

FUTURE PERSPECTIVE

ENERGY CONSERVATION



A N N U A L R E P O R T 2 0 1 5



FUTURE PERSPECTIVE

ENERGY CONSERVATION

Sustainability is existence; of human life within the caring capacity of Earth's Eco Systems. Sustainable development is what meets the needs of the present without compromising the future.

We discussed this in detail in our 2012 Annual report 'Sustainable Growth' and explained company's position in achieving this in 2013 'Beyond the Limits –Urban Context' and in the year 2014 by moving a further step forward on the laid platform of 'The Next Step for the Future'.

As we know the three most important indicators of sustainability are Environment, Society and Economy. Since the construction sector accounts for a large percentage of the world's total energy consumption, an effective and intelligent initiative is taken on the concept of Energy Conservation for the Future. This is a practice of creating building structures using processes which are environmentally friendly, economically viable, socially acceptable and also resources-efficient through the building life cycle. Implementing this could result in reduction of carbon emissions by 35%, water usage by 40%, energy consumption by 50% and solid waste generation by 70%.

Seylan Developments looks through a future perspective view by effectively using Power, preserving of water, efficiently managing the waste generation and enhancing on recycling with community participation. During the year under review the company accomplished the first goal most successfully by reducing its total monthly energy consumption by a margin of 30%. This was mainly due to replacement of the two old Ac (Air Condition) generating Chillers with high efficiency magnetic bearing SMARDT Chiller with zero resistance. This in turn couples with the installation of the state of art Building Management System (BMS) which monitors, evaluates and controls the power usage across the building. The Rs. 80 Mn investment guarantees a saving of beyond 23.0 KWH per annum which could be recovered in less than 03 years. This in fact has effect the national grid in government's stance in saving of electricity and also by reducing the carbon foot print in leaving a healthy planet for our future generations.

"Save Energy today for a brighter tomorrow"



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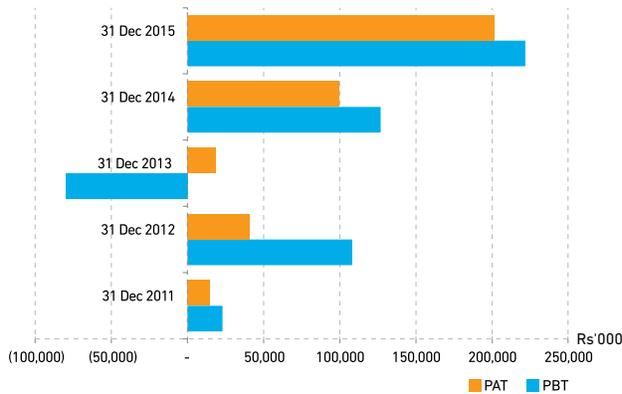


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www.seylanddevelopments.com

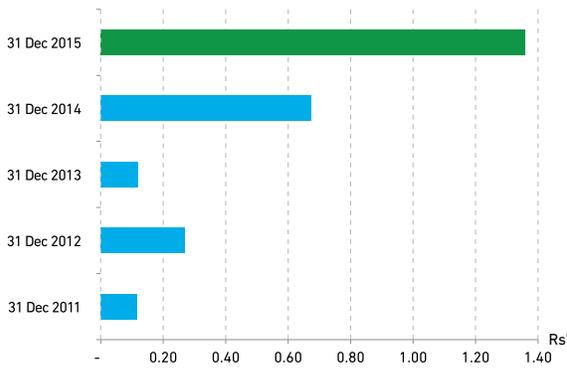
Financial Highlights

For the period ended	31-Dec-15	31-Dec-14
<i>Amounts in Sri Lankan Rupees</i>		
Results for the year		
Rent Income	185,282,579	167,157,428
Results from Operating Activities	190,878,351	91,375,798
Net Finance Income	30,931,674	35,392,989
Profit Before Tax	221,810,025	126,768,787
Provision for Taxation	(20,503,587)	(26,957,573)
Profit After Tax	201,306,438	99,811,214
Earning per share - Rs:	1.36	0.67
Dividend per share - Rs:	0.60	0.50
At the year end		
Shareholders Fund	4,396,881,258	4,284,406,486
Total Assets	5,014,040,000	4,882,870,560
Stated Capital	1,644,391,650	1,644,391,650
Net Asset Value	4,396,881,258	4,284,406,486
Financial Ratios		
Profit After Tax from Rental Income	108.6%	59.7%
Return on Equity	4.58%	2.33%
Return on Total Assets	4.01%	2.04%
Dividend Payout	44%	75%
Price Earnings Ratio - times	10.22	21.04
Net Assets per share	29.72	28.96
Current ratio - times	1.35	1.62
Debt / Equity ratio	14%	14%
Quick Assets ratio - times	1.32	1.59
Share Prices		
Highest during the year	16.00	16.30
Lowest during the year	12.00	9.00
Last Traded Price	13.90	14.10

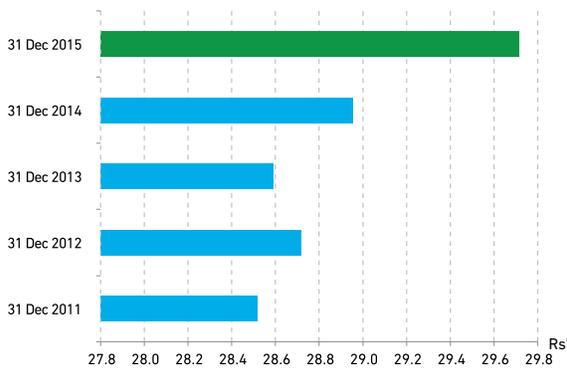
PROFITABILITY



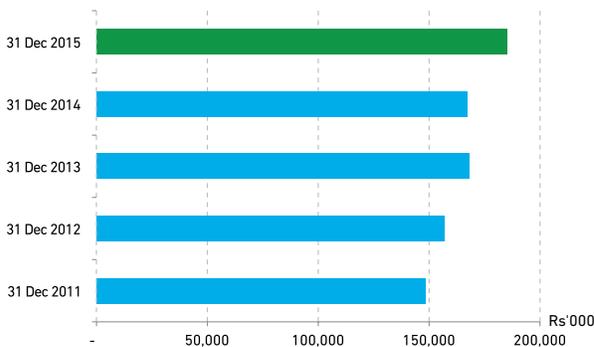
EARNINGS PER SHARE



NET ASSET PER SHARE



RENTAL INCOME



OUR VISION

To be recognized as the premier property management Company in Sri Lanka which provides an excellent service to its tenants.



OUR MISSION

We are dedicated to controlling costs while maintaining the highest levels of satisfaction and comfort to our tenants by responding to their unique requirements and special requests. We listen to them, and then develop a plan and structure that fits their goals, budgets and needs.

We immaculately upkeep our properties to the highest quality standards by deploying our team of highly trained professionals.

Seylan Developments

Wins 5 Awards in Succession



Annual awards competition on Annual Reports

Conducted by
The Institute of Chartered Accountants of Sri Lanka
Under Land & Property Category



from Left Anoji De Silva (Alternate Chairperson - Annual Report Awards Committee 2015) , Kanishka Udayanga (Assistant Accountant SDP), Nirmala Arangalage (Accountant SDP), P. Saravanapavan (Director SDP), U Paliakkara (Past President CA Sri Lanka) Lasantha Wickramasinghe (Vice President CA Sri Lanka).



Winner - GOLD AWARD

Land & Property Sector

CA Sri Lanka Annual Report Awards 2015

CHAIRMAN'S REVIEW



GROWTH
102%
in after tax profits

Dear Shareholders:

As another year of successful performance comes to an end, it gives me great pleasure to welcome you, on behalf of the Board of Directors of Seylan Developments PLC, to the twenty fourth Annual General Meeting. I am pleased to present to you the Annual Report and the audited financial statements for the year ended 31st December 2015. Your Company recorded an improved performance over the previous financial year



reflecting a growth of 102% in after tax profits. The Board have recommended a dividend of 60 cents per share for the financial year 2015, for your approval at the Annual General Meeting.



Economic background and trend:

The change in the political climate at the beginning of the year and a new Government elected to Parliament since August in 2015 has created a new pathway in the development of the country's economy. The Sri Lankan economy recorded a growth of 5.6% in the first half of 2015 with positive contributions from Agriculture, Industry and Service sectors. The inflation rate declined during the major part of 2015 as a result of downward price revisions in energy costs and key consumer items, but increased marginally in the latter part of the year due to adverse weather conditions. The

Central Bank of Sri Lanka, continuing its accommodative monetary policy stand, during 2015, encouraged smooth credit flow to the private sector, stimulating economic activity.

The new government policy of good governance and a corruption free society have induced foreign and local investments to flow into the nation. This is anticipated to have a positive influence in the development of business and tourism sectors, leading to increased demand for office space and accommodation facilities on short and long term basis.



Composition of the Board:

At the beginning of the year 2015, the Board consisted of five Non-Executive Directors of whom two were independent. The death of Non-Executive and independent Director Dr. P. Mervyn Gunasekera in May 2015 following a sudden illness is a profound loss and on behalf of the Board of Directors I wish to

convey my condolences to the family members of Dr. Mervyn Gunasekera. At the end of the financial period, the Board consisted of four non-executive directors of which one is independent. To fill Mr. Gunasekera's vacancy the Board appointed Mr. Piyal Hennayake as an independent director w.e.f 11th January 2016.



Development Projects:

From December 2014, the Kataragama bungalow is being rented to pilgrims. The Company is taking steps to increase rent income by renting out to local and foreign tourists alike and be made available to the Bank staff. The Company also

plans to perform refurbishing and modernizing work of the parent company's branches using available resources at agreed service fees.

During the year the company embarked on an Energy Efficiency

Improvement Project with a view to reducing energy cost. The total project cost was Rs: 80 mn. The project commenced in May 2015 and was completed by November 2015.

The energy cost is expected to reduce the total energy bill by approximately by Rs: 2.00 mn to Rs: 2.5 mn per month and we expect to recover the investment within 30 to 36 months.

The completed project is expected to have a positive impact on the value of the investment property.



Financial Performance:

Rs:
201.3 Mn
net profit after tax

Your company has delivered an excellent performance, achieving the highest profitability for last eight years with a net profit after tax of Rs: 201.31 Mn in year 2015. This is 102% higher than last year mainly due to increase of fair value gain from Investment Properties. The Company's profit before tax excluding fair value gain shows an increase of 18% compared to previous year

mainly due to increase of rent income from Seylan Bank PLC, our parent Company and decrease of expenses as well. With this impressive performance, EPS increased from Rs. 0.67 to Rs. 1.36 per share during 2015. The Net Asset Value per share reflected an increase of 2.62%, increasing from Rs 28.96 as at end of 2014 to Rs 29.72 as at end of 2015.



Future Plans:

Our Company has already formulated strategic development plans for the short and long term. In the short term, the Company intends to undertake maintenance of buildings, owned by Seylan Bank using the available resources. In the long

term plan, steps have been taken to recover investments made in projects which are non-earning through legal action. In this regard the company has already taken possession of the property located at 257, Union Place, Colombo 2. The Company has also

commenced arbitration process to recover investments made in Jaela Reality Plaza. It is expected to convert these investments as earning investments which will also facilitate to reverse impairment provisions already made.



Corporate Social Responsibility:

As a part of social responsibility project for the year 2015, the Company planned to improve the reading and technical skills of schoolchildren. Under this objective, it was proposed to improve the library

facilities of an underprivileged school by providing a comfortable reading room with Computer & internet facilities, reading materials and text books for the benefit of students. In this regard Sri Siddhartha Kumara

Maha Vidyalaya – Gampaha, has been identified which consisting of 1,700 students. The library is currently in the process of been built and will be handed over at the end of February 2016.



Achievement on Financial Reporting & Compliance:

It is with great pride that I report that the Company won the Gold award for the fourth consecutive time at the prestigious Annual Report Award competition organized by The

Institute of Chartered Accountants of Sri Lanka for the year 2015 under the category "Land & Property".



Acknowledgments

In concluding this message I would like to express my sincere appreciation to my fellow Board members for their support and co-operation given during my period of office as Chairman. I also take this opportunity to place on record my appreciation for the commitment and untiring efforts of the management and employees at all levels in

performance of their duties.

I wish to thank the auditors Ms. KPMG- Chartered Accountants, the internal auditors Ms.Ponnamperuma & Co and Creative Agency, C+Designs, for their support extended in discharging their assignment. I also wish to sincerely thank the tenants for their continuous business

relationship and expect their support during 2016.

Finally our shareholders deserve special appreciation for their continuous confidence placed in us in all our endeavours and we the Board wish to assure that we will be committed to delivering sustainable value.

Kapila Ariyaratne
Chairman
08th February 2016.

HEAD OF OPERATION'S REVIEW



Reduction
30%
Energy foot print

Dear Stakeholder,

Seylan Developments PLC turned in another year of stellar financial and operational performance during the year ending 31st December 2015, signified by its highest profitability in 8 years and the successful installation of an innovative energy management system. As one of Sri Lanka's premier property management companies, we continued to adopt a strategic and focussed approach towards stakeholder value



Key achievements of 2015

Amongst our key achievements of 2015 was the exceptional financial performance that was achieved. The Company's profit after tax increased by 102% to reach LKR 201.3 million, upheld by fair value gains from investment properties. Excluding the fair value gain, the Company achieved an 18% growth in its pre-tax profit, reflective of healthy top line growth and continued focus on cost efficiencies. Overall, Earnings per Share more than doubled to LKR 1.36 during the year. We were able to achieve 100% occupancy levels at the year end at our flagship property and key revenue generator, Seylan Towers.

Meanwhile, we successfully implemented an integrated energy management system which is expected to result in a near 30% reduction of our energy foot print. The multi-faceted project included the installation of high-efficiency chillers and air handling unit for air conditioning, and the replacement of fluorescent lights with energy efficient LED lighting. Completed in November 2015 at an investment of LKR 80Mn, this project is anticipated to generate significant savings through improving energy efficiency and is aligned to our long-term sustainability goal of reducing the carbon footprint of our operations.



Operating environment

Sri Lanka's Gross Domestic Product (GDP) grew by 5.6% during the first half of 2015, led by strong growth in the services (+7.1%) and agriculture (+3.3%) sub-sectors whilst the industrial sub-sector growth was moderate at 1.3%. Inflation continued to decline in view of the downward price revisions of several key consumer items and energy costs. Meanwhile, the Central Bank continued to adopt a relatively relaxed monetary policy stance for the most part of the year, stimulating private investment

and business expansion. Overall, changes in the political arena and the new government's policy direction as presented in the Economic Policy roadmap is expected to present multiple opportunities for growth. The proposed megapolis development project, rapid urbanisation, increased tourist arrivals and the overall improvement in business sentiments is expected to augur well for the property sector, which is likely to see increased demand and higher rental rates over the medium to long-term.

creation and it gives me great pleasure to report to you, our valuable stakeholders, a review of the activities that shaped the Company's performance during the year.



Our strategy in action

With a focussed and proactive strategy in place, we are well positioned to capitalise on the opportunities presented to us by the operating environment. We continued to pursue diversification of our revenue streams with the successful

opening of our Kataragama holiday bungalow which has started to generate healthy returns. Meanwhile sustainability objectives continue to be a focal point of our strategy and reducing the overall environmental footprint of our operations was a

key priority during the year. We are encouraged by the results achieved thus far in this regard and will continue to focus our efforts towards achieving further reductions in our energy, water and carbon footprints.

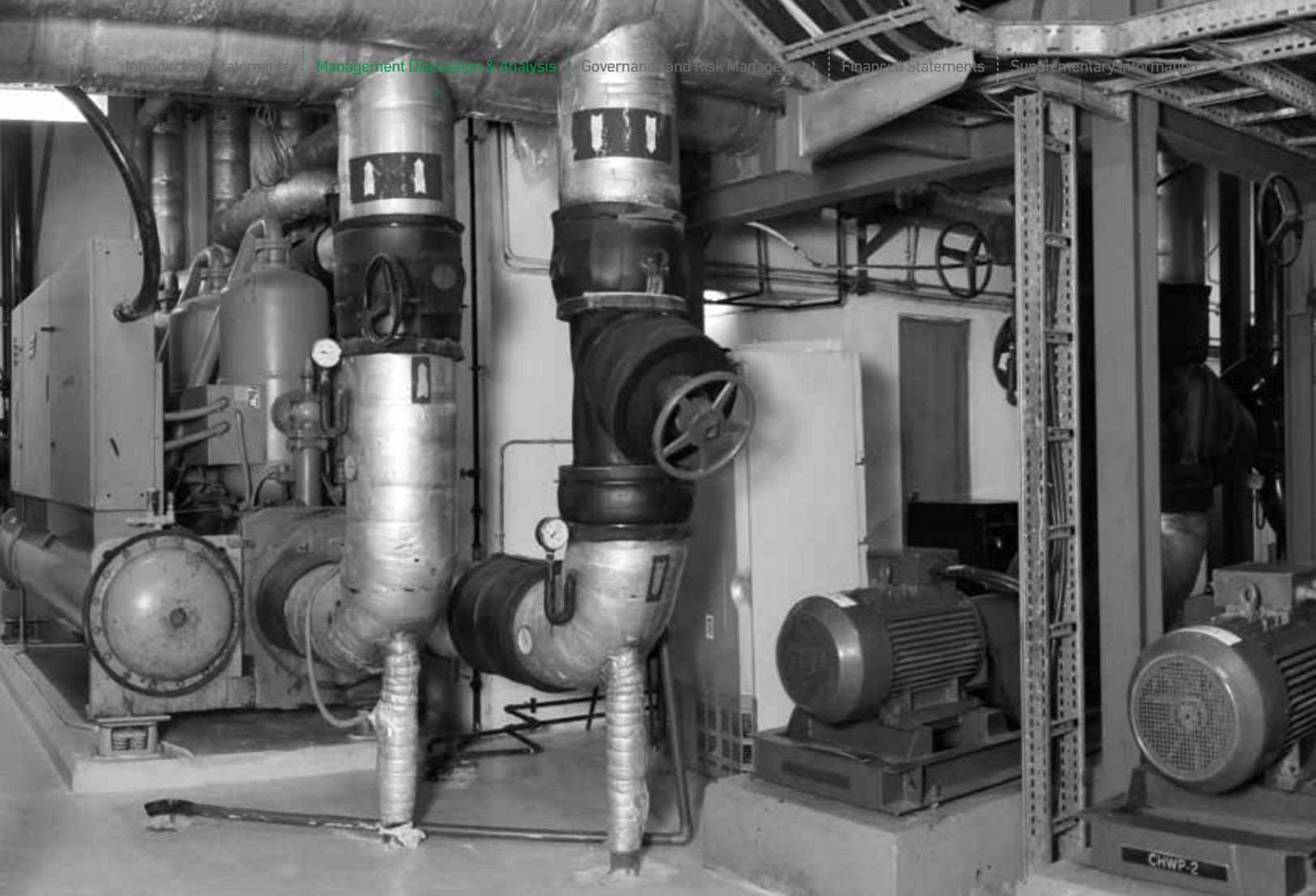


Creating value to our Employees

Our team of motivated and committed employees are a key driver of our success and we are cognisant of the importance of attracting and developing and retaining a high-performing, workforce. We

continue to invest in training and skill development at all levels with the objective of improving staff motivation and enhancing productivity. As a Company, we maintain a high level of engagement

with our employees, through formal mechanisms as well as an open door culture which encourages two-way communication.



Way forward

Over the short-to medium term our focus will be on converting several unutilised properties to productive assets. To this end, we are currently pursuing legal action and arbitration proceedings pertaining to two

properties. We also hope to replicate the success of our Kataragama holiday bungalow, with a similar operation in the Anuradhapura district. This is expected to provide increased diversity to our revenue

profile while strengthening overall earnings. We also hope to launch Phase 2 of our greening project with the objective of improving water efficiency and reducing the overall water footprint of our operations.



Acknowledgements

I would like to take this opportunity to extend my gratitude to Chairman and Board of Directors for their vision and continued confidence in me. I am also grateful to our tenants for their

continued patronage, my loyal team of employees who continue to be a source of inspiration and all other stakeholders for their continued support and guidance over the years.

K.S. Edirisinghe
Head of Operations

BOARD OF DIRECTORS





From Left to right

Mr. P. D. Hennayake -Director

Mr. R. J. Jayasekara - Director

Mr. K. P Ariyaratne - Chairman

Mr. P. Saravanapavan - Director

Mr. S. Palihawadana - Deputy Chairman

Directors' Profile

MR. KAPILA ARIYARATNE - *Chairman,*

B.Sc (Hons)

- ◆ Appointed as Chairman of Seylan Developments PLC on 30th May 2014.
- ◆ Mr. Kapila Prasanna Ariyaratne is the Director / CEO of Seylan Bank PLC. He commenced his banking career in 1984 and counts over 30 years of banking experience. He has held responsible positions at several international banks both locally and overseas as well as with local state and private sector banks.
- ◆ He is also a Director of Lanka Financial Services Bureau Ltd, Lanka Clear (Pvt) Ltd and Institute of Bankers of Sri Lanka.
- ◆ Mr. Kapila Ariyaratne holds a first class honours degree from the University of Colombo.

MR. S. PALIHAWADANA - *Deputy Chairman,*

BSc (Colombo), AIB (Part 1)

- ◆ Appointed as a Director of Seylan Developments PLC on 11th September 2009.
- ◆ Mr. Palihawadana joined Seylan Bank PLC in 1999 as Chief Manager/Chief Dealer. He is overall in-charge of Treasury Dealing activities of Seylan Bank PLC. He held positions of Assistant General Manager/Chief Dealer. At present he holds the position of Deputy General Manager - Treasury, Head of Primary Dealer Unit and Gold Investment Unit. He counts over 42 years' experience in the banking industry out of which 32 years in treasury dealing activities.
- ◆ He has served at Bank of Ceylon, Colombo and London branches before joining Seylan Bank PLC. Mr. Palihawadana holds a Bachelor of Science (B.Sc) degree from the University of Colombo

MR. P. SARAVANAPAVAN - *Director,*

B.Sc. FCA.

- ◆ Appointed, as an Independent Non-Executive Director, of Seylan Developments PLC, from 3rd February 2011.
- ◆ Mr. Saravanapavan brings in more than 35 year experience in the financial and banking sectors. After completing the 3 years period of article ship, he served as an Accountant at LB Finance for almost five years. Then, he served at Bank of Ceylon in various capacities as Internal Audit officer, Accounting Officer and finally as Financial Accountant for seventeen years before accepting an overseas assignment. He served as Manager Administration & Finance at First Cayman Bank, at Cayman Islands, a British Colony, for five years. On his return to Sri Lanka, he served at Seylan Bank PLC, as Chief Manager Finance for six years before retiring in 2006. He worked on special assignments at First Capital Limited for 6 months period and at The Finance Limited for a period of 18 months.
- ◆ He is a senior lecturer at the Institute of Bankers Sri Lanka, coaching students for the Diploma course in Banking and the Diploma course in Credit Administration. He is also a resource person of the Skills Development Centre of Seylan Bank PLC.
- ◆ Mr. Saravanapavan is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds a Bachelor of Science degree from University of Ceylon.



MR. RAMESH JAYASEKARA - Director,

B.Com (Hons), ACA, ACIM, ACMA

- ◆ Appointed as a Non-Executive Director of Seylan Developments PLC on 30th November 2012.
- ◆ Ramesh Jayasekara is currently the Chief Financial Officer of Seylan Bank Plc. Prior to Ramesh taking over as CFO, he was the Deputy Regional Financial Controller for BNP Paribas, Middle East Region – (Bahrain, Saudi Arabia, Kuwait, Qatar, Dubai, Abu Dhabi & Cyprus) based in Bahrain. He has over 17 years of Banking, Financial Management & Audit experience. Prior to this Ramesh worked at HSBC Sri Lanka as Resident Manager – Finance & Planning (PFS) and at KPMG Sri Lanka as an Audit Manager.
- ◆ Ramesh holds a first class honours degree from the University of Colombo. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Chartered Institute of Marketing UK and an Associate Member of the Certified Management Accountants of Sri Lanka

MR. PIYAL D HENNAYAKE Director,

BSc (Eng.), PG Diploma(Const. Mgt)., MBA (AIT), CEng., MIE (SL)., GSLID

- ◆ Appointed as an Independent Non-Executive Director of Seylan Developments PLC on 11th January 2016
- ◆ After a distinguished career spanning 21 years at Hatton National Bank PLC, Mr Piyal Hennayake retired on 31 December 2015. He was the Deputy General Manager – Services of Hatton National Bank PLC and the CEO/Director of its real estate subsidiary Sithma Development Pvt Limited. He joined Eco Power Group as the Head of Overseas Operations from 1st January 2016.
- ◆ He headed HNB Project Finance Division since 1995 and developed it to be a major player in the banking industry. As the Assistant General Manager, Zone III he led one third of the Branch Network in 2004 & 2005. He was the Portfolio Manager of Lanka Ventures Limited from 1992 to 1995 until he joined HNB. After passing out from the University of Moratuwa he joined CECB as a Civil Engineer in February 1983 and worked in Hydropower projects such as Randenigala, Canyon and other infrastructure projects. He is an accomplished professional with 33 years of professional experience.
- ◆ Starting as a Civil Engineering graduate of the University of Moratuwa, he later obtained Post Graduate Diploma in Construction Management from the same University. He received MBA in Management of Technology from the Asian Institute of Technology, Bangkok, Thailand in 1992.
- ◆ A Chartered Engineer and a Corporate Member of the Institution of Engineers Sri Lanka he served as the President of the Association of Professional Bankers Sri Lanka in 2014/2015. He is also a Graduate Member of Sri Lanka Institute of Directors.
- ◆ He served as a visiting lecturer in the Universities of Peradeniya & Moratuwa and currently a visiting lecturer in Management of Technology for MBA in MOT in University of Moratuwa.

Management Discussions and Financial Review

Real Estate Market Analysis

Year 2015 commenced with political uncertainty after change of power in the Presidential elections in January which followed by Parliamentary elections in August followed by a controversial budget in November and with discussions on Constitutional changes which generated a lot of political arguments, turnover and alignments.

This resulted slowing down of many mega construction projects in and around Colombo permanently holding few like 'port city' and 'lotus tower' in a pause in investments to some extent.

Also the launching of new Mega Polis development plan took place in terms of optimum utilization of valuable urban space in Colombo, minimizing of traffic congestion with fluid transportation links, where cities becoming more interdependent with decentralization of activities.

Due to this we could see a drop in demand for permanent housing at locations like Colombo 3, 4 and 7 with residential developments moving out from the city center towards Colombo 5, 6 and towards Nawala, Battaramulla, Nugegoda, Kelaniya, Moratuwa areas. With the successful implementation of the urban transportation plan and introduction of the outer circular road linking the high ways circling the Colombo metro region, at peripheral suburbs like Malabe, Kottawa, Piliyandala, Dehiwala, Moratuwa, Kiribathgoda, Ja-Ela, Seeduwa and Katunayake could witness emerging of many high rise residential apartment towers.

Also the increased tourist arrivals has effected demand for Hotels and Hotel Apartments in the City Center

and during the year we could see emergence of number of city hotels and also uplifting of facilities of existing ones. Sadly the infrastructure improvements were below required standards and even the maintenance of parks and open spaces built during the previous era is neglected. Sri Lanka's new government policies on foreign investment and good governance principles has resulted in many investment opportunities from Europe, US and Canada rather than depending on one investment source in the caliber of China. It will be more investor driven rather than relying only on borrowings.

The land prizes in Colombo were on the increase where it went at least by a margin of 40%. The prizes of Housing units in Colombo could see a marginal drop of around 2.5% due to inflation adjustments and drop of demand and tendency for moving out of metropolitan.

The rental market was on a drop during the beginning of the year but caught up towards the latter part due to arrival of many foreign nationals on local consignments.

Seylan Towers too was able to achieve a 100% occupancy rate at the year end despite the emergence of many luxury condominiums in the surrounding. Simultaneously seylan Developments Plc has been continuously upgrading its services and maintenance aspects in offering of better service to its tenants. The completed Power saving project at Seylan Towers is one such aspect.



FINANCIAL REVIEW

SEYLAN DEVELOPMENTS PLC'S PAT SURPASSES

RS: **200** MN

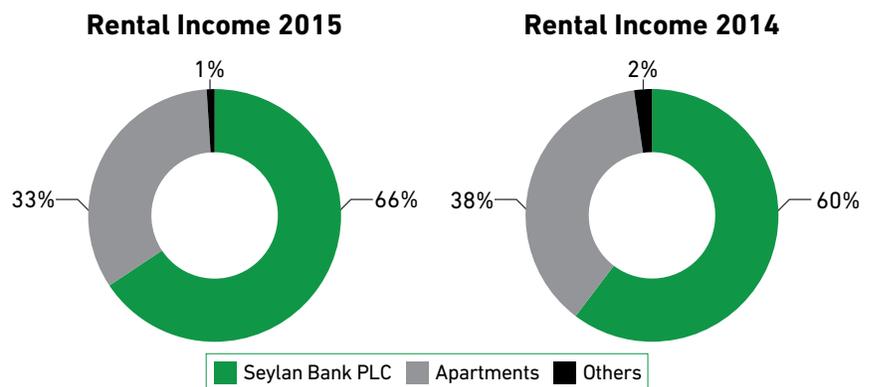
IN 2015 AND STOOD AT

RS: **201.3** MN

Seylan Developments PLC achieved another solid financial performance for the year under review. The profitability of the company during the year under review was phenomenal, recording a monumental increase over the previous year. The company was able to record a profit after tax of over Rs.200 million (Rs.201.3 million), which marked an over 102% increase over 2014 (2014 – Rs: 99.8 mn).

Revenue

During the period under review, rental income reported by the Company, stood at Rs. 185.28 Mn, depicting an increase of 11% year-on-year, driven by rental revisions of Seylan Bank PLC during the financial year ended 31st December 2015. The Company's main source of revenue generation is from leasing space at the Seylan Towers.



Rental Income



Seylan Towers will endeavor to maintain high occupancies, thus enabling a sustainable growth in revenue and profits. In order to ensure this and provide a best in class building and service the Company is a firm believer in proper maintenance and continuous development of its tenants. The East tower comprises Head Office building of Seylan Bank PLC and continues to rent it out to the Bank whilst providing various other services whereas the West Tower comprises of expatriate tenants. The rate of occupancy at the year-end was 100%.

Expenses

The Company's total expenses for the year showed a decrease of 13% over the previous year, mainly due to decrease of premises, equipment and establishments expenses in the year under review, compared to high

renovation expenses incurred by the Company in previous year. The personnel expenses showed a 10% decrease due to reversal of additional provisions made in previous year. Due to strong control measures taken,

administrative expenses also showed a 20% decrease during the year compared to the year 2014.

Changes in fair value of Investment Properties

The Company recorded an overall gain of Rs: 87.1 Mn in 2015 from valuation of investment properties compared to Rs: 12.9 Mn recorded in the previous year. The fair value change for Seylan Towers is a charge of Rs. 3.9 Mn, and a gain was recorded from Union Place Property amounting Rs: 91 Mn.

According to the settlement entered

in Courts on action filed by Seylan Developments PLC to eject previous occupier from the premises bearing No: 257, Union Place, Colombo 02, the possession of the said property was handed over to Seylan Developments PLC to words end of year 2015. Accordingly, the property of Union Place was considered as an un-encumbered property in current

year's valuation and recorded Rs: 91 Mn as fair value gain in current year's financial statements.

The valuation gain of Kataragama property has not been recognized during the year under review, since the transfer of the title of the property is still in the process. Steps are being taken to complete the transfer at an early date.

Profitability

The Company's pre-tax profit including fair value gain recorded a strong growth of 102% to 201.3 mn, in 2015 compared to Rs: 99.8 mn, in 2014. This is mainly due to high fair value gain recorded during the year compared to year 2014 and this is

the highest profit recorded by the Company for the last eight years period of time.

Pre-tax profit excluding fair value gain increase by 18% in 2015 compared to 2014, compared to revenue growth of 11% indicating efficiencies achieved

during the year.

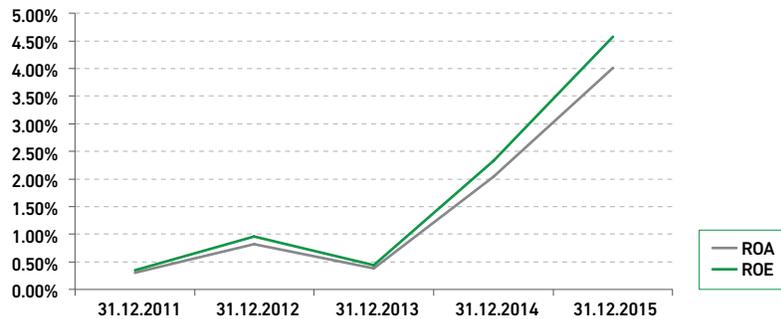
Profitability ratios also reflected the strong earnings in 2015 and were excellent, as evidenced by an increase in after tax Return on Assets (ROA) to 4.01% from 2.04% in 2014 and after tax Return on Equity (ROE) of



4.58% from 2.33% in 2014. Increase of revenue, decrease of expenses and high fair value gain contributed positively.

Following this, Earning per share (EPS) increased to Rs: 1.36 from Rs: 0.67 recorded in the previous year. The computation of EPS is given in Note 12 to the Financial Statements.

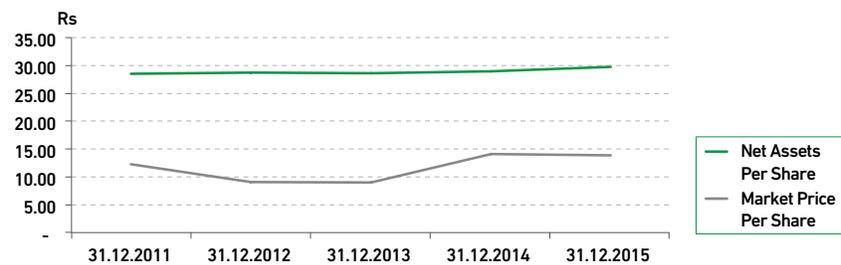
ROA & ROE



Shareholders' Funds

Shareholders' Funds increased by Rs: 112.5 mn due to higher profits recorded for 2015. Accordingly, as at 31st December 2015, the Net Assets per share of the Company was at Rs. 29.72 marking an appreciation of 2.6% when compared to that of 31st December 2014.

Net Assets Per Share and Market Price Per Share



The Company proposed a first and final dividend of Rs: 0.60 per share amounting Rs: 88,778,916/- out of profit arising from the financial year 2015 (2014- Rs: 73,982,430/-), which is subject to the approval of the shareholders at the Annual general Meeting to be held on 31st March 2016.

Financial Reporting

The Company is committed to adopt best practices for financial reporting and to maintain a close watch on new developments in the financial reporting environment. Seylan

Developments PLC prides itself on its comprehensive financial reporting and it was recognized continuously through from year 2012 in winning of Gold medal in the category of

"Land & Property" at the competition organized by the Institute of Chartered Accountant of Sri Lanka.

Future Plans

In the longer term the company will capitalize on the success achieved on the power conservation project. In year 2016 the company will invest Rs. 10.0Mn on replacing of old water supply pipes with non corrosive PPR pipes to enhance efficiency of water distribution system at Towers and also to be connected to the BMS with all motors to be integrated with VSD system controllers.

Also there are plans to increase

the revenue generated from the Kataragama Holiday Bungalow by way of improved facilities. The company will introduce promotions and discount packages to make it popular not only among Bank Staff but with outsiders as well.

In year 2016 the company will improve on development works of premises at 257, Union Place, Colombo 2 for the purpose of renting out on short terms until such time a

mega investment plan is drawn for a mixed development project. Also the investments done at Ja-ela Reality Plaza Project will materialize on the out come of the on going Arbitration process.

The company is on the right track as a facilitator and a developer fulfilling all constructional and property management requirements in becoming the number one property Management Company in Sri Lanka.



Risk Management and Governance

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RISK MANAGEMENT REPORT

ENTERPRICE RISK MANAGEMENT

Risk is always associated with uncertainty and is a part of life. Managing risk is important to an organization's business activity and is fundamental to long term profitability and stability. We at Seylan Developments PLC believe that risk management should provide insight into the business decision making process in enhancing management effectiveness. Therefore we manage risks minimizing their threats and maximizing their potential.

Risk management involves understanding, analyzing and addressing risk in order for organizations to achieve their objectives. The Board has the ultimate responsibility for ensuring the risks are identified and managed within the business. The Audit Committee is delegated the responsibility for

reviewing the effectiveness of the risk management process.

RISK MANAGEMENT FRAMEWORK

Seylan Developments PLC is a subsidiary of Seylan Bank PLC, which holds 70.42% of its issued and fully paid share capital. The company's primary objective is the management & maintenance of Seylan Towers comprising of two towers where 17 floors of office complex is occupying by its holding company Seylan Bank PLC and 16 residential apartments rented out to foreign organizations and diplomats. In the year 2015 the company executed the phase one of holiday the bungalow project at Kataragama.

During the year under review the company continued the risk management policies and procedures in line with the Corporate Governance

structure for overall management of risk relates to the activities of the company. Accordingly the company maintained its risk culture which depends on external environment, market demand and confirming to the interest of the stakeholders. The Risk Officer (RO) makes suggestions and reports through the Executive Risk Management Committee (ERMC) headed by Head of Operations (HOP) to the Audit Committee. Based on the recommendation of the Audit Committee, the Board of Directors will be responsible for all risk related decisions. The Audit Committee submits quarterly Risk Management progress report to its parent company Seylan Bank PLC.

Risk & Types of Risk:

The types of Risk which directly involves with Company's activities and the relevant approaches are analyzed as indicated below:

Description of Risk	Risk Rating		Mitigation Strategies
H = High; M = Medium; L = Low	Like hood	Impact	
Strategic Risk			
Risks occur from failure to meet strategic goals of the company, delays and cost over runs by variations, etc.	M	L	Company works under the Strategic Business Plan approved by the board of directors. Annual Budget is approved by the Board of directors prior to the commencement of respective financial year. Variations are reviewed on monthly basis. Company follows contractual procedures and controls.
Political Risk			
Unfavorable legislative changes and policies.	M	L	Pro-actively monitoring risks presented by political and legislative changes, budget proposals with the advice of Auditors, Tax Consultants.
Legal Regulatory Framework Risk			
Law suits against the company may lead to the risk of penalties and legal fees, loss of reputation and loss of stake holder confidence.	L	L	As a public quoted company by considering its duty of fulfilling the statutory obligations and not acting in a manner of violating internal or external parties' rights. For this purpose company has retained the services of Tax consultant, Legal consultant & a service of professional company secretariat for their regulatory requirements. Company also is a member of Employers' Federation.

Description of Risk	Risk Rating		Mitigation Strategies
	Like hood	Impact	
H = High; M = Medium; L = Low			
Liquidity Risk			
It is the possibility of the company suffering a loss due to insufficient financial resources at its disposal, to meet its obligations, as and when they fall due.	L	L	The finance position of the company is regularly monitored by the management and as advised by Board of Directors / Audit & Management Committee.
Credit Risk			
The credit risk of the company is mainly derived from the rent receivable from its tenants. The inflation rates, foreign currency fluctuations could affect the company in recovering the cash installments from the tenants.	L	M	The company maintains 100 % rent recovery by taking three months rent advance and a security deposit in avoiding of bad debts.
Interest Rate Risk			
It is the risk arising from fluctuation of interest over the net income. This could lead to high cost of borrowings or lower interest income resulting impacts over its profitability.	L	L	Company manages its financial operations without external borrowings and only from the parent company as and when required.
Risk of depending on key customers.			
Risk occurring from loss of key customers may have material impact to the Company's performance.	H	M	Company has rented the East tower to its holding company and major portion of apartments to diplomatic missions. Even though the relationships are long standing, threats from new entrants to the property market is ever increasing. We always look for a new customer channels by way of advertising promotions when apartments are fallen vacant
Risk on depending on key suppliers.			
As a service organization managing a key property the risk occurs on breakdown of any essential services.	L	L	Company has entered in to comprehensive maintenance agreement for elevators, generators, chillers and normal service agreements for other key operations.
Competition			
Risks arising from new commercial & residential developments.	H	M	Company monitors and observes new commercial & residential developments upkeeps its facilities catering for the demand.
Brand & Reputation Risk			
Risk relating to product quality, timely delivery and service standards.	M	M	Action has been taken to maintain high quality service standards and timely attending for tenant's requirements. Regularly reviewing of customer comments and feedbacks.



Description of Risk	Risk Rating		Mitigation Strategies
	Like hood	Impact	
<p>H = High; M = Medium; L = Low</p>			
Fraud Risk			
The risks that the internal control weaknesses leading to corruption and employees abusing entrusted power for private gain leading to misappropriation of assets or fraudulent financial reports, have negative impact on the company.	L	L	By implementing different levels of authorization and cross department recommendation Processes Company has taken required measures to minimize or eliminate the fraud or corruption risks .Company maintain a practice of obtaining competitive quotations and bids from respective parties guaranteeing maximum financial benefits. In addition company has selected a qualified & professional external party as their Internal Auditors in order for further strengthen the proper application of company policies & procedures.
Human Capital Risk			
Risk arising from inability to attract and retain qualified and experienced staff, drop in productivity, quality and increase human errors.	L	M	Company has reduced its labour turnover by implementing various Human Recourse Management practices in the year under review. Also follows a training & development to develop calendar to update the knowledge of employees.
Health & Safety Risk			
Risk occurring from threats to staff, tenants and general public, due to accidents and unhygienic conditions	M	L	The company performs proper training programs and workplace safety practices. Seylan Developments conducts Fire Execution Drills annually for enhancing safety. The company has obtained all required insurance covers reference to industrial safety by considering the safety of its employees, tenants and general public. Also cleanliness is maintained through a reputed janitorial service agency. This year it has recorded zero percentage work place accidents.
Environment Risk			
Loss or damage caused by unusual climate conditions, including drought, heat, flood, cold, storm, winds and natural disasters etc.	L	M	In order to face uncontrollable risks due to changes in weather and climate, disaster management plans are followed up and also required insurance covers are obtained.

As a property management company we are much concern on the liabilities caused by external and internal vulnerabilities against our assets which could affect the long term success of the organization. In minimizing this we have implemented

various policies, procedures and practices prioritizing key areas with expert technical advice with our maintenance team. The changes applied during the year by the appointment of a Risk Officer responsible to the Board of Directors

in reviewing the risk factors and conducting of regular evaluation meetings are key decisions taken. The Board is kept updated on the progress and tasked with the overall responsibility in making decisions in mitigating risks at acceptable levels.

STATEMENT OF INTERNAL CONTROL

INTRODUCTION

Seylan Developments PLC has established a sound internal control system with the intention of ensuring that the goals and objectives of the Company are met, will maintain reliable financial and managerial reporting, while ensuring compliance with laws and regulations as well as internal policies and procedures.

The internal control mechanism is an ongoing process for identifying, evaluating and managing significant risks faced by the Company and ensuring that the financial reporting system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes is done in accordance with the relevant accounting principles and regulatory requirements.

Accordingly, the Board of Directors of Seylan Developments PLC is pleased to set out below the Company's Statement on Internal Control for the financial year 2015.

BOARD RESPONSIBILITY

The Board is fully committed to ensure the existence of an effective system of internal control and risk management within the Company, and continuously reviews and evaluates the adequacy and integrity of those systems. However, the Board recognizes that such systems are designed to manage, rather than eliminate, the risks identified to acceptable levels. Therefore, the systems implemented can provide only reasonable and not absolute assurance against the occurrence of any material misstatements and losses.

Whilst the Board has overall responsibility for the Company's system of internal controls, it has delegated the implementation of these internal control systems to the Management who regularly report to the Audit Committee on risks identified and action steps taken to mitigate and/or minimize the risks. These internal control systems are subject to the Board's regular review with a view towards appraising the effectiveness of these systems within the Company. An independent professional firm of Auditors namely M/s Ponnampereuma & Co. is appointed by the Board to carry out the internal audit function, and regularly report to the Audit Committee on risks identified and recommend steps to be taken to mitigate and / or minimize the risks. A certificate of conformity, of the operation of the internal control system, by Internal Auditors is attached in page 29 of this report.

INTERNAL CONTROL FRAMEWORK

The Board of Directors acknowledges the importance of maintaining a sound systems of internal control to safeguard shareholders' investments and the Company's assets, in compliance with D.1.3. of Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control system taking into account principles for the assessment of internal control system as given in that guidance.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding

the reliability of financial reporting, and that the preparation of Financial Statements for external purposes and is in accordance with applicable accounting standards and regulatory requirements.

The Company's internal control environment comprises various policies, procedures and frameworks, included amongst which are:

i. Clear and Structured Organizational Reporting Lines

The Company has an operational structure with defined lines of responsibility and delegation of authority together with a hierarchical structure of reporting and accountability.

At the Board level, all strategic, business and investment plans are approved and monitored by the Board. The Board is supported by four Board committees that provide focus and counsel in the relevant areas.

1. Audit Committee
2. Remuneration Committee
3. Nomination Committee
4. Related Party Transactions Review Committee

Certain responsibilities are delegated to the Board Committees which are reviewed from time to time.

Further details on the Board Committees are contained in the Statement on Corporate Governance on pages 30 to 42 of this Annual Report.

Comprehensive Board papers, which include financial and non-financial matters such as monthly results, business strategies, explanation of Company



performances, key operational issues, corporate activities and exercises of the Company, etc, are referred to the Board for deliberation and approval.

ii. Strategic Business Plan

The Company has a Strategic Plan that maps out the strategic objectives and business direction of the Company.

During its existence, the Board reviewed the ongoing financial performance of the Company and on a monthly basis against their respective budgets, where further explanations and clarifications are noted for significant variances reported.

iii. Code of Conduct

The Board and employees of the Company are committed to adhering to the best practice in corporate governance and observing the highest standards of integrity and behavior in all activities conducted by the Company, including the interaction with its customers, suppliers, shareholders, employees and business partners, and within the community and environment in which the Company operates.

The Board and employees of the Company play an important role in establishing, maintaining and enhancing the reputation, image and brand of the Company and ensuring the observance to and compliance with the standards of integrity and behavior that the Company is committed to.

iv. Policies and Procedures

Clear and formalized internal

policies and procedures are in place to ensure compliance with internal controls and relevant rules and regulations. Regular reviews are performed to ensure that the policies and procedures remain current and relevant.

v. Risk Management

Risk Management is vital for continued profitability and enhancement of shareholder value and hence Risk Management is practiced within the Company on an iterative basis. The Board regards risk management as an integral part of business operations. All new and major investments have to observe a process of approval that includes an evaluation of the associated risks.

A Corporate Risk Management Framework was developed and documented via a Corporate Risk Management Manual which sets out in a comprehensive manner the process adopted by the Company towards risk identification, evaluation, and control and monitoring. The Company reports to Seylan Bank PLC, being the parent company of Seylan Developments PLC quarterly regarding risk control assessments of the Company.

Further information on the Company's risk management activities is highlighted in the Risk Management Report on pages 23 to 25 of this Annual Report.

vi. Information and Communication

Flowing from a clear organizational reporting structure, information is communicated and disseminated

to key Management within the Company.

vii. Competency and Talent Management

To enhance the competencies, the Company refers employees to training and development programs based on the area of employment. This ensures that staff is kept up-to-date with the required competencies to carry out their duties and responsibilities towards achieving the Company's objectives.

viii. Independent Assurance Mechanism

Regular assessments on the adequacy and integrity of the internal controls and monitoring of compliance with policies and procedures are carried out through internal audits. The Company has outsourced the activities and function of the internal audit to a professional service provider. The internal audit plan that covers internal audit coverage and scope of work is presented for Audit Committee and the Board.

Internal audit reports are presented to the Audit Committee during its quarterly meetings which encompasses the audit findings together with recommendations thereon. Senior and functional line management are tasked to ensure management action plans are carried out effectively and regular follow-up audits are performed to monitor the continued compliance.

In addition to this internal

mechanism, the Company also receives extensive and detailed reports vide management letters from its External Auditors that primarily focuses on financial controls. The management letters were also presented to the Audit Committee for deliberations. In the event of any non-compliance, appropriate corrective actions have been taken in addition to amendments to the relevant procedures, if required. The comments made by External Auditors in connection with the internal control system during the financial year 2014 were

taken into consideration and appropriate steps have been taken to incorporate them where appropriate.

ix. Quality, Health, Safety and Environment

A clear, formalized framework is in place to prevention of accidents, the elimination of hazards and in ensuring a safe working environment. The Company adopts relevant standards and controls to continuously improve the application and performance of

the safety management systems as a safe working environment is fundamental to the Company's success in business operations. The Company has obtained all required insurance covers reference to industrial safety in looking after its employees, tenants and general public.

CONCLUSION

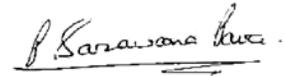
The Board is of the view that the system of internal control in place is generally satisfactory and sufficient to safeguard all stakeholders' interest.



Kapila Ariyaratne
Chairman



Somadasa Palihawadana
Deputy Chairman



Ponniah Saravanapavan
Chairman - Audit Committee



PONNAMPERUMA & CO.
Chartered Accountants



INTERNAL AUDITORS' REPORT

We, **PONNAMPERUMA & Co., (Chartered Accountants)** were appointed as internal auditors for the year ended 31st December 2015.

Scope and objective of our internal audit as per the requirement of the Management which includes;

- Review and monitoring of Internal Controls of the Seylan Developments PLC.
- Examination of operation
- Review of Compliance with Legal, regulating requirements and other external requirements with management policies and directives and other internal requirements.

Internal audits are done on a monthly basis to improve the performance and control and reported on quarterly basis. In our reports, the observations are deliberated and recommendations are made for rectification.

During the year ended 31st December 2015, we have submitted to 4 Nos. of Quarterly Internal Audit Reports. The Reports are contained our objectives, work done, observations and recommendation for each selected operational areas. We covered all the risk areas with the year as planned. Even though there were no material weaknesses from our selected sample, our reports were discussed in the meeting of audit Committee and our recommendations were implemented.

We are satisfied with the present system of internal control in operation during the financial year.

We are discussing with management and planning continuously for selecting sample area to cover all the operation for the purpose of mitigating risk, Improving internal control and time schedule for completing internal audit.

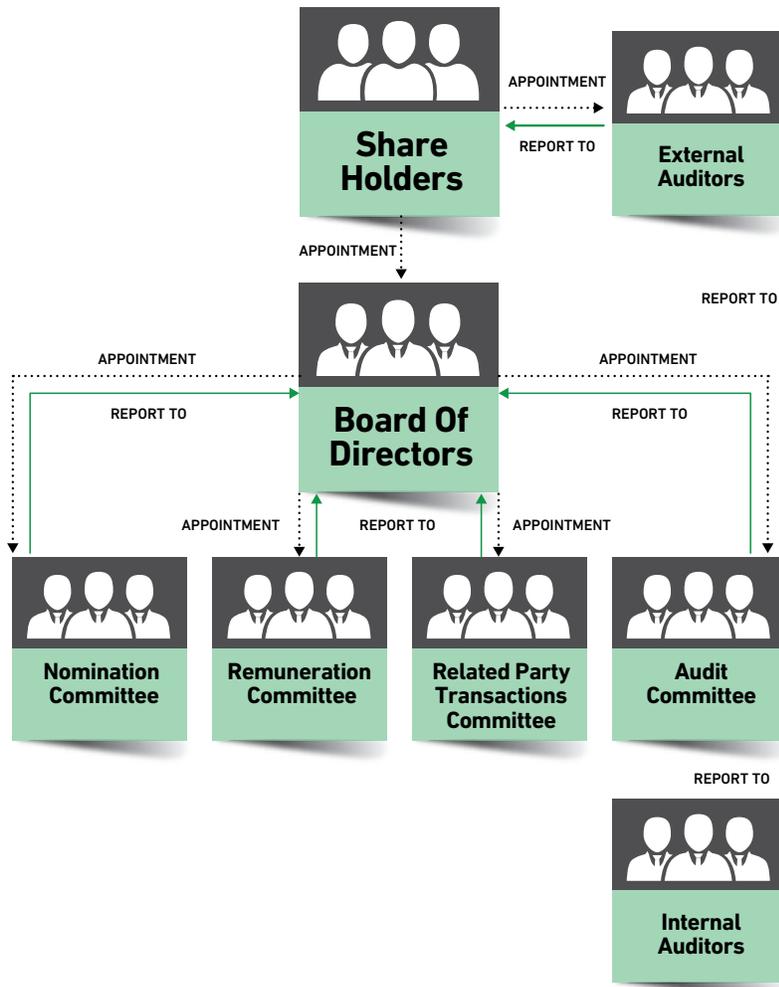

PONNAMPERUMA & Co.

Chartered Accountants

Colombo.

17th February 2016

CORPORATE GOVERNANCE REPORT



Statement of Corporate Governance

Seylan Developments PLC, is one of the pioneer organization in Property Development sectors in Sri Lanka, registered under BOI, listed in the Colombo Stock Exchange and function under Seylan Bank PLC as a subsidiary.

The Board of Directors of Seylan Developments PLC constantly endeavors to fulfill the aspirations of all stakeholders and to achieve the Company's vision & mission in a responsible and transparent manner. In order to achieve this target the Board of Directors ensures

that precise strategy and controls are in place to deliver value to all stakeholders. Seylan Developments PLC places a strong emphasis on corporate governance, striving to both align business practices with the best interest of all stakeholders, and maximize transparency through timely disclosure of information and financial reporting.

The Code of Best Practice on Corporate Governance Rules issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and The Institute of

Chartered Accountants of Sri Lanka (ICASL) is considered to strengthen transparency, accountability and disclosure of the Company's business practices. It provides the framework for attaining a company's objectives; it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

Role of Board of Directors

The Board of Directors of the Company consists of professionals in the fields of Accounting, Engineering, and Banking. All Directors possess the skills and experience and knowledge complemented with a high sense of integrity and independent judgment. The Board gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Company. The

Board's composition reflects sound balance of independence and anchors shareholder commitment. Profiles of Directors are given on pages 16 to 17.

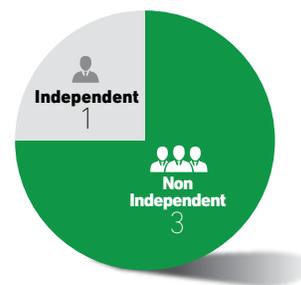
The Board of Directors has the final decision making authority and directs the operational management team to uphold highest level of integrity, function in compliance within the applicable rules and regulations and delegate the necessary authority to

fulfill their job responsibility. Each Director has unrestricted access to information and services of Senior Management and the Company Secretary. Prior notices are given to the Directors regarding the board meetings. The Board papers are circulated well in advance so that all directors could actively deliberate and contribute to the Board proceedings

Board of Directors / Composition and attendance of meetings

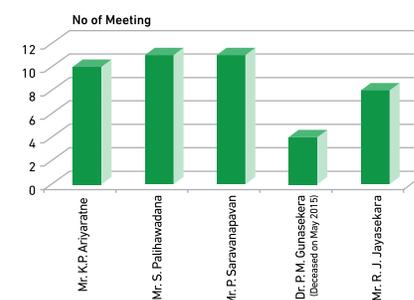
At the end of the year 2015 there were four Directors serving the Board. They were highly qualified professionals in the banking, accountancy fields. All the Directors are Non-Executive; three of them representing the parent company

Seylan Bank PLC and one of them being independent.



Attendance of the Directors of the Board Meeting During the Year 2015

Name	Executive / Non-Executive Status	Independence / Non-independence Status	Attendances
Mr. K.P. Ariyaratne <i>(Chairman)</i>	Non-Executive	Non-independent	10/11
Mr. S. Palihawadana <i>(Deputy Chairman SDP)</i>	Non Executive	Non-independent	11/11
Mr. P. Saravanapavan	Non Executive	Independent	11/11
Dr. P. M. Gunasekera <i>(Deceased on May 2015)</i>	Non Executive	Independent	4/11
Mr. R. J. Jayasekara	Non-Executive	Non-independent	7/11



Financial Acumen

There are two Chartered Accountants and two Experienced Bankers on the Board. They possess the necessary acumen & knowledge to offer the board guidance on financial matters. The Board of Directors also uses external consultants when necessary to achieve the objectives of the organization.

The Board of Directors ensures complete disclosure of financial and non financial information, and report financial information in accordance with Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS), Listing Rules of Colombo Stock Exchange and the Companies Act No. 07 of 2007.

The profile of the Directors as set out on page no 16 to 17.

Board Committees

The ultimate accountability for good governance rests with the Board of Directors. In order to effectively accomplish this responsibility, the Board has in place a governance structure and a process to monitor its effectiveness.

The Audit Committee, Remuneration Committee together with the Nomination Committee and the Related Party Transactions Committee plays an important role in ensuring effective enterprise governance.

Audit Committee

The audit committee comprises one Independent Director and one Non-Executive Director as at 31st December 2015. Two of them are qualified chartered accountants, having extensive experience in field of finance, the committee headed by Mr. P. Saravanapavan, an Independent Non- Executive Director.

The Audit committee met four times for the year 2015 with the presence the external auditors as well as internal auditors. The Report of the Audit committee appears on page 43 to 44.

Meetings attended are given below.



- Mr P Saravanapavan - Chairman 4
- Dr P M Gunasekera - Member (Deceased May 2015) 2
- Mr R J Jayasekara - Member 2
- Mr K Ariyaratne 1
- Mr S Palihawadana 3

Name of Directors	Attended
Mr P Saravanapavan - Chairman	4/4
Dr P M Gunasekera - Member (Deceased May 2015)	2/4
Mr R J Jayasekara - Member	2/4
<i>By Invitation</i>	
Mr K Ariyaratne	1/4
Mr S Palihawadana	3/4

Nomination Committee

The Nomination Committee consists of two Non-Executive Directors as at 31st December 2015.

Committee Members

Mr. S. Palihawadana –
Chairman (Non –Executive)
Mr. P. Saravanapavan
(Independent Non- Executive)

In case of a vacancy or vacancies in the Board, the Nomination Committee

selects qualified nominees, with a view of maintaining the balance & independence, and recommends them to the Board for appointment. The committee did not meet during the year 2015.

Re-Election

The provisions of the Articles of Association, one fourth of the Directors, excluding the Chairman and Deputy Chairman retires and submit them for re appoint at every Annual General Meeting. The retirement of each Director is determined according to those who have served the longest period of time in office, since their appointment or reappointment, as the

case may be.

As per provision of article company can fill a casual vacancy or additional Directors until the Annual General Meeting of the Company following such an appointment, after which they must seek re election.

The re-election of a Director safeguards the right of the

shareholders by providing a regular reassessment of the composition of the board. The names of the Directors submitted for re-election are provided to the share holders along with notice of the Annual General Meeting, enabling them to make informed decisions on such appointments.

Disclosure of Information in Respect of Directors

Refer the Directors Profile on Page No 16 to 17.



Remuneration Committee

The remuneration committee appointed by the Board comprises two Members of who are Non-executive Directors as at 31st December 2015. The committee headed by Dr P Mervyn Gunsekera (Deceased on May 2015), while Mr S Palihawadana, Mr P Saravanapavan (Independent) serve as other members. After the demise of Dr. P. Mervyn Gunasekera, Mr.P.Sarvanapavan was appointed as Chairman by the Board of Directors. The committee met Two times during the year 2015. The Report of the Remuneration Committee appears on Page No 45.

Meetings attended are given below.



- Mr P Saravanapavan - Chairman (With effective from 18 May 2015)
- Mr S Palihawadana - Member
- Dr P M Gunasekera - Former Chairman (Deceased May 2015)

Name of Directors	Attended
Mr P Saravanapavan - Chairman (With effective from 18 May 2015)	2/2
Mr S Palihawadana - Member	2/2
Dr P M Gunasekera – Former Chairman (Deceased May 2015)	1/2

Disclosure of Directors' Remuneration

During the financial year under review, all Directors of the Company were Non Executive Directors. They

receive a fee for participating at board meetings and other committee meetings and do not receive any

other perquisites or benefits other than what is discussed at Note 7 in the financial statements.

Related Party Transactions Review Committee

Related Party Transactions Review Committee was setup during the year 2014 to fulfill the code of best practice of Corporate Governance.

Committee Members,

1. Dr. P. M. Gunasekera – Chairman
(Independent Non- Executive/
Deceased on May 2015)
2. Mr. P. Saravanapavan
(Independent Non- Executive)

The Internal Auditors

(M/s. Ponnamparuma & Co.)
participates by invitation

The committee did not meet during the year 2015, due to the demise of Dr. P.Mervyn Gunasekera . However the other, Independent Director had formal discussions with the Executive Director / CEO and CFO of the Parent Company, on matters of common

Interest. The report of the Committee is given on Page 46.

The transaction and activities which were associated with the Parent company are disclosed under the related party transactions, which is appearing at note No 28 of the financial report.

Corporate Disclosure and Shareholder Relationship

All Vital information as regards the company's occurrences promptly communicated to Colombo Stock Exchange/CSE in order to be released to the share holders. Further the Board of Directors strongly believes that the share holders must necessarily be provided with an opportunity to communicate their inclinations and expound their concerns. The Annual General meeting provides a good opportunity to adduce their views. Quarterly financial reports are updated in the

Colombo Stock Exchange website for share holders' information.

In terms of the Companies Act No 7 of 2007, Annual General Meeting (AGM) should be held within six months from the end of the financial year. However our Company's AGM is scheduled to be held within three months, after providing a copy of annual report at the time of such notice. Active participation of shareholders is welcome by the Board of Directors.

It is pertinent to mention that our company won the Gold Award for four consecutive years 2012, 2013, 2014 & 2015 and a Silver Award in the year 2011, in the category of "Land & Property" Companies, in the annual report competition organized by The Institute of Chartered Accounts of Sri Lanka.

The parent company, Seylan Bank PLC also publishes consolidated financial statements on quarterly basis.

Financial Reporting

The Board of Directors is responsible for overall company's activities & performance to stakeholders of the company. Therefore the Board of Directors and the Management

pays their utmost priority to provide complete disclosure of financial and non financial information in accordance with commercial practices. The Board of Directors

pays great attention to the adoption of sound and accurate reporting practices to ensuring that an honest and balanced assessment is presented at all times.

Internal Control

The Board of Directors is responsible to maintain an effective internal control system. The Board from time to time reviews and assesses the internal control system with a view to achieving efficiency and productivity. In this connection the company has engaged the services of a professional audit firm to carry out internal audit function to ensure the control systems is in operation throughout the year and review their quarterly reports and implement their recommendations. A report from

Internal Auditors M/s Ponnampereuma & Company is given in page 29 of the Annual Report. The Board ensures the timely reporting to share holders and compliance with the statutory requirements. Further the Board confirms that there is an ongoing process to indentifying, evaluating and managing significant risks faced by the organization.

The framework is designed for;

- ◆ Efficiency and effectiveness of systems.

- ◆ Credibility of financial and other management/Operational information.
- ◆ Prevention of fraud
- ◆ Compliance with relevant national laws and company regulations

The board has delegated the process of reviewing the effectiveness of the internal controls to the Audit Committee.

Code of business Conduct and Ethics

Although there is no written code of conduct of the Directors, they are conscious of the duties required of them.

The Company is compliant with the Code of Best Practice on Corporate Governance jointly issued by the SEC and ICASL.

Corporate Governance Disclosure

The quarterly financial statements published by the company with the explanatory notes as required by the rules of the Colombo Stock Exchange and the Securities Exchange Commission of Sri Lanka is disclosed

to all stakeholders. Furthermore any other financial and non financial information which are price sensitive or warrants the shareholders attention and consideration is promptly disclosed to the public.



Compliance with the Colombo Stock Exchange Rules on Corporate Governance

Levels of Compliance with the CSE's Listing Rules Section 07 – Rules on Corporate Governance are given in the following table

Rule No	Subject	Applicable Requirement	Compliance Status	Reference
7.10.1(a)	Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors.	Complied.	Refer on page 31.
7.10.2 (a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher should be independent	Not Complied. Due to demise of Dr. Gunasekara	Refer on page 31. One of four directors is independent. (Complied w.e.f January 2016)
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format	Complied.	Refer Annual Report of the Board on the state of Affairs of the Company on page 59 to 62.
7.10.3 (a)	Disclosure relating to Directors	The Board shall annually make a determination as to the independence of the Non-Executive Directors and names of independent Directors should be disclosed in the Annual Report.	Complied.	Refer on page 31
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board to determine a Director is independent, if criteria specified for independence is not met	Not Applicable.	
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied.	Refer Directors' Profile on page 16 to 17.
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the rules of the Colombo Stock Exchange.	Complied at the time of new appointment	A brief resume of new directors and the appointments were submitted to the Colombo Stock Exchange when such appointments were made.
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee.	Complied.	Refer on page 45.
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise Non-Executive Directors, at which a majority of whom shall be independent.	Not Complied.	Refer on page 45.
7.10.5 (b)	Function of Remuneration Committee.	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Complied.	Remuneration Committee report on page 45 of this Report which set out the functions of the Committee.

Rule No	Subject	Applicable Requirement	Compliance Status	Reference
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee.	The Annual Report should set out;	Complied.	Refer on page 45.
		a. Names of Directors comprising the Remuneration Committee.		Refer on page 45.
		b. Statement of remuneration policy.		Refer Directors' emoluments on page 80.
7.10.6	Audit Committee.	The Company shall have an Audit Committee.	Complied.	Names of the members of the Audit Committee are stated on pages 32.
7.10.6 (a)	Composition of Audit Committee.	Shall comprise of Non-Executive Directors, a majority of who shall be independent.	Not Complied	One of Two Non- Executive Directors is independent. Refer Audit committee report page 43.
		A Non Executive Director shall be appointed as the Chairman of the Committee Meetings.	Complied.	Chairman of the Audit Committee is an Independent Non-Executive Director.
		Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings.	Complied.	Head of Operations who function as CEO and Accountant representing Finance division participate for the meetings.
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Complied.	Chairman of the Audit Committee is a qualified Chartered Accountant.
7.10.6 (b)	Audit Committee Functions	Functions shall include;	Complied.	Refer on pages 43 to 44 for the functions of Audit Committee.
		a. Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards.		
		b. Overseeing of the compliance with financial requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	Complied.	Refer on pages 43 to 44 for the functions of Audit Committee.



Rule No	Subject	Applicable Requirement	Compliance Status	Reference
		c. Overseeing the process to ensure that the internal controls and risk management processes are adequate to meet the requirements of the Sri Lanka Auditing Standards.	Complied.	Refer on pages 43 to 44 for the functions of Audit Committee.
		d. Assessment of the independence and performance of the external Auditors.	Complied.	Refer on pages 43 to 44 for the functions of Audit Committee.
		e. Make recommendations to the Board pertaining to appointment, re appointment and removal of external Auditors, and approve the fees and terms of engagement of the external Auditors.	Complied.	Refer on pages 43 to 44 for the functions of Audit Committee.
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee.	a. Names of Directors comprising the Audit Committee.	Complied.	Refer on pages 43 to 44 for the functions of Audit Committee.
		b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determinations	Complied.	Refer on pages 43 to 44 for the functions of Audit Committee.
		c. The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions.	Complied.	Refer on pages 43 to 44 for the functions of Audit Committee.

COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED JOINTLY BY THE SECURITIES & EXCHANGE COMMISSION OF SRI LANKA (SEC) AND THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA (ICASL)

A. Annual Report

Subject & Ref.	Corporate governance Principle	Level of Compliance
Chairman & CEO A.2.1 & A.5.6	If Chairman and CEO is one and the same person, the name of the Chairman/CEO and Senior Independent Director appointed and justification of the decision to combine the positions.	As outlined earlier, the positions of the Chairman and the Head of Operations have been separated on pages 6 to 13. CEO's functions are covered by Head of Operations
Board Balance A.5.5	Should identify the independent Non-Executive Directors.	Complied The Board Consist four non-executive Directors. One out of four is independent.
Nominations Committee A.7.1	The Chairman and members of the Nomination Committee should be identified.	Complied Refer Page 32 and report on page 47

Subject & Ref.	Corporate governance Principle	Level of Compliance
Appointment of New Directors A.7.3	<p>When new Directors are appointed, the following details should be disclosed.</p> <ul style="list-style-type: none"> ◆ a brief résumé of each Director; ◆ the nature of his expertise in the relevant functional areas; ◆ the names of Companies in which the Director holds Directorships or memberships in Board committees; and ◆ Whether such Director can be considered independent. 	<p>Complied</p> <p>Disclosure of details as required of new appointments to the Board was informed to the Colombo Stock Exchange and also in the Annual Report. Profiles of Directors are given on pages 16 to 17.</p>
Appraisal of Board Performance A.9.3.	<p>Should disclose how performance evaluation have been conducted</p>	<p>Complied</p> <p>Performance evaluation of the Board and individual Directors takes place annually on a self-appraisal basis.</p>
Board Related Disclosures A.10.1	<p>The following details pertaining to each Director should be disclosed</p> <ul style="list-style-type: none"> ◆ Name, qualification and brief profile; ◆ The nature of his/her expertise in relevant functional areas; ◆ Immediate family and/or material business relationship with other Directors of the Company; ◆ whether executive, non-executive and / or independent Director; ◆ Names of other listed Companies in Sri Lanka in which the Director concerned serves as a Director; ◆ Names of Companies in which the Director concerned serves as a Director and/or the fact that he/she holds other Directorships in group Companies; ◆ Number/percentage of Board meetings of the Company attended during the year; ◆ The total number of Board seats held by each Director indicating listed and unlisted Companies and whether in an executive or non-executive capacity; ◆ Names of the Board Committees in which the Director serves as the Chairman or a member; and ◆ Number/percentage of committee meetings attended during the year. 	<p>Complied</p> <p>Directors' profiles with their qualifications, areas of expertise etc. are given on pages 16 to 17.</p> <p>Details of directorships/other positions held, Directors' interests in contracts and related party transactions are disclosed in Notes 28 of the Financial Statements given on pages 96 to 97</p> <p>Details of Board meetings and Board subcommittees, their composition, attendance by Directors of meetings held during the year are given on page 32 and 33, 43 to 45</p>
Disclosure of Remuneration B.3 and B.3.1	<ul style="list-style-type: none"> ◆ A Statement of Remuneration Policy and details of Remuneration of the Board as a whole. ◆ Names of Directors comprising the remuneration committee, contain a statement of remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors 	<p>Complied</p> <p>Refer Remuneration Committee Report on page 45 and also Note 7 of the Audited Financial Statements.</p>



Subject & Ref.	Corporate governance Principle	Level of Compliance
Major transactions C.3 & C 3.1	<ul style="list-style-type: none"> All major transactions entered into by the Company should be disclosed. 	No such transactions during the financial year.
Audit Committee D.3.4	<ul style="list-style-type: none"> Names of the members of the Audit Committee should be disclosed. Basis for determining the independence of Auditors. 	Complied Refer the Audit Committee Report on pages 43 to 44.
Code of Business Conduct and Ethics D.4.1 & D.4.2	<ul style="list-style-type: none"> Should disclose whether the Company has a Code of Business Conduct & Ethics for Directors and members of the Senior Management team. Should also disclose an affirmative declaration that they have abided by such Code. The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code. 	Will be complied shortly Refer page 34.
Going Concern D.1.5	<ul style="list-style-type: none"> Should report that the Company is a going concern, with supporting assumptions and qualifications as necessary 	Complied Refer Annual Report of the Board on the state of Affairs of the Company on pages 59 to 62

B. Remuneration Committee Report

Subject & Ref.	Corporate governance Principle	Level of Compliance
Members of Remuneration Committee B.1.3	<ul style="list-style-type: none"> The names of the members of Remuneration Committee should be disclosed in the Remuneration Committee Report. 	Complied Refer the Remuneration Committee Report on page 45.
Directors' Report D.1.2	<p>Should contain the following declarations made by the Directors,</p> <ul style="list-style-type: none"> The Company has not engaged in any activities, which contravenes laws and regulations; The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested; The Company has made all endeavors to ensure the equitable treatment of shareholders; 	Complied Refer on pages 59 to 62

C. Directors' Report

Subject & Ref.	Corporate governance Principle	Level of Compliance
Directors' Report D.1.2	<ul style="list-style-type: none"> The business is a going concern with supporting assumptions or qualifications as necessary; and They have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence herewith. 	Complied Refer on pages 59 to 64.

D Financial Statements

Subject & Ref.	Corporate governance Principle	Level of Compliance
Financial Statements D.1.3	<ul style="list-style-type: none"> ◆ The Board of Directors should include a Statement of Responsibility for the preparation and presentation of Financial Statements. ◆ Auditors should also have a statement about their reporting responsibility. 	<p>Complied</p> <p>Refer on page 63 to 64</p> <p>Refer on page 66.</p>
Related Party Transactions D. 1.7	<ul style="list-style-type: none"> ◆ Should disclose the related parties and related party transactions as specified by Sri Lanka Accounting Standards, SEC regulations and other related regulations. 	<p>Complied</p> <p>Refer Note 28 on pages 96 to 97</p>

E. Management Report

Subject & Ref.	Corporate governance Principle	Level of Compliance
Management Report D.1.4	<p>Should include a Management Discussion and Analysis Report discussing at least the following issues:</p> <ul style="list-style-type: none"> ◆ industry structure and developments; ◆ opportunities and threats; ◆ risks and concerns; ◆ internal control systems and their adequacy; ◆ social and environmental protection activities carried out by the Company; ◆ financial performance; ◆ material developments in human resources/industrial relations; and ◆ prospects for the future 	<p>Complied.</p> <p>Refer Chairman's Review on pages 6 to 9.</p> <p>Refer Head of Operation's Review on pages 10 to 13.</p> <p>Refer Management Discussion and Financial Review on page 18 to 21.</p>

F. Corporate Governance Report

Subject & Ref.	Corporate governance Principle	Level of Compliance
Corporate Governance report D 5.1	<p>Should disclose the manner and extent to which the Company has complied with the principles and provisions of the Code.</p>	<p>Complied.</p> <p>Refer on pages 30 to 42.</p>

G. Audit Committee Report

Subject & Ref.	Corporate governance Principle	Level of Compliance
Audit Committee report D 3.3	<p>Should set out the work carried out by the Committee.</p>	<p>Complied.</p> <p>Refer on pages 43 to 44.</p>



H. Statement of Internal Control

Subject & Ref.	Corporate governance Principle	Level of Compliance
Statement of Internal Control D.1.3 & D.2.3	<p>Should disclose the following as a minimum.</p> <ul style="list-style-type: none"> a) The Board should summarise the process it has applied in reviewing the design and effectiveness of the system of internal control b) Should disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in the annual report. c) An acknowledgement by the Board it is responsible for the Company's system of internal control and for reviewing its design and effectiveness. Should also explain that such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and can only provide reasonable and not absolute assurance against material misstatements of loss. d) Should disclose that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, whether it has been in place for the year under review whether it is regularly reviewed by the Board. e) The Board has to disclose if it has failed to conduct a review of design and effectiveness of the Company's system of internal control f) Should ensure that its disclosures provide meaningful, high level information and do not give a misleading impression. g) Where material subsidiaries, joint ventures and associates have not been dealt with in applying this guidance, as part of the group, that fact should be disclosed. h) The Confirmation by the Board; The Board should confirm in its report that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with applicable accounting standards and regulatory requirements. Should be signed by the Directors who signed the financial statements and the chairman of the Audit Committee. 	<p>Complied. Refer Statement of Internal Control on pages 26 to 28.</p>

I. Sustainability Reporting

Subject & Ref.	Corporate governance Principle	Level of Compliance
Sustainability Reporting G.1 to G.1.7	Disclose the policies and procedures adopted to develop a sustainable business in the context of; <ul style="list-style-type: none">◆ Sustainable economic performance;◆ The environment;◆ Labour practices;◆ Society;◆ Product responsibility;◆ Stakeholder identification, engagement & effective communication;	Complied. Refer Sustainability Report on pages 48 to 56.



AUDIT COMMITTEE REPORT

Role of Audit Committee:

The terms of reference for the Audit Committee, is defined in the 'Charter' approved by the Board of Directors in the year 2011, which provides a clear understanding of the role, structure, activities and the membership requirements of the Committee. The 'Charter' was formulated in line with International Best Practices and Corporate Governance Rules as laid down in Section 3(6) (ii) of the Banking Act Direction No. 11 of 2007 titled "Corporate Governance for Licenced Commercial Banks in Sri Lanka", as applicable to our holding company also incorporating the Listing Rule 7.10.6 of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance jointly issued by the Securities & Exchange Commission of Sri Lanka (SEC) and The Institute of Chartered Accountants (ICASL).

Composition & Meetings:

The Audit Committee comprises the following members:

P.Saravanapavan

Chairman

(Independent Non - Executive Director)

Dr. P. Mervyn Gunasekera

Member

(Independent Non - Executive Director) – Up to 14.05.2015

Ramesh Jeyasekara

Member

(Director)

In addition Mr. Kapila Ariyaratne -Chairman and Mr. S. Palihawadana – Deputy Chairman attend meetings on invitation.

Also Partner and Audit Manager from M/s. KPMG Chartered Accountants as representative of External Auditors and a Partner from Ms.

Ponnamperuma & Company as representative of Internal Auditor attends committee meetings by invitation.

The minutes of the committee meetings were made available to the Board of Directors for information and necessary action.

Meetings are held at least once in every quarter and minutes are made available to the Board Members.

Responsibilities and Activities in Financial Reporting:

The Audit Committee undertakes on behalf of the Board, responsibility for ensuring the integrity of the company's financial reports by having an insight of internal control systems. The Committee also reviews the financial reporting process and the compliance with regulatory matters as stated in the Audit Committee Charter. The Committee reviews the Management Letter by the External Auditors and the quarterly reports of the Internal Auditors and take initiative on the follow-up on the recommendations.

Tasks of Audit Committee:

The Committee reviewed the un-audited quarterly interim financial statements for the four quarters, to ensure reliability and consistency of the Accounting Policies adopted its compliance with the Sri Lanka Accounting Standards and the provisions of the Companies Act No.7 of 2007, before Directors Approval and submission to the Colombo Stock Exchange to comply with the Listing Rules. The Committee also reviewed the year-end financial statements before certification by External

Auditors together with supporting information including estimates, significant assumptions and judgements made in the preparation of the financial statements. The Committee reports on a quarterly basis, to the parent company Seylan Bank PLC, regarding the activities, summary of matters discussed and decisions arrived by the Committee.

Internal Control & Risk Management:

The Committee as an on-going process reviews the internal control effectiveness and ensure implementation of the recommendations of the Internal Auditors. The committee reviews the risk identification, evaluation, control and monitoring process and ensures continues adherence. The committee submits quarterly Risk Management report to Board of Seylan Bank PLC, the parent company.

Regulatory Compliance:

Procedures were in place to ensure compliance with statutory regulations. The Committee reviewed the quarterly compliance reports submitted by relevant officers to ensure that the company has complied with all statutory requirements. The committee also recommended issuance of quarterly confirmation letter regarding regulatory compliance, to the Parent Company

Internal Audit:

The Board of Directors continued to engage the services of M/s. Ponnamperuma & Company, a professional audit firm to carryout Internal Audit function. During

the year the Committee reviewed the independence, objectivity and performance of the internal audit function. The committee also reviewed the adequacy of the coverage of the areas covered by internal Auditors and their performance. Quarterly report submitted by the Internal Auditors was discussed at the Committee meetings and action taken to implement recommendation.

External Audit:

The Committee discusses matters indicated in the Management Letter with the Partner of M/s KPMG Auditors during the Audit Committee meetings and action taken wherever necessary. The Committee also discussed on the

scope and approach of their work to ensure that no limitations are placed in the conduct of the Audit.

The Audit Committee also recommended to the Board of Directors that Messrs KPMG Chartered Accountants to be re-appointed as Auditors of the company for the financial year 31st December 2016, subject to the approval of the shareholders at the Annual General Meeting

Committee Evaluation:

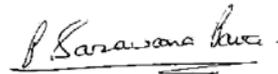
The annual evaluation of the committee by the Chairman – Director/CEO of Seylan Bank PLC and CFO of Seylan Bank PLC in accordance with best practice of

Corporate Governance and was deemed satisfactory.

Conclusion:

It is with regret the Committee report the demise of Dr. P. Mervyn Gunasekara due to illness and wishes to convey the condolences to the family members.

The Audit Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the affairs of the company are managed satisfactorily in financial reporting, statutory & regulatory compliance and in safeguarding the assets.



P. Saravanapavan.

Chairman – Audit Committee

8th February 2016



REPORT OF THE REMUNERATION COMMITTEE

Terms of Reference:

The Remuneration Policy approved by the Board of Directors in the year 2014 determines the terms of reference for the committee. The committee ensures that the total remuneration package is sufficiently competitive and in par with businesses with similar activities. The Remuneration Committee is responsible to the Board for recommending the salary increments and bonuses to the executive, non-executive and technical staff members.

Composition:

The Board appointed the following directors as members of the Remuneration Committee.

Dr. P. Mervyn Gunasekera

Chairman (Deceased on 14 May 2015)

Mr. P.Saravanapavan

Chairman (With effective from 18 May 2015)

Mr. S. Palihawadana

Mr. R. Jeyasekara

After the demise of Dr. Mervyn Gunasekera on 14th May 2015, The Board appointed Mr. P. Saravanapavan as Chairman of the Committee.

Chairman of the company Mr. Kapila Ariyaratne, attends committee meetings by invitation

Ms. Nirmala Arangalage – Accountant, act as secretary and assist the Committee by providing relevant information. Mr. Kusala Edirisinghe – Head of Operations provides the staff evaluation. The Committee deliberates the evaluations by the Head of Operations before making recommendation to the Board for necessary approval.

Both Mr.Kusala Edirisinghe – Head of Operations and Ms. Nirmala Arangalage – Accountant attend meetings by invitation.

Remuneration Policy:

The Remuneration Policy was formulated by the committee and approved by the Board during the year 2014. The policy includes provision for consideration of salary revision once in three years based on performance of the company, market rates for similar position, and individual performance. The policy also provides performance based annual salary increments. The Remuneration Committee is responsible for recommending remuneration payable to key managerial and technical personnel based on performance parameters and market trends for approval of the Board and ensures implementation of the approved policies. The Committee in fulfilling the above tasks

reviews the information relating to remuneration of employees in other similar establishments to bring payments to be in par with market rates and practices.

Scope:

The Committee reviews the Organizational Structure and evaluates job allocation on a bi annual basis. The minutes of the meetings after approval, is circulated among the Board Members.

Committee Evaluation:

The annual evaluation of the committee was conducted by the Chairman with the contribution from the Internal Auditors in accordance with the Corporate Governance guidelines and was deemed to be satisfactory.

Conclusion:

The committee completed and recommended to the Board for approval for bonus payments in April 2015 and in December 2015. The committee also evaluated a salary revision and had sought Board approval to be implemented from January 2016.

P.Saravanapavan.

Chairman - Remuneration Committee
8th February 2016.

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Appointment & Members of Committee:

The Committee was appointed by the Board at the meeting held on 28th October 2014. The Independent Directors Dr. Mervyn Gunasekera & Mr. P. Saravanapavan members of the Committee and the representative of Internal Auditors were invited to attend by invitation. Dr. Mervyn Gunasekera functioned as the Chairman of the Committee.

Mr. Kusala Edirisinghe, Head of Operations and Ms. Nirmala Arangalage, Accountant, to attend

meetings on invitation to furnish details for discussions.

Death occurred of Dr. Mervyn Gunasekera due to sudden illness on 14th May 2015.

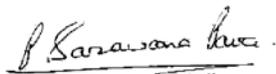
Matters Discussed:

The first meeting was held on 22nd December 2014. Matters relating to Lease Agreement, Reimbursement expenses such as Electricity, Water, Insurance & Management fees were deliberated and discussed.

During the current year no meetings were held due to the death of Dr.

Mervyn Gunasekera. However formal discussions were held by the Independent Director with other Directors representing the Parent Company, ensuring that the Inter-Company transactions are recorded at arms-length values.

Based on deliberations, it was agreed for an upward revision of rent for each of the years 2016 and 2017. It was also agreed for revision of tariff for Electricity reimbursement on the completion of the Energy Efficiency Improvement Project commencing in January 2016.



P. Saravanapavan.

Member - Related Party Transaction Review Committee
8th February 2016



REPORT OF THE NOMINATION COMMITTEE

Committee Members:

The Nomination Committee consists of two Non – Executive Directors one of whom being independent. The Committee members as at 31.12.2015 are:

Mr. S. Palihawadana – Chairman (Non – Executive)

Mr. P. Saravanapavan Member (Independent and Non – Executive)

In case of a vacancy or vacancies in

the Board the Nomination Committee selects qualified nominees with an objective of maintaining a balance of independence according to Corporate Governance Guidelines and recommend to the Board for appointment.

Committee Meeting:

There were five (5) Non-Executive Directors at the beginning of the year 2015, two of whom were independent. The death of Independent Director,

Dr. Mervyn Gunasekera created a vacancy. The committee was of the view to nominate a person with Civil Engineering background to board as the directors contribution will be useful in decision making matters relating to building maintenance issues. The committee recommended to the Board that Mr. Piyal Hennayake whose profile is given in page 17, be appointed as Independent Non-Executive Director after obtaining his consent.

Mr. S. Palihawadana

Chairman – Nomination Committee

8th February 2016.

SUSTAINABILITY REPORT

1. Sustainability Framework

Seylan Development's Sustainability Framework is an integration of its Sustainability Policy and Principles which focuses on Sustainable Development articulated by its Corporate Governance Structure. This incorporates Report Parameters, Scale of Operations, Commitments and Engagements which are monitored by Management Approach and Performance Indicators.

In the previous years we discussed how an organization could sustain by implementing sustainable strategies with economic and socio-cultural benefits attained through environmental responsibilities improving the lives of those whom we interact with. We even went to the extremes in searching for other income generation avenues within our working frame work in bringing value addition to the company increasing the share holder wealth.

This year it is a further step forward with extreme environmental consciousness in reducing negative impacts keeping abreast with all challenging issues. We ensure that this framework reflects good governance practices keeping up with challenges from our immediate environment in managing an extremely competitive and high demanding business.

2. Our Sustainability Policy

Seylan Developments Plc, as a service organization is committed to enhance and improve the living standards of our tenants, customers, building users, share holders and our employees. We are responsible to safe guard our environment by contributing to saving of natural resources, conserving energy while minimizing the carbon foot print in

creating a better future for the next generation.

We are well aware of the fact that we live and do our business in a very competitive working environment and to be in competition and being recognized it needs constant value additions infusing innovation, minimizing negative impacts to our products and services. This would enhance continuous trust and confidence of share holders with consistent growth on value and returns.

We have complied with all applicable laws and regulations of the country. Having faced different consequences in the past where we successfully mitigated both external and internal challenges on financial issues, labor matters and adverse law suites we are well focused in achieving long-term success while having a positive impact on the society and the environment in which Seylan Developments lives and works.

Our employees with their technical and entrepreneurial skills are our key customers therefore we create a knowledge gaining culture at our work place where they are exposed to improvements of modern technological advancements.

This year the company's sustainability policy was focused on the achievements of Energy Savings at Seylan Towers contributing towards a greener and healthier planet. Our ultimate goal towards achieving Green building status is important because the cumulative impact of the design, construction, and operation of Seylan Towers will have implications for human health, the environment, and the economy.

We continually review our operational procedures on industry practices and

technological improvements along with lines of Socio – Economic and Environmental parameters.



	Challenges	Opportunities	Risks	Our Strategies
Economic	<ul style="list-style-type: none"> Intense Competition Prize fluctuations on materials and labor 	<ul style="list-style-type: none"> Investment Opportunities Brand name as the subsidiary of Seylan Bank 	<ul style="list-style-type: none"> De valuations could effect investments Undesirable Capital expenditure 	<ul style="list-style-type: none"> Constant Improvements on Product & Services Enhance Research & Development
	<ul style="list-style-type: none"> Emerging high rise developments Out dated systems and procedures 	<ul style="list-style-type: none"> Pro-active measures take on system improvements Enhanced Energy & Waste management 	<ul style="list-style-type: none"> Threats of environmental pollution due to waste emissions. Increase in the carbon footprint. 	<ul style="list-style-type: none"> Effective Building Management Systems(BMS) Energy auditing & Monitoring.
Social	<ul style="list-style-type: none"> Aging work population Labor Legislature & Union Developments Lack of Skilled Blue color workers in the market 	<ul style="list-style-type: none"> Increasing employability due to multi skills Structured Training Programs Participating in Community Development programs. 	<ul style="list-style-type: none"> Possibilities for higher employee retention within a competitive labor market. Cost reduction and stained employee relationships. Inadequate skills 	<ul style="list-style-type: none"> Performance Incentives Better employer employee relationship Industry based training

3. Sustainability Principles

Seylan Developments PLC; a subsidiary of Seylan Bank PLC, is a limited liability company incorporated under the companies act of 2007, and is listed in Colombo Stock Exchange(CSE). The company's core business is property management and maintains and manages the Condominium property at 90, Galle Road, Colombo -03.

Our business objective is to provide superficially blended spaces to our customers and tenants. It extends beyond just building towards Art and Architecture exquisite with class and technology. Though our actions are limited to an extent by the Central Bank ruling on subsidiary companies, we support initiatives across the sector to create a balanced and harmonized built environment.

A business faces risks and

challenges. It could be a sudden cash flow deficit, political changes, social unrest, negative publicity or even a natural disaster like Tsunami. As a principle we always take proactive measures to minimize the effects at any given time. This has driven us to achieve enhanced business growth ensuring that we remain within compliance bench marks in the industry.

We have also broadened our communication channels to enhance stake holder engagements in an attempt to adopt ourselves for changing needs and aspirations by way of updating the data base, customer feed back surveys and advertising. We intend to further strengthen these relationships in enhancing transparency and inspiring our presence in the environment we serve.

4. Sustainable Developments

During the year under review company invested Rs. 86.8 M as capital expenses on the Seylan Tower Building. This includes Rs. 80.0M on the Energy Saving Project and Rs. 6.8 M as other capital expenses on the improvements carried through out the year. In addition company has spent Rs. 18.2 M as operational expenses on routine maintenance.

The energy saving project adheres to one aspect out of the eight green criteria's determined by the Green Building society of Sri Lanka (GBSL). These include Management (MN), Sustainable Sites (SS), Water Efficiency (WE), Energy & Atmosphere (EA), and Material & Recourses (MR), Indoor environment quality (EQ), Innovation & design process (ID) and Social & cultural awareness (SC).

Our final objective is to be in par with the Rating System specified for built environment transforms in the design, construction, and operation of Seylan Towers within the specified parameters and shift practices of higher performance, lower environmental impact, and ultimately leading to regenerative energy sources.

In addition to this the operations of SDP Rest Kataragama continued successfully catching up the market with increased popularity as a Pilgrim Rest House. The company is expected to commence works in the Stage II in completing the Restaurant and the second Room Block in allowing the general public to enjoy the facilities as well.

Furthermore company was able to obtain the possession of the property at 257, Union Place increasing its asset value. The property will be cleaned renovated and rented out for a two year period during which a much feasible investment plan will be worked out for a high rise development. Also once the ownership of the condominium units at Ja- Ela Reality Plaza is obtained a decision will be taken on disposing the units or renting out in increasing income generation.

5. Sustainability Governance and Organizational Structure

Over the years Seylan Developments PLC has consistently adopted a strategic approach to sustainability where economic, environmental and social strategies are intrinsically aligned. The Company ensures that sustainable development is featured at all strategic levels, supported by Board of Directors and committed by staff at all levels. The responsibilities are cascaded down the organizational

structure in par with the adopted strategies.

We at Seylan developments also focused towards national priorities in supporting of housing people, providing employment opportunities, improving technical advancement, empowering people on CSR activities, and also creating a sustainable environment. The Company strives to contribute towards the national agenda and meet national objectives through the effective implementation of its own business strategy.

6. Scale of Operations

As at 31st December 2015, the total assets of the Company was Rs: 5.0 Bn and the total equity of the Company is Rs: 4.4 Bn. During the year under review the Company recorded a profit after tax of Rs: 201.3 Mn.

Any questions or comments about this Sustainability Report should be directed to the Head of Operations of Seylan Developments PLC, Mr. Kusala Edirisinghe on Telephone No. 011 2452697.

7. Report Parameters

7.1. Report Framework and frequency

As in the previous year, the Company's Sustainability Report has been developed based on the Sustainability Reporting Framework proposed by Global Reporting Initiative (GRI).

This Report covers the activities of Seylan Developments PLC for the period from 1st January 2015 to 31st December 2015. We analyze the business and financial activities of the institution and provide detailed information on the performance during the year. The previous sustainability report covered the financial year of 2014.

8. Commitments and Engagements

8.1 Our Stakeholders & their Expectations

A business organization is composed of a network of relationships including interest groups and individuals. We, at Seylan Developments PLC define our key stakeholder audience to ensure materiality in engagement and reporting. Company defines its key stakeholders as customers, employees, investors, suppliers, government, legal & regulatory bodies and society. We have clearly identified the different stakeholder expectations and have formulized our responses accordingly. This varies from effective management that delivers sustainable wealth, product innovation, performance linked remuneration, transparent procurement policies, effective and efficient use of resources etc.

8.2 Sustainability Content and the Scope

This Report presents the Company's performance in the wider context of sustainability, providing an insight into the Company's contribution towards the enhancement of economic, environmental and social conditions within which it operates.

In addition this sustainability report has been developed with in the context of the Company's overall business strategy.

8.3 Defining the Report Quality

This Report signifies an unbiased script of Company's performance by reflecting on both positive



and negative aspects on the economic, environmental and social contexts. It is derived in presenting a format which is understandable and accessible to the reader.

The company is committed in publishing its annual and quarterly reports in a timely manner to CSE as stipulated.

It is highlighted here that company's reporting quality is maintained to the standards being Four times Gold winners in the years 2012 to 2015 apart from

the Silver they won in the year 2011 under Land and Property sector at the Annual reports award bestowed by CA Sri Lanka.

8.4 Recognizing Stakeholders

Stakeholder engagement is important for an organization to further align business practices to achieve long term sustainability. Our stakeholders are our pillars of strength who drives the organization forward. We intend in applying a conceptual approach in analyzing each of social,

environmental, and economic factors, thereby enhancing our capabilities through incremental improvements. We also intend to track our progress by putting in place a structured process of stakeholder engagement and through the measurement of our impacts earlier mentioned. We listen to our stakeholders and welcome their constructive suggestions through proper communication channels.

Stakeholder categorization and current engagement at Seylan Developments PLC

Stakeholder	Why they are our key stakeholders and the importance of engaging with them	Current level of engagement	Key Issues	How we respond to these issues
Customers (Individual, corporate)	Customers are our key stakeholders and they are the very reason we exist. Good customer relationship and continuous feedback maximizes our service excellence.	<ul style="list-style-type: none"> One to one meetings Discussion forums Field visits Progress reviews Business development plans. 	<ul style="list-style-type: none"> Product quality Service standards Affordable Price Facilities Sustainable practices Product innovation 	<ul style="list-style-type: none"> Provisioning of modern and comfort rented spaces with highest standards at competitive prices. Availability of round the clock maintenance and customer service at the door step with minimum down time.
Suppliers	A dependent supplier base provides opportunities in attending to service needs on time.	<ul style="list-style-type: none"> Supplier Registration 	<ul style="list-style-type: none"> Price fluctuations Delays in delivery. 	<ul style="list-style-type: none"> Proper procurement policies. Better negotiations Proper inventory management systems
Employees	The internal customers; the pillars of the organization.	<ul style="list-style-type: none"> Direct reporting Open door policy at all management levels. 	<ul style="list-style-type: none"> Employee Development Health & Safety req. Organizational ethics Work force diversity 	<ul style="list-style-type: none"> Merit based recruitment & selection. Employee Welfare Insurance Staff Loans Medical Allowances Performance link rewards Succession planning Need based training (on the job/off the job)

Stakeholder	Why they are our key stakeholders and the importance of engaging with them	Current level of engagement	Key Issues	How we respond to these issues
Investors / Shareholders	<ul style="list-style-type: none"> Corporate responsibility Increasing Shareholder wealth Business Ethics 	<ul style="list-style-type: none"> AGM. Internal & External Audit procedures Web updating/CSE reports 	<ul style="list-style-type: none"> ROI Good governance Practices Risk management controls Transparency 	<ul style="list-style-type: none"> The Company recorded an EPS of Rs. 1.36 per ordinary share, which is an increase of 102% over the previous year's EPS of Rs. 0.67. The Board of Directors has recommended a first and final dividend of Rs: 0.60 per share amounting Rs: 88,778,916/- which requires to be approved by the shareholders at the AGM.
Government, Legal & Regulatory Bodies	<ul style="list-style-type: none"> To have system controls All Statutory payments in order BOI, Labor issues, Taxes and tariff controls 	<ul style="list-style-type: none"> Representation through associations, Acts and circulars, 	<ul style="list-style-type: none"> Penalties, Loss of reputation Loss of shareholder confidence. 	<ul style="list-style-type: none"> Implementations of regulatory monitors Conduct compliance reviews at various levels. Good Code of ethics.
Society / Pressure groups / Media	<ul style="list-style-type: none"> External Environment (PESTEL) factors Sustainable developments Green concepts in reducing the carbon foot print 	<ul style="list-style-type: none"> Correspondence, Discussions, Media coverage. 	<ul style="list-style-type: none"> Waste disposal Energy efficiency. Potential for future growth 	<ul style="list-style-type: none"> Reducing environmental impacts SDP promotes initiatives such as internal paper recycling, energy saving lighting (LED), Effective maintenance of AC system, Generators, water supply etc.

9. MANAGEMENT APPROACH AND PERFORMANCE INDICATORS

It has been a policy of the company to minimize both direct & indirect negative impacts on our environment. In achieving thus we follow safe management practices complying with all statutory and other regulatory requirements.

The management understands its priorities towards national initiatives

as a service provider. The launching of Energy efficiency project is one aspect of reducing the impact on the national grid. It has also been communicated to our customers in managing electricity, water and also in reducing the paper consumption in minimizing the carbon foot print.

Therefore the key performance indicators of the company will be customer satisfaction levels, improved living conditions, energy efficiency, employee satisfaction,

economic growth, increased market share, environmental consciousness etc.

9.1 Economic Performances

9.1.1 Economic Sustainability Initiatives

Our economic sustainability initiatives are superior long term financial returns, sustainable developments, comply with regulatory requirements and recognition and acceptance in the trade.



This goes hand in hand with both environmental and social parameters in the global context in understanding current and changing needs of its stake holders.

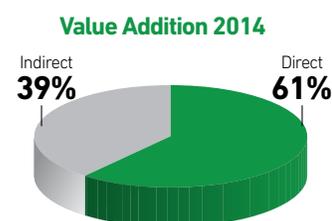
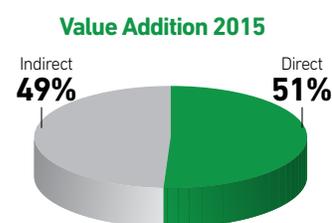
9.1.2 Economic Performance Indicators

Economic impacts of our activities across key stakeholder segments are as follows;

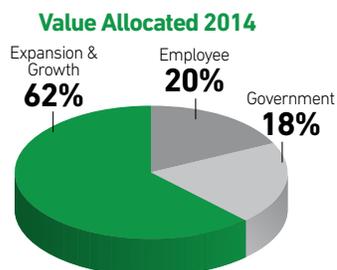
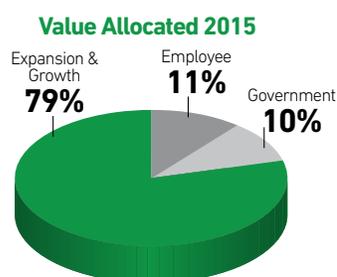
Value Addition

The value added statement depicts the generation of wealth and its distribution among the stakeholders by acting responsibly in all of our businesses/ social activities throughout the organization.

	2015 Rs.'000	2014 Rs.'000
Value Added Statement		
Direct	189,550	171,514
Cost of Services	(57,955)	(72,476)
Value Added Services provided by SDP	131,595	99,038
Indirect	126,459	63,574
	258,054	162,612



	2015		2014	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Value Allocated to Employees				
Salaries, Wages and Other Benefits		29,603		31,786
To Government				
Income Tax	(356)		2,595	
Deferred Tax	20,859		24,363	
Stamp Duty	6		8	
VAT & NBT	6,118	26,627	2,932	29,898
To Expansion and Growth				
Surplus / (Deficit)	201,306		99,771	
Depreciation	1,518	202,824	1,157	100,928
		258,054		162,612



This part of the Report looks at Seylan Developments PLC's impact on investors, customers and employees

9.1.3 Contributory Benefit Plan

The company provides a retirement plan for its workforce by using general resources to pay the obligations to retired employees. According to the terms of Employees' Provident Fund (EPF) Act No. 15 of 1958 and its subsequent amendments and Employees' Trust Fund (ETF) Act No. 46 of 1980 and its subsequent amendments, employees are eligible for EPF and ETF contributions. The company contributes the relevant percentages of the eligible gross emoluments of employees to the respective provident funds and to the Trust Fund respectively.

In relation to the rules of the provident fund, to which such contributions are made, the company contributes 12 percent as the employers' contribution and the employees contribute 8 percent to their respective provident funds managed by the Central Bank of Sri Lanka. Further, the company also contributes 3 percent to the Employees' Trust Fund managed by the Department of Labor.

	2015 Rs'000	2014 Rs.'000
Employer contribution to the trust fund	511	479
Employer contribution to the provident fund	2,046	1,915

9.1.4 Retirement Gratuity Plan

Employees are entitled to gratuity payable under the Payment of Gratuity Act No. 12 of 1983 and its subsequent amendments as No.41 of 1990. The Company has duly carried out an actuarial valuation on retirement benefit obligations as at the year end and the actuary has used the projected unit credit method as prescribed in Sri Lanka Accounting Standards.

9.2 ENVIRONMENTAL PERFORMANCE

9.2.1 Environmental Sustainability Initiatives

We ensure that all our processes and systems function within specified environmental parameters. As an organization, we are committed to the efficient and sustainable use of our natural resources. At the same time we take every necessary step to promote and practice conservation methods in minimizing the Carbon footprint from the very basics of internal paper recycling, employing energy saving, minimizing unnecessary power draw offs in respect of the operation of its air conditioning, computers and up to the extremes of energy auditing.

The sections below examine as to how our policies and processes help preserve the environment and ensure its sustainability. We strive to succeed in achieving our goal of seeing all our employees are dedicated and committed towards this noble course.

9.3 Environmental Performance Indicators

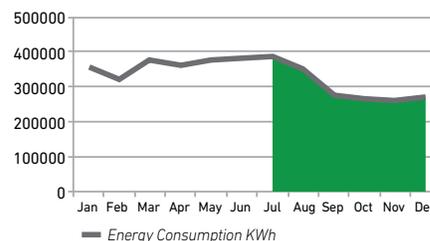
9.3.1. Energy Conservation

Energy conservation today is discussed at the highest forum as a subject with world wide concern. The company has successfully completed the stage 1 of the energy conservation project achieving enhanced electricity saving. The initial

feasibility confirmed an 18% saving of electricity but ended up achieving of 29% average saving per month. The saving is mainly due to the installation of high performance SMARTD energy efficiency chiller.

In addition the system is monitored by a state of art Building Management Systems (BMS). Further all Fluorescent light fittings in the East Tower were replaced by High efficiency LED light fittings. This in turn adds to our social responsibility in reducing the energy demand on the national grid as well. The stage II in achieving water efficiency is expected to be commenced in the year 2016.

Energy Consumption KWh





9.3.2 Waste Management

Recycling has been a day-to-day topic for years but sadly a little has been done. We have acted on our strength by collecting and segregating all the waste differently as paper, glass, scrap iron, and polythene and organic and hired a contracted company in disposing for recycling. Every necessary step has been taken in contributing to minimize the carbon foot print in the immediate environment.

9.4 SOCIAL PERFORMANCE

9.4.1 Empowering the Team Seylan Developments

Employees are our key stakeholders, the pillars of strength of the organization who stood straight in good times as well as in bad times delivering the very best in improving the productivity.

In the year under review the company took a further step forward by recognizing its valuable customers through employee engagement in providing opportunities for professional and personnel development.

More than just a workplace – An equal opportunity employer

We strive to maintain equality of opportunity for all employees irrespective of ethnic origin, religion, gender, age or marital status. We also maintain a safe and healthy working environment for all our valued employees.

In this section below we look at how the Company's activities have had an impact on society and on our employees.

Total workforce by employment type, employment contract, gender, ethnicity and age

Category	No. of Employees	Percentage (%)
Permanent	27	96%
Contract	01	4%
Total	28	100%

Breakdown of Employees per Category according to Gender

Gender	Supervisory/ Technical	Clerical & Allied	Executive	Total
Male	14	05	04	23
Female	01	01	03	05

Breakdown of Employees per Category according to Ethnic Group

Ethnic Group	Supervisory/ Technical	Clerical & Allied	Executive	Total
Sinhala	15	06	06	27
Tamil	01	-	-	01
Muslim	-	-	-	-
Burger	-	-	-	-
Others	-	-	-	-

Breakdown of Employees according to Age

Age	No. of Employees
< 20	-
20 – 29	-
30 – 39	06
40 – 49	13
>50	09

Breakdown of Employees according to No of service years

Period of Service	No. of Employees
< 05	06
05 – 09	01
10 – 19	19
20 – 29	02
>30	-

Breakdown of Employees resignation according to age

Age	No. of Employees
< 20	-
20 – 29	-
30 – 39	-
40 – 49	-
>50	01

Breakdown of Employees resignation according to gender

Gender	No. of Resignations
Male	01
Female	-

c) Child Labour

Our employment practices are governed by the laws and regulations of the country, we maintain zero-tolerance of discrimination and do not condone forced or child labor.

d) Health & Safety

Health and Safety in the work place is essential for the well being of our employees.

At Seylan Developments PLC all employees are covered by Hospitalization and Insurance Scheme from The Sri Lanka Insurance Corporation and a Critical Insurance cover obtained from Ceylinco Insurance. In addition the Company pays a fixed allowance for every employee to obtain outer patient medical expenses.

In order to minimize risk and repetition of health and safety related issues we practice all work place safety rules and regulations.

There were no accidents on any of our properties during the year under review and all workers are covered and protected by Workman's compensation policy (WCP) Cover.

e) Employee Communication

We believe in maintaining cordial relations with our employees based on strong foundation of mutual understanding and continues interaction and dialogue.

We work towards maintaining two way communications which enable and encourage employees to express themselves openly and to discuss their work related problems face to face with their immediate superiors.

f) Employee Welfare

The Staff Welfare Society is committed and acts swiftly in helping employees in distress.

Benefits given to Seylan Developments PLC staff are:

Benefits (Permanent)	Full-time Employees
Insurance	Yes
Staff Loans	Yes
Medical Allowances	Yes

9.3.2) Social Performance Indicators

CSR Activities (Corporate Social Responsibility):

This year our theme on Corporate Social Responsibility was in par with our parent company Seylan Bank Plc. The company offered in providing of facilities required for a school library at Sri Siddhartha Kumara Maha Vidyalaya in Gampaha at an approximate cost of Rs.450,000. All pre preparation works in the class room including painting and other improvements were done with the participation of the staff and the maintenance unit of Seylan Developments Plc. The small ceremony of handing over Books, Computers, and Furniture was attended by The Principal, Teachers, Parents, Children and other well wishers whom appreciated Company's efforts. This would not have been possible with out the generosity shown by our valued share holders in approving part of their returns to be spent on CSR activities at the AGM held on 31st March 2015.

The success of this heart warming event and using it as a model the company is looking forward in engaging in similar CSR activities with our technical and monitory assistance plus community participation in the years to come.

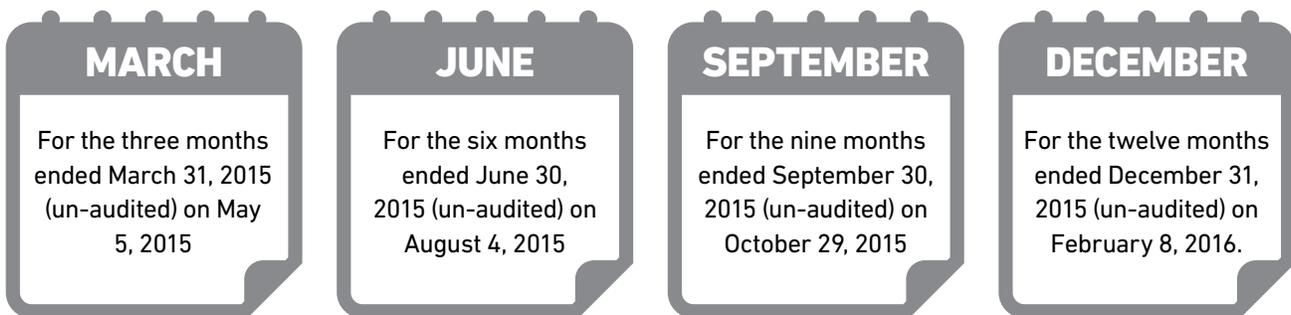


FINANCIAL CALENDAR

Financial Statements for the year ended 31st December 2015 signed on 08th February 2016.

23rd Annual General Meeting held on 31st March, 2015.

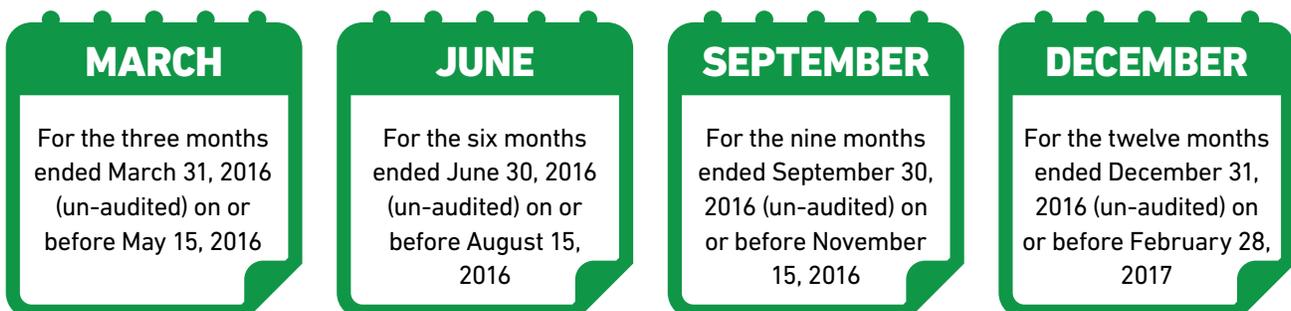
Submission of the Interim Financial Statements in terms of Rule 7.4 of the Colombo Stock Exchange – 2015



Proposed Financial Calendar - 2016

24th Annual General Meeting to be held on 31st March 2016

Submission of Interim Financial Statements in terms of Rule 7.4 of the Colombo Stock Exchange – 2016



First and Final Ordinary Dividend - Payable for the year ended 31st December 2015 (subject to approval of the shareholders at the AGM) on 11th April 2016

ANNUAL REPORT OF THE BOARD ON THE STATE OF AFFAIRS OF THE COMPANY

The Board of Directors have pleasure in presenting their report to the members, together with the audited Financial Statements for the year ended 31st December 2015 of Seylan Developments PLC and the Auditors' Report on those Financial statements.

Seylan Developments PLC is a Public Limited Liability Company incorporated in Sri Lanka on 3rd September 1992, quoted in the Colombo Stock Exchange on the same day and re-registered under the Companies Act, No. 07 of 2007 on 22 May 2008 and the companies registration number is PQ 151. The registered office of the Company is at Level 15, Seylan Towers, No: 90, Galle Road, Colombo 03.

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

Principal Activities, Business Review and Future Developments

The principal activities of the Company includes property development , management of developed properties and providing services to the tenants of East Tower and the apartment tenants at the West Tower. The business activities continued without any change during the year.

The Chairman's Message, the Head of Operation's Review and the Management Discussion and Analysis published in this Annual Report provide an overall assessment and review of the Company's operations and financial performance during the year 2015 and they also refer to the future development plans of

the Company. The audited Financial Statements are given in pages 67 to 99 of the Annual Report. These reports together reflect the state of affairs of the Company during the period under review.

Financial Statements

The financial statements of the Company were approved by the Board of Directors on 08th February 2016 and are stated in page no. 67 to 99 of this Annual Report.

Auditor's Report

The Auditors of the Company Messrs KPMG – Chartered Accountants carried out the audit on the financial statements for the year ended 31 December 2015 and the Auditors Report on those financial statements is given in page 66 of this Annual Report.

Accounting Policies

The accounting policies adopted by the Company in the preparation of financial statements are stated in pages 72 to 79. Those accounting policies have been applied consistently to all periods presented in these financial statements.

The financial statements of the Company have been prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka.

Dividend

The Board of Directors at the meeting held on 08th February 2016, recommended the payment of first and final dividend of Rs: 0.60 per share for the financial year ended 31st December 2015 to be approved by the Shareholders at the Annual General Meeting of the Company

to be held on 31st March 2016. The Company paid a First and Final Ordinary Dividend of Rs: 0.50 per share for the year 2014 on 10th April 2015.

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

Donations

The Donations recommended for the year amounted to Rs: 450,000/-. This amount was approved by The Board of Directors as the authorization powers for donations has been given to the Directors, at the Annual General Meeting held on 31st March 2015. The amount approved for the year 2014 was Rs. 950,000/-.

Interests Register

The Interests Register is maintained by the Company, as required by the Companies Act No. 7 of 2007. All Directors have made declarations as provided for in Section 192 (2) of the aforesaid Companies Act. Entries were made in the Interests Register on Directors' interests in contracts and remuneration paid to them etc.

Directors' Remunerations

Directors' remuneration, in respect of the Company for the financial year ended December 31, 2015 is given on Note 9 on the Financial Statements on page 80.

Directorate

The Board of Directors of the Company as at December 31, 2015 consisted of four Directors (five Directors as at December 31, 2014) with wide knowledge and experience in the finance, banking and commercial sectors.

Name of the Director	Executive / Non-Executive Status	Independence / Non-independence Status
Mr. K. P. Ariyaratne <i>(Chairman)</i>	Non-Executive	Non-Independent
Mr. S. Palihawadana <i>(Deputy Chairman)</i>	Non-Executive	Non-Independent
Mr. P. Saravanapavan	Non-Executive	Independent
Mr. R. Jayasekara	Non-Executive	Non-Independent
Dr. P.M. Gunasekera <i>(Deceased on 14th May 2015)</i>	Non-Executive	Independent

The Board of Directors appointed Mr. P. D. Hennayake as an Independent Non-Executive Director with effect from 11th January 2016.

The qualifications and experience of the Directors are given in the 'Board of Directors -Profiles' on pages 16 and 17.

Recommendations for Re-Election of Directors

In terms of Article 93(a) of the Articles of Association, Mr. R. J. Jayasekera retires by rotation at the Annual General Meeting of the Company and offers himself for re-election.

Mr. P. Saravanapavan who has reached the age of 70 years intends to be re-appointed as a Director of the Company in terms of Section 211 of the Companies Act No.07 of 2007.

In terms of Article 85 (a) of the Articles of Association, Mr. P. D. Hennayake who was appointed to the Board as an Independent Non-Executive Director on 11th January 2016, will be eligible for re-election at the Annual General Meeting of the Company. His appointment to the Board was recommended by the Board Nomination Committee and the Board of Directors recommends him to be re-elected as a Director in terms of Article 85(a) of the Articles of Association.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company which were in conformity with the books of accounts and records maintained. The Directors are of the view that the Statement of Profit or loss & other comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flows Statement, Accounting Policies and Notes thereto appearing on pages 67 to 99 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, and the Listing rules of the Colombo Stock Exchange.

The statement of Directors' Responsibilities for the financial statements is given on page 63 to 64 of this Annual Report.

Directors' Meetings

Details of Directors' meetings which comprised Board meetings and Board Sub-Committee meetings (Board Remuneration Committee, Audit Committee, Nomination Committee and Related Party Transaction Committee) are presented on pages 31 to 33.

Disclosure of Directors' Dealing in Shares

Directors' Interests in Ordinary Shares of the Company

Individual ordinary shareholdings of Directors were as follows:

As at December 31	2015	2014
Mr. K. P. Ariyaratne <i>(Chairman)</i>	25,000 shares	25,000 shares
Mr. S. Palihawadana <i>(Deputy Chairman)</i>	10,000 shares	10,000 shares
Mr. P. Saravanapavan	Nil	Nil
Mr. R. Jayasekara	Nil	Nil
Dr. P. M. Gunasekera <i>(Deceased on 14th May 2015)</i>	N/A	Nil

Directors' Interests in Contracts

Directors' interests in contracts with the Company, both direct and indirect are disclosed on page 96 to 97.

These interests have been declared at Directors' Meetings. Directors have no direct or indirect interests in any other contract or proposed contracts with the Company.

Corporate Governance

Systems and procedures are in place to ensure that Corporate Governance is adequately and practically dealt with. The Board of Directors has focused on the necessary resources and processes required to ensure that the Company complies with the Codes of Best Practice on Corporate Governance issued by regulators as detailed in the Section on 'Corporate Governance' on pages 30 to 42.



Auditors

The Audit Committee reviews the appointment of the Auditors, their effectiveness, independence and relationship with the Company, in accordance with Section 158 of the Companies Act No. 7 of 2007. The Audit Committee recommends to the shareholders for re-appointment of Messrs. KPMG – Chartered Accountant as Auditors of the Company for the financial year 2016.

	2015 Rs'	2014 Rs'
Audit Fees	860,000	820,000
Audit Related Fees	61,657	96,917
Non-Audit Fees	97,469	84,048

System of Internal Controls

The Board of Directors has taken steps to oversee the implementation of an effective and comprehensive system of Internal Controls covering financial operations and compliance controls required to carry on the business of the Company in an orderly manner, safeguard its assets and secure accuracy and reliability of the records. In this regard the company had appointed a professional audit firm namely M/s Ponnampuruma & Company to examine the internal control system in operation and the Audit committee had reviewed their quarterly reports. A detail report is given in the Section on "Statement of Internal Control" on pages 26 to 29.

Rental Income

The Company recorded a turnover of Rs: 185mn (2014 – Rs: 167 mn).

Operating Results

Details of profit relating to the Company are given below:

For the year ended December 31	2015 Rs:	2014 Rs:
Profit / (Loss) from operations for the year	190,878,351	91,375,798
Less : Net Finance Income / (Expense)	30,931,674	35,392,989
Profit / (Loss) before taxation	221,810,025	126,768,787
Less : Provision for taxation	(20,503,587)	(26,957,573)
Net Profit / (Loss) after taxation	201,306,438	99,811,214

PROFIT AFTER TAX



Income Tax Expenses

Income tax expense has been computed at the rates mentioned in Note 11 of the Financial Statements on pages 81 to 82.

Property, Plant and Equipment

Details on Capital expenditure on Property, Plant and Equipment are given in Note 13 of the Financial Statements on page 83 of this Annual Report.

Investment Property

The land & the buildings held to earn rental income and capital appreciation are classified as Investment Property. The value of investment properties are stated at 'Fair Value' based on valuations carried out by Professional valuers in 2015 and the differences between the carrying value and the revalued amount has been taken to the Statement of Profit or Loss. Details of Investment Properties are given in Note 14 of the Financial Statements on page 84 to 85.

The valuation gain of Kataragama property has not been recognized during the year under review, since the transfer of the title of the property is still in the process. Steps are being taken to complete the transfer at an early date.

Capital Expenditure

The total capital expenditure incurred on the acquisition of Property, Plant & Equipment of the Company during the year is given in the Notes 13 and 14 to the Financial Statements. Capital expenditure approved and contracted for after the year ended 31st December 2015 is also given in Note 31 to the Financial Statements.

Other Investments

The details of Other Investments

held by the Company are disclosed in Notes 16 on page 85 to 87 of the Financial Statements.

Stated Capital and Reserves

The stated capital of the Company as at 31 December 2015 is Rs. 1,644,391,650/- comprising of 147,964,860 ordinary shares. There were no changes in the stated capital during the year from previous financial year.

The capital and reserves of the Company as at 31 December 2015 amounts to Rs: 4,396,881,258/- (2014 – Rs. 4,284,406,486/-).

Share Information

Information on shareholding is given on page 101.

Shareholdings

There were 6,496 registered shareholders (6,866 in 2014) holding Ordinary Voting Shares as at December 31, 2015.

An analysis of the distribution of shareholdings and lists of twenty largest shareholdings of the Company are published on page 101 of this Annual Report.

Equitable Treatment to Shareholders

All shareholders have been treated

equally in accordance with the original terms of issue.

Investors' Information

Information including earnings, profitability, dividends, net assets and market value per share is given under Financial Highlights of this Annual Report.

Compliance with Laws and Regulations

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

Statutory Payments

The Directors, to the best of their knowledge and belief confirm and are satisfied that all statutory payments to the Government regulatory institutions have been settled.

Outstanding Litigation

There were no litigation pending against the Company as at December 31, 2015, other than the cases disclosed in Note 29 on page 98.

Events after the Reporting Period

No events have occurred after the Reporting Date which would require adjustments to or disclosure in the

accounts, other than those given in Note 30 to the Financial Statements.

Going Concern

The Directors having considered the financial position, operating conditions, regulatory requirements, and matters required to be addressed in the corporate governance code are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. The Financial Statement of the company has been prepared accordingly on a Going Concern Basis.

Directors' Meetings

The details of the Directors' meetings which comprise Board Meetings, Audit Committee Meetings, Remuneration Committee Meetings, Related Party Transaction Committee Meeting and attendance of Directors at these meetings are given in the Annual Report under Corporate Governance, Audit Committee Report, and Remuneration Committee Report etc.

Notice of Meeting

The Annual General Meeting will be held at the Sasakawa hall, No: 4, 22nd Lane, Colombo 03 on 31st March 2016 at 2.30 pm. Notice of Meeting relating to the Twenty Fourth Annual General Meeting is given on page 104.

For and on behalf of the Board of Directors



Kapila Ariyaratne
Chairman



Somadasa Palihawadana
Deputy Chairman



SSP Corporate Services (Pvt) Ltd
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The statement of Responsibility of the Directors of Seylan Developments PLC (the Company) in relation to the Financial Statements of the Company is set out in this Report in terms of the provisions of the Companies Act No.07 of 2007 (the Act) and the Directors are responsible for ensuring that the Company keep proper books of account of all transactions and events and prepares Financial Statements reflecting a true and fair view of the state of affairs of the Company at the reporting date and the profit or loss for the year ending on the reporting date.

Confirmation of Directors' Responsibility

The Directors of Seylan Developments PLC confirm that to the best of their knowledge

- the Financial Statements prepared and published on pages 67 to 99 of this Annual Report in terms of Sections 150 (1) , 151 (1) ,152 (1) and 153 (1) of the Companies Act, given a true and fair view of the state of affairs of the Company and the profit or loss for the year ended 31st December 2015.
- the Financial statements for the year ended 31st December 2015 presented in this Annual Report are consistent with the underlying books of account of the Company are in conformity with the Sri Lanka Accounting Standards (SLFRS/LKAS), Companies Act No.07 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance (2013)

issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

- in preparing the Financial Statements for the year ended 31st December 2015 appropriate accounting policies have been selected and applied on a consistent basis with material departures if any disclosed in the Financial Statements together with the rationale for the same.
- proper books of accounts have been maintained and have also taken reasonable steps to ensure the accuracy and reliability of accounting records.

The Directors further confirm that,

- The financial reporting system is also reviewed by the Board through the management accounts submitted monthly at Board meetings. The Company's Interim and Audited Financial Statements are also reviewed by the Board Audit Committee and the Board prior to their release.
- The Audited Financial Statements for the year ended 31st December 2015 of the Company have been certified by the Company's Accountant and the Chairman, the persons responsible for the preparation, and signed by two Directors of the Company on 8th February 2016.

External Auditors' Reviews and Opinion

The Company's Auditors, Messrs KPMG was engaged to carry out reviews and sample checks on the

effectiveness of the systems of internal control as they consider appropriate and necessary to providing their opinion on the Financial Statements made available together with all other financial records, minutes of meetings of the Board and the Board Sub-Committees and related information and have expressed their opinion which appears on page 66 of this Annual Report.

Internal Control Mechanism over Financial Reporting

The Board is also responsible for maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets and ensure continuity of operations. To this end, the Board has identified principal risks and implemented a system to continuously assess such risks and establishment of an appropriate control environment for ensuring proper monitoring of effectiveness of internal controls and correction of deficiencies.

The Board's Statements on the effectiveness of Company's internal controls mechanism over financial reporting, prepared in accordance with the Guidelines issued by The Institute of Chartered Accounts of Sri Lanka (CA Sri Lanka).

Solvency

The Board of Directors confirms that they have authorized the distribution of the proposed dividend after having satisfied that the Company would meet the solvency test in terms of the provisions of the Companies Act No.07 of 2007 immediately after the

dividend payment. The Board has obtained a statement of solvency from the External Auditors in relation to the proposed dividend payment.

The Directors confirmed that to the best of their knowledge and belief, all statutory payments due payable to all statutory and regulatory authorities as at the Reporting Date, have been paid by the Company or relevant provided for.

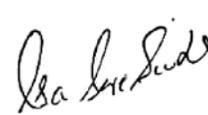
By order of the Board of the Directors.



Kapila Ariyaratne
Chairman



Somadasa Palihawadana
Deputy Chairman



SSP Corporate Services (Pvt) Ltd
Company Secretary

Going Concern

The Directors further confirmed that having considered the financial position, operating conditions, regulatory and other factors and such other matters required to be addressed in the Corporate Governance Code, the Company has adequate resources to continue the operations of the Company in the

foreseeable future. The Financial Statements of the Company have accordingly been prepared on a going concern basis.

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



Financial Statements

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SEYLAN DEVELOPMENTS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Seylan Developments PLC, ("the Company"), which comprise the statement of financial position as at December 31, 2015, and the statements of profit or loss and other comprehensive income, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 67 to 99 of the annual report.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

CHARTERED ACCOUNTANTS
Colombo
08 February 2016

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne ACA	S.T.D.L. Perera FCA
G.A.U. Karunaratne ACA	R.M.D.B. Rajapakse ACA	Ms. B.K.D.T.N. Rodrigo ACA
R.H. Rajan ACA		

Principals - S.R.J. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December,	Note	2015	2014
<i>Amounts in Sri Lankan Rupees</i>			
Revenue	5	185,282,579	167,157,428
Other income	6	11,555,243	18,815,499
		196,837,822	185,972,927
Personnel cost	7	(28,602,742)	(31,745,840)
Premises, equipment, establishments		(47,941,538)	(55,293,469)
Administrative expenses		(16,202,171)	(20,209,587)
Marketing expenses		(346,344)	(346,509)
Results from operating activities before change in fair value of investment properties		103,745,027	78,377,522
Change in fair value of investment properties	8	87,133,324	12,998,276
Results from operating activities	9	190,878,351	91,375,798
Net finance income	10	30,931,674	35,392,989
Profit before income taxation		221,810,025	126,768,787
Income tax reversal / (expenses)	11	(20,503,587)	(26,957,573)
Net profit for the year		201,306,438	99,811,214
Other comprehensive income			
Net change in fair value of available-for-sale financial assets	24.3	(10,151,877)	(1,156,327)
Defined benefit plan actuarial (losses) / gains	19.1.e	(372,750)	30,829
Reversal of revaluation of property plant & equipment disposed / written off		-	(556)
Deferred tax liability on reversal of revaluation		-	156
Net change in fair value of available for sale financial assets reclassified to profit or loss		(125,777)	-
Other comprehensive income for the year, net of income tax		(10,650,404)	(1,125,898)
Total comprehensive income for the year		190,656,034	98,685,316
Earnings per share	12	1.36	0.67

The notes on pages 72 to 99, form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December,	Note	2015	2014
<i>Amounts in Sri Lankan Rupees</i>			
Assets			
Non current assets			
Property, plant & equipment	13	5,108,129	6,248,928
Investment properties	14	4,679,294,474	4,505,250,000
Investment in property development projects	15	-	-
Other investments	16.1	137,917,636	137,917,636
Total non current assets		4,822,320,239	4,649,416,564
Current assets			
Inventories	17	4,149,630	4,365,945
Trade and other receivables	18	15,803,401	27,880,182
Other assets	19	15,241,411	13,086,699
Other investments	16.2	137,019,718	167,059,125
Income tax receivable	21	1,434,162	514,794
Cash and cash equivalents	22	18,071,439	20,547,251
Total current assets		191,719,761	233,453,996
Total assets		5,014,040,000	4,882,870,560
Equity and liabilities			
Equity			
Stated capital	23	1,644,391,650	1,644,391,650
Reserves	24	514,464,950	524,742,604
Retained earnings		2,238,024,658	2,115,272,232
Total equity		4,396,881,258	4,284,406,486
Non current liabilities			
Deferred tax liability	25	474,842,220	453,982,873
Total non current liabilities		474,842,220	453,982,873
Current liabilities			
Bank overdrafts	22	1,231,042	-
Other liabilities	26	141,085,480	144,481,201
Total current liabilities		142,316,522	144,481,201
Total equity and liabilities		5,014,040,000	4,882,870,560
Net asset value per share		29.72	28.96

The notes on pages 72 to 99, form an integral part of these financial statements.
The financial statements have been prepared in compliance with the requirement of Companies Act no 7 of 2007.



N. P. Arangalage - Accountant

The Board of Directors is responsible for the preparation and presentation of these financial statements.
Approved and signed on behalf of the Board of Directors;



Kapila Ariyaratne - Chairman
Colombo 8th February 2016



S. Palihawadana - Deputy Chairman



STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December,	Stated capital	Capital reserve	Revaluation reserve	Available for sale reserve	Retained earnings	Total
<i>Amounts in Sri Lankan Rupees</i>						
Balance as at 01.01.2014	1,644,391,650	525,493,650	405,681	-	2,059,819,090	4,230,110,071
Statement of profit or loss						
Profit for the year	-	-	-	-	99,811,214	99,811,214
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	-	-	-	(1,156,327)	-	(1,156,327)
Defined benefit plan actuarial losses	-	-	-	-	30,829	30,829
Reversal of revaluation of property plant & equipment disposed / written off	-	-	(556)	-	556	-
Deferred tax liability on reversal of revaluation	-	-	156	-	-	156
Total comprehensive income for the year	-	-	(400)	(1,156,327)	31,385	(1,125,342)
Transactions recorded directly in equity						
Dividend paid	-	-	-	-	(44,389,458)	(44,389,458)
Balance as at 31.12.2014	1,644,391,650	525,493,650	405,281	(1,156,327)	2,115,272,232	4,284,406,486
Balance as at 01.01.2015	1,644,391,650	525,493,650	405,281	(1,156,327)	2,115,272,232	4,284,406,486
Super Gain Tax	-	-	-	-	(4,198,832)	(4,198,832)
Balance as at 01.01.2015 (Restated)	1,644,391,650	525,493,650	405,281	(1,156,327)	2,111,073,400	4,280,207,654
Statement of profit or loss						
Profit for the year	-	-	-	-	201,306,438	201,306,438
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	-	-	-	(10,151,877)	-	(10,151,877)
Defined benefit plan actuarial losses	-	-	-	-	(372,750)	(372,750)
Net change in fair value of available for sale financial assets reclassified to profit or loss	-	-	-	(125,777)	-	(125,777)
Total comprehensive income for the year	-	-	-	(10,277,654)	(372,750)	(10,650,404)
Transactions recorded directly in equity						
Dividend paid	-	-	-	-	(73,982,430)	(73,982,430)
Balance as at 31.12.2015	1,644,391,650	525,493,650	405,281	(11,433,981)	2,238,024,658	4,396,881,258

The notes on pages 72 to 99, form an integral part of these financial statements.

* As per the provisions of Part III of the Finance Act, No. 10 of 2015, which was certified on 30th October 2015, the Company is liable for Super Gain Tax of Rs. 4,198,832/-. According to the Act, the Super Gain Tax was deemed to be expenditure in the Financial

Statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards; hence the expense of Super Gain Tax is accounted in accordance with the requirements

of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015.

CASH FLOWS STATEMENT

For the year ended 31 December,	2015	2014
<i>Amounts in Sri Lankan Rupees</i>		
Cash flows from operating activities		
Receipt from other operating activities	192,276,878	184,101,045
Cash payments to employees, suppliers and tax authorities	(91,523,813)	(106,821,380)
Interest payments	(921,852)	(381,273)
Operating profit before changes in operating assets	99,831,213	76,898,392
(Increase)/Decrease in operating assets :		
Stock & receivables	11,995,062	15,006,371
Increase/(Decrease) in operating liabilities :		
Deposits & trade payables	(1,258,466)	(1,122,564)
Cash generated from operations	110,567,809	90,782,199
Income tax & super gain tax paid	(4,640,540)	-
Net cash from operating activities	105,927,269	90,782,199
Cash flows from investing activities		
Interest received	32,943,389	34,333,223
Purchase of non-dealing securities	(34,577,149)	(362,723,068)
Disposal of non-dealing securities	53,238,903	320,795,652
Purchase of property , plant and equipment	(376,762)	(2,654,056)
Proceeds from disposal of property, plant and equipment	31,075	4,500
Additions to investment properties	(86,911,149)	(42,499,044)
Proceeds from disposal of investment property	-	10,952,500
Net cash from investing activities	(35,651,693)	(41,790,293)
Cash flows from financing activities		
Dividends paid	(73,982,430)	(44,389,458)
Net cash from financing activities	(73,982,430)	(44,389,458)
Net increase in cash and cash equivalents	(3,706,854)	4,602,448
Cash and cash equivalents at beginning of the year	20,547,251	15,944,803
Cash and Cash Equivalents at end of the year	16,840,397	20,547,251
Reconciliation of cash and cash equivalents		
Cash and short term funds	18,071,439	20,547,251
Bank overdraft	(1,231,042)	-
	16,840,397	20,547,251

The notes on pages 72 to 99, form an integral part of these financial statements.



CASH FLOWS STATEMENT

For the year ended 31 December,	2015	2014
<i>Amounts in Sri Lankan Rupees</i>		
Cash flows from operating activities		
Profit before tax	221,810,025	126,768,787
Adjustments for		
Gratuity expense	(244,442)	(308,201)
Depreciation	1,517,561	1,156,789
Changes in fair value of investment properties	(87,133,324)	(12,998,276)
Bad & doubtful debtors	282,228	-
Interest income	(32,943,389)	(34,333,223)
Net change in fair value of financial assets at fair value through profit or loss	1,000,000	(1,601,006)
Amortisation of pre paid staff expenses	197,942	268,339
Change in interest income of staff loan & staff cost on SLFRS adjustments	(94,446)	(182,936)
Profit on disposal of property, plant & equipment & investment property	(31,075)	(3,704)
Tax over provisions and write backs	(4,529,867)	(1,868,177)
Operating profit before working capital changes	99,831,213	76,898,392

The notes on pages 72 to 99, form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

Seylan Developments PLC (the "Company") is a "Public Quoted Company" and a Limited Liability Company Incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange.

The Company's registered office is situated at No. 90, Galle Road, Colombo 03.

The Company is in the business of development of property, administration & maintenance. The Company is a subsidiary of Seylan Bank PLC.

The staff strength of the Company as at 31st December 2015 is 28 (2014- 30).

2. Basis of preparation

2.1) Statement of compliance

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS) as issued by the Institute of Chartered Accountants of Sri Lanka.

The Company's financial statements were authorized for issue by the Board of Directors on 08th February 2016.

2.2) Basis of measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- ◆ Financial instruments at fair value through profit or loss are measured at fair value. (Note 16.2.1)
- ◆ Available-for-sale financial assets are measured at fair value. (Note 16.2.3)
- ◆ Investment property is measured at fair value. (Note 14)
- ◆ Liability for defined benefit obligation is recognized at the present value of the defined benefit obligation less the net total of the plan assets and unrecognized past service cost. (Note 19.1)

2.3) Functional and presentation currency

These financial statements are

presented in Sri Lankan Rupees, which is the Company's functional currency.

2.4) Use of estimates and judgments

The preparation of the financial statements in conformity with SLFRSs requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are described in the following notes:

Note 14 - Investment property

Note 25 - Deferred taxation

Note 19.1 - Measurement of defined benefit obligations

Note 27 - Fair value of financial instruments

2.5) Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3. Summary of significant accounting policies

Except for the changes set out in Note 3.1 the Company has consistently applies accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1) Changes in accounting policies

The Company has adopted the following new standards and

amendments to standards, including any consequential amendments to other standards.

(a) Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax

As per the Provisions of Part III of the Finance Act No. 10 of 2015 which was certified on 30th October 2015, the Company is liable for Super Gain tax of Rs. 4,198,832/-. According to the Act, the super gain tax was deemed to be an expenditure in the Financial Statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of Super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by The Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015.

3.2) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

3.3) Financial instruments

The Company classifies non-derivative financial assets into the category of loans and receivables. Fair value through profit or loss and available for sale financial assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

3.3.1) Non-derivate financial assets and financial liabilities-Recognition and de-recognition

The Company initially recognises loans and receivables and debt securities



issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.3.2) Non-derivative financial assets-Measurement

3.3.2.1) Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

3.3.2.2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payment that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Trade receivables

Trade and other receivables are stated at their estimated realisable amount.

3.3.2.3) Available for sale financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognized in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to statement of profit or loss and other comprehensive income.

3.3.2.4) Held to maturity financial assets

These assets are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

3.3.3) Non derivative financial liabilities

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective

interest method.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Other financial liabilities comprise trade & other payables and amounts due to related companies.

3.3.4) Fair value measurement

SLFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A Fair value measurement requires an entity to determine all the following

1. the particular asset or liability that is the subject of the measurement
2. for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use).
3. the principal (or most advantageous) market for the asset or liability.
4. the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorized.

Determination of fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less

Notes to the financial statements (contd.)

objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumption and other risks affecting the specific instrument.

- Level 1 - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

3.3.5) Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor will enter bankruptcy, or the disappearance of an active market for a security.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively

assessed for impairment by grouping together receivables with similar risk characteristics.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

3.4) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes. The following specific recognition criteria must also be met before revenue is recognised:

Rental income

Rental income from Investment

Property leased out under operating lease is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income.

Dividends

Dividend income is recognized when the shareholders' right to receive the payment is established.

Others

Other income is recognized on an accrual basis. Net Gains and losses of a revenue nature on the disposal of Property Plant and Equipment and other non-current assets including investments have been accounted for in profit or loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

3.5) Expenses

Expenses are recognized in profit or loss as they are incurred, in the period to which they relate.

3.6) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.7) Finance income and expenses

Finance income comprises interest income on funds invested (including



available-for-sale financial assets) and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and changes in the fair value of financial assets at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.8) Taxes

Current income tax

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and subsequent amendments thereon.

Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Economic service charge (ESC)

ESC is payable on the liable turnover at specified rates. As per the provision of the Economic Service Charge Act No. 13 of 2006 and subsequent amendments thereto, ESC is deductible from the income tax liability. Any unclaimed payment can be carried forward and set off against the income tax payable as per the relevant provision in the Act.

3.9) Earnings per share (EPS)

The Company presents basic EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.10) Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software

that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

Revaluation

Property, plant and equipment of the Company are re-valued every five years on a roll over basis to ensure the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognized in other comprehensive income and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the statement of profit or loss. Any decrease in the carrying amount is recognised as an expense in the statement of profit or loss or debited in the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as an investment property. Any gain arising on re-measurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income and presented in revaluation reserve in equity. Any loss is recognised in the statement of changes in equity and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the

Notes to the financial statements (contd.)

specific property, with any remaining loss recognised immediately in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives

unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives and rates of depreciation for the current and comparative periods are as follows:

	Depreciation	Useful life
Furniture & fittings	10%	10
Office equipment	20%	05
Motor cars	20%	05
Motorcycles	25%	04
Tools	33.33%	03
Other equipment	20%	05
Apartment assets	20%	05

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.11) Intangible assets - Software

Software acquired is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expense as incurred. Amortisation is recognised in profit or loss on a straight line basis over the estimated useful life of the software, from the date that is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is as follows;

	Amortisation	Useful Life
Accounting software	20%	05

3.12) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as

finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised in the statement of financial position. Investment property held under an operating lease is recognised in the statement of financial position at its fair value.

3.13) Investment property

Investment Properties are those which are held either to earn rental income or for capital appreciation or for both. Investment Properties are stated at fair value. An external, independent valuer, having an appropriate recognized professional qualification and recent experience in the location and category of property being valued, values the portfolio every year. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for as described in accounting policy.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to retained



earnings. Any loss arising in this manner is recognised in profit or loss immediately.

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 deemed cost for subsequent accounting.

When the Company begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on fair value model, and is not reclassified as property, plant and equipment during the redevelopment.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Company holds it to earn rentals or for capital appreciation or both any such property interest under an operating lease classified as an investment property is carried at fair value. Lease payments are accounted for as described in accounting policy.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of comprehensive income in the period of derecognition.

3.14) Investment property under development

Property that is being constructed or developed for future use as Investment Property is classified as Investment Property under Development (Development Projects) and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as Investment Property.

At the date of transfer, the difference between fair value and cost is recorded as income in profit or loss.

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditures for the development qualifying as acquisition costs are capitalized. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs may continue until the assets are substantially ready for their intended use.

If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. The capitalization rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general funds, to the average rate.

3.15) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell.

3.16) Cash and short-term deposits

Cash and cash equivalents comprise cash in hand and short term deposits. Company overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as components of cash

and cash equivalents for the purpose of presenting the cash flows statement.

Cash flows statement is prepared under the "Direct" method as per LKAS 7 – Statement of cash flows.

3.17) Stated capital

Company's stated capital comprises of ordinary shares, which are classified as equity.

3.18) Reserves

3.18.1) Capital Reserve

This reserve has been created in 2011 and the Capital Redemption Reserve Fund was transferred.

3.18.2) Revaluation Reserve

This reserve has been created on revaluation of property, plant & equipment of the Company.

3.18.3) Available for sale reserve

This has been created in 2014 to account the fair value changes on account of Available for sale securities.

3.19) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.20) Employee benefits

3.20.1) Defined benefit plan

The Company operates an approved gratuity fund to facilitate the payments for permanent staff of the Company.

The Company's obligation in respect of defined benefit gratuity plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value, then deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on Government bonds that have maturity dates

Notes to the financial statements (contd.)

approximating to the terms of the Company's obligations. The Company carries out an actuarial valuation of the gratuity fund in December each year to ascertain the full liability of the fund. The calculation is performed by a qualified actuary using the Projected Unit Credit Method which is the method recommended by LKAS 19 "Employee Benefits".

The Company recognises all actuarial gains and losses arising from defined benefit plans in the statement of other comprehensive income.

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continual service.

3.20.2 Defined contribution plan.

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognized as expense in profit or loss as and when they are due.

3.20.3 (a) Employees' Provident Fund

The Company and employees contribute 12% and 8% respectively on the salary of each employee to the Employees' Provident Fund. (Note – 07)

3.20.3 (b) Employees' Trust Fund

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund. The total amount recognised as an expense to the Company for contribution to ETF is disclosed in the notes to financial statements. (Note – 07)

3.21) Commitments and contingencies

Commitments and contingencies as at the reporting date, is disclosed in Note 31 to the financial statements.

3.22) Events after the reporting date

All material and important events which occur after the reporting date have been considered and disclosed in

Note 30 or adjusted as applicable.

3.23) Directors' responsibility statement

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements. Please refer to page 63 for the statement of the Directors' responsibility for financial reporting.

3.24) Comparative information

There have been no material events after the reporting date that would require adjustments to / or disclosure in the Financial Statements.

3.25) New accounting standards issued but not effective as at reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for the financial periods beginning on or after 1 January 2016. The Company has not assessed the potential impact on its financial statements resulting from their application.

SLFRS 9 – Financial Instruments: Classification & Measurement

SLFRS 9, as issued, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets & liabilities, depending on the entity's business model for managing contractual cash flows characteristics of the financial asset.

SLFRS 9 will be effective for financial periods beginning on or after 1 January 2018.

SLFRS 15 – Revenue from contract with customers

SLFRS 15 establishes a comprehensive framework for determining revenue recognition by a 5 step model and will replace the existing LKAS 18 & LKAS 11.

SLFRS 15, will be applicable for the financial periods beginning on or after 1 January 2018.

4) Financial risk management Overview

The Company has exposure to the following risks from its use of financial instruments:

- ◆ Credit risk
- ◆ Liquidity risk
- ◆ Market risk
- ◆ Operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial



loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Approximately 66 percent (2014: 60 percent) of the Company's revenue is attributable to sales transactions with a single customer who is the parent company of Seylan Developments PLC.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments, where appropriate.

Investments

The Company limits its exposure to credit risk by investing only in liquid securities. Management actively monitors credit ratings and given that the Company only has invested in securities with high credit ratings.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of

financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- ◆ Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- ◆ Requirements for the reconciliation and monitoring of transactions.
- ◆ Compliance with regulatory and other legal requirements.
- ◆ Documentation of controls and procedures.
- ◆ Development of contingency plans.
- ◆ Training and professional development.
- ◆ Risk mitigation, including insurance when this is effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's debt to adjusted capital ratio at the end of the reporting period was as follows;

	2015 Rs. '000	2014 Rs. '000
Total liabilities	617,159	598,464
Less: cash and cash equivalents	(16,840)	(20,547)
Net debt	600,319	577,917
Total equity	4,396,881	4,284,405
Debt to adjusted capital ratio at 31 December	0.14	0.13

Notes to the financial statements (contd.)

For the year ended 31 December,	2015	2014
<i>Amounts in Sri Lankan Rupees</i>		
5. Revenue		
Rental income	185,282,579	167,157,428
	185,282,579	167,157,428
6. Other income		
Management fees	3,571,429	3,571,429
Profit / (Loss) on disposal of property plant & equipment	31,075	3,704
Work order income	695,603	785,509
Miscellaneous income	7,257,136	10,934,198
Capital gain on government securities	-	3,520,659
	11,555,243	18,815,499
7. Personnel cost		
Salaries and wages (Including Directors' emoluments)	17,019,485	15,810,521
Statutory EPF	2,045,881	1,915,262
Statutory ETF	511,470	478,816
Staff allowances	2,200,000	2,073,387
(Reversal) / Provision for retirement benefits (Note 19.1.d)	(244,442)	(308,201)
Amortisation of prepaid staff expenses	197,942	268,339
Other staff expenses	6,872,406	11,507,716
	28,602,742	31,745,840
8. Change in fair value of investment properties		
Investment property - Seylan Towers	(3,866,676)	(2,236,604)
Investment property - Union Place	91,000,000	14,000,000
Investment property - Kataragama	-	1,234,880
	87,133,324	12,998,276
9. Results from operating activities		
Results from operating activities are stated after deducting all operating expenses including the following,		
Directors' emoluments	861,802	712,600
Auditor's remuneration	921,657	916,917
Non audit fees	97,469	84,048
Depreciation (Note 13)	1,517,561	1,156,789
Legal fees	100,000	1,186,016
Professional fees	1,581,092	1,436,688
10. Financing income & expenses		
10.1 Finance income		
Interest income on loans and receivables	457,969	606,663
Interest income on bank deposits	1,250,070	8,093,102
Interest income on debentures	31,329,796	21,357,354
Interest income on treasury bonds	-	4,459,040
Net change in fair value of financial assets at fair value through profit or loss	(1,000,000)	1,601,006
	32,037,835	36,117,165



For the year ended 31 December,	2015	2014
<i>Amounts in Sri Lankan Rupees</i>		
10.2 Finance expenses		
Interest on overdraft	921,852	81,273
Bank charges	184,309	342,903
Other finance expenses	-	300,000
	1,106,161	724,176
Net finance income	30,931,674	35,392,989
11. Income tax expenses		
Current tax	227,513	2,601,763
Over provision for taxation	(583,273)	(6,067)
	(355,760)	2,595,696
Deferred income tax		
Deferred taxation (reversal)/charge (Note 25)	20,859,347	24,361,877
	20,859,347	24,361,877
Income tax expense reported in the statement of profit or loss	20,503,587	26,957,573
11.1 Reconciliation of income tax		
Profit as per the statement of profit or loss	221,810,025	126,768,787
Less: Income from other sources	(35,003,940)	(35,509,706)
Changes in fair value of investment property	(87,133,324)	(12,998,276)
Unclaimed dividend write back	(1,768,615)	(1,868,178)
Disallowable expenses	2,710,449	10,710,322
Allowable expenses	(123,530,097)	(83,898,152)
Tax profit on disposal of capital assets	31,075	-
Adjusted tax profit / (loss)	(22,884,428)	3,204,797
Total Statutory Income		
Adjusted tax profit	-	3,204,797
Taxable interest income	1,250,069	12,552,142
	1,250,069	15,756,939
Less : Tax losses set off	(437,524)	(5,514,929)
Assessable income	812,545	10,242,010
Less: Qualifying payment		
Donation to government	-	(950,000)
Taxable income	812,545	9,292,010
Tax liability		
Taxable income at 28%	227,513	2,601,763
Effective Tax Rate (Note 11.2)	9.2%	21.3%
Effective Tax Rate (Excluding Deferred Tax) (Note 11.2)	-0.2%	2.0%
Tax loss as at 31st December	832,652,976	801,566,485

Notes to the financial statements (contd.)

For the year ended 31 December,	%	2015	%	2014
<i>Amounts in Sri Lankan Rupees</i>				
11.2 Reconciliation of effective tax rate				
Profit before income tax		221,810,025		126,768,787
Income tax using domestic tax rate	28%	62,106,807	28%	35,495,260
Disallowable expenses	0%	758,926	2%	2,998,890
Allowable expenses	-16%	(34,588,427)	-19%	(23,491,482)
Exempt income	-16%	(34,693,646)	-8%	(10,590,725)
Tax loss utilized	0%	-	-1%	(1,544,180)
Qualifying payments	0%	-	-0%	(266,000)
Tax profit on disposal of capital assets	0%	8,701	0%	-
Current tax on (loss)/profit for the year	-3%	(6,407,640)	2%	2,601,763
Tax on interest income	0%	350,019	0%	-
Over provided in prior years	-0%	(583,273)	0%	(6,067)
Tax loss utilized	-0%	(122,507)	0%	-
Current tax on profit for the year	-0%	(355,760)	2%	2,595,696
Charge to deferred tax	9%	20,859,347	19%	24,361,877
Total income tax income /expense	9%	20,503,587	21%	26,957,573

12. Earnings per share

The computation of basic earnings per share is based on the net profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

	2015	2014
Profit attributable to ordinary shareholders	201,306,438	99,811,214
Weighted average number of ordinary shares	147,964,860	147,964,860
Basic earnings per ordinary share (Rs)	1.36	0.67



13. Property, plant & equipment

Cost / Revaluation	Office, machine, tools & equipment	Furniture & fittings	Leasehold motor vehicles	Apartment assets	Total
Balance as at 01st January 2014	1,587,153	2,062,562	126,900	3,002,407	6,779,022
Additions	2,050,349	-	-	603,708	2,654,057
Disposals	(1,750)	-	-	-	(1,750)
Balance as at 31st December 2014	3,635,752	2,062,562	126,900	3,606,115	9,431,329
Balance as at 01st January 2015	3,635,752	2,062,562	126,900	3,606,115	9,431,329
Additions	216,323	-	-	160,439	376,762
Disposals / write off	(132,718)	-	(126,900)	-	(259,618)
Balance as at 31st December 2015	3,719,357	2,062,562	-	3,766,554	9,548,473
Accumulated depreciation					
Balance as at 01st January 2014	1,018,963	489,950	126,900	390,753	2,026,566
Charge for the year	307,878	206,256	-	642,655	1,156,789
Disposals	(954)	-	-	-	(954)
Balance as at 31st December 2014	1,325,887	696,206	126,900	1,033,408	3,182,401
Balance as at 01st January 2015	1,325,887	696,206	126,900	1,033,408	3,182,401
Charge for the year	589,691	206,256	-	721,614	1,517,561
Disposals	(132,718)	-	(126,900)	-	(259,618)
Balance as at 31st December 2015	1,782,860	902,462	-	1,755,022	4,440,344
Net book value as at 31st December 2015	1,936,497	1,160,100	-	2,011,532	5,108,129
Net book value as at 31st December 2014	2,309,865	1,366,356	-	2,572,707	6,248,928

13.1 Revaluation of Office machine & equipment and furniture & fittings

In the year 2011, Office machine & equipment and Furniture & fittings valuation was carried out by professionally qualified valuer Mr. S. K. Guruge, Incorporated valuer (A.I.V). The Company recognised revaluation surplus of Rs. 603,119/- over net book value as at 08th August 2011 to the

credit of the revaluation reserve.

The valuer has determined the fair value of these assets as at the date of inspection and depreciation factor has been determined by considering loss in value over time due to wear and tear, physical deterioration and age of each item.

The carrying amount of revalued assets that would have been included in the financial statements had the assets were carried at cost less accumulated depreciation, is as follows.

	Office machine and equipment	Furniture and Fittings	Total
Cost	13,432,426	9,907,684	23,340,110
Accumulated depreciation	(11,523,267)	(9,845,496)	(21,368,763)
Net book value	1,909,159	62,188	1,971,347

13.2 Fully Depreciated Assets

Property, plant & equipment includes fully-depreciated assets having a gross carrying amount of Rs. 709,300/- (2014 - Rs. 836,200/-)

Notes to the financial statements (contd.)

14. Investment properties

	Property at Colombo 3*		Property at Union Place**	Property at Moratuwa***	Property at Ja-Ela****	Property at Kataragama****		Total
	Leasehold land	Building, plant & machinery				Land	Building	
Balance as at 1st January 2014	1,630,374,230	2,498,625,770	315,000,000	13,202,500	-	-	-	4,457,202,500
Additions during the year	-	22,236,604	-	-	-	-	-	22,236,604
Transfers from investment in property development projects	-	-	-	-	-	3,160,000	20,605,120	23,765,120
Disposals during the year	-	-	-	(10,952,500)	-	-	-	(10,952,500)
Changes in fair value	185,077	(2,421,681)	14,000,000	-	-	90,000	1,144,880	12,998,276
Balance as at 31st December 2014	1,630,559,307	2,518,440,693	329,000,000	2,250,000	-	3,250,000	21,750,000	4,505,250,000
Balance as at 1st January 2015	1,630,559,307	2,518,440,693	329,000,000	2,250,000	-	3,250,000	21,750,000	4,505,250,000
Additions during the year	-	86,766,676	-	-	-	-	144,474	86,911,150
Disposals during the year	-	-	-	-	-	-	-	-
Changes in fair value	12,186,500	(16,053,176)	91,000,000	-	-	-	-	87,133,324
Balance as at 31st December 2015	1,642,745,807	2,589,154,193	420,000,000	2,250,000	-	3,250,000	21,894,474	4,679,294,474
Investment property	Address	Extent	Date of valuation	Market value				
Property at Colombo 3	No: 90, Galle Road, Colombo 03	0A - 3R - 24.55 P	31st December 2015	4,231,900,000				
Property at Union Place	No. 257, Union Place, Colombo 02.	0A - 1R - 12.27 P	28th December 2015	420,000,000				
Property at Moratuwa	Moratuwa Lake Villas, St. Peters Rd, Moratuwa	0A - 1R - 05.00 P	31st December 2015	2,250,000				
Property at Kataragama	SDP Rest, Parana Kanda Road, Detagamuwa, Kataragama	1A- 0R - 0.050 P	31st December 2015	26,250,000				
				4,680,400,000				

*Investment Property comprises properties at Colombo 3 that are rented out mainly to Seylan Bank PLC, the parent and for apartment tenants. The property contains an initial non-cancellable period of 99 years. In accordance with LKAS 40, a property interest under an operating lease is classified and accounted for as an Investment Property on a property-by-property basis when the Company holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an Investment Property is carried at fair value.

The property was valued by Sunil Fernando & Associates (Pvt) Ltd, incorporated valuer and having recent experience in the location and category of the investment property being valued. He has used market rental based income method for the valuation.

The property consisting two towers where the east tower is a multi-storey prime office complex and west tower comprising 16 luxury residential apartments. The total plinth area owned by Seylan Developments PLC is 177,761 sq.ft..



** The Property at No 257 Union Place was valued by Mr. G.J Sumanasena, incorporated valuer and having recent experience in the location and category of the investment property being valued. He has used open market method in valuation.

The Open Market value is intended to mean the best price at which an interest in a property might reasonably be expected to be sold in the private treaty as the date of valuation, assuming,

- a). The property is prime and most suitable for high rise development.
- b). Located in a prime commercial area.

The property containing two storied commercial building, the total floor area of the building is 16,175 sq. ft.

***The Property at Moratuwa was valued by Sunil Fernando & Associates (Pvt) Ltd, incorporated valuer and having recent experience in the location and category of the investment property being valued. The assumptions for the valuation are,

- a) It's a well established residential area.

b) Along new Galle Road there is a commercial development.

c) Being in close proximity to Moratuwa, enjoying easy accessibility to Colombo City.

d) Comparison method of valuation has been adopted.

****The Ja-Ela Commercial Complex was a joint venture project and the Directors of joint venture party agreed to allocate marked portion of the complex in settlement of the contribution by Seylan Developments PLC towards the project. The Company accounted for the investment of Ja-Ela Commercial Complex based on the valuation of said marked portion and the valuation carried at Rs: 70,351,000/-.As the final settlement was not forthcoming as anticipated, and there was no income derived from the investment for a considerable period, full provision was made as impairment loss during the year 2011.

***** The property located at Parana Kanda Road, Detagama, Kataragama is valued by Mr. M A Ananda Sarath,(AIV) professionally qualified valuer and his valuation based

on sales of lands in the vicinity,present trend in property market, condition of the building improvements made to property etc. The Company had not considered the recent valuation due to delay in transferring ownership documents from Seylan Bank PLC. The factors considered for the valuation are,

- a) The property is situated in a residential area and immediate vicinity of the property consists of scattered Guest houses and Hotels.
- b) The necessary infrastructural facilities and amenities are provided in the locality and the road network in the area is connected to cities and suburbs with efficient transport facilities.

The property is a two storied circuit bungalow and the floor area is 2,457 sq.ft.

As at 31 December

Amounts in Sri Lankan Rupees

15. Investments in property development projects

Kataragama holiday bungalow

	2015	2014
Balance as at 1st January	-	3,502,680
Constructions during the year	-	20,262,440
Transfer to investment property	-	(23,765,120)
Balance as at 31st December	-	-

16. Other investments

16.1 Non current investments

	2015	2014
Held to maturity investments (Note 16.1.1)	137,917,636	137,917,636
Available-for-sale financial assets (Note 16.1.2)	-	-
	137,917,636	137,917,636

The financial assets designated as held to maturity investments are investments in Debentures with long term maturities.

The financial assets designated as available for sale are unquoted equity securities.

Notes to the financial statements (contd.)

16.1.1 Held to maturity investments (Non current)

Quoted debentures	2015	2014
Seylan Bank PLC (500,000 Debentures of Rs: 100/- each)	56,645,890	56,645,890
People's Leasing & Finance PLC (500,000 Debentures of Rs: 100/- each)	54,158,904	54,158,904
Merchant Bank of Sri Lanka PLC (250,000 Debentures of Rs: 100/- each)	27,112,842	27,112,842
	137,917,636	137,917,636

16.1.2 Available-for-sale financial assets

	2015			2014		
	No. of Shares	Cost	Market value / fair value	No. of Shares	Cost	Market value / fair value
Unquoted equities						
MBSL Savings Bank Ltd	-	-	-	25,000	250,000	-
Ceylinco Venture Capital Investment Limited	95,000	950,000	-	95,000	950,000	-
Ceylinco Sports Complex	-	-	-	220,000	2,200,000	-
Asian Finance Company Limited	75,000	750,000	-	75,000	750,000	-
Ceycom Global Communication Limited	-	-	-	40,500	405,000	-
Ceylinco International Property Developers (Pvt) Limited	-	-	-	50,000	500,000	-
Ceyenergy Electronic Company (Pvt) Ltd	-	-	-	15,000	150,000	-
Certis Lanka Home Nursing & Swift Care (Pvt) Ltd.	75,000	750,000	-	75,000	750,000	-
Independent Financial News & Views (Pvt) Ltd	-	-	-	4,900	49,000	-
Ceylinco International Realty (Pvt) Ltd	200,000	2,000,000	-	200,000	2,000,000	-
E - Ceylinco. Com (Pvt) Ltd	60,000	600,000	-	60,000	600,000	-
International Consultancy & Corporate Services (Pvt) Ltd	5,000	50,000	-	5,000	50,000	-
Ceylinco PLC Technology (Pvt) Ltd	177,500	1,775,000	-	177,500	1,775,000	-
The Sitar (Pvt) Ltd	60,000	600,000	-	60,000	600,000	-
Standard Credit Lanka Ltd.	4,000,000	40,000,000	-	4,000,000	40,000,000	-
Certis Lanka Secure Logistics (Pvt) Ltd	-	-	-	10,000	100,000	-
Ceylinco Seraka Investment Limited	460,000	4,600,000	-	510,000	5,100,000	-
Ceylinco Cisco Ranaviru Services (Pvt) Limited	-	-	-	10,000	100,000	-
	5,207,500	52,075,000	-	5,632,900	56,329,000	-
Appreciation / (Diminution) in value as at 31 December		(52,075,000)	-		(56,329,000)	-
Fair value for the investment securities		-	-		-	-

16.2 Current investments

	2015	2014
Financial assets designated at fair value through profit or loss (Note 16.2.1)	8,200,000	9,200,000
Held to maturity investments (Note 16.2.2)	1,031,069	100,000
Available-for-sale financial assets (Note 16.2.3)	127,788,649	157,759,125
	137,019,718	167,059,125

The financial assets designated as available for sale are quoted debentures and quoted shares.

The financial assets designated as fair value through profit or loss are investments in quoted equity securities.

Held to maturity investments under current investments includes fixed deposits and debentures with short term maturities.

The Company's exposure to credit and interest rate risk related to other investments is disclosed in Note 27.


16.2.1 Financial assets designated at fair value through profit or loss

Quoted	2015			2014		
	No. of Shares	Cost / Valuation	Market value / fair value	No. of Shares	Cost / Valuation	Market value / fair value
Commercial Leasing and Finance PLC	2,000,000	10,000,000	8,200,000	2,000,000	10,000,000	9,200,000
	2,000,000	10,000,000	8,200,000	2,000,000	10,000,000	9,200,000

16.2.2 Held to maturity investments (current)

	2015	2014
Unquoted debentures		
Nation Lanka Finance PLC (1,000 Debentures of Rs: 100/- each)	100,000	100,000
Ceylinco Fashion Trends	-	100,000
Fixed deposits		
Seylan Bank PLC	1,031,069	-
The Standard Credit Lanka Ltd (Formerly known as Ceylinco Investment & Reality Ltd)	5,942,601	5,942,601
	7,073,670	6,142,601
Provision for impairment	(6,042,601)	(6,042,601)
	1,031,069	100,000

The impairment provision for the above was done due to the uncertainty of the realisability of the assets. The provision includes fixed deposit investment in Standard Credit Lanka Limited. (Formerly known as Ceylinco Investment & Reality Ltd) and Debenture investments in Ceylinco Fashion Trend Ltd.

16.2.3 Available-for-sale financial assets

Quoted debentures	2015			2014		
	No. of Debentures	Cost	Market value / fair value	No. of Debentures	Cost	Market value / fair value
DFCC Bank PLC	382,300	39,025,370	37,408,844	573,300	58,718,192	57,561,865
Seylan Bank PLC	1,000,000	100,197,260	90,378,455	1,000,000	100,197,260	100,197,260
		139,222,630	127,787,299		158,915,452	157,759,125

Market values were determined by using indirectly observable inputs.

Quoted shares	2015			2014		
	No. of Shares	Cost	Market value / fair value	No. of Shares	Cost	Market value / fair value
Merchant Bank of Sri Lanka & Finance PLC	90	250,000	1,350	-	-	-
		250,000	1,350		-	-
Total		139,472,630	127,788,649		158,915,452	157,759,125

Details of quoted debentures as follows;

	ISIN	Issued Date	Maturity Date	Rate (%)	Cost
DFCC Bank PLC					
Type A - (191,100 debentures)	LK0055D22310	18-Aug-14	17-Aug-17	8.50%	19,715,237
Type B - (100 debentures)	LK0055D22328	18-Aug-14	17-Aug-17	8.33%	10,310
Type C - (191,100 debentures)	LK0055D22302	18-Aug-14	17-Aug-17	8.24%	19,299,823
Seylan Bank PLC					
Seylan Bank PLC (1,000,000 debentures)	LK0182D22767	23-Dec-14	22-Dec-18	8.00%	100,197,260
					139,222,630

Notes to the financial statements (contd.)

As at 31 December	2015	2014
<i>Amounts in Sri Lankan Rupees</i>		
17. Inventories		
Maintenance material	4,234,396	4,365,945
Provision for slow moving stock	(84,766)	-
	4,149,630	4,365,945
18. Trade & other receivables		
Trade receivables	8,616,012	53,745,781
Other receivables	21,887,721	65,280,772
Value added tax	2,143,298	184,253
Trade and other receivables from related companies	3,835,961	17,583,669
Project receivable Naiwala	-	16,863,063
Loans and receivables	36,482,992	153,657,538
Provision for doubtful receivables	(20,679,591)	(125,777,356)
	15,803,401	27,880,182
19. Other assets		
Deposits	2,601,022	2,591,022
Prepayments	1,527,904	1,810,568
Advances	7,553,793	14,531,435
Prepaid staff expenses	139,430	282,362
Planned assets (Note 19.1)	7,504,263	7,632,572
	19,326,412	26,847,959
Provision for doubtful receivables	(4,085,001)	(13,761,260)
	15,241,411	13,086,699
19.1 Plan assets		
The amount recognized in the statement of financial position		
Present value of defined benefit obligations - (Note 19.1.b)	(5,842,349)	(5,087,013)
Fair value of plan assets - (Note 19.1.c)	13,346,612	12,719,585
Provision for defined benefit obligations (Note 19)	7,504,263	7,632,572
19.1.a Plan assets consist the following		
Repo and fixed deposits	12,912,002	12,674,360
Cash	434,610	45,225
Provision for defined benefit obligations	13,346,612	12,719,585
19.1.b Movement in the present value of defined benefit obligations		
Liability for defined benefit obligations as at 1 January	5,087,014	4,280,463
Current service cost	461,571	421,154
Interest cost	470,549	428,046
Actuarial losses / (gains)	198,975	132,965
Gratuity payable (including benefits paid by the plan)	(375,760)	(175,615)
Liability for defined benefit obligations as at 31st December	5,842,349	5,087,013
19.1.c Movement in plan assets		
Fair value of plan assets as at 1 January	12,719,585	11,574,005
Expected return	1,176,562	1,157,401
Benefits paid / payable	(375,760)	(175,615)
Actuarial gains / (loss)	(173,775)	163,794
Fair value of plan assets as at 31 December	13,346,612	12,719,585



As at 31 December		2015	2014
<i>Amounts in Sri Lankan Rupees</i>			
19.1.d Amount recognized in the statement of profit or loss			
Current service cost		461,571	421,154
Interest cost		470,549	428,046
Expected return on plan assets		(1,176,562)	(1,157,401)
		(244,442)	(308,201)
19.1.e Amount recognized in the statement of other comprehensive income			
Actuarial loss / (gain) immediately recognised		372,750	(30,829)
		372,750	(30,829)
19.1.f Actuarial assumptions			
Normal retirement age		55 years	55 years
Rate of discount		10.00%	9.25%
Expected return on plan asset as at 1st January		10.00%	10.00%
Salary increase		7.5% p.a. on January 2016 and 5% p.a. thereafter. Next increment due on 01st January 2016	Long term salary escalation rate of 5%. Next increment due on 01st January 2015

19.1.g Sensitivity of assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the statement of comprehensive income and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Increase / (Decrease) in Discount Rate	Increase / (Decrease) in Salary Increment	2015		2014	
		Sensitivity Effect on Income Statement Increase/ (Reduction) in results for the year (Rs' Mn)	Sensitivity Effect on Employment Benefit Obligation Increase/ (Decrease) in the Liability (Rs' Mn)	Sensitivity Effect on Income Statement Increase/ (Reduction) in results for the year (Rs' Mn)	Sensitivity Effect on Employment Benefit Obligation Increase/ (Decrease) in the Liability (Rs' Mn)
1%	**	(0.369)	(0.369)	(0.344)	(0.344)
(1%)	**	0.410	0.410	0.384	0.384
*	1%	0.456	0.456	0.419	0.419
*	(1%)	(0.414)	(0.414)	(0.379)	(0.379)

* Discount Rate fixed at
2015 10.00%
2014 9.25%

** Salary increment rates for
2015 7.5% for 1st year and 5% thereafter
2014 5.0%

Notes to the financial statements (contd.)

As at 31 December	2015	2014	
<i>Amounts in Sri Lankan Rupees</i>			
20. Provision for doubtful receivables			
Provision for trade and other receivables	20,679,591	125,777,356	
Provision for other assets	4,085,001	13,761,260	
	24,764,592	139,538,616	
Provision movement for the year			
Balance as at 1st January	139,538,616	145,884,127	
Provisions recovered / reversal during the year	(597,000)	(679,082)	
Provision during the year	97,461	-	
Amounts written off during the year as uncollectible	(114,274,485)	(5,666,429)	
Balance as at 31st December	24,764,592	139,538,616	
21. Income tax receivables			
As at the beginning of the year	514,794	991,851	
Income tax for the year	(227,513)	(2,601,763)	
Over provision reversal	583,273	6,067	
Less: Tax paid	441,708	-	
Notional tax	121,900	706,139	
Withholding taxes	-	1,412,500	
As at the end of the year	1,434,162	514,794	
22. Cash and cash equivalents			
Favourable cash & cash equivalents			
Cash and bank balances	4,559,932	10,702,540	
REPO investments	13,511,507	9,844,711	
	18,071,439	20,547,251	
Unfavourable cash & cash equivalents			
Bank overdraft	(1,231,042)	-	
	(1,231,042)	-	
Total cash & cash equivalents for the purpose of cash flows statement	16,840,397	20,547,251	
	Number	2015	2014
23. Stated capital			
Issued and fully paid ordinary shares			
On issue as at 1 January	147,964,860	1,644,391,650	1,644,391,650
On issue as at 31 December	147,964,860	1,644,391,650	1,644,391,650
The holders of ordinary shares are entitled to one vote per individual present at meetings of the share holders and one vote per share in case of a poll and are also entitled to receive dividends as declared from time to time.			
Dividends			
The following dividends were declared and paid by the Company;			
Rs: 0.50 per qualifying ordinary share (2014: Rs:0.30)		73,982,430	44,389,458
		73,982,430	44,389,458



As at 31 December	2015	2014
<i>Amounts in Sri Lankan Rupees</i>		
24. Reserves		
Capital reserve (24.1)	525,493,650	525,493,650
Revaluation reserve (24.2)	405,281	405,281
Available for sale reserve (24.3)	(11,433,981)	(1,156,327)
	514,464,950	524,742,604
24.1 Capital reserve*		
Balance as at the beginning of the year	525,493,650	525,493,650
Balance as at the end of the year	525,493,650	525,493,650
24.2 Revaluation reserve**		
Balance as at the beginning of the year	405,281	405,681
Transfer during the year	-	(400)
Balance as at the end of the year	405,281	405,281
24.3 Available for sale reserve***		
Balance as at the beginning of the year	(1,156,327)	-
Net change in fair value of available for sale financial assets reclassified to profit or loss	(125,777)	-
Transfer during the year	(10,151,877)	(1,156,327)
Balance as at the end of the year	(11,433,981)	(1,156,327)

* Capital Reserve was created for the redemption of preference shares amounting Rs: 540 Mn in 2004. During the year 2005, Rs: 14.51 Mn was utilized for the issue of Bonus share. The balance outstanding of Rs: 525.49 Mn was transferred to the Reserve Fund in 2011 and carried in our Financial Statements.

** Revaluation reserve represents the surplus related to the revaluation of property plant & equipment as explained in Note 13.

*** This has been created in 2014 to account the fair value changes on account of Available for sale securities.

25. Deferred tax liability

Deferred tax assets, liabilities and income tax relates to the following

	Statement of financial position		Statement of profit or loss		Statement of other comprehensive income	
	2015	2014	2015	2014	2015	2014
Deferred tax liability						
Property plant & equipment	4,746,356	3,701,240				
Investment property	2,523,771,689	2,419,232,650				
Total taxable temporary difference	2,528,518,045	2,422,933,890				
	707,985,053	678,421,489	29,563,564	22,820,964	-	(156)
Deferred tax assets						
Effect from carried forward tax losses	(832,652,976)	(801,566,485)				
Total taxable temporary difference	(832,652,976)	(801,566,485)				
	(233,142,833)	(224,438,616)	(8,704,217)	1,540,913	-	-
Deferred tax (income)/expense			20,859,347	24,361,877	-	(156)
Net deferred tax liability	474,842,220	453,982,873				

Notes to the financial statements (contd.)

As at 31 December	2015	2014
<i>Amounts in Sri Lankan Rupees</i>		
26. Trade & other liabilities		
Trade payables	14,582,810	9,863,631
Accrued expenses	18,963,132	13,555,197
Rent in advance and security deposits	12,758,426	16,190,537
Payables to related companies	30,000,000	30,000,000
Other payables	64,781,112	74,871,836
	141,085,480	144,871,836

27. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount	
		2015	2014
Available-for-sale financial assets	16.1, 16.2	127,788,649	157,759,125
Held-to-maturity investments	16.1, 16.2	138,948,705	138,017,636
Financial assets designated at fair value through profit or loss	16.2	8,200,000	9,200,000
Loans and receivables	18	15,803,401	27,880,182
Cash and cash equivalents	22	18,071,439	20,547,251
		308,812,194	353,404,194

The maximum exposure to credit risk for trade receivables at the reporting date by type of counterparty was:

	Carrying amount	
	2015	2014
Corporate Customers	4,272,342	48,490,348
Residential Customers	4,343,670	5,255,433
	8,616,012	53,745,781

Impairment losses

The aging of loans and receivables at the reporting date was:

	2015		2014	
	Gross	Impairment	Gross	Impairment
Not past Due	5,788,744	-	4,502,219	-
Past due 0-90 days	8,590,126	-	21,102,870	-
Past due 91-365 days	426,927	-	54,196	-
More than one year	21,677,195	20,679,591	127,998,253	125,777,356
	36,482,992	20,679,591	153,657,538	125,777,356

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	2015	2014
Balance as at 1 January	125,777,356	132,122,867
Impairment loss recognised	97,461	-
Impairment reversed / written off	(105,195,226)	(6,345,511)
Balance as at 31 December	20,679,591	125,777,356



The impairment loss as at 31 December 2015 relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances. The Company believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on their historic payment behaviour.

Based on historic default rates, the Company believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days, relates to customers that have a good payment record with the Company.

The allowance accounts in respect

of loans and receivables, held-to-maturity investments and available for sale assets are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2015	2014
Fixed rate instruments		
Financial assets	266,736,003	301,819,362
Financial liabilities	1,231,042	-
	267,967,045	301,819,362
Variable rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	-

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and therefore a change in interest rates at the reporting date would not affect profit or loss.

Debt securities

The Company limits its exposure to credit risk by investing only in liquid debt securities. Management does not expect any counterparty to fail to meet its obligations, except for impaired debt securities described below.

	AA-	A-	BBB+	Unrated
Investments in debt securities	118,680,590	90,378,455	56,645,890	-
	118,680,590	90,378,455	56,645,890	-

The movement in the allowance for impairment in respect of held-to-maturity investments and available for sale assets during the year was as follows:

As at 31 December	2015	2014
<i>Amounts in Sri Lankan Rupees</i>		
Balance as at 1 January	62,371,601	62,371,601
Impairment loss recognised	-	-
Impairment reversed / written off	(4,254,000)	-
Balance as at 31 December	58,117,601	62,371,601

The allowance accounts in respect of loans and receivables, held-to-maturity investments and available for sale assets are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

Notes to the financial statements (contd.)

Liquidity Risk

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

31 December 2015		Contractual cash flows				
Non - derivative financial liabilities	Carrying amount	Total	2 months or less	2 - 12 months	1 - 2 years	2 - 5 years
Bank overdrafts	1,231,042	1,231,042	1,231,042	-	-	-
Trade payables	14,582,810	14,582,810	13,584,180	978,747	19,883	-
	15,813,852	15,813,852	14,815,222	978,747	19,883	-

31 December 2014		Contractual cash flows				
Non - derivative financial liabilities	Carrying amount	Total	2 months or less	2 - 12 months	1 - 2 years	2 - 5 years
Bank overdrafts	-	-	-	-	-	-
Trade payables	9,863,631	9,863,631	9,777,120	86,511	-	-
	9,863,631	9,863,631	9,777,120	86,511	-	-

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Notes	31st December 2015		31st December 2014	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets measured at fair value					
Financial assets designated at fair value through profit or loss	16.2	8,200,000	8,200,000	9,200,000	9,200,000
Available-for-sale financial assets	16.2	127,788,649	127,788,649	157,759,125	157,759,125
Investment property	14	4,679,294,474	4,679,294,474	4,505,250,000	4,505,250,000
		4,815,283,123	4,815,283,123	4,672,209,125	4,672,209,125
Assets not measured at fair value					
Held to maturity investments	16.1 & 16.2	138,948,704	140,336,742	138,017,636	143,202,842
Loans and receivables	18	15,803,401	15,803,401	27,880,182	27,880,182
Cash and cash equivalents	22	18,071,439	18,071,439	20,547,251	20,547,251
		172,823,544	174,211,582	186,445,069	191,630,275
Liabilities not measured at fair value					
Trade and other payables	26	141,085,479	141,085,479	144,481,201	144,481,201
Bank overdraft	22	1,231,042	1,231,042	-	-
		142,316,521	142,316,521	144,481,201	144,481,201

Given below is the basis adopted by the Company in order to establish the fair values of the financial instruments which are shown above.

Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss are

comprised of quoted equity shares.

The Company used market comparison technique to value those shares and the valuation model is based on market multiples derived from quoted prices of companies.

Available for sale financial assets

This includes investments made in

unquoted shares, quoted debentures and quoted shares amounting Rs: 52,075,000/-, Rs: 139,222,630/- and Rs: 250,000/-. Unquoted shares were fully impaired. Quoted shares and debentures which were traded during the year were valued using last traded prices and quoted debentures which



were not traded during the year were valued using cash flow method of valuation.

Held to maturity investments

Held to maturity investments includes quoted debentures, fixed deposits and unquoted debentures amounting to Rs. 137,917,637/-, Rs. 6,973,669/- and Rs. 100,000/- respectively. Unquoted debentures were fully impaired and Rs. 5,942,601/- was impaired out of fixed deposit balance. Out of that quoted debentures were valued using last traded price of respective debentures.

Loans and receivables

Loans and receivables includes trade and other receivables of the Company occur in day today transactions. The Company provided 57% of outstanding balance as at 31st December 2015 as doubtful and remaining balance stated at carrying value which will be realised with in the next financial year.

Cash and cash equivalents

The carrying amounts of cash and cash equivalents, balances with banks and placements with banks approximate their fair value as those are short-

term in nature. These balances have a contractual remaining maturity of less than three months from the reporting date.

Trade and other payables

The carrying amount of trade and other payables includes payable to creditors of the Company in normal cause of business transactions. Carrying amount is their approximate fair value as those are short-term in nature. These balances have contractual remaining payment terms of less than one year from the reporting date.

Fair value Hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level of the fair value hierarchy.

2015	Note	Level 1	level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	16.2	8,200,000	-	-	8,200,000
Available-for-sale financial assets	16.2		127,788,649	-	127,788,649
Investment property	14	-	-	4,679,294,474	4,679,294,474
2014					
Financial assets designated at fair value through profit or loss	16.2	9,200,000	-	-	9,200,000
Available-for-sale financial assets	16.2	157,759,125	-	-	157,759,125
Investment property	14	-	-	4,505,250,000	4,505,250,000

For financial assets, there were no transfers between Level 1, Level 2, Level 3 during 2015 and 2014.

The fair value measurement for all investment properties has categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Notes to the financial statements (contd.)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Location	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Seylan Tower	Depreciated replacement cost method	Market rental based on current market rentals of World Trade Centre (WTC) adjusted to take cognizance of location of central business district and peripherals. Rentals of apartment buildings have been taken as comparable residential market for sea view and other side. Full life of the building is taken as 99 years and the remaining life is considered as per lease agreement. Risk adjusted discount rates for residential and commercial segment of the subject property has been used.	The estimated fair value would increase (decreased) if: expected market rental were higher (lower) the risk adjusted discount rate were lower (higher)
Union Place	Open Market method	The property is situated in a prime commercial area suitable for office and residential apartment development.	The estimated fair value would increase (decreased) if: expected market rentals were higher (lower)
Moratuwa	Open Market method	Being in the close proximity to Moratuwa, enjoying easy accessibility to Colombo City. Similar property values were used.	The estimated fair value would increase (decreased) if: expected market rentals were higher (lower)
Kataragama	Cost approach	The property is situated in a residential area and immediate vicinity of the property consists of scattered Guest houses and Hotels. Similar values were used.	

28. Related party transactions

Parent and the ultimate controlling party

The Company is a subsidiary of Seylan Bank PLC, which owns 70.42% of controlling interest of the Company.

Transactions with the key management personnel

According to LKAS 24 - Related Party Disclosure, Key Management Personnel are those having authority for planning, directing and controlling the activities of the entity. Accordingly, Seylan Developments PLC considers its Board of Directors as Key Management Personnel of the Company.

Key management personnel have transacted with the Company during the period as follows:

a. Key Management Personnel compensation for the period comprised:

	2015	2014
Short term employee benefits	861,802	712,600

Directors receive a fee for participating at Board Meetings and other committee meetings and do not receive any other perquisite or benefit other than what is discussed in Note 9 in the financial statements.



b. Key management personnel and director transactions

Number of key management personnel and their related parties hold positions in other entities that result them having control over financial or operating policies of these entities.

A number of these entities transacted with the Company during the year.

As at 31 December

Amounts in Sri Lankan Rupees

The aggregate value of transactions and outstanding balances related to Related Parties are as follows.

Parties accommodated	Director / Key Management Personnel (Relationship)	Transaction	Transaction value for the year ended 31 December 2015	Balance outstanding as at 31 December 2015
Seylan Bank PLC	* Mr. K. P. Ariyaratne (Executive Director / Chief Executive Officer)	* Loans, advances & security deposit	-	(30,000,000)
	* Mr. S. Palihawadana (DGM - Treasury, Head of Primary Dealer Unit & Gold Investment Unit)	* Charges (OD interest/ Bank Charges etc)	1,106,161	-
	* Mr. R. J. Jayasekara (Chief Financial Officer)	* Interest income (Fixed Deposits, REPO & Debentures)	17,000,070	6,874,219
		* Investments		
		Debentures	-	150,000,000
		Fixed Deposits	-	1,000,000
		Repo	-	13,511,507
		* Demand Deposits	-	4,509,932
		* Administrative services		
		Rent	121,621,233	-
		Management Fee	3,571,429	-
		Other Income	695,603	71,341
		Expense reimbursement	60,449,768	3,764,620
		* Dividends	50,617,490	
	* Overdraft facility - (Rs: 40 mn)	-	-	

All outstanding balances with these related parties are priced on an arm's length basis other than the rent. The Company provides rent at a discounted rate to the Seylan Bank PLC being the single tenant of the East tower comprising 17 floors.

d. Seylan Developments Employees' Gratuity Trust Fund

Following Directors/ Key Employees of the Company are also Trustees of the Seylan Developments Employees' Gratuity Trust Fund.

- Mr. S. Palihawadana
- Mr. P. Saravanapavan
- Mr. R. J. Jayasekara

The above trust fund has invested in REPOs at Seylan Bank PLC amounting Rs.4,570,258/-.

Notes to the financial statements (contd.)

29. Litigation and claims

There are no litigations and claims against the Company, other than the following;

- (a) Income tax for the year of assessment 2008/09 (Rs 8,581,317/-Assessment no: 6416959) determined by the Tax Appeals Commission dated 6th February 2014 in favour of Seylan Developments PLC. Appeals filed by Inland Revenue Department to the Court of Appeal against the determination given by the Tax Appeals Commission. Argument on 18th February 2016.
- (b) Income tax for the year of assessment 2005/06 (Rs 9,287,489/- Assessment no: 8740923) and 2006/07 (Rs 14,028,233/- Assessment no: 8240889) determined by the Tax Appeals Commission dated 8th April 2014 in favour of Seylan Developments PLC. Appeal filed by Inland Revenue Department to the Court of Appeal against the determination given by the Tax Appeals Commission. Argument on 18th February 2016.
- (c) Income tax for the year of assessment 2010/11 (Assessment no: ITR 13291100053 V 1) determined by the Commissioner General of Inland Revenue has been referred to the Tax Appeals Commission.
- (d) Income tax for the year of assessment 2012/13 (Rs: 9,269,763/-Assessment no: ITA 15301100123 V1).
- (e) A part time employee who worked at Seylan Developments PLC has filed a LT application claiming compensation and non payment of the gratuity. The matter was pending at LT.

The Company is of the view that the above assessments will not have any material impact on the Financial Statements.

30 Events after the reporting date

Proposed Final Dividend

The Board of Directors of the Company recommended that a final dividend of Rs. 0.60 per share, be paid by way of each dividend for the financial year ended December 31, 2015

(Rs: 0.50 per share paid for the year ended December 31, 2014), subject to approval by the shareholders at the Annual General Meeting.

Appoinment of new Director

Mr. Piyal Hennayake appointed as an Independent Non Executive Director on

11th January 2016.

No other circumstances have arisen since the reporting date which would require adjustments to or disclosure in the Financial Statements other than above.

31. Commitments and contingencies

Capital expenditure approved by the Board of Directors for which provisions has not been made in these accounts amounted to approximately.

	2015	2014
Approved and contracted for	12,732,983/-	nil
Approved but not contracted for	nil	nil

32. Capital commitments

There were no material capital commitments outstanding as at the reporting date except for the following. The following Corporate Guarantees are given for following companies.

Company	Facility amount	Financial institution
Ceylinco Industries (Pvt) Ltd	29,000,000	Peoples Bank
Ceylinco Packaging Co. Ltd	38,000,000	Peoples Bank

The Company has provided Rs. 52.5 Mn against above mentioned Corporate Guarantees since the liabilities were in non-performing category.



33. Comparative information

Comparative information has not been restated or reclassified during the year.

34. Operating leases

34.1 Leases as lessee

The Company had entered in to a 99 year operating lease with the UDA (Urban Development Authority) with the view of set up/conduct and operate a business for the construction of a office and apartment complex on the Year of 1992. The Company pays a nominal rent to UDA for occupying the land.

Future minimum lease payments	2015	2014
Less than one year	150	150
More than one year	10,650	10,800
	10,800	10,950

34.2 Leases as lessor

The Company leases out its investment property held under operating leases (see note 14) on less than one year contract. The future minimum lease payments are as follows:

Future minimum lease payments	2015	2014
Less than one year	193,844,786	159,365,911
More than one year	214,869,898	36,164,753

The future minimum lease payments are presented above based on lease agreements which Company has presently entered into with it's respective tenants. Maximum period is two years.

During the year ended 31 December 2015 Rs. 185,282,579/- was recognized as rental income in profit or loss

(2014 : 167,157,428/-). Repairs and maintenance expenses recorded under premises, equipment, establishment expenses for the year ended 31st December 2015 is Rs: 18,224,595/- (2014: Rs. 27,027,725/-)

Direct operating expenses (including repairs and maintenance) arising from investment property that generate

rental income during the period is Rs: 74,695,724/- (2014 - Rs: 85,858,657/-).

Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period is Rs: 1,895,055/- (2014 - Rs: 1,220,513/-).



Supplementary Information

SHAREHOLDERS' AND DIRECTORS' HOLDING INFORMATION...**101**

FINANCIAL INFORMATION - TEN YEARS SUMMARY...**102**



SHAREHOLDERS' AND DIRECTORS' HOLDING INFORMATION

SHARE INFORMATION

Range Of Share Holding	No Of Share Holders	Total Number Of Shares	% As At	
			31.12.2015	31.12.2014
1 - 1,000	3,868	1,005,252	0.68%	0.73%
1,001 - 10,000	2,150	6,684,935	4.52%	4.89%
10,001 - 100,000	417	11,311,294	7.64%	9.56%
100,001 - 1,000,000	56	13,888,545	9.39%	9.19%
Over 1,000,000	5	115,074,834	77.77%	75.63%
TOTAL	6,496	147,964,860	100.00%	100.00%

Public Share Holding - 29.55%

No of Share Holders as at 31st December 2015 - 6,496

No of public shareholders - 6,492

TWENTY MAJOR SHAREHOLDERS

	NO OF SHARES 31.12.2015	%	NO OF SHARES 31.12.2014	%
1 Seylan Bank PLC	104,201,612	70.42	101,027,265	68.28
2 Mr Perera Kulapparachchige Don Dammika	8,546,640	5.78	8,546,640	5.78
3 Mrs Udeshi (DESC) Majula Moraji	1,287,900	0.87	1,287,900	0.87
4 Mr Sithampalam Arunasalam	1,038,682	0.70	1,038,682	0.70
5 Mr Abishek Sithampalam	835,674	0.56	835,674	0.56
6 Mr. Patel Saifuddin Esmail	627,824	0.42	550,183	0.37
7 Asian Guild Financial Services (Pvt) Ltd	609,121	0.41	609,121	0.41
8 Zagra Investment Consultants (Pvt) Ltd	594,200	0.40	594,200	0.40
9 Mr. Tay Biak Chye	505,948	0.34	505,948	0.34
10 Mr. Razik Abdul Azeez Mohamed	500,000	0.34	-	-
11 Mr. Fuad Mushtaq Mohamed	480,621	0.32	-	-
12 Mr. Pakianathan Hugh Vijenathan	453,193	0.31	410,000	0.28
13 Mr. Pusparaj Nadesapillai	420,000	0.28	420,000	0.28
14 Asha Financial Services Limited / Mr. C. N. Pakianathan	401,686	0.27	380,000	0.26
15 Mercantile Investments and Finance PLC	375,000	0.25	375,000	0.25
16 Mr. Ragupathy Arunasalam	352,974	0.24	352,974	0.24
17 Mr. Van Oostenbrugge Alexander	321,400	0.22	321,400	0.22
18 Mr. Upasena Kankanamge Don Nirosha Thushan Kumara	311,000	0.21	311,000	0.21
19 Nation Lanka Capital Ltd / Sadun Priyanath Samaratunge	300,000	0.20	300,000	0.20
20 Mr. Gautam Rahul	280,000	0.19	275,000	0.19
Total Shares held by the Top 20 Holders	122,443,475			
Balance Shares held by other Shareholders	25,521,385			
Total Shares	147,964,860		147,964,860	

DIRECTORS' SHAREHOLDINGS

Name Of The Director	No. Of Shares 31.12.2015	No. Of Shares 31.12.2014
Mr. Kapila Ariyaratne	25,000	25,000
Mr S. Palihawadana	10,000	10,000
Mr. P. Saravanapavan	-	-
Mr. R. Jayasekera	-	-
Dr. P. M. Gunasekera (Up to 14th May 2015)	N/A	-

FINANCIAL INFORMATION - TEN YEARS SUMMARY

Amounts in Sri Lankan Rupees

Statement of Comprehensive Income	2015*	2014*	2013*
Total Income	196,837,822	185,972,927	181,831,650
Rent Income	185,282,579	167,157,428	168,174,406
Other Income	11,555,243	18,815,499	13,657,244
	196,837,822	185,972,927	181,831,650
Operating Expenses	(93,092,795)	(107,595,405)	(117,117,975)
Changes In Fair Value of Investment Properties	87,133,324	12,998,276	(176,072,079)
Operating Profit	190,878,351	91,375,798	(111,358,404)
Net Finance Income / (Expenses)	30,931,674	35,392,989	31,363,681
Profit / (Loss) Before Tax	221,810,025	126,768,787	(79,994,723)
Tax	(20,503,587)	(26,957,573)	98,408,415
Profit/(Loss) After Tax	201,306,438	99,811,214	18,413,692

Statement of Financial Position	2015*	2014*	2013*
Property , Plant & Equipment	5,108,129	6,248,928	4,752,457
Investment Property	4,679,294,474	4,505,250,000	4,457,202,500
Investment - Securities & Projects	137,917,636	137,917,636	139,446,173
Current Assets	191,719,761	233,453,996	203,933,856
Total Assets	5,014,040,000	4,882,870,560	4,805,334,986
Current Liabilities	142,316,522	144,481,201	145,603,763
Non Current Liabilities	474,842,220	453,982,873	429,621,152
Total Liabilities	617,158,742	598,464,074	575,224,915
Net Assets	4,396,881,258	4,284,406,486	4,230,110,071
Capital & Reserves			
Stated Capital	1,644,391,650	1,644,391,650	1,644,391,650
Reserves	514,464,950	524,742,604	525,899,331
Retained Earnings	2,238,024,658	2,115,272,232	2,059,819,090
Shareholder's Fund	4,396,881,258	4,284,406,486	4,230,110,071

Weighted Average Number of Shares	147,964,860	147,964,860	147,964,860
Earning/(Loss) Per Share	1.36	0.67	0.12
Net Asset Per Share	29.72	28.96	28.59
Dividend Per Share	-	0.50	0.30
Market Value Per Share Year End	13.90	14.10	9.00
Staff Members	28	30	31

* Figures are based on new Sri Lanka Accounting Standards (SLFRSs)

** Figures are based on previous Sri Lanka Accounting Standards (SLASs)



2012*	2011*	2010**	2009 Restated**	2008 Restated**	2007**	2006**
163,340,665	210,913,075	153,993,181	149,000,620	186,770,518	209,413,432	217,968,858
156,975,913	148,451,419	143,156,566	139,751,049	148,881,839	142,445,934	141,283,563
6,364,752	62,461,656	10,836,615	9,249,571	37,888,679	66,967,498	76,685,295
163,340,665	210,913,075	153,993,181	149,000,620	186,770,518	209,413,432	217,968,858
(80,651,621)	(174,352,003)	(96,975,953)	(213,824,743)	(438,743,215)	(148,164,909)	(124,650,360)
9,297,021	-	-	350,567,145	(29,329,592)	203,775,766	-
91,986,065	36,561,072	57,017,228	285,743,022	(281,302,289)	265,024,289	93,318,498
16,121,378	(13,525,064)	(84,701,319)	(190,316,068)	(104,103,440)	(26,571,681)	(27,358,473)
108,107,443	23,036,008	(27,684,091)	95,426,954	(385,405,729)	238,452,608	65,960,025
(67,424,971)	(8,525,047)	(55,525)	(662,589)	(7,061,622)	(14,145,386)	(16,757,186)
40,682,472	14,510,961	(27,739,616)	94,764,365	(392,467,351)	224,307,222	49,202,839

2012*	2011*	2010*	2009 Restated**	2008 Restated**	2007**	2006**
3,276,586	3,227,055	5,494,921	13,932,509	1,402,102,935	1,433,335,254	1,446,381,065
4,647,399,250	4,638,504,146	4,802,584,153	4,591,472,487	1,151,493,932	1,226,544,412	1,226,957,424
-	878,364	2,383,319	253,606,884	498,331,609	605,761,760	457,226,858
297,127,459	161,344,225	62,741,153	119,004,210	463,530,345	453,173,122	173,093,056
4,947,803,295	4,803,953,790	4,873,203,546	4,978,016,090	3,515,458,821	3,718,814,548	3,303,658,403
167,169,971	114,744,501	1,018,810,711	821,301,761	649,458,890	424,589,772	336,519,415
531,384,164	469,836,848	463,772,331	609,804,069	576,065,982	574,832,260	427,456,401
698,554,135	584,581,349	1,482,583,042	1,431,105,830	1,225,524,872	999,422,032	763,975,816
4,249,249,160	4,219,372,441	3,390,620,504	3,546,910,260	2,289,933,949	2,719,392,516	2,539,682,587

1,644,391,650	1,644,391,650	1,356,078,570	1,356,078,570	1,356,078,570	1,356,078,570	1,356,078,570
525,927,896	525,927,896	-	2,073,232,126	926,339,375	926,339,375	926,339,374
2,078,929,614	2,049,052,895	2,034,541,934	117,599,564	7,516,004	436,974,571	257,264,643
4,249,249,160	4,219,372,441	3,390,620,504	3,546,910,260	2,289,933,949	2,719,392,516	2,539,682,587

147,964,860	123,212,163	73,982,430	73,982,430	73,982,430	73,982,430	73,982,430
0.27	0.12	(0.37)	1.28	(5.30)	3.03	0.67
28.72	28.52	45.83	47.94	30.95	36.76	34.33
0.25	0.10	-	-	-	-	0.50
9.10	12.30	17.00	9.50	4.50	9.00	8.25
31	31	35	45	48	52	52

NOTICE IS HEREBY GIVEN THAT THE TWENTY FOURTH ANNUAL GENERAL MEETING OF SEYLAN DEVELOPMENTS PLC WILL BE HELD ON 31ST MARCH 2016 AT 2.30 P.M. AT SASAKAWA HALL, NO.4, 22ND LANE, COLOMBO 03 FOR THE FOLLOWING PURPOSES

AGENDA

1. To consider and adopt the Annual Report of the Directors and the Statement of Audited Accounts for the year ended 31st December 2015 and to receive the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Mr. P.D Hennayake in terms of Article 85(a) of the Company's Articles of Association as a Director of the Company.
4. To re-elect Mr. R. J. Jayasekera who retires by rotation in terms of Article 93(a) of the Company's Articles of Association as a Director of the Company.
5. To re-appoint as a Director Mr. P. Saravanapavan , who has attained the age of 70 years. The Company has received notice of intention to pass the under noted as an Ordinary Resolution in compliance with Section 211 of the Companies Act No. 07 of 2007.

Ordinary Resolution:

"That Mr. P. Saravanapavan who has attained the age of 70 years be and is hereby re-appointed as a Director of the Company and it is hereby declared as provided for in Section 211 of the Companies Act No.07 of 2007 that the age limit of 70 years referred to in section 210 of the said Companies Act shall not apply to Mr. P. Saravanapavan".

6. To re-appoint the retiring auditors, M/s KPMG, Chartered Accountants and to authorize the Directors to determine their remuneration.
7. To authorize the Directors to determine contributions to charities and other donations for the year 2016/2017.
8. To transact any other business of which due notice has been given.

**BY ORDER OF THE BOARD OF DIRECTORS OF
SEYLAN DEVELOPMENTS PLC
S S P CORPORATE SERVICES (PRIVATE) LIMITED**



SECRETARIES

Date:25th January 2016

FORM OF PROXY

I/We.....(NIC No.....)
of.....
.....being a member/members of Seylan Developments PLC hereby appoint
Mr/Mrs/Ms.....(NIC No.....)
of.....

failing him / her,

Mr. K.P. Ariyaratne of Colombo 03	failing him
Mr. Somadasa Palihawadana of Kotte	failing him
Mr. Ponniah Saravanapavan of Dehiwela	failing him
Mr. R. J. Jayasekera of Colombo 04	failing him
Mr. P.D Hennayake of Colombo 06	

as my /our proxy to represent me/us and vote and speak for me/us on my/our behalf at the Twenty Fourth Annual General Meeting of the Company to be held on 31st March 2016 at 2.30 p.m. at Sasakawa Hall, No.4, 22nd Lane, Colombo 03 and at any adjournment thereof and to vote at every poll which may be taken in consequence thereof.

Please indicate your preference by placing a "X" against the Resolution Number.

- | | FOR | AGAINST |
|---|--------------------------|--------------------------|
| 1. To receive and adopt the Report of the Board of Directors and the audited financial statements for the year ended 31st December 2015 and to receive the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To declare a first & final dividend of Rs. 0.60 per ordinary share as recommended by the Directors. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-elect Mr. P.D Hennayake in terms of Article 85 (a) of the Company's Articles of Association. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To re-elect Mr. R. J. Jayasekera who retires by rotation in terms of Article 93(a) of the Company's Articles of Association. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To re-appoint as a Director Mr. P. Saravanapavan , who has attained the age of 70 years. The Company has received notice of intention to pass the undernoted as an Ordinary Resolution in compliance with Section 211 of the Companies Act No. 07 of 2007. | <input type="checkbox"/> | <input type="checkbox"/> |
| Ordinary Resolution:
"That Mr. P. Saravanapavan who has attained the age of 70 years be and is hereby re-appointed as a Director of the Company and it is hereby declared as provided for in Section 211 of the Companies Act No.07 of 2007 that the age limit of 70 years referred to in section 210 of the said Companies Act shall not apply to Mr. P Saravanapavan." | | |
| 6. To re-appoint the Auditors M/s KPMG, Chartered Accountants until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. To authorize the Directors to determine contributions to charities and other donations for the year 2016/2017. | <input type="checkbox"/> | <input type="checkbox"/> |

As witness my/our hand/s thisday of2016

.....
NIC Number / Reg. No

.....
(Signatures)

INSTRUCTIONS FOR THE COMPLETION OF FORM OF PROXY

1. Please complete the Form of Proxy after filling in legibly your full name, NIC Number and address and by signing in the space provided.
2. To be valid, this Form of Proxy must be deposited at the Registered Office of the Company, Seylan Developments PLC, No.90, Seylan Towers, Colombo 03 not less than 48 hours before the time appointed for holding the meeting.
3. Please indicate clearly how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion may vote as he thinks fit.
4. If the shareholder is a Company or body corporate, a form of Corporate Representation executed under its Common Seal in Accordance with its Articles of Association or Constitution should be submitted.
5. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the company along with the Form of Proxy.
6. Any Shareholder / Proxy attending the Annual General Meeting is kindly requested to bring with him/her the National Identity Card or any other form of valid identification, and produce same at the time of registration.

CORPORATE INFORMATION

NAME OF THE COMPANY

Seylan Developments PLC

REGISTERED OFFICE

Seylan Towers, No: 90, Galle Road, Colombo 3.

BUSINESS ADDRESS

Level 15,
Seylan Towers,
No: 90, Galle Road,
Colombo 3.
Phone: 011-2452697
Fax: 011-2423249
E-mail: seylandplc@slt.net.lk
Website: www.seylanddevelopments.com

BOARD OF DIRECTORS

Mr. Kapila Ariyaratne

Chairman / Non-Executive Director

Mr. S. Palihawadana

Deputy Chairman / Non-Executive Director

Mr. P. Saravanapavan

Independent Director

Mr. R. J. Jayasekara

Non-Executive Director

Dr. P. Mervyn Gunasekera

Independent Director

(Deceased on 14th May 2015)

Mr. P. D. Hennayake

Independent Director

(Appointed on 11th January 2016)

SECRETARIES & REGISTRARS

SSP Corporate Services (Pvt) Ltd,
No. 101, Inner Flower Road,
Colombo 03.

LAWYERS

Mr. Rohana Muhandiram
Attorney-at-Law & Notary Public
Commissioner for Oaths and Company Secretary
Seylan Bank PLC, Legal Department

EXTERNAL AUDITORS

M/s KPMG - Chartered Accountants

INTERNAL AUDITORS

M/s Ponnampuruma & Company - Chartered Accountants

TAX CONSULTANT

M/s Amarasekara & Co. - Chartered Accountants

BANKERS

Seylan Bank PLC

ACCOUNTING PERIOD

1st January to 31st December

TAX IDENTIFICATION NUMBER

134003650

LEGAL STATUS

Incorporated under the Companies Act No 17 of 1982.

Date of Incorporation – 3rd September 1992.

A Public Limited Liability Company listed on the Colombo Stock Exchange with BOI status.

The Company was re-registered under the Companies Act No.7 of 2007 on 22 May 2008 and the Company Registration No. is PQ 151.

PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

The principal activities of the Company were the developments of the property located at No.90, Galle Road, Colombo 03 & activities relating property Management.

PARENT ENTERPRISE

The Company's parent undertaking is Seylan Bank PLC.



Level 15, Seylan Towers, No.90, Galle Road, Colombo-03.
T. 011 2 452 697 | F. 011 2 423 249 | e. seylandplc@sltnet.lk