income	22.3	**64,346,923**	-	**74,295,453**	900,000
Exchange Gain/ (Loss)		**10,212,200**	14,555,394	**825,997**	1,058,395
Profit Before Tax	23	**3,386,423,366**	2,640,901,591	**2,480,204,821**	2,191,453,895
Income Tax	24.1	**(50,487,289)**	(1,955,768)	**(45,316,727)**	3,395,549
Profit after Tax for the Year		**3,335,936,077**	2,638,945,823	**2,434,888,094**	2,194,849,444
Attributable to:					
Equity Holders of the Parent		**2,957,045,507**	2,434,546,273		
Non-controlling Interest		**378,890,570**	204,399,550		
		3,335,936,077	2,638,945,823		
Earnings Per Share	25	**3.51**	2.89		
Dividend Per Share	20	**1.45**	0.30		

The accounting policies and notes on pages 65 through 111 form an integral part of the financial statements.

Statement of Comprehensive Income

Year ended 31 December 2014

	Note	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Profit For the Year		**3,335,936,077**	2,638,945,823	**2,434,888,094**	2,194,849,444
Other Comprehensive Income					
Items that will not be Reclassified to Profit or Loss:					
Revaluation of Land and Buildings	14.1	**25,648,180**	22,804,498	**25,648,180**	22,804,498
Actuarial (Gain)/Loss		**(8,112,102)**	(405,279)	**(634,969)**	(405,279)
Deferred Tax Effect		**2,105,955**	-	**-**	-
		19,642,033	22,399,219	**25,013,211**	22,399,219
Other Comprehensive Income for the Year, Net of Tax		**19,642,033**	22,399,219	**25,013,211**	22,399,219
Total Comprehensive Income for the Year, Net of Tax		**3,355,578,110**	2,661,345,042	**2,459,901,305**	2,217,248,663
Attributable to:					
Equity Holders of the Parent		**2,976,687,540**	2,456,945,492		
Non-controlling Interest		**378,890,570**	204,399,550		
		3,355,578,110	2,661,345,042		

The accounting policies and notes on pages 65 through 111 form an integral part of the financial statements.

Statement of Changes In Equity

Year ended 31 December 2014

Group	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.	Non-controlling Interest Rs.	Total Equity Rs.
Balance as at 01 January 2013	10,186,085,405	216,070,713	11,568,825,978	21,970,982,096	942,941,998	22,913,924,094
Other Comprehensive Income for the Year	-	22,804,498	(405,279)	22,399,219	-	22,399,219
Profit for the Year	-	-	2,434,546,273	2,434,546,273	204,399,550	2,638,945,823
Dividends Paid for Ordinary Shares for Y/E 31/12/2012	-	-	(253,045,308)	(253,045,308)	-	(253,045,308)
Balance as at 31 December 2013	10,186,085,405	238,875,211	13,749,921,664	24,174,882,280	1,147,341,548	25,322,223,828
Other Comprehensive Income for the Year	-	25,648,180	(6,006,147)	19,642,033	-	19,642,033
Profit for the Year	-	-	2,957,045,507	2,957,045,507	378,890,570	3,335,936,077
Dividends Paid for Ordinary Shares for Y/E 31/12/2013	-	-	(1,223,052,321)	(1,223,052,321)	-	(1,223,052,321)
Subsidiary Dividends Paid for Non controlling Interest for Y/E 31/12/2013	-	-	-	-	(18,750,000)	(18,750,000)
Balance as at 31 December 2014	**10,186,085,405**	**264,523,391**	**15,477,908,704**	**25,928,517,500**	**1,507,482,118**	**27,435,999,618**

Company	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 January 2013	10,186,085,405	216,070,713	11,289,045,086	21,691,201,204
Other Comprehensive Income for the Year	-	22,804,498	(405,279)	22,399,219
Profit for the Year	-	-	2,194,849,444	2,194,849,444
Dividends Paid on Ordinary Shares for Y/E 31/12/2012	-	-	(253,045,308)	(253,045,308)
Balance as at 31 December 2013	10,186,085,405	238,875,211	13,230,443,943	23,655,404,559
Other Comprehensive Income for the Year	-	25,648,180	(634,969)	25,013,211
Profit for the Year	-	-	2,434,888,094	2,434,888,094
Dividends Paid on Ordinary Shares for Y/E 31/12/2013	-	-	(1,223,052,321)	(1,223,052,321)
Balance as at 31 December 2014	**10,186,085,405**	**264,523,391**	**14,441,644,747**	**24,892,253,543**

The accounting policies and notes on pages 65 through 111 form an integral part of the financial statements.

Cash Flow Statement

Year ended 31 December 2014

	Note	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Cash Flows from Operating Activities:					
Profit Before Tax Expense		3,386,423,366	2,640,901,591	2,480,204,821	2,191,453,895
Adjustments for -					
Depreciation Charge for the Year	6	11,402,406	9,583,209	7,790,129	7,858,811
Depreciation Transferred to Inventories	6.6	866,333	1,233,889	-	-
Amortization of Intangible Assets	7	5,268,799	5,076,536	5,268,799	5,076,536
Post Employment Benefit Expense	16	4,421,922	5,379,402	1,959,666	5,379,402
Finance Cost	22.1	32,571,014	57,112,693	29,874,649	57,008,172
Finance Income Received	22.2	(187,400,848)	(231,854,866)	(177,699,206)	(213,093,077)
Fair Value (Gain) on Investment Property	5	(1,015,557,962)	(929,852,137)	(1,015,557,962)	(929,852,137)
Operating Profit before Working Capital Changes		2,237,995,030	1,557,580,317	1,331,840,896	1,123,831,602
(Increase)/ Decrease in Amounts due from Related Parties		16,201,731	(12,607,118)	39,778,850	225,408,523
(Increase)/ Decrease in Trade and Other Receivables		69,590,657	388,124,110	(15,469,346)	(63,452,524)
Increase/ (Decrease) in Rental and Customer Deposits		(984,251,474)	(194,000,191)	117,491,837	117,980,327
(Increase)/ Decrease in Inventories		2,085,642,208	(1,220,947,919)	941,737	(2,099,819)
Increase/ (Decrease) in Trade and Other Payables		(769,089,416)	1,052,131,842	(52,548,037)	133,747,011
Increase/ (Decrease) in Amounts due to Related Parties		(19,567,306)	(7,610,521)	(18,416,603)	(7,538,766)
Cash Generated From/ (Used in) Operations		2,636,521,431	1,562,670,520	1,403,619,334	1,527,876,354
Income Tax Paid		(61,048,755)	(44,676,834)	(49,288,774)	(34,767,377)
Finance Cost Paid	22.1	(32,571,014)	(57,112,693)	(29,874,648)	(57,008,172)
Defined Benefit Plan Costs Paid	16	(1,399,900)	(5,172,183)	(947,810)	(5,172,183)
Net Cash Generated From/(Used in) Operating Activities		2,541,501,762	1,455,708,810	1,323,508,101	1,430,928,622
Cash Flows from Investing Activities :					
Proceeds from Sale of Property, Plant and Equipment		-	(4,405,401)	-	(4,405,401)
Acquisition of Intangible Assets	7.4	(1,334,388)	(47,091,796)	(1,334,388)	(606,791)
Acquisition of Property Plant and Equipment	6	(126,339,415)	-	(9,688,212)	-
Acquisition of Investment	15.1	(840,170,452)	(1,215,000,000)	(840,170,452)	(1,215,000,000)
Finance Income Received		108,578,990	211,112,119	98,877,347	192,350,330
Net Cash From/(Used in) Investing Activities		(859,265,265)	(1,055,385,078)	(752,315,705)	(1,027,661,862)
Cash Flows from Financing Activities :					
Repayment of Interest Bearing Loans and Borrowings	15.2	(1,485,604,000)	(825,154,000)	(50,004,000)	(50,004,000)
Loans Obtained	15.2	523,500,000	571,750,000	-	-
Dividends Paid		(1,239,382,959)	(252,724,840)	(1,220,632,959)	(252,724,840)
Net Cash Flow from/(Out Flow) Financing Activities		(2,201,486,959)	(506,128,840)	(1,270,636,958)	(302,728,840)
Net Increase/ (Decrease) in Cash and Cash Equivalents		(519,250,463)	(105,805,108)	(699,444,562)	100,537,920
Cash and Cash Equivalents at the Beginning of the Year	21	1,673,964,088	1,779,769,196	1,492,280,729	1,391,742,809
Cash and Cash Equivalents at the End of the Year	21	1,154,713,625	1,673,964,088	792,836,167	1,492,280,729

The accounting policies and notes on pages 65 through 111 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.

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

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

1.3 Parent Entity and Ultimate controlling party

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

1.4 Date of Authorization for Issue

The Financial Statements of Overseas Realty (Ceylon) PLC for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 27 January 2015.

2. BASIS OF PREPARATION

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

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

These Financial Statements are presented in Sri Lankan Rupees. The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

2.1.1 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year.

2.1.2 Consolidation Policies

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

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

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

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

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

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

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

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

The following companies have been consolidated.

- Mireka Capital Land (Private) Limited (Subsidiary)
- Mireka Homes (Private) Limited (Sub-subsidiary)
- Realty Management Services (Private) Limited (Subsidiary)
- 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 Segment Reporting

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

2.2 Significant Accounting Judgments, Estimates and Assumptions

2.2.1 Critical Judgments in Applying the Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial Statements.

(a) Classification of Property

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

(b) Revenue recognition from sale of apartments

In recognizing revenue from sale of apartments, management applies judgment ascertaining if the risks and rewards of ownership have passed to the buyers. In this regard, management sought professional legal advice in determining the point at which equitable interest passes to the buyer and accordingly recognizes revenue under the percentage of completion method as the Group continuously transfers to the buyer significant risks and rewards of ownership of the work in progress in its current state as the construction progress.

(c) Deferred Taxation

Deferred taxation on Investment Property

As per the LKAS 12, deferred tax on Investment Property carried at fair value is required to be measured using a rebuttable presumption that the carrying amount will be recovered through sale.

The investment property of the company consists of freehold land and buildings. With regard to the building, the presumption is rebutted, as the company's business model is to consume substantially all the economic benefits embodied in the building over time, rather than though sale. The component in investment property comprising land does not create any tax consequences, as currently capital gain tax is not applicable for land.

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 based on its turnover. Accordingly temporary differences will not arise on the investment property up to the year 2035.

In the event the building component is sold after the year 2035, it will create tax consequences. However the management believes the fair value of the building component of the investment property will not be material as a significant proportion of the useful life of the building will have been consumed by them.

Based on the above, Management believes that deferred tax in respect of Investment Property will not be material to the financial statements.

2.2.2 Critical Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements.

(a) Estimation of fair value of Investment Properties

The Group carries its Investment Properties at fair value, with changes in fair values being recognised in the Income Statement. The Group engaged an independent valuer to determine the fair value as at 31 December 2014.

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

(i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalization rates that reflect current market assessments of the returns and yields, and uncertainty in the amount and timing of the cash flows.

(b) Principal assumptions for management's estimation of fair value

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

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

The determined fair value of the Investment Properties is most sensitive to the capitalization rate, anticipated maintenance cost as well as the rate of growth in future rentals as given in Note 5.2.

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

(c) Deferred Taxation

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax that can be recognised based upon the likely timing and the levels of future taxable profits. More information regarding deferred tax assets is given in Note 9 and 24.

(d) Estimation of Net Realisable Value for Inventory

Inventory disclosed in Note 10 is stated at the lower of cost and net realisable value (NRV). NRV is assessed with reference to market conditions and prices existing at the reporting date and in the light of recent market transactions.

2.3 Summary of Significant Accounting Policies

2.3.1 Business Combinations and Goodwill

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

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

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

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

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

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

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

2.3.2 Foreign Currency Translation

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

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 buisness 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.

Mireka Capital Land (Private) Limited

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

The 8 year tax exemption period commenced in 2006 and ended during the current financial year where buisness income was exempted and other income was taxable at normal rate.

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 a certificate by BOI.

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

Deferred Taxation

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

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

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

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

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

Sales Tax

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

2.3.4 Borrowing Costs

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

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

2.3.5 Revenue Recognition

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

a) Sale of Apartments

In the case of sale of apartments, the group has determined that equitable interest in the property has vested in the buyer before legal title passes, and the risks and rewards of ownership of such have been transferred at the time of entering into Sale and Purchase agreement. Therefore, revenue recognition from sale of apartments is begun from the point of entering in to Sale and Purchase Agreement. Where the property is under development for a considerable time frame and agreement has been reached to sell such an apartment when construction works are completed, the directors consider whether the contract comprises;

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

Where a contract is judged to be for the construction of a property, revenue is recognized using the percentage of completion method as construction of apartments progresses. This is in line with the directive of the Institute of Chartered Accountants in Sri Lanka for entities engaged in the industry of construction of real estate to defer the application of IFRIC 15 until five step model comes into effect which will bring more clarity on revenue recognition.

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

b) Rental Income

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

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

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

c) Rendering of Services

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

d) Finance Income

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

e) Others

Other income is recognized on an accrual basis.

2.3.6 Intangible Assets

(a) WTC Membership

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

(b) Computer Software

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

(c) Goodwill

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

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

2.3.7 Inventory

Work-in-Progress and Completed Apartments

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, and completed apartments are shown as inventories and measured at the lower of cost and net realizable value.

Cost includes:

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

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

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale. The cost of inventory recognized in profit or loss on disposal is determined with reference to the costs incurred on the property sold and an allocation of costs based on the gross floor area of the property developed.

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

Consumables and Spares

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

2.3.8 Cash and Short-Term Deposits

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

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with original maturities of three months or less are also treated as cash equivalents.

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 Income Statement.

2.3.10 Financial Instruments — Initial Recognition and Subsequent Measurement

2.3.10.1 Financial Assets

The Group's financial assets include cash and short-term deposits, trade and other receivables, short term investments and amount due from related parties.

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives

designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

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

Subsequent Measurement

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

a) Financial Assets at Fair Value through Profit or Loss

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

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

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

b) **Loans and Receivables**

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

De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

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

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

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

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

Financial Assets carried at Amortized Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Asset that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

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

2.3.10.2 Financial Liabilities

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

Initial Recognition and Measurement

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

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

Subsequent Measurement

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

Loans and Borrowings

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

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

De-recognition

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (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 Company determines the policies and procedures for both recurring fair value measurement, such as investment properties and Property, Plant and Eqiuipment-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, inde-pendence and whether professional standards are maintained. The Management, after discussions with the Group's external valuer, which valuation techniques and inputs to use for each case.

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

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

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

2.3.11 Investments

a) Investment in Subsidiaries

Long term 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 Income Statement.

2.3.12 Investment Property

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

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

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

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

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

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

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

2.3.13 Provisions

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

2.3.14 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

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

The Group measures the present value of the promised retirement benefits of gratuity, which is a defined benefit plan with the advice of an independent actuary.

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

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

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

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

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

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

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

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

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

2.3.15 Impairment of Non Financial Assets

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

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

For assets, an assessment is made at each reporting date as to whether there is any indication that previously 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 Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.3.16 Land (Restrictions on Alienation) Act, No. 38 of 2014

As per the Act, the transfer of title of any land situated in Sri Lanka, shall be prohibited if such transfer is;

(a) to a foreigner; or

(b) to a company incorporated in Sri Lanka under the Companies Act where any foreign shareholding in such company, either direct or indirect, is fifty percent or above; or

(c) to a foreign company, unless exempted as provided in section 3 of this Act.

The free hold lands that belong to Overseas Realty (Ceylon) PLC (World Trade Center) and Mireka Capital Land (Pvt) Ltd (Havelock City Project) were purchased prior to the effective date of this Act (i.e; 1 January 2013). Therefore, there are no negative consequences in relation to the ownership of the lands that are owned by the group.

If the Group wishes to sell a condominium parcel to any of the above three categories, such condominium parcel shall be situated on or above the fourth floor of the building specified under the Apartment Ownership Law, (excluding the ground level floor and floors which accommodates only common element or elements within the meaning of Apartment Ownership Law) provided that, the entire value shall be paid up front through an inward foreign remittance prior to the execution of the relevant deed of transfer.

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

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future financial statements.

a) SLFRS 9-Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. The Group will quantify the effect in due course.

This standard was originally effective for annual periods commencing on or after 01 January 2015. However effective date has been deferred subsequently.

The Group will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

b) SLFRS 14 – Regulatory Deferral Accounts

The scope of this standard is limited to first-time adopters of SLFRS that already recognise regulatory deferral account balances in their financial statements. Consequently, the financial statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognise such balances, will not be affected by this standard. This standard is effective for the annual periods beginning on or after 01 January 2016.

c) SLFRS 15- Revenue from Contracts with Customers

SLFRS 15, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including Sri Lanka Accounting Standard (LKAS 1-) – “Revenue”, Sri Lanka Accounting Standard (LKAS 11) – “Construction Contracts” and IFRIC 13 – “Customer Loyalty Programmer”. This standard is effective for the annual periods beginning on or after 01 January 2017.

The standard could have an impact on the revenue recognition and the Group is in the process of evaluating the said impact.

The Group will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonable estimable as at the date of publication of these Financial Statements.

3. SEGMENTAL INFORMATION

The Group mainly comprises three business segments viz, Property Leasing, Property Services and Property Trading. Property Leasing is derived by Overseas Realty (Ceylon) PLC (ORC PLC), Property Services is derived by ORC PLC and Realty Management Services (Pvt) Ltd (RMS) and Property Trading is derived through Mireka Capital Land (Pvt) Ltd (MCL) and Mireka Homes (Pvt) Ltd (MHL). ORC PLC 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 renting, broking, providing absentee landlord management and providing facility management and related services. MCL recognises revenue through the sale of land and infrastructure and MHL recognises revenue through the sale of condominium units of "Havelock City".

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

3.1 Segment Results :

	2014					2013				
Year ended 31 December	Property Leasing Rs.	Property Services Rs.	Property Trading Rs.	Inter/Intra Segment Eliminations Rs.	Consolidated Rs.	Property Leasing Rs.	Property Services Rs.	Property Trading Rs.	Inter/Intra Segment Eliminations Rs.	Consolidated Rs.
Revenue	1,764,445,362	-	4,329,204,511	-	6,093,649,872	1,589,572,884	-	3,190,046,959	-	4,779,619,843
Other Services	54,040,648	73,767,341	-	(23,742,835)	104,065,154	99,818,268	25,725,798	-	(56,818,860)	68,725,206
Direct Operating Expenses	(424,771,995)	(56,750,105)	-	-	(481,522,100)	(423,852,597)	-	-	-	(423,852,597)
Cost of Sales	-	-	(3,308,320,132)	(1)	(3,308,320,133)	-	-	(2,635,184,672)	-	(2,635,184,672)
Gross Profit/ (Loss)	1,393,714,015	17,017,236	1,020,884,378	(23,742,836)	2,407,872,794	1,265,538,555	25,725,798	554,862,287	(56,818,860)	1,789,307,780
Fair Value Gain on Investment Property	1,015,557,962	-	-	-	1,015,557,962	929,852,137	-	-	-	929,852,137
Administration Expenses	(152,013,163)	(7,504,832)	(61,326,240)	2,727	(220,841,508)	(161,980,097)	(23,052,295)	(23,135,618)	606,000	(207,562,010)
Marketing and Promotional Expenses	-	-	(45,554,839)	-	(45,554,839)	-	-	(59,993,883)	-	(59,993,883)
Exchange Gain/(Loss)	825,997	-	9,386,204	(1)	10,212,200	1,058,395	-	13,496,999	-	14,555,394
Finance Cost	(29,874,649)		(2,696,365)	-	(32,571,014)	(57,008,172)	-	(104,521)	-	(57,112,693)
Finance Income	177,699,206	451,473	9,250,169	-	187,400,848	213,093,077	-	18,761,789	-	231,854,866
Other Income	74,295,453	-	19,178,470	(29,127,000)	64,346,923	900,000	-	-	(900,000)	-
Net Profit Before Tax	2,480,204,821	9,963,877	949,121,776	(52,867,109)	3,386,423,365	2,191,453,895	2,673,503	503,887,053	(57,112,860)	2,640,901,591

3.2 Segment Assets and Liabilities :

Year ended 31 December	Property Leasing Rs.	Property Services Rs.	Property Trading Rs.	Inter/Intra Segment Eliminations Rs.	Consolidated Rs.
2014					
Total Assets	**26,231,404,796**	**31,993,639**	**5,249,131,490**	**(1,236,906,711)**	**30,275,623,214**
Total Liabilities	**1,339,151,253**	**20,367,009**	**1,480,348,554**	**(243,220)**	**2,839,623,596**
2013					
Total Assets	25,013,668,164	17,865,448	7,093,993,189	(1,232,870,313)	30,892,656,489
Total Liabilities	1,358,263,605	15,063,889	4,225,639,677	(28,534,510)	5,570,432,661

3.3 Other Segment Information :

	2014				2013			
Year ended 31 December	Property Leasing Rs.	Property Services Rs.	Property Trading Rs.	Consolidated Rs.	Property Leasing Rs.	Property Services Rs.	Property Trading Rs.	Consolidated Rs.
Total Cost Incurred during the Year to Acquire								
- Property, Plant and Equipment	**9,688,212**	**439,900**	**116,211,303**	**126,339,415**	35,679,180	463,600	10,949,016	47,091,796
Depreciation								
- Charge for the Year	**7,790,129**	**238,850**	**4,239,761**	**12,268,740**	7,858,811	83,638	1,640,760	9,583,209
- Capitalized with the Inventories	**-**	**-**	**866,333**	**866,333**	-	-	1,233,889	1,233,889
Amortization	**5,268,799**	**-**	**-**	**5,268,799**	5,076,536	-	-	5,076,536
Employee Benefit Costs	**97,259,006**	**35,959,867**	**28,721,093**	**161,939,966**	108,446,340	14,323,277	15,865,396	124,311,736

3.4 Revenue of the Group and the Company is shown at net of Value Added Tax (VAT) amounting to Rs. 635,419,850 And Rs.230,830,394/- respectively.

4. OTHER SERVICES

Year ended 31 December	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Property Facility Fee	**42,782,609**	28,137,500	**22,440,000**	22,440,000
Net Income from Rented Car Park	**3,041,370**	(1,232,672)	**3,041,370**	(1,232,672)
Default Interest	**15,145**	34,500	**15,145**	34,500
Management Fees	**14,610,455**	14,972,785	**22,782,835**	68,787,783
Facility Management Income	**-**	16,828,402	**-**	4,519,478
Legal Fees	**2,227,405**	5,524,442	**2,227,405**	5,269,179
Agency Fees	**14,506,599**	4,108,889	**-**	-
Other Service Income	**4,034,057**	-	**3,533,894**	-
Income from Sale of Lighting Solution	**22,847,514**	351,360	**-**	-
	104,065,154	68,725,206	**54,040,648**	99,818,268

5. INVESTMENT PROPERTY

Year ended 31 December	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
As at 1 January	**20,389,314,845**	19,459,462,708	**20,389,314,845**	19,459,462,708
Net Gain from Fair Value Adjustment	**1,015,557,962**	929,852,137	**1,015,557,962**	929,852,137
As at 31 December	**21,404,872,807**	20,389,314,845	**21,404,872,807**	20,389,314,845

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

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

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

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

The significant assumptions used by the valuer in the years 2014 and 2013 are as follows:

Significant Unobservable Inputs	Valuation Technique	2014	2013
Estimated Market Rent per sq:ft	Investment Method (Income Approach) using the discounted cash flows	: **Rs. 225-275**	: Rs.180-275
Rate of Growth in Future Rentals		: **1 to 2 years 0%** **3-10 years 5% p.a.**	: 1 to 10 years 5% p.a.
Anticipated Maintenance Cost		: **45% of rentals**	: 45% of rentals
Capitalization Rate		: **5.75% p.a.**	: 6.0% p.a.

5.3 Sensitivity Analysis of Assumptions Employed in Investment Property Valuation

Group/Company

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of Investment Property, in respect of the year 2014.

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

Increase/ (Decrease)				
Capitalization Rate	Growth in Future Rentals	Anticipated Maintenance Cost	Proforma Investment Property valuation Rs.	Effect on Fair Value Gain/ (Loss) on Investment Property Rs.
1%			17,998,455,907	(3,406,416,901)
-1%			26,269,892,550	4,865,019,742
	1%		22,735,549,514	1,330,676,706
	-1%		20,154,168,419	(1,250,704,389)
		5%	19,458,975,446	(1,945,897,362)
		-5%	23,350,770,536	1,945,897,728

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

5.5 Rental Income earned from Investment Property by the Group and Company amounted to Rs.1,764 Mn. (2013 - Rs.1,590 Mn.). Direct operating expenses incurred by the Group and Company amounted to Rs. 425 Mn.(2013 - Rs.424 Mn.).

6. PROPERTY PLANT & EQUIPMENT
6.1 Group
6.1.1 Gross Carrying Amounts

At Cost or Valuation	At Cost					At Valuation			
Year ended 31 December	Temporary Building Rs.	Equipment Rs.	Computer and Electronic Equipment Rs.	Furniture and Fittings Rs.	Motor Vehicles Rs.	Buildings Rs.	Total Value of Depreciable Assets Rs.	In the Course of Construction Rs.	Total Gross Carrying Amount Rs.
Balance as at 01 January 2014	6,488,324	15,360,304	37,376,201	30,747,869	25,515,256	303,825,825	419,313,779	372,489,494	791,803,273
Additions during the Year	-	704,546	1,571,292	2,139,931	7,996,225	6,144,716	18,556,710	107,782,705	126,339,415
Discontinued Assets	-	(1,645,578)	(5,455,722)	-	(308,647)	-	(7,409,947)	-	(7,409,947)
Transfers from Inventory	-	-	-	-	-	716,179,421	716,179,421	-	716,179,421
Transfers*	-	(12,059)	-	-	-	(5,612,808)	(5,624,867)	-	(5,624,867)
Revaluations	-	-	-	-	-	25,648,180	25,648,180	-	25,648,180
Balance as at 31 December 2014	6,488,324	14,407,213	33,491,771	32,887,800	33,202,834	1,046,185,334	1,166,663,276	480,272,199	1,646,935,475

6.1.2 Depreciation

Year ended 31 December	Temporary Building Rs.	Equipment Rs.	Computer and Electronic Equipment Rs.	Furniture and Fittings Rs.	Motor Vehicles Rs.	Buildings Rs.	Total Depreciation Rs.
Balance as at 01 January 2014	2,252,540	9,246,212	31,687,875	20,695,277	24,708,237	-	88,590,142
Depreciation for the Year	1,296,955	986,755	2,402,058	1,729,633	240,530	5,612,808	12,268,739
Discontinued Assets	-	(1,645,578)	(5,455,722)	-	(308,647)	-	(7,409,947)
Transfers*	-	(12,059)	-	-	-	(5,612,808)	(5,624,867)
Balance as at 31 December 2014	3,549,495	8,575,330	28,634,211	22,424,910	24,640,120	-	87,824,067

6.1.3 Net Book Value

Year ended 31 December	2014 Rs.	2013 Rs.
At Cost		
Temporary Building	**2,938,829**	4,235,784
Equipment	**5,831,882**	6,114,091
Computers and Electronic Equipment	**4,857,561**	5,688,327
Furniture and Fittings	**10,462,889**	10,052,591
Motor Vehicles	**8,562,714**	807,019
At Valuation		
Buildings	**1,046,185,334**	303,825,825
In the Course of Construction		
Capital Work In Progress	**480,272,199**	372,489,494
	1,559,111,409	703,213,131

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

6.2 Company

6.2.1 Gross Carrying Amounts

Year ended 31 December	At Cost				At Valuation			
	Equipment Rs.	Computer and Electronic Equipment Rs.	Furniture and Fittings Rs.	Motor Vehicles Rs.	Buildings Rs.	Total Value of Depreciable Assets Rs.	In the Course of Construction Rs.	Total Gross Carrying Amount Rs.
Balance as at 01 January 2014	6,766,283	29,650,565	20,447,909	25,273,256	303,091,820	385,229,833	602,052	385,831,885
Additions during the Year	57,989	225,500	48,446	7,996,225	-	8,328,160	1,360,052	9,688,212
Discontinued Assets	(1,645,578)	(5,455,722)	-	(308,647)	-	(7,409,947)	-	(7,409,947)
Revaluation	-	-	-	-	25,648,180	25,648,180	-	25,648,180
Transfers*	-	-	-	-	(5,612,808)	(5,612,808)	-	(5,612,808)
Balance as at 31 December 2014	5,178,694	24,420,343	20,496,355	32,960,834	323,127,192	406,183,418	1,962,104	408,145,522

6.2.2 Depreciation

Year ended 31 December	Equipment Rs.	Computer and Electronic Equipment Rs.	Furniture and Fittings Rs.	Motor Vehicles Rs.	Buildings Rs.	Total Depreciation Rs.
Balance as at 01 January 2014	5,992,435	26,582,559	17,880,767	24,466,237	-	74,921,998
Depreciation for the Year	128,491	1,275,302	532,998	240,530	5,612,808	7,790,129
Discontinued Assets	(1,645,578)	(5,455,722)	-	(308,647)	-	(7,409,947)
Transfers*	-	-	-	-	(5,612,808)	(5,612,808)
Balance as at 31 December 2014	4,475,348	22,402,139	18,413,765	24,398,120	-	69,689,372

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

6.2.3 Net Book Value

Year ended 31 December	2014 Rs.	2013 Rs.
At Cost		
Equipment	**703,346**	773,848
Computers and Electronic Equipment	**2,018,204**	3,068,006
Furniture and Fittings	**2,082,590**	2,567,142
Motor Vehicles	**8,562,714**	807,019
At Valuation		
Buildings	**323,127,192**	303,091,820
In the Course of Construction		
Capital Work In Progress	**1,962,104**	602,052
	338,456,150	310,909,887

6. PROPERTY PLANT & EQUIPMENT (Contd...)

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 2014 by Messrs. 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 2014. The surplus arising from the revaluation was transferred to a revaluation reserve. The valuation that was used to ascertain the value of investment property was used for the determination of the fair value of the Buildings-Level 18 carried at fair value. Further, similar assumptions have been used in determining the fair value of the property as given in Note 5.2.

6.4 The fair value of building (Club House at Havelock City) was determined by means of a revaluation using the replacement cost approach during the financial year 2014 by Messrs. P.B. Kalugalagedera and Associates, an independent valuer. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 31 December 2014.

6.5 Cash payments amounting to Rs. 126,339,415/- (2013 : Rs. 47,091,796) were made during the year by the Group and Rs.9,688,212/- (2013 : Rs. 9,183,013/-) 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 :

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

6.7 Out of the total depreciation for the year of Rs.12,268,739/- (2013 -Rs.10,817,098/-) an amount of Rs.866,333/- (2013 - Rs.1,233,889/-) has been transferred to Inventory/Project Under Development during the year by the Group.

6.8 Property, Plant and Equipment of the Group and the Company includes fully depreciated assets having a gross carrying amount of Rs.72,685,423/- and Rs. 64,520,560/- (2013 : Rs. 57,041,886 and Rs.48,877,023/-) respectively.

6.9 During the year Property, Plant and Equipment amounting to Rs. 7,409,947/- (2013 - Rs. Nil) were Discontinued by the Group and the Company.

6.10 During the year inventory amounting to Rs. 716,179,421/- was transferred to Property, Plant and Equipment.

6.11 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:

Year ended 31 December	Cost Rs.	Cumulative Depreciation If assets were carried at cost Rs.	Net Carrying Amount 2014 Rs.	Net Carrying Amount 2013 Rs.
Class of Asset				
Building - Level 18	87,431,566	11,657,543	**75,774,023**	77,231,216
Building - Club House	723,058,142	-	**723,058,142**	-

6.12 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

Year ended 31 December	WTC Membership Rs. (Note 7.3)	Computer Software Rs. (Note 7.4)	Goodwill Rs. (Note 7.5)	Total Rs.
Summary				
Cost				
As at 01 January 2014	7,297,734	27,585,380	8,794,864	43,677,978
Acquired/ Incurred during the Year	-	1,334,388	-	1,334,388
As at 31 December 2014	7,297,734	28,919,768	8,794,864	45,012,366
Amortization				
As at 01 January 2014	7,297,734	18,646,395	-	25,944,129
Amortization during the Year	-	5,268,799	-	5,268,799
As at 31 December 2014	7,297,734	23,915,194	-	31,212,928
Net book value				
As at 01 January 2014	-	8,938,985	8,794,864	17,733,849
As at 31 December 2014	-	5,004,574	8,794,864	13,799,438

7. INTANGIBLE ASSETS (Contd...)

7.2 Company

Year ended 31 December	WTC Membership Rs. (Note 7.3)	Computer Software Rs. (Note 7.4)	Total Rs.
Summary			
Cost			
As at 01 January 2014	7,297,734	27,585,380	34,883,114
Acquired/ Incurred during the Year	-	1,334,388	1,334,388
As at 31 December 2014	7,297,734	28,919,768	36,217,502
Amortization			
As at 01 January 2014	7,297,734	18,646,395	25,944,129
Amortization for the Year	-	5,268,799	5,268,799
As at 31 December 2014	7,297,734	23,915,194	31,212,928
Net book value			
As at 01 January 2014	-	8,938,985	8,938,985
As at 31 December 2014	-	5,004,574	5,004,574

7.3 WTC membership fee represent the original amount paid to be eligible to use the trade name "World Trade Centre".

7.4 Computer software represent the Enterprise Resource Planning System (ERP) consisting of application software, user license and implementation services of which the management of the Company has determined the useful life as five (5) years. Amortization has been made on a straight line basis in the Income Statement. During the year under review, a further amount of Rs. 1,334,388/- (2013 Rs. 4,405,401//-) was invested in the ERP system.

7.5 Goodwill is related to the acquisition of Mireka Capital Land (Pvt) Ltd.

8. INVESTMENTS IN SUBSIDIARIES

Year ended 31 December	% Holding	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Non-Quoted Investment at cost					
Mireka Capital Land (Pvt) Ltd.	60%	-	-	**1,125,000,000**	1,125,000,000
Hospitality International (Pvt) Ltd. (HIL)	100%	-	-	**112,159,107**	112,159,107
Realty Management Services (Pvt) Ltd.	100%	-	-	**10,020**	10,020
Property Mart (Pvt) Ltd	100%	-	-	**20**	20
Havelock City (Pvt) Ltd	0%	-	-	**-**	20
		-	-	**1,237,169,147**	1,237,169,167
Provision for Impairment: Hospitality International (Pvt) Ltd. (HIL)		-	-	**(112,159,107)**	(112,159,107)
		-	-	**1,125,010,040**	1,125,010,060

8.1 All subsidiaries are incorporated in Sri Lanka.

9. DEFERRED TAX

Deferred Tax Relates to the Following:

9.1 Group

Year ended 31 December	2014 Rs.	2013 Rs.
Deferred Tax Assets Arising on:		
Tax Loss Carried Forward	23,650,233	40,786,435
Property Plant & Equipment	482,791	381,489
Retirement Benefit Obligation	3,054,766	-
Deferred Tax Liability Arising on:		
Property Plant & Equipment	(17,397)	(5,698)
Deferred Tax Expense/(Income)		
Net Deferred Tax Asset/(Liability)	27,170,393	41,162,226
Balance brought forward	(41,162,226)	-
Deferred Income Tax (Credit)/Charge- Income Statement	16,097,788	(41,162,226)
Deferred Income Tax (Credit)/Charge- Statement of Other Comprehensive Income	(2,105,955)	-
Net Deferred Tax (Asset)/Liability	(27,170,393)	(41,162,226)

9.2 Company

	Statement of Financial Position		Income Statement	
Year ended 31 December	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Deferred Tax Assets Arising on:				
Tax Loss Carried Forward	23,613,326	39,474,180	15,860,854	(39,474,180)
Deferred Tax Expense/(Income)			15,860,854	(39,474,180)
Net Deferred Tax Asset/(Liability)	23,613,326	39,474,180		

10. INVENTORIES

Year ended 31 December	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
10.1 Non Current Inventories				
Work in Progress	**2,124,582,326**	1,785,310,418	**-**	-
	2,124,582,326	1,785,310,418	**-**	-
10.2 Current Inventories				
Work in Progress	**17,348,555**	3,173,381,239	**-**	-
Completed Apartments for Sale	**387,439,012**	370,376,486	**-**	-
Consumables and Spares	**19,230,387**	21,353,766	**19,230,387**	20,172,103
	424,017,954	3,565,111,491	**19,230,387**	20,172,103
10.3 Total Inventories	**2,548,600,280**	5,350,421,909	**19,230,387**	20,172,103

10.4 The amount of borrowing costs capitalised with inventory during the year ended 31 December 2014 was Rs.102,482,027/-(2013: Rs. 125.597,461). The rate used for capitalising the borrowing cost was 5%.

11. TRADE AND OTHER RECEIVABLES

Year ended 31 December	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Rent and Service Charge Receivables	**50,956,095**	49,190,608	**50,956,095**	49,190,608
Trade Receivables - Apartment Sales	**628,144,202**	161,498,214	**-**	-
Less: Allowance for Impairment	**-**	(11,710,809)	**-**	(11,710,809)
	679,100,297	198,978,013	**50,956,095**	37,479,799
Other Receivables	**116,464,793**	371,450,995	**17,821,776**	54,388,088
Less: Allowance for Impairment	**-**	(3,853,876)	**-**	-
	795,565,090	566,575,132	**68,777,871**	91,867,887
VAT Receivables	**254,454,178**	417,838,805	**-**	-
Accrued Rental Income	**273,246,108**	232,322,677	**273,246,108**	232,322,677
Advances and Prepayments	**55,455,043**	231,574,463	**13,433,106**	15,797,175
	1,378,720,419	1,448,311,077	**355,457,085**	339,987,739

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

Group

			Past Due but not Impaired				
	Total	Before 30 days	31-60 days	61-90 days	91-120 days	121-150 days	> 150 days
2014	**679,100,297**	**247,801,501**	**39,414,324**	**109,292,745**	**198,182,415**	**56,980,232**	**27,429,080**
2013	198,978,013	20,156,016	13,602,118	6,056,419	5,814,949	147,320,750	6,027,761

Company

			Past Due but not Impaired				
	Total	Before 30 days	31-60 days	61-90 days	91-120 days	121-150 days	> 150 days
2014	**50,956,095**	**20,505,145**	**15,443,265**	**5,036,319**	**4,233,743**	**39,874**	**5,697,749**
2013	37,479,799	10,115,050	13,602,118	3,716,911	5,814,949	4,580	4,226,191

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

11.3 Movement in the allowance for impairment is as follows.

Group	As at 1 January Rs.	Charge for the Year Rs.	Reversal Rs.	As at 31 December Rs.
2014	**15,564,685**	**-**	**(15,564,685)**	**-**
2013	15,564,685	-	-	15,564,685

12. AMOUNTS DUE FROM RELATED PARTIES

Year ended 31 December		Group 2014 Rs.	2013 Rs.	Group 2014 Rs.	2013 Rs.
	Relationship				
Realty Management Services (Pvt) Ltd	Subsidiary	**-**	-	**3,233,524**	11,476,367
Mireka Homes (Pvt) Ltd	Sub-Subsidiary	**-**	-	**-**	15,915,631
Havelock City (Pvt) Ltd	Sub-Subsidiary	**-**	-	**158,224**	158,224
Shing Kwan Investment Lanka (Pvt) Ltd	Fellow Subsidiary	**82,372**	581,355	**82,372**	-
Management Corporation Condominium Plan 1824	Other Related Party	**8,583,920**	24,286,667	**8,583,920**	24,286,667
		8,666,291	24,868,022	**12,058,039**	51,836,889

13. STATED CAPITAL

13.1 Stated Capital as at 31 December

Year ended 31 December	2014 Rs.	2013 Rs.
	10,186,085,405	10,186,085,405

13.2 Number of Ordinary Shares

Year ended 31 December	2014 Number	2013 Number
Balance as at 1 January	**843,484,359**	843,484,359
Issues during the Year	**-**	-
Balance as at 31 December	**843,484,359**	843,484,359

14. RESERVES

Group/Company

14.1 Revaluation Reserve

Year ended 31 December	2014 Rs.	2013 Rs.
Balance as at 1 January	**238,875,211**	216,070,713
Surplus during the Year	**25,648,180**	22,804,498
Balance as at 31 December	**264,523,391**	238,875,211

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

15. SHORT TERM INVESTMENTS

15.1 Investments in Money Market Funds

Group/ Company

Year ended 31 December	As At 01.01.2014 Rs.	Additions Rs.	Fair Value (Gain)/ Loss Rs.	As At 31.12.2014 Rs.
Namal High Yield Fund	**316,246,003**	295,000,000	35,495,721	**646,741,724**
Ceybank Saving Plus	**469,527,814**	295,170,452	(1,563,613)	**763,134,653**
Eagle Money Plus Fund	**449,968,930**	250,000,000	44,889,751	**744,858,681**
	1,235,742,747	840,170,452	78,821,859	**2,154,735,058**

15.1.1 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 income statement as disclosed in note 22.2.

15.2 Interest Bearing Loans and Borrowings

15.2.1 Group

Year ended 31 December	2014 Amounts Repayable within 1 Year Rs.	2014 Amounts Repayable after 1 Year Rs.	2014 Total Rs.	2013 Amounts Repayable within 1 Year Rs.	2013 Amounts Repayable after 1 Year Rs.	2013 Total Rs.
Loan from Bank of Ceylon (BOC) (15.2.3)	**920,500,000**	**-**	**920,500,000**	1,832,600,000	-	1,832,600,000
SR & CC & T Fund Loan - BOC (15.2.2)	**50,004,000**	**95,801,000**	**145,805,000**	50,004,000	145,805,000	195,809,000
Bank Overdrafts (21)	**15,292,951**	**-**	**15,292,951**	5,879,145	-	5,879,145
Total Loans and Overdraft	**985,796,951**	**95,801,000**	**1,081,597,951**	1,888,483,145	145,805,000	2,034,288,145

15.2.2 Company

Year ended 31 December	2014 Amounts Repayable within 1 Year Rs.	2014 Amounts Repayable after 1 Year Rs.	2014 Total Rs.	2013 Amounts Repayable within 1 Year Rs.	2013 Amounts Repayable after 1 Year Rs.	2013 Total Rs.
SR & CC & T Fund Loan (15.2.4)	**50,004,000**	**95,801,000**	**145,805,000**	50,004,000	145,805,000	195,809,000
Total Loans and Overdraft	**50,004,000**	**95,801,000**	**145,805,000**	50,004,000	145,805,000	195,809,000

15.2.3 Loan - BOC

	As At 01.01.2014 Rs.	Loans Obtained during the Year Rs.	Repayments Rs.	Exchange Difference Rs.	As At 31.12.2014 Rs.
Shareholder Loan - BOC	**1,832,600,000**	523,500,000	(1,437,850,000)	2,250,000	920,500,000
	1,832,600,000	523,500,000	(1,437,850,000)	2,250,000	920,500,000

As per the shareholders loan agreement, a loan revolving facility of US$ 40MN has been approved to Mireka Homes (Pvt) Ltd(MHL) in 2012. As at 31.12.2014 MHL has utilized US$ 7MN of the said facility. Interest has been paid monthly at a fixed rate of 5% per annum during the year. The loan proceeds has been utilized for Phase II of Havelock City Apartment Project.

15.2.4 Unsecured Bank Loans

	As at 01.01.2014 Rs.	Repayments Rs.	As At 31.12.2014 Rs.
SR & CC & T Fund Loan - BOC (15.2.5)	195,809,000	(50,004,000)	**145,805,000**
	195,809,000	(50,004,000)	**145,805,000**

15. SHORT TERM INVESTMENTS (Contd...)

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

16. POST EMPLOYMENT BENEFIT LIABILITY

	Group		Company	
	2014	2013	2014	2013
Year ended 31 December	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January	**17,666,428**	17,053,930	**17,666,428**	17,053,930
Transferred to related companies	**(7,525,810)**	-	**(10,960,983)**	-
	10,140,618	17,053,930	**6,705,445**	17,053,930
Charge for the Year (16.1)	**4,421,922**	5,379,402	**1,959,666**	5,379,402
Actuarial (Gain)/ Loss	**8,112,102**	405,279	**634,969**	405,279
Payments Made during the Year	**(1,399,900)**	(5,172,183)	**(947,810)**	(5,172,183)
Balance as at 31 December	**21,274,742**	17,666,428	**8,352,270**	17,666,428

16.1 Post Employee Benefit Expense for

	Group		Company	
	2014	2013	2014	2013
Year ended 31 December	Rs.	Rs.	Rs.	Rs.
Current Service Cost	**3,205,048**	3,332,931	**1,155,013**	3,332,931
Interest Cost	**1,216,874**	2,046,471	**804,653**	2,046,471
Post Employment Benefit Expense	**4,421,922**	5,379,402	**1,959,666**	5,379,402

16.2 Messrs. Piyal S Goonetilleke and Associates : Actuaries, carried out an actuarial valuation of the Group as at 31 December 2014. Appropriate and compatible assumptions were used in determining the cost of post employment benefits. The principal assumptions used are as follows:

a) Demographic Assumptions

Year ended 31 December	2014	2013
Retirement Age :	**55 Years**	55 Years

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

c) Financial Assumptions

Year ended 31 December	2014	2013
Discount Rate	**8%**	**12%**
Salary Increment Rate	**10%**	**10%**

16.3 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions used, with all other variables held constant in the post employment benefit liability measurement, in respect of the year 2014.

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

Increase/(Decrease) In Discount Rate	Increase/(Decrease) In Salary Increment Rate	Effect on Income Statement (reduction)/ increase in results for the Year 2014 Rs.	Performa Post Employment Benefit Liability 2014 Rs.
-1%	-	**1,781,990**	**23,056,732**
1%	-	**(1,575,858)**	**19,698,884**
-	-1%	**(1,501,962)**	**19,772,780**
-	1%	**1,661,034**	**22,935,776**

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
Year ended 31 December	Rs.	Rs.	Rs.	Rs.
Trade Creditors - Related Party (17.1)	**1,902,101**	1,826,110	**-**	-
- Payable to Contractor	**2,000,000**	837,920,951	**-**	-
- Other	**395,817,235**	269,167,374	**-**	-
Rental Income Received in Advance	**148,171,719**	157,971,746	**148,171,718**	157,971,746
Sundry Creditors including Accrued Expenses	**275,905,512**	298,716,885	**186,150,956**	228,898,965
Other Payables	**1,427,508**	28,710,425	**-**	-
	825,224,075	1,594,313,491	**334,322,674**	386,870,711

17.1 Trade Payables - Related Party

		Group		Company	
		2014	2013	2014	2013
Year ended 31 December		Rs.	Rs.	Rs.	Rs.
	Relationship				
Shing Kwan Management Ltd	Fellow Subsidiary	**712,305**	636,314	**-**	-
Shing Kwan Investment (Singapore) Pte Ltd	Ultimate Parent	**1,189,796**	1,189,796	**-**	-
		1,902,101	1,826,110	**-**	-

18. RENTAL AND CUSTOMER DEPOSITS

	Group		Company	
	2014	2013	2014	2013
Year ended 31 December	Rs.	Rs.	Rs.	Rs.
Rental Deposits	**840,698,153**	723,206,316	**840,698,153**	723,206,316
Customer Deposits	**63,538,117**	1,165,281,428	**-**	-
	904,236,270	1,888,487,744	**840,698,153**	723,206,316

19. AMOUNTS DUE TO RELATED PARTIES

		Group		Company	
		2014	2013	2014	2013
Year ended 31 December		Rs.	Rs.	Rs.	Rs.
	Relationship				
Mireka Capital Land (Pvt) Ltd	Subsidiary	**-**	-	**4,566,519**	962,945
Shing Kwan Investment Lanka (Pvt) Ltd	Fellow Subsidiary	**-**	11,150,306	**-**	11,150,306
Management Corporation Condominium Plan 1824	Other Related Party	**-**	891,190	**-**	-
Mireka Homes (Pvt) Ltd	Sub-Subsidiary	**-**	-	**91,112**	-
		-	12,041,496	**4,657,631**	12,113,251

20. DIVIDENDS PAID AND PAYABLE

Group/ Company

20.1 Declared and Paid during the Year

	2014	2013
Year ended 31 December	Rs.	Rs.
Equity Dividends on Ordinary Shares		
- Final dividend for 2013 Rs.1.45 : (2012- Rs. Rs.0.30)	**1,223,052,321**	253,045,308
	1,223,052,321	253,045,308

20.2 Dividends Payable as at the end of the Year

Dividends on Ordinary Shares Unclaimed	**5,315,525**	2,896,163
	5,315,525	2,896,163

21. CASH AND SHORT TERM DEPOSITS

Year ended 31 December	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Cash and Bank Balances	**397,503,577**	171,565,136	**208,589,637**	107,199,322
Call Deposits and Fixed Deposits	**772,502,999**	1,508,278,097	**584,246,530**	1,385,081,407
	1,170,006,576	1,679,843,233	**792,836,167**	1,492,280,729
Bank Overdraft	**(15,292,951)**	(5,879,145)	**-**	-
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	**1,154,713,625**	1,673,964,088	**792,836,167**	1,492,280,729

22. FINANCE COST AND INCOME

22.1 Finance Cost

Year ended 31 December	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Interest Expense on Interest Bearing Loans and Borrowings	**5,997,750**	4,482,382	**3,301,385**	4,377,861
Fair Value Adjustment on Rental Deposits	**26,573,264**	52,630,311	**26,573,264**	52,630,311
	32,571,014	57,112,693	**29,874,649**	57,008,172

22.2 Finance Income

Year ended 31 December	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Income from Investments				
- Interest on Fixed Deposits	**79,070,040**	211,112,119	**70,851,236**	192,350,330
- Interest on Government Securities (REPO)	**1,482,838**	-	**-**	-
- Income from Investment in Fair Value through Profit & Loss	**78,821,858**	20,742,747	**78,821,858**	20,742,747
Amortization of Deferred Lease Interest Income on Rental Deposits	**28,026,112**	-	**28,026,112**	-
	187,400,848	231,854,866	**177,699,206**	213,093,077

22.3 Other Income

Year ended 31 December	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Dividend Income	**-**	-	**29,125,001**	900,000
Dividend Income from Money Market Investment	**45,170,452**	-	**45,170,452**	-
Club House Income	**19,176,471**	-	**-**	-
	64,346,923	-	**74,295,453**	900,000

23. PROFIT BEFORE TAX

	Group		Company	
	2014	2013	2014	2013
Year ended 31 December	Rs.	Rs.	Rs.	Rs.
Stated after Charging/(Crediting)				
Directors Fee	**6,275,000**	5,575,000	**6,275,000**	5,575,000
Auditors Remuneration	**3,394,173**	2,688,400	**1,525,000**	1,265,000
Depreciation Charge for the Year	**12,268,739**	9,583,209	**7,790,129**	7,858,811
(Profit)/Loss on Disposal/Discontinuation of Property, Plant and Equipment	**-**	-	**-**	-
Employee Benefit Expenses Including the following;				
-Defined Benefit Plan Cost - Gratuity	**4,421,922**	5,379,402	**1,959,666**	5,379,402
-Defined Contribution Plan Cost - EPF & ETF	**9,740,434**	9,384,166	**7,698,124**	9,384,166
Amortization of Intangible Assets	**5,268,799**	5,076,536	**5,268,799**	5,076,536

24. TAX EXPENSES

The major components of income tax expense for the years ended 31 December 2014 and 31 December 2013 are as follows :

24.1 Income Statement

	Group		Company	
	2014	2013	2014	2013
Year ended 31 December	Rs.	Rs.	Rs.	Rs.
Current Income Tax:				
Current Tax Expense on Other Income	**21,431,395**	42,889,025	**16,635,009**	36,078,631
Under/(Over) Provision of Current Taxes in respect of Prior Year	**12,958,107**	128,969	**12,820,864**	-
Dividend Tax	**-**	100,000		-
Deferred tax:				
Deferred Taxation Charge/(Credit)	**16,097,788**	(41,162,226)	**15,860,854**	(39,474,180)
Income Tax Expense/(Credit) Reported in the Income Statement	**50,487,289**	1,955,768	**45,316,727**	(3,395,549)

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

	Group		Company	
	2014	2013	2014	2013
Year ended 31 December	Rs.	Rs.	Rs.	Rs.
Accounting Profit Before Tax	3,439,293,201	2,466,012,854	2,480,204,821	2,191,453,895
Income Exempted from Tax	(3,329,340,290)	(2,242,599,311)	(2,388,803,674)	(1,993,219,656)
Disallowed Items	2,992,401	121,932	-	-
Assessable Income	112,945,312	223,535,475	91,401,147	198,234,239
Deductions Allowed	(36,404,617)	(70,360,386)	(31,990,401)	(69,381,984)
Taxable Income	76,540,695	153,175,089	59,410,746	128,852,255
Income Tax at the Statutory Rate of 28%	21,431,395	42,889,025	16,635,009	36,078,631
Under/(Over) Provision in respect of Previous Year	12,958,107	128,969	12,820,864	-
Dividend Tax	-	100,000	-	-
Current Income Tax	34,389,502	43,117,994	29,455,873	36,078,631
Deferred Taxation Charge/(Credit)	16,097,788	(41,162,226)	15,860,854	(39,474,180)
Income Tax Expense/(Credit) Reported in the Income Statement	50,487,289	1,955,768	45,316,726	(3,395,549)

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 adjusted tax losses of the Company and Group respectively as at 31 December 2014 amounted to Rs.84,333,308 and 84,465,117 (2013-140,979,213/- and Rs. 150,351,763/-)

25. EARNINGS PER SHARE

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

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

	Group		Company	
	2014	2013	2014	2013
Year ended 31 December	Rs.	Rs.	Rs.	Rs.
Amounts Used as the Numerator				
Net Profit/(Loss) Attributable to Shareholders for Earnings Per Share	2,957,045,507	2,434,546,273	2,434,888,094	2,194,849,444
Number of Ordinary Shares Used as the Denominator				
Weighted Average Number of Ordinary Shares in Issue Applicable to Earnings Per Share	843,484,359	843,484,359	843,484,359	843,484,359

26. RELATED PARTY DISCLOSURES

26.1 Transactions with Related Entities

26.1.1 Ultimate Parent Entity

	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Amounts Receivable as at 01 January	-	-	-	-
Amounts Payable as at 01 January	(1,189,802)	(4,869,767)	-	-
(Reimbursements)/ Settlements	1,189,802	3,679,965	-	-
Amounts Receivable as at 31 December	-	-	-	-
Amounts Payable as at 31 December	-	(1,189,802)	-	-

26.1.2 Subsidiaries

	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Amounts Receivable as at 01 January	-	-	27,550,222	272,012,443
Amounts Payable as at 01 January	-	-	(962,945)	-
Rendering of Services	-	-	22,782,835	67,587,783
Reimbursements/ (Settlements)	-	-	(50,635,996)	(313,012,948)
Amounts Receivable as at 31 December	-	-	3,233,523	27,550,222
Amounts Payable as at 31 December	-	-	(4,657,632)	(962,945)

26.1.3 Fellow Subsidiaries

	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Amounts Receivable as at 01 January	-	-	-	-
Amounts Payable as at 01 January	(11,205,265)	(17,022,701)	(11,150,306)	(19,652,017)
Management Fee	-	1,370,880	-	1,370,880
Receipt of Services	1,200,000	-	1,200,000	-
(Reimbursements)/ Settlements	10,087,637	4,446,556	9,874,454	7,130,831
Amounts Receivable as at 31 December	82,372	-	82,372	-
Amounts Payable as at 31 December	-	(11,205,265)	(158,224)	(11,150,306)

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

Terms and Conditions

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. The intention of the Group is to settle such related party dues within a short term (less than one year).

26.1.4 Other Related Parties

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

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Financial Accommodation :				
As at 01 January	**2,034,288,145**	2,312,870,048	**195,809,000**	245,813,000
Loans Granted	**532,913,806**	571,750,000	**-**	-
Loan Repayments	**(1,485,604,000)**	(850,331,903)	**(50,004,000)**	(50,004,000)
As at 31 December	**1,081,597,951**	2,034,288,145	**145,805,000**	195,809,000

The above transactions are included in interest bearing loans. Further, the Group and Company has current accounts with BOC respectively amounted to Rs.298,565,350 and Rs. 114,903,564 (2013- Rs. 101,847,507/- and Rs. 55,075,437/-), while investment in REPO/Call & Fixed deposits amounting to Rs.503,833,410 and Rs. 330,925,441 (2013- Rs. 1,111,006,906/- and Rs. 996,005,373/-) . During the year interest expense on account of financial accommodation obtained from BOC amounted to Rs.3,301,385 and Rs. 3,301,385 (2013-Rs. 4,377,860/- and 4,377,860/-), while interest earned amounted to Rs.12,551,554 and Rs. 3,301,385 (2013-Rs. 184,517,421/- and Rs. 165,755,632/-).

Other matters related to this financial accommodation are given in Note 15.2.

b) Management Corporation Condominium Plan 1824

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Amounts Receivable as at 01 January	**24,286,667**	5,232,969	**24,286,667**	5,232,969
Amounts Payable as at 01 January	**(891,190)**	-	**-**	-
Property Facility Fee	**22,440,000**	25,635,456	**22,440,000**	25,635,456
Membership Fee Collected on behalf	**(430,588,032)**	(430,588,032)	**(430,588,032)**	(430,588,032)
Due on account of Supply of Electricity	**326,828,569**	361,349,628	**326,828,569**	361,349,628
Other Expense Borne on behalf	**66,507,906**	61,765,456	**65,616,716**	62,656,646
Amounts Receivable as at 31 December	**8,583,920**	24,286,667	**8,583,920**	24,286,667
Amounts Payable as at 31 December	**-**	(891,190)	**-**	-

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

26. RELATED PARTY DISCLOSURES (Contd...)

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 and members of the Management Committee of the Group.

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

Year ended 31 December	2014 Rs.	2013 Rs.
Fees for Directors	**6,275,000**	5,575,000
Emoluments	**49,335,720**	44,055,360
Short Term Employment Benefits	**7,905,020**	8,685,020
Post Employment Benefits	**7,400,358**	8,443,944
	70,916,098	66,759,324

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	
Year ended 31 December	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Contracted but not Provided for				
Enterprise Resources Planning	**1,162,157**	2,496,545	**1,162,157**	2,496,545
Havelock City Project	**187,000,000**	2,135,000,000	**-**	-
	188,162,157	2,137,496,545	**1,162,157**	2,496,545

Letters of Credit opened with Banks Favouring Suppliers by the Group and the Company amounted to Rs. 20,651,856/- (2013-Nil) and Rs. 2,466,682/- (2013- Nil) respectively.

28. CONTINGENCIES

Legal Claim:

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

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

29. ASSETS PLEDGED

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

30. EVENTS OCCURING AFTER THE REPORTING DATE

The Board of Directors of the Company has declared a Final dividend of Rs. 1.00 per share and a second final dividend of Rs. 0.50 per share for the financial year ended 31 December 2014. As required by section 56 (2) of the Companies Act No 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No 07 of 2007. Dividend is to be approved by Shareholders at the Annual General Meeting of the Company.

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

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:

Group

Year ended 31 December 2014	Denominated in LKR	Denominated in USD
Cash at Bank and in Hand	244,407,152	733,819
Short Term Deposits	628,874,477	1,392,914
Short Term Investments	2,154,735,058	7,000,000
Interest Bearing Loans & Borrowings	99,231,363	-

Company

Cash at Bank and in Hand	75,212,347	596,881
Short Term Deposits	464,402,380	1,328,757
Other Financial Assets (Unit Trust Investments)	2,154,735,058	-
Interest Bearing Loans & Borrowings	95,801,000	-

a) Interest Rate Risk

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

b) Foreign Currency Risk

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

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

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

Year ended 31 December 2014	Average Loan Value	Year End Exchange Rate	Change In USD Rate	Effect on Profit Before Tax
2014	USD 14.75	131.50	+/- 7.5%	145,471,875

31.2 Credit Risk

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

Trade receivables

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

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

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

Credit quality information is provided in Note 11.

31.3 Liquidity risk

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

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

Group

Year ended 31 December 2014	On Demand Rs.	Less than 3 Months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	More than 5 years Rs.	Total Rs.
Trade and Other Payables	-	5,791,981	819,432,093	-	-	825,224,074
Interest Bearing Loans and Borrowings	15,292,951	932,006,250	52,461,730	97,716,287	-	1,097,477,218
Rental and Customer Deposit	-	65,121,558	42,172,842	796,941,870	-	904,236,270
	15,292,951	1,002,919,789	914,066,665	894,658,157	-	2,826,937,562

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

Company

Year ended 31 December 2014	On Demand Rs.	Less than 3 Months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	More than 5 years Rs.	Total Rs.
Trade and Other Payables	-	-	334,322,674	-	-	334,322,674
Interest Bearing Loans and Borrowings	-	-	52,461,730	97,716,287	-	150,178,017
Rental Deposit	-	1,583,441	42,172,842	796,941,870	-	840,698,153
	-	1,583,441	428,957,246	894,658,157	-	1,325,198,844

32. Capital Management

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

33. FAIR VALUES

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments by classes, that are not carried at fair value in the financial statements.

This table does not include the fair values of non-financial assets and non-financial liabilities.

Group

Year ended 31 December	Note	Carrying Amount 2014 Rs.	Carrying Amount 2013 Rs.	Fair Value 2014 Rs.	Fair Value 2013 Rs.
Financial Assets					
Trade and Other Receivables	B	**1,370,084,197**	1,445,257,217	**1,370,084,197**	1,445,257,217
Amounts Due from Related Parties	B	**8,666,291**	24,868,022	**8,666,291**	24,868,022
Short Term Investments	B	**2,154,735,058**	1,235,742,747	**2,154,735,058**	1,235,742,747
Cash and Short Term Deposits	B	**1,170,006,576**	1,679,843,233	**1,170,006,576**	1,679,843,233
Total		**4,703,492,122**	4,385,711,219	**4,703,492,122**	4,385,711,219
Financial Liabilities					
Interest Bearing Loans and Borrowings (Non-Current)	A	**95,801,000**	145,805,000	**95,801,000**	145,805,000
Trade and Other Payables	B	**825,224,075**	1,594,313,491	**825,224,075**	1,594,313,491
Amounts Due to Related Parties	B	**-**	12,041,496	**-**	12,041,496
Interest Bearing Loans and Borrowings (Current)	B	**985,796,951**	1,888,483,145	**985,796,951**	1,888,483,145
Rental and Customer Deposits	C	**932,326,755**	2,004,794,046	**904,236,270**	1,888,487,744
Total		**2,839,148,781**	5,645,437,178	**2,811,058,296**	5,529,130,876

Company

Year ended 31 December	Note	Carrying Amount 2014 Rs.	2013 Rs.	Fair Value 2014 Rs.	2013 Rs.
Financial Assets					
Trade and Other Receivables	B	**352,403,225**	336,435,622	**352,403,225**	336,435,622
Amounts Due from Related Parties	B	**12,058,039**	51,836,889	**12,058,039**	51,836,889
Short Term Investments	B	**2,154,735,058**	1,235,742,747	**2,154,735,058**	1,235,742,747
Cash and Short Term Deposits	B	**792,836,167**	1,492,280,729	**792,836,167**	1,492,280,729
Total		**3,312,032,490**	3,116,295,986	**3,312,032,490**	3,116,295,986
Financial Liabilities					
Interest Bearing Loans and Borrowings (Non-Current)	A	**95,801,000**	145,805,000	**95,801,000**	145,805,000
Trade and Other Payables	B	**334,322,674**	386,870,711	**334,322,674**	386,870,711
Amounts Due to Related Parties	B	**4,657,631**	12,113,251	**4,657,631**	12,113,251
Interest Bearing Loans and Borrowings (Current)	B	**50,004,000**	50,004,000	**50,004,000**	50,004,000
Rental Deposits	C	**812,607,668**	854,721,653	**840,698,153**	723,206,316
Total		**1,297,392,974**	1,449,514,615	**1,325,483,459**	1,317,999,278

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

A Long-term fixed-rate and variable-rate receivables/borrowings are evaluated based on parameters such as interest rates, risk characteristics of the financed project etc. As at 31 December 2014, the carrying amounts of such borrowings are not materially different from their calculated fair values.

B Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

C The fair value of rental deposits (other than liabilities with maturities within 12 months) carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. Rental deposits fall into the category Level 2 of Fair value hierarchy.

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.

Level3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

33. FAIR VALUES (Contd...)

As at 31 December 2014, the Group held the following financial instruments carried at fair value on the statement of financial position:

b) Financial Assets measured at fair value

Year ended 31 December 2014	31 December 2014 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Short Term Investments (Note 15.1)	2,154,735,058	-	2,154,735,058	-

During the reporting period ending 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

34. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

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

Group/ Company

As at 31 December 2014	Financial Assets Held for Trading at Fair Value		Financial Assets and Liabilities at Amortised Cost		Total	
	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
Financial Assets						
Trade and Other Receivables	-	-	1,378,720,419	355,457,085	1,378,720,419	355,457,085
Amounts Due from Related Parties	-	-	8,666,291	12,058,039	8,666,291	12,058,039
Short Term Investments	2,154,735,058	2,154,735,058	-	-	2,154,735,058	2,154,735,058
Cash and Short Term Deposits	-	-	1,170,006,576	792,836,167	1,170,006,576	792,836,167
Total Financial Assets	2,154,735,058	2,154,735,058	2,557,393,286	1,160,351,291	4,712,128,344	3,315,086,350
Financial Liabilities						
Interest Bearing Loans and Borrowings (Non-Current)	-	-	95,801,000	95,801,000	95,801,000	95,801,000
Trade and Other Payables	-	-	825,224,075	334,322,674	825,224,075	334,322,674
Amounts Due to Related Parties	-	-	-	4,657,631	-	4,657,631
Interest Bearing Loans and Borrowings (Current)	-	-	985,796,951	50,004,000	985,796,951	50,004,000
Rental and Customer Deposits	-	-	904,236,270	840,698,153	904,236,270	840,698,153
Total Financial Liabilities	-	-	2,811,058,296	1,325,483,459	2,811,058,296	1,325,483,459

Group/ Company

As at 31 December 2013	Financial Assets Held for Trading at Fair Value		Financial Assets and Liabilities at Amortised Cost		Total	
	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
Financial Assets						
Trade and Other Receivables	-	-	1,448,311,077	339,987,739	1,448,311,077	339,987,739
Amounts Due from Related Parties	-	-	24,868,022	51,836,889	24,868,022	51,836,889
Short Term Investments	1,235,742,747	1,235,742,747	-	-	1,235,742,747	1,235,742,747
Cash and Short Term Deposits	-	-	1,679,843,233	1,492,280,729	1,679,843,233	1,492,280,729
Total Financial Assets	1,235,742,747	1,235,742,747	3,153,022,332	1,884,105,357	4,388,765,079	3,119,848,103
Financial Liabilities						
Interest Bearing Loans and Borrowings (Non-Current)	-	-	145,805,000	145,805,000	145,805,000	145,805,000
Trade and Other Payables	-	-	1,594,313,491	386,870,711	1,594,313,491	386,870,711
Amounts Due to Related Parties	-	-	12,041,496	12,113,251	12,041,496	12,113,251
Interest Bearing Loans and Borrowings (Current)	-	-	1,888,483,145	50,004,000	1,888,483,145	50,004,000
Rental and Customer Deposits	-	-	1,888,487,744	723,206,316	1,888,487,744	723,206,316
Total Financial Liabilities	-	-	5,529,130,876	1,317,999,278	5,529,130,876	1,317,999,278

Group Performance - Ten Year Summary

Rs. Mn	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Income Statement										
Rental Revenue	1,764	1,590	1,339	850	697	666	805	716	874	508
Revenue from Other Services	104	69	54	57	51	41	42	35	48	32
Apartment Revenue	4,329	3,190	554	1,588	950	1,234	598	379	-	333
Total Revenue	**6,198**	**4,848**	**1,948**	**2,495**	**1,698**	**1,941**	**1,445**	**1,130**	**922**	**873**
Direct Operating Expenses	(482)	(424)	(426)	(338)	(329)	(334)	(350)	(271)	(313)	(277)
Cost of Sales of Apartment	(3,308)	(2,635)	(397)	(1,231)	(633)	(1,051)	(403)	(328)	-	(420)
Gross Profit	**2,408**	**1,789**	**1,125**	**926**	**736**	**556**	**692**	**531**	**609**	**177**
Fair Value Gain on Investment Property	1,016	930	1,563	2,123	473	1,019	1,388	1,834	1,683	73
Other Operating Expenses	(266)	(268)	(260)	(270)	(274)	(187)	(202)	(178)	(159)	(50)
Net Finance Income/ (Expense)	155	175	176	27	(94)	3	43	43	(109)	(205)
Profit from Operating Activities	**3,312**	**2,626**	**2,604**	**2,806**	**841**	**1,391**	**1,921**	**2,230**	**2,024**	**(5)**
Other Income	64	-	-	-	-	-	-	-	-	-
Exchange Gain/ (Loss)	10	15	(85)	(40)	84	0	(88)	-	-	-
Net Profit Before Tax	**3,386**	**2,641**	**2,519**	**2,766**	**925**	**1,391**	**1,833**	**2,230**	**2,024**	**(5)**
Income Taxes	(50)	(2)	(51)	(25)	(11)	(7)	(16)	(17)	(6)	(2)
Net Profit After Tax	**3,336**	**2,639**	**2,468**	**2,741**	**914**	**1,384**	**1,817**	**2,213**	**2,018**	**(7)**
Profit Attributable to Equity Holders of the Parent	2,957	2,435	2,469	2,681	844	1,342	1,783	2,197	2,021	(7)
Non-controlling Interest	379	204	(1)	60	70	43	33	16	(3)	-
	3,336	**2,639**	**2,468**	**2,741**	**914**	**1,384**	**1,817**	**2,213**	**2,018**	**(7)**
STATEMENT OF FINANCIAL POSITION										
Assets										
Non-Current Assets										
Investment Property	21,405	20,389	19,459	17,884	15,751	15,278	14,259	12,870	11,203	6,789
Property Plant & Equipment	1,559	703	644	395	254	246	236	215	51	7
Intangible Assets	14	18	18	26	30	35	15	16	16	7
Inventory	2,125	1,785	-	-	-	-	-	-	-	-
Deferred Tax	27	41	-	-	-	-	-	-	-	-
	25,130	22,937	20,122	18,305	16,035	15,560	14,510	13,101	11,270	6,803
Current Assets										
Inventory	424	3,565	4,129	3,167	3,981	4,093	4,226	3,108	2,210	2,730
Trade & Other Receivables	1,379	1,448	1,839	1,563	1,275	1,635	971	579	468	40
Amounts due From Related Parties	9	25	14	25	53	4	22	3	17	2
Income Tax Recoverable	10	2	-	-	1	1	-	-	-	-
Short Term Investments	2,155	1,236	-	-	-	-	-	-	-	-
Cash & Short Term Deposits	1,170	1,680	1,811	2,197	1,008	177	244	902	462	293
	5,146	7,956	7,793	6,952	6,318	5,910	5,462	4,592	3,156	3,065
TOTAL ASSETS	**30,276**	**30,893**	**27,915**	**25,257**	**22,353**	**21,470**	**19,972**	**17,693**	**14,426**	**9,868**
Equity & Liabilities										
Stated Capital	10,186	10,186	10,186	10,186	10,186	9,713	9,713	9,713	9,713	5,840
Revaluation Reserve	265	239	216	165	149	135	112	80	-	2,684
Retained Earnings	15,478	13,750	11,559	9,343	6,915	6,283	5,241	3,813	1,939	(3,591)
Equity Attributable to Equity Holders	25,929	24,175	21,961	19,694	17,250	16,131	15,066	13,606	11,652	4,933
Minority Interest	1,507	1,147	943	963	903	833	791	758	741	-
Total Equity	**27,436**	**25,322**	**22,904**	**20,657**	**18,153**	**16,964**	**15,857**	**14,364**	**12,394**	**4,933**

Rs. Mn	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Non-Current Liabilities										
Interest Bearing Loans & Borrowings	**96**	146	196	246	2,194	1,549	567	1,135	1,106	2,268
Non Interest Bearing Borrowings & Loans	**-**	-	-	-	1	2	3	4	-	-
Provisions & Other Liabilities	**-**	-	-	-	-	-	-	-	-	8
Post Employment Benefit Liability	**21**	18	27	23	21	20	18	15	12	-
Total Non Current Liabilities	**117**	163	223	269	2,216	1,571	588	1,154	1,118	2,276
Current Liabilities										
Trade & Other Payables	**825**	1,594	543	697	871	831	996	2,056	845	653
Rental & Customer Deposits	**904**	1,888	2,082	976	418	440	925	-	-	-
Interest Bearing Loans & Borrowings	**986**	1,888	2,117	2,636	683	1,596	1,587	50	-	2,004
Non Interest Bearing Borrowings & Loans	**-**	-	-	1	1	1	1	1	18	-
Amounts Due to Related Parties	**-**	12	20	9	9	26	13	19	10	2
Income Tax Payable	**2**	21	24	10	-	-	4	11	3	-
Dividend Payable	**5**	3	3	2	2	39	1	38	38	-
Total Current Liabilities	**2,723**	5,407	4,788	4,331	1,984	2,935	3,527	2,175	914	2,659
TOTAL EQUITY & LIABILITIES	**30,276**	**30,893**	**27,915**	**25,257**	**22,353**	**21,470**	**19,972**	**17,693**	**14,426**	**9,868**
Earnings Per Share	**3.51**	2.89	2.93	3.18	1.23	2.25	3.04	3.74	3.67	(0.01)
Earnings Per Share (Excluding Fair Value Gains)	**2.30**	1.78	1.07	0.66	0.58	0.57	0.70	0.61	0.60	(0.01)
Dividend Per Share	**1.45**	0.30	0.30	0.30	0.26	0.40	0.50	0.30	-	-
Net Asset Value Per Share	**30.74**	28.66	26.04	23.35	20.45	28.69	26.79	24.20	20.72	11.27
Share Value (High)	**29.30**	21.30	15.60	19.40	24.00	15.00	15.00	15.50	23.25	12.50
Share Value (Low)	**18.50**	13.90	9.50	13.10	14.00	5.75	5.75	9.00	9.50	5.75
Current Ratio	**1.89**	1.47	1.63	1.61	3.18	2.01	1.55	2.11	3.45	1.15
Return on equity (%)	**13%**	11%	11%	14%	5%	8%	12%	17%	23%	0%
Total Debt to Total Assets (%)	**9%**	18%	18%	18%	19%	21%	21%	19%	14%	50%
Debt/Equity Ratio (%)	**4%**	8%	11%	15%	17%	19%	14%	9%	9%	87%
Return on Assets (%)	**11%**	9%	9%	11%	4%	6%	9%	13%	14%	0%
Asset Turnover (%)	**20%**	16%	7%	10%	8%	9%	7%	6%	6%	9%
Dividend Payout Ratio (%)	**41%**	10%	10%	9%	21%	18%	16%	8%	0%	0%

DEFINITION OF FINANCIAL TERMS

Net Asset Value Per Share

Equity Attributable to Equity Holders of the Parent divided by the weighted average number of ordinary shares in issue.

Current Ratio

Total Current Assets divided by Total Current Liabilities.

Asset Turnover

Total Revenue divided by Total Average Assets.

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 Non-Current Liabilities and Total Current Liabilities divided by Total Assets.

Debt/Equity Ration

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

Shareholder Information

Shareholdings	Resident			Non Resident			Total		
	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)
1 - 1,000	2,031	712,713	0.08%	18	9,441	0.00%	2,049	722,154	0.09%
1,001 - 10,000	1,107	4,381,190	0.52%	20	81,898	0.01%	1,127	4,463,088	0.53%
10,001 - 100,000	346	11,264,954	1.34%	16	999,958	0.12%	362	12,264,912	1.45%
100,001 - 1,000,000	69	20,195,576	2.39%	11	3,097,796	0.37%	80	23,293,372	2.76%
Over 1,000,000	9	72,015,569	8.54%	8	30,725,264	86.63%	17	802,740,833	95.17%
	3,562	**108,570,002**	**12.87%**	**73**	**734,914,357**	**87.13%**	**3,635**	**843,484,359**	**100.00%**

Categories of Shareholders

Category	As of 31 December 2014		As of 31 December 2013	
	No. of Shareholders	No. of Shares	No. of Shareholders	No. of Shares
Individual	3,402	27,998,830	3,117	22,280,055
Institutional	233	815,485,529	202	821,204,304
	3,635	**843,484,359**	**3,319**	**843,484,359**

Performance at the CSE

Year Ended	31 December 2014		31 December 2013	
	Date	Price (Rs.)	Date	Price (Rs.)
Highest	12.11.2014	29.30	29.05.2013	21.30
Lowest	02.01.2014	18.50	08.04.2013	13.90
Last Traded Price	31.12.2014	26.30	31.12.2013	18.30

Year Ended	31 December 2014	31 December 2013
Ordinary Shares		
Closing Share Price (Rs.)	26.30	18.30
Number of Transactions	11,646	6,925
Number of Shares Traded	59,804,709	32,362,863
Value of Shares Traded (Rs.)	1,418,778,653	600,518,532
Dividends Per Share (Rs.)	1.45	0.30
Dividend Payout (%)	41.4	10.40

Directors' Shareholdings

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

Name of Director	31st December 2013 Direct Interest	31st December 2014 Direct Interest
Mr S P Tao	Nil	Nil
Mrs Mildred Tao Ong	Nil	Nil
Mr Melvin Yap Boh Pin	Nil	Nil
Mr En Ping Ong	380,000	380,000
Mr H Z Cassim	Nil	Nil
Mr A M De S Jayaratne	Nil	Nil
Mr L R de Lanerolle	Nil	Nil
Mrs R Nanayakkara	Nil	Nil
Mr T K Bandaranayake	Nil	Nil
Dr Ranee Jayamaha	Nil	Nil
Mr Pravir Samarasinghe	N/A	Nil

List of Major Shareholders (Based on their Shareholdings)

	Name	As at 31st Dec 2014 Shareholding	As at 31st Dec 2014 Percentage (%)	As at 31st Dec 2013 Shareholding	As at 31st Dec 2013 Percentage (%)
1	Shing Kwan Investment Company Limited.	453,366,580	53.75	453,366,580	53.75
2	Unity Builders Limited	220,156,488	26.10	220,156,488	26.10
3	Employees Provident Fund	32,600,473	3.86	42,446,107	5.03
4	Shing Kwan Investment (Singapore) Pte Ltd	21,573,450	2.56	21,573,450	2.56
5	Peoples Bank	20,722,353	2.46	20,722,353	2.46
6	Pershing Llc S/A Averbach Grauson & Co.	22,532,245	2.67	14,842,360	1.76
7	Chipperfield Investments Limited	7,671,300	0.91	7,650,000	0.91
8	Bank Of Ceylon-No2 A/C	3,773,250	0.45	3,773,250	0.45
9	Sampath Bank Plc/Capital Trust Holdings Limited	3,699,665	0.44	-	-
10	J.b. Cocoshell (Private) Ltd	3,690,288	0.44	3,675,288	0.44
11	Sri Lanka Insurance Corporation Ltd-Life Fund	3,472,300	0.41	3,472,300	0.41
12	Oriental Pearl International Inc	2,550,000	0.30	2,550,000	0.30
13	Dr. Yaddehige	1,869,701	0.22	2,324,220	0.28
14	Seylan Bank Plc/Symphony Capital Ltd	1,750,051	0.21	1,730,051	0.21
15	Ceylon Investment Plc A/C # 01	1,200,000	0.14	-	-
16	Seylan Bank Ltd/ Govindasamy Ramanan	1,107,189	0.13	-	-
17	Mr. Gautam Rahul	1,005,500	0.12	1,004,525	0.12
18	Timex Garments (Pvt) Ltd	1,000,000	0.12	1,000,000	0.12
19	Mr. Sellamuttu Dinesh Nagendra	910,150	0.11	853,950	0.10
20	Mr. Weerasinghe Amarakoon Mudiyanselage	892,093	0.11	-	-
	Total	**805,543,076**	**95.50**	**801,140,922**	**95**
	Balance held by other Shareholders	37,941,283	4.50	42,343,437	5
	Total number of Ordinary Shares	**843,484,359**	**100.00**	**843,484,359**	**100.00**
	Public Holding	148,007,841	17.55	140,357,841	16.64
	Others	695,476,518	82.45	703,126,518	83.36
	Total	**843,484,359**	**100.00**	**843,484,359**	**100.00**

Public Shareholding as at 31 December 2014

Parent/Group/Subsidiary	No. Of Shares
Shing Kwan Investments Company Limited	453,366,580
Unity Builders Limited	220,156,488
Shing Kwan Investment (Singapore) Pte Ltd	21,573,450
	695,096,518
Issued number of ordinary shares as at 31 December 2014	**843,484,359**
Less	
Parent/Group	453,366,580
Subsidiaries	241,729,938
Over 10% Holding	
Directors' Shareholding	380,000
Spouses of Directors and CEO	
Public Holding	**148,007,841**
Public Holding as a percentage of Issued Ordinary Shares	**17.55%**

Group Land Portfolio

Location	Land Extent			Market Value	Category
	A.	R.	P.	Rs. Mn	
Echelon Squire, Colombo 01. **WTC Building**	2	0	0	4,000	Investment Property
No 34, Havelock City, Colombo 06. **Clubhouse Building**	-	3	22	426	Property Plant & Equipment
No 34, Havelock City, Colombo 06.	13	2	19	5,829	Inventory – Long term

Notice of Meeting

Notice is hereby given that the Thirty Third (33rd) Annual General Meeting of OVERSEAS REALTY (CEYLON) PLC will be held on Wednesday, 6th May 2015 at 4.00 p.m. at the Havelock City Club House, No. 324, Havelock Road, Colombo 06, for the transaction of the following business:

AGENDA

1. To receive and consider the Report of the Board of Directors and the Financial Statement as at 31st December 2014 and the Report of the Auditors thereon.

2. To declare a First and Final Dividend of Rs.1/- and a Second Final Dividend of Rs. 0.50 per Ordinary Share in respect of the financial year ended 31st December 2014 as recommended by the Directors.

3. To re-elect as a Director Mr. En Ping Ong who retires by rotation in terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election.

4. To re-elect Mr. Pravir Dhanoush Samarasinghe, who was appointed as a Director of the Company on 24th April 2014 and who retires in terms of Article 27 (2) of the Articles of Association of the Company and being eligible has offered himself for re-election.

5. i) Ordinary Resolution

   That the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to SHING PEE TAO who attained the age of 70 years on 25th December 1986 and that he be re-elected as a Director of the Company.

   ii) Ordinary Resolution

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

   iii) Ordinary Resolution

   That the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to ROHINI LETTITIA NANAYAKKARA, who attained the age of 70 years on 12th April 2006 and that she be re-elected as a Director of the Company.

   iv) Ordinary Resolution

   That the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to AJIT MAHENDRA DE SILVA JAYARATNE, who attained the age of 70 years on 30th April 2010 and that he be re-elected as a Director of the Company.

   v) Ordinary Resolution

   That the age limit of 70 years referred to in Section 211 of the Companies Act No. 07 of 2007 shall not apply to MELVIN YAP BOH PIN, who attained the age of 70 years on 2nd February 2011 and that he be re-elected as a Director of the Company.

   vi) Ordinary Resolution

   That the age limit of 70 years referred to in Section 211 of the Companies Act No. 07 of 2007 shall not apply to TISSA KUMARA BANDARANAYAKE, who attained the age of 70 years on 3rd January 2013 and that he be re-elected as a Director of the Company.

   vii) Ordinary Resolution

   That the age limit of 70 years referred to in Section 211 of the Companies Act No. 07 of 2007 shall not apply to LESLEI RALPH DE LANEROLLE, who attained the age of 70 years on 5th January 2013 and that he be re-elected as a Director of the Company.

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

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

Minoka S. Fernando
Company Secretary

Colombo on this 24th March 2015.

Note

Corporate Information

Name of the Company
Overseas Realty (Ceylon) PLC

Company Registration No.
PQ39

Legal Form
A Public Listed Company with limited liability ,incorporated in Sri Lanka on 28th October, 1980 under the Companies Ordinance (Cap.145) bearing Company Registration No.PBS1084 and listed on the Colombo Stock Exchange since 1982. The Company was re-registered under the Companies Act No. 07 of 2007.

Registered Office
Overseas Realty (Ceylon) PLC
Level18–East Tower
World Trade Center
Echelon Square
Colombo01
Tel: 2346333

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

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

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

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

Group Management Committee
Pravir Samarasinghe
Elmo Fernando
Minoka Fernando
Remaz Ghouse
Indradeva Mendis
Nirupa Peiris
Roschen Perera

Company Secretary
Minoka Fernando
Attorney–at–Law

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

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

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

Havelock City (Private) Limited
Realty Management Services (Private) Limited
Level18–East Tower
World Trade Center
Echelon Square
Colombo 01
Tel: 2346333

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

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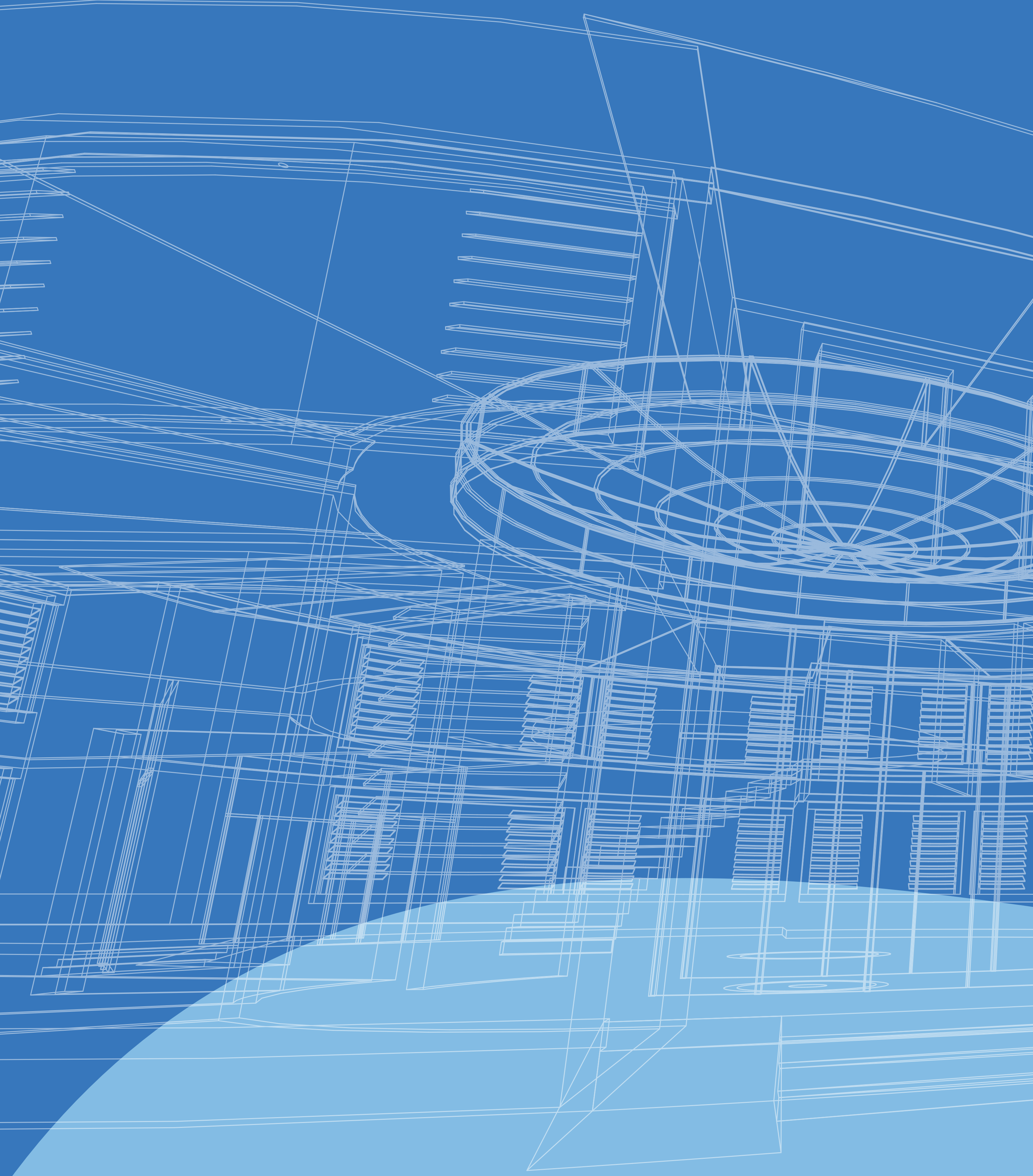

OVERSEAS
REALTY

Overseas Realty (Ceylon) PLC
Level 18-East Tower, World Trade Center, Echelon Square, Colombo 01, Sri Lanka.