



Overseas Realty (Ceylon) PLC
Annual Report 2007

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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 achieve an average year-on-year growth in Group profits over the next five years.

Our Values

Quality | Team Work | Honesty
Continuous Learning | Innovation
Accountability | Respect

Highlights

In year 2007, your Company;

Achieved **best ever occupancy level** for the
World Trade Center

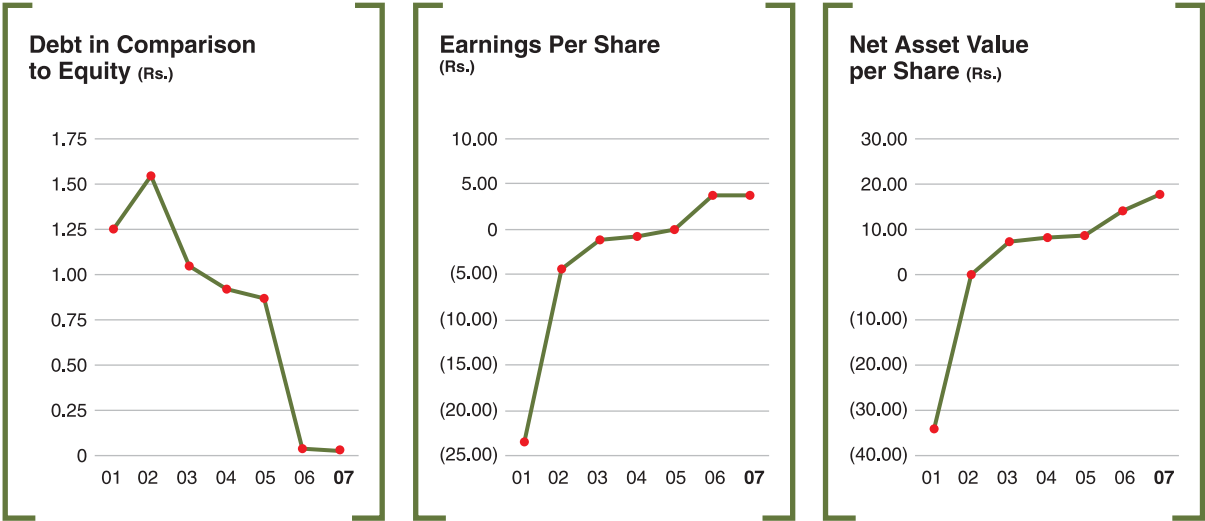
Grew average rental rates by **29%** at the
World Trade Center

Topped Out Phase 1 of Havelock City Project ahead
of schedule

Earned our **first revenue** from the Havelock
City Project

YEAR AT A GLANCE

Group For the period ended 31st December	2007 (12 months) Rs.	2006 (18 months) Rs.
From Revenue Generation		
Total Revenue	1,130,650,661	921,509,151
Operating Expenditure	(271,347,534)	(312,939,879)
Fair Value Adjustment	1,834,316,986	1,683,184,396
Cost of Sales of Apartments	(327,651,845)	—
Administration & Other Expenses	(178,491,506)	(159,108,316)
Net Finance Income	43,370,997	(108,720,794)
Profit Before Taxation	2,230,847,759	2,023,924,558
Profits Attributable to Ordinary Shares	2,213,466,585	2,018,051,619
From Balance Sheet		
Total Assets	17,693,093,386	14,426,369,156
Total Liabilities	3,329,533,209	2,032,685,815
Equity	14,363,560,177	12,393,683,341
Return on Equity (ROE) (%)	24.07	30.16
Earnings per Share (Rs.)	3.80	3.65
Net Assets per Ordinary Share	17.54	14.92
Price Earnings Ratio (31 December)	2.83	3.69



Chairman's Statement



We have focused on making our internal operations more efficient and have been engaged in a Group-wide upgrade and modernisation of all aspects of our management systems

The Company performed creditably during 2007 despite the challenges of a difficult year. A combination of increased rental revenues, decreased financial costs and the recognition of revenues from sales of apartments in Phase I of the residential component of Havelock City have boosted Group after tax profits to Rs. 2,213.5 Mn.

Financial Performance and Dividend

The Company recorded a net after tax profit of Rs. 2,180.3 Mn, including a 9% upwards adjustment in fair value of Rs. 1,834.3 Mn. On a consolidated basis, the Group recorded an after tax profit of Rs. 2,213.5 Mn. This 12-month profit compares favourably with the profit of Rs. 2,018.1 Mn achieved in the previous 18-month period. As a result, the Company is pleased to recommend to the shareholders a first and final dividend of 50 cents per share for the period ending 31 December, 2007.

Operations

The stagnant uptake of released or vacated space in World Trade Center was offset by an increase in rental rates and careful control of operating costs resulting in an after tax operating profit of Rs. 346 Mn (excluding fair value adjustment). The first profits from apartment sales at Havelock City increased ORCL Group operating profits to Rs. 363 Mn after minority interests. This represents a 8% increase over the previous 18-month period. We have focused on making our internal operations more efficient and have been engaged in a Group-wide upgrade and modernisation of all aspects of our management systems, including HR Development, an Integrated Management Information system and a results-based Performance Management programme. All these initiatives have streamlined our processes and procedures and made a positive contribution towards the achievement of the year's healthy results.

Prospects

In spite of the challenges, Sri Lanka's economy managed to grow by 6.7% during 2007. I am hopeful that once peace is restored in the country, foreign investor confidence will return. With this in mind, I expect the Group's recurring income base from operations at the World Trade Center to show sustained and robust growth. Strong profit growth from the development of the Havelock City project will emerge as an increasingly significant factor in the Group's future performance. New real estate development projects remain on the agenda and I see our experience and expertise in this area and a move into the property-related services sector as a further opportunity for generating additional income for the Group.

Appreciation

The pleasing results for 2007 are in large part due to the diligence and commitment of the Company's management team which has performed laudably in a year of challenge and change. As always, I also extend my thanks and appreciation to my fellow Board Members for their continued support and sound advice.

S.P. Tao

Chairman

January, 2008



WORLD TRADE CENTER
COLOMBO

**The Business Complex
that stands for the
new Sri Lanka**



Golden Qualities of the “Best Business Address in Town”

A central location in the heart of commercial Colombo; modern, spacious office area within an “**intelligent**” building; centralised IT and telecommunication connectivity; the calming serenity that a fabulous view of Colombo brings to the office...and more.



The Modern Office...where gleaming, futuristic design and accoutrements are complemented by the “**under one roof**” convenience of quality restaurants and upmarket mall shopping.



When the twin towers of the World Trade Center (WTC) rose to embellish the skyline of Colombo, not many could look beyond what it seemed to signify at the time. . . great office space at a prime address. As the tenants 'filed in', among them blue-chips like the BOI and SriLankan Airlines, they began to enjoy a multitude of pluses.

The **'Total Service Concept'** of WTC provided them with in-built facilities to the basic concept of leased premises. . . services such as security, dedicated and ample parking for tenants and their visitors, janitorial services and so much more. Then there are the 'intelligent' features that facilitate business: smart infrastructure that controls and monitors all building functions, raised flooring to accommodate present and future cabling needs, complete IT connectivity, in-house telecommunications exchange, stand by power supply and a computerised car park management system. Most tenants enjoy a fabulous panoramic view of the city and the Indian Ocean. Plus there are in-building shopping, food and entertainment outlets. . . in fact a self-contained world that makes any business a pleasure. WTC remains an unparalleled experience even today.

Profiles of Directors

Mr. Shing Pee Tao

Mr. Shing Pee Tao is the Founder and Chairman of the Shing Kwan Group. A naturalised Singapore citizen, Mr. Tao has extensive business experience across Asia and is widely regarded as a visionary entrepreneur in the commodities, shipping and real estate sectors. He graduated with a Bachelor's Degree in Economics from the University d'Aurora in Shanghai.

Mr. S.P. Tao has been the Non-Executive Chairman of ORCL since the Shing Kwan Group invested in the Company in 1991. Apart from Sri Lanka, Mr. Tao primarily pursues real estate investments in China, Singapore and Indonesia. Between 1972 and 1996, he was the Chairman of Singapore Land Ltd. spearheading its growth into the largest listed property company on the Singapore Stock Exchange. During this time, he developed the monumental Marina Centre Complex in downtown Singapore. Mr. Tao was also a co-founder of PT Jakarta Land, developer of the World Trade Center complex in Jakarta, Indonesia and served on its Board from 1980 to 2005.

Mr. Hussain Zubire Cassim

Appointed to the Board as a Non-Executive Director of ORCL in April 1991, Mr. Hussain Zubire Cassim, presently serves as the Deputy Chairman of the Board. He became 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 Ministry of Trade, Commerce & Tourism from 1952 to 1956. He was appointed General Manager of Ceylon Shipping Lines in 1958 and held this post until 1963.

He has held Executive and Non-Executive Directorates in Singapore as well as in Sri Lanka since 1960 to date. He was responsible for introducing Mr. S.P. Tao to Sri Lanka to develop and spearhead the construction and operation of the World Trade Center, which constituted Sri Lanka's single highest foreign investment at the time. Later, this was surpassed by the Havelock City Project.

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, and has held this post for two consecutive years. He was also a member of the Executive Committee of the Ceylon Chamber of Commerce.

Dr. (Mrs.) Mildred Tao Ong

Appointed to the Board as a Non-Executive Director in 1991, Dr. Mildred Tao joined the Shing Kwan Group in 1977 after receiving her Medical Degree from University College, London in 1972 and subsequently working as a Paediatrician in Singapore. Dr. Tao has attended an Advanced Management Programme at Harvard Business School in 1982. Dr. Tao has played an instrumental role in developing the Shing Kwan Group's Singapore property development arm, across the residential and commercial sectors. Dr. Tao currently manages the Shing Kwan Group's real estate business in Singapore and oversees its Investments.

Between 1980 and 1990, Dr. Tao served as a member of the Executive Committee of Singapore Land Limited and later became the Vice-Chairman of that company. During her tenure, Singapore Land grew to become the largest property company on the Singapore Stock Exchange with a market capitalisation of over SGD 1.0 Bn. Dr. Tao has also served as a Director of PT Jakarta Land, which developed the World Trade Center complex in Jakarta, Indonesia.

Mr. Melvin Yap Boh Pin

Mr. Melvin Yap Boh Pin has served as a Non-Executive Director of the Company since 1991. 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 Ltd., a firm of management consultants which provides financial planning, financial accounting, reviewal of internal control systems and corporate secretarial services to clients 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 Ltd. serving as Chairman of the Audit Committee and member of the Nominating Committee. He is also a Director of Lereno Bio-Chem Ltd. ('LBC'), serving as Chairman of its Nominating Committee and as a member of its Audit Committee.

He has also held Directorships in various public companies between 1975 and 2000, including Singapore Land Ltd., L&M Investments Ltd. and Pan Pacific Company Ltd. and has been a member of their executive committees and/or audit committees, assisting in the evaluation and recommendation of changes to their systems of internal controls as well as 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 serves as the Honorary Treasurer of the Board of Directors of the Singapore Heart Foundation. He is also actively involved on the Board of Management of the Anglo-Chinese School (Independent) ('ACS'), serving as Chairman of the ACS Endowment Fund and Chairman of the Finance Management Committee. In June 2006, Mr. Yap was appointed to the Board of Trustees of the Chinese Development Assistance Council.

Mr. Christopher James Edward Anthonisz

Mr. Christopher James Edward Anthonisz was a versatile sportsman in his younger days and holds an Economics Degree specialising in Banking, from the University of Colombo. He started his career at the Bank of Ceylon and served as its General Manager from 1987 to 1991. He was advisor to the Amro Bank in Colombo and Manager of the Overseas Trust Bank. He counts over 50 years experience in banking at the time of his retirement.

Mr. C.J.E. Anthonisz held Directorships at York Arcade Holdings Ltd. and Tokyo Cement Ltd. and retired in 1980.

In May 1991, he joined as an independent Non-Executive Director of Overseas Realty (Ceylon) PLC and holds the posts of Chairman of the Audit Committee and Director of Hospitality International Private Ltd.

Deshamanya Balakumara Mahadeva

Deshamanya B. Mahadeva has been a Non-Executive independent Director of Overseas Realty (Ceylon) PLC since September 1994. He holds a 1st Class BA and Master's Degree in Mathematics from the London University of UK.

He had also lectured in Mathematics at the University of Colombo and has served in the Ceylon Civil Service for a period of over 50 years. He has served the United Nations in Malaysia for a period of 10 years as Head to 16 countries in Asia. Returning to Sri Lanka, he held the posts of Chairman of DFCC Bank and National Development Bank. He was the Chairman of Lanka Tiles and Lanka Wall Tiles during the same period. Deshamanya Balakumara Mahadeva has also held the post of Chairman of the Presidential Commission of Privatisation and was a member of the Securities and Exchange Commission.

Mr. Ajit Mahendra De Silva Jayaratne

Mr. Ajit M. De S. Jayaratne was re-appointed to the Board of ORCL in 2005 as an independent Non-Executive Director. Mr. Jayaratne graduated from the University of Southampton, U.K. with a B.Sc. 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 of Sri Lanka.

He served at Forbes & Walker Ltd. for most of his working life, culminating in being appointed as the Chairman of the said company, which position he held for several years. During his tenure, he was appointed a Director of several public and private sector 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. After relinquishing that position and returning to Sri Lanka, he has once again been appointed as a Director of several local companies.

Ms. Rohini Lettitia Nanayakkara

Ms. Rohini Nanayakkara was appointed to the Board of Directors of the Company as an independent Non-Executive Director in 2005. She holds a BA 2nd Class Honors Degree from the University of Peradeniya, Sri Lanka and 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 is presently the Chairperson of the Browns Group of Companies, NDB Venture Investments (Pvt) Ltd., Ayojana Fund Management (Pvt) Ltd. and the Taprobane Investment Group of Companies. She is also a Director of Trans Asia Hotels Ltd.

Mrs. Nanayakkara was the first woman executive to join a Commercial Bank with the rare distinction of being the first woman General Manager/CEO of a Bank in Sri Lanka and the Asian Region. She had the opportunity of working with International Banks such as the Midland Bank - UK & Banque Brussels, Lambert, Brussels and has worked with several International Banking correspondents across the globe.

She was also a Chairperson/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.

After her retirement from the Bank of Ceylon, she was appointed as the General Manager/CEO of the Private Sector Infrastructure Development Co. Ltd., a company established under the Ministry of Finance with World Bank assistance. The main infrastructure project funded by this company is the South Asian Gateway Terminal Project of the Port of Colombo.

She has also served Seylan Bank, as Director-General Manager/CEO. In August 2004 she accepted the invitation extended to her by the shareholders of LOLC to be the Chairperson of the LOLC Group of Companies.

In January 2005, Her Excellency President Chandrika Bandaranaike Kumaratunge appointed her as a member of the Task Force to Rebuild the Nation (TAFREN). She also functioned as the Chief Executive Officer of TAFREN from August to November 2005.

Mr. Porn Taochaifu

Mr. Porn Taochaifu, also known as Paul Tao, joined the Board of Directors of the Company in 2002. He graduated from the University of Cambridge, England with a Master of Arts Degree. He also holds a Master of Science Degree in Real Estate from the University of Greenwich, England and participated in the programme for Management Development at the Graduate

School of Business Administration, Harvard University, U.S.A. Mr. Taochaifu has been actively involved in property development and investment for over 10 years. Mr. Taochaifu is also a qualified solicitor in Hong Kong.

Mr. Ernst Peter Ludwig Franz Rogowski

Mr. E.P.L.F. Rogowski who joined the Board of Directors of the Company in 2007, as an independent Non-Executive Director, began his career as a Civil Engineer. He later became a Property Developer/Partner of one of the largest property investors and developers from the USA. He has been responsible for many property development projects and has helped to develop Marina Square in Singapore. He also provided advice for the development of Shanghai Trade Mart in China. He has been on the Boards of a large number of European companies. Mr. Rogowski is also advisor and consultant to many property related projects.

Mr. Anil Kumar Hirjee

Mr. A.K. Hirjee, joined the Board as an independent Non-Executive Director in 2007. He holds a Bachelor of Arts. (Hons.) and a Bachelor of Laws (Hons.) Degrees. He is a Barrister-at-Law and SLOAN Fellow of the London Business School. He has 43 years of experience in different areas of Business Management and his expertise extends across the fields of finance, banking, law, commerce, industry and general administration.

Mr. Hirjee holds Directorships in many Indian companies including Atlas Copco (India) Ltd. (Chairman), HDFC Trustee Co. Ltd. (Chairman), The Bombay Burmah Trading Corporation Ltd. (Vice-Chairman), The Bombay Dyeing & Manufacturing Co. Ltd., Britannia Industries Ltd., National Peroxide Ltd.

Mr. Hirjee also served on the Audit Committees of several companies and on the Shareholders/Investors Grievance Committees of the Board of Atlas Copco (India) Ltd., Britannia Industries Ltd. and the Bombay Dyeing & Manufacturing Co. Ltd. Mr. Hirjee has also been actively associated with leading charitable institutions.

Business Review

WTC maintained its growth momentum during the year, with the best ever occupancy. The Havelock City Project, a mixed use residential and commercial complex progressed very satisfactorily over the year under review.

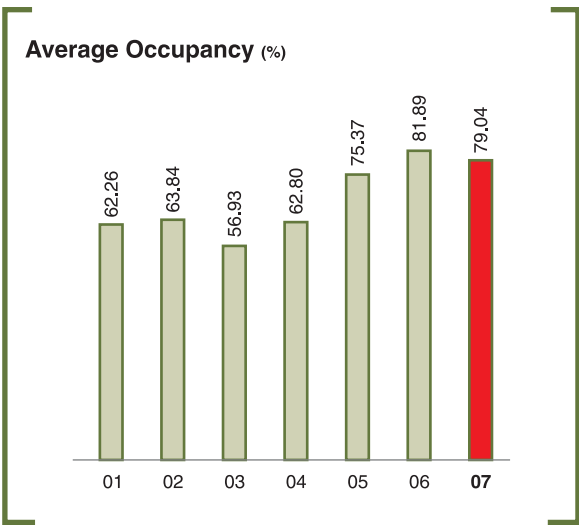
The Macro Environment

The financial year ending 31 December, 2007 was a challenging one. With the breakdown of the 2002 cease fire, the overall security situation in the Island became unstable with many incidents being reported from around the country and even from the city of Colombo. Such incidents have increased noticeably during 2007. These occurrences, whilst affecting smooth commercial and business operations, began to take their toll on business confidence and the investment climate in the country. The prevalent high inflation, high interest rates and volatile currency regime have also added to the negative sentiments in the country. On the positive side, the economy has grown by 6.5% for the first three quarters of 2007 and is projected to grow by 6.7% for the year. However, reflecting the uncertain future, the Colombo Stock Exchange recorded a decline of 6.7% in the All Share Index.

World Trade Center (WTC)

Despite these challenges, WTC maintained its growth momentum during the year. With a near 90% occupancy including commitments, the focus at the beginning of the year had been on increasing the average rental rates. This objective had been achieved to a significant extent, with a growth rate of 29% over the last financial year. However, the evolving macro environment has compelled the Company to re-prioritise towards sustaining occupancy rather than increasing rental rates. The occupancy has come down marginally during the year, as one of our larger tenants moved out to their own premises at the end of the year. This has resulted in occupancy including commitments, declining by 3% in 2007.

Our strategy has always been that of providing the best possible buildings and standards of service. With heightened security concerns in the country, this includes ensuring that our property is one of the better secured in the city of Colombo. Whilst paying attention to security we have to also ensure that our tenants and their clients enjoy unhindered access to their premises. This has been a very challenging task. Even though WTC is a purely commercial building, given the landmark status of the property, the perceived security concerns of authorities tend to be high, necessitating extra precautions. Though such precautions do impact negatively on the business side, there is an increasingly wider acceptance and appreciation of the need for such precautions, given the situation in the country today.



Another critical challenge that is being faced by all businesses in the country is the prevalent high inflationary environment. Though external factors are being blamed, the need is better macro fiscal management. This has contributed to a rapid increase in operational costs. We have doubled our efforts in seeking new operational and energy efficiencies. Though we have achieved some success, it would be a constant battle to sustain such success in the years ahead.

Havelock City Project

The Havelock City Project, a mixed use residential and commercial complex will, on completion, change both the skyline of Colombo and condominium living in the country. The Project progressed very satisfactorily over the year under review. Structural concrete works were completed two months ahead of schedule in October, 2007 in the two residential towers, comprising Phase I of the residential component. Both internal block work and plaster work are substantially complete in both these towers. Mechanical and electrical works have already begun in the residential towers and car park areas and the first deliveries of architectural finish materials have begun to arrive on site. Final completion and hand over of Phase I is scheduled for September, 2008.

The piling work of Phase II commenced at the end of August, 2007 and would be completed by mid February, 2008. The full building permit, including the Traffic Analysis and

Environmental Impact Analysis, is in the final stages of completion and approval. The review of the architectural design of the Commercial component of the project is in the final stages of completion. The approval processes for building permits, BOI investment approvals and related regulatory processes are underway. Piling and construction works are due to commence during the first half of 2008 once the necessary approvals are in place.

Once again, the current uncertain environment has affected the property development sector and investments in housing and apartments adversely. However, we believe this would be short-term in nature for two reasons. Firstly, given the current high inflation and volatile currency regime, investment in property and particularly in housing, would be one of the better investment choices available in the country. Secondly, housing is a basic necessity and as such, demand would continue to grow with increasing population and economic development. We have seen this to be true in the case of Phase I sales of the Havelock City Project. Without any formal sales campaign, already 50% of the apartments available for sale have been sold out. It is likely the entirety of Phase I would be sold out by the time of its completion. There is market recognition of the uniqueness and the inherent value of investing in the apartment units of the Havelock City Project. Hence, we are confident that as and when the other phases come on stream, equal success can be achieved.

Why working at ORCL is a Great Experience

Our skilled and committed people are one of the main strengths the Company possesses. This critical resource has contributed to our current success and maps a vital aspect of our future.

The critical resource that has contributed to our current success and maps a vital aspect of our future is our human resource regime. Commencing from the previous financial year, the management team has been expanded to meet the future needs of the Group.

The Human Resources Department is already well established and has set up a number of new procedures and HR initiatives. These include Recruitment and Job Appraisal Procedures, Training and Competency Building Programmes, Succession Planning, a Performance Management System, Compensation and Benefits Studies and Performance Appraisal Interviews.

An integral initiative under our HR Programme has been the creation of a new vision, mission and value statement for the Company. ORCL will develop and expand such HR-related activities into 2008.

Our 'Drive' Values

To place our HR experience in perspective, it is necessary to revisit the values that ORCL espouses.

They are - **Quality, Team Work, Honesty, Continuous Learning, Innovation, Accountability and Respect.**

The Company has formulated the necessary process to ensure that these values are understood, accepted and 'owned' and practiced across the board - as a Company, as an employee and as a leader.

Our 'People' Initiatives

Performance Management System

Targets and objectives have been set for the Managers and Executives of the Company and the first review took place in the 2nd week of October, 2007. These yearly performance appraisals will be based on actual achievement of agreed objectives, thus contributing to an employee's career plan, remuneration and benefits for 2008.

Recruitment

A number of important new appointments to ORCL's existing Management team have recently been made to build up a capable Management team to meet the future needs of the Company.

Training

- 45 Associates including Staff, Executives & Managers underwent a 2-day Training Programme on 22 and 23 February, 2007 which focused on 'Customer Excellence' by Dhammika Kalapuge.
- Our Staff underwent an Out-Bound Training Programme in Kithulgala, facilitated by 'Wild Drift'. This programme aimed at building and sharing a single dream through team work.
- 108 Staff-level Associates went through a 3-month Business English and etiquette training and an understanding of good customer service programme.
- All Managers went on an Out-Bound Training programme to Belihuloya facilitated by 'Wild Drift'. This 2-day programme helped us to focus on 3 key areas, inspiring and sharing a single dream, empathetic reach out and comprehension and thinking out of the box.

Why working at ORCL is a Great Experience



Our Team

Vision/Mission

We moved ahead with a Vision and Values Workshop in early December 2007, where senior associates, the majority of the Executives and a representative group of members of Staff participated.

This was an important event in terms of setting the Company’s direction and ethos for the foreseeable future. The Vision and Mission Statements also underpin the Performance Management System which we are presently introducing to the Company. The most important output of the workshop is to develop a Company Vision and a set of Company Values which are understood and accepted throughout the organisation, at all levels.



CEO's Tea Session

CEO’s Tea Session

A Tea Session with the CEO, is a new concept which we brought in last year. Conducted Company-wide, this programme aims at providing the Executives an opportunity to share the Vision and Strategy of the Company and to interact with the CEO and address any concerns that they might have.



Our People Agenda for 2008...,Our Associates

We believe that this is where the ‘excitement’ really builds; this is where ORCL begins to mean something more than just a place to work in.



Developing the Vision, Mission & Values as a team

Therefore, our agenda seeks to:

- Ensure everyone’s well trained and motivated to become ‘a different class’ of people.
- Make working for ORCL ‘an experience’.
- Make every ORCL person the best compensated in the industry by far, and the most sought after.



In-house training in progress

- Make all ORCL persons 'Real Estate Technocrats', capable of delighting the customer.
- Place a strong and professional HR Development regime at the centre and have all our leaders firmly focussed on our HRD disciplines.

Training Objectives

Beyond the basic aspirations of providing training to impart skills, advance knowledge, build professionalism and many other qualities, we also seek to:

- Make every employee an 'ORCL' graduate.
- Employ continuous monitoring of performance at every level (e.g. - in building Financial Awareness even amongst non-financial staff).
- Establish partnerships with the Best in the World.
- Train Associates in the art of maintaining and nurturing relationships.

Communication

Communication with diverse publics is vital for business. In an age where communication between persons occurs at the speed of light, one gets only a very fleeting opportunity to 'get it right' in terms of message content, meaning and personality.

Thus the ORCL 'Art of Communication' should be:

- Polite, Lucid and Timely.
- A key attribute of all associates, especially those who deal with Customers, Suppliers, Bankers etc.
- Incorporate multiple language skills where necessary.



Outbound training in progress



Training programme on the 'Art of Communication'



HavelockCity

Come home to the City



The New Face of Home...where the hearth
burns brightly...it's that easy when your home
is modern, spacious, airy, with great
panoramic vistas everywhere you look; when
you live in a **“City within a City”**, offering you
a retail mall, a hotel, health club and
entertainment...all just outside your door!





Living a New Experience. It's still home...it's still where the heart is...it's just brand spanking new...in every way! From concept and design to construction, appointments and the thought that has gone into our value additions, this is a new paradigm in housing, living and lifestyle...for all!

We took 19 acres of prime property in Havelock Town, Colombo. We designed a residential complex...no, a residential 'city' within Colombo. Our concept was founded on designing and building spacious accommodation for family living...with roomy apartments set amidst beautifully landscaped, lush green gardens elevated above the ground within a parkland of trees, earth mounds with water features, a waterfall and walkways that meander through the landscape to soothe the senses of families out on an evening stroll. All this made secure with 24/7 security and surveillance to hand. This is Havelock City (HC)...our emerging new residential complex. When completed, HC will have 1,080 apartments, a retail mall, a serviced apartment block, a hotel, leisure, health club and entertainment facilities...all of which will pioneer a paradigm shift in integrated property development which will bring with it, new thinking and concepts in housing, living, lifestyles and commerce in a **'City within a City'** concept. That all of Sri Lanka awaits the rise of HC's 'star' is well illustrated by the fact that, without any formal sales campaign, 50% of the available apartments have already been sold.

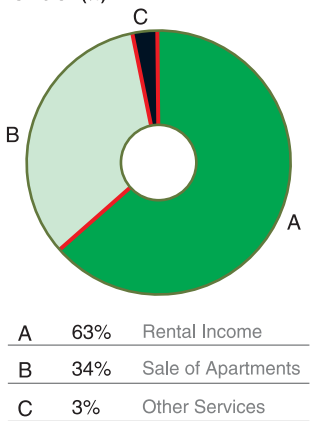
Financial Review

Revenue

The rental revenue of the Company for the financial year ending 31 December, 2007 amounted to Rs. 716.4 Mn. The rental income, the core business activity of the Company has increased significantly. On the basis of earned rental income per month per square foot of rentable space owned by the Company, the rental income during the financial year under review has grown by 12% over the previous accounting period. This increase is in spite a drop of 3% in occupancy. The growth is essentially on the back of the 29% growth in the average rental rates achieved by the Company.

The fair value adjustment for the financial year had amounted to Rs. 1,834.3 Mn, an increase of 9% over the previous accounting period. Other property related income for the period had amounted to Rs. 35.4 Mn. We expect fees for property related services to grow in the future, as the Havelock City project development gathers momentum and the different phases of the project reach completion. Being the premier real estate Company in the country, increased focus will be channelled towards this aspect of the business in the future.

Group Revenue (%)



The first contributions from our subsidiary Mireka Capital Land (Pvt) Ltd., the owner/developer of the Havelock City project have started flowing in during the financial year under review. The subsidiary has adopted the percentage completion method for recognition of revenue. Accordingly, the subsidiary has earned a revenue of Rs. 378.9 Mn for the year under consideration. The Group Turnover for the financial year 2007 amounts to Rs. 1,130.6 Mn.

Operating Expenses

The direct operating expenditure of the Company amounted to Rs. 271.3 Mn for the financial year under review. The direct operating costs on the basis of per month per square foot of rentable space owned by the Company has increased by 30% over the corresponding period of the previous year. The main contributor was electricity cost which accounted for 69% of our operating cost. Though there was no cost increase during the year, the full impact of the increases effected during the course of 2006, where the unit cost of electricity to the Company doubled, affected performance in 2007. Strategies have been formulated and more effort has been taken to bring about energy efficiency and cost savings. These efforts would be continued for the future where cost increases seem inevitable.

Financial Costs

The financial costs for the period under review amounted to Rs. 10.0 Mn as compared to Rs. 124.4 Mn for the previous financial accounting period. With the financial restructuring that had been implemented during the previous years, the Company is debt free for other than for a Rs. 500 Mn concessionary loan granted for reconstruction after a bomb blast. The financial costs for the Group stands at Rs. 12.1 Mn for the year under review, as interest costs incurred for the Havelock City project have been capitalised.

Profitability

The Company has recorded a net profit before tax of Rs. 2,185.8 Mn and an after tax profit of Rs. 2,180.3 Mn for the financial year under review. On a consolidated basis, the Group recorded a net profit before tax of Rs. 2,230.8 Mn and after tax profit of Rs. 2,213.5 Mn. In terms of the Board of Investment (BOI) concessions available, the Company has a 15 year tax holiday in force, which commenced on 1 April, 2005. The taxes payable by the Company relate to interest income and other miscellaneous income that are not covered by the tax concession granted by the BOI. The earnings per share for the Company for the period under review amounted to Rs. 3.80, a growth of 4% compared to the previous accounting period. The Company has achieved a return on equity of 24% for the period under review. The computation of return on equity excludes the Preference Share capital of the Company.

Corporate Governance

Statement of Corporate Governance

Overseas Realty (Ceylon) PLC, is one of the largest property development companies listed in the Colombo Stock Exchange since 1982 and is operating as a Flagship Company approved by the Board of Investment of Sri Lanka. Overseas Realty (Ceylon) PLC is the holding company of Mireka Capital Land (Pvt) Ltd., which has undertaken the 'Havelock City' development project.

The Company aspires to adhere to the best practices in Corporate Governance and complies with and observes the compliance and disclosure requirements of the Colombo Stock Exchange in accordance with guidelines issued by the Securities and Exchange Commission of Sri Lanka, the Code of Best Practices in Corporate Governance recommended by the Institute of Chartered Accountants of Sri Lanka and provisions relating to disclosure and compliance contained in the Companies Act No. 07 of 2007.

Board of Directors

Composition and Attendance at Meetings

The Company was administered by an eleven (11) member Board of Directors during the year under review. The Directors representing the parent Company have appointed alternate Directors to ensure that the functions and duties of the Board are carried out efficiently, even in their absence. All the Directors of the Company including the Chairman and the Deputy Chairman are Non-Executive Directors. The Board of the Company comprises of members possessing diverse expertise, knowledge and professionalism that ensure optimum effectiveness to meet the needs of the Company. These Directors are profiled on pages 10-12 of this report.

Each Director brings independent judgement to bear on matters the Board is responsible for and is dedicated in carrying out their responsibilities effectively and transparently.

The Board of Directors meet quarterly, and all members, whether they be non-executive, independent or non-independent Directors, are encouraged to participate at every meeting. Due consideration is paid to the contribution made by all members of the Board.

The names of the Directors and their attendance at meetings are as follows:

Name of the Director	Category	Attendance
S.P. Tao	Chairman	2/4
H.Z. Cassim	Deputy Chairman	4/4
M. Tao Ong	Director	3/4
M. Yap Boh Pin	Director	4/4
C.J.E. Anthonisz	Director	3/4
B. Mahadeva	Director	3/4
R.L. Nanayakkara	Director	3/4
A.M. De S. Jayaratne	Director	4/4
P. Taochaifu	Director	0/4
A.K. Hirjee	Director	1/4
E.P.L.F. Rogowski	Director	0/4

Role and Responsibilities of the Board

The Board is responsible for formulation of the overall business policy and strategy and for monitoring the effective implementation of same. The Board sets standards for the management and conduct of the business.

Its functions include assessment of the adequacy and effectiveness of internal controls, compliance with applicable laws and regulations, review of the management and operational information, adoption of annual and interim accounts before they are published, review of exposure to key business risks, strategic direction of operational and management units, approval of annual budgets, monitoring progress towards achieving those budgets and sanctioning major capital expenditure and acquisition of assets.

In discharging its duties, the Board is supported by the Executive Committee, Audit Committee, the Remuneration Committee and the Company's management headed by the Chief Executive Officer, its advisors and auditors.

In its governance of the Company's affairs, the Board strives to balance the interests of the Company, its shareholders, employees and stakeholders. The Board is ultimately responsible for the Company's financial performance.

Executive Committee

The Executive Committee consists of 3 members, all of whom are Non-Executive Directors and is headed by the Chairman of the Company. The Executive Committee interacts closely with the Board and directs the management on key functions, based on approved strategies adopted by the Board.

Board Balance and Independence

The Board of Directors of the Company comprises of 11 members and none of them serve in an executive capacity. Thus, all of them are considered as Non-Executive Directors. The majority of members on the Board are considered as independent, having no material relationship directly or indirectly with the Company.

The Board believes that the period of service exceeding nine (9) years on the Board put in by Mr. H.Z. Cassim, Deputy Chairman, Mr. C.J.E. Anthonisz and Mr. B. Mahadeva does not compromise their independence. It is also the opinion of the Board, that such a period of service has not affected their objectivity in the discharge of their duties as Directors. The Board also believes that the holding of 1,000 of the Company's ordinary shares by Mr. C.J.E. Anthonisz does not compromise his independence and objectivity in discharging his role as Director of the Company.

Ms. Rohini Nanayakkara was appointed to the Board on 20 May, 2004 and Mr. Ajit M. De S. Jayaratne on 19 October, 2005. Both these Directors have been acting as Independent Directors since their appointment.

Mr. Anil Hirjee and Mr. Peter Rogowski were appointed as Independent Directors with effect from 26 March, 2007. The Board believes that all seven (7) Independent Directors are both independent of management and free from any business or other relationship that could materially interfere in the exercise of their judgement.

The Board of Directors brings local and international expertise to the Company thus ensuring their optimum effectiveness in providing the guidance and administration needed by the Company. The Profiles of the Directors (page 10) reflect the depth of knowledge and experience collectively gained by

them whilst serving in a variety of public and private companies, both locally and internationally. Of the Directors, all of whom are considered as Non-Executive Directors, four (4) represent the parent Company, Shing Kwan Group which holds more than 50% of the equity capital of ORCL.

Access to Information

The Board of Directors are supplied with complete and adequate information which is required by them to deliberate and make informed decisions upon all matters that require their attention. Such information could include an agenda, minutes, the CEO's Report covering in detail information as to all aspects of operations for each quarter, background and/or explanatory information relating to matters brought before the Board, copies of disclosure documents, budgets, forecasts and quarterly financial statements in advance of each meeting to enable the Directors to make informed decisions.

Directors have access to the Company's senior management at all times, to receive advice and information. Directors could seek professional advice in the course of fulfilling their responsibilities, which will be made available at the Company's expense.

Re-election

The Company's Articles of Association require that one-third of the Directors excluding the Chairman, Managing Director or Joint Managing Director, retire and submit themselves for re-election at every Annual General Meeting. The Directors who retire are those who have been longest in office since their appointment and/or re-appointment. The Articles also provide that newly appointed Directors, whether to fill a casual vacancy or to serve as an additional Director, can hold office only until the Annual General Meeting of the Company immediately following such appointment, after which they must seek re-election.

The re-election of a Director ensures that shareholders have a regular opportunity to reassess the composition of the Board. The names of the Directors submitted for re-election are provided to the shareholders along with the notice of the Annual General Meeting, to enable them to make informed decisions on such appointments.

Audit Committee

The Audit Committee consists of 4 Non-Executive Directors, 2 of whom are qualified chartered accountants, having extensive experience in the financial sphere. The Audit Committee is chaired by Mr. C.J.E. Anthonisz, a Non-Executive Independent Director. The other members are Mr. H.Z. Cassim, Deputy Chairman, Mr. Melvin Yap Boh Pin and Mr. Ajit M. De S. Jayaratne. The appointed members are required to exercise independent judgment in carrying out their functions.

The Audit Committee's role and responsibilities includes review of the internal audit process, the adequacy of internal controls, accounting policies and compliance with accounting standards. It also reviews and approves the quarterly and annual financial statements and makes recommendations to the Board on the appointment and re-appointment of Auditors.

The Audit Committee held four (4) meetings during the last financial year. The Report of the Audit Committee appears on page 27.

Remuneration Committee

In compliance with the corporate governance rules of the Colombo Stock Exchange, the Board re-appointed the Remuneration Committee to comprise of 3 Non-Executive Directors. The Remuneration Committee is chaired by Mr. H.Z. Cassim, Mr. Ajith M. De S. Jayaratne and Ms. Rohini Nanayakkara serve as members of the Committee. The role of the Remuneration Committee is to review, approve and make recommendations to the Board with regard to the remuneration of Directors, the Chief Executive Officer and other key positions in the senior management grade of the Company.

The Report of the Remuneration Committee appears on page 26.

Accountability and Audit

Financial Reporting

The Board places high priority on complete disclosure of financial and non-financial information within the bounds of

commercial reality, and on the adoption of sound reporting practices.

The Statement of Director's Responsibilities for the Financial Statement is given on page 34 of this report.

Internal Controls

The Board ensures that a sound system of internal controls is maintained to safeguard shareholders' investment and the Company's assets. The Audit Committee conducts a review of the effectiveness of the Company's systems of internal controls and reports its findings to the Board. This process is strengthened by regular internal audits. The internal audits, for the period under review, have been carried out by an independent audit firm, namely PriceWaterhouseCoopers. The internal audit specifically focused on internal controls and procedures in the areas of finance, operations, human resources, payroll management and regulatory compliance. The Audit Committee reviewed the recommendations made and the Board was advised of the effectiveness thereof.

The Board has reviewed the effectiveness of the system of financial controls for the period preceeding the date of signing of the accounts.

Corporate Disclosure and Shareholder Relationship

The Company is committed to providing timely and accurate disclosure of all price sensitive information, financial results and significant developments to all shareholders, the Colombo Stock Exchange and where necessary, to the general public.

The Board emphasises the need to maintain good relationships and communication with the shareholders. Timely, detailed and accurate financial reports are presented to shareholders on a quarterly and annual basis. The Annual General Meeting provides a platform for shareholders to discuss and seek clarifications on the activities of the Company.

The Board constantly strives to enhance shareholder value and recognise the legitimate interests of the shareholders.

Remuneration Committee Report

Remuneration Committee consists of 3 Non-Executive Directors. The Remuneration Committee is chaired by Mr. H.Z. Cassim, Deputy Chairman of the Company. Other members of the Committee are Ms. Rohini Nanayakkara and Mr. Ajit M. De S. Jayaratne. The Chief Executive Officer assists the Committee by providing relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed.

All Directors of the Company being Non-Executive Directors, the Committee is responsible for recommending to the Board the remuneration payable to the Chief Executive Officer and other key senior managers of the Company and its subsidiaries.

A primary objective of remuneration packages is to attract and retain a highly qualified and experienced workforce, and reward their performance. The remuneration packages should provide remuneration appropriate for each business within the group and be commensurate with each employee's level of expertise and contribution, bearing in mind the

business performance and long term shareholder return. Remuneration policy of the Company with regard to increment and bonus schemes is reviewed by the Committee from time to time. Once the remuneration policy of the Company as recommended by the Committee is approved by the Board, granting of increments to the key senior management positions will be approved by the Remuneration Committee.

The Committee will meet from time to time and review the Company and its subsidiary's remuneration structures to assure alignment with strategic priorities and with remuneration offered by comparator companies.



H.Z. Cassim

Chairman

Remuneration Committee

7 March, 2008

Audit Committee Report

Composition and Role

The Audit Committee appointed by and responsible to the Board of Directors, comprise 4 Non-Executive Directors. The names of the members are given under Corporate Governance Statement of this report on page 23. The Chief Executive Officer and the Chief Financial Officer of the Company attend meetings of the Committee. Other Members of the Board, Members of the Management Team of the Group are requested to be present at meetings when required. The external auditors are invited to be present at discussions with the Committee where appropriate.

The members of the Committee whose profiles are given on page 10 of this report have the necessary financial knowledge and business acumen to carry out their roles effectively and to deliberate matters that comes within their purview independently and professionally.

The Audit Committee is empowered, among other things, to examine any matters relating to the financial affairs of the Company and the Company's internal and external audits. These include reviews of the annual accounts, announcements, internal control procedures, accounting policies, compliance with accounting standards, emerging accounting issues and such other related functions, as the Board may require. Thus, the Audit Committee ensures that the Company's operations conform to rules, regulations and accepted ethical guidelines to meet the Company's policies. The Audit Committee also recommends the appointment of internal and external auditors of the Company and fees payable to them.

Meetings

During the Financial year ended 31 December, 2007, the Audit Committee met once every quarter and the attendance at these meetings is as follows:

Mr. C.J.E. Anthonisz	- Chairman	3/4
Mr. Melvin Boh Pin Yap	- Member	4/4
Mr. Ajit M. De S. Jayaratne	- Member	4/4
Mr. H.Z. Cassim	- Member	3/4

The Proceedings of the Audit Committee are regularly reported to the Board.

Activities

The Committee reviewed the Company's Interim and Annual Financial Statements and made their recommendations to the Board for its deliberation and issuance. The Committee in its evaluation of the financial reporting system also recognises the adequacy of the content and quality of routine management information reports forwarded to its members.

The Audit Committee which reviewed the operations and monitored the effectiveness of internal controls and procedures is of the view that adequate control and procedures are in place to provide reasonable assurance to the Board that the assets of the Company are safeguarded and the financial position is monitored according to information made available. The Audit Committee paid special attention to ensuring that the business and operational risks are identified, assessed and managed at acceptable levels.

On the recommendation of the Audit Committee, internal audits specifically focused on internal controls and procedures on financial, operational, human resources, payroll management and regulatory and compliance were carried out during the year under review. The Committee invited Internal Auditors PriceWaterhouseCoopers to discuss their recommendations with the Committee and appraised the conduct of their assignment. The Audit Committee reviewed the recommendation made by the respective internal audit reports and the Board was advised of the effectiveness thereof.

The Audit Committee also met with the External Auditors at the conclusion of the annual audit and discussed with them issues raised by them in carrying out their audit and obtained their expert advice where required. The Annual Financial Statements were also reviewed with External Auditors when necessary.

The Audit Committee has recommended to the Board that Messrs. Ernst & Young, Chartered Accountants be reappointed as Auditors for the financial year ending 31 December, 2008 to audit the Financial Statements of the Company and the Group, subject to approval of shareholders at the Annual General Meeting.



C.J.E. Anthonisz
Chairman
Audit Committee
7 March, 2008



Annual Report of the Board of Directors on the Affairs of the Company

The directors have the pleasure in presenting to the Members their report together with the Audited Financial Statements of Overseas Realty (Ceylon) PLC and the Group for the year ended 31 December, 2007.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices.

Principal Activities

The principal activities of the Company are investment in properties, property development, trading and management. Mireka Capital Land (Pvt) Ltd. is a subsidiary of the Company engaged in hiring and acquiring real estate properties, real estate development and providing infrastructure facilities to real estate development. Mireka Capital Land (Pvt) Ltd. has undertaken the development of the 'Havelock City' Project and the first phase of the project being the development of residential apartments by wholly owned subsidiary of Mireka Capital Land (Pvt) Ltd., namely Mireka Homes (Pvt) Ltd.

Business Review/Future Developments

A review of the business of the Company and its subsidiaries and its performance during the year, with comments on financial results and future strategic developments, are contained in the Chairman's Statement (pages 4-5), Business Review (pages 13-14) and Financial Review (page 22) sections of this Annual Report. These reports together with the Financial Statements reflect the state of affairs of the Company and its subsidiaries.

The Directors, to the best of their knowledge and belief, confirm that the Company and its subsidiaries have not engaged in any activities that contravene laws and regulations.

Auditor's Report

The Auditor's Report on the Financial Statements is given on page 35.

Financial Statements

The Financial Statements of the Company and its subsidiaries are given on pages 36-39.

Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements and Notes are given on pages 40-61. There were no changes in the Accounting Policies adopted other than that are specifically disclosed.

Board of Directors

The names of the Directors who held office during the financial year are given under Corporate Information and their brief profiles appear on pages 10-12.

Mr. H.Z. Cassim, Mr. Ajit M. De S. Jayaratne and Ms. Mildred Tao Ong retire by rotation and being eligible, offer themselves for re-election. Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose an ordinary resolution for re-election of Mr. S.P. Tao, Ms. R.L. Nanayakkara, Mr. C.J.E. Anthonisz, Mr. B. Mahadeva, Mr. H.Z. Cassim and Mr. E.P.L.F. Rogowski, notwithstanding the age limit of seventy (70) years stipulated by Section 210 of the Companies Act.

Interests Register

The Directors of the Company have duly declared the information as to the particulars of information required by the Companies Act No. 07 of 2007 and at the meeting of the Board held on 31 January, 2008, the declarations made were tabled for the information of the Directors and the particulars were entered in the Interest Register and kept at the Registered Office of the Company and is available for inspection.

The particulars of the entries in the Interest Register made during the accounting period are summarized as follows:

Directors' Interests in Contracts

- Directors' interests in contracts of the Company are disclosed in Note 27 on page 60 of the Financial Statements. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.
- The Directors, at their meetings, have declared all material interests in contracts involving the Company and have refrained from voting on matters in which they were materially interested.

Directors’ Direct and Indirect Interests in Transactions with the Company

- Particulars of transactions in which the Directors are interested in are disclosed in Notes 11, 12, 18 and 27.3 to the Financial Statements on pages 53, 54, 56 and 61.

Interests in Shares of the Company

- Shares held by Directors directly or indirectly as at 31 December, 2007 were as follows:

Name of Director	No. of Shares	Nature of Interest
Mr. S.P Tao	516,455,933	Director of the Holder
Ms. Mildred Tao Ong	369,684,941	Director of the Holder
Mr C.J.E. Anthonisz	1,000	Holder
Mr. H.Z. Cassim	Nil	
Mr. A.M. De S. Jayaratne	Nil	
Mr. Baku Mahadeva	Nil	
Ms. R.L. Nanayakkara	Nil	
Mr. Melvin Yap Boh Pin	Nil	
Mr. Paul Tao	Nil	
Mr. Peter Rogowski	Nil	
Mr. Anil Kumar Hirjee	Nil	

Mr. Shing Pee Tao and Ms. Mildred Tao Ong are both Directors of the holder of 374, 464, 391 shares of 2% CRPS (Non Convertible Cumulative Redeemable Preference Share) of a Nominal Value of Rs. 10/- each.

Directors’ Related Party Disclosure

- Directors’ related party disclosures are made in Note 27 on page 60 to the Financial Statements.

Directorships held in other Entities/Partnerships etc.

- Some or all of the Directors are also Directors of other companies and the Directorships held in subsidiaries and associate companies are indicated as follows:

Companies

- Mireka Capital Land (Pvt) Ltd.
- Mireka Homes (Pvt) Ltd.
- Hospitality International (Pvt) Ltd.
- Realty Management Services (Pvt) Ltd.

The said Directorships as mentioned above are classified under each Director as indicated below.

Directors	Company Reference
1. Mr. Shing Pee Tao	1
2. Mr. Hussain Zubire Cassim	1,2,3,4
3. Mr. Christopher James Edward Anthonisz	3
4. Mr. Ajit Mahendra De Silva Jayaratne	1,2
5. Ms. Rohini Letitia Nanayakkara	1,2
6. Ms. Mildred Tao Ong	1

Mr. Shing Pee Tao, Ms. Mildred Tao Ong and Mr. Melvin Yap Boh Pin hold Directorships in Companies of the Shing Kwan Group.

Remuneration of Directors

Details of remuneration of Directors and other benefits of Directors during the accounting period is given in Note 27.3 to the Financial Statements, on page 61.

Auditors

In accordance with the Companies Act No. 07 of 2007, a resolution proposing the re-appointment of Messrs. Ernst & Young, Chartered Accountants as Auditors to the Company will be submitted at the Annual General Meeting.

The Auditors, Messrs. Ernst & Young, Chartered Accountants were paid Rs. 306,271/- (18 months 2006 - Rs. 542,110/-) and Rs. 592,875/- (18 months 2006 - Rs. 813,801/-) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 382,550/- (18 months 2006 - Rs. 572,700/-) and Rs. 426,250/- (18 months 2006 - Rs. 986,650/-), by the Company and the Group, for non-audit related work, which consisted mainly of tax consultancy services.

As far as the Directors are aware, the Auditors do not have any relationships (other than that of an auditor) with the Company or any of its subsidiaries other than those disclosed above. The Auditors also do not have any interests in the Company or any of its Group companies.

Corporate Donations

Donations by the Company amounted to Rs. 413,000/- (18 months 2006 - Rs. 1,411,800/-).

Shareholders' ratification of the additional amounts spent, as described above, will be sought at the Annual General Meeting.

No donations were made for political purposes.

Group Turnover

The turnover of the Company, excluding the subsidiaries was Rs. Seven hundred and fifty one million seven hundred and thirty two thousand six hundred and seventeen (Rs. 751,732,617/-), in the year under review while the turnover of the Group was Rs. One billion and one hundred and thirty million, six hundred and fifty thousand six hundred and sixty one (Rs. 1,130,650,661/-). A detailed analysis of the Group's turnover, profits and asset allocation relating to different segments of the Groups' business is given in Note 4.1 to the Financial Statements on page 48.

Results and Dividends

Profits after tax of the Company was Rs. Two billion one hundred and eighty million three hundred and fifteen thousand and five hundred and fifteen (Rs. 2,180,315,515/-) whilst Group profits attributable to equity holders for the year was Rs. Two billion two hundred and thirteen thousand four hundred and sixty six thousand five hundred and eighty five only (Rs. 2,213,466,585/-).

The Consolidated Income Statement along with the Company's Income Statement for the year is given on page 37. Details of transfers to/from reserves in respect of the Group and the Company are shown in the Statement of Changes in Equity on page 38.

The Directors recommend to the shareholders, having satisfied the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007, a first and final dividend of fifty cents (Rs. 0.50) per share payable on 30 April, 2008. The dividend is exempt from tax in terms of the BOI concessions granted to the Company.

Property, Plant & Equipment

Group capital investment during the year on property, plant & equipment and investments, other than investments in subsidiaries, amounted to Rs. 10,855,228/- (18 months 2006 - Rs. 29,024,210/-).

Capital expenditure by the Company amounted to Rs. 5,458,134/-.

Information relating to details and movements in property, plant & equipment is given in Note 6 to the Financial Statements on page 50.

Market Value of Properties

The freehold land of the Group, in general, has been subjected to routine revaluation by independent qualified valuers. The most recent revaluations were carried out as at 31 December, 2007. Small extents of freehold land are reflected at book values as their appreciation is insignificant.

Details of revaluations, carrying values and market values are provided in Note 5 to the Financial Statements. The value of Real Estate on page 53 gives details of freehold land held by the Group.

The Group, as at 31 December, 2007, does not carry any property that requires classification as Investment Property in accordance with SLAS 40.

Share Capital & Reserves

The stated capital of the Company is Rs. 9,713,158,970/-. There was no change in share capital during the year.

Total Group Reserves before minority interests as at 31 December, 2007 amount to Rs. 3,893,139,981/- (18 months 2006 - Rs. 1,939,101,481/-) comprising fair value of Rs. 3,517,501,382/- and Revenue Reserves of Rs. 375,638,599/- (18 months 2006 - Rs. 255,917,085/-). The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

Taxation

In computing the Groups' tax liability, the Company has taken into consideration the tax holiday granted under the BOI concessions and the maximum relief available to investors under the provisions of the Inland Revenue Act has been claimed. Detailed information relating to Group Taxation is given in Note 24 to the Financial Statements on page 58.

Share Information

Information relating to earnings, dividends, net assets and market value per share and share trading information is given on pages 63 to 66.

Events Occurring after the Balance Sheet date

No circumstances have arisen since the Balance Sheet date that would require adjustment, other than those disclosed in Note 30 to the Financial Statements on page 61.

Human Resources

The Group continues to implement Human Resources Management policies and practices to develop its employees to ensure their optimum contribution towards the achievement of corporate goals. Employment policies of the Group embodies the principle of equal opportunity and detailed information of activities conducted in Human Resources Development is given in pages 15 to 17.

The number of persons employed by the Company and its Subsidiaries at the end of the year was 215.

Shareholders

It is the Group's policy to endeavour to ensure equitable treatment of its shareholders.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due in relation to Employees and the Government have been made promptly and are up to date.

Environmental Protection

The Group's business activities can have direct and indirect effects on the environment. It is the Group's policy to minimize any adverse effects its activities have on the environment and to promote cooperation and compliance with the relevant authorities and regulations.

Corporate Governance/Internal Control

Adoption of good governance practices has become an essential requirement in today's corporate culture. The practices carried out by the Group are explained in the Corporate Governance statement on pages 23 to 25.

The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to give assurance, interalia, regarding the safeguarding of

assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with its effectiveness for the period up to the date of signing the Financial Statements.

Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the Group's budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

Major Shareholdings

As at 31 December, 2007, there were 2,670 registered shareholders. The percentage of shares held by the public, as per the Colombo Stock Exchange rules as at 31 December, 2007 was eight point one five per cent (8.15%). The list of the largest twenty Shareholders is given on page 65.

Annual General Meeting

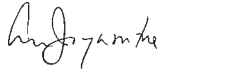
The Annual General Meeting will be held at Level 36, East Tower, World Trade Center, Echelon Square, Colombo 1 at 4.00 p.m. on 24 April, 2008. The Notice of the Annual General Meeting appears on page 67.

For and on behalf of the Board


H.Z. Cassim
Director


J. Wegodapola
Company Secretary

Colombo
7 March, 2008


Ajit M. De S. Jayaratne
Director

Statement of Directors' Responsibility

The Directors are responsible, under the Companies Act, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the Profit and Loss of the Company and the Group for the financial year. It is also the responsibility of Directors to ensure that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and to enable the preparation of the Financial Statements in accordance with the Sri Lanka Accounting Standards. The Financial Statements provide the information required by the Companies Act and the Rules of the Colombo Stock Exchange.

The Directors confirm that they have complied with these requirements.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors also confirm that in preparing the Financial Statements, appropriate Accounting Policies have been selected and applied consistently and reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.


The Directors have taken reasonable measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control with a view to prevent and detect fraud and other irregularities. The Board has been provided additional assurance on the reliability of the Financial Statements through a process of independent and objective review by the Audit Committee.

The external Auditors, Messrs. Ernst & Young, Chartered Accountants appointed in accordance with the resolution passed at the last Annual General Meeting were provided with every opportunity to undertake whatever inspections they consider appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 35 sets out their responsibilities in relation to the Financial Statements.

For and on behalf of the Board



H.Z. Cassim



Ajit M. De S. Jayaratne

7 March, 2008

Independent Auditor's Report



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201, De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

■ Telephone : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
E-Mail : cysl@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 balance sheets as at 31 December, 2007, and the income statements, statements of changes in equity and cash flow statements 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 principles 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, 2007 and the financial statements give a true and fair view of the Company's state of affairs as at 31 December, 2007 and its profit and cash flows 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, 2007 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

In our opinion, 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

7 March 2008
Colombo

■ Partners : A D B Talwatte FCA FCMA T K Bandaranayake FCA M P D Cooray FCA FCMA
Ms. Y A De Silva ACA W R H Fernando FCA FCMA W K B S P Fernando FCA ACMA
A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond)
A S M Ismail FCA FCMA H M A Jayasinghe FCA FCMA Ms. G G S Manatunga ACA
Ms. L C G Nanayakkara FCA FCMA

Balance Sheet

		Group		Company	
As at 31 December	Note	2007 Rs.	2006 Rs.	2007 Rs.	2006 Rs.
ASSETS					
Non-Current Assets					
Investment Property	5	12,870,372,296	11,203,016,898	12,870,372,296	11,203,016,898
Property, Plant & Equipment	6	214,724,107	50,935,138	194,298,325	28,490,959
Intangible Assets	7	6,932,847	7,297,734	6,932,847	7,297,734
Goodwill		8,794,884	8,794,884	–	–
Investments in Subsidiaries	8	–	10,020	1,125,010,020	1,125,010,020
		13,100,824,134	11,270,054,674	14,196,613,488	12,363,815,611
Current Assets					
Inventories	9	3,108,367,721	2,209,667,079	–	–
Trade and Other Receivables	10	579,116,440	468,152,932	118,003,524	49,858,721
Amounts due from Related Parties	11	2,574,907	16,527,342	4,194,806	16,527,342
Cash and Cash Equivalents	19	902,210,184	461,967,129	377,679,763	245,535,110
		4,592,269,251	3,156,314,482	499,878,093	311,921,173
Total Assets		17,693,093,386	14,426,369,156	14,696,491,581	12,675,736,784
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	12	9,713,158,970	9,713,158,970	9,713,158,970	9,713,158,970
Capital Redemption Reserve Fund		148,550	148,550	148,550	148,550
Revaluation Reserve	13	79,530,022	–	79,530,022	–
Retained Earnings		3,813,461,409	1,938,952,931	3,800,219,477	1,943,023,733
Equity Attributable to Equity Holders of the Company					
		13,606,298,951	11,652,260,451	13,593,057,019	11,656,331,253
Minority Interest		757,261,226	741,422,890	–	–
Total Equity		14,363,560,177	12,393,683,341	13,593,057,019	11,656,331,253
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	14	1,135,185,585	1,106,200,000	446,910,585	500,000,000
Non-Interest Bearing Loans and Borrowings	15	4,218,750	–	–	–
Retirement Benefit Liability	16	15,298,368	12,284,061	15,298,368	12,284,061
Total Non-Current Liabilities		1,154,702,703	1,118,484,061	462,208,954	512,284,061
Current Liabilities					
Trade and Other Payables	17	2,055,896,838	845,207,658	549,872,780	448,359,574
Interest Bearing Loans	14	50,000,000	–	50,000,000	–
Non-Interest Bearing Loans & Borrowings	15	1,125,000	18,291,782	–	18,291,782
Amounts due to Realated parties	18	18,678,546	10,232,200	–	–
Tax Payable		10,702,353	2,715,895	2,925,059	2,715,895
Dividends Payable	20.2	38,427,769	37,754,219	38,427,769	37,754,219
Total Current Liabilities		2,174,830,506	914,201,754	641,225,608	507,121,470
Total Liabilities		3,329,533,209	2,032,685,815	1,103,434,562	1,019,405,531
Total Equity and Liabilities		17,693,093,386	14,426,369,156	14,696,491,583	12,675,736,784

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

The accounting policies and notes on pages 40 through 61 form an integral part of the Financial Statements.


W.D. Barnabas

Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed on behalf of the Board by


H.Z. Cassim

Director

Colombo

21 February, 2008



Ajit M. De S. Jayaratne

Director

Income Statement

Year ended 31 December	Note	Group		Company	
		12 months ended 31.12.2007 Rs.	18 months ended 31.12.2006 Rs.	12 months ended 31.12.2007 Rs.	18 months ended 31.12.2006 Rs.
Rental Income		716,381,709	873,618,934	716,381,709	873,618,934
Sale of Apartments		378,918,044	—	—	—
Other Services	3	35,350,908	47,890,217	35,350,908	47,890,217
Total Revenue		1,130,650,661	921,509,151	751,732,617	921,509,151
Direct Operating Expenses		(271,347,534)	(312,939,879)	(271,347,534)	(312,918,320)
Cost of Sales of Apartments		(327,651,845)	—	—	—
Gross Profit		531,651,282	608,569,272	480,385,083	608,590,831
Fair Value Gain on					
Investment Property	5	1,834,316,986	1,683,184,396	1,834,316,986	1,683,184,396
Other Operating Income	21	—	6,468,750	—	6,468,750
Administration Expenses		(151,338,839)	(163,985,450)	(136,763,583)	(158,320,978)
Other Expenses		(27,152,667)	(1,591,616)	—	—
Finance Cost	22.1	(10,020,000)	(124,357,741)	(10,020,000)	(124,357,741)
Finance Income	22.2	53,390,997	15,636,947	17,888,040	15,143,970
Profit before Tax	23	2,230,847,759	2,023,924,558	2,185,806,526	2,030,709,228
Income Tax Expense	24	(17,381,174)	(5,872,939)	(5,491,011)	(5,872,939)
Profit after Tax for the Period		2,213,466,585	2,018,051,619	2,180,315,515	2,024,836,289
Attributable to:					
Equity Holders of the parent		2,197,628,249	2,020,765,487	—	—
Minority Interest		15,838,336	(2,713,868)	—	—
		2,213,466,585	2,018,051,619	—	—
Earnings Per Share - Basic	25	3.80	3.65		
Dividend Per Share	20	0.30	—		

The accounting policies and notes on pages 40 through 61 form an integral part of the Financial Statements.

Colombo
21 February, 2008

Statement of Changes in Equity

<i>Year ended 31 December, 2007</i>	Stated Capital Rs.	Revaluation Reserve Rs.	Redemption Reserve Fund Rs.	Retained Earnings Rs.	Minority Interest Rs.	Total Rs.
Group						
Balance as at 30 June, 2005	5,839,547,575	2,684,474,052	–	(3,591,216,008)	–	4,932,805,619
Redemption of 2.5% RCCPS	(148,550)	–	–	–	–	(148,550)
Transfer to Capital Redemption Reserve Fund	–	–	148,550	(148,550)	–	–
Reduction in Capital	(906,741,965)	–	–	906,741,965	–	–
Transfer of Revaluation Reserve	–	(2,684,474,052)	–	2,684,474,052	–	–
2% CRPS (Non-Convertible Cumulative Redeemable Preference Shares)	3,744,643,910	–	–	–	–	3,744,643,910
Issue of Ordinary Shares	1,035,858,000	–	–	–	–	1,035,858,000
2% CRPS Dividends	–	–	–	(81,664,015)	–	(81,664,015)
Minority Interest at the Acquisition	–	–	–	–	744,136,758	744,136,758
Profit for the period	–	–	–	2,020,765,487	(2,713,868)	2,018,051,619
Balance as at 31 December, 2006	9,713,158,970	–	148,550	1,938,952,931	741,422,890	12,393,683,341
Profit for the period	–	–	–	2,197,628,249	15,838,336	2,213,466,585
Transfer to Revaluation Reserve	–	79,530,022	–	(79,530,022)	–	–
Dividends Paid for Preference Shares	–	–	–	(74,892,878)	–	(74,892,878)
Dividends Paid for Ordinary Shares (for Y/E 31.12.2006)	–	–	–	(168,696,871)	–	(168,696,871)
Balance as at 31 December, 2007	9,713,158,970	79,530,022	148,550	3,813,461,409	757,261,226	14,363,560,177

<i>Year ended 31 December, 2007</i>	Stated Capital Rs.	Revaluation Reserve Rs.	Redemption Reserve Fund Rs.	Retained Earnings Rs.	Total Rs.
Company					
Balance as at 30 June, 2005	5,839,547,575	2,684,474,052	–	(3,591,216,008)	4,932,805,619
Redemption of 2.5% RCCPS	(148,550)	–	–	–	(148,550)
Transfer to Capital Redemption Reserve Fund	–	–	148,550	(148,550)	–
Reduction in Capital	(906,741,965)	–	–	906,741,965	–
Transfer of Revaluation Reserve	–	(2,684,474,052)	–	2,684,474,052	–
2% CRPS (Non Convertible Cumulative Redeemable Preference Shares)	3,744,643,910	–	–	–	3,744,643,910
Issue of Ordinary Shares	1,035,858,000	–	–	–	1,035,858,000
2% CRPS Dividends	–	–	–	(81,664,015)	(81,664,015)
Profit for the period	–	–	–	2,024,836,289	2,024,836,289
Balance as at 31 December, 2006	9,713,158,970	–	148,550	1,943,023,733	11,656,331,253
Profit for the period	–	–	–	2,180,315,515	2,180,315,515
Transfer to Revaluation Reserve	–	79,530,022	–	(79,530,022)	–
Dividends Paid for Preference Shares	–	–	–	(74,892,878)	(74,892,878)
Dividends Paid for Ordinary Shares (for Y/E 31.12.2006)	–	–	–	(168,696,871)	(168,696,871)
Balance as at 31 December, 2007	9,713,158,970	79,530,022	148,550	3,800,219,477	13,593,057,019

The accounting policies and notes on pages 40 through 61 form an integral part of the Financial Statements.

Cash Flow Statement

Year ended 31 December		Group		Company	
		31.12.2007 Rs.	31.12.2006 Rs.	31.12.2007 Rs.	31.12.2006 Rs.
	Note				
Cash Flows from Operating Activities					
Net Profit/(Loss) before Tax Expense		2,230,847,759	2,023,924,558	2,185,806,526	2,030,709,228
Adjustment for					
Depreciation	6	14,015,892	4,283,539	6,600,402	4,065,970
Amortisation of Intangible Assets	7	364,887	–	364,887	–
Provision for Retiring Gratuity	16	4,235,616	5,856,704	4,235,616	5,856,704
Finance cost	22.1	10,020,000	124,357,741	10,020,000	124,357,741
Finance Income	22.2	(53,390,997)	(15,636,947)	(17,888,040)	(15,143,970)
(Profit)/Loss on sale of Property, Plant & Equipment		(3,773)	(15,198)	(3,773)	(15,198)
Write back of provision made for dues from HIL		–	(6,468,750)	–	(6,468,750)
Write back of loans payable by HIL		(3,531,250)	–	–	–
Provision for fall in value of Investments		10,010,020	–	–	–
Fair Value Gain on Investment Property		(1,834,316,986)	(1,683,184,397)	(1,834,316,986)	(1,683,184,397)
Operating Profit/(Loss) before Working Capital Changes		378,251,168	453,117,250	354,818,632	460,177,328
(Increase)/Decrease in Amounts due from Related Parties		13,952,435	370,252,734	12,332,536	(14,425,278)
(Increase)/Decrease in Receivables		(110,963,508)	(33,500,849)	(68,144,803)	(11,094,193)
Increase /(Decrease) in Inventories		(898,700,642)	(355,047,173)	–	(205,336,080)
Increase /(Decrease) in Payables		1,210,689,180	(170,427,846)	101,213,206	–
Increase/(Decrease) Amounts due to Related Parties		8,446,346	(392,563,350)	–	–
Cash Generated from/ (Used in) Operations		601,674,979	(128,169,234)	400,519,571	229,321,777
Income Tax Paid		(9,394,713)	(4,790,862)	(5,281,847)	(4,790,862)
Finance Cost Paid	22.1	(10,020,000)	(124,357,741)	(10,020,000)	(124,357,741)
Defined Benefit Plan Costs Paid	16	(1,221,309)	(1,299,279)	(1,221,309)	(1,299,279)
Net Cash Generated from/(Used in) Operating Activities		581,038,956	(258,617,117)	383,996,415	98,873,895
Cash Flows from Investing Activities					
Proceeds from sale of Property, Plant & Equipment		15,727	15,198	15,728	15,198
Acquisition of Property, Plant & Equipment		(10,855,228)	(29,024,210)	(5,458,134)	(24,798,271)
Net effect of Acquisition of Subsidiary		–	(1,153,544,007)	–	(1,125,000,000)
Interest Received	22.2	53,390,997	15,636,947	17,888,040	15,143,970
Net Cash Used in Investing Activities		42,551,496	(1,166,916,072)	12,445,634	(1,134,639,103)
Cash Flows from Financing Activities					
Redemption of Redeemable Secured Loan Stock		–	(1,702,640,988)	–	(1,702,640,988)
Repayment of Interest Bearing Loans & Borrowings	14.3	(3,089,415)	(2,045,173,800)	(3,089,415)	(2,045,173,800)
Redemption of RCCPS		–	(148,550)	–	(148,550)
Loans Obtained		82,075,000	606,200,000	–	–
Proceeds from issue of Preference Shares		–	3,744,643,910	–	3,744,643,910
Proceeds from issue of Ordinary Shares		–	1,035,858,000	–	1,035,858,000
Repayment of Non-Interest Bearing Loans & Borrowings		(19,416,782)	–	(18,291,782)	–
Dividends Paid		(242,916,199)	(43,909,796)	(242,916,199)	(43,909,796)
Net Cash Flow from Financing Activities		(183,347,396)	1,594,828,776	(264,297,396)	988,628,776
Net Decrease in Cash and Cash Equivalents		440,243,055	169,295,587	132,144,653	(47,136,432)
Cash and Cash Equivalents at the beginning of the period	19	461,967,129	292,671,542	245,535,110	292,671,542
Cash and Cash Equivalents at the end of the period		902,210,184	461,967,129	377,679,763	245,535,110

The accounting policies and notes on pages 40 through 61 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 at the World Trade Center, which is the principal place of its business.

1.2 Principal Activities and Nature of Operations

During the period, the principal activities of the Company were the business of investment in properties, property development, trading and management.

Mireka Capital Land (Pvt) Ltd. is engaged in purchasing, hiring and acquiring real estate properties, real estate development and providing infrastructure facilities to real estate development projects.

Mireka Homes (Pvt) Ltd. is engaged in constructing and developing, housing complexes and commercial buildings and related infrastructure and be 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.

1.3 Parent Enterprise and Ultimate Parent Entity

In the opinion of the Directors, the Company's immediate parent undertaking Shing Kwan Investment Co. Ltd., a member of the Shing Kwan Group of companies headquartered in Singapore.

1.4 Date of Authorisation for Issue

The Financial Statements of Overseas Realty (Ceylon) PLC for the year ended 31 December, 2007 were authorised for issue in accordance with a resolution of the Board of Directors, on 31 January, 2008.

2. Accounting Policies

2.1 General Policies

2.1.1 Basis of Preparation

The Financial Statements presented in Sri Lanka Rupees have been prepared on a historical cost basis except for the revaluation of the Investment Property and certain items of property, plant & equipment, which have been measured at fair value.

The preparation and presentation of these Financial Statements is in compliance with the Companies Act No. 07 of 2007.

2.1.2 Statement of Compliance

The Financial Statements of Overseas Realty (Ceylon) PLC ('Company') and its subsidiary companies (together 'Group') have been prepared in accordance with Sri Lanka Accounting Standards (SLAS).

2.1.3 Consolidation Policies

The Financial Statements of the Group represent the consolidation of the Financial Statements of the Company, its subsidiaries, after elimination of all material intra group transactions.

a) Subsidiaries

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent has the power, directly or indirectly to govern the financial and operating policies of an enterprise.

Subsidiaries are controlled from the date the parent obtains control until the date that control ceases. The following companies have been consolidated:

- Overseas Realty (Ceylon) PLC. (Parent)
- Mireka Capital Land (Pvt) Ltd. (Subsidiary)
- Mireka Homes (Pvt) Ltd. (Subsidiary)
- Hospitality International (Pvt) Ltd. (Subsidiary)
- Realty Management Services (Pvt) Ltd. (Subsidiary)

All subsidiaries are incorporated in Sri Lanka.

b) The total profits and losses for the period, of the Company and of its subsidiaries included in consolidation are shown in the consolidated

Income Statement with the proportion of profit or loss after taxation pertaining to minority shareholders of subsidiaries being deducted as 'minority interest'. All assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the consolidated Balance Sheet. The interest of minority shareholders of subsidiaries in the fair value of net assets of the Group are indicated separately in the consolidated Balance Sheet under the heading 'minority interest'. The consolidated Cash Flow Statement includes the cash flows of the Company and its subsidiaries.

c) Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary, as at the date of acquisition. In accordance with SLAS 25 (revised 2004), Goodwill Arising on Business Combinations after 1 June, 2005 are not amortised, but tested for impairment annually.

2.1.4 Segment Reporting

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

2.1.5 Comparative Information

The Accounting Policies have been consistently applied by the Company and the Group with those used in the previous year.

The Financial Statements for the previous period comprise result for the 18 months that ended on 31 December, 2006 as a consequence of the change in the reporting period. In this circumstance the comparative amounts for Statements of Income, Cash Flows and Changes in Equity and Related Notes are not comparable with the current period that consists of 12 months ended 31 December, 2007.

2.2 Significant Accounting Judgements, Estimates and Assumptions

2.2.1 Critical judgements in applying the Accounting Policies

In the process of applying the Group's Accounting Policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the Financial Statements.

Distinction between Investment Properties and Owner-Occupied Properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an 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. Judgement 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 judgement.

2.2.2 Critical Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a 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) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar leases 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 leases 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 on investment properties are not available, the fair values of investment properties are determined using discounted flow valuation techniques. The Company uses assumptions that are mainly based on market conditions existing at each Balance Sheet date.

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

2.3 Summary of Significant Accounting Policies

2.3.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka 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 Balance Sheet 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.

2.3.2 Taxation

Current Taxes

Companies in the group have entered into agreements with 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 Board of Investment of Sri Lanka on 12 August, 2005 with regard to the above.

The 15-year tax exemption period commenced on 1 April, 2005 and will end on 31 March, 2020.

Mireka Capital Land (Pvt) Ltd.

Pursuant to the agreement with Board of Investment of Sri Lanka (BOI) dated 28 April, 2005, Mireka Capital Land (Pvt) Ltd. 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, which ever is earlier, as may be specified in a certificate by BOI.

Mireka Homes (Pvt) Ltd.

Pursuant to the agreement with Board of Investment of Sri Lanka (BOI) dated 26 August, 2005, Mireka Homes (Pvt) Ltd. 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, which ever is earlier, as may be specified in a certificate by BOI.

Deferred Taxation

As the Inland Revenue Act does not apply as stated above, temporary differences do not arise during the tax exemption period. Any deferred tax assets arising from source that are not covered by tax exemptions are re-assessed at each Balance Sheet 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 Balance Sheet.

2.3.3 Intangible Assets

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, excluding capitalised development costs, 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.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition 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 derecognised.

2.3.4 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realise net of provision for bad and doubtful debts.

Other receivables and dues from Related Parties are recognised at cost less provision for bad and doubtful receivables.

2.3.5 Inventory

Inventory represents property held by the Group intended for resale and costs connected with projects.

The Project under Development comprises acquisition costs, purchase taxes and any directly attributable costs to bring the asset to intended sale. Administrative expenses are not included unless these can be directly attributed to specific projects. Directly attributable costs are costs incurred for bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2.3.6 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amount 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 acquisitions are also treated as cash equivalents.

2.3.7 Property, Plant & Equipment

Property, Plant & Equipment 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 plant and equipment when that cost is incurred, if the recognition criteria are met.

Buildings

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:

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
Furniture, Fittings & Equipment - Restaurant	Over 3 Years

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

Any revaluation surplus (relate to Property, Plant & Equipment category) is credited to the Revaluation Reserve included in the Equity section of the Balance Sheet, 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.

2.3.8 Investments

a) Initial Recognition

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties and bank regulatory fees. The Company distinguishes and presents current and non-current investment in the Balance Sheet.

b) Measurement

Current Investment

Current investments are carried at the lower of cost and market value, determined on the basis of aggregate portfolio.

Long Term 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 Income Statement.

Disposal of Investment

On disposal of an investment, the difference between net disposals and proceed and the carrying amounts is recognised as either income or expense.

2.3.9 Investment Property

Property that is held for long term rental yields or for capital appreciation or both and that is not occupied by the companies 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 cost. After initial recognition, investment property is carried at fair value. Fair value is based on alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by an Independent Valuer.

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.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

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.

2.3.10 Provisions

Provisions are recognised when the Company 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.

2.3.11 Retirement Benefit Obligations

a) Defined Benefit Plan - Gratuity

Gratuity is a Defined Benefit Plan. The Group is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the Balance Sheet, equivalent to an amount calculated based on a half month's salary of the last month of the financial year of all employees for each completed year of service, commencing from the first year of service. The resulting difference between brought forward provision at the beginning of a year net of any payments made and the carried forward provision at the end of a year is dealt within the Income Statement. The gratuity liability is not funded nor actuarially valued.

b) Defined Contribution Plans - Employees' Provident Fund and 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 Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.3.12 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 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.

2.3.13 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 from sale of apartments is recognised based on 'substantial percentage completion' of apartments for which advances have been received from buyers or when 25% of the sales price of each apartment is received in cash. The Board has decided that the 'substantial percentage completion' to be 25% of the total project activities involved in the completion process of the apartment.

b) Rental income

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 collectibility is in doubt.

e) Others

Other Income is recognised on an accrual basis.

2.3.14 Expenditure Recognition

All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to the Income Statement for the period.

2.4 Future Changes in Accounting Policies**Standards Issued but not yet Effective:****Sri Lanka Accounting Standard 16 (Revised), Employee Benefits**

A revised SLAS 16 was issued in 2007, and becomes effective for financial years beginning on or after 1 July, 2007. Accordingly, the Financial Statements for year ending 31 December, 2008, will adopt the revised SLAS 16.

As a result of the revision all short term employee benefits of the Group is required to be recognised when an employee has rendered service in exchange for those benefits. For post-employment benefits, the Group will be required to involve a qualified actuary in their measurement. Pending a full study of this revised standard, the financial impact is not yet known and reasonably estimable.

3. Other Services

	Group		Company	
	12 months ended 31.12.2007 Rs.	18 months ended 31.12.2006 Rs.	12 months ended 31.12.2007 Rs.	18 months ended 31.12.2006 Rs.
Property Facility Fee	20,400,000	26,460,000	20,400,000	26,460,000
Net Income from Rented Car Park	3,179,571	4,239,767	3,179,571	4,239,767
Support Services	8,457,410	7,656,396	8,457,410	7,656,396
Other Services	3,313,927	9,534,051	3,313,927	9,534,054
	35,350,908	47,890,214	35,350,908	47,890,217

4. Segmental Information

The Group mainly comprises two business segments viz, ‘Rental & Other Services’ and ‘Sale of Apartments’ which are derived through two individual Companies in the Group. The ‘Rental & Other Services’ are derived by Overseas Realty (Ceylon) PLC and the ‘Sale of Apartments’ are derived through Mireka Homes (Pvt) Ltd. Overseas Realty (Ceylon) PLC earns rental income by way of renting out the space at ‘World Trade Center’ located at Echelon Square, Colombo 1 and Mireka Homes (Pvt) Ltd. recognises revenue through the sale of units in Havelock City project.

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

4.1 Segment Results

	Rental and Other Services Rs.	Sale of Apartments Rs.	Group 12 months ended 31.12.2007 Adjustments & Eliminations Rs.	Consolidated 31.12.2007 Rs.
Revenue	751,732,617	378,918,044	–	1,130,650,661
Direct Operating Expenses	(271,347,534)	–	–	(271,347,534)
Cost of Sales	–	(339,264,322)	11,612,477	(327,651,845)
Gross Profit/(Loss)	480,385,083	39,653,722	11,612,477	531,651,282
Fair Value Adjustment	1,834,316,986	–	–	1,834,316,986
Other Income and Gains	–	5,812,532	(5,812,532)	–
Unallocated Corporate Expenses				
Administration Expenses	(136,763,583)	(9,548,329)	(1,809,608)	(148,121,519)
Other Expenses	–	(20,352,565)	(10,017,422)	(30,369,987)
Finance Cost	(10,020,000)	–	–	(10,020,000)
Finance Income	17,888,040	34,203,522	1,299,435	53,390,997
Net Profit Before Tax	2,185,806,526	49,768,882	(4,727,650)	2,230,847,759

	Rental and Other Services Rs.	Sale of Apartments Rs.	Unallocated Rs.	Consolidated 31.12.2007 Rs.
4.2 Segment Assets and Liabilities				
Total Assets	14,696,491,581	2,935,838,186	60,763,618	17,693,093,386
Total Liabilities	(14,696,491,581)	(2,935,838,186)	(60,763,618)	(17,693,093,386)
4.3 Other Segmental Information				
Total cost incurred during the period to acquire				
- Property, Plant & Equipment	5,458,134	—	5,397,094	10,855,228
Depreciation	6,600,402	—	7,415,488	14,015,892
Amortisation	364,887	—	—	364,887
Provisions and Employee Benefit Liabilities	4,235,616	—	—	4,235,616

5. Investment Property

	Group		Company	
	12 months ended 31.12.2007 Rs.	18 months ended 31.12.2006 Rs.	12 months ended 31.12.2007 Rs.	18 months ended 31.12.2006 Rs.
At 1 January	11,203,016,898	9,519,832,502	11,203,016,898	9,519,832,502
Transfers to Property, Plant & Equipment (Note 5.3)	(166,961,588)	—	(166,961,588)	—
Net Gain from Fair Value Adjustment	1,834,316,986	1,683,184,396	1,834,316,986	1,683,184,396
At 31 December	12,870,372,296	11,203,016,898	12,870,372,296	11,203,016,898

- 5.1** The Company filed a Deed of Declaration No. 237 dated 27 June, 2001 attested by Ms. A.R. Edirimane, Notary Public, sub-dividing the Company's property (i.e World Trade Center at Echelon Square), into 219 condominium units in accordance with the Condominium Plan No. 1824 dated 25 April, 2001 made by Mr. M.T. Rathnayake, Licensed Surveyor of Survey Engineering Co. Ltd. The Urban Development Authority approved such plan under Section 594 (b) and 5 (2) of the Apartment Ownership Law No. 11 of 1973 as amended by Act No. 45 of 1982, on 14 June, 2001.
- The said Condominium Plan and Deed of Declaration were registered with the Land Registry on 4 July, 2001, thus resulting in the creation of the 'Management Corporation Condominium Plan No. 1824' under the provisions of the Apartment Ownership Law.
- The Company owns 185 units of condominium units that are held to earn rentals. These units constitute Investment Property of the Group.
- 5.2** Fair value of the investment property is ascertained by annual independent valuations carried out by Mr. P.B. Kalugalagedera, Chartered Valuer. Investment property was appraised in accordance with SLAS 40 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 are as follows:

Growth in future rentals	: 1 to 5 years 10% p.a and 6 to 10 years 5% p.a.
Anticipated maintenance cost	: 45% of rentals
Yeild/ Discount rate	: 6.5% p.a.

5.3 During the year, the Fair Value relevant to the floor occupied by the Company in the Ordinary course of the business has been transferred to Property, Plant & Equipment as such are owner occupied property. Accordingly, an amount of Rs. 166,961,588/- that includes a revaluation surplus of Rs. 79,530,022/- has been transferred to Property, Plant & Equipment.

6. Property, Plant & Equipment

Group

6.1 Gross Carrying Amounts

	Balance as at 01.01.2007 Rs.	Additions Rs.	(Disposals)/ Transfers Rs.	Balance as at 31.12.2007 Rs.
At Cost				
Buildings	28,147,385	2,687,139	—	30,834,524
Office Equipment	21,191,684	2,995,654	(25,740)	24,161,598
Computer Equipment	2,561,628	1,173,775	—	3,735,403
Furniture & Fittings	21,229,346	3,642,743	—	24,872,089
Motor Vehicle	24,283,796	355,917	—	24,639,713
Total Value of Depreciable Assets	97,413,839	10,855,228	(25,740)	108,243,327
At Valuation				
Furniture, Fittings & Equipment - Restaurant	7,822,700	—	—	7,822,700
Buildings - Level 18	—	—	166,961,588	166,961,588
	7,822,700	—	166,961,588	174,784,288
Total Value of Depreciable Assets	105,236,539	10,855,228	166,935,848	283,027,615

6.2 Depreciation

	Balance as at 01.01.2007 Rs.	Charge for the period Rs.	(Disposals)/ Transfers Rs.	Balance as at 31.12.2007 Rs.
At Cost				
Building	9,937,408	6,062,615	—	16,000,023
Office Equipment	15,123,830	2,218,126	(13,785)	17,328,171
Computer Equipment	763,618	783,538	—	1,547,156
Furniture & Fittings	15,686,652	1,177,698	—	16,864,350
Motor vehicle	4,967,193	3,773,915	—	8,741,108
Total Depreciation	46,478,701	14,015,892	(13,785)	60,480,808
At Valuation				
Furniture, Fittings & Equipment - Restaurant	7,822,700	—	—	7,822,700
	7,822,700	—	—	7,822,700
Total Depreciation	54,301,401	14,015,892	(13,785)	68,303,508

6.3 Net Book Value

	Balance as at 31.12.2007 Rs.	Balance as at 31.12.2006 Rs.
At Cost		
Building	14,834,501	18,209,977
Office Equipment	6,833,427	6,067,854
Computer Equipment	2,188,247	1,798,010
Furniture & Fittings	8,007,739	5,542,694
Motor Vehicle	15,898,605	19,316,603
At Valuation		
Furniture, Fittings & Equipment - Restaurant	—	—
Buildings - Level 18	166,961,588	—
	214,724,107	50,935,138

Company**6.4 Gross Carrying Amounts**

	Balance as at 01.01.2007 Rs.	Additions Rs.	(Disposals)/ Transfers Rs.	Balance as at 31.12.2007 Rs.
At Cost				
Motor Vehicles	24,283,796	113,918	—	24,397,714
Office Equipment	20,522,340	2,389,614	(25,740)	22,886,214
Furniture & Fittings	18,907,270	2,954,602	—	21,861,873
	63,713,406	5,458,134	(25,740)	69,145,801
At Valuation				
Furniture, Fittings & Equipment - Restaurant	7,822,700	—	—	7,822,700
Buildings - Level 18	—	—	166,961,588	166,961,588
	7,822,700	—	166,961,588	174,784,288
Total Value of Depreciable Assets	71,536,106	5,458,134	166,935,848	243,930,089

6.5 Depreciation

	Balance as at 01.01.2007 Rs.	Charge for the Period Rs.	(Disposals)/ Transfers Rs.	Balance as at 31.12.2007 Rs.
At Cost				
Motor Vehicles	4,967,193	3,763,832	—	8,731,025
Office Equipment	14,973,203	1,936,141	(13,785)	16,895,559
Furniture & Fittings	15,282,051	900,429	—	16,182,480
	35,222,447	6,600,402	(13,785)	41,809,064
At Valuation				
Furniture, Fittings & Equipment - Restaurant	7,822,700	—	—	7,822,700
	7,822,700	—	—	7,822,700
Total Depreciation	43,045,147	6,600,402	(13,785)	49,631,764

6.6 Net Book Value

	31.12.2007 Rs.	Company 31.12.2006 Rs.
At Cost		
Motor Vehicles	15,666,689	19,316,603
Office Equipment	5,990,655	5,549,137
Furniture & Fittings	5,679,393	3,625,219
At Valuation		
Furniture, Fittings & Equipment - Restaurant	—	—
Buildings - Level 18	166,961,588	—
	194,298,325	28,490,959

6.7 Property, Plant & Equipment - Restaurant includes fully depreciated assets having a gross carrying amount of Rs. 25,444,991/- (2006 - Rs. 22,228,202/-).

6.8 The Furniture, Fittings & Equipment - Restaurant were revalued during the financial year 2001 by Mr. P.B. Kalugalagedara, an independent Chartered Valuer. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 30 June, 2001. Such assets were valued on an open market value for existing use basis. These assets are fully depreciated as at 31 December, 2007.

6.9 Cash payments amounting to Rs.10,855,228/- (2006 - Rs.29,024,210/-) were made during the year for purchase of Property, Plant & Equipment.

6.10 As explained in 5.3, the fair value of owner occupied property that was revalued by the independent valuer along with the investment property as at 31 December, 2007 has been transferred to Property, Plant & Equipment.

7. Intangible Assets

	Group Balance as at 31.12.2007 Rs.	Balance as at 31.12.2006 Rs.	Company Balance as at 31.12.2007 Rs.	Balance as at 31.12.2006 Rs.
Membership Fee - WTCA (7.1)	7,297,734	7,297,734	7,297,734	7,297,734
	7,297,734	7,297,734	7,297,734	7,297,734
Amortisation for the year	364,887	—	364,887	—
Net Book Value	6,932,847	7,297,734	6,932,847	7,297,734

7.1 During the year ended 30 June, 1994 the Company has paid a membership fee of US\$ 150,000 to the World Trade Centers' Association and has obtained the license for the use of the trade name as 'World Trade Center'. The license requires to renew the eligibility of using the trade name through an annual subscription fee amounting to US\$ 10,000. The Management of the Company has determined the useful life of the asset as twenty years (20) and amortisation has been made on a straight line basis in the Income Statement with effect from the year ended 31 December, 2007.

8. Investments in Subsidiaries

	% Holding	Group		Company	
		31.12.2007 Rs.	31.12.2006 Rs.	31.12.2007 Rs.	31.12.2006 Rs.
Non-Quoted Investment at Cost					
Realty Management Services (Pvt) Ltd. (Ordinary shares of Rs. 10/- each) (8.1)	100%	—	10,020	10,020	10,020
Mireka Capital Land (Pvt) Ltd. (Ordinary shares of Rs. 10/- each)	60%	—	—	1,125,000,000	1,125,000,000
Hospitality International (Pvt) Ltd. (HIL) (Ordinary shares of Rs. 10/- each)	100%	—	—	112,159,107	112,159,107
Provision for the Fall in Value of HIL Investment		—	—	(112,159,107)	(112,159,107)
		—	10,020	1,125,010,020	1,125,010,020

8.1 Realty Management Services (Pvt) Ltd. which is incorporated in Sri Lanka has not commenced commercial operations. The Directors' view is that the value of this investment is Rs. 10,020/- (2006 - Rs. 10,020/-).

9. Inventories

	Group		Company	
	31.12.2007 Rs.	31.12.2006 Rs.	31.12.2007 Rs.	31.12.2006 Rs.
Real Estate intended for Sale	1,106,244,162	939,954,428	—	—
Project Under Development	2,002,123,559	1,269,712,651	—	—
	3,108,367,721	2,209,667,079	—	—

10. Trade and other Receivables

Trade Debtors	417,491,868	31,196,224	22,980,203	31,196,224
Less: Allowance for Doubtful Debts	(2,615,949)	—	(2,615,949)	—
	414,875,920	31,196,224	20,364,255	31,196,224
Other Debtors	161,011,212	161,455,571	93,800,456	15,150,484
Less: Allowance for Doubtful Debts	(3,853,876)	(3,853,876)	—	—
	572,033,256	188,797,919	114,164,711	46,346,708
Advances & Prepayments	7,083,184	279,355,013	3,838,813	3,512,013
	579,116,440	468,152,932	118,003,524	49,858,721

11. Amounts Due from Related Parties

Management Corporation Condominium Plan No. 1824	769,176	16,527,342	769,176	16,527,342
Mireka Capital Land (Pvt) Ltd.	—	—	3,425,630	—
Shing Kwan Management Ltd.	1,805,731	—	—	—
	2,574,907	16,527,342	4,194,806	16,527,342

12. Capital

	31.12.2007 Rs.
Stated Capital as at 31 December, 2007	
562,322,906 Ordinary Shares	5,623,229,060
374,464,391 Non-Convertible Cumulative Redeemable Preference Shares	3,744,643,910
	9,367,872,970
Add: Balance in Share Premium	345,286,000
Stated Capital	9,713,158,970

12.1 Rights, Preferences and Restrictions of Capital

During the year 2006, the Company issued 374,464,391 Non-Convertible Cumulative Redeemable Preference Shares (CRPS) at a dividend rate of 2% per annum amounting to Rs. 3,744,643,910/- as part of the Financial Restructuring process. Tenor of the Preference Share issue is 5 years and redeemable on 28 November, 2010. The Company has also been given the option of redeeming the principal in full or in multiples of Rs. 1 Mn, on each dividend payment date. 2% Dividend is payable on a semi-annual basis.

12.2 As at 31 December, 2007 dividends amounting to Rs. 74,892,878/- accumulated on 2% CRPS have been provided for in these Financial Statements.

13. Reserves

	31.12.2007 Rs.	31.12.2006 Rs.
13.1 Capital Reserves		
Share Premium	345,286,000	345,286,000
Less: Transferred to Stated Capital (Note 12.1)	(345,286,000)	—
	—	345,286,000
13.2 Revaluation Reserve		
Balance as at the beginning of the period	—	2,684,474,052
Transfer of surplus/(deficit) during the period	79,530,022	—
Set off against the Accumulated Loss - Capital Reduction	—	(2,684,474,052)
Balance as at the end of the period	79,530,022	—

14. Interest Bearing Liabilities

14.1 Interest Bearing Liabilities - Group

	31.12.2007 Amounts repayable within 1 year Rs.	31.12.2007 Amounts repayable after 1 year Rs.	31.12.2007 Total Rs.	31.12.2006 Amounts repayable within 1 year Rs.	31.12.2006 Amounts repayable after 1 year Rs.	31.12.2006 Total Rs.
Loan - BOC	—	688,275,000	688,275,000	—	606,200,000	606,200,000
SR & CC & T Fund Loan	50,000,000	446,910,585	496,910,585	—	500,000,000	500,000,000
	50,000,000	1,135,185,585	1,185,185,585	—	1,106,200,000	1,106,200,000

14.2 Interest Bearing Liabilities - Company

Bank Loans (14.3)	50,000,000	446,910,585	496,910,585	—	500,000,000	500,000,000
Total Loans and Overdraft	50,000,000	446,910,585	496,910,585	—	500,000,000	500,000,000

14.3 Unsecured Bank Loans

	As at 01.01.2007 Rs.	Loans obtained during the year Rs.	Repayments Rs.	As at 31.12.2007 Rs.
SR & CC & T Fund Loan (14.4)	500,000,000	—	(3,089,415)	496,910,585
	500,000,000	—	(3,089,415)	496,910,585

14.4 The Company signed an unsecured Term Loan Agreement on 30 March, 1998 with Bank of Ceylon (BOC) to borrow Rs. 500 Mn at a concessionary rate of interest of 2% p.a. repayable over a period of ten years following a grace period of five years. Hence 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 11 September, 2003. The first capital repayment was therefore commenced in December 2007.

15. Non-Interest Bearing Liabilities

	31.12.2007 Amounts repayable within 1 year Rs.	31.12.2007 Amounts repayable after 1 year Rs.	31.12.2007 Total Rs.	31.12.2006 Amounts repayable within 1 year Rs.	31.12.2006 Amounts repayable after 1 year Rs.	31.12.2006 Total Rs.
SR & CC & T Fund Loan (15.1)	—	—	—	18,291,782	—	18,291,782
HIL Loan - BOC (15.2)	1,125,000	4,218,750	5,343,750	—	—	—
	1,125,000	4,218,750	5,343,750	18,291,782	—	18,291,782

	As at 01.01.2007 Rs.	Loans obtained During the Year Rs.	Repayments Rs.	As at 31.12.2007 Rs.
15.1 SR & CC & T Fund Loan				
Interest Payable	18,291,782	—	(18,291,782)	—
15.2 HIL Loan - SR & CC & T Fund				
Loan payable by Hospitality International (Pvt) Ltd. (15.3)	6,468,750	—	(1,125,000)	5,343,750

15.3 The Company's subsidiary, Hospitality International (Pvt) Ltd. has obtained an unsecured SR & CC & T Loan of Rs. 19,917,795/- from SR & CC & T Fund, at a concessionary 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. As at 31 December, 2007 an amount of Rs. 5,343,750/- (2006 - 6,468,750/-) is payable in this regard.

16. Retirement Benefit Liability

	Group		Company	
	2007 Rs.	2006 Rs.	2007 Rs.	2006 Rs.
Balance as at 1 January, 2007	12,284,061	7,726,636	12,284,061	7,726,636
Charge for the year	4,235,616	5,856,704	4,235,616	5,856,704
Payments made during the year	(1,221,309)	(1,299,279)	(1,221,309)	(1,299,279)
Balance as at 31 December, 2007	15,298,368	12,284,061	15,298,368	12,284,061

	Group		Company	
	31.12.2007 Rs.	31.12.2006 Rs.	31.12.2007 Rs.	31.12.2006 Rs.
17. Trade and Other Payables				
Trade Creditors	500,362,866	340,692,917	—	—
Rental Income received in Advance	80,505,397	69,318,017	80,505,397	69,318,017
Rental Deposits	363,062,708	303,970,602	363,062,708	303,970,602
Customer Deposits	917,951,518	11,108,692	—	—
Sundry Creditors including Accrued Expenses	194,014,349	120,117,430	106,304,675	75,070,955
	2,055,896,838	845,207,658	549,872,780	448,359,574
18. Amounts Due to Related Parties				
Shing Kwan Investment (Singapore) Pte Ltd.	315,661	—	—	—
Shing Kwan Management Ltd.	18,362,885	10,232,200	—	—
	18,678,546	10,232,200	—	—

19. Cash & Cash Equivalents in Cash Flow Statement**Components of Cash & Cash Equivalents****Favourable Cash & Cash Equivalents Balance**

Cash & Bank Balances	202,844,475	107,880,023	59,571,268	80,873,004
Fixed & Call Deposits	699,365,708	354,087,106	318,108,494	164,662,106
Total Cash & Cash Equivalents for the purpose of Cash Flow Statement	902,210,184	461,967,129	377,679,763	245,535,110

20. Dividends Paid and Payable

	2007 Rs.	2006 Rs.
20.1 Declared and paid during the year		
Equity Dividends on Ordinary Shares		
- Final dividend for 2006: Rs. 0.30 per share (No Dividends for 2005)	168,696,871	—
Preference Dividend for 2007	74,892,878	31,664,015
	243,589,749	31,664,015
20.2 Dividends Payable as at 31 December		
Dividends on Ordinary Shares	673,550	—
Dividends on Preference Shares	37,754,219	37,754,219
	38,427,769	37,754,219

	Group		Company	
	12 months ended 31.12.2007 Rs.	18 months ended 31.12.2006 Rs.	12 months ended 31.12.2007 Rs.	18 months ended 31.12.2006 Rs.
21. Other Operating Income				
Reversal of HIL Loan	–	6,468,750	–	6,468,750
	–	6,468,750	–	6,468,750
22. Finance Cost and Income				
22.1 Finance Cost				
Interest Expense on				
Interest Bearing Loans & Borrowings	10,020,000	124,357,741	10,020,000	124,357,741
	10,020,000	124,357,741	10,020,000	124,357,741
22.2 Finance Income				
Income from Investments:				
- Interest on Fixed Deposits	53,390,997	15,636,947	17,888,040	15,143,970
	53,390,997	15,636,947	17,888,040	15,143,970
23. Profit before Tax				
Stated after Charging/(Crediting)				
Depreciation	14,015,892	4,283,539	6,600,402	4,065,970
Exchange Gain/(Loss)	804,647	35,421,377	1,020,617	33,993,293
(Profit)/Loss on Disposal of Property, Plant and Equipment	(3,773)	(15,198)	(3,773)	(15,198)
Employment Benefits (including the following)	64,223,464	58,671,362	64,223,464	58,671,362
- Defined Benefit Plan Cost - Gratuity	–	4,005,608	–	4,005,608
- Defined Contribution Plan Cost - EPF & ETF	4,959,128	4,525,651	4,959,128	4,525,651
Amortisation of Intangible Assets	364,887	–	364,887	–

24. Tax Expenses

24.1 Reconciliation between Tax Expense and the Product of Accounting Profit multiplied by the Statutory Tax rate is as follows:

	Group		Company	
	12 months ended 31.12.2007 Rs.	18 months ended 31.12.2006 Rs.	12 months ended 31.12.2007 Rs.	18 months ended 31.12.2006 Rs.
Accounting Profit before Tax from Continuing Operations	2,230,847,759	2,023,924,558	2,185,806,526	2,030,709,228
Income exempt from Tax	2,187,317,862	2,001,516,532	2,161,909,186	2,013,929,402
Tax Liable Income	57,513,736	22,408,026	23,897,340	16,779,826
Deductions Allowed	(8,364,069)	(5,628,200)	(8,364,069)	—
Taxable Income	49,149,667	16,779,826	15,533,271	16,779,826
Income Tax at the Statutory Rate of 35% (2006 - 35%)	17,202,384	5,706,802	5,436,645	5,706,802
Social Responsibility Levy	172,024	166,137	54,366	166,137
Under/(Over) Provision in respect of last year	6,766	—	—	—
	17,381,174	5,872,939	5,491,011	5,872,939

24.2 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 2.3.2.

24.3 Deferred tax asset amounting to Rs. 112,855,612/- (2006 - Rs. 105,558,963/-) arising as a result of pre-operaional interest has not been recognised in these Finanical Statements as there is an uncertainty of the availability of such tax losses amounting to Rs. 322,444,608/- (2006 - 328,072,808/-) for set off aganist taxable income after the tax holiday period enjoyed by the Group. The Group will continue to re-asses unrecognised deferred tax assets at each Balance Sheet date.

25. Earnings Per Share

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

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

	Group	
	12 months ended 31.12.2007 Rs.	18 months ended 31.12.2006 Rs.
Amounts Used as the Numerator		
Net Profit/(Loss) attributable to ordinary shareholders for Basic earnings per share	2,213,466,585	2,018,051,619
Dividends on redeemable preference shares	(74,892,878)	(81,664,015)
Net Profit/(Loss) attributable to ordinary shareholders for basic earnings per share	2,138,573,707	1,936,387,604
Number of Ordinary Shares Used as the Denominator		
Weighted Average number of Ordinary Shares in issue applicable to basic earnings per share	562,322,906	529,962,515
	562,322,906	529,962,515

26. Comparative Information

The presentation and classification of following items in theses Financial Statements are amended to ensure comparability with the current year:

		Group 2006 Rs.	Company 2006 Rs.
As Reported Previously			
Property, Plant & Equipment - Freehold Land	(a)	939,954,428	—
Project under Development	(a)	1,269,712,651	—
Share Capital	(b)	9,367,872,970	9,367,872,970
Share Premium	(b)	345,286,000	345,286,000
Revenue	(c)	883,152,988	883,152,988
Other Operating Income	(c)	67,692,526	68,627,633
Administration Expenses	(d)	484,155,996	479,898,048
Others		19,883,398	18,291,782
Current Presentation			
Inventory	(a)	2,209,667,079	—
Stated Capital	(b)	9,713,158,970	9,713,158,970
Rental Income	(c)	873,618,934	873,618,934
Other Services	(c)	47,890,217	47,890,217
Other Operating Income	(c)	6,468,750	6,468,750
Direct Operating Expenses	(d)	312,939,879	312,918,320
Administration Expenses	(d)	163,985,450	158,320,978
Financial Income	(c)	15,636,947	15,143,970
Others		16,700,166	18,291,782

Reasons for Change in the Presentation and Classification:

- (a) Freehold Land included in Property, Plant & Equipment and Project under Development has been reclassified under inventory as such assets are being used in the construction process as Work-in-Progress.
- (b) The Authorised Capital and Par Value concept in relation to share capital were abolished by the Companies Act No. 07 of 2007. Therefore, the Company does not have a limited amount of Authorised Capital. The amount of issued shares do not have a par value. The total amount received by the Company or due and payable to Company in respect of the issue and calls of the shares are referred to as Stated Capital. Thus, the share premium has been adjusted to the Share Capital and the presentation on comparative information have been restated accordingly.

- (c) The revenue has been reclassified as follows for a comprehensive presentation:

	Revenue Rs.	Other Operating Income Rs.	Other Services Rs.	Finance Income Rs.
Group				
Reported previously	883,152,988	67,692,526	—	—
Transfer to Other Services	(9,534,054)	(38,356,163)	47,890,217	—
Transfer to Finance Income	—	(15,636,947)	—	15,636,947
Offset against Administration Expenses	—	(7,230,666)	—	—
	873,618,934	6,468,750	47,890,217	15,636,947
Company				
Reported previously	883,152,988	68,627,633	—	—
Transfer to Other Services	(9,534,054)	(38,356,163)	47,890,217	—
Transfer to Finance Income	—	(15,143,970)	—	15,143,970
Offset against Administration Expenses	—	(8,658,750)	—	—
Current Presentation	873,618,934	6,468,750	47,890,217	15,143,970

- (d) The Administrative Expenses were reclassified as follows for a comprehensive presentation:

	Group 2006 Rs.	Company 2006 Rs.
Previously reported	484,155,996	479,898,048
Transfer from Other Operating Income	(7,230,666)	(8,658,750)
Transfer to Direct Operating Expenses	(312,939,879)	(312,918,320)
Current Presentation	163,985,450	158,320,978

27. Related Party Disclosures

27.1 Transaction with the Parent and Related Entities

Name of the Company and Relationship	Transactions with Subsidiaries		Transactions with other affiliate Companies	
	2007 Rs.	2006 Rs. (18 months)	2007 Rs.	2006 Rs. (18 months)
Nature of Transaction				
As at 1 January	—	—	523,232,200	—
Investments made in the Company	—	—	—	513,000,000
Management Fee	—	—	20,182,491	—
Central Costs allocated: Employee Benefits	22,535,975	27,896,372	—	—
Rendering of Services	(33,748,648)	(32,626,650)	—	—
Receipt of Services	—	—	4,048,539	12,367,841
Reimbursements	7,787,079	4,730,278	(17,590,416)	(2,135,641)
As at 31 December	(3,425,630)	—	529,872,814	523,232,200

The above transactions are included in Stated Capital, 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 made at on the basis of the price agreed between related parties. Outstanding balance with related parties at Balance Sheet date are unsecured and interest free. Settlement will take place in cash.

27.2 Other Related Party Disclosures

Group	Relationship	Nature of Transaction	2007 Rs.	2006 Rs.
Bank of Ceylon (BOC)	Significant Shareholder	As at 1 January	1,130,960,532	564,934,332
		Loan Granted	82,075,000	606,200,000
		Loan Repayment	(22,506,197)	(40,173,800)
		As at 31 December	1,190,529,335	1,130,960,532

The above transactions are included in interest bearing loans. Further, Group has current accounts at BOC amounting to Rs. 132,105,222/- (2006 - Rs. 26,957,019/-), Call & Fixed deposits amounting to Rs. 102,919,333/- (2006 - Rs. 189,425,000/-). During the year interest expense on account of financial accommodation obtained from BOC amounted to Rs. 10,020,000/- (2006 - Rs. 51,902,837/-), while interest earned amounted to Rs. 6,385,030/- (2006 - Rs. 2,031,876/-).

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

The key management personnel of the Company are the members of its Board of Directors and that of its parent. Payments made to key management personnel during the year were as follows:

	2007 Rs.	2006 Rs.
Directors' Fee	750,000	570,000
Other Short Term Benefits	1,554,421	—

28. Capital Expenditure Commitments

- The Company does not have significant capital commitments as at the Balance Sheet date.
- Mireka Capital Land (Pvt) Ltd. has commitments amounting to Rs. 199,022,529/- (2006 - Rs. 378,076,380/-) as at the Balance Sheet date in respect of Havelock City Project.
- Mireka Homes (Pvt) Ltd. has commitments amounting to Rs. 1,165,138,572/- (2006 - Rs. 2,115,441,418/-) as at the Balance Sheet date in respect of Havelock City Project.

29. Contingencies**(a) Legal Claims:**

The Company is a defendant in a lawsuit in respect of a case filed by a tenant for recovery of Deposit and Rent paid in advance in terms of the Indenture executed with the said party for which its maximum liability is Rs. 5,835,583/- with an interest rate at 28%. Although there can be no assurance, the Directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the results of operations or financial position. Accordingly, no provision for any liability has been made in these Financial Statements.

- The Company is a defendant in a lawsuit in respect of two Labour Tribunal cases filed by two employees for which its maximum liability cannot be ascertained as at the year end. Although there can be no assurance, the Directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the results of operations, financial position or liquidity. Accordingly, no provision for any liability has been made in these Financial Statements.

30. Events Occurring after the Balance Sheet date

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the Financial Statements.

31. Assets Pledged

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

Company Performance - Five Year Summary

Profit & Loss Statement

	2003 12 months	2004 12 months	2005 12 months	2006 18 months	2007 12 months
Rental Income	369,537,500	387,174,969	508,459,741	873,618,934	716,381,709
Income from Other Services	16,122,148	24,459,107	31,667,988	69,502,937	53,238,948
Sale of Condominium Units	–	1,251,320,066	333,354,099	–	–
Total Revenue	385,659,648	1,662,954,142	873,481,828	943,121,871	769,620,657
Cost of Sales	–	(1,334,790,797)	(419,548,022)	–	–
Gross Profit	385,659,648	328,163,345	453,933,806	943,121,871	769,620,657
Fair Value Adjustment				1,683,184,396	1,834,316,986
Revaluation Gain Realised	–	381,547,783	73,006,865	–	–
Total Operating Expenditure	(211,021,738)	(310,852,560)	(326,872,390)	(471,239,298)	(408,111,117)
Profit from Operating Activities	174,637,910	398,858,568	200,068,281	2,155,066,969	2,196,126,526
Finance Costs	(383,557,255)	(495,620,149)	(205,046,184)	(124,357,741)	(10,020,000)
Profit/(Loss) from					
Operating Activities	(208,919,345)	(96,761,581)	(4,977,903)	2,030,709,228	2,185,806,526
Income Tax Expenses		–	(2,014,413)	(5,872,939)	(5,491,011)
Net Profit/(Loss) for the year	(208,919,345)	(96,761,581)	(6,992,316)	2,024,836,289	2,180,315,515

Balance Sheet

ASSETS

Investment Property	10,260,216,613	6,509,697,945	6,789,204,083	11,203,016,898	12,870,372,296
Property, Plant & Equipment	12,950,117	9,232,870	6,571,373	28,490,959	194,298,324
Intangible Assets	7,297,734	7,297,734	7,297,734	7,297,734	6,932,847
Investments in Subsidiaries	10,020	10,020	10,020	1,125,010,020	1,125,010,020
	10,280,474,484	6,526,238,569	6,803,083,210	12,363,815,611	14,196,613,487
CONDOMINIUM UNITS FOR SALE		3,080,348,634	2,730,628,418	–	–
CURRENT ASSETS	183,153,821	232,581,068	334,725,419	311,921,173	499,878,093
TOTAL ASSETS	10,463,628,305	9,839,168,271	9,868,437,047	12,675,736,784	14,696,491,581

EQUITY & LIABILITIES

Capital & Reserves

Issued Share Capital	5,499,930,910	5,137,351,560	5,839,547,575	–	–
Stated Capital	–	–	–	9,713,158,970	9,713,158,970
Reserves	2,897,097,820	3,180,170,800	2,684,474,052	–	–
Share Premium	–	–	–	148,550	345,286,000
Capital Redemption Reserve Fund	–	–	–	–	148,550
Accumulated Profit/(Loss)	(3,487,462,111)	(3,584,223,692)	(3,591,216,008)	1,943,023,733	3,800,219,477
Total Equity	4,909,566,619	4,733,298,668	4,932,805,619	11,656,331,253	13,593,057,019
NON-CURRENT LIABILITIES	4,852,681,948	4,354,159,989	2,275,785,968	512,284,061	462,208,954
CURRENT LIABILITIES	701,379,738	751,709,614	2,659,845,460	507,121,470	641,225,608
TOTAL EQUITY AND LIABILITIES	10,463,628,305	9,839,168,271	9,868,437,047	12,675,736,784	14,696,491,581

Earnings per Share (Rs.)	(1.24)	(0.72)	(0.016)	3.67	3.74
Average Occupancy (%)	56.93	62.80	75.37	81.89	79.04
Net Asset Value per Share (Rs.)	7.46	8.26	8.45	14.08	17.51
Share Value - High (Rs.)	8.50	14.25	12.50	23.25	15.50
Share Value - Low (Rs.)	3.00	5.00	5.75	9.50	9.00
Current Ratio	0.26	0.31	0.13	0.62	0.78
Return on Equity (%)	(24.29)	(5.28)	(8.20)	30.26	23.71
Total Debt to Total Assets	0.49	0.44	0.43	0.04	0.03
Debt/Equity Ratio	1.05	0.92	0.87	0.04	0.04

Shareholder Information

General

Stated Capital of the Company as defined by the Companies Act No. 07 of 2007 was Rs. 9,713.16 Mn as at 31 December, 2007.

Stock Exchange Listing

Overseas Realty (Ceylon) PLC is a public listed Company, the issued ordinary shares of which are listed on the Colombo Stock Exchange.

Analysis of Ordinary Shareholders as at 31 December, 2007

Shareholdings	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	1,607	626,112	0.11	17	8,022	—	1,624	634,134	0.11
1,001 - 5,000	662	1,783,255	0.32	12	30,587	0.01	674	1,813,842	0.33
5,001 - 10,000	183	1,422,135	0.25	1	10,000	0.00	184	1,432,135	0.25
10,001 - 50,000	132	2,937,987	0.52	7	219,800	0.04	139	3,157,787	0.56
50,001 - 100,000	19	1,281,381	0.23	2	173,400	0.03	21	1,454,781	0.26
100,001 - 500,000	14	2,994,351	0.53	1	105,000	0.02	15	3,099,351	0.55
500,001 - 1,000,000	4	2,476,300	0.44	—	—	—	4	2,476,300	0.44
Over 1,000,000	2	23,616,043	4.20	7	524,638,533	93.30	9	548,254,576	97.50
	2,623	37,137,564	6.60	47	525,185,342	93.40	2,670	562,322,906	100.00

Categories of Shareholders

	No. of Shareholders	No. of Shares
Individual	2,552	12,229,776
Institutional	118	550,093,130
	2,670	562,322,906

Analysis of 2% Cumulative Redeemable Preference Shares (Non-Convertible) as at 31 December, 2007

	No. of Shareholders				Total Holding			Percentage	
	Foreign	Local	Total		Foreign	Local		Foreign	Local
Over 1,000,000 Shares	1	—	1	3,744,643,910	—	3,744,643,910	100	—	—
	1	—	1	3,744,643,910	—	3,744,643,910	100	—	—

Categories of Shareholders

	Number of Shareholders	Number of Shares
Institutional	1	3,744,643,910
Total	1	3,744,643,910

Performance at the Colombo Stock Exchange

	31 December, 2007		31 December, 2006	
Highest	08.02.2007	Rs. 15.50	20.07.2006	Rs. 23.25
Lowest	17.05.2007	Rs. 9.00	18.01.2006	Rs. 9.50
Last Traded Price		Rs. 10.75		Rs. 13.50
Last Traded Date		31.12.2007		29.12.2006

As at	31 December, 2007	31 December, 2006
Ordinary Shares		
Market Value (Rs.)	10.75	13.50
Number of Transactions	4,851	23,264
Number of Shares Traded	9,193,200	58,219,600
Value of Shares Traded (Rs.)	118,836,300	1,063,039,025
2% Cumulative Redeemable Preference Shares (2% CRPS)		
- Market Value	Not Traded	—

There are no comparable Government Securities to CRPS

Top Twenty Shareholders as at 31 December, 2007

Name	No. of Shares	Percentage (%)
1. Shing Kwan Investments Co. Ltd.	302,244,387	53.75
2. Unity Builders Ltd.	146,770,992	26.10
3. Shing Kwan Investment (Singapore) Pte. Ltd.	67,440,554	11.99
4. People's Bank	20,722,353	3.69
5. Chipperfield Investments Ltd.	5,100,000	0.91
6. Alchemy Heavy Metals Pte. Ltd.	2,893,690	0.51
7. Oriental Pearl Inc.	1,700,000	0.30
8. Sandwave Ltd.	1,382,600	0.25
9. Mr. Jayasooriya Goodson Prabha Ranjith	800,000	0.14
10. Mr. Arunashantha Sarukkali Witharanage Upali	629,300	0.11
11. Mr. Rajanthan Yogarajah	542,500	0.10
12. Forte Equity Investments (Pvt) Ltd.	504,500	0.09
13. Mr. Hirdaramani Janak Bhagwandas	469,338	0.08
14. Mr. Gulamhusein Shabbir Abbas	374,201	0.07
15. Mr. Cader Mohamed Naizer	362,900	0.06
16. Mr. Esufally Husein Nuruddain	300,000	0.05
17. Mr. Galhenage Indika Prasad	235,492	0.04
18. Mr. Esufally Imtiaz Abidhusen Hassanally	200,000	0.04
19. Mrs. Perera Techla Dilrukshi	192,600	0.03
20. Professor Lamabadusuriya Sanath Punsara	150,000	0.03
	553,015,407	98.34
Balance held by 2,650 shareholders	9,307,499	1.66
Total Number of Ordinary Shares	562,322,906	100
Public Holding	45,815,973	8.15
Others	516,506,933	91.85
Total	562,322,906	100

Public Shareholding as at 31 December, 2007

Parent Company (Group)	No. of Shares
Shing Kwan Investment Co. Ltd.	302,244.39
Unity Builders Ltd.	146,770,992
Shing Kwan Investment (Singapore) Pte Ltd.	67,440,554
	516,455,933
Issued Share Capital as at 31 December, 2007	562,322,906
Less	
Parent Company	516,455,933
Subsidiaries	—
Over 10% Holding	—
Directors' Shareholding	1,000
Spouses of Directors & CEO	50,000
Public Holding	45,815,973
Public Holding as a percentage of Issued Capital	8.15%

Performance Indicators

As at year ended	Group		Company	
	December 2007	December 2006	December 2007	December 2006
Net Asset Value per Share (Rs.)	17.54	14.92	17.51	14.08
Earnings per Share (Rs.)	3.80	3.67	3.74	3.68
Debt/Equity Ratio	0.08	0.09	0.03	0.04
Interest Cover	223.64	17.28*	219.14	17.33*
Quick Asset Ratio	6.68	1.04	0.78	0.62
Dividends per Share	Nil	Nil	Nil	0.30

* Restated

Notice of Meeting

Notice is hereby given that the Twenty Sixth Annual General Meeting of OVERSEAS REALTY (CEYLON) PLC will be held at Level 36, East Tower, World Trade Center, Echelon Square, Colombo 1 on **Thursday, 24 April, 2008 at 4.00 p.m.** for the transaction of the following business:

AGENDA

1. To receive and consider the report of the Board of Directors and the Statement of Accounts as at 31 December, 2007 and the Report of the Auditors thereon.
2. To declare a first and final dividend of Rs. 0.50 per Ordinary Share in respect of the financial year ending 31 December, 2007 as recommended by the Directors.
3. To pass the following Ordinary Resolutions in accordance with the provisions of the Companies Act declaring that the age limit of 70 years shall not apply to the following Directors:

(i) *Ordinary Resolution*

It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Section 211 of the Companies Act No. 07 of 2007 shall not apply to SHING PEE TAO who attained the age of 70 years on 25 December, 1986 and whose age was previously declared and appointment approved by an Ordinary Resolution passed on 23 July, 1992.

(ii) *Ordinary Resolution*

It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Section 211 of the Companies Act No. 07 of 2007 shall not apply to ROHINI LETTITIA NANAYAKKARA who attained the age of 70 years on 12 April, 2006.

(iii) *Ordinary Resolution*

It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Section 211 of the Companies Act No. 07 of 2007 shall not apply to CHRISTOPHER JAMES EDWARD ANTHONISZ who attained the age of 70 years on 19 March, 1992 and whose age was previously declared and appointment approved by an Ordinary Resolution passed on 23 July, 1992.

(iv) *Ordinary Resolution*

It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Section 211 of the Companies Act No. 07 of 2007 shall not apply to BALAKUMARA MAHADEVA who attained the age of 70 years on 29 October, 1991 and whose age was previously declared and appointment approved by an Ordinary Resolution passed on 9 December, 1994.

(v) *Ordinary Resolution*

It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Section 211 of the Companies Act No. 07 of 2007 shall not apply to HUSSAIN ZUBIRE CASSIM who attained the age of 70 years on 9 September, 1995 and whose age was previously declared and appointment approved by an Ordinary Resolution passed on 7 December, 1995.

(vi) *Ordinary Resolution*

It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Section 211 of the Companies Act No. 07 of 2007 shall not apply to ERNST PETER LUDWIG FRANZ ROGOWSKI who attained the age of 70 years on 12 November, 2005.

4. (i) To re-elect HUSSAIN ZUBIRE CASSIM a Director who retires by rotation in terms of Articles 90 and 91 of the Articles of Association of the Company, and being eligible has offered himself for re-election.
- (ii) To re-elect MILDRED TAO ONG a Director who retires by rotation in terms of Articles 90 and 91 of the Articles of Association of the Company, and being eligible has offered herself for re-election.
- (iii) To re-elect AJIT MAHENDRA DE SILVA JAYARATNE a Director who retires by rotation in terms of Articles 90 and 91 of the Articles of Association of the Company, and being eligible has offered himself for re-election.

5. To re-appoint the retiring Auditors Messrs. Ernst & Young, Chartered Accountants to audit the Financial Statements of the Company and the Group for the accounting period next after the Balance Sheet date for which Financial Statements were audited and Messrs. Ernst & Young having expressed their consent to continue, be and is hereby re-appointed in terms of Article 145 of the Articles of Association to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.

6. *Special Resolution*

That the regulations contained in the printed document produced to this meeting and signed by the Deputy Chairman of the Company be approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all the existing articles thereof.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her in accordance with the provisions of the Company's Articles of Association. A proxy need not be a member. Proxies in the form contained herein must be lodged at Overseas Realty (Ceylon) PLC, Level 18, East Tower, World Trade Center, Echelon Square, Colombo 1, not later than forty-eight hours before the time fixed for holding of the meeting.

By Order of the Board
Overseas Realty (Ceylon) PLC

(Sgd)

Jayanga Wegodapola
Company Secretary

14 March, 2008

Form of Proxy

I/We

being a member/members of OVERSEAS REALTY (CEYLON) PLC, hereby appoint,

1.

of

or failing him,

2. One of the Directors of the Company as my/our Proxy to vote as indicated hereunder on my/our behalf at the Annual General Meeting of the Company of be held on 24 April, 2008 at 4.00 p.m. and at any adjournment thereof:

	For	Against
1. To receive and consider the Report of the Board of Directors and the Statement of Accounts as at 31 December, 2007 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a first and final dividend of Rs. 0.50 per Ordinary Share in respect of the financial year ending 31 December, 2007 as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To pass the following Ordinary Resolutions in accordance with the provisions of the Companies Act declaring that the age limit of 70 years shall not apply to the following Directors:		
(i) <i>Ordinary Resolution</i> It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Section 211 of the Companies Act No. 07 of 2007 shall not apply to SHING PEE TAO who attained the age of 70 years on 25 December, 1986 and whose age was previously declared and appointment approved by an Ordinary Resolution passed on 23 July, 1992.	<input type="checkbox"/>	<input type="checkbox"/>
(ii) <i>Ordinary Resolution</i> It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Section 211 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.	<input type="checkbox"/>	<input type="checkbox"/>
(iii) <i>Ordinary Resolution</i> It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Section 211 of the Companies Act No. 07 of 2007 shall not apply to CHRISTOPHER JAMES EDWARD ANTHONISZ who attained the age of 70 years on 19 March, 1992 and whose age was previously declared and appointment approved by an Ordinary Resolution passed on 23 July, 1992.	<input type="checkbox"/>	<input type="checkbox"/>
(iv) <i>Ordinary Resolution</i> It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Section 211 of the Companies Act No. 07 of 2007 shall not apply to BALAKUMARA MAHADEVA who attained the age of 70 years on 29 October, 1991 and whose age was previously declared and appointment approved by an Ordinary Resolution passed on 9 December, 1994.	<input type="checkbox"/>	<input type="checkbox"/>
(v) <i>Ordinary Resolution</i> It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Section 181 of the Companies Act No. 17 of 1982 and its amendments thereof shall not apply to HUSSAIN ZUBIRE CASSIM who attained the age of 70 years on 9 September, 1995 and whose age was previously declared and appointment approved by an Ordinary Resolution passed on 7 December, 1995.	<input type="checkbox"/>	<input type="checkbox"/>
(vi) <i>Ordinary Resolution</i> It is hereby resolved and it is further specially declared that the age limit of 70 years referred to in Section 211 of the Companies Act No. 07 of 2007 shall not apply to ERNST PETER LUDWIG FRANZ ROGOWSKI who attained the age of 70 years on 12 November, 2005.	<input type="checkbox"/>	<input type="checkbox"/>

Form of Proxy

4.

(i)

To re-elect HUSSAIN ZUBIRE CASSIM a Director who retires by rotation in terms of Articles 90 and 91 of the Articles of Association of the Company, and being eligible has offered himself for re-election.
- (ii)

To re-elect MILDRED TAO ONG a Director who retires by rotation in terms of Articles 90 and 91 of the Articles of Association of the Company, and being eligible has offered herself for re-election.
- (iii)

To re-elect AJIT MAHENDRA DE SILVA JAYARATNE a Director who retires by rotation in terms of Articles 90 and 91 of the Articles of Association of the Company, and being eligible has offered himself for re-election.
5.

To re-appoint the retiring Auditors Messrs. Ernst & Young, Chartered Accountants to Audit the Financial Statements of the Company and the Group for the accounting period next after the Balance Sheet date for which Financial Statements were audited and Messrs. Ernst & Young having expressed their consent to continue, be and is hereby re-appointed in terms of Article 145 of the Articles of Association to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.
6.

Special Resolution

That the regulations contained in the printed document produced to this meeting and signed by the Deputy Chairman of the Company be approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all the existing articles thereof.

As witness my/our* hands this day of2008.

.....
Signature

Instructions as to Completion

1.

To be valid, this Form of Proxy must be deposited at the Registered Office of the Company at Level 18, East Tower, World Trade Center, Echelon Square, Colombo 1, before 4.00 p.m. on 21 April 2008.
2.

In perfecting the Form of Proxy please ensure that all details are legible and that the Form is signed and dated by the shareholder appointing the proxy.
3.

If you wish to appoint a person other than a Director as your proxy, please insert the relevant details at (1) overleaf and initial against this entry.
4.

Please indicate clearly with a '✓' how your proxy is to vote on each resolution. If no indication is given the proxy in his/her discretion will vote as he/she thinks fit.
5.

In the case of a Company/Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.

Corporate Information

Name of the Company

Overseas Realty (Ceylon) PLC

Company Registration No.

PQ 39

Legal Form

A quoted Public Company with limited liability,
incorporated in Sri Lanka on 28 October, 1980
under the Companies Ordinance (Cap. 145) bearing
Company Registration No. PBS 1084 and
listed on the Colombo Exchange.

Registered Office

Overseas Realty (Ceylon) PLC
Level 18 - East Tower
World Trade Center
Echelon Square
Colombo 1
Tel: 2346333

Directors

Shing Pee Tao - *Chairman*
Hussain Zubire Cassim - *Deputy Chairman*
Christopher James Edward Anthonisz
Ajit Mahendra De Silva Jayaratne
Balakumara Mahadeva
Rohini Lettitia Nanayakkara
Mildred Tao Ong
Melvin Yap Boh Pin
Ernst Peter Ludwig Franz Rogowski
(appointed on 26 March, 2007)
Porn Taochaifu (alias Paul Tao)
Anil Kumar Hirjee (appointed on 26 March, 2007)
Tao Ben Nien (alternate to Shing Pee Tao)
Martin Boniface Pereira (alternate to Mildred Tao Ong)
Lee Kang Ho (alternate to Melvin Yap Boh Pin)

Executive Committee

Shing Pee Tao
Mildred Tao Ong
Melvin Yap Boh Pin
Hussain Zubire Cassim (alternate to Shing Pee Tao)

Audit Committee

Christopher James Edward Anthonisz - *Chairman*
Hussain Zubire Cassim
Melvin Yap Boh Pin
Ajit Mahendra De Silva Jayaratne

Remuneration Committee

Hussain Zubire Cassim
Rohini Lettitia Nanayakkara
Ajit Mahendra De Silva Jayaratne

Company Secretary

Jayanga Wegodapola - Attorney-at-Law

Auditors

Messrs. Ernst & Young
201, De Saram Place
Colombo 10
Tel: 2463500

Registrars

SSP Corporate Services (Private) Ltd.
101, Inner Flower Road
Colombo 3
Tel: 2573894

Subsidiaries

Mireka Capital Land (Pvt) Ltd.
Level 18 - East Tower
World Trade Center
Echelon Square
Colombo 1
Tel: 2346333

Mireka Homes (Pvt) Ltd.
Level 18 - East Tower
World Trade Center
Echelon Square
Colombo 1
Tel: 2346333

Web Site

www.wtc.lk
www.havelockcity.lk

