OVERSEAS REALTY

DELIVERING A SUSTAINABLE FUTURE

Annual Report 2012

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

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Annual Report 2012

DELIVERING A SUSTAINABLE **FUTURE**

AS SRI LANKA'S PREMIER PROPERTY DEVELOPMENT AND INVESTMENT HOLDING COMPANY, WE AT OVERSEAS REALTY ARE PROUD TO BE THE **DEVELOPERS OF GROUND BREAKING PROPERTIES** THAT HAVE PAVED THE WAY FOR NEW LIFESTYLES. AS WE STEP INTO A NEW YEAR, WE LOOK FORWARD TO CREATING SUSTAINABLE GROWTH THROUGH OUR BALANCED PORTFOLIO, ALL WHILE BEING BACKED BY THE FIRM SUPPORT OF BOTH SHAREHOLDERS AND MANAGEMENT, WHICH STRENGTHENS OUR STAND IN THE INDUSTRY AND HELPS US DELIVER A SUSTAINABLE FUTURE.

Group Financial Highlights

Summary

Operational

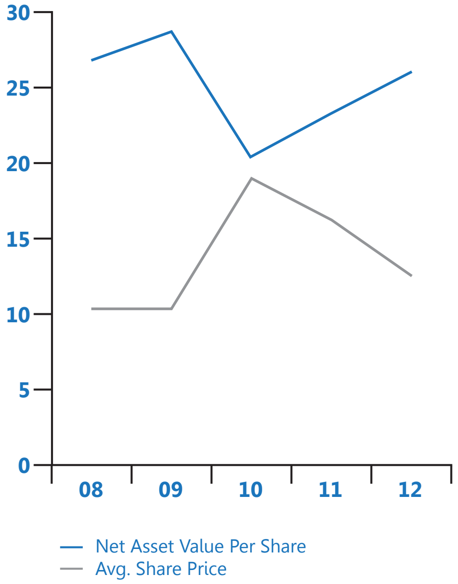
- WTC Colombo maintained an average occupancy of over 90% throughout 2012, and achieved a 22% increase in the average rental rates
- Construction of Havelock City Phase 2 Residential development, progressing on schedule

Financial

- Profit After Tax excluding Fair Value Gains of Rs. 904 Mn is the highest in Group history
- Borrowings have reduced by Rs. 569 Mn and Debt Equity Ratio also reduced from 0.15 to 0.11

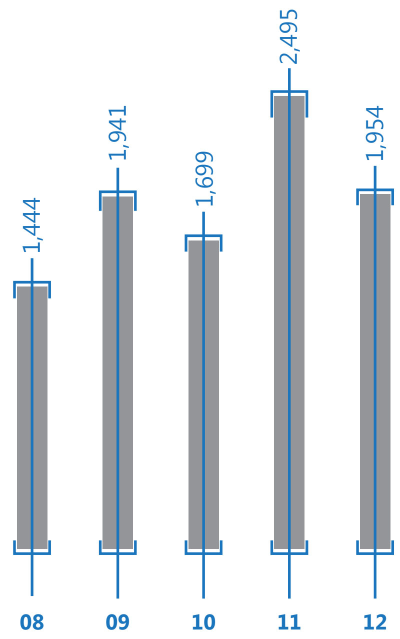
For the year ended	2011 Rs. Mn	2012 Rs. Mn
INCOME STATEMENT		
Revenue	2,495	1,954
Gross Profit	926	1,132
Fair Value Gain (FVG)	2,123	1,563
Profit Before Tax (PBT)	2,766	2,519
Profit After Tax (PAT)	2,741	2,468
PAT (excluding FVG)	618	904
STATEMENT OF FINANCIAL POSITION		
Total Assets	25,257	27,915
Total Liabilities	4,600	5,011
Total Borrowings	2,882	2,313
SHAREHOLDERS' EQUITY		
Stated Capital	10,186	10,186
Reserves	9,508	11,775
FINANCIAL RATIOS		
Gross Profit Margin	37%	58%
PAT (including FVG) Margin	110%	126%
PAT (excluding FVG) Margin	25%	46%
Earnings Per Share (including FVG)	3.18	2.93
Earnings Per Share (excluding FVG)	0.66	1.07
Return on Equity	15%	12%
Debt Equity Ratio	0.15	0.11

NET ASSET VALUE PER SHARE (RS.)
AVG. SHARE PRICE (RS.)

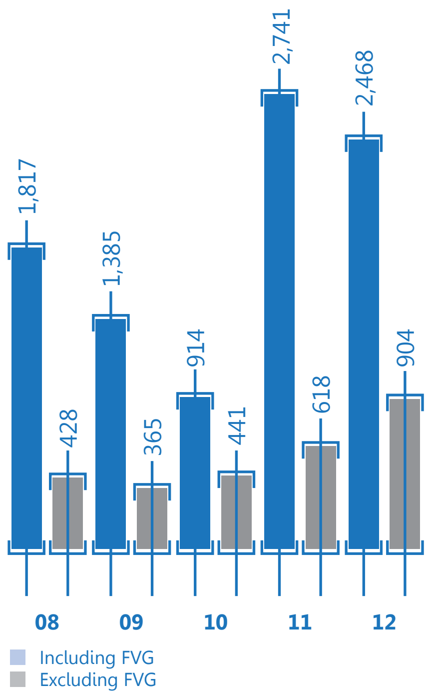


EARNINGS PER SHARE (RS.)

GROUP REVENUE (RS. MN)



PROFIT AFTER TAX (RS. MN)



Chairman's Report

"Your Company is well positioned as the leading property developer and property manager to **deliver sustainable profit growth.**"

Summary

2012 Profit before Tax (Excluding Fair Value Gains) increase by 48%

WTC Colombo occupancy of over 90% through 2012

Over 50% of Havelock City Phase 2 Residential apartments pre-sold as at December 2012

I welcome you to the 31st Annual General Meeting of Overseas Realty (Ceylon) PLC. I am pleased to present the Annual Report and Audited Financial Statements for the financial year ended 31st December 2012. It is with great pleasure that I announce that your Company recorded its highest operating earnings in history during 2012. These results were achieved despite a challenging operating environment both locally and internationally.

The Economy

The Sri Lankan Economy recorded a growth of 7% in 2012. Interest rates and inflation inched upwards while the Sri Lankan Rupee weakened significantly against the US Dollar. The Country will experience slower growth during 2013, but as historically demonstrated, the economy is expected to remain resilient and continue to be robust in future.

Financial Performance

Group revenue in 2012 was Rs. 2 Bn which was 22% lower than the previous year; due mainly to the revenue recognition policy adopted, whereby the Company was did not record the revenue of Havelock City, Phase 2 apartment sales. However, the Group's Profit before Tax (excluding fair value gains), increased by 48% to reach an all-time high Rs. 956 Mn. The Groups Profit before Tax (after fair value gains) decreased by 10%, due to the lower Fair Value Gain on Investment Property of Rs. 1.6 Bn. (Rs. 2.1 Bn in 2011).

World Trade Center (WTC) Colombo

With its prime location in the heart of the Central Business District, the WTC Colombo enjoys the premier position as the best Business Address in the Country. Given this standing, along with the superior facilities and services offered, the Company maintained an average occupancy of over 90% throughout the year and achieved a 22% increase in the average rental rates. As a result the Company achieved a Profit before Tax (excluding fair value gains) of Rs. 979 Mn, which was a strong growth of 109% over the previous year.

Havelock City

Construction of the Havelock City Phase 2 residential development, comprising two more towers with 219 luxury apartments progressed as planned and is expected to be completed by May 2014. As at end December 2012 Mireka Homes (Pvt) Ltd pre-sold over 50% of the Phase 2 apartments. The revenue from the sale of apartments in 2012 was Rs. 554 Mn, which comprised the sale of the remaining inventory of Phase I. Revenue and profitability of the apartments sold in Phase 2, will be recognised from 2013 onwards.

The state of the art Clubhouse comprising a gymnasium, swimming pools, function rooms, sports and recreational facilities for the exclusive use of the residents is scheduled to open in August 2013. The Company plans to commence piling work during 2013 for the Havelock City Commercial development which will house Sri Lanka's largest Shopping Mall. Additionally, the Company will commence piling and the pre-sale of apartments in its Phase 3 development by end 2013/ beginning 2014 depending on the progress of existing apartment sales.

Dividend

I am pleased to announce that the Directors have recommended a First and Final Dividend of Rs. 0.30/- for the year ended 2012.

The Future

The property sector is a direct beneficiary of long term economic growth, stability and increased business confidence. Therefore, your Company is well positioned as the leading property developer and property manager to deliver sustainable profit growth to maximise shareholder wealth.

Appreciation

I must congratulate the Management and Staff for their contribution in achieving the stated goals and making a foundation to deliver a sustainable future.

I extend a warm welcome to Ranee Jayamaha who joined the Board of Directors and also express my sincere appreciation to my colleagues for their unwavering support and counsel.

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

S. P. Tao
Chairman

Profiles of Directors

MR. SHING PEE TAO

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

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

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

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

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

Apart from Sri Lanka, Mr. Tao has real estate investments principally in China and Singapore. Between 1972 and 1996, he was Chairman of Singapore Land Limited spearheading its growth into the largest listed property company on the Singapore Stock Exchange. During this time, he conceptualised 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. From 1960 to date he has held executive and non-executive directorates in Singapore and Sri Lanka.

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

MRS. MILDRED TAO ONG (DR.)

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

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

MR. MELVIN YAP BOH PIN

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

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 Certified Public 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 and Asia Mobile Holdings Pte Ltd (a private subsidiary 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 organisations. He is a member of the Board of Governors 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). 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 is also a member of the Audit Committee and the Remuneration Committee of the company. 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, Browns Group of Companies, Taprobane Holdings PLC. She is also a Director of Mireka Homes (Pvt) Ltd, and Eastern Merchants PLC. She is the President of the United Nations Association of Sri Lanka and a trustee of the National Trust of Sri Lanka.

Profiles of Directors *Contd.*

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 and a member of the Remuneration Committee.

Mr. Jayaratne graduated from the University of Southampton, U.K. with a BSc degree in Economics. Thereafter he qualified as a Fellow of the Institute of Chartered Accountants in U.K. Returning to Sri Lanka, he became a member of the Institute of Chartered Accountants in 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 Executive Director since 1st August 2010. He is also a member of the Remuneration Committee of the company. 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 was appointed to 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 Bachelors degree in Civil Engineering (First Class Honours) from the University of Ceylon (1965) and a Masters degree from the University of Waterloo, Ontario, Canada (1968). He is a member of the Association of Professional Bankers of Sri Lanka and a Fellow of the Economic Development Institute of the World Bank, Washington.

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 an Independent Non-Executive 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 Banadaranayake 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 was the former Chairman of the Audit Faculty and the current Chairman of the newly created Quality Assurance Board of Sri Lanka 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 Shaw Wallace PLC, Renuka Holdings PLC and Micro Holdings Ltd and Harischandra Mills PLC. He also serves as an independent Advisor to the Board Audit Committee of DFCC Vardhana Bank and as a Consultant to the Board of Noritake Lanka Porcelain (Pvt.) Ltd.

DR. RANEE JAYAMAHA

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

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. She is currently an advisor to His Excellency the President.

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

Management Review

Property Leasing

With over 750,000 sq ft of prime office and commercial space located in the heart of the central business district, surrounded by Banks, Hotels and Government institutions, with panoramic views of the city, sea and Colombo harbour, the World Trade Center Colombo is the Best Business Address in Sri Lanka.

Property Leasing (Rs. Mn)	2012	2011
Revenue	1,355	872
Profit	2,496	2,609
Assets	23,190	20,547
Liabilities	1,508	1,254

WORLD TRADE CENTER COLOMBO – THE PRIME ATTRACTION OF SRI LANKA'S BUSINESS AND FINANCIAL DISTRICT

As a result of the continued growth and development of the national Economy and the resultant business expansion, Colombo will witness increasing demand for quality office and commercial space. This demand for A & B grade office space in the Central and Secondary Business Districts will be primarily driven by the Banking, Financial and BPO/IT enabled services sectors. Furthermore, to support the increasing earnings and living standards of people, Colombo has a dire need for a few proper shopping malls in the foreseeable future.

With its prime location in the center of Colombo's Commercial District, unmatched built quality, standards and service offering the World Trade Center (WTC) Colombo enjoys the premier position of being the "Best Business Address" in the Country. This status combined with the increasing demand for quality commercial space, resulted in 2012 being a landmark year for the Company, in which it was able to achieve the best performance in its history, with occupancy at the WTC Colombo reaching 97% by December 2012 and the Profit Before Tax (excluding fair value gains) of Rs. 979 Mn showing a 109% growth over the previous year.

Revenue of Rs. 1.34 Bn in 2012 earned through leasing of space at the WTC Colombo was a significant 57% improvement over prior year. Occupancy which was 89% at the start of the year closed at 97% by December 2012 resulting in an average occupancy of over 90% through 2012. Average rental rates increased by 22% compared to last year.

A key goal of the Company in 2012 was to achieve a rental yield that was reflective of the value and quality of the WTC Colombo asset. By driving the Company average rental index to 205 from the average rental index of 168 in 2011 the Company was able to improve its rental yield to 7% from the prior year's rental yield of 5%.

Given the high demand and limited supply of A Grade office space, the WTC Colombo is in a position to maintain high occupancies and increase rental yields in the near future.

WTC Colombo intends maintaining its premier position and delivering occupancies in excess of 90% with a balanced portfolio of prestigious clients, thus enabling a healthy sustainable growth of both revenue and profits in future. In order to ensure this and provide a best in class building and service the Company is a firm believer in proper maintenance and continuous development of its people.

WTC Colombo successfully undertook a series of facility improvement and energy management initiatives in 2012 including the upgrade of all common facilities in the building, replacement of plant and equipment and improving of building systems. This important initiative will be continued through next year to serve the tenants better.

With WTC Colombo in a dominant position, the Company's focus now is on developing its next long term asset; the Havelock City Commercial Complex, which will also have a recurring rental income stream. This Complex intends housing Sri Lanka's largest shopping mall and office space. The Company is finalising its designs for a two phased development and is planning to commence piling work towards the latter part of the year, with completion expected in 2016. Given Colombo's limited supply of proper experience retailing and the current stock of shopping malls having being built over a decade or two ago, we expect to see a considerable amount of interest from both retailers and consumers towards this development.

With the completion of Havelock City, the Group will have a diversified portfolio with different asset classes of commercial space, which will positively complement the WTC Colombo business and create a foundation for delivering a sustainable future and further consolidate the Company's position as the premier property developer and manager in the Country.

Management Review *Contd.*

Property Trading

HAVELOCK CITY IS THE LARGEST RESIDENTIAL AND COMMERCIAL DEVELOPMENT PROJECT PRESENTLY UNDERTAKEN IN SRI LANKA ON THE LARGEST SINGLE CLEARED SITE IN COLOMBO.

Property Trading (Rs. Mn)	2012	2011
Revenue	565	1,588
Profit	22	124
Assets	6,208	5,911
Liabilities	3,851	3,504

HAVELOCK CITY WILL SOON DEFINE COLOMBO'S SKYLINE AND OFFER CUSTOMERS THE CONVENIENCE OF BEING IN THE HEART OF COLOMBO WITH FACILITIES BEYOND EXPECTATIONS

The evolution of Sri Lanka's residential real estate market driven by increasing cost of land in Colombo and rapid urbanisation of the population, along with changing lifestyles are fuelling demand for condominium residencies in central Colombo, whilst traditional villas and detached houses are being pushed to the peripheral greater Colombo areas. This augurs well for the future outlook of Havelock City.

The Havelock City mixed development which is built on eighteen acres of prime land in Colombo, once completed, would be the single largest residential-cum-commercial development in a contiguous site in Colombo. It will comprise eight residential towers with 1,100 apartments and a commercial complex with a shopping mall and office space and supporting recreational and entertainment facilities, in line with its 'City within a City' concept. The project is being undertaken through Mireka Capital Land (Pvt) Ltd (MCL) a subsidiary of Overseas Realty Ceylon PLC, which is a BOI approved joint venture with Bank of Ceylon.

In 2012, MCL through its fully owned subsidiary Mireka Homes (Pvt) Ltd (MHL) was successful in selling all the residual apartments in its Phase 1 development, excluding the units reserved as show-model apartments and a few select penthouses. As at end 2012 MHL had pre-sold over 50% of the condominiums in its Phase 2 development, which comprise two more residential towers with 219 luxury apartments.

MHL recorded a Revenue of Rs. 554 Mn from the sale of apartments in 2012, down 65% from the previous year. The Revenue comprised the sale of the remaining Phase 1 inventory. The lower revenue was primarily due to the revenue recognition policy adopted, whereby the Company did not record the proportionate revenue of the Phase 2 apartment sales as the stage of construction as at end December 2012 had not reached the threshold of 25%. Revenue and profitability of the apartments sold in Phase 2 will be recognised from 2013 onwards.

Construction of the Phase 2 development is progressing on schedule with completion expected by May 2014. Physical work of the superstructure reached level 11 for the C tower and level 6 for the D tower by end 2012.

MCL is parallely finalising the schematics for the 3rd Phase of development comprising another four towers of over 600 luxury units. Construction works and pre-selling of two of these towers will commence towards end 2013 or beginning 2014 depending on the success of ongoing sales.

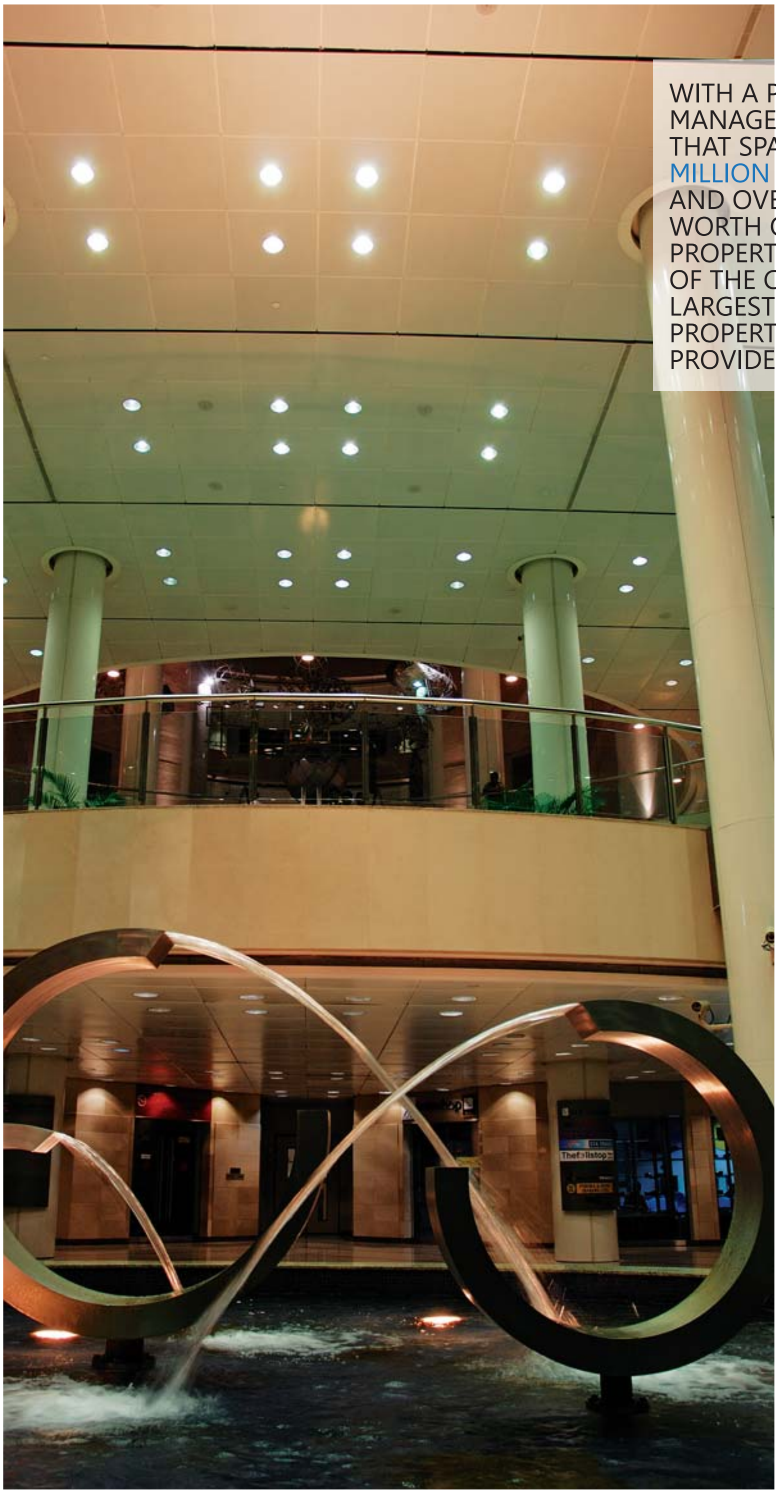
Construction of the state of the art Clubhouse comprising over 55,000 square feet of recreational and entertainment facilities including a gymnasium, day care centre, swimming pools, jacuzzi, badminton, basketball and squash courts, mini cinema, function and dining rooms and other amenities for the entire family is progressing as planned. The Clubhouse, which is for the exclusive use of the residents at Havelock City, is expected to be completed by August 2013.

Similar to 2012, rising interest rates and depreciation of the Sri Lankan Rupee will be a challenge for the Havelock City development. Additionally, the regulatory changes contemplated by the Government on foreign ownership of property could have an adverse impact on the real estate sector and is a concern to the Company. Despite these challenges, given the uniqueness of the concept and development and its superior built quality and total offering, we expect the Havelock City residential sales to continue to register strong growth through 2013.

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

Management Review *Contd.*

Property Services



WITH A PORTFOLIO OF MANAGEMENT EXPERTISE THAT SPANS OVER 1.6 MILLION SQ. FT OF SPACE AND OVER USD 200 MN WORTH OF ASSETS THE PROPERTY SERVICES ARM OF THE COMPANY IS THE LARGEST INTEGRATED PROPERTY SOLUTIONS PROVIDER IN SRI LANKA.

Property Services (Rs. Mn)	2012	2011
Revenue	57	35
Profit	49	31
Assets	18	26
Liabilities	30	56

A TESTAMENT TO THE EXPERTISE OF THE PROPERTY SERVICES MANAGEMENT TEAM IS ITS MANAGEMENT OF TWO OF SRI LANKA'S ICONIC COMMERCIAL AND MIXED USE DEVELOPMENTS; THE WTC COLOMBO AND HAVELOCK CITY.

The Property Sector is a direct beneficiary of economic growth and stability and increased business confidence in any Country. The Company believes that with the maturing of the property sector specialised realty related services will be required and demanded by developers and owners from professional 3rd party property service providers.

The Group being the largest property management company in Sri Lanka with over 1.6 Mn sq.ft. of prime commercial and residential space under its stewardship is well positioned to take advantage of market developments.

Over the last two years the Group has broadened its bouquet of services offered ranging from commercial and residential property management, development management to energy consulting, retail advisory, property broking and renting services. Gradually the Company has expanded its 3rd party clientele base; the newest addition being the K Zone Shopping Mall in Ja-ela.

A Revenue of Rs. 57 Mn was recorded for 2012 being a strong 64% increase over the prior year. This growth was mainly fronted by higher development management fees.

The Company continues to manage the common facilities at its flagship WTC Colombo property for the WTC Management Corporation. A series of new initiatives were undertaken to improve the facilities and services provided including upgrading all washrooms, common corridors, elevator management system and a pilot run for the building management system.

Energy cost is the single largest expense at the WTC Colombo accounting for nearly 80% of total operating outgoings. Electricity tariff rates for large commercial buildings in Sri Lanka are amongst the highest in the World and price hikes are implemented on regular basis. Given this environment,energy management is always a high priority area for the facilities management team.

During the year a number of improvements to systems, processes and equipment aimed at reducing energy consumption were undertaken, ranging from replacing old Chillers and pumps, introduction of energy efficient lighting, installation of electricity measuring and monitoring devices and adoption of best practices to conserve energy. These initiatives are expected to significantly reduce electricity costs in future. The Company will focus on Green building and ISO certification in 2013 in line with its sustainability policy.

The Company also continues to manage the two Havelock City residential towers providing condominium and facilities management services to the Management Corporation, whilst overlooking the residential assets of nearly 20 absentee landlords. Further the business of broking and renting properties gradually grew during 2012.

Currently development management services are exclusively provided to in-house Projects comprising the Havelock City Phase 2 Residential development and the Club House.

Two customer surveys were undertaken during the year to assess perceptions and views of customers in buildings managed by the Company. This feedback along with improved processes and systems introduced and the continuous training and development of people are expected to improve the quality of the property and service offering to customers.

The Company, with over 16 years of operational experience in providing property management services to both residential and mixed use commercial buildings in Sri Lanka, intends to further augment its offering by introducing novel energy efficient systems to the local market and strengthening its broking, renting and 3rd party facilities management business next year.

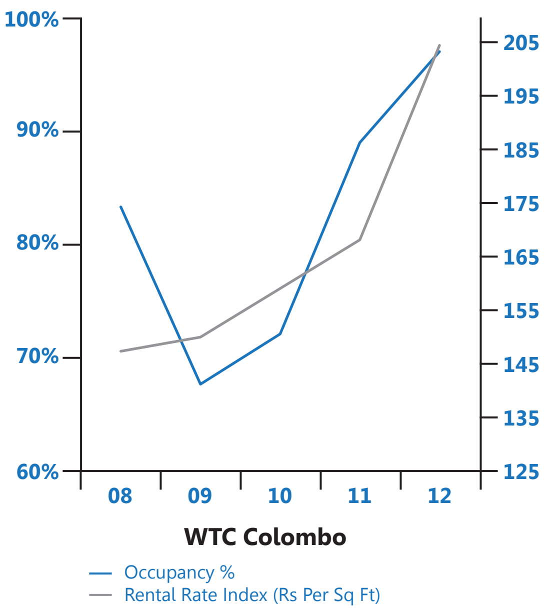
Financial Review

"The Group posted strong results driven by solid operational and financial performance at the **WTC Colombo where revenue grew 57% and year end occupancy reached 97%.**"

Revenue

Group revenue of Rs. 1,954 Mn was 22% lower than the previous year, which was due mainly to the revenue recognition policy adopted, whereby the Company did not recognise the sales of Havelock City, Residential Phase 2 apartments. The Group's primary sources of revenue are derived from Overseas Realty (Ceylon) PLC via leasing of office space at the WTC Colombo and Mireka Homes (Pvt) Ltd (MHL) through the sale of apartments at Havelock City (HC).

The Company whose main revenue was generated through leasing of space at the WTC Colombo saw significant growth in its rental revenue which grew by 57% over the previous year with the average rental rate per square foot increasing by 22%. The occupancy level at the WTC Colombo, reached 97% by December 2012 from the occupancy of 89% at the start of the year, whilst the average occupancy was over 90% through 2012.



Revenue generated from MHL from the sale of condominium units amounted to Rs. 554 Mn, a decrease of 65% from the previous year. The revenue from the sale of apartments recognised in 2012 comprised the sale of the remaining inventory of Phase 1. Around 50% of Phase 2 units were pre-sold up to December 2012, of which the revenue and profitability will be recognised 2013 onwards.

Gross Profit

Gross Profit of Rs. 1,132 Mn was an increase of 22% over the previous year. Gross profit from leasing of office space at the WTC Colombo was Rs. 929 Mn an increase of 82% over the previous year as a result of improved occupancies and higher rental rates achieved. Gross profit from the sale of apartments at HC Residential was Rs. 168 Mn which was a 53% decrease over the previous year as a result of lower revenue recognised due to the revenue recognition policy adopted, whereby the Company did not record the proportionate revenue of the HC Residential Phase 2 apartment sales as the stage of construction as at end December 31st 2012 had not reached the threshold of 25%.

Other Expenses

The Company's other expenses for the year of Rs. 603 Mn were an increase of 20% over the previous year. The increase was mainly driven as a result of increased Member's contribution to the Management Corporation and increase in property rates payable for the WTC premises due to increased occupancy.

Group other expenses and marketing expenses of 687 Mn increased by 13% from the previous year. This increase is primarily a result of the increased Member's contribution, and property rates offset by lower marketing expenses.

Finance Expenses and Finance Income

The Groups finance expenses of Rs. 173 Mn were broadly in line with the prior year's finance expenses of Rs. 172 Mn. The 2012 finance expenses include interest expenses of Rs. 88 Mn, mainly comprising the interest expense on the borrowings for the development of HC Residential. In addition to the interest expense recognised in the Income Statement, Rs. 54 Mn of interest expense incurred on the borrowings for the HC Residential development was capitalised to the cost of development. The other component of the finance expenses was the exchange loss of Rs. 85 Mn incurred on the HC Residential development USD borrowings as a result of the SLRs depreciation. Similar to the capitalisation of interest expenses an amount of RS. 140 Mn of foreign exchange losses incurred on the USD borrowings for the HC Residential development were capitalised to the cost of development, and will therefore be reflected in the HC Residential Phase 2 apartment cost of sales, in future.

The Group's financing income of Rs. 258 Mn was an increase of 62% over the previous year. This increase was due to the strong cash reserves generated out of the WTC Colombo leasing operations.

Profit Before Tax (PBT)

Group PBT (including Fair Value Gain on Investment Property) of Rs. 2,519 Mn was 9% lower than the previous year. PBT decreased due to the lower Fair Value Gain on Investment Property of Rs. 1,563 Mn compared to Rs. 2,123 Mn recognised in 2011.

The Fair Value of the Investment Property and resultant gain or loss is calculated using the capitalisation of net income method and discounting of future cash flows to their present value. The assumptions used in this method are future rental income, anticipated maintenance costs and appropriate discount rate making reference to market evidence of transaction prices for similar properties. The main reason for the lower Fair Value Gain on Investment Property in 2012 was the lower estimated annual growth p.a. in market rent of 5% for 10 years vs. the previous year's assumption of 10% for years 1-3 and 5% for years 4-10.

Group PBT (excluding Fair Value Gain on Investment Property) of Rs. 956 Mn was 48% higher than the previous year. This improvement was mainly due to the increased leasing revenue.

Taxation

The income tax expense of Rs. 51 Mn was an increase of 103% over the previous year. The income tax paid was mainly due to the taxes paid as a result of the interest income earned on the Group's short term deposits.

The Company and its subsidiaries, by virtue of being registered under section 17(2) of the BOI Act, enjoy tax holidays for its business activities. The Company enjoys a 15 year tax holiday which will be effective until 31st March 2020 for income generated from operational business activities in relation to the WTC Colombo. Mireka Capital Land (Private) Limited (MCL) enjoys an 8 year tax holiday expiring on 31st March 2014 for the provision of infrastructure services and land for the development of HC. MHL enjoys a 12 year tax holiday expiring on 31st March 2019 for the development and sales of HC residential units.

Profit After Tax (PAT)

Group PAT (including Fair Value Gain on Investment Property) of Rs. 2,468 Mn was 10% lower than the previous year. PAT decreased due to the lower Fair Value Gain on Investment Property. Group PAT (excluding Fair Value Gain on Investment Property) of Rs. 904 Mn was 46% higher than the previous year. This improvement was mainly due to the increase in leasing revenue.

Cash and Borrowings

The Group's cash and short term investments as at 31st December 2012 were Rs. 1,811 Mn. Strong cash reserves were generated out of the WTC Colombo leasing operations, where the Company was able to grow its cash and short term investments during the FY of 2012 by 55% to Rs. 1,392 Mn as at 31st December 2012.

The Group's total borrowings mainly comprise of funding for the HC Residential development in the Company's property trading portfolio. During the FY 2012 the Group was able to reduce its total borrowings by 20% to Rs. 2,312 Mn as at December 31st 2012.

Shareholder Equity and Assets

The equity attributable to Ordinary Shareholders was Rs. 21,961 Mn as at 31st December 2012, which is 12% higher than the Rs. 19,694 Mn of the previous year.

The Net Asset Value Per Share for the Group attributable to an ordinary share was Rs. 26 as at the year end, which is an increase of 12% over the previous year.

Shareholder Returns

The Group recorded an Earnings Per Share (EPS) of Rs. 2.93 per ordinary share, which is a decrease of 8% over the previous year's EPS per ordinary share of Rs. 3.18. However, the EPS excluding Fair Value Gain on Investment Property was Rs. 1.07 per ordinary share which is an increase of 62% compared to the EPS of Rs. 0.66 per ordinary share in 2011.

The Return on Equity (ROE) for the Group stood at 12% for the year which was lower than the 15% achieved last year, due mainly to the lower Fair Value Gain on Investment Property.

Sustainability Report

"Overseas Realty (Ceylon) PLC's first Sustainability Report showcases the work undertaken by our Companies to **ensure the sustainability of the Group's operations.**"

Today, sustainability has become imperative to all organisations. At Overseas Realty (Ceylon) PLC we have taken noteworthy steps and devoted a fair share of resources to integrate sustainability into our business activities.

RISK MANAGEMENT

Risk management is ingrained in the operational procedures, processes and policies of the Group companies. The Audit Committee constantly evaluates risk, its impact and measures taken to manage risk. Services of auditors and external consultants are obtained to assess risks and obtain recommendations.

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

Risk Type	Rank	Factor	Strategies / Action Plan
Foreign Currency Risk	High	Foreign currency borrowing for the Havelock City development	Construction contracts are entered into in Sri Lankan Rupees (SLR) Some apartment sales are contracted in USD Currency risk is factored into development cost
Occupancy	High	Demand for rental space from new and existing tenants at the World Trade Center Colombo	Monthly monitoring of occupancy levels and advance dialogue with customers on lease renewals Regular customer satisfaction surveys External research on rental market to understand supply and demand Maintaining a pipeline of new customers Maintaining a renewal risk profile and spreading renewals equally
Interest Rate	Medium	Interest Income and Cost of Borrowings	Daily cash flow monitoring and management Negotiating favorable rates and terms on borrowings and deposits
Regulatory Framework	Medium	Changes to tax and other regulations	Constant dialogue and lobbying with Regulatory authorities
Competition	Medium	New Commercial and Residential Developments	Monitoring of existing and new supply of Commercial and Residential Development.
Construction Costs	Low	Increase in construction material and other costs	Fixed price SLR contracts are entered into with construction contractors

Risk Type	Rank	Factor	Strategies / Action Plan
Brand & Reputation Risk	Low	Product quality, timely delivery and service standards	Maintaining high product and service quality standards and quality assurance/ control systems in Projects and Facilities Management Regular reviews of customer comments and feedback
Fire Risk	Low	The World Trade Center Colombo and Havelock City Residential	Periodic review and maintenance of building fire systems, training of staff on fire protection procedures and adequate insurance cover
Building-Health and Safety	Low	The World Trade Center Colombo and Havelock City Residential	Preventive maintenance programs, potable water and air quality testing etc. is carried out Specialised equipment and life support systems maintained by qualified professionals Periodic structural health checks conducted by professional consultants
Receivable Recovery	Low	Non recovery of receivables	Adequate customer deposits from lessees of leased property Regular trade debtor balance review and follow-up Contractual obligation to release assets only upon full payment for traded property

GOVERNANCE

The Company has been founded on and practices sound principles of corporate governance across all aspects of the business. A comprehensive review of the Governance practices is contained in the Statement of Corporate Governance on page 21 of this Annual Report.

ENVIRONMENT

Energy management

The Company has an Energy Policy and an annual Energy Plan that is implemented. Energy cost is the single largest expense in the operations budget of a Commercial facility. Therefore, it is one of the core business processes of the organisation. The main activities of the energy management system include improvement of operational efficiencies of plant and equipment through benchmarking against international standards, introduction of energy efficient equipment, application of engineering and maintenance best practices and training and motivation of operations staff.

Green Building

The continuous effort in reducing the consumption of resources is the main contribution for greening of the World Trade Center. While energy conservation is a key element of focus, water conservation and other environmental aspects are closely monitored in achieving the objectives. Re-use of water in the form of rain water harvesting, introduction of water efficient equipment and accessories and waste water management have reduced water consumption. Other

Sustainability Report *Contd.*

initiatives undertaken have been; reducing the impact on Ozone depletion by use of environment friendly refrigerants for the air-conditioning plants and fully computerising building controls in order to maintain a healthy indoor environment for our occupants. In 2013 the Company will focus on obtaining green building and ISO certification.

CUSTOMERS

The Company believes it owes much of its success to its valued customers.

Customer satisfaction surveys are conducted annually at the WTC Colombo and Havelock City Residential to evaluate own performance and improve the quality of product and service offered to customers.

Continuous improvements are made to the Facilities and service offering, processes and systems to achieve a high level of tenants and residents satisfaction, whilst delivering on the promise of best in built quality and service quality.

BRANDS

The Company is mindful of the importance and value of its brands. Stringent brand guidelines and standards are followed in all internal and external communications and in maintaining consistency in delivery of brand promise.

Both the World Trade Center Colombo and Havelock City have become synonymous with quality.

COMMUNITIES

The Company places high emphasis on contributing to the communities we operate in. To this extent the Company has undertaken a series of initiatives aimed at improving the living environment of the communities around its Havelock City Developments such as;

- Funding and developing a two storied community housing project for nine families who were residing in extremely dilapidated conditions in close proximity to the Havelock City site.
- The construction of a booster pumping station through the National Water Supply & Drainage Board (NWSDB) to uplift the water supply pressure and discharge to the area.
- The construction of a sewer pumping station through the NWSDB to discharge the sewerage and waste water of the Havelock City Development, as well as an additional 400 houses in the community
- In 2012 the Company undertook to newly redevelop and up lift the facilities and appearance of the Sama Viharaya Temple located in front of Havelock City Development.

OUR PEOPLE

Our human resource policies, practices and guidelines together with structures established within and across every department of the Group have become the ideal platforms to create “A great place to work”.

The present working environment of the Company emphasises on a resource based view with talent attraction, motivation and retention being key focus areas.

The Company’s commitment to forge a cordial association between staff and the Company with a mutual exchange of aspirations has resulted in our people’s increased sense of belonging to the organisation.

Performance Management System (PMS)

The main focus of the PMS is to internalise corporate goals with personnel expectations and thereby inspire our staff and build ownership to our Vision and Value systems and improve business performance. The PMS is activated annually with bi-annual appraisals being done for key positions.

Training and Competency Building Programs

The Training and Development supports the organisation’s philosophy of investing in its people and providing them the opportunity to develop their full potential in order to progress in their chosen career path. A number of in house training programs using our own internal resources to develop IT, communication and technical skills for our staff level associates were held in 2013. In addition, executive and managerial level associates were also exposed to a series of professional and leadership development programmes during the year.

Welfare Society

The welfare society which constitutes of all staff of the Group is managed centrally with contributions from the Company as well as employees. The Society helps employees by providing monetary support for distress, educational and medical needs as well as organising recreational activities. During the year a number of activities from prirth ceremonies, cricket matches, staff trips, get-togethers, service awards to recognise long service and Employee of the year were conducted to boost employee morale and team spirit and invoke blessings on the staff and Company properties.

Statement of Corporate Governance

Overseas Realty (Ceylon) PLC places a strong emphasis on adopting and implementing sound practices of good governance and ensures that and exemplary governance policy is adopted across all aspects of the business of the Company and its subsidiaries.

The disclosures below demonstrate the Company's adherence to the 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; (i) Two Non-Executive Directors; or (ii) At least one third of the total number of Directors should be Non-Executive Directors.	Complied with	As at the conclusion of the immediately preceding AGM and as at 31st December 2012, eight (08) out of nine (09) 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	Composition of the Board remained unchanged throughout the year.
(c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of change.	Not Applicable	No change during the year.
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, should be independent.	Complied with	As at the conclusion of the immediately preceding AGM, and as at 31st December 2012 four (4) out of nine (9) 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 26 of this Report.
(b)	The basis for the Board to determine a Director is Independent, if criteria specified for independence is not met.	Complied with	Please refer Note * on page 26 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 page 06 - 09 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	Brief resume of Dr. Ranee Jayamaha who was appointed to the Board on 15th March 2013 was provided to the Colombo Stock Exchange.

Statement of Corporate Governance *Contd.*

Rule No.	Corporate Governance Rule	Compliance status	Details
7.10.5	**Remuneration Committee**		
	A listed company shall have a Remuneration Committee.	Complied with	Please refer page 27 of this Report.
(a)	The Remuneration Committee shall comprise of (i) A minimum of two Independent Non-Executive Directors (in instances where an entity has only two directors) or' (ii) Non-Executive directors a majority of who shall be independent. which ever shall be higher.	Complied with	The Committee consists of Five Members out of whom Four are Non-Executive Independent Directors. Mr. En Ping Ong is the only member who acts in the capacity of an Executive Director.
	In a situation where both the parent company and the subsidiary are "listed entities", the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary. However if the parent company is not a listed entity, then the Remuneration Committee is not permitted to act as the Remuneration Committee of the subsidiary. The Subsidiary shall have a separate Remuneration Committee.	N/A	ORC PLC being the parent company is the only listed entity of the group.
	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. In a situation where both the parent company and the subsidiary are 'listed entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary.	Complied with	Please refer Remuneration Committee report on page 27 of this Report which set out the functions of the Committee.
(c)	The Annual Report should set out: Names of Directors comprising the Remuneration Committee. Statement of remuneration policy. Aggregate remuneration paid to Executive & Non-Executive Directors.	 Complied with Complied with Complied with	Please refer Remuneration Committee Report on page 27 of this Report.
7.10.6	**Audit Committee**		
	The Company shall have an Audit Committee.	Complied with	Names of the members of the Audit Committee are stated in the Audit Committee Report on page 28.

Rule No.	Corporate Governance Rule	Compliance status	Details
(a)	The Audit Committee Shall comprise of (a) A minimum of two Non-Executive Directors (in instances where an entity has only two directors) (b) Non-Executive Directors a majority of who will be independent; whichever shall be higher.	Complied with	Audit Committee consists of five Non-Executive Directors of whom Four are independent.
	A Non-Executive Director shall be appointed as the Chairman of the Committee Meetings.	Complied with	Chairman of the Audit Committee is a Non-Executive Independent 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 attend the meetings by invitation.
	The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Complied with	Chairman and Two other members of the Audit Committee are Chartered Accountants with 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 Sri Lanka Accounting Standards. (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 Sri Lanka Auditing Standards. (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 page 28 of this Report for the functions of Audit Committee.

Statement of Corporate Governance *Contd.*

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 Audit Committee Report on page 28 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 of the Audit Committee setting out the manner of compliance with their functions.	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 page 32 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 81 of this Report.
	(d) Public Holding percentage.	Complied with	Please refer page 81 of this Report.
	(e) A statement of each directors holding and Chief Executive Officer's holdings in shares in the entity at the beginning and end of each year.	Complied with	Please refer page 33 of this Report.
	(f) Information relating to material foreseeable risk factors of the entity.	Complied with	Please refer page 76 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 Note 58 of this Report.
	(i) Number of shares representing the entity' stated capital.	Complied with	Please refer page 67 of this Report.
	(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 80 of this Report.

Rule No.	Corporate Governance Rule	Compliance status	Details
	(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 (5) Highest and the lowest value recorded (6) Value as at the end of the year	Complied with	Please refer page 39 of this Report. Please refer page 71 of this Report. Please refer page 79 of this Report. Please refer page 80 of this Report. Please refer page 80 of this Report. Please refer page 80 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 58 to the Financial Statement on page of this Report.
	(m) If during the year the entity has raised funds either through a Public Issue, Rights Issue and Private Placement; (1) A statement as to the manner in which the proceeds of such issue has been utilised. (2) If any shares or debentures have been issued, the number, class and consideration received and the reasons for the issue. (3) Any material change in the use of securities.	N/A	
	Employee Share Option Schemes		
	(n) 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. - 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 therefrom 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 Complied with Complied with	Please refer page 33 of the Board of Directors Report.

Statement of Corporate Governance *Contd.*

Rule No.	Corporate Governance Rule	Compliance status	Details
	Employee Share Purchase Schemes		
	Following information shall be disclosed in the Annual Report of the listed entity in respect of each ESPS. - the total number of shares issued under the ESPS during the financial year. - the number of shares issued to each category of employees during the financial year. - The price at which the shares were issued to the employees. - a declaration by the directors of the entity confirming that the entity or any of its subsidiary has not directly provided fund for the ESPS.	N/A	

*Note.

Out of the Ten (10) members of the Board, only Mr. En Ping Ong served in the capacity of an Executive Director.

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 and Mr. Ajit M. de S. Jayaratne on 10.10.2005. Mr. Tissa K. Bandaranayake was appointed as a Non-Executive Independent Director to the Board on 19.05.2011 and Dr. Ranee Jayamaha was appointed as a Non-Executive Independent Director to the Board on 15.03.2013.

Mr. 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 that 50% of shares of the Company.

Mr. Ralph de Lanerolle who was appointed to the Board on 03.06.2010 and 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.

Remuneration Committee Report

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	- Executive Director

SCOPE

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

20 February 2013

Audit Committee Report

The Audit Committee of the Overseas Realty (Ceylon) PLC Group constitutes of the following members:

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

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 6 - 8 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 2012 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	3/4
Mr. Tissa K Bandaranayake	4/4

Meetings were attended by the Group Chief Executive Officer, Company Secretary and Group Chief Financial Officer and other senior management members were invited to the meeting if and when required. 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 safeguarded 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 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 2013, at a fee to be recommended by management, subject to the approval of the shareholders at the Annual General Meeting.

Ajit M de S. Jayaratne
Chairman - Audit Committee

20 February 2013

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Annual Report of the Board of Directors

The Board of Directors have pleasure in presenting their report to the members, 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 2012.

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 investment in properties, property development, trading, management 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. The development of residential apartment 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.

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 Chairman's Statement (pages 4 - 5), and Management Review of Operations (pages 10 - 15) sections of this Annual Report. The Audited Financial Statements are given on pages 37 - 77 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 37 - 77.

AUDITORS REPORT

The Auditors' Report on the Financial Statements is given on page 37.

ACCOUNTING POLICIES

Significant accounting policies adopted in the preparation of the Financial Statements are given on pages 43 - 52.

GROUP TURNOVER

The turnover of the Group during the year was Rs. 1,954,118,888/-. 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. 2,467,636,234/- (2011 - Rs. 2,741,116,864/-) for the year. The Consolidated Income Statement along with the Company's Income Statement for the year is given on page 39.

The Directors recommended the payment of a first and final dividend of Rs. 0.30 per share for the year ended 31st December 2011 which was approved by the shareholders at the Annual General Meeting of the Company held on 24th May 2012.

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 20th February 2013, the Directors recommended the payment of a first and final dividend of Rs. 0.30 per share for the financial year ended 31st December 2012 to be approved by the Shareholder at the Annual General Meeting of the Company to be held on 16th May 2013.

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. 215,192,596/- and Rs. 1,648,465/- respectively. Information relating to details and movements in property, plant & equipment is given in Note 6 to the Financial Statements on page 60 - 64.

FAIR VALUE OF INVESTMENT PROPERTIES

The fair value of Investment properties owned by the Group as at 31st December 2012 is included in the accounts at Rs. 19,459,462,708/- (31st December 2011- Rs. 17,884,033,429/-) based on the valuations undertaken by a Chartered Valuer in December 2012. 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 65 of the Financial Statements.

STATED CAPITAL AND RESERVES

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

Total Group Reserves as at 31st December 2012 was Rs. 11,775,391,190/- (2011 -Rs. 9,507,956,506/-). The movement of these reserves is shown in the Statement of Changes in Equity in the Financial Statements on page 41.

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 of 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 nine (09) Directors as at the end of the financial year and their profiles are on pages 6 - 9.

BOARD SUB COMMITTEES

The Board of Directors of the Company has formed the following subcommittees;

Audit Committee

Ajit Mahendra de S Jayaratne (Chairman)
Hussein Zubire Cassim
Melvin Yap Boh Pin
Rohini Letitia Nanayakkara
Tissa Kumara Bandaranayake

Remuneration Committee

Hussein Zubire Cassim (Chairman)
Ajit Mahendra de S Jayaratne
Rohini Lettitia Nanayakkara
En Ping Ong
Tissa Kumara Bandaranayake (appointed w.e.f 16th February 2012)

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:

Name of Director	31st December 2011		31st December 2012	
	Direct Interest	Deemed Interest	Direct Interest	Deemed interest
Mr S P Tao	Nil	702,746,518*	Nil	702,746,518*
Mrs Mildred Tao Ong	Nil	475,940,030*	Nil	475,940,030*
Mr Melvin Yap Boh Pin	Nil	475,940,030*	Nil	475,940,030*
Mr En Ping Ong	Nil	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

*The deemed interests in shares as declared by Mr. SP 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.

CEO of the Company, Mr. Pravir Samarasinghe has declared that he has no direct or indirect interest in shares of the Company.

RELATED PARTY TRANSACTIONS

The disclosures made by the directors of the related party transactions are given in Note 27 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 page 73 - 75 of the Annual Report.

DIRECTORS' REMUNERATION

Directors' remuneration, in respect of the Company and the Group for the financial year ended 31st December 2012 is given in the Note 27.3 to the Financial Statements, on page 75.

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.

Annual Report of the Board of Directors *Contd.*

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 2012.

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. 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.

CONVERGENCE WITH SLFRS/LKAS

The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards that are effective from financial period beginning on or after 1st January 2012. The new Standards have become applicable to the Company from 1st January 2012 and accordingly the reporting framework for the year ended 31st December 2012 will be in accordance with SLFRS.

CORPORATE GOVERNANCE

The Board places emphasis in instituting and maintaining good governance practices and principles. Therefore the management and operation of the Company and its subsidiaries are effectively directed and controlled within the Corporate Governance framework as set out in pages 21 - 26 in this Report.

SHAREHOLDINGS

There were 4,086 registered shareholders of Ordinary Shares as at 31st December 2012. The distribution of shareholdings is given on page 80 of this Report.

SHAREHOLDER INFORMATION

Information relating to earnings, dividends, net assets, market value per share and share trading is given on pages 39, 71, 79 and 80 in the Financial Review section of this Report.

MAJOR SHAREHOLDERS

The twenty largest shareholders of the Company as at 31st December 2012 together with an analysis of the shareholdings are given on page 81 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, Companies Act No 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Inland Revenue Act No. 30 of 2000 and amendments thereto, and the Listing Rules of the Colombo Stock Exchange.

COMPLIANCE WITH LAWS AND REGULATIONS

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 31 to the Financial Statements.

GOING CONCERN

The Board of Directors is satisfied that the Company has 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, Messrs. Ernst & Young, Chartered Accountants were paid Rs. 1,100,000/- (2011 - Rs. 849,200/-) and Rs. 2,390,000 (2011- Rs. 1,857,000/- Mn) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 789,298/- (2011- Rs. 289,640/-) and Rs. 1,395,856/- (2011- Rs. 1,172,120/-), 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 16th May 2013 at Moon Stone, Colombo Hilton at 4.30 p.m. The Notice of the Annual General Meeting appears on page 82.

For and on behalf of the Board

H. Z. Cassim
Director

Ajit M de S. Jayaratne
Director

J. K. K. Wegodapola
Company Secretary

Colombo on this 20 day of February 2012

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 2012, 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 Statement 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 2012 incorporated in this report have been prepared in accordance with the Companies Act No. 07 of 2007, Sri Lanka Accounting Standards, Listing Rules of the Colombo Stock Exchange and generally accepted accounting policies. The Directors consider that, in preparing the Financial Statements exhibited on pages 38 - 42 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 37 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. 0.30/- per share for this year which is to be approved by the shareholders at the Annual General Meeting to be held on 16th May 2013.

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 29 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 20 day of February 2013

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

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 2012, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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 plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

OPINION

Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2012 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31 December 2012 and its profit and cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Group

In our opinion, the consolidated Financial Statements give a true and fair view of the state of affairs as at 31 December 2012 and the profit 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

These Financial Statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

Ernst & Young

20 February 2013
Colombo

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva ACA Ms. Y A de Silva FCA W R H Fernando FCA FCMA W K B S P Fernando FCA FCMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

Statement of Financial Position

	Note	Group 2012 Rs.	Group 2011 Rs.	Group 2010 Rs.	Company 2012 Rs.	Company 2011 Rs.	Company 2010 Rs.
ASSETS							
Non-Current Assets							
Investment Property	5	19,459,462,708	17,884,033,429	15,751,282,685	19,459,462,708	17,884,033,429	15,751,282,685
Property, Plant and Equipment	6	644,130,314	394,912,035	253,603,483	295,357,409	251,001,704	244,377,378
Intangible Assets	7	18,405,004	25,708,505	29,869,824	9,610,120	16,913,621	21,074,940
Investments in Subsidiaries	8	-	-	20	1,125,010,060	1,125,010,060	1,125,010,060
		20,121,998,026	18,304,653,969	16,034,756,012	20,889,440,298	19,276,958,814	17,141,745,063
Current Assets							
Inventories	9	4,129,473,990	3,167,475,866	3,981,120,361	18,072,284	16,521,502	22,226,649
Trade and Other Receivables	10	1,839,280,340	1,563,457,070	1,275,265,907	275,193,634	145,303,040	149,220,789
Amounts due from Related Parties	11	13,602,485	24,999,182	52,667,347	278,586,993	126,694,061	81,715,465
Income Tax Recoverable		-	-	1,453,799	-	-	-
Short Term Investments	21	-	315,260,712	-	-	315,260,712	-
Cash and Short Term Deposits	22	1,810,826,244	1,881,602,664	1,008,168,384	1,391,742,809	581,852,043	574,351,786
		7,793,183,059	6,952,795,494	6,318,675,798	1,963,595,720	1,185,631,358	827,514,689
Total Assets		27,915,181,085	25,257,449,463	22,353,431,810	22,853,036,017	20,462,590,172	17,969,259,752
EQUITY AND LIABILITIES							
Equity Attributable to Equity Holders of the Parent							
Stated Capital	12	10,186,085,405	10,186,085,405	10,186,085,405	10,186,085,405	10,186,085,405	10,186,085,405
Revaluation Reserve	13	216,070,713	164,663,791	148,991,766	216,070,713	164,663,791	148,991,766
Retained Earnings		11,559,320,477	9,343,292,715	6,915,239,332	11,279,539,585	9,019,155,103	6,689,991,661
		21,961,476,595	19,694,041,910	17,250,316,503	21,681,695,703	19,369,904,299	17,025,068,832
Non-controlling Interest		942,941,998	963,128,834	903,110,661	-	-	-
Total Equity		22,904,418,593	20,657,170,744	18,153,427,164	21,681,695,703	19,369,904,299	17,025,068,832
Non-Current Liabilities							
Interest Bearing Loans and Borrowings	14	2,231,813,000	245,817,000	2,194,108,500	195,813,000	245,817,000	295,821,000
Non Interest Bearing Loans	15	-	-	843,750	-	-	-
Post Employment Benefit Liability	16	26,559,431	23,127,786	20,632,272	26,559,431	23,127,786	20,632,272
Total Non-Current Liabilities		2,258,372,431	268,944,786	2,215,584,522	222,372,431	268,944,786	316,453,272
Current Liabilities							
Trade and Other Payables	17	542,579,717	696,869,178	871,194,076	253,123,701	270,082,908	190,251,136
Rental and Customer Deposits	18	2,082,487,935	975,934,146	418,179,878	605,225,989	482,367,779	372,134,418
Amounts due to Related Parties	19	19,652,017	9,442,080	9,345,330	19,652,017	9,442,080	9,345,330
Interest Bearing Loans and Borrowings	14	81,057,048	2,635,530,000	682,762,500	50,000,000	50,000,000	50,000,000
Non - Interest Bearing Loans	15	-	843,750	1,125,000	-	-	-
Income Tax Payable		24,037,650	10,335,069	-	18,390,482	9,468,613	4,193,424
Dividends Payable	20	2,575,695	2,379,710	1,813,340	2,575,695	2,379,710	1,813,340
Total Current Liabilities		2,752,390,061	4,331,333,933	1,984,420,124	948,967,883	823,741,089	627,737,648
Total Liabilities		5,010,762,492	4,600,278,719	4,200,004,646	1,171,340,314	1,092,685,875	944,190,920
Total Equity and Liabilities		27,915,181,085	25,257,449,463	22,353,431,810	22,853,036,017	20,462,590,172	17,969,259,752

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

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,

Director *Director*

The accounting policies and notes on pages 43 through 77 form an integral part of the Financial Statements.

20 February 2013
Colombo

Income Statement

	Note	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
Rental Income		1,339,256,886	850,424,501	1,339,256,886	850,424,501
Sale of Apartments		554,441,292	1,587,516,374	-	-
Other Services	4	60,420,710	56,626,502	62,330,088	45,677,825
Total Revenue	3	1,954,118,888	2,494,567,377	1,401,586,974	896,102,326
Direct Operating Expenses		(425,936,448)	(337,754,920)	(425,936,448)	(337,754,920)
Cost of Sales of Apartments		(396,546,023)	(1,230,612,716)	-	-
Gross Profit		1,131,636,417	926,199,741	975,650,526	558,347,406
Fair Value Gain on Investment Property	5	1,563,310,270	2,122,859,703	1,563,310,270	2,122,859,703
Administration Expenses		(200,256,167)	(196,287,363)	(176,952,159)	(166,262,988)
Marketing & Promotional Expenses		(60,412,587)	(73,945,964)	-	-
Operating Profit		2,434,277,933	2,778,826,117	2,362,008,637	2,514,944,121
Finance Cost	23.1	(88,165,379)	(132,092,647)	(42,490,034)	(29,181,607)
Finance Income	23.2	257,753,797	159,455,729	192,395,533	104,583,403
Other Income	23.3	-	-	25,312,500	-
Exchange Gain/ (Loss)		(84,954,651)	(39,814,851)	4,636,122	1,433,516
Profit Before Tax	24	2,518,911,700	2,766,374,348	2,541,862,758	2,591,779,433
Income Tax Expense	25	(51,275,466)	(25,257,484)	(28,432,968)	(9,570,683)
Profit after Tax for the Year		2,467,636,234	2,741,116,864	2,513,429,790	2,582,208,750
Attributable to:					
Equity Holders of the Parent		2,469,073,070	2,681,098,691		
Non-controlling Interest		(1,436,836)	60,018,173		
		2,467,636,234	2,741,116,864		
Earnings Per Share	26	2.93	3.18	2.98	3.06
Dividend Per Share	20	0.3	0.3	0.3	0.3

The accounting policies and notes on pages 43 through 77 form an integral part of the Financial Statements.

Statement of Comprehensive Income

	GROUP 2012 Rs.	GROUP 2011 Rs.	COMPANY 2012 Rs.	COMPANY 2011 Rs.
Profit For the Year	2,467,636,234	2,741,116,864	2,513,429,790	2,582,208,750
Other Comprehensive Income				
Revaluation of Land and Buildings	51,406,922	15,672,025	51,406,922	15,672,025
Income Tax Effect	-	-	-	-
Other Comprehensive Income for the Year, Net of Tax	51,406,922	15,672,025	51,406,922	15,672,025
Total Comprehensive Income for the Year, Net of Tax	2,519,043,156	2,756,788,889	2,564,836,712	2,597,880,775
Attributable to:				
Equity Holders of the Parent	2,520,479,992	2,696,770,716		
Non-controlling Interest	(1,436,836)	60,018,173		
	2,519,043,156	2,756,788,889		

The accounting policies and notes on pages 43 through 77 form an integral part of the Financial Statements.

Statement of Changes in Equity

Group	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.	Non-controlling Interest Rs.	Total Equity Rs.
Balance as at 01 January 2011	10,186,085,405	148,991,766	6,915,239,332	17,250,316,503	903,110,661	18,153,427,164
Other Comprehensive Income for the Year	-	15,672,025	2,681,098,691	2,696,770,716	60,018,173	2,756,788,889
Dividends Paid for Ordinary Shares for Y/E 31/12/2010	-	-	(253,045,308)	(253,045,308)	-	(253,045,308)
Balance as at 31 December 2011	10,186,085,405	164,663,791	9,343,292,715	19,694,041,911	963,128,834	20,657,170,744
Other Comprehensive Income for the Year	-	51,406,922	2,469,073,070	2,520,479,992	(1,436,836)	2,519,043,156
Dividends Paid for Ordinary Shares for Y/E 31/12/2011	-	-	(253,045,308)	(253,045,308)	(18,750,000)	(271,795,308)
Balance as at 31 December 2012	10,186,085,405	216,070,713	11,559,320,477	21,961,476,595	942,941,998	22,904,418,592

Company	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 January 2011	10,186,085,405	148,991,766	6,689,991,661	17,025,068,832
Other Comprehensive Income for the Year	-	15,672,025	2,582,208,750	2,597,880,775
Dividends Paid on Ordinary Shares for Y/E 31/12/2010	-	-	(253,045,308)	(253,045,308)
Balance as at 31 December 2011	10,186,085,405	164,663,791	9,019,155,103	19,369,904,299
Other Comprehensive Income for the Year	-	51,406,922	2,513,429,790	2,564,836,712
Dividends Paid on Ordinary Shares for Y/E 31/12/2011	-	-	(253,045,308)	(253,045,308)
Balance as at 31 December 2012	10,186,085,405	216,070,713	11,279,539,585	21,681,695,703

The accounting policies and notes on pages 43 through 77 form an integral part of the Financial Statements.

Cash Flow Statement

		Group		Company	
		2012	2011	2012	2011
Cash Flows from Operating Activities:	**Note**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Profit Before Tax Expense		2,518,911,700	2,766,374,348	2,541,862,758	2,591,779,433
Adjustments for -					
Depreciation Charge for the Year	24	10,119,475	10,871,218	8,699,682	10,585,572
Depreciation Capitalised with the Inventories	6.10	1,036,458	2,587,052	-	-
Amortisation of Intangible Assets	7	7,568,592	5,507,700	7,568,592	5,507,700
Post Employment Benefit Expense	16.1	6,162,803	4,767,308	6,162,803	4,767,308
Exchange Losses		84,954,651	39,814,851	-	(1,433,516)
Finance Cost	23	88,165,379	132,092,647	42,490,034	29,181,607
Finance Income	23	(257,753,797)	(159,455,729)	(192,395,533)	(104,583,403)
(Profit)/Loss on sale of Property, Plant and Equipment	24	559,017	(3,508,061)	-	(3,508,061)
Bad Debts Write Off		1,974,769	-	-	-
Fair Value (Gain)/Loss on Investment Property	5	(1,563,310,270)	(2,122,859,703)	(1,563,310,270)	(2,122,859,703)
Operating Profit /(Loss) before Working Capital Changes		898,388,777	676,191,631	851,078,065	409,436,937
(Increase)/ Decrease in Amounts due from Related Parties		11,396,697	27,668,165	(151,892,932)	(44,978,596)
(Increase) / Decrease in Trade and Other Receivables		(214,617,592)	(193,876,187)	(66,710,146)	84,965,811
Increase / (Decrease) in Rental and Customer Deposits		1,069,549,696	534,951,553	85,854,116	87,430,643
(Increase) / Decrease in Inventories		(960,961,666)	813,644,495	(1,550,782)	5,705,147
Increase / (Decrease) in Trade and Other Payables		(113,722,024)	(200,266,041)	(16,959,207)	53,890,630
Increase/ (Decrease) in Amounts due to Related Parties		10,209,937	96,750	10,209,937	96,750
Cash Generated From/ (Used in) Operations		700,243,824	1,658,410,366	710,029,052	596,547,322
Income Tax Paid		(37,572,886)	(13,503,878)	(19,511,098)	(4,295,495)
Finance Cost Paid	23	(51,161,284)	(109,289,930)	(5,485,939)	(6,378,890)
Defined Benefit Plan Costs Paid	16	(2,731,158)	(2,271,794)	(2,731,158)	(2,271,794)
Net Cash Generated From/(Used in) Operating Activities		608,778,497	1,533,344,764	682,300,856	583,601,143
Cash Flows from Investing Activities :					
Proceeds from Sale of Property, Plant and Equipment		-	3,508,061	-	3,508,061
Acquisition of Intangible Assets	7	(265,091)	(1,346,381)	(265,091)	(1,346,381)
Acquisition of Property, Plant and Equipment	6	(209,526,306)	(148,985,838)	(1,648,465)	(11,428,915)
Improvements to investment Property		(12,119,009)	-	(12,119,009)	-
Investment in Short Term Deposits	21	-	(315,260,712)	-	(315,260,712)
Upliftment of Short Term Investments		315,260,712	-	315,260,712	-
Finance Income	23	194,573,349	105,782,325	129,215,085	50,909,999
Net Cash From/(Used) in Investing Activities		287,923,655	(356,302,545)	430,443,232	(273,617,948)
Cash Flows from Financing Activities :					
Repayment of Interest Bearing Loans and Borrowings	14	(4,893,032,547)	(50,004,000)	(50,004,000)	(50,004,000)
Loans Obtained	14	4,166,940,000	-	-	-
Repayment of Non Interest Bearing Loans and Borrowings	15	(843,750)	(1,125,000)	-	-
Dividends Paid		(271,599,323)	(252,478,938)	(252,849,323)	(252,478,938)
Net Cash Flow from Financing Activities		(998,535,620)	(303,607,938)	(302,853,323)	(302,482,938)
Net Increase/ (Decrease) in Cash and Cash Equivalents		(101,833,469)	873,434,281	809,890,765	7,500,257
Cash and Cash Equivalents at the Beginning of the Year	22	1,881,602,665	1,008,168,384	581,852,043	574,351,786
Cash and Cash Equivalents at the end of the Year	22	1,779,769,196	1,881,602,665	1,391,742,809	581,852,043
		1,779,769,196	1,881,602,664	1,391,742,809	581,852,043

The accounting policies and notes on pages 43 through 77 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 the business of investment in properties, property development, and trading and property management.

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 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, is engaged in renting, broking and providing absentee landlord management and also providing facility management and related services.

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

1.3 Parent Enterprise and Ultimate Parent Entity

In the opinion of the Directors, the Company's ultimate parent enterprise is the Shing Kwan Group headquartered in Singapore.

1.4 Date of Authorisation for Issue

The Financial Statements of Overseas Realty (Ceylon) PLC for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 20 February 2012.

2. BASIS OF PREPARATION AND ADOPTION OF SLAS (SLFRS AND LKAS) EFFECTIVE FOR THE FINANCIAL PERIOD BEGINNING ON OR AFTER 01 JANAUARY 2012

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

For all periods up to and including the year ended 31 December 2011, the Company prepared its financial statements in accordance with SLASs effective up to 31 December 2011.

These financial statements for the year ended 31 December 2012 are the first set of financial statements prepared by the Company in accordance with SLFRS (effective for the periods beginning on or after 01 January 2011).

Subject to certain transition elections and exceptions disclosed in Note 2.6, the Company has consistently applied the accounting policies used in preparation of its opening SLFRS statement of financial position at 01 January 2011 through all periods presented, as if these policies had always been in effect.

Note 2.5 discloses the impact of the transition to SLFRS on the Company's reported financial position including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended 31 December 2011 prepared under SLASs.

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 Consolidation Policies

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. 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 interest
- 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.

Notes to the Financial Statements *Contd.*

The following companies have been consolidated.

- Overseas Realty Ceylon PLC (Parent)
- 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 (Subsidiary)

All subsidiaries are incorporated in Sri Lanka.

2.1.2 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 business segments.

2.1.3 Going Concern

The Board of Directors of the Company and the parent entity are satisfied that the Company has adequate resources to continue its operations in the foreseeable future with no interruptions or curtailment of operations. Accordingly, the Financial Statements are prepared based on the going concern concept.

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 recognised in the Financial Statements.

(a) Classification of Property

The Group determines whether a property is classified as Investment Property, owner occupied property or inventory property:

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 recognising 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 recognises 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.

2.2.2 Critical Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation of uncertainty at the Statement of Financial Position 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 2012.

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 its judgement, 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 discount rates that reflect current market assessments of the 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 are 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 Statement of Financial Position date.

The principal assumptions underlying management's estimation of fair value are those related to: the future rentals, maintenance requirements, and appropriate discount 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 estimated yield as well as the growth in future rentals and other assumptions 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) Defined Benefit Plans

The cost as well as the present value of defined benefit plan: gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and other important related data. Due to the long term nature of employee benefits, such estimates are subject to significant uncertainty. Further details of assumptions together with an analysis of their sensitivity as carried out by the management in relation to the above key assumptions and the results of the sensitivity analysis are given in Note 16.3 and Note 16.4 respectively.

(d) 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. Further details are given in Note 25.3.

(e) Estimation of Net Realisable Value for Inventory Property

Inventory 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 Statement of Financial Position date and is determined by the Group having taken suitable external advice 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 Statement of Financial Position 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.

Notes to the Financial Statements *Contd.*

2.3.3 Taxation

Current Taxes

Companies in the Group have entered into agreements with the Board of Investment of Sri Lanka, 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.

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 on April 1, 2005 and will end on March 31, 2020.

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 on April 1, 2006 and will end on March 31, 2014.

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 on April 1, 2007 and will end on March 31, 2019

Havelock City (Private) Limited

Pursuant to the agreement with Board of Investment of Sri Lanka (BOI) dated 13th December 2012, Havelock City (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 profit or any year of Assessment not later than 02 years reckoned form the date of commencement of commercial operations, whichever year is earlier as determined by the Commissioner General of Inland Revenue.

Deferred Taxation

As the Inland Revenue Act does not apply as stated above, temporary differences do not arise during the tax exemption period. However, following technique guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the Board of Directors carries out an assessment of temporary differences which continue to prevail after the tax exemption period and any deferred tax asset or liability which need to be accounted for at each reporting date.

Sales Tax

Revenues, expenses and assets are recognised 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 recognised 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 Statement of Financial Position.

Economic Service Charge (ESC)

As per the provisions of Economic Service Charge Act No. 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC paid is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable for a further four years.

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 capitalised 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 capitalised 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 capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investments. Interest is capitalised as from the commencement of the development work until date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised 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 recognised 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, 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. After entering into sale and purchase agreement, the construction works of the apartment are begun and where the property in 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

Whereby the contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as construction of apartments progresses 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.

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.

Rental income arising on Investment Properties is accounted for on a straight-line basis over the lease terms.

c) Rendering of Services

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

d) Interest Income

Interest income is recognised as the interest accrues unless collectability is in doubt.

e) Others

Other income is recognised on an accrual basis.

2.3.6 Intangible Assets

(a) Licenses

Licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of 20 years.

(b) Computer Software

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

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in the Income Statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

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 recognised in the Income Statement when the asset is de-recognised.

2.3.7 Inventory

Inventory Property and Projects under Construction

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable 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 realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the Statement of Financial Position 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 recognised 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.

Consumables and Spares

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae:-

Consumables - 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 short term maturities (i.e. three months or less from the date of acquisition) are also treated as cash equivalents.

Notes to the Financial Statements *Contd.*

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.

Depreciation is calculated on a straight line basis over the useful life of the assets as follows.

Building - Level 18	Over 60 Years
Temporary Building	Over 5 Years
Furniture & Fittings	Over 10 Years
Office Equipment	
• Computer & Other Electronic Equipment	Over 4 Years
• Other Office Equipment	Over 5 Years
Motor Vehicles	Over 5 Years
Gymnasium Equipment	Over 10 Years

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 category) 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 recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised 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 asset 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

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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, quoted financial instruments and derivative financial instruments.

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

The Company 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.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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 Company 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 Company 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 Company 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 Company could be required to repay.

Impairment of Financial Assets

The Company 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 Amortised Cost

For financial assets carried at amortised cost, the Company 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 Company 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

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 recognised on a straight line basis over the applicable time period.

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

Notes to the Financial Statements *Contd.*

Subsequent Measurement

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

a) 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.

2.3.11 Investments

Investment in Subsidiaries

Long term investments are stated at cost. Carrying amounts are reduced to recognise 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 consolidated 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.

Changes in fair value are recorded in the Income Statement.

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 recognised 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 recognised 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 recognised as an interest expense.

2.3.14 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

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 using Projected Unit Credit method.

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.

Actuarial gains and losses are recognised as income or expenses when the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at the date (Corridor Method).

The gains/losses are recognised over the expected average remaining working lives of the employees participating in the plan.

The gratuity liability is not externally funded. This item is stated under 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 recognised 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 recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.4 Effect of Sri Lanka Accounting Standards issued but not yet Effective:

The standards and interpretations that are issued but not yet effective up to the date of issuance of the group Financial Statements are disclosed below. The Group/Company intends to adopt these standards, if applicable, when they become effective.

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 as defined in LKAS 39. SLFRS 9 was issued in 2012 and become effective for the financial periods beginning on or after 01 January 2015. Accordingly the financial statements for the year ending 31 December 2015/31 March 2016 will adopt the SLFRS 9.

The Group will quantify the effect in due course.

b) SLFRS 10 -Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation.

Special Purpose Entities

SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in LKAS 27.

This standard was initially effective for annual periods beginning on or after 1 January 2013 and subsequently it/ effective date has been deferred/subsequently CA Sri Lanka has decided to defer the application of this standard.

Pending the full study of this standard, the financial impact is not yet known and reasonably estimable.

c) SLFRS 11 Joint Arrangements

SLFRS 11 replaces LKAS 31 Interests in joint ventures and SIC-13 Jointly-controlled Entities. Non-Mandatory Contributions by Ventures. SLFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

Pending the full study of this standard, the financial impact is not yet known and reasonably estimable

d) SLFRS 12 Disclosure of Interests in Other Entities

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities.

Pending the full study of this standard, the financial impact is not yet known and reasonably estimable.

e) SLFRS 13 Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted.

Pending the full study of this standard, the financial impact is not yet known and reasonably estimable.

Notes to the Financial Statements *Contd.*

2.5 First-time adoption of SLFRS:

These financial statements, for the year ended 31 December 2012, are the first set of financial statements, the Group has prepared in accordance with SLFRS for periods up to and including the year ended 31 December 2011 and 31 December 2010, the Group prepared its financial statements in accordance with local generally accepted accounting practice (SLAS).

Accordingly, the Group has prepared financial statements which comply with SLFRS applicable for periods ending on or after 31 December 2012, together with the comparative period data as at and for the year ended 31 December 2011, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 January 2011, the Group's date of transition to SLFRS. This note explains the principal adjustments made by the Group in restating its SLAS statement of financial position as at 1 January 2011 and its previously published SLAS financial statements as at and for the year ended 31 December 2011.

Exemptions applied

SLFRS 1 First-Time Adoption of SLFRS allows first-time adopters certain exemptions from the retrospective application of certain SLFRS.

The Group has applied the following exemptions:

a) The group has elected to disclose the following amounts prospectively from the date of transition regarding the post employment benefit liability. (SLFRS ordinarily requires the amounts for the current and previous four annual periods to be disclosed.)

   i. The present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan

   ii. The experience adjustments arising on the plan liabilities and the plan assets

b) The Group has elected not to disclose fair values of each class of financial assets and financial liabilities for the years ended 31 December 2011 and 31 December 2012 in line with the Paragraph 45 of SLFRS 7.

2.5 First Time Adoption of SLFRS *Contd.*

Group Reconciliation of Equity as at 01 January 2011 (Date of Transition to SLFRS) and 31 December 2011

Statement of Financial Position		SLAS Rs.	"Re-measurements" Rs.	"SLFRS as at 31 December 2011" Rs.	SLAS Rs.	"Re-measurements" Rs.	"SLFRS as at 01 January 2011" Rs.
Non-Current Assets							
Investment Property		17,884,033,429	-	17,884,033,429	15,751,282,685	-	15,751,282,685
Property, Plant and Equipment		394,912,035	-	394,912,035	253,603,483	-	253,603,483
Intangible Assets		25,708,505	-	25,708,505	29,869,824	-	29,869,824
Investments in Subsidiaries		-	-	-	20	-	20
		18,304,653,969	-	18,304,653,969	16,034,756,012	-	16,034,756,012
Current Assets							
Inventories		3,167,475,866	-	3,167,475,866	3,981,120,361	-	3,981,120,361
Trade and Other Receivables	**B**	1,517,095,869	46,361,201	1,563,457,070	1,232,208,279	43,057,628	1,275,265,907
Amounts due from Related Parties		24,999,182	-	24,999,182	52,667,347	-	52,667,347
Income Tax Recoverable		-	-	-	1,453,799	-	1,453,799
Short Term Investments		315,260,712	-	315,260,712	-	-	-
Cash and Short Term Deposits		1,881,602,664	-	1,881,602,664	1,008,168,384	-	1,008,168,384
		6,906,434,293	46,361,201	6,952,795,494	6,275,618,170	43,057,628	6,318,675,798
Total Assets		25,211,088,262	46,361,201	25,257,449,463	22,310,374,182	43,057,628	22,353,431,810
EQUITY AND LIABILITIES							
"Equity Attributable to Equity Holders of the Parent"							
Stated Capital		10,186,085,405	-	10,186,085,405	10,186,085,405	-	10,186,085,405
Revaluation Reserve		164,663,791	-	164,663,791	148,991,766	-	148,991,766
Retained Earnings	**A,B**	9,266,060,825	77,231,891	9,343,292,716	6,872,181,704	43,057,628	6,915,239,332
		19,616,810,020	77,231,891	19,694,041,911	17,207,258,875	43,057,628	17,250,316,503
Non-Controlling Interest		963,128,834	-	963,128,834	903,110,661	-	903,110,661
Total Equity		20,579,938,854	77,231,891	20,657,170,745	18,110,369,536	43,057,628	18,153,427,164
Non-Current Liabilities							
Interest Bearing Loans and Borrowings		245,817,000	-	245,817,000	2,194,108,500	-	2,194,108,500
Non Interest Bearing Loans		-	-	-	843,750	-	843,750
Post Employment Benefit Liability		23,127,786	-	23,127,786	20,632,272	-	20,632,272
Total Non-Current Liabilities		268,944,786	-	268,944,786	2,215,584,522	-	2,215,584,522
Current Liabilities							
Trade and Other Payables	**A**	615,262,231	81,606,947	696,869,178	815,528,271	55,665,805	871,194,076
Rental and Customer Deposits	**A**	1,088,411,780	(112,477,636)	975,934,144	473,845,683	(55,665,805)	418,179,878
Amounts due to Related Parties		9,442,080	-	9,442,080	9,345,330	-	9,345,330
Interest Bearing Loans and Borrowings		2,635,530,000	-	2,635,530,000	682,762,500	-	682,762,500
Non - Interest Bearing Loans		843,750	-	843,750	1,125,000	-	1,125,000
Income Tax Payable		10,335,071	-	10,335,071	-	-	-
Dividends Payable		2,379,710	-	2,379,710	1,813,340	-	1,813,340
Total Current Liabilities		4,362,204,622	(30,870,689)	4,331,333,933	1,984,420,124	-	1,984,420,124
Total Liabilities		4,631,149,408	(30,870,689)	4,600,278,719	4,200,004,646	-	4,200,004,646
Total Equity and Liabilities		25,211,088,262	46,361,202	25,257,449,463	22,310,374,182	43,057,628	22,353,431,810

Notes to the Financial Statements *Contd.*

2.5 First Time Adoption of SLFRS *Contd.*

Company Reconciliation of Equity as at 01 January 2011 (Date of Transition to SLFRS) and 31 December 2011

Statement of Financial Position	Note	SLAS Rs.	"Re-measurements" Rs.	"SLFRS as at 31 December 2011" Rs.	SLAS Rs.	"Re-measurements" Rs.	"SLFRS as at 01 January 2011" Rs.
Non-Current Assets							
Investment Property		17,884,033,429	-	17,884,033,429	15,751,282,685	-	15,751,282,685
Property, Plant and Equipment		251,001,704	-	251,001,704	244,377,378	-	244,377,378
Intangible Assets		16,913,621	-	16,913,621	21,074,940	-	21,074,940
Investments in Subsidiaries		1,125,010,060	-	1,125,010,060	1,125,010,060	-	1,125,010,060
		19,276,958,814	-	19,276,958,814	17,141,745,063	-	17,141,745,063
Current Assets							
Inventories		16,521,502	-	16,521,502	22,226,649	-	22,226,649
Trade and Other Receivables	B	98,941,838	46,361,202	145,303,040	106,163,161	43,057,628	149,220,789
Amounts due from Related Parties		126,694,061	-	126,694,061	81,715,465	-	81,715,465
Short Term Investments		315,260,712	-	315,260,712	-	-	-
Cash and Short Term Deposits		581,852,043	-	581,852,043	574,351,786	-	574,351,786
		1,139,270,156	46,361,202	1,185,631,358	784,457,061	43,057,628	827,514,689
Total Assets		20,416,228,970	46,361,202	20,462,590,172	17,926,202,124	43,057,628	17,969,259,752
EQUITY AND LIABILITIES							
"Equity Attributable to Equity Holders of the Parent"							
Stated Capital		10,186,085,405	-	10,186,085,405	10,186,085,405	-	10,186,085,405
Revaluation Reserve		164,663,791	-	164,663,791	148,991,766	-	148,991,766
Retained Earnings	A,B	8,941,923,213	77,231,891	9,019,155,104	6,646,934,033	43,057,628	6,689,991,661
		19,292,672,409	77,231,891	19,369,904,300	16,982,011,204	43,057,628	17,025,068,832
Non Controlling Interest		-	-	-	-	-	-
Total Equity		22,543,493,616	77,231,891	19,369,904,300	16,982,011,204	-	17,025,068,832
Non-Current Liabilities							
Interest Bearing Loans and Borrowings		245,817,000	-	245,817,000	295,821,000	-	295,821,000
Post Employment Benefit Liability		23,127,786	-	23,127,786	20,632,272	-	20,632,272
Total Non-Current Liabilities		268,944,786	-	268,944,786	316,453,272	-	316,453,272
Current Liabilities							
Trade and Other Payables	A	188,475,961	81,606,947	270,082,908	134,585,331	55,665,805	190,251,136
Rental and Customer Deposits	A	594,845,413	(112,477,636)	482,367,777	427,800,223	(55,665,805)	372,134,418
Amounts due to Related Parties		9,442,080	-	9,442,080	9,345,330	-	9,345,330
Interest Bearing Loans and Borrowings		50,000,000	-	50,000,000	50,000,000	-	50,000,000
Income Tax Payable		9,468,611	-	9,468,611	4,193,424	-	4,193,424
Dividends Payable		2,379,710	-	2,379,710	1,813,340	-	1,813,340
Total Current Liabilities		854,611,775	(30,870,689)	823,741,086	627,737,648	-	627,737,648
Total Liabilities		1,123,556,561	(30,870,689)	1,092,685,872	944,190,920	-	944,190,920
Total Equity and Liabilities		20,416,228,970	46,361,202	20,462,590,172	17,926,202,124	43,057,628	17,969,259,752

2.5 First Time Adoption of SLFRS *Contd.*

Group Reconciliation of Equity Comprehensive Income for the year ended 2011

Income Statement	Note	SLAS Rs.	"Re-measurements" Rs.	"SLFRS as at 31 December 2011" Rs.	SLAS Rs.	"Re-measurements" Rs.	"SLFRS as at 01 January 2011" Rs.
Rental Income	B	847,120,928	3,303,573	850,424,501	697,376,626	43,057,628	740,434,254
Sale of Apartments		1,587,516,374	-	1,587,516,374	950,149,134	-	950,149,134
Other Services		56,626,502	-	56,626,502	51,139,551	-	51,139,551
Total Revenue		2,491,263,804	3,303,576	2,494,576,377	1,698,665,311	43,057,628	1,741,722,939
Direct Operating Expenses		(337,754,920)	-	(337,754,920)	(329,352,966)	-	(329,352,966)
Cost of Sales of Apartments		(1,230,612,716)	-	(1,230,612,716)	(632,647,731)	-	(632,647,731)
Gross Profit		922,896,168	3,303,576	926,199,741	736,664,615	43,057,628	779,722,243
Fair Value Gain on Investment Property		2,122,859,703	-	2,122,859,703	473,162,049	-	473,162,049
Administration Expenses		(196,287,363)	-	(196,287,363)	(111,263,995)	-	(111,263,995)
Marketing & Promotional Expenses		(73,945,964)	-	(73,945,964)	(79,238,108)	-	(79,238,108)
Operating Profit		2,775,522,544	3,303,573	2,778,826,117	1,019,324,561	43,057,628	1,062,382,189
Finance Cost	A	(109,289,932)	(22,802,715)	(132,092,647)	(117,805,290)	-	(117,805,290)
Finance Income	A	105,782,325	53,673,404	159,455,729	23,647,095	-	23,647,095
Exchange Gain/ (Loss)		(39,814,851)	-	(39,814,851)	-	-	-
Profit Before Tax		2,732,200,086	34,174,262	2,766,374,348	925,166,366	43,057,628	968,223,994
Income Tax Expense		(25,257,484)	-	(25,257,484)	(11,054,542)	-	(11,054,542)
Profit after Tax for the Year		2,706,942,602	34,174,262	2,741,116,864	914,111,824	43,057,628	957,169,452

Notes to the Financial Statements *Contd.*

2.5 First Time Adoption of SLFRS *Contd.*

Company Reconciliation of Comprehensive Income for the year ended 2011

Income Statement	Note	SLAS Rs.	"Re-measurements" Rs.	"SLFRS as at 31 December 2011" Rs.	SLAS Rs.	"Re-measurements" Rs.	"SLFRS as at 01 January 2011" Rs.
Rental Income	B	847,120,928	3,303,573	850,424,501	697,376,626	43,057,628	740,434,254
Other Services		45,677,825	-	45,677,825	56,839,551	-	56,839,551
Total Revenue		892,798,753	3,303,573	896,102,326	754,216,177	43,057,628	797,273,805
Direct Operating Expenses		(337,754,920)	-	(337,754,920)	(329,352,966)	-	(329,352,966)
Gross Profit		555,043,833	3,303,573	558,347,406	424,863,211	43,057,628	467,920,839
Fair Value Gain on Investment Property		2,122,859,703	-	2,122,859,703	473,162,049	-	473,162,049
Administration Expenses		(166,262,988)	-	(166,262,988)	(160,278,117)	-	(160,278,117)
Operating Profit		2,511,640,548	3,303,573	2,514,944,121	737,747,143	43,057,628	780,804,771
Finance Cost	A	(6,378,892)	(22,802,715)	(29,181,607)	(7,377,946)	-	(7,377,946)
Finance Income	A	50,909,999	53,673,404	104,583,403	6,106,971	-	6,106,971
Exchange Gain/ (Loss)		1,433,516	-	1,433,516	-	-	-
Profit Before Tax		2,557,605,171	34,174,262	2,591,779,433	736,476,167	43,057,628	779,533,795
Income Tax Expense		(9,570,683)	-	(9,570,683)	(5,463,849)	-	(5,463,849)
Profit after Tax for the Year		2,548,034,488	34,174,262	2,582,208,750	731,012,318	43,057,628	774,069,946

Notes to the reconciliation of equity as at 01 January 2011 and 31 December 2011 and total comprehensive income as at 31 December 2011

Group/Company

A The company has measured the tenants deposits obtained from customers at fair value from the date of transition to SLFRS and retrospective adjustments has been made to financial statements. Accordingly day one differences that has arose as at 01 January 2011 and 31 December 2011 amounting to Rs. 55,665,805/- and Rs. 57,532,299/-respectively have been recognised as accrued expenses and such accrued expenses have been amortised over the lease periods agreed with tenants. Accordingly the Company/Group has amortised such accrued expenses amounting to Rs. 53,673,404/- during the year ended 31 December 2011. Further the Company/Group has recognised fair value loss on rental deposits as at 31 December 2011 amounting to Rs. 22,802,715/-.

B The company has recognised rental income on straight line basis in line with SLFRS from the date of transition to SLFRS. Accordingly the rental income has been restated for the years ended 31 December 2010 and 31 December 2011 by Rs. 43,057,628/- and Rs. 3,303,573/- respectively. The difference in the revenue between straight line basis and previous accrued basis at each year end has been recognised as an accrued rental income.

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 & 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 :

	2012 Property Leasing Rs.	2012 Property Services	2012 Property Trading Rs.	2012 Inter/Intra Segment Eliminations Rs.	Consolidated 2012 Rs.	2011 Property Leasing Rs.	2011 Property Services Rs.	2011 Property Trading Rs.	2011 Inter/Intra Segment Eliminations Rs.	Consolidated 2011 Rs.
Revenue	1,355,350,120	57,242,138	564,735,485	(23,208,854)	1,954,118,889	872,462,326	34,982,223	1,587,718,328	(595,500)	2,494,567,377
Direct Operating Expenses	(425,936,448)	-	-	-	(425,936,448)	(337,754,920)	-	-	-	(337,754,920)
Cost of Sales	-	-	(396,546,023)	-	(396,546,023)	-	-	(1,230,612,716)	-	(1,230,612,716)
Gross Profit/ (Loss)	929,413,672	57,242,138	168,189,462	(23,208,854)	1,131,636,418	534,707,406	34,982,223	357,105,612	(595,500)	926,199,741
Fair Value Gain on Investment Property	1,563,310,270	-	-	-	1,563,310,270	2,122,859,703	-	-	-	2,122,859,703
Administration Expenses	(176,952,159)	(8,006,108)	(15,909,902)	612,000	(200,256,169)	(125,014,621)	(3,604,542)	(69,388,700)	1,720,500	(196,287,363)
Marketing and Promotional Expenses	-	-	(60,412,587)	-	(60,412,587)	-	-	(73,945,964)	-	(73,945,964)
Exchange Gain/(Loss)	4,636,122	-	(89,590,773)	-	(84,954,651)	1,433,516	-	(41,248,367)	-	(39,814,851)
Finance Cost	(42,490,034)	-	(45,675,345)	-	(88,165,379)	(29,181,607)	-	(102,911,040)	-	(132,092,647)
Finance Income	192,395,533	-	65,358,264	-	257,753,797	104,583,403	-	54,872,326	-	159,455,729
Other Income	25,312,500	-	-	(25,312,500)	-	-	-	-	-	-
Net Profit Before Tax	2,495,625,904	49,236,030	21,959,119	(47,909,354)	2,518,911,700	2,609,387,800	31,377,681	124,483,867	1,125,000	2,766,374,348

3.2 Segment Assets and Liabilities :

	Property Leasing Rs.	Property Services	Property Trading Rs.	Inter/Intra Segment Eliminations Rs.	Consolidated 2012 Rs.
2012					
Total Assets	23,189,851,170	17,820,242	6,208,062,267	(1,500,552,594)	27,915,181,085
Total Liabilities	1,508,155,446	30,189,565	3,850,707,629	(378,290,148)	5,010,762,492
2011					
Total Assets	20,547,085,077	25,613,374	5,911,403,661	(1,201,039,275)	25,257,449,463
Total Liabilities	1,254,412,648	56,479,114	3,503,581,580	(157,715,509)	4,600,278,719
2010					
Total Assets	17,926,202,124	2,797,927	5,555,873,088	(1,174,498,957)	22,353,431,810
Total Liabilities	944,190,918	41,374,608	3,298,096,439	(83,657,319)	4,200,004,646

Notes to the Financial Statements *Contd.*

3.3 Other Segment Information:

	2012				2011			
	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	208,306,024	217,358	6,669,214	215,192,596	135,968,447	-	13,017,391	148,985,838
Depreciation								
- Charge for the Year	9,154,776	-	964,699	10,119,475	10,871,218	-	-	10,871,218
- Capitalised with the Inventories	-	-	1,036,458	1,036,458	-	-	2,587,052	2,587,052
Amortisation	7,568,592	-	-	7,568,592	5,507,700	-	-	5,507,700
Employee Benefit Costs	6,162,803	-	-	6,162,803	85,531,106	-	9,455,410	94,986,516

4. OTHER SERVICES

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Property Facility Fee	22,440,000	22,440,000	22,440,000	22,440,000
Net Income from Rented Car Park	3,314,488	2,791,823	3,314,488	2,791,823
Other Services	26,619,429	21,115,974	5,931,953	10,167,297
Default Interest	172,827	1,504,548	172,827	1,504,548
Management Fees	1,200,000	1,200,000	23,796,854	1,200,000
Facility Management Income	333,082	-	333,082	-
Legal Income	4,211,705	3,327,276	4,211,705	3,327,276
Income from Events	2,129,179	4,246,881	2,129,179	4,246,881
	60,420,710	56,626,502	62,330,088	45,677,825

5. INVESTMENT PROPERTY

	GROUP			COMPANY		
	2012 Rs.	2011 Rs.	2010 Rs.	2012 Rs.	2011 Rs.	2010 Rs.
As at 1 January	17,884,033,429	15,751,282,685	15,278,120,636	17,884,033,429	15,751,282,685	15,278,120,636
Transfers from Capital Work in Progress	12,119,009	9,891,041	-	12,119,009	9,891,041	-
Net Gain from Fair Value Adjustment	1,563,310,270	2,122,859,703	473,162,049	1,563,310,270	2,122,859,703	473,162,049
As at 31 December	19,459,462,708	17,884,033,429	15,751,282,685	19,459,462,708	17,884,033,429	15,751,282,685

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

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

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

Fair value of the Investment Property is ascertained by annual independent valuations carried out by Messrs. P. B. Kalugalagedera and Associates, 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 capitalisation 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 2012, 2011 and 2010 are as follows:

	2012	2011	2010
Estimated Market Rent per sq:ft	:Rs. 180-250	:Rs. 150-220	:Rs. 140-200
Rate of growth in future rentals	:1 to 10 years 5% p.a.	:1 to 3 years 10% p.a. and 4 to 10 years 5% p.a.	:1 to 5 years 10% p.a. and 6 to 10 years 5% p.a.
Anticipated Outgoings	:45% of rentals	:45% of rentals	:50% of rentals
Risk adjusted DCF	:6.0% p.a.	:6.0%	: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 2012.

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) "Risk Adjusted DCF"	"Growth in Future Rentals"	"Anticipated Maintenance Cost"	Proforma "Fair Value Gain/(Loss) on Investment Property Rs."	Proforma "Investment Property Valuation Rs."
1%			(2,791,161,172)	15,092,872,257
-1%			4,331,431,906	22,215,465,335
	1%		1,614,837,585	19,498,871,014
	-1%		(1,076,431,423)	16,807,602,006
		5%	(2,027,645,367)	15,856,388,062
		-5%	1,863,243,774	19,747,277,203

Notes to the Financial Statements *Contd.*

6. PROPERTY PLANT & EQUIPMENT (GROUP)

6.1 Gross Carrying Amounts

At Cost or Valuation			At Cost					At valuation			
	"Temporary Building" Rs.	"Office Equipment" Rs.	"Computer and other Electronic Equipment" Rs.	"Furniture and Fittings" Rs.	"Motor Vehicles" Rs.	"Gymnasium Equipment" Rs.	Engineering Equipment and Tools Rs.	Buildings Rs.	"Total Value of Depreciable Assets" Rs.	"In the Course of Construction" Rs.	"Total Gross Carrying Amount" Rs.
Balance as at 01.01.2011	31,766,520	8,476,231	31,350,330	22,824,025	27,225,164	4,515,525	50,100	226,630,687	352,838,582	722,080	353,560,662
Additions during the Year	206,930	159,509	1,422,157	913,586	-	-	-	-	2,702,182	146,283,656	148,985,838
Disposals during the Year	-	-	-	-	(1,866,533)	-	-	-	(1,866,533)	-	(1,866,533)
Transfers	-	-	-	-	-	-	-	-	-	(9,891,041)	(9,891,041)
Increase in Valuation	-	-	-	-	-	-	-	15,672,025	15,672,025	-	15,672,025
Balance as at 31.12.2011	31,973,450	8,635,740	32,772,487	23,737,611	25,358,631	4,515,525	50,100	242,302,712	369,346,256	137,114,695	506,460,951
Additions during the Year	6,488,324	37,021	1,140,622	429,017	156,624	-	62,589	-	8,314,197	206,878,399	215,192,596
Disposals during the Year	(31,973,450)	(103,500)	-	-	-	-	-	-	(32,076,950)	-	(32,076,950)
Transfers	-	-	-	-	-	-	-	(4,255,836)	(4,255,836)	(5,666,290)	(9,922,126)
Increase in Valuation	-	-	-	-	-	-	-	51,406,922	51,406,922	-	51,406,922
Balance as at 31.12.2012	6,488,325	8,569,261	33,913,109	24,166,628	25,515,255	4,515,525	112,689	289,453,798	392,734,590	338,326,804	731,061,394

6.2 Depreciation

	"Temporary Building" Rs.	"Office Equipment" Rs.	"Computer and other Electronic Equipment" Rs.	"Furniture and Fittings" Rs.	"Motor Vehicles" Rs.	"Gymnasium Equipment" Rs.	Engineering Equipment and Tools Rs.	Buildings Rs.	"Total Depreciable Rs.
Balance as at 01.01.2011	29,900,943	6,685,568	23,288,709	17,908,487	22,124,885	48,246	341	-	99,957,180
Depreciation for the Year	1,378,947	556,575	3,107,129	882,913	3,094,062	451,127	11,545	3,975,972	13,458,270
Disposals during the Year	-	-	-	-	(1,866,533)	-	-	-	(1,866,533)
Balance as at 31.12.2011	31,279,890	7,242,143	26,395,838	18,791,400	23,352,414	499,373	11,886	3,975,972	111,548,917
Depreciation for the Year	1,090,126	381,005	2,976,753	899,236	1,086,248	452,420	14,309	4,255,836	11,155,933
Disposals during the Year	(31,414,434)	(103,500)	-	-	-	-	-	-	(31,517,934)
Transfers	-	-	-	-	-	-	-	(4,255,836)	(4,255,836)
Balance as at 31.12.2012	955,582	7,519,648	29,372,591	19,690,636	24,438,662	951,793	26,195	3,975,972	86,931,080

6.3 Net Book Value

	2012 Rs.	2011 Rs.	2010 Rs.
At Cost			
Temporary Building	5,532,742	693,560	1,865,577
Office Equipment	1,049,613	1,393,597	1,790,663
Computers and Other Electronic Equipment	4,540,518	6,376,649	8,061,621
Furniture and Fittings	4,475,991	4,946,210	4,915,537
Motor Vehicles	1,076,593	2,006,217	5,100,279
Gymnasium Equipment	3,563,732	4,016,152	4,467,279
Engineering Equipment & Tools	86,494	38,214	49,759
At Valuation			
Buildings	285,477,826	238,326,740	226,630,687
In the Course of Construction			
Capital Work In Progress	338,326,804	137,114,695	722,080
	644,130,314	394,912,035	253,603,483

Notes to the Financial Statements *Contd.*

6. PROPERTY PLANT AND EQUIPMENT (COMPANY) *CONTD.*

6.4 Gross Carrying Amounts

	At Cost						At Valuation		
	"Office Equipment" Rs.	"Computer and other Electronic Equipment" Rs.	"Furniture and Fittings" Rs.	"Motor Vehicles" Rs.	"Engineering Equipment and Tools" Rs.	Buildings Rs.	"Total Value of Depreciable Assets" Rs.	"In the Course of Construction" Rs.	"Total Gross Carrying Amount" Rs.
Balance as at 01.01.2011	6,441,235	27,049,230	19,567,659	26,983,165	50,100	226,630,687	306,722,077	722,080	307,444,157
Additions during the Year	57,260	1,029,835	580,459	-	-	-	1,667,554	9,761,360	11,428,914
Disposals during the Year	-	-	-	(1,866,533)	-	-	(1,866,533)	-	(1,866,533)
Transfers	-	-	-	-	-	(3,975,972)	(3,975,972)	(9,891,041)	(13,867,013)
Increase in Valuation	-	-	-	-	-	15,672,025	15,672,025	-	15,672,025
Balance as at 31.12.2011	6,498,495	28,079,065	20,148,118	25,116,632	50,100	238,326,740	318,219,151	592,399	318,811,550
Additions during the Year	1,050	285,250	223,600	156,624	62,589	-	729,113	919,352	1,648,465
Disposals during the Year	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	(4,255,836)	(4,255,836)	-	-
Increase in Valuation	-	-	-	-	-	51,406,922	51,406,922	-	-
Balance as at 31.12.2012	6,499,545	28,364,315	20,371,718	25,273,256	112,689	285,477,826	366,099,350	1,511,751	320,460,015

6.5 Depreciation

	"Office Equipment" Rs.	"Computer and other Electronic Equipment" Rs.	"Furniture and Fittings" Rs.	"Motor Vehicles" Rs.	"Engineering Equipment and Tools" Rs.	Buildings Rs.	"Total Depreciable" Rs.
Balance as at 01.01.2011	5,325,048	19,513,190	16,294,897	21,933,302	341	-	63,066,778
Depreciation for the Year	264,443	2,771,886	518,081	3,043,645	11,545	3,975,972	10,585,572
Disposals during the Year	-	-	-	(1,866,533)	-	-	(1,866,533)
Transfers	-	-	-	-	-	(3,975,972)	(3,975,972)
Balance as at 31.12.2011	5,589,491	22,285,076	16,812,978	23,110,414	11,886	-	67,809,845
Depreciation for the Year	202,029	2,610,073	531,187	1,086,248	14,309	4,255,836	8,699,682
Transfers	-	-	-	-	-	(4,255,836)	(4,255,836)
Balance as at 31.12.2012	5,791,520	24,895,149	17,344,165	24,196,662	26,195	-	72,253,691

6.6 Net Book Value

	2012 Rs.	2011 Rs.	2010 Rs.
At Cost			
Motor Vehicles	1,076,594	2,006,218	5,049,863
Computers and Other Electronic Equipment	3,469,166	909,004	1,116,187
Office Equipment	708,025	5,793,989	7,536,040
Furniture and Fittings	3,027,553	3,335,140	3,272,762
Engineering Equipment and Tools	86,494	38,214	49,759
At Valuation			
Buildings	285,477,826	238,326,740	226,630,687
In the Course of Construction			
Capital Work In Progress	1,511,751	592,399	722,080
	295,357,409	251,001,704	244,377,378

Notes to the Financial Statements *Contd.*

6. PROPERTY PLANT AND EQUIPMENT (COMPANY) *CONTD.*

6.7 Property, Plant and Equipment of the Company includes fully depreciated assets having a gross carrying amount of Rs. 57,114,187 /- (2011 : Rs. 55,544,844/-).

6.8 Cash payments amounting to Rs. 1,648,467/- (2011 : Rs. 11,428,914/-) were made during the year for purchase of Property, Plant and Equipment by the Company.

6.9 The fair value of building - Level 18, was determined by means of a revaluation during the financial year 2012 by Messrs. P. B. Kalugalagedera and Associates, an independent valuer in reference to market based evidence. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 31 December 2012. The surplus arising from the revaluation was transferred to a revaluation reserve.

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

Class of Asset	Cost Rs.	Cumulative Depreciation If assets were carried at cost Rs.	Net Carrying Amount 2012 Rs.	Net Carrying Amount 2011 Rs.	Net Carrying Amount 2010 Rs.
Building - Level 18	87,431,566	8,743,157	78,688,409	80,145,602	81,602,795

6.10 Out of the total depreciation for the year of Rs. 11,155,933/- (2011 - Rs. 13,458,270/-) an amount of Rs. 1,036,458 /- (2011 - Rs. 2,587,052/-) has been capitalised under Project Under Development during the year by the Group.

7. INTANGIBLE ASSETS

Group Summary	Membership Fee Rs. (Note 7.1)	Software Rs. (Note 7.2)	Goodwill Rs. (Note 7.3)	Total Rs.
Cost				
As at 1 January 2011	7,297,734	21,568,507	8,794,884	37,661,125
Acquired / Incurred during the Year	-	1,346,381	-	1,346,381
As at 31 December 2011	7,297,734	22,914,888	8,794,884	39,007,506
Acquired / Incurred during the Year	-	265,091	-	265,091
As at 31 December 2012	7,297,734	23,179,979	8,794,884	39,272,597
Amortisation				
As at 1 January 2011	3,118,122	4,673,179	-	7,791,301
Amortisation during the Year	1,194,000	4,313,700	-	5,507,700
As at 31 December 2011	4,312,122	8,986,879	-	13,299,001
Amortisation during the Year	2,985,612	4,582,980	-	7,568,592
As at 31 December 2012	7,297,734	13,569,859	-	20,867,593
Net book value				
As at 1 January 2011	4,179,612	16,895,328	8,794,884	29,869,824
As at 31 December 2011	2,985,612	13,928,009	8,794,884	25,708,505
As at 31 December 2012	-	9,610,120	8,794,884	18,405,004

Company Summary	Membership Fee Rs. (Note 7.1)	Software Rs. (Note 7.2)	Total Rs.
Cost			
As at 1 January 2011	7,297,734	21,568,507	28,866,241
Acquired / Incurred during the Year	-	1,346,381	1,346,381
As at 31 December 2011	7,297,734	22,914,888	30,212,622
Acquired / Incurred during the Year	-	265,091	265,091
As at 31 December 2012	7,297,734	23,179,979	30,477,713
Amortisation			
As at 1 January 2011	3,118,122	4,673,179	7,791,301
Amortisation for the Year	1,194,000	4,313,700	5,507,700
As at 31 December 2011	4,312,122	8,986,879	13,299,001
Amortisation for the Year	2,985,612	4,582,980	7,568,592
As at 31 December 2012	7,297,734	13,569,859	20,867,593
Net book value			
As at 1 January 2011	4,179,612	16,895,328	21,074,940
As at 31 December 2011	2,985,612	13,928,009	16,913,621
As at 31 December 2012	-	9,610,120	9,610,120

7.1 During the year ended 30 June 1994 the Company had paid a membership fee of US$ 150,000 to the World Trade Centers Association and obtained the license for the use of the trade name "World Trade Center". The license requires an annual subscription fee amounting to US$ 10,000 to renew the eligibility of using the trade name. The management of the Company previously determined the useful life of the asset to be twenty (20) years over which it was amortised on a straight line basis in the Income Statement with effect from the year ended 31 December 2007, up to 31 December 2008.

During the year 2009, the Directors reviewed the useful life and determined that the intangible asset has a further remaining useful life of 5.5 years. Accordingly the amortisation charge in respect of the year under review 31 December 2009 was adjusted to reflect this change. However, the Directors reviewed this again in 2012 and decided to fully amortise the remaining balance of the membership fee in 2012.

7.2 During the year ended 31 December 2009 the Company acquired an Enterprise Resource Planning System (ERP) consisting of application software, user license and implementation services at a cost of Rs. 21,568,507/-. The management of the Company has determined the useful life of the asset as five (5) years and amortisation has been made on a straight line basis in the Income Statement with effect from the year ended 31 December 2009. During the year under review, a further amount of Rs. 265,091 (2011 Rs. 1,346,381/-) was invested in the ERP system.

7.3 Goodwill represents the excess of an acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition of Mireka Capital Land (Pvt) Ltd, and is carried at cost less accumulated impairment losses and the Group Goodwill has been allocated to cash-generating unit, for impairment testing.

Goodwill is not amortised, but is reviewed for impairment annually as to whether there is an indication that goodwill may be impaired.

8. INVESTMENTS IN SUBSIDIARIES

	% Holding	Group 2012 Rs.	Group 2011 Rs.	Group 2010 Rs.	Company 2012 Rs.	Company 2011 Rs.	Company 2010 Rs.
Non-Quoted Investment at cost							
Mireka Capital Land (Pvt) Ltd.	60%	-	-	-	1,125,000,000	1,125,000,000	1,125,000,000
Hospitality International (Pvt) Ltd. (HIL)	100%	-	-	-	112,159,107	112,159,107	112,159,107
Provision for the fall in value of HIL Investment	-	-	-	-	(112,159,107)	(112,159,107)	(112,159,107)
Realty Management Services (Pvt) Ltd.	100%	-	-	-	10,020	10,020	10,020
Property Mart (Pvt) Ltd	100%	-	-	-	20	20	20
Havelock City (Pvt) Ltd	100%	-	-	20	20	20	20
		-	-	20	1,125,010,060	1,125,010,060	1,125,010,060

Notes to the Financial Statements *Contd.*

9. INVENTORIES

	Group			Company		
	2012 Rs.	2011 Rs.	2010 Rs.	2012 Rs.	2011 Rs.	2010 Rs.
Project Under Development	2,872,562,467	2,557,507,741	2,150,497,164	-	-	-
Completed Apartments for Sale	1,238,839,239	593,446,623	1,808,396,548	-	-	-
Consumables & Spares	18,072,284	16,521,502	22,226,649	18,072,284	16,521,502	22,226,649
	4,129,473,990	3,167,475,866	3,981,120,361	18,072,284	16,521,502	22,226,649

10. TRADE AND OTHER RECEIVABLES

	Group			Company		
	2012 Rs.	2011 Rs.	2010 Rs.	2012 Rs.	2011 Rs.	2010 Rs.
Rent and Service Charge Receivables	66,285,562	33,895,444	71,431,017	66,285,562	33,895,444	71,431,017
Trade Receivables - Apartment Sales	149,798,862	707,713,830	443,534,682	-	-	-
Less: Provision for Impairments	(5,789,399)	(5,789,399)	-	(5,789,399)	(5,789,399)	-
	210,295,025	735,819,875	514,965,699	60,496,163	28,106,045	71,431,017
Other Receivables	991,687,833	726,585,541	688,578,584	58,477,255	42,656,391	15,955,590
Less: Provision for Impairments	(3,853,876)	(3,853,876)	(3,853,876)	-	-	-
	1,198,128,982	1,458,551,539	1,199,690,407	118,973,418	70,762,436	87,386,607
Accrued Rental Income	140,593,322	46,361,202	43,057,628	140,593,322	46,361,202	43,057,628
Advances & Prepayments	500,558,036	58,544,328	32,517,872	15,626,894	28,179,402	18,776,554
	1,839,280,340	1,563,457,070	1,275,265,907	275,193,634	145,303,040	149,220,789

10.1 As at 31 December, the analysis of rent receivables that were past due but not impaired is set out below.

	Total	Before 30 days	31-60 days	61-90 days	91-120 days	121-150 days	> 150 days
Rent and Service Charge Receivables							
2012	60,496,163	34,220,795	2,795,031	1,825,366	15,883,476	195,435	5,576,060
2011	28,106,045	8,039,449	4,765,318	1,722,261	7,574,557	51,208	5,953,252
2010	71,431,017	28,767,737	5,983,551	3,374,252	8,115,279	2,807,493	22,382,705

	Total	Before 30 days	31-90 days	90-180 days	181-300 days	301-450 days	> 450 days
Trade Receivables - Apartment Sales							
2012	149,798,862	81,329,018	22,430,937	45,331,650	707,257	-	-
2011	186,760,107	90,463,932	62,316,459	(6,171,881)	(53,939,414)	9,521,620	84,569,391

10.2 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. AMOUNTS DUE FROM RELATED PARTIES

		Group			Company		
	Relationship	2012 Rs.	2011 Rs.	2010 Rs.	2012 Rs.	2011 Rs.	2010 Rs.
Management Corporation Condominium Plan 1824	Other Related Party	5,232,969	24,069,066	22,256,477	5,232,969	16,649,068	22,256,477
Management Corporation Condominium Plan 5770	Other Related Party	1,341,581	507,998	5,805,976	1,341,581	243,091	5,805,976
Mireka Capital Land (Pvt) Ltd	Subsidiary	-	-	-	3,613,291	503,857	14,498,282
Realty Management Services (Pvt) Ltd	Subsidiary	-	-	-	12,122,587	19,854,848	14,009,004
Shing Kwan Investment (Singapore) Pte Ltd	Ultimate Parent	-	-	1,144,137	-	-	1,144,137
Mireka Homes (Pvt) Ltd	Subsidiary	-	-	-	9,576,893	638,273	24,001,589
Havelock City (Pvt) Ltd	Subsidiary	3,018,306	-	23,460,757	246,699,672	88,804,924	-
SK Investments (Pvt) Ltd	Fellow Subsidiary	4,009,629	422,118	-	-	-	-
		13,602,485	24,999,182	52,667,347	278,586,993	126,694,061	81,715,465

12. STATED CAPITAL

Group/Company	2012 Rs.	2011 Rs.	2010 Rs.
12.1 Stated Capital as at 31 December 2012			
Ordinary Shares	9,840,650,855	9,840,650,855	9,840,650,855
Add: Balance in Share Premium	345,286,000	345,286,000	345,286,000
Add: Balance in Redemption Reserve Fund	148,550	148,550	148,550
Stated Capital	10,186,085,405	10,186,085,405	10,186,085,405

	2012 Number	2011 Number	2010 Number
12.2 Number of Ordinary Shares			
Balance at the Beginning of the Year	843,484,359	843,484,359	843,484,359
Issues during the Year	-	-	-
Balance at the end of the Year	843,484,359	843,484,359	843,484,359

13. RESERVES

Group/Company	2012 Rs.	2011 Rs.	2010 Rs.
13.1 Capital Reserves			
Revaluation Reserve (13.2)	216,070,713	164,663,791	148,991,766
	216,070,713	164,663,791	148,991,766
13.2 Revaluation Reserve			
Balance as at the Beginning of the Year	164,663,791	148,991,766	134,689,558
Transfer of Surplus during the Year	51,406,922	15,672,025	14,302,208
Balance as at the End of the Year	216,070,713	164,663,791	148,991,766

13.3 Revaluation Reserve represents the surplus related to the regular revaluation as explained in Note 6.9.

Notes to the Financial Statements *Contd.*

14. INTEREST BEARING LOANS AND BORROWINGS

14.1 Group

	2012 Amounts Repayable within 1 Year Rs.	2012 Amounts Repayable after 1 Year Rs.	2012 Total Rs.	2011 Amounts Repayable within 1 Year Rs.	2011 Amounts Repayable after 1 Year Rs.	2011 Total Rs.	2010 Amounts Repayable within 1 Year Rs.	2010 Amounts Repayable after 1 Year Rs.	2010 Total Rs.
Loan - BOC (14.3)	-	2,036,000,000	2,036,000,000	2,585,530,000	-	2,585,530,000	632,762,500	1,898,287,500	2,531,050,000
SR & CC & T Fund Loan - BOC (14.4)	50,000,000	195,813,000	245,813,000	50,000,000	245,817,000	295,817,000	50,000,000	295,821,000	345,821,000
Bank Overdrafts	31,057,048	-	31,057,048	-	-	-	-	-	-
	81,057,048	2,231,813,000	2,312,870,048	2,635,530,000	245,817,000	2,881,347,000	682,762,500	2,194,108,500	2,876,871,000

14.2 Company

	2012 Amounts Repayable within 1 Year Rs.	2012 Amounts Repayable after 1 Year Rs.	2012 Total Rs.	2011 Amounts Repayable within 1 Year Rs.	2011 Amounts Repayable after 1 Year Rs.	2011 Total Rs.	2010 Amounts Repayable within 1 Year Rs.	2010 Amounts Repayable after 1 Year Rs.	2010 Total Rs.
SR & CC & T Fund Loan (14.4)	50,000,000	195,813,000	245,813,000	50,000,000	245,817,000	295,817,000	50,000,000	295,821,000	345,821,000
Total Loans and Overdraft	50,000,000	195,813,000	245,813,000	50,000,000	245,817,000	295,817,000	50,000,000	295,821,000	345,821,000

14.3 Loan - BOC

	As At 01.01.2011 Rs.	Loans Obtained during the Year Rs.	Repayments Rs.	Exchange Gain/(Loss) Rs.	As At 31.12.2011 Rs.	Loans Obtained during the Year Rs.	Repayments Rs.	Exchange Difference Rs.	As At 31.12.2012 Rs.
Shareholder Loan - BOC	2,531,050,000	-	-	54,480,000	2,585,530,000	2,109,020,000	(4,546,071,453)	(148,478,547)	-
Shareholder Loan - BOC	-	-	-	-	-	2,057,920,000	-	(21,920,000)	2,036,000,000
	2,531,050,000	-	-	54,480,000	2,585,530,000	4,166,940,000	(4,546,071,453)	(170,398,547)	2,036,000,000

This loan had been granted to Mireka Capital Land (Pvt) Ltd as per the funding commitments contained in the Joint Venture agreement between Overseas Realty (Ceylon) PLC (ORC PLC), Bank of Ceylon and Mireka Capital Land (Pvt) Ltd. The agreement provides for a shareholder loan facility of US$ 40 Mn in proportion to the share holding of Overseas Realty (Ceylon) PLC and Bank of Ceylon in Mireka Capital Land (Pvt) Ltd. The shareholder's funding is arranged through the Bank of Ceylon. Shing Kwan Group provides funding support to ORC PLC as its principal shareholder. This loan has been fully settled during the year under review.

As a further continuation of above shareholder loan arrangement, a loan of US$ 16 Mn has been granted to Mireka Homes (Pvt) Limited during the year under review which is repayable within 5 years including a grace period of 2 years. Period will be counted from the date of first drawdown. Interest to be serviced monthly during the grace period as well and Interest is to be paid at fixed rate of 6.5% per annum. The loan has been utilised for Phase II of Havelock City Residential Project.

14.4 Unsecured Bank Loans

	As At 01.01.2011 Rs.	Loans Obtained during the Year Rs.	Repayments Rs.	As At 31.12.2011 Rs.	Repayments Rs.	As At 31.12.2012 Rs.
SR & CC & T Fund Loan - BOC (14.5)	345,821,000	-	(50,004,000)	295,817,000	(50,004,000)	245,813,000
	345,821,000	-	(50,004,000)	295,817,000	(50,004,000)	245,813,000

14.5 The Company signed an unsecured Term Loan Agreement on 30th 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, as per the letter from the Ministry of Finance dated 11th September 2003. The first capital repayment therefore commenced in December 2007.

15. NON-INTEREST BEARING LOANS (GROUP)

	2012			2011			2010		
	Amounts Repayable within 1 Year Rs.	Amounts Repayable after 1 Year Rs.	Total Rs.	Amounts Repayable within 1 Year Rs.	Amounts Repayable after 1 Year Rs.	Total Rs.	Amounts Repayable within 1 Year Rs.	Amounts Repayable after 1 Year Rs.	Total Rs.
HIL Loan - BOC (15.1)	-	-	-	843,750	-	843,750	1,125,000	843,750	1,968,750
	-	-	-	843,750	-	843,750	1,125,000	843,750	1,968,750

	As at 01.01.2011 Rs.	Loan Obtained during the Year Rs.	Repayments Rs.	As at 31.12.2011 Rs.	Loan Obtained during the Year Rs.	Repayments Rs.	As at 31.12.2012 Rs.
15.1 HIL Loan - SR & CC & T Fund							
Loan payable by							
Hospitality International (Pvt) Ltd. (15.2)	1,968,750	-	(1,125,000)	843,750	-	(843,750)	-

15.2 The Company's Subsidiary, Hospitality International (Pvt) Ltd (HIL), had obtained an unsecured SR & CC & T Loan of Rs. 19,917,795/- from SR & CC & T Fund, at a rate of interest of 4% p.a. According to the settlement in Court reached with the disbursing bank, Bank of Ceylon, case No. HC Civil 188/2002 (i), an amount of Rs. 10,000,000/- is repayable by the subsidiary, spread over a period of 8 years, beginning August 2004.

16. POST EMPLOYMENT BENEFIT LIABILITY

	Group			Company		
	2012 Rs.	2011 Rs.	2010 Rs.	2012 Rs.	2011 Rs.	2010 Rs.
Balance as at 1 January	23,127,786	20,632,272	20,249,177	23,127,786	20,632,272	20,249,177
Charge for the Year (16.1)	6,162,803	4,767,308	4,573,984	6,162,803	4,767,308	4,573,984
Payments made during the Year	(2,731,158)	(2,271,794)	(4,190,889)	(2,731,158)	(2,271,794)	(4,190,889)
Balance as at 31 December (16.2)	26,559,431	23,127,786	20,632,272	26,559,431	23,127,786	20,632,272

Notes to the Financial Statements *Contd.*

16.1 Post Employee Benefit Expense for Year Ended 31 December

	Group			Company		
	2012 Rs.	2011 Rs.	2010 Rs.	2012 Rs.	2011 Rs.	2010 Rs.
Current Service Cost	3,840,729	3,434,422	2,424,949	3,840,729	3,434,422	2,424,949
Interest Cost	2,322,074	1,781,076	2,149,035	2,322,074	1,781,076	2,149,035
Actuarial (Gain)/ Loss	-	(448,190)	-	-	(448,190)	-
Post Employment Benefit Expense	6,162,803	4,767,308	4,573,984	6,162,803	4,767,308	4,573,984

16.2 Net Liability Recognised in the Statement of Financial Position as at 31 December

	Group			Company		
	2012 Rs.	2011 Rs.	2010 Rs.	2012 Rs.	2011 Rs.	2010 Rs.
Present value of Defined Benefit Obligation as at the beginning of the Year	23,127,786	20,632,272	20,249,177	23,127,786	20,632,272	20,249,177
Unrecognised Actuarial Gains /(Losses)	6,266,357	2,111,787	5,221,052	6,266,357	2,111,787	5,221,052
Unrecognised Gratuity Payments for Actuary Purpose	(743,126)	(944,096)	(944,096)	(743,126)	(944,096)	(944,096)
Post Employment Benefit Liability recognised in Statement of Financial Position as at the end of the Year	26,559,431	23,127,786	20,632,272	26,559,431	23,127,786	20,632,272

16.3 Messrs. Piyal S Goonetilleke and Associates : Actuaries, carried out an actuarial valuation of the Group as at 31 December 2012. Appropriate and compatible assumptions were used in determining the cost of post employment benefits. The principal assumptions used are as follows:

	2012	2011	2010
a) Demographic Assumptions			
Retirement Age :	55 Years	55 Years	55 Years

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

	2012	2011	2010
c) Financial Assumptions			
Discount Rate	12%	9%	9%
Salary Increment Rate	10%	10%	10%

16.4 Sensitivity of assumptions employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year 2012.

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 employment benefit obligation for the year.

Increase/(Decrease) In Discount Rate	In Salary Increament Rate	Staff Turnover	"Effect on Income Statement (reduction)/increase in results for the Year 2012 Rs."	"Performa Post Employment Benefit Liability * Rs."
-1%	-	-	6,163,000	27,303,000
1%	-	-	6,163,000	27,303,000
-	-1%	-	6,163,000	27,303,000
-	1%	-	6,163,000	27,303,000
		-1%	6,163,000	27,303,000
		1%	6,163,000	27,303,000

* Due to the adoption of corridor method, the amount of carrying value of Employee Benefit Liability does not change

17. TRADE AND OTHER PAYABLES

	Group 2012 Rs.	Group 2011 Rs.	Group 2010 Rs.	Company 2012 Rs.	Company 2011 Rs.	Company 2010 Rs.
Trade Creditors - Related Party	6,250,074	4,131,435	2,942,243	-	-	-
- Other	103,931,911	313,735,918	541,241,406	-	-	-
Rental Income Received in Advance	108,455,552	98,893,195	83,234,916	108,455,552	98,893,195	83,234,916
Sundry Creditors including Accrued Expenses	323,942,180	280,108,630	243,775,511	144,668,149	171,189,713	107,016,220
	542,579,717	696,869,178	871,194,076	253,123,701	270,082,908	190,251,136

17.1 Trade Payables - Related Party

	Relationship	Group 2012 Rs.	Group 2011 Rs.	Group 2010 Rs.	Company 2012 Rs.	Company 2011 Rs.	Company 2010 Rs.
Shing Kwan Management Ltd	Fellow Subsidiary	1,380,313	1,380,313	2,942,243	-	-	-
Shing Kwan Investment (Singapore) Pte Ltd	Ultimate Parent	4,869,761	2,751,122	-	-	-	-
		6,250,074	4,131,435	2,942,243	-	-	-

18. RENTAL AND CUSTOMER DEPOSITS

	Group 2012 Rs.	Group 2011 Rs.	Group 2010 Rs.	Company 2012 Rs.	Company 2011 Rs.	Company 2010 Rs.
Rental Deposits	605,225,989	482,367,779	372,346,915	605,225,989	482,367,779	372,134,418
Customer Deposits	1,477,261,946	493,566,367	46,045,460	-	-	-
	2,082,487,935	975,934,146	418,392,375	605,225,989	482,367,779	372,134,418

19. AMOUNTS DUE TO RELATED PARTIES

	Relationship	Group 2012 Rs.	Group 2011 Rs.	Group 2010 Rs.	Company 2012 Rs.	Company 2011 Rs.	Company 2010 Rs.
Shing Kwan Investment Lanka (Pvt) Ltd	Fellow Subsidiary	19,652,017	9,442,080	9,345,330	19,652,017	9,442,080	9,345,330
		19,652,017	9,442,080	9,345,330	19,652,017	9,442,080	9,345,330

20. DIVIDENDS PAID AND PAYABLE

Group / Company

	2012 Rs.	2011 Rs.
20.1 Declared and Paid during the Year		
Equity Dividends on Ordinary Shares		
- Final dividend for 2011 : Rs.0.30 (2010 - Rs. 0.30)	253,045,308	253,045,308
	253,045,308	253,045,308
20.2 Dividends Payable as at the end of the Year		
Dividends on Ordinary Shares	2,575,695	2,379,710
	2,575,695	2,379,710

Notes to the Financial Statements *Contd.*

21. SHORT TERM INVESTMENTS

	Group			Company		
	2012 Rs.	2011 Rs.	2010 Rs.	2012 Rs.	2011 Rs.	2010 Rs.
Investment in Fixed Deposits	-	315,260,712	-	-	315,260,712	-
	-	315,260,712	-	-	315,260,712	-

22. CASH AND SHORT TERM DEPOSITS

	Group			Company		
	2012 Rs.	2011 Rs.	2010 Rs.	2012 Rs.	2011 Rs.	2010 Rs.
Cash and Bank Balances	176,927,119	546,253,789	94,155,873	56,172,702	69,412,455	78,981,624
Short Term Deposits (22.1)	1,633,899,125	1,335,348,875	914,012,512	1,335,570,107	512,439,588	495,370,162
	1,810,826,244	1,881,602,664	1,008,168,384	1,391,742,809	581,852,043	574,351,786
Bank Overdraft	(31,057,048)	-	-	-	-	-
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	1,779,769,196	1,881,602,664	1,008,168,384	1,391,742,809	581,852,043	574,351,786

22.1 Short Term Deposits of Rs. 1,633,899,125/- has been classified under Level 2 of the Fair Value hierarchy of financial instruments, since valuation techniques uses observable input in an active market in determining the fair value of such.

23. FINANCE COST AND INCOME

	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
23.1 Finance Cost				
Interest Expense on Interest Bearing Loans and Borrowings	51,161,286	109,289,932	5,485,941	6,378,892
Fair Value Loss on Rental Deposits	37,004,093	22,802,715	37,004,093	22,802,715
	88,165,379	132,092,647	42,490,034	29,181,607
23.2 Finance Income				
Income from Investments				
- Interest on Fixed Deposits	182,212,261	73,387,077	128,928,924	38,283,988
- Interest on Government Securities (REPO)	12,361,088	32,395,248	286,161	12,626,011
Amortisation of Deferred Lease Interest Income on Rental Deposits	63,180,448	53,673,404	63,180,448	53,673,404
	257,753,797	159,455,729	192,395,533	104,583,403
23.3 Other Income				
Dividend Income	-	-	25,312,500	-
	-	-	25,312,500	-

24. PROFIT BEFORE TAX

Stated after Charging /(Crediting)	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Depreciation Charge for the Year	11,155,933	13,458,270	8,699,682	10,585,572
(Profit)/Loss on Disposal of Property, Plant and Equipment	(559,017)	(3,508,061)	-	(3,508,061)
Employee Benefit Expenses including the following;	107,730,277	94,986,516	95,295,109	80,475,516
-Defined Benefit Plan Cost - Gratuity	6,162,803	4,767,308	6,162,803	4,767,308
-Defined Contribution Plan Cost - EPF & ETF	9,625,698	8,444,429	9,625,698	8,444,429
Amortisation of Intangible Assets	7,568,592	5,507,700	7,568,592	5,507,700

25. TAX EXPENSES

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
25.1 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :				
Accounting Profit Before Tax	2,518,911,700	2,766,374,348	2,541,862,758	2,556,402,420
Income Exempted from Tax	(2,289,273,546)	(2,658,915,853)	(2,385,637,659)	(2,503,816,254)
Assessable Income	229,638,154	107,458,495	156,225,099	52,586,166
Deductions Allowed	(54,678,785)	(18,405,158)	(54,678,785)	(18,405,158)
Taxable Income	174,959,369	89,053,337	101,546,314	34,181,008
Income Tax at the Statutory Rate of 28%	48,988,623	24,934,934	28,432,968	9,570,683
Under/(Over) Provision in respect of Previous Year	(525,657)	322,550	-	-
Dividend Tax	2,812,500	-	-	-
	51,275,466	25,257,484	28,432,968	9,570,683

25.2 The above 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 2.4.2.

25.3 Deferred Tax asset amounting to Rs. 59,247,726 /- (2011 - Rs. 74,557,785/-) arising as a result of pre-operational interest has not been recognised in these Financial Statements as there is an uncertainty of the availability of taxable income to set off against such tax losses amounting to Rs. 211,599,020 /- (2011- Rs. 266,277,805/-) after the tax holiday period enjoyed by the Group. The Group will continue to re-assess unrecognised deferred tax assets at each Statement of Financial Position date.

26. EARNINGS PER SHARE

26.1 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.

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

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Amounts Used as the Numerator				
Net Profit / (Loss) attributable to Shareholders for Earnings per Share	2,469,073,070	2,681,098,691	2,513,429,790	2,582,208,750
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

27. RELATED PARTY DISCLOSURES

27.1 Transactions with Related Entities

27.1.1 Subsidiaries

	Group			Company		
	2012 Rs.	2011 Rs.	2010 Rs.	2012 Rs.	2011 Rs.	2010 Rs.
Amounts Receivable as at 31 December	-	-	-	272,018,443	109,801,902	31,434,273
Amounts Payable as at 31 December	-	-	-	-	-	-
Rendering of Services	-	-	-	22,596,853	-	16,121,358
Reimbursements / Settlements	-	-	-	139,619,688	(31,521,915)	(17,094,326)
Loan Received	-	-	-	-	-	11,438,000

Notes to the Financial Statements *Contd.*

27.1.2 Other Related Parties

	Group 2012 Rs.	Group 2011 Rs.	Group 2010 Rs.	Company 2012 Rs.	Company 2011 Rs.	Company 2010 Rs.
Amounts Receivable as at 31 December	-	-	15,259,564	-	-	2,483,439
Amounts Payable as at 31 December	19,652,017	9,442,080	-	19,652,017	9,442,080	-
Management Fee	1,370,880	1,370,880	1,384,320	1,370,880	1,370,880	1,384,320
Receipt of Services	-	-	16,549,297	-	-	-
Reimbursements / Settlements	(603,023)	(1,467,629)	(25,899,018)	(11,580,816)	(1,467,629)	(3,867,759)

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

Terms and Conditions

Services to related parties were rendered on the basis of the price agreed between related parties. The Outstanding balances with related parties as at the Statement of Financial Position date have arose as a consequence of services rendered. The intention of the group is to settle such related party dues within a short term (less than one year).

27.1.3 Other Related Party Disclosures

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

Nature of Transactions	Group 2012 Rs.	Group 2011 Rs.	Group 2010 Rs.
As at 01 January	2,585,530,000	2,531,050,000	2,749,200,000
Shareholder Loans Granted	4,166,940,000	-	-
Loan Repayments	(4,716,470,000)	54,480,000	(218,150,000)
As at 31 December	2,036,000,000	2,585,530,000	2,531,050,000

The above transactions are included in interest bearing loans. Further, the Group has current accounts at BOC amounting to Rs. 89,147,881/- (2011 - Rs. 460,392,327/-), REPO/Call & Fixed deposits amounting to Rs. 898,306,856/- (2011- Rs. 822,909,287/-). During the year interest expense on account of financial accommodation obtained from BOC amounted to Rs. 51,161,286/- (2011 - Rs. 102,911,040/-), while interest earned amounted to Rs. 102,291,090/- (2011 - Rs. 29,280,409/-)

Other matters related to this financial accommodation are given in Note 14 and 15.

27. RELATED PARTY DISCLOSURES *CONTD.*

	Group 2012 Rs.	Group 2011 Rs.	Group 2010 Rs.	Company 2012 Rs.	Company 2011 Rs.	Company 2010 Rs.
b) Management Corporation Condominium Plan 1824						
Balance as at the beginning of the Year	24,069,066	22,256,477	2,303,754	16,649,068	22,256,477	2,303,754
Property Facility Fee	25,635,456	25,635,456	25,886,784	25,635,456	25,635,456	25,886,784
Membership Fee Paid	(430,588,032)	(339,937,920)	(339,937,920)	(430,588,032)	(339,937,920)	(339,937,920)
Employment Benefits	35,947,602	52,365,116	40,046,479	-	-	40,046,479
Transfer of Retirement Benefit Obligation	-	697,264	551,723	-	-	551,723
Supply of Electricity	386,736,743	326,001,458	281,276,810	386,736,743	326,001,458	281,276,810
Other	(36,567,866)	(62,948,785)	12,128,847	6,799,734	(17,306,403)	12,128,847
Balance as at the end of the Year	5,232,969	24,069,066	22,256,477	5,232,969	16,649,068	22,256,477

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

	Group			Company		
	2012	2011	2010	2012	2011	2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
c) Management Corporation Condominium Plan No. 5770						
Balance as at the beginning of the Year	243,091	5,805,976	-	243,091	5,805,976	-
Property Facility Fee	3,366,000	3,300,000	2,855,160	-	3,300,000	2,855,160
Other Reimbursements	(2,267,509)	(8,862,885)	2,950,816	1,098,490	(8,862,885)	2,950,816
Balance as at the end of the Year	1,341,582	243,091	5,805,976	1,341,581	243,091	5,805,976

Management Corporation Condominium Plan No.5770 ("Corporation") is a body corporate constituted on 22nd June 2010 in terms of the provisions of Apartment Ownership (Amendment) Act No.45 of 1982, upon the registration of Condominium Plan No. 5770, which converted the Havelock City Phase I - Park and Eli bank towers into a Condominium Property. The Chairman of the Council of the Corporation which consists of all the owners was appointed by Mireka Homes (Pvt) Ltd (MHL).

27.3 Transactions with Key Management Personnel of the Company or its Parent

a) The key management personnel of the Company are the members of its Board of Directors, of its parent and the Members of the Group Management Committee.

Payments made to key management personnel during the year were as follows:

	2012	2011	2010
	Rs.	Rs.	Rs.
Directors Fees	4,177,500	1,975,000	1,925,000
Emoluments	43,216,988	36,674,796	25,026,120
Short Term Employment Benefits	12,772,079	10,025,619	12,166,833
Post Employment Benefits	6,426,673	5,501,219	3,753,918

b) The Group has sold apartments to the value of Rs. Nil (2011 - Rs. 40.6 Mn) to Key Management Personnel.

28. COMMITMENTS

	Group			Company		
	2012	2011	2010	2012	2011	2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Contracted but not Provided for						
Enterprise Resources Planning	6,901,946	6,901,946	8,248,327	6,901,946	6,901,946	8,248,327
Havelock City Project	4,028,000,000	550,100,000	64,221,208	-	-	-
	4,034,901,946	557,001,946	72,469,535	6,901,946	6,901,946	8,248,327

29. 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 favourable 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.

Company's Subsidiary Mireka Capital Land (Pvt) Ltd has been assessed for Value Added Tax (VAT) for periods between January 2006 and January 2009. Company has appealed against same and filed a writ application in the Court of Appeal to enable the Company to prevent recovery action being taken by authorities.

Company's Subsidiary Mireka Homes (Pvt) Ltd has been assessed for Economic Service Charge (ESC) and Company has appealed against same.

Notes to the Financial Statements *Contd.*

30. ASSETS PLEDGED

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

31. EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors of the Company has declared a final dividend of Rs. 0.30 cents per share for the financial year ended 31 December 2012. 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 and has obtained a certificate from auditors prior to declaring a final dividend which is to be approved by Shareholders at the Annual General Meeting of the Company to be held on 16th May 2013.

In accordance with the Sri Lanka Accounting Standard 12 (Revised 2005). Event after the Balance sheet date, the dividend has not been recognised as a liability in the Financial Statements as at 31 December 2012.

32. RISK MANAGEMENT DISCLOSURE

The Company 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 Company's Board of Directors is supported by an Audit Committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The Audit Committee provides guidance to the Company's Board of Directors, that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite.

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

32.1 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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating rates . The Company manages its interest rate risk by daily monitoring and managing cash flows, keeping borrowings to a minimum, negotiating favorable rates on borrowings and deposits and by the way of borrowing at fixed rates.

32.2 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 Development.

The Group manages its foreign currency risk by entering into SLRS construction contracts and factoring an estimated 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, of the Group's profit before tax (due to changes in the fair value of USD denominated liabilities)

	"Change in US$ Rate"	"Effect on profit before Tax (Rs)"
2013	7.50%	(134,190,000)

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

32.3 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 policies 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.

32.4 Liquidity risk

The Group monitors its risk to a shortage of funds by forecasting its operational cash requirements on an annual basis and project 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. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. 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 loans and borrowings

	On Demand	"Less than 3 Months"	3-12 Months	1-5 Years	> 5 Years	Total
As at December 2012						
Interest-bearing loans and borrowings (Rs)	-	31,057,048	50,000,000	2,231,813,000	-	2,312,870,048

Group Performance – Five Year Summary

INCOME STATEMENT

Rs.	2008	2009	2010	2011	2012
Rental Income	805,026,451	666,144,840	697,376,626	850,424,501	1,339,256,886
Sale of Apartments	597,559,747	1,233,615,208	950,149,134	1,587,516,374	554,441,292
Other Services	41,562,039	41,221,899	51,139,551	56,626,502	60,420,710
Total Revenue	**1,444,148,237**	**1,940,981,947**	**1,698,665,311**	**2,494,567,377**	**1,954,118,888**
Direct Operating Expenses	(350,303,551)	(334,271,312)	(329,352,966)	(337,754,920)	(425,936,448)
Cost of Sales of Apartments	(402,723,401)	(1,051,429,395)	(632,647,731)	(1,230,612,716)	(396,546,023)
Gross Profit	**691,121,285**	**555,281,240**	**736,664,615**	**926,199,741**	**1,131,636,417**
Fair Value Gain on Investment Property	1,388,260,775	1,019,487,565	473,162,049	2,122,859,703	1,563,310,270
Other Operating Expenses	(201,743,469)	(186,740,907)	(274,244,754)	(270,233,327)	(260,668,754)
Net finance Income / (Expense)	43,417,047	3,012,149	(94,158,195)	27,363,082	169,588,418
Profit from Operating Activities	**1,921,055,638**	**1,391,040,048**	**841,423,715**	**2,806,189,199**	**2,603,866,351**
Exchange Gain / (Loss)	(88,054,064)	491,452	83,742,651	(39,814,851)	(84,954,651)
Net Profit Before Tax	**1,833,001,574**	**1,391,531,500**	**925,166,366**	**2,766,374,348**	**2,518,911,700**
Income Tax Expense	(16,331,922)	(6,569,821)	(11,054,542)	(25,257,484)	(51,275,466)
Profit After Tax	**1,816,669,652**	**1,384,961,679**	**914,111,824**	**2,741,116,864**	**2,467,636,234**
Non Controlling Interest	(33,400,034)	(42,615,007)	(69,834,393)	(60,018,173)	(1,436,836)
Profit Attributable to Equity Holders of the Parent	**1,783,269,618**	**1,342,346,672**	**844,277,431**	**2,681,098,691**	**2,469,073,070**
STATEMENT OF FINANCIAL POSITION					
Assets					
Investment Property	14,258,633,071	15,278,120,636	15,751,282,685	17,884,033,429	19,459,462,708
Property, Plant and Equipment	236,388,820	246,192,069	253,603,483	394,912,035	644,130,314
Intangible Assets	15,362,844	35,377,702	29,869,824	25,708,505	18,405,004
Investment in Subsidiaries	-	-	20	-	-
Total Assets	14,510,384,735	15,559,690,407	16,034,756,012	18,304,653,969	20,121,998,026
Current Assets					
Inventories	4,225,816,861	4,092,210,783	3,981,120,361	3,167,475,866	4,129,473,990
Trade and Other Receivables	971,001,760	1,635,290,190	1,275,265,907	1,563,457,070	1,839,280,340
Amounts due from Related Parties	21,555,855	4,243,065	52,667,347	24,999,182	13,602,485
Income Tax Recoverable	-	1,350,381	1,453,799	-	-
Cash and Short Term Deposits	243,545,053	177,255,637	1,008,168,384	2,196,863,376	1,810,826,244
Total Current Assets	5,461,919,529	5,910,350,056	6,318,675,799	6,952,795,494	7,793,183,059
Total Assets	**19,972,304,264**	**21,470,040,463**	**22,353,431,830**	**25,257,449,463**	**27,915,181,085**
Equity & Liabilities					
Stated Capital	9,713,307,520	9,713,307,520	10,186,085,405	10,186,085,405	10,186,085,405
Revaluation Reserve	112,444,473	134,689,558	148,991,766	164,663,791	216,070,713
Retained Earnings	5,240,582,111	6,283,106,742	6,915,239,322	9,343,292,715	11,559,320,477
Equity Attributable to Equity Holders of the Parent	15,066,334,104	16,131,103,820	17,250,316,503	19,694,041,910	21,961,476,595
Non-controlling Interest	790,661,260	833,276,267	903,110,661	963,128,834	942,941,998
Total Equity	**15,856,995,364**	**16,964,380,087**	**18,153,427,164**	**20,657,170,744**	**22,904,418,593**

Rs.	2008	2009	2010	2011	2012
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	566,649,000	1,548,600,000	2,194,108,500	245,817,000	2,231,813,000
Non Interest Bearing Loans	3,093,750	1,968,750	843,750	-	-
Post Employment Benefit Liability	18,143,590	20,249,177	20,632,273	23,127,786	26,559,431
Total Non Current Liabilities	587,886,340	1,570,817,927	2,215,584,523	268,944,786	2,258,372,431
Current Liabilities					
Trade and Other Payables	996,363,557	831,335,124	871,194,076	696,869,178	542,579,717
Rental and Customer Deposits	924,800,415	440,470,152	418,179,878	975,934,146	2,082,487,935
Amounts due to Related Parties	13,189,776	26,351,590	9,345,330	9,442,080	19,652,017
Interest Bearing Loans and Borrowings	1,587,380,000	1,596,425,000	682,762,500	2,635,530,000	81,057,048
Non Interest Bearing Loans	1,125,000	1,125,000	1,125,000	843,750	-
Income Tax Payable	3,547,350	10,335,070	-	10,335,069	-
Dividends Payable	1,016,462	39,135,582	1,813,340	2,379,710	2,575,695
Total Current Liabilities	3,527,422,560	2,934,842,449	1,984,420,124	4,331,333,933	2,752,390,061
Total Equity & Liabilities	**19,972,304,264**	**21,470,040,463**	**22,353,431,810**	**25,257,449,463**	**27,915,181,085**
Earnings per Share	3.04	2.25	1.23	3.18	2.93
Earnings per Share (Excluding Fair Value Gains))	0.70	0.57	0.58	0.66	1.07
Net Asset Value Per Share	26.79	28.69	20.45	23.35	26.04
Share Value (High)	15.00	15.00	24.00	19.40	15.60
Share Value (Low)	5.75	5.75	14.00	13.10	9.50
Current Ratio	1.55	2.01	3.18	1.61	2.83
Asset Turnover	8%	9%	8%	10%	7%
Return on Equity (%)	12%	9%	5%	15%	12%
Total Debt to Total Assets	21%	21%	19%	18%	18%
Debt/ Equity Ratio	0.14	0.19	0.17	0.15	0.11

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 the Total Current Liabilities

Asset Turnover

Total Revenue divided by the Total Average Assets

Return on Equity

Profit Attributable to Equity Holders divided by the average Equity Attributable to Equity Holders of the Parent

Total Debt to Total Assets

Total Non Current Liabilities and Total Current Liabilities divided by the Total Assets

Debt/Equity Ratio

Total Interest Bearing Loans and Borrowings divided by the 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	2,176	850,253	0.10	19	9,572	0.00	2,195	859,825	0.10
1,001 - 10,000	1,374	5,278,689	0.63	22	97,537	0.01	1,396	5,376,226	0.64
10,001 - 100,000	385	11,258,125	1.33	20	778,100	0.09	405	12,036,225	1.43
100,001 - 1,000,000	64	18,515,656	2.20	9	2,431,911	0.29	73	20,947,567	2.48
Over 1,000,000	8	85,774,944	10.17	9	718,489,572	85.18	17	804,264,516	95.35
	4,007	**121,677,667**	**14.43**	**79**	**721,806,692**	**85.57**	**4,086**	**843,484,359**	**100.00**

Categories of hareholders

Category	As of 31 December 2012		As of 31 December 2011	
	No. of Shareholders	No. of Shares	No. of Shareholders	No. of Shares
Individual	**3,854**	**27,123,476**	4,376	33,234,718
Institutional	**232**	**816,360,883**	259	810,249,641
	4,086	**843,484,359**	4,635	843,484,359

Performance at the CSE

Year Ended	31 December 2012		31 December 2011	
	Date	Price (Rs.)	Date	Price (Rs.)
Highest	**11.09.2012**	**15.60**	18.01.2011/ 03.06.2011	19.40
Lowest	**14.02.2012**	**9.50**	20.10.2011	13.10
Last Traded Price	**31.12.2012**	**14.40**	30.12.2011	14.00

Year Ended	31 December 2012	31 December 2011
Ordinary Shares		
Closing Share Price (Rs.)	**14.40**	14.00
Number of Transactions	**5,119**	15,737
Number of Shares Traded	**24,350,315**	58,482,000
Value of Shares Traded (Rs.)	**327,925,490**	924,288,690

List of Major Shareholders (Based on their Shareholdings)

		As at 31st Dec 2012		As at 31st Dec 2011	
NAME		SHAREHOLDING	PERCENTAGE (%)	SHAREHOLDING	PERCENTAGE (%)
1	Shing Kwan Investment Company Ltd	**453,366,580**	**53.75**	453,366,580	53.75
2	Unity Builders Ltd	**220,156,488**	**26.10**	220,156,488	26.10
3	Employees Provident Fund	**42,431,891**	**5.03**	40,380,250	4.79
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.	**9,485,804**	**1.12**	-	-
7	Chipperfield Investments Ltd	**7,650,000**	**0.91**	7,650,000	0.91
8	National Savings Bank	**5,591,100**	**0.66**	5,591,100	0.66
9	East West Properties Plc	**4,337,750**	**0.51**	4,337,750	0.51
10	Bank of Ceylon-No 2 A/C	**3,773,250**	**0.45**	3,773,250	0.45
11	Mas Capital (Private) Ltd	**3,614,900**	**0.43**	1,594,900	0.19
12	Sri Lanka Insurance Corporation Ltd- Life Fund	**3,472,300**	**0.41**	3,972,300	0.47
13	Oriental Pearl International Inc	**2,550,000**	**0.30**	2,550,000	0.30
14	Seylan Bank Plc / Symphony Capital Ltd	**1,831,400**	**0.22**	1.217,300	0.14
15	Eastern Ocean Investments Ltd	**1,400,000**	**0.17**	1,400,000	0.17
16	Mr. Gautam Rahul	**1,304,750**	**0.15**	1,217,750	0.14
17	Deutsche Bank Ag Singapore Branch	**1,002,500**	**0.12**	-	-
18	Timex Garments (Pvt) Ltd	**1,000,000**	**0.12**	1,000,000	0.12
19	Mr. Sellamuttu Dinesh Nagendra	**853,950**	**0.1**	-	-
20	Mr. Balendra Krishan Jayasekera	**847,500**	**0.1**	1,127,500	0.13
	Total	**806,965,966**	**95.67**	790,413,671	93.85
	Balance held by other Shareholders	**36,518,393**	**4.33**	53,070,688	6.29
	Total number of Ordinary Shares	**843,484,359**	**100.00**	843,484,359	100.00
	Public Holding	**140,357,841**	**16.64**	140,397,841	16.64
	Others	**703,126,518**	**83.36**	703,086,518	83.36
	Total	**843,484,359**	**100.00**	843,484,359	100.00

Public Shareholding as at 31 December 2012

Parent/ Group	No. Of Shares
Shing Kwan Investments Company Ltd	453,366,580
Unity Builders Ltd	220,156,488
Shing Kwan Investment (Singapore) Pte Ltd	21,573,450
Chipperfield Investment Ltd	7,650,000
	702,746,518
Issued number of ordinary shares as at 31 December 2012	**843,484,359**
Less	
Parent/Group	453,366,580
Subsidiaries	249,379,938
Over 10% Holding	
Directors' Shareholding	380,000
Spouses of Directors and CEO	
Public Holding	**140,357,841**
Public Holding as a percentage of Issued Ordinary Shares	**16.64%**

Notice of Meeting

Notice is hereby given that the Thirty First (31st) Annual General Meeting of OVERSEAS REALTY (CEYLON) PLC will be held at Moon Stone, Hilton Colombo, Sir Chittampalam A Gardiner Mawatha, Colombo 01, on Thursday 16th May 2013 at 4.30 p.m. 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 2012 and the Report of the Auditors thereon.

2. To declare a first and final dividend of Rs. 0.30 per Ordinary Share in respect of the financial year ending 31st December 2012 as recommended by the directors.

3. To elect Dr. Ranee Jayamaha who was appointed as a Director of the Company on 15th March 2013 and who retires in terms of Article 27 (2) of the Articles of Association of the Company, and being eligible has offered herself for re-election.

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

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

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

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

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

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

5. To re-appoint Auditors and to authorise the Directors to determine their remuneration.

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

J.K.K. Wegodapola
Company Secretary

Colombo on this 20th March 2013.

Notes

Notes *Contd.*

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
Level 18 – East Tower
World Trade Center
Echelon Square
Colombo 01
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

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

Group Management Committee
Pravir Samarasinghe - Chairman
Bharatha Amarasinghe
Elmo Fernando
Remaz Ghouse
Indradeva Mendis
Nirupa Peiris
Roschen Perera
Jayanga Wagodapola

Company Secretary
Jayanga Wegodapola Attorney – at – Law

Auditors
Messrs. Ernst & Young
201, De Saram Place
Colombo 10
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

Level 18 – 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

Annual Report 2012

DELIVERING A SUSTAINABLE FUTURE

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