

S E Y L A N
DEVELOPMENTS PLC

ANNUAL REPORT 2013

Beyond The Limits

“ Urban Context ”

A grayscale photograph of a modern office interior. On the left, a staircase with a metal railing leads upwards. A large screen is mounted on the wall above the stairs. The background shows office desks and partitions. A dark brown vertical bar is on the right side of the image, containing the 'CONTENTS' header and the table of contents.

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Beyond The Limits Urban Context

Cities constantly change, evolving new forms, through the complex interaction of natural, social and built elements. Urban environment should be seen through the evolution of the local urban context, with respect to culture, human values, built form, and nature. Urban Design involves with designing and shaping of Towns and Cities. Where as urban Architecture focuses on individual buildings, built elements have become the most critical forms in terms of influencing the identity of the context both in negative and positive ways within a short period of time.

Colombo city is reawakening with emerging sky scrapers, infrastructure improvements, re organizing of public spaces, parks and walkways and most importantly the urban resettlements. A major part of the urban experience lies on the street facades and thoroughfares where it becomes the prime exterior space of the city and an intrinsic component of the urban context.

The buildings in the city which survived for years are always those that with an economic and social return over its historical values. A built environment which is architecturally sound is with a blend of aesthetics as well as that which positively add for conserving energy and resources. A building needs to be shaped and dressed up with a sense for conservation and response for public usage. It is important to make a distinction between the character and appearance of a building in looking beyond the limits of urban context.

FINANCIAL HIGHLIGHTS

For the period ended	31-Dec-13 Rs.	31-Dec-12 Rs.
Results for the year		
Rent Income	168,174,406	156,975,913
(Loss) / Profit from Operating Activities	(111,358,404)	91,986,065
Net Finance Income	31,363,681	16,121,378
(Loss) / Profit Before Tax	(79,994,723)	108,107,443
Provision for Taxation	98,408,415	(67,424,971)
Profit After Tax	18,413,692	40,682,472
Earning per share (Rs.)	0.12	0.27
At the year end		
Shareholders Funds	4,230,110,071	4,249,249,160
Total Assets	4,805,334,986	4,947,803,295
Stated Capital	1,644,391,650	1,644,391,650
Net Asset Value	4,230,110,071	4,249,249,160
Net Assets per share	28.59	28.72
Financial Ratios		
Profit After Tax to Rental Income	10.9%	25.9%
Return on Equity	0.44%	0.96%
Return on Total Assets	0.38%	0.82%
Share Prices		
Highest during the year	12.40	12.80
Lowest during the year	8.20	6.30
Last Traded Price	9.00	9.10

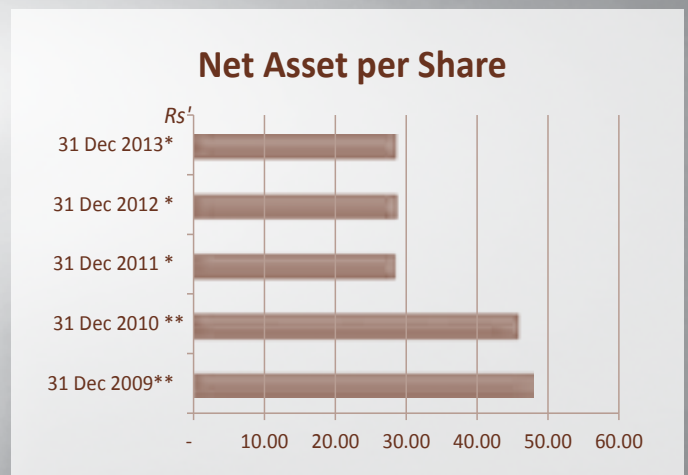
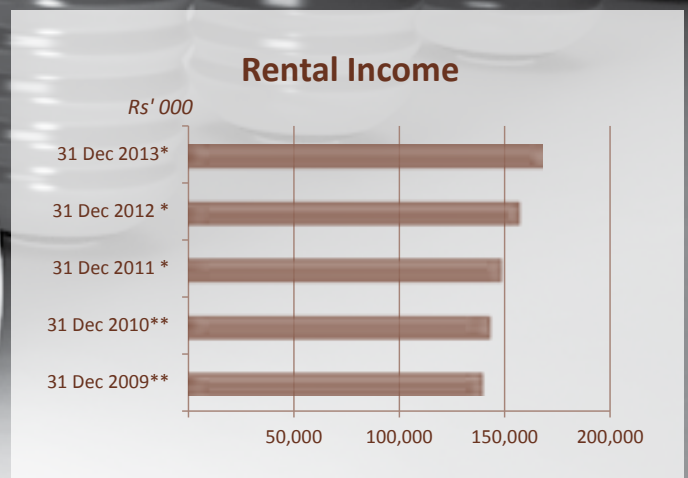
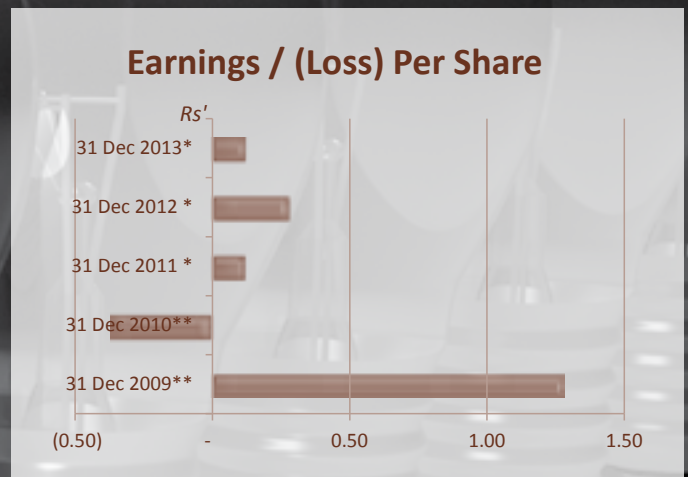
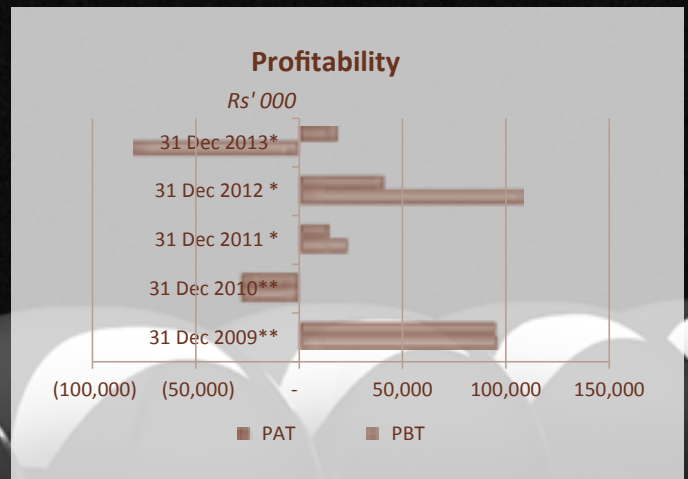
our vision

"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".



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

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

OUR ACHIEVEMENTS



LEFT TO RIGHT

Mr. S. Paliawadana - Deputy Chairman, Seylan Developments PLC

Mr. R. Nadarajah - Chairman, Seylan Developments PLC

Mr.Tishan Subasinghe - Chairman,Annual Report Awards Committee 2013

Mr.U.H Paliakkara - Past President CA Sri Lanka

Mr.Aruna Alwis - CEO CA Sri Lanka





“Two times gold award winners”

“We all have Dreams... But in order to make the dreams come in to reality it takes an awful lot of Determination, Dedication, Self Discipline and Effort.....”

We made it in the year 2013 too, and it was a remarkable achievement to retain the Gold Award we won in the year 2012 Annual Report Award competition under “land and Property” sector organized by the Institute of Chartered Accountants of Sri Lanka.

CHAIRMAN'S REVIEW

"It is with a sense of great pride and pleasure I welcome you, on behalf of the Board of Directors of Seylan Developments PLC, to the twenty-second Annual General Meeting. I am pleased to present you the Annual Report and the audited financial statements for the year ended 31st December 2013."

BACKGROUND:

The year 2013 was a year of sustaining the growth achieved in the previous years and to grow further in line with the economic development of the country. During the year 2012, Sri Lankan economy has grown at a healthy rate of 6.4% and inflation was maintained at single digit despite several challenges locally and internationally. The Sri Lankan economy is expected to continue to be on a high growth path benefiting from the infrastructure developments achieved so far under His Excellency's programme of "Mahinda Chinthana" and favourable macroeconomic fundamentals.

The commercial and residential property market grew considerably in the year 2013. Although, there was an increase in the rentable space in the market, the company maintained a growth in the rental income in the year 2013 due to its captive market. The company took initiative to ensure 100% occupancy in the west tower and renewed the lease agreement with Seylan Bank (East Tower). As Seylan Bank needed additional office space for expanding their business, the company decided to terminate the lease agreement with Ceylinco Hotels limited (Raja Bojun) from 31st December 2013. However at request of the management of Raja Bojun, an extension of two months was agreed upon.

COMPOSITION OF THE BOARD:

To comply with the directions on Corporate Governance jointly issued by the Securities Exchange Commission of Sri Lanka & the Institute of Chartered Accountants of Sri Lanka, the company maintained the balance of independent directors. As at December 31, 2013, the Board consisted of six Directors of whom two were independent. All the directors are non-executive and have wide knowledge and experience in the financial, banking, engineering and commercial sectors. Mr. M.K. Muthukumar who joined the Board in 2012 resigned w.e.f 1st March 2013.

DEVELOPMENT PROJECTS:

During the year under review the Company initiated a new project of constructing a holiday bungalow at Kataragama, using its own resources, with a view to rent it to Seylan Bank PLC, with the view to have additional avenues of revenue. This project is expected to be completed before June 2014. The company has plans to construct holiday bungalows in other cities such as Anuradhapura, Kandy, Nuwara-Eliya as well in the future. Company shall have a tie up arrangement with Seylan Bank to rent them out for the use of their staff.

Company has plans to sell its property in the Union Place Colombo 02 after obtaining vacant possession of the property, which currently is occupied by Ceylinco Packaging.

We shall invest these monies in the above and similar projects to generate further income.

As recommend by auditors, and to comply with the Sri Lanka Financial reporting Standards (SLFRS), company revalued the investment properties and made required provisions for any impairment.

FINANCIAL PERFORMANCE:

Rental income which is the main source of income for the company recorded an increase to Rs. 168.17 Mn in 2013 in comparison to Rs.156.97 Mn in 2012 reflecting a growth of 7% year on year. Expenses on premises, equipment and establishment increased from Rs.30.3 Mn in 2012 to Rs.42.3 Mn in 2013 mainly due to colour washing and maintenance work undertaken at Seylan Towers. Administration expenses also increased by Rs. 29.3 Mn during the year under review compared to previous year mainly due the provisions made for doubtful receivables (Rs. 16.1 Mn) and provisions of Rs. 12.3 Mn made on Corporate Guarantee given to Peoples' Bank guaranteeing credit facilities obtained by Ceylinco Packaging Ltd. Despite these additional expenses made, Company recorded a profit before tax excluding fair value adjustment Rs. 96.08 Mn during the year under review.

Despite the fair value loss of Rs.176 Mn on investment properties and a reversal of deferred tax liability of Rs.101.75Mn, the company recorded a profit after tax of Rs.18.41 Mn in 2013 compared to Rs.40.68 Mn in 2012.

FUTURE PLANS:

Sri Lanka's economy is expected to grow at a higher pace compared to the last two years with the enhanced contribution from all sectors of economy. The domestic inflation is expected to remain in single digit. The company has commenced a face lift plan to the East Tower at a cost of Rs.35 million partly funded by the parent company. It is expected that the improvements will enhance the value of the building. Company also has initiated a project for energy saving by 16% on electricity consumption, to be completed by 2014.

Your company has already drawn strategic development plans for short and long term. In the short term, the company will construct bungalows in identified holiday destinations and renting same for mainly employees of Seylan Bank. Company also plans to contract the maintenance of buildings owned by Seylan Bank. In the long term, steps had been taken to recover investments in projects which are non-earning and convert those earning investments which will enhance the profitability of the Company.

CORPORATE SOCIAL RESPONSIBILITY:

During the year 2012 the company contributed Rs: 150,000/= towards the renovation of the Salon and the Beauty Culture Training Centre at the School for Deaf in Ratmalana for

"Sri Lanka's economy is expected to grow at a higher pace compared to the last two years with the enhanced contribution from all sectors of economy"



the benefit of the inmates. During the year under review the company undertook to construct a new class room for a Junior School in "Gothamigama" a village in the outskirts of Kataragama at a cost of Rs.470,000/=.

ACHIEVEMENT ON FINANCIAL REPORTING & COMPLIANCE:

It is with great pride and joy we mention that your company won the Gold award for the second time in succession at the Annual Report Award competition organized by The Institute of Chartered Accountants of Sri Lanka for the year 2013 under the category "Land & Property", for financial reporting and compliance.

ACKNOWLEDGEMENT

In conclusion, I would like to express my sincere appreciation to my fellow Board members for their continuous support and guidance given throughout the year. I also wish to place on record my appreciation to Mr. M.K. Muthukumar who resigned from the Board in the year under review for his services during his tenure. 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 discharging their duties.

I wish to thank the auditors M/s KPMG-Chartered Accountants, the internal auditors M/s Ponnampuruma & Co and printers M/s Printcare Packaging (Pvt) Ltd. for their excellence support extended in discharging their respective assignments. I also wish to sincerely thank our tenants for their continuous business relationship and expect their support during 2014.

Last but not the least and more importantly, our shareholders deserve special appreciation for their continuous confidence placed in us and with us in all our endeavours and we the Board wish to assure that we will be committed to increase the value of your investments.

R. NADARAJAH

CHAIRMAN

25th February 2014.

HEAD OF OPERATION'S REVIEW

THE REAL ESTATE EXPERIENCE

It has been a year filled with events, changes and achievements where the country as a whole was looking towards a better future with infinite possibilities with rebuilding measures, surging tourism and increased investor confidence. This was supported by a promising economic growth and infrastructure improvements creating an upward trend in the real estate sector. The emergence of premium condominium projects in the city center has significantly affected the rental market in increasing demand for exclusive residential and commercial space.

On behalf of the Chairman, Board of Directors and staff, I warmly welcome all our distinguished share holders to the 22nd annual general meeting of Seylan Developments Plc. We have achieved a lot and there is a lot to be accomplished. I wish to place on record the encouragement and support given by Chairman and the Board of directors, Tenants, Customers, staff and most importantly you, the Share holders in building our status on the real estate experiences we gathered.

SUSTAINABILITY AND URBAN CONTEXT

The time has come for us to be mindful of our actions which could affect our immediate environment. We could see a rapid vertical development taken place around us changing the density of the city. The buildings which were standing tall are no more in existence and over whelmed by new and emerging sky scrapers. To be in competition we need to change our looks, appearance, textures and composition as well. Seylan Tower restructuring program was commenced on an operating budget of Rs. 35 Million in order to sustain and being recognized in the changing Urban Context.

It is important to mention that management changes have put the company on right tracks in achieving most needed financial stability of the company. We were able to achieve the highest rental income recorded in the recent past of Rs. 168.17 Million in the year 2013 with a 100% occupancy ratio. This is a significant achievement despite fierce competition created by new entrants to the real estate market sector. We were able to manage our expenditure budget with correct controls and risk mitigations with minimizing of wastage and unnecessary cost variations.

BEYOND THE LIMITS

The Company is growing, and growing fast beyond the limits of its present context. The alterations and improvements done to 'Seylan Towers' is one aspect. As the service provider to the Bank, we have looked in to other avenues of further income generations within the scope of constructions and property management. The Bank, in strengthening its staff welfare facilities requested the subsidiary in providing of Holiday Quarters at selected destinations in the terms of built, operate and own. "Kataragama" is the first of its kind which is scheduled to be completed by the end of June 2014. Success of this project will definitely make way for similar experiences in the years to come.

RETROSPECTIVES

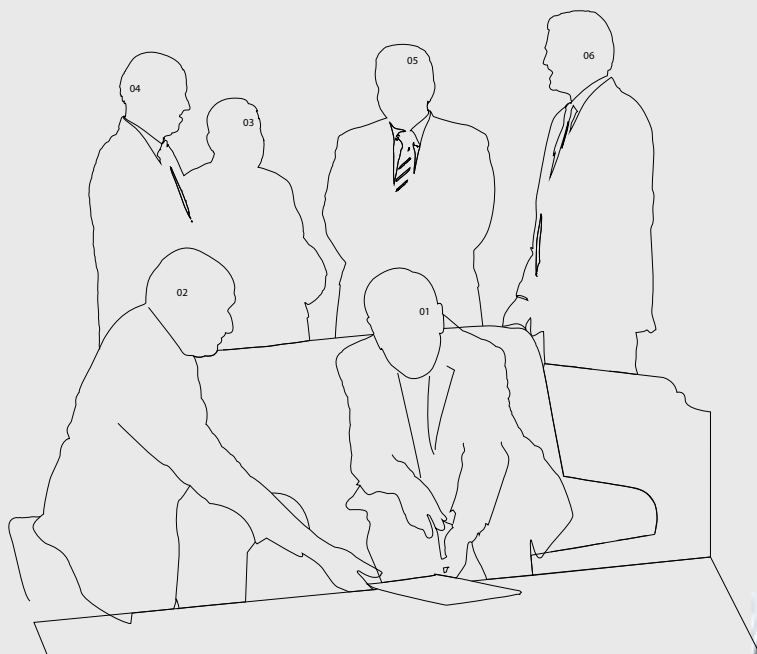
Seylan Developments have crossed significant milestones within a short period of time in achieving greater prosperity towards all stake holders. Today we have reached the implementing stage of our Vision and Objectives. During the year under review with the guidance given by the Board of Directors we redefined our strategies despite draw backs on various provisions we were compelled to made and fair value adjustments done. The future looks bright as never before. We should be thankful to our tenants who bear with us whilst the building improvements and modifications were carried out. The staff always was a tower of strength, and should be commended for their dedication and commitment shown. Finally appreciations are extended towards our distinguished share holders for their loyalty and confidence kept on us and thankful to them and it is assured that values of their holdings will be appreciated with in the years to come.



K. S. EDIRISINGHE
HEAD OF OPERATIONS
25th February 2014.



Annual Report of Operations



01 . MR. R NDARAJAH
Chairman

02. MR. S PALIHAWADANA
Deputy Chairman

03. MR. P SARAVANAPAVAN
Director

04. DR. P MERVYN GUNASEKERA
Director

05. MR. KAPILA ARIYARATNE
Director

06. MR. RAMESH JAYASEKARA
Director





DIRECTORS' PROFILE

R. NADARAJAH **Chairman** **BSc (Hons), MBA, FCIB (London)**

Appointed as a Director of Seylan Developments PLC on 11th September, 2009. Mr. Ramanathan Nadarajah brings with him 45 years of banking experience in both state and private sector banks. He is currently an Executive Director, Seylan Bank PLC. He served as Managing Director/General Manager/CEO of Pan Asia Bank for six years and previously served at Bank of Ceylon in various capacities including the position of a Deputy General Manager. He was the inaugural President of the Primary Dealers Association of Sri Lanka and has been a Past President of the Association of Professional Bankers of Sri Lanka. He is also a Director of The Finance Co. PLC

MR. S. PALIHAWADANA **Deputy Chairman** **BSc (Colombo), AIB (Part 1)**

Appointed as a Director of Seylan Developments PLC on 11th September 2009. Mr. Paliawadana joined Seylan Bank PLC in 1999 as Chief Manager/Chief Dealer. He is the overall in-charge of Treasury Dealing activities of Seylan Bank PLC. He held position of Assistant General Manager/Chief Dealer. At present he holds the positions of Deputy General Manager - Treasury, Head of Primary Dealer Unit and Gold Investment Unit. He counts over 40 years experience in the banking industry out of which 30 years in treasury dealing activities. He has served at Bank of Ceylon, Colombo and London branches before joining Seylan Bank PLC.

MR. P. SARAVANAPAVAN **Director** **B.Sc. FCA.**

Appointed as a Director of Seylan Developments PLC, from 3rd February 2011. Mr. Saravanapavan brings in more than 31 years experience in the financial and banking sectors. He served as an Accountant at LB Finance for almost five years. He served at Bank of Ceylon in various capacities for seventeen years including Financial Accountant. He served in an overseas Bank in Cayman Islands as Manager Administration & Finance for five years. On his return to the island, he served at Seylan Bank PLC, as Chief Manager Finance for six years before retiring in 2006. 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.

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. KAPILA ARIYARATNE **Director** **B.Sc (Hons)**

Appointed as a Director of Seylan Developments PLC on 30th November 2012. Mr. Kapila Prasanna Ariyaratne is the General Manager / 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.

Mr. Kapila Ariyaratne holds a first class honours degree from the University of Colombo.

DIRECTORS' PROFILE

DR. P. MERVYN GUNASEKERA**Director****B. Sc(Eng)., MSc. (Const. Mgt)., PhD., CEng., FIE (SL)., FICE(UK)., FNAS(SL)., MASCE., CCE., Int, PE(SL).**

Dr. Mervyn Gunasekera is the Managing Director of LAN Management Development Service. He also serves as the Chairperson of Union Chemicals Lanka PLC and a consultant to the World Bank.

Starting as a Civil Engineering graduate of the University of Ceylon, he later obtained his Masters degree in Construction Management from Loughborough University of Technology, UK and thereafter he obtained a Ph.D in Business Administration from the Postgraduate Institute of Management of University of Sri Jayewardenepura.

A Fellow of the Institution of Engineers Sri Lanka, a Fellow of the Institution of Civil Engineers UK, a Fellow of the National Academy of Sciences Sri Lanka and a Certified Cost Consultant of the American Association of the Cost Engineers and he served as the President of the Institution of Engineer, Sri Lanka in 2000/2001.

He is currently the President of The Institute of Project Managers, Sri Lanka and was the President of the Sri Lanka branch of the Institution of Fire Engineers, (UK), the Association of Consulting Engineers Sri Lanka and the Federation of Engineering Institutions of South and Central Asia, as its President from 2000 to 2003 - he was the first and only Sri Lankan to be elected to that post. Dr. Mervyn Gunasekera was recognized with award of Eminence in Engineering by the Institution of Engineers Sri Lanka, the highest award an Engineer in Sri Lanka could be accorded. He was the General Secretary of the National Academy of the Sciences, Sri Lanka and served as a volunteer officer attached to the Air Fields Construction Regiment of the Sri Lanka Air Force.

He served as a visiting lecturer in the Universities of Peradeniya, Moratuwa, Sri Jayawardenepura and Kelaniya and other major academic Institutions such as The Institution of Engineers Sri Lanka, Sir John Kotelawala Defence Academy, The Postgraduate Institute of Management and the Institute for Construction Training and Development.

MR. RAMESH JAYASEKARA**Director****BCOM (HONS), ACA, ACIM, ACMA**

Appointed as a Director of Seylan Developments PLC on 30th November 2012. Ramesh Jayasekara is currently the Chief Financial Officer of Seylan Bank Plc. Prior to him 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 16 years of Banking, Financial Management & Audit experience. Prior to this Ramesh worked at HSBC Sri Lanka as Resident Manager - PFS Finance & Planning and at KPMG Sri Lanka as an Audit Manager.

Ramesh holds a first class honours degree in Commerce 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 United Kingdom and an Associate Member of the Institute of Certified Management Accountants of Sri Lanka.

MANAGEMENT DISCUSSION AND FINANCIAL REVIEW

REAL ESTATE MARKET ANALYSIS

The latest Annual Report of Central Bank refers to that the Demand for housing and urban infrastructure is expanding rapidly with the population growth and urbanization. It further stated that the private sector continues to play a vital role in the housing sector while construction of condominium housing is in the increasing trend, with corporate property development being encouraged with various direct and indirect fiscal incentives, mostly under BOI status, and the growing interest of Expatriate Sri Lankans in the real estate sector.

We could see further improvement beyond the limits, where Sri Lanka has become an ideal business location in Asia and the Indian Ocean which has encouraged investments giants in the caliber of Hyatt's Group, Shangri-La and Kirsch to invest billions in projects in the heart of Colombo. With Governments stance in low cost of borrowings and less perceived risks involved in transactions has encouraged minds of many potential investors. The recent steps taken by UDA in expanding the Metropolitan with improved road net work, revitalizing of public spaces and shanty resettlements have paved way for higher scale projects compared with emergence of middle risers in the recent past.

Comparatively the leisure sector has over driven the housing sector in the property market and as a result we could see the emergence of many city hotels in the metropolitan area. With the government's target to achieve 2.5 Mn, Inbound tourist arrival by 2015 and in order to provide 40,000 new hotel rooms by then is highly achievable within the present context. This has indirectly uplifted the rental market where demand for high end Apartments especially by the expatriates who comes as developers and consultants in many fields. However the support facility services with maintenance, janitorial and security is reported below the required standards due to lack of skilled workers in the trade. The better perks for technical grades in the Middle East have created a gap in the demand for blue color workers in the local

construction industry. Government intervene is needed in addressing this issue as the supply from the vocational training institutes are below the levels of expectations.

Another discussion point is the lack of supplies on the construction materials. The environmental issues with river sand still continues and less availability of off shore sea sand due to high way projects have anchored material prizes. Long procedures in getting approvals for mining and quarrying have further added to this cry. The weakening of Rupee has also increased the cost of raw materials specially on the imported varieties.

Consequently we see an efflux of Chinese and Indian investors making their presence especially in the Colombo 01 and 02 sectors. This could create an artificial increase in the land prizes in such zones. The legal land owners could enjoy sudden fortunes despite the fact UDA has introduced many changes in the land acquisition laws. In the end all these transformations could make Colombo as one of the best investment propositions in the region and perhaps in the world.

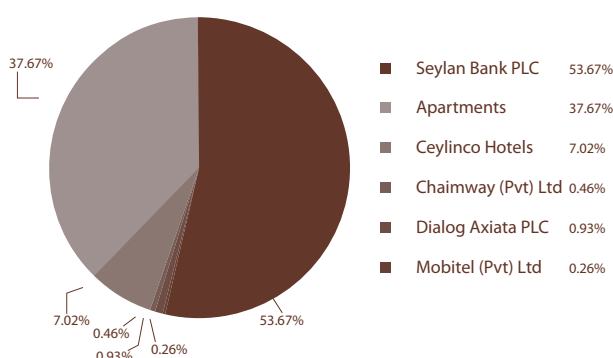
FINANCE REVIEW

2013 marked another significant year recording Rs: 168Mn as rental income, recording a growth of 7% year on year. The Company's revenue is derived from leasing commercial spaces and residential apartments at the Seylan Towers and the occupancy at the year-end was 100%. Seylan Bank PLC continues to occupy the East tower on rent as their Head Office while the West Tower comprising of apartments are occupied by non-resident tenants.

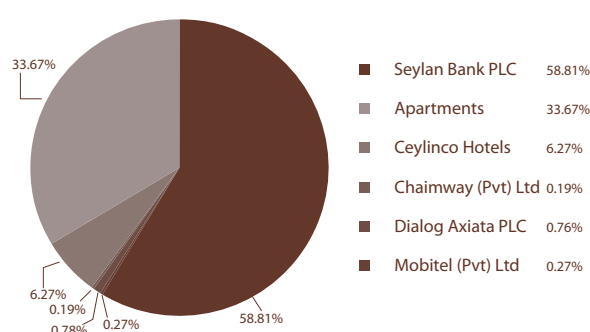
The Company is exploring the possibility of enhancing its business operations further with the Bank by constructing holiday bungalows at various cities with a view of renting out to the Bank. As an initial step construction has commenced for a bungalow at a site in Kataragama and is expected to complete by June 2014. The company plans to expand in similar projects in the future.

COMPOSITION OF RENTAL INCOME

RENTAL INCOME - 2012



RENTAL INCOME - 2013



EXPENSES

Since the company did not carry out major maintenance in the past, the Directors decided to carry out a renovations and maintenance project to improve the condition of the Seylan Towers during the year. This exercise significantly affected its growth in profits, resulting in a 40% increase (from Rs.30.3Mn in 2012 to Rs.42.3Mn in 2013) in the Premises, equipment and establishment expenses compared to previous year.

Administration Expenses also shows Rs: 29.3 Mn increase in the year under review compared to previous year mainly due the provisions made for doubtful receivables (Rs: 16.1Mn) and provisions made Corporate Guarantee given for Ceylinco Packaging Ltd (Rs: 12.3Mn). These provisions were made as impairment losses in terms of the Sri Lanka Financial Reporting Standards. However the Company continues the legal actions initiated to recover the dues and expects to reverse these provisions.

Despite these additional burdens made, Company recorded a profit before tax excluding fair value adjustment Rs: 96.08 Mn during the year under review.

FINANCE EXPENSES AND FINANCE INCOME

The Company's Net Finance Income for the year was Rs: 31.36 Mn, reflecting an increase of 95% over the previous year. The increase was mainly driven as a result of effective investment decisions taken by the Management.

PROFIT BEFORE TAX:

Company recorded a loss of Rs. 79.99 Mn before tax compared to the profit of Rs. 108.11 Mn recorded in 2012. The main reason for the significant change is a fair value loss Rs.176.1 Mn in the year 2013 on Investment Property compared to a fair value gain of Rs. 9.3 Mn the previous year.

Even though the Company's revenue and other income increased by 11% (2013 -Rs. 181.83 Mn, 2012 - 163.34 Mn) in the year under review, profit before tax excluding fair value gain / loss of investment property (2013 -Rs. 96.08 Mn, 2012 - 98.81 Mn) shown a decrease of 3 % compared previous year. This was mainly due to the provisions made for the doubtful receivables and Corporate Guarantees amounting Rs. 26.3 Mn compared to 1.3 Mn made in previous year.

The fair value of Seylan Towers and resultant gain or loss is calculated using the market rental based income method. The valuer has used new valuation guidelines recently issued by the Institute of Chartered Accountant of Sri Lanka for this valuation. The assumption used in this method are future rental income, anticipated maintenance costs and appropriate discount rate making evidence of transaction prices for similar properties. The fair value of Property at Union Place and Moratuwa were calculated based on open market method.

TAXATION

Income tax in the statement of Comprehensive Income shows a reversal of Rs: 98.4 Mn in 2013 compared to expense of Rs: 67.4 Mn recorded in previous year. This is mainly due to deferred tax reversal amounting Rs: 101.75 Mn resulted from decrease of fair value of building Seylan Towers compared to Rs: 61.55 Mn deferred tax expense recorded in previous year. Income tax for the current period on business income amounted to Rs: 4.71 Mn showing a decrease 20% compared to previous year.

PROFIT AFTER TAX:



Even though the Company recorded a loss before tax Rs: 79.99 Mn during the year under review, due to the reversal of deferred tax liability amounting Rs: 101.75 in 2013 arising from the valuation of Investment Property, the Company recorded a profit after tax Rs: 18.41 which is 55% lower than the previous year.

RETURN ON EQUITY

The Return on Equity (ROE) for the Company stood at 0.44% for the year which was 0.52% lower than the 0.96% achieved last year, mainly driven by the decrease of fair value of Investment Properties.

DIVIDEND

The Board of Directors has recommended a first and final dividend of Rs.0.30 per share amounting to Rs: 44,389,458/- out of the distributable profit for the financial year 2013 (Dividends paid out of profits of 2012 - Rs. 36,991,215). This recommendation is to be approved by the shareholders at the Annual General Meeting to be held on 31st March 2014.

EARNING PER SHARE

During the financial year the Company has generated Rs.0.12 earning for each unit of shares. (Total Ordinary shares: 147,964,860). It is a decrease of 55% compared to the previous year.

INVESTMENTS

The Company's long term investments as at 31st December 2013 stood at Rs: 135.94 Mn includes investments made in debentures issued by Seylan Bank PLC, People's Leasing & Finance PLC and Merchant Bank of Sri Lanka PLC during the year under review. This demonstrates the strong financial position of the Company.

ASSET UTILIZATION

The net asset value attributable to an ordinary share was Rs. 28.59 at the year end, which is a 0.45% decrease over the previous year. The return on assets decreased to 0.38% in 2013, compared to 0.82% in the previous year, mainly due to the significant loss from fair value adjustment of Investment properties in 2013.

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 awarding Gold medal in the category of "Land & Property" at the competition organized by the Institute of Chartered Accountant of Sri Lanka in year 2013.

FUTURE PLANS

As we all know Condominiums are desirably built in centralized locations where there is demand for occupation preferably in close proximities to the business center, work places, hospitals, schools and transportation links. We could see apartments scattered for many a miles along the coastal stretch from Colombo 06 passing Bambalapitiya and Kollupitiya and up to Colombo 01; the commercial hub. The housing units facing the panoramic views of Indian Ocean have been the point of attraction and selling point for many years and may not be so in the years to come. The challenges are so forth the Architecture, spatial arrangements, serviceable components, maintenance aspects and most importantly the cost have become the deciding factors. This has in turn created fierce competition among developers aiming high end market.

There were many cries by Apartment dwellers for lack of common facilities. Proper parking, Lobbies, Circulation spaces, garbage collection points, service entrances, swimming pools, gymnasiums are few to be highlighted. High cost on Electricity in terms of Air conditioning is another point of concern. Lack of water pressure at higher levels, insufficient back up facilities during interruptions has also added to many worries.

We at Seylan Developments anticipated the challenges ahead us and initiated steps in order to face the market competition. The launching of Energy Efficiency Improvement project was an important decision taken by the Board of Directors in terms of sustained energy. The tenants and customers will enjoy the benefits of savings while the company will have improvements to their systems and processors and adding to the social responsibilities in effecting the national grid. Re installation of service lines is already commenced where is expected to be completed in the year 2015.

For us Seylan Towers is a Land mark and it's our Identity. We have strengthened our selves in reshaping the building in par with the contextual changes happening around us. We want to make Seylan Towers a statement for the future which shows its customer identity. The focus is not only on aesthetics but on the efficiency as well. The improvements and enhancements will add on improved earnings in the years to come increasing share holder wealth.

In addition being the service provider for Seylan Bank has given us variety of opportunities in the real estate sector. Facilitating of Holiday Bungalows for the Bank is only one aspect which is already commenced. We want to stretch beyond the limits as a facilitator and a developer fulfilling all constructional and property related requirements where we have the capacity and skills to be the no. one property management company in Sri Lanka.





RISK MANAGEMENT REPORT

1. INTRODUCTION

Seylan Developments PLC (SDP) is a subsidiary of Seylan Bank, which hold 52.37% of its issued share capital. The Company from its articles is vested empowering on property development and property management activities with its prime objective being maintenance and management of Seylan Towers. The Seylan Towers consist of East Tower comprising 17 floors rented out to Seylan Bank and West Tower comprising 11 floors including 16 apartments rented out to foreign nationals and diplomats.

Prior to year 2009 as part of a group of Companies SDP was efficiently involved in the real estate sector. After the group collapsed the Company's income was restricted and currently depending on the rental collected from its key customers. It is being discussed how best the Company could increase its asset value and revenues and what could be its strategic position in the years to come as a service provider.

Any business enterprise today operates in a risk environment of growing uncertainty due to volatile commodities. Therefore it has become mandatory in existence of an integrated risk management frame work which provides the guide line for managing of risks. It is a comprehensive policy statement which captures all risks the company is exposed to allowing and being flexible for foreseeable changes required. We have now formulated our IRM framework which helps us in identifying, assessing, and managing risks across the structure in ensuring attainment of key organizational goals and objectives.

2. DEFINITIONS OF RISK AND INTEGRATED RISK MANAGEMENT POLICY

2.1 Definition of Risk

'Risk' is the component which has the potential in negatively affecting a business or an organization. Risk in the sectors of property development and property management revolves around how best and fast the Company could reinstate its position against customer liabilities in a disaster situation, and how efficient it could recapture the opportunities to enhance its business in a competitive environment.

Accordingly, it is required in formulating plans to minimize or eliminate the impact of all negative effects which will affect the growth of the Company.

2.2 Definition of Risk Management

"Risk management is the process which involves identifying, assessing, monitoring and controlling of any risk which has adverse effects on the Company."

Seylan Developments PLC provides solutions for all

building and space arrangement requirements of its customers, and also provides with increased returns for shareholders. In doing so, Company has to take risks when increasing the value of processes, systems and facilities of its existing assets as well as in investing in new assets. Risk management defines Company's ability to measure, monitor and mitigate the risks comprehensively in achieving its goals and objectives.

The objectives of risk management are,

- 1) The varied responsibilities are cascade down the management structure.
- 2) The Company's risk exposure is within controllable limits of Board of Directors.
- 3) All risk taking decisions are in line with goals and objectives of its strategic business plan.
- 4) All risk taking decisions are clearly identified.
- 5) Sufficient capital and manpower is available to support risk.

2.3 Integrated Risk Management Policy

A Risk cannot be viewed in isolation as they are inter connected and also one might give rise to various other factors. Risk integration will result in reduction of the probability of magnitude of a loss which is the main objective of IRM frame work.

The Board of Directors recognizes that the proper management of risk is a core leadership function that must be practiced throughout the Organization. This Risk Management Policy is accepted as the framework on which the Company's risk management plans are formulated. It is a process driven tool that enables management to visualize, assess, and manage significant risks that may adversely impact the attainment of key organizational objectives.

Our Risk Management Policy is intended to ensure that Major Risks are reported to the Board of Directors and the Chairman for review and acceptance; Result in managing risks that may significantly affect the pursuit of the stated strategic goals and objectives. This will create a culture which will evaluate, Identify and monitor risks at multiple levels cascading down the organization as follows.

- Provide a consistent risk management framework in which the risks concerning day to day operations, business processes and functions are identified, considered, and addressed for key management personnel's approval.
- Review and control processes, Ensure that each division communicate Significant Risks to the management and board level so risk can be measured across the System.

- Inform and improve decision making throughout the Risk Management Framework, Meet legal and regulatory requirements, Assist in safeguarding company assets including human capital, finance, property and reputation and Ensure that existing and emerging risks are identified and managed within acceptable risk tolerances.

Risk is inherent to any activity. It is neither possible, nor advantageous, to entirely eliminate risk from an activity without ceasing that activity. They say that ***“The safest ships are the ones that do not sail, but that is not what they are designed for”***.

3. CHANGES IN THE RISK PROFILE AND THE PROCESS

The subsidiary's risk management process has a significant effect on the parent company's risk profile. We have taken necessary steps in creating a positive correlation between business and environmental risks exposing the group to a wider spread of risks as well as opportunities. In achieving this we have identified that,

3.1 There should be sufficient resources and authority vested by Chairman and Board of Directors on the Risk management function.

3.2 Chairman and Board of Directors together with Key management personnel plan and budget the process in ensuring that adequate personnel, data, system support, technical guidance are provided internally and/or externally.

Provisions have also been made for a buffer stock for emergency replacement of appliances, a loss of income generation, supplementation of skilled man power etc.

3.3 Risk Exposure for a property management company cannot be extensively forecasted or tested.

A disaster situation in case of a fire or a natural disaster could cause loss of assets as well as loss of income periodically. The company has ensured that comprehensive insurance policy covering all risks in a disaster situation are established and also required contingency reserves are maintained and monitored.

It is the responsibility of the department heads, Executives and Managers to implement Risk Management policies and practices which would enhance potential opportunities achieving strategic organizational objectives. There could be level of risk which could not be totally eliminated but could be tolerated to an extent. We have identified such vulnerabilities and their probability of occurrence which determines the way we handle such exposure.

We have also made it as a policy statement that Risk management decisions are made after conducting a cost benefit analysis taking into account the potential costs associated with the identified risk as compared to the costs associated with mitigating the same. It should be noted that these costs are not only financial but may also

include substantial damage to reputation, opportunities, potential litigation, and distraction from core missions, obsolescence and others. Though it is challenging in analyzing risks in advance, major Risks that could result in significant long term damage to the company are properly and willfully identified including,

- Strategic Risks – Affect ability to obtain strategic goals and objectives,
- Compliance Risks – Affect compliance with laws and regulations, environmental issues, litigation, conflicts of interest, etc;
- Reputational Risks – Affect reputation, public perception, political issues, etc;
- Financial Risks – Affect loss of or ability to acquire assets, technology, etc;
- Operational Risks – Affect on-going management processes and procedures.

4.0 FRAMEWORKS AND PROCEDURES

The Board of management is well aware of the fact that to protect and enhance share holder wealth it should manage and over see all possible risks that could occur internally or externally. In this scenario the company and or the group is committed to deploy and maintain the highest standards supported by a strong governance frame work.

We have established a dedicated unit to assist the Board in reviewing the risk factors at regular intervals. All risk management efforts are focused in supporting the company's Vision statement. The Board is continuously kept updated on the progress and its expert advice is sought for mitigating any challenges that may occur by way of,

- Formal and ongoing identification of risks that may impact the organizations goals;
- Development of risk management plans and procedures;
- Monitoring the progress of managing risks;
- Periodic updates of risk management plans and procedures;
- Reporting of risks which need alternative mitigating actions;

4.1 Risk Management Methodology

We manage all identified Risks using one or more of the following methods;

- Avoid (eliminate, withdraw from or do not become involved in an activity or business creating risk)
- Retain (accept the risk and plan for the expected impact)
- Transfer/Share (move the risk to another party by hedging against undesired outcome or reduce the risk through processes such as insurances etc;

RISK MANAGEMENT REPORT

- Reduce (control the risk through additional or optimized controls).

4.2 Oversight and Accountability

The company being the subsidiary of a leading financial institution has a partial competitive advantage over its rivals. The guaranteed income does not mean a lower risk factor on its business continuation. Also Company's ability to manage larger responsibilities are clearly defined in its vision, mission and policy statements. Sufficient improvements to information systems and back up facilities will optimize the risk involvement through effective management. In addition by,

- Scenario planning with reviewing historical events
- Periodical assessments like structural verifications in allowing contingency reserves.
- Fair value adjustments in replacing items with little or no historical data.
- Constantly monitoring current developments and change strategies accordingly
- Supporting internal and external communication through line management levels



"IF NOT NOW THEN WHEN"

Risk & Implications		Risk Rating		Mitigation Strategies
		Like hood	Impact	
1.0 STRATEGIC RISK				
	Risks occur from failure to meet strategic goals of the company, delays, and cost over runs by variations etc.	M	L	1. Company works under a Board approved Strategic Business Plan. 2. Company follows all contractual procedures and controls. 3. Annual budget is approved at the commencement & variances are reviewed by the Board.
2.0 OPERATIONAL RISK				
2.1 Fraud Risk	The risks occur due to inadequate internal controls, processes and systems. Also due to employee abusing entrusted power for private gains leading to misappropriation of assets.	L	L	1. The Board has approved a structured internal control frame work with different levels of authorization. 2. The company applies independent internal audit mechanism.
2.2 Human Capital Risk	Risk arising from inability to attract and retain skilled workers, drop in productivity and quality and increase in human errors.	L	L	1. Company has reduced its labor turnover by implementing various Human Recourse Management practices. 2. A sufficient budgetary allocations are approved for further strengthening of training and development.
2.3 Legal & Regulatory Compliance Risk	Law suits against the company may lead to loss of reputation and loss of stake holder's confidence.	M	L	1. The company complied with all statutory obligations. 2. The company has retained the services of Tax consultant, Legal consultant & professional company secretariat for their regulatory requirements.
2.4 Health and Safety Risk	Risk occurring from threats to personal, staff, tenants and general public.	M	L	1. The company complies with all Industrial Safety Requirements. 2. It performs annual Fire Drills with Staff & Tenants and obtains service of a Professional fire consultant. 3. The company has obtained all required insurance covers and has maintained zero percentage of accidents due to work conditions, occupational deceases or negligence.

Risk & Implications	Risk Rating		Mitigation Strategies
	Like hood	Impact	

3.0 ENVIRONMENT & TECHNOLOGY MANAGEMENT RISK

3.1 Climate and weather Risk	Loss or damage caused by adverse climate conditions or natural disasters, including drought, heat, flood, cold, storm, winds etc.	H	L	<ol style="list-style-type: none"> 1. The company is adhering to guide lines laid down by the Disaster Management Center. 2. Its main asset The Seylan Towers is comprehensively insured including the Building, Machinery, Systems and staff and occupants.
3.2 Technology Risk	Risks occur from failure to absorb Technological advancements.	M	L	<ol style="list-style-type: none"> 1. The company has its own maintenance crew equipped with latest technology. 2. Continuous updating & implementation of Energy Efficiency Project. 3. Proper back up facilities and contingency measures.

4.0 BUSINESS RISK

4.1 Risk of depending on key customers.	Risk occurring from loss of key customers could have material impact on the Company's performance.	M	L	<ol style="list-style-type: none"> 1. Company has rented the East tower to its holding Company and major portion of apartments to a diplomatic mission. Even though the relationships are long standing threats from new entrants to the property market is ever increasing. 2. The location factor, parking and cordial service are few high scores over its competitors.
4.2 Risk of depending on key suppliers.	Risk occurs on break down of any essential services on its plants and equipment.	L	L	<ol style="list-style-type: none"> 1. Company up keep annual maintenance agreements on all essential plants and equipment. 2. Suppliers registration is carried out at the beginning of each year.

5.0 MARKET RISK

5.1 Liquidity Risk	Risks occur from company suffering a loss due to insufficient financial resources at its disposal, to meet its obligations, as and when they fall due.	M	L	<p>The finance position of the company is regularly monitored by the management and precautionary measures are taken in accordance with ,</p> <ul style="list-style-type: none"> . Cash Flow . Budgeting . Funding Arrangements
5.2 Credit Risk	Risk occurs when a customer or tenant is unable to meet his financial obligations.	M	L	<ol style="list-style-type: none"> 1. Company maintains a high rent recovery rate at present. 2. Regularly updating Lease agreements and customer credit status.



STATEMENT OF INTERNAL CONTROL

INTRODUCTION

The Board of Directors acknowledges the importance of maintaining a sound system 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 of Directors of Seylan Developments PLC is pleased to set out below the Company's Statement on Internal Control for the financial year 2013.

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 misstatement and loss.

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. In addition to review the effective operation of the internal control system, the Board had appointed an independent professional firm of Auditors namely M/s Ponnampetuma & Co to carry out the internal audit function, who regularly report to the Audit Committee on risks identified and recommend steps to be taken to mitigate and/or minimize the risks. Further to implement the recommendation, the internal control systems are subject to the Board's regular review with a view towards appraising the effectiveness of these systems within the Company. A certificate of conformity, of the operation of the internal control system, by the Internal Auditors is attached in page 27 of this report.

INTERNAL CONTROL FRAMEWORK


The Company's internal control environment comprises amongst other 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 three Board committees that provide focus and counsel in the relevant areas.

1. Audit Committee
2. Remuneration Committee
3. Nomination 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 28 to 37 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 escalated to the Board for deliberation and approval.

ii. Strategic Business Plan

The Company has a Strategic Business 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.

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, 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, control and monitoring

Further information on the Company's risk management activities is highlighted in the Risk Management Report on pages 18 to 22 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 received 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.

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

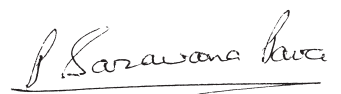
The Board is of the view that the system of internal control in place is generally satisfactory and sufficient to safeguard all stakeholders' interest.



R. Nadarajah
Chairman



S. Paliawadana
Deputy Chairman



P. Saravanapavan
Chairman - Audit Committee



PONNAMPERUMA & CO.
Chartered Accountants



Internal Auditors' Report

We, Ponnamparuma & Co., Chartered Accountants were appointed as internal auditors with effect from 1st February 2012.

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 2013, 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.

14th February 2014





CORPORATE GOVERNANCE REPORT

STATEMENT OF CORPORATE GOVERNANCE

Seylan Developments PLC, is one of the leading Property Development Company in the country, registered under BOI, listed in the Colombo Stock Exchange and is the subsidiary of Seylan Bank PLC.

The Board Directors of the company has given the highest priority to develop an effective framework of Corporate Governance framework.

The Board is committed to improve the internal control systems with a view to provide transparency and accountability to ensure best practices of Corporate Governance principles. Seylan Developments PLC adopts Code of Best Practices in Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

ROLE OF BOARD OF DIRECTORS

The Board of the Directors is responsible for the shareholders for creating and delivering sustainable shareholder value through management of business

activities. 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 responsibilities. Each Director has unrestricted access to information and services of Senior Management and the Company Secretary's. 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 2013 there were six Directors represented the Board. They were highly qualified professionals in the banking, accountancy & engineering fields. All the Directors are Non-Executive, four of them representing the parent company Seylan Bank PLC and two of them are independent. At the beginning of the financial there were seven directors and Mr. M.K. Muthukumar resigned from the board w.e.f. 1st March 2013

ATTENDANCE OF THE DIRECTORS FOR THE BOARD MEETINGS DURING THE YEAR 2013

Name	Executive / Non-Executive Status	Independence / Non-independence Status	Meetings Attended / Meetings eligible to attend
Mr. R. Nadarajah (Chairman SDP)	Non Executive	Non-independent	10/11
Mr. S. Paliyawadana (Deputy Chairman SDP)	Non Executive	Non-independent	11/11
Mr. P. Saravanapavan	Non Executive	Independent	09/11
Dr. P. M. Gunasekera	Non Executive	Independent	06/11
Mr. K.P. Ariyaratne	Non Executive	Non-independent	11/11
Mr. R. J. Jayasekara	Non Executive	Non-independent	10/11
Mr. M. K. Muthukumar*	Non Executive	Non-independent	01/02

* Mr. M. K. Muthukumar – Resigned w.e.f. 1st March 2013

FINANCIAL ACUMEN

There are two Chartered Accountants, a Civil Engineer, and three Experienced Bankers representing the Board. They possess the necessary acumen & knowledge to offer the board guidance on financial matters. The Board of Directors also consults the expertise 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 pages no. 12 & 13.

BOARD COMMITTEES

The responsibilities & duties have been delegated to the following sub committees & all sub committees are represented by the board members of the company.

The Sub committees are,

1. Audit Committee
2. Nomination Committee
3. Remuneration Committee

AUDIT COMMITTEE

The audit committee comprises two Independent Directors and one Non - Executive Director as at 31st December 2013. 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 three times for the year 2013 with the presence the external auditors as well as internal auditors. The Report of the Audit committee appears on pages no. 38 & 39.

NOMINATION COMMITTEE

The Nomination Committee consists of three Non Executive Directors as at 31st December 2013.

Committee Members

- Mr. S. Palihawadana – Chairman (Non–Executive)
- Mr. R. Nadarajah (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.

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 the provision of article of the 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 Pages No 12 & 13.

REMUNERATION COMMITTEE

The remuneration committee comprises three Non Executive Directors as at 31st December 2013. The committee headed by Dr P Mervyn Gunsekara (Independent), while Mr S Palihawadana and Mr P Saravanapavan (Independent) serve as members. Considering responsibility of the committee, formulation, establishment of remuneration policies including the reviewing, approving and recommending to the board the remuneration of Directors including the Key position of the company and work force of the company.

The Report of the Remuneration Committee appears on Page No 40

DISCLOSURE OF DIRECTOR'S 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 benefit other than what is discussed at Note 9 in the financial statements.

CORPORATE DISCLOSURE AND SHAREHOLDER RELATIONSHIP

All material information regarding the company's events promptly communicated to Colombo Stock Exchange in order to be released to the share holders. Further the Board of Directors firmly believes that the share holders must necessarily be provided with an opportunity to

communicate their opinions and clarify their concerns. The Annual General meeting provides the good opportunity to voice 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 two consecutive years 2012 & 2013 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.

ACCOUNTABILITY AND INTERNAL CONTROL FINANCIAL REPORTING

The Board of Directors is directly responsible for overall company's activities to share holders 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 broad 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 ensures to maintain strong of internal control system to safeguard share holders wealth. The Board periodically reviews and assesses the internal control system with a view to increase the efficiency and productivity of the company's wealth. In this context the company has engaged the services of a professional audit firm to carry out the 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 Ponnampuruma & Company is given in page 27 of the Annual Report. The Board ensures the timely reporting to share holders and compliance with the statutory requirements and provision. Further The Board confirms that there is a ongoing process to indentifying, evaluating and managing the significant risk faced by the organization.

The framework is designed to provide reasonable care of,

- Efficiency and effectiveness of operations.
- Reliability of financial and other management information.
- The 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 transaction and activities which were associated with the company are disclosed under the related party transaction, which is appearing at Note 28 of the financial report.

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 per required 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 28
7.10.2 (a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher should be independent	Complied.	Refer on page 28 Two of six directors are independent.

Rule No	Subject	Applicable Requirement	Compliance Status	Reference
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 54
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 28
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	Complied.	Refer on page 28
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 pages 12 & 13
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 40
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise Non-Executive Directors, at which a majority of whom shall be independent.	Complied.	Refer on page 40
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 40 of this Report which set out the functions of the Committee.
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee.	The Annual Report should set out; a. Names of Directors comprising the Remuneration Committee. b. Statement of remuneration policy. c. Aggregate remuneration paid to Executive & Non Executive Directors.	Complied.	Refer on page 40 Refer on page 40 Refer Directors' emoluments on page 75

Rule No	Subject	Applicable Requirement	Compliance Status	Reference
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 38
7.10.6 (a)	Composition of Audit Committee.	Shall comprise of Non-Executive Directors, a majority of who shall be independent.	Complied.	Two of three Non-Executive Directors are independent. Refer Audit committee report page 38
		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; a. Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards.	Complied.	Refer on pages 38 & 39 for the functions of Audit Committee.
		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 page 39 for the functions of Audit Committee.
		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 page 39 for the functions of Audit Committee.
		d. Assessment of the independence and performance of the external Auditors.	Complied.	Refer on page 39 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 page 39 for the functions of Audit Committee.

Rule No	Subject	Applicable Requirement	Compliance Status	Reference
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee.	a. Names of Directors comprising the Audit Committee.	Complied.	Refer on page 39 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 page 39 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 page 39 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 8. 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 six non executive Directors. Two out of six are independent.
Nominations Committee A.7.1	The Chairman and members of the Nomination Committee should be identified.	Complied Refer Page 29
Appointment of New Directors A.7.3	When new Directors are appointed, the following details should be disclosed. <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. 	Complied 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 12 & 13
Appraisal of Board Performance A.9.3.	Should disclose how performance evaluation have been conducted	Complied Performance evaluation of the Board and individual Directors takes place annually on a self-appraisal basis.

Subject & Ref.	Corporate governance Principle	Level of Compliance
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 12 & 13</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 page 87</p> <p>Details of Board meetings and Board subcommittees, their composition, attendance by Directors of meetings held during the year are given on pages 28, 38 & 40</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 40 and also Note 9 of the Audited Financial Statements.</p>
Major transactions C.3 & C 3.1	<ul style="list-style-type: none"> • All major transactions entered into by the Company should be disclosed. 	<p>No such transactions during the financial year.</p>
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. 	<p>Complied</p> <p>Refer the Audit Committee Report on pages 38 & 39</p>
Code of Business Conduct and Ethics D.4.1 & D.4.2	<p>Should disclose whether the Company has a Code of Business Conduct & Ethics for Directors and members of the Senior Management team.</p> <ul style="list-style-type: none"> • 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. 	<p>Will be complied shortly</p> <p>Refer Page 30</p> <p>Refer Page 57</p>
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 	<p>Complied</p> <p>Refer Annual Report of the Board on the state of affairs of the Company on page 57</p>

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. 	<p>Complied</p> <p>Refer the Remuneration Committee Report on page 40</p>

C. DIRECTORS' REPORT

Subject & Ref.	Corporate governance Principle	Level of Compliance
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; • 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. 	<p>Complied</p> <p>Refer Annual Report of the Board on the state of affairs of the company on pages 54 to 57</p>

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. 	<p>Complied</p> <p>Refer on page 58</p>
	<ul style="list-style-type: none"> • Auditors should also have a statement about their reporting responsibility. 	<p>Refer on page 62</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 page 87</p>

E. MANAGEMENT REPORT

Subject & Ref.	Corporate governance Principle	Level of Compliance
Management Report D.1.4	<ul style="list-style-type: none"> • Should include a Management Discussion and Analysis Report discussing at least the following issues: • 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 page 6</p> <p>Refer Head of Operation's Review on page 8</p> <p>Refer Management Discussion and Financial Review on page 14</p>

F. CORPORATE GOVERNANCE REPORT

Subject & Ref.	Corporate governance Principle	Level of Compliance
Corporate Governance report D 5.1	Should disclose the manner and extent to which the Company has complied with the principles and provisions of the Code.	Complied. Refer on pages 28 to 37

G. AUDIT COMMITTEE REPORT

Subject & Ref.	Corporate governance Principle	Level of Compliance
Audit Committee report D 3.3	Should set out the work carried out by the Committee.	Complied. Refer on pages 38 to 39

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. 	Complied. Refer Statement of Internal Control on pages 24 to 26

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 42 to 51



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COMPOSITION

Mr. P. Saravanapavan, appointed by the Board, as an Independent, Non-Executive Director, continued to function as Chairman of the Audit Committee during the financial year. The other Non-Executive members of the committee are Dr. P. M. Gunasekera & Mr. R Jayasekara. Mr. S. Palihawadana resigned from the Committee effective from 26th February 2013. Other members of the Board, Mr. R. Nadarajah and Mr. K Ariyaratne and the External Auditors M/s KPMG and Internal Auditors M/s Ponnampereuma & Company attended the Audit Committee meetings by invitation. Head of Operations and the Accountant attend the meetings as observers by invitation and the Accountant functions as the secretary.

MEETINGS

During the year under review the Committee met three times. The attendance of the members at these meetings is as follows.

Name of Director	Eligible to attend	Attended
Mr. P.Saravanapavan (Chairman)	3	3
Dr. P. M. Gunasekera (Appointed as a member of the Audit Committee w.e.f. 26.02.2013)	2	1
Mr. R. Jayasekara (Appointed as a member of the Audit Committee w.e.f. 26.02.2013)	2	2
Mr. S. Palihawadana (Resigned from the Committee w.e.f.26.02.2013)	1	1

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

AUDIT COMMITTEE REPORT

TERMS OF REFERENCE

The terms of reference governing the Audit Committee is set out in the Charter approved by the Board of Directors. It ensures the composition and activities of the Audit Committee are in line with International Best Practices, 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 of Sri Lanka (ICASL).

ACTIVITIES AND RESPONSIBILITIES IN FINANCIAL REPORTING

The Committee reviewed and discussed the financial reporting systems adopted by the company in the preparation of monthly, quarterly and annual financial statements with the Management, Internal Auditors & External Auditors to ensure reliability and consistency of the Accounting policies adopted and its compliance with the Sri Lanka Accounting Standards and the provisions of the Companies Act No.7 of 2007.

The Committee reviewed the quarterly reports of the Internal Auditors and non-audited quarterly interim financial statements before approval of the Board for submission to the Colombo Stock Exchange. The Committee also reviewed year-end financial statements for the financial year 2013 before certification by External Auditors together with supporting information including significant assumptions and judgements made in the preparation of the financial statements.

The Committee reviewed the Management Letter issued by the External Auditors and took measures to implement their recommendations.

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.

INTERNAL AUDIT & INSPECTION

The Internal Auditors M/s Ponnamparuma & Co, appointed by the Board of Directors continued their services as Internal Auditors during the financial. Their independent report is given on page 27 of this report.

EXTERNAL AUDIT

The Lead Partner of M/s KPMG attended the Audit Committee meetings and recommendations indicated in the Management Letter and matters of importance deliberated and agreed upon. 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 has recommended to the Board of Directors the M/s KPMG be re-appointed as Auditors of the company for the financial year 31st December 2014, subject to the approval of the shareholders at the Annual General Meeting

CONCLUSION

The Audit Committee is satisfied that the accounting policies, operational controls and the risk management process of the company provides reasonable assurance that the affairs of the company are managed satisfactorily in financial reporting, statutory & regulatory compliance and safeguarding the assets .



P. Saravanapavan
Chairman – Audit Committee
25th February 2014

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THE COMPOSITION & ATTENDANCE

The Remuneration Committee appointed by the Board, comprises three (3) Non Executive Directors as at 31st December 2013. Two of the members are Independent Directors. The members of the Committee are as follows:

Dr. P Mervyn Gunasekera – Chairman

Mr. P. Saravanapavan

Mr. S. Palihawadana

The attendance of the Directors at the Remuneration Committee meeting during the year is tabulated

Name of the Director	Eligible to attend	Attended
Dr.P.Mervyn Gunasekera	2	2
Mr. S.Palihawadana	2	2
Mr. P.Saravanapavan	2	2

Mr. R. Nadarajah, Chairman Seylan Developments PLC attended the Remuneration Committee meetings by invitation.

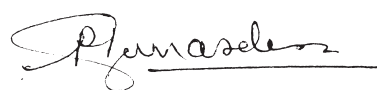
The Head of Operations functioned as secretary to the committee except when own evaluation and remuneration was under discussion. The Accountant assisted the Committee by providing the relevant information for their decision within the terms of reference approved by the Board.

REMUNERATION POLICY

The Remuneration Committee is responsible for recommending remuneration payable to key managerial personnel based on performance parameters. The Committee strongly believes that the remuneration policy should be in par with the industry standards in order to motivate, attract and retain the best with professional and managerial talent. The Committee is also responsible for establishing guidelines and parameters for the remuneration structure of the employees of the company. The recommendations of the Committee are implemented with the approval of the Board of Directors.

PROCEDURE

The Committee in fulfilling the above tasks reviews the information relating to retirement and remuneration of employees. Extension of services not exceeding one year is considered on a case by case basis over the retirement age of 55 years. Remuneration packages are decided in par with market rates and practices and similar to other establishments. The Committee determines the revision / increments based on performance and makes recommendation to the Board of directors and upon consideration of such recommendations the Board makes the final determination.



Dr. P.Mervyn Gunasekera.
Chairman
Remuneration Committee
25th February 2014

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COMMITTEE REPORT

Description	SALARY
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SUSTAINABILITY REPORT

"It has been proven that sustainable practices in business lead to profitability, growth and success."

1. OUR APPROACH TO SUSTAINABILITY

Our theme in the last years report ‘Sustainable Growth’ highlighted how we coped up with the factors external to our business in terms of political, economic, social, technological international, consumer trends - and more. The environment in which we do our business is very competitive and very demanding to the extent that to be in competition and being recognized it needed adding value in a different way to our product and services.

Primarily two issues were addressed: growth capability and growth strategy. Growth capability signifies the strength of our infrastructure, material and human. Growth strategy refers to the strategic approach, our business plan and is integrated with governance, accountability and risk management.

At Seylan Developments we believe that a sustainable organization is one that which implements sustainable strategies with economic and socio-cultural benefits attained through environmental responsibilities improving the lives of those whom with we interact, our stake holders. We understand that Eco- sensitivity has become a key issue in both business and academic communities over the traditional approaches of cost leadership and product differentiation. It's a journey, a direction of travel that requires sustained leadership, understanding and commitment.

Sustainability is not a totally new concept for us. We have faced the consequences of the past successfully mitigating both external and internal challenges to the maximum. It

has been an enduring challenge for us to achieve long-term success while having a positive impact on the society and the environment in which Seylan Developments lives and works.

Interestingly this year's concept of Beyond the Limits and Urban context discusses how the company adjusts itself over the challenges in the changing urban context in the metropolitan. Urban design is about making connections between people and places, movement and urban form, nature and the built fabric and also it draws together the many strands of place-making, environmental stewardship, social equity and economic viability into the creation of places with distinct beauty and identity. We have understood the need for revitalizing and uplifting of many spaces at Seylan Towers in fitting with the new and emerging Urban Context. Therefore the approach of this year is to make a link together creating a vision for an area and then deploying the resources and skills needed to bring the vision to life.

2. DESCRIPTION OF KEY IMPACTS, RISKS AND OPPORTUNITIES

The company's sustainability is governed by our corporate ethics and values which revolve around maximizing shareholder interests within our core business and also as a subsidiary of a financial institution. We continually review our operational procedures on industry practices and technological improvements along with the challenges, opportunities and risk that need continues evaluation in the context of the triple bottom line – Economic, Environmental and Social aspects.

Triple Bottom Line	Challenges	Opportunities	Risks	Our Strategies
Economic	<ul style="list-style-type: none"> * Global Market Crunch * Decreased spending Power * Intense Competition * Threat of new entrants 	<ul style="list-style-type: none"> * Investment Potentials * Govt. stance in infrastructure improvements specially in Leisure & Healthcare sectors 	<ul style="list-style-type: none"> * Cost fluctuations could adversely effect investments * Undesirable Capitol expenditure 	<ul style="list-style-type: none"> * Be flexible for market conditions * Sound Risk Management
Environmental	<ul style="list-style-type: none"> * Increasing cost on Energy supplies * Emerging high rise developments * Technological Advancements. 	<ul style="list-style-type: none"> * Pro-active measures take on system improvements * Public awareness on importance of energy conservation. 	<ul style="list-style-type: none"> * Risk in higher tariff costs. * 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 * Investment on Training & Development

Social	<ul style="list-style-type: none"> * Higher rate of Employee Retention, aged work population * Labor Legislature & Union Developments * Lack of Skilled Blue collar 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. * Maintaining a strong employee relationship 	<ul style="list-style-type: none"> * Performance Incentives * Industry based training * Active CSR participation
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3. SUSTAINABILITY AND OUR CORE BUSINESS

Seylan Developments PLC; a subsidiary of Seylan Bank PLC, is a limited liability company incorporated under the companies act of 2007, is also listed in Colombo Stock Exchange(CSE). The company's core business being property management and in maintaining and renting the Condominium property at 90, Galle Road, Colombo -03 comprises of office spaces and 16 no. luxury apartments. We are also diverted on to the avenues of property development in terms of real estate developments and condominium housing projects. In the year 2013 the company launched first of its kind in extending the services to outskirts by commencing of works at the proposed holiday bungalow project in Kataragama expected to be in operation by mid 2014.

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. We support initiatives across the sector to create a balanced and harmonized built environment.

4. 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 Management and committed by staff at all levels.

We at seylan development 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 in optimizing energy efficiency. The Company strives to contribute towards the national agenda and meet national objectives through the effective implementation of its own business strategy.

5. SCALE OF OPERATIONS

As at 31st December 2013, the total asset of the Company was Rs: 4.81bn and the total equity of the Company is Rs: 4.23 bn. During the year under review the Company recorded a

turnover and profit after tax of Rs: 181.8 Mn and Rs: 18.41 Mn respectively.

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.

6. REPORT PARAMETERS

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 2013 to 31st December 2013. 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 2012.

7. COMMITMENTS AND ENGAGEMENTS

7.1 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 stake holder expectations and have formalized our responses accordingly. This varies from effective management that delivers sustainable wealth, product innovation, performance linked remuneration, transparent procumbent policies, effective and efficient use of resources etc.

7.2 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.

7.3 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 Two times Gold winners in the years 2012 & 2013 and Silver in the year 2011 under Land and Property sector at the Annual reports award bestowed by CA Sri Lanka.

7.4 Recognizing Stakeholders

Stake holder engagement is important for an organization to further align business practices to achieve long term sustainability. Our stake holders are our pillars of strength who implements our decisions or get affected vice versa. 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 stake holders and welcome their constructive suggestions through proper communication channels.

The concept of Eco sensitivity in the urban context discusses full potential usage of many commercial buildings in the city which was never realized. We believe that innovative and imaginative design solutions can unlock opportunities to refurbish and extend existing spaces, convert unsuitable accommodation and regenerate complex commercial sites to the maximum. This will intern enhance on constant value addition on stake holder perspective.

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 stake holders 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"> * Service quality * Service standards * Affordable Price * Facilities * Sustainable practices * High competition 	<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.	* 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 <ul style="list-style-type: none"> Insurance Staff Loans Medical Allowances * Performance link rewards * Succession planning * Need based training (on the job/ off the job)

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. 0.12 per ordinary share, which is a decrease by Rs. 0.15 over the previous year's EPS of Rs. 0.27 * The Boded of directors has recommended a first and final dividend of Rs. 0.30 per share amounting Rs. 44, 389, 458/= which needs to approved by the share holders 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 * Waste disposal 	<ul style="list-style-type: none"> * 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.

8. 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 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.

8.1 Economic Performances

8.1.1 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.

8.1.2 Economic Performance Indicators

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

VALUE ADDITION

The value 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.

	2013 Rs.'000	2012 Rs.'000
Value added statement		
Income earned by Seylan Developments PLC for providing services	173,218	163,097
Cost of services	(61,951)	(47,723)
Value added services provided by SDP	111,267	115,374
Non-Seylan Developments PLC Income	(135,394)	25,895
Provision for bad debts	(28,400)	(1,304)
	(52,527)	139,965

	2013		2012	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Value allocated to employees		24,582		25,288
Salaries, wages and other benefits				
To providers of capital				
Dividends to shareholders				
To government				
Income tax	3,344		5,878	
Deferred tax	(101,763)		61,547	
Stamp duty	7		8	
VAT	2,857	(19,555)	1,283	68,716
To expansion and growth				
Surplus / (Deficit)	17,812		44,673	
Depreciation	634	18,446	1,288	45,961
		(52,527)		139,965

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

8.1.3 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 companies contribute 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 per cent as the employers' contribution and the employees contribute 8 per cent to their respective provident funds managed by the Central Bank of Sri Lanka. Further, the company also contributes 3 per cent to the Employees' Trust Fund managed by the Department of Labor.

	2013 Rs.'000	2012 Rs.'000
Employer contribution to the trust fund	463	402
Employer contribution to the provident fund	1,852	1,647

8.1.4 Retirement Gratuity Plan

Employees are entitled to gratuity payable under the Payment of Gratuity Act No. 12 of 1983. 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.

8.2 Environmental Performance

8.2.1 Environmental Sustainability Initiatives

We are extremely aware of the importance of conserving our immediate environment from the consequences of our day to day activities. As an organization, we are committed to the efficient and sustainable use of all 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.

8.2.2 Environmental Performance Indicators

1. Energy Conservation

Energy conservation today is discussed at the highest forum as a subject with world wide concern. We at Seylan Developments have taken every necessary step to maximize energy efficiency in order to have a significant effect leading up to the national grid.

Even the very little measures taken by switching off unwanted illumination and maximizing day light effects, optimizing the usage of air conditioning whilst keeping the occupants at comfort work levels.

Also the new measures taken up by the management to upgrade our Building Management Systems (BMS) will enable us to have more control on mechanical & electrical equipments and further contribute to the process of reducing energy consumption.

2. Waste Management

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

8.3 Social Performance

8.3.1 Empowering the Team Seylan Development

Employees are our key customers, 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.

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

Category of Employment

Category	No. of Employees	Percentage (%)
Permanent	29	93.5%
Contract	02	6.5%
Total	31	100%

Breakdown of Employees per Category according to Gender

Gender	Supervisory/Technical	Clerical & Allied	Executive	Total
Male	18	03	04	25
Female	01	02	03	06

Breakdown of Employees per Category according to Ethnic Group

Ethnic Group	Supervisory/Technical	Clerical & Allied	Executive	Total
Sinhala	18	05	07	30
Tamil	01	-	-	01
Muslim	-	-	-	-
Burger	-	-	-	-
Others	-	-	-	-

Breakdown of Employees according to No of year's service

Age	No. of Employees
< 05	07
05 – 09	04
10 – 19	19
20 – 29	01
>30	-

Breakdown of Employees according to Age

Age	No. of Employees
< 20	-
20 – 29	-
30 – 39	10
40 – 49	12
>50	09

Total number and rate of employee turnover by age group and gender

Breakdown of Employees resignation according to age

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

Breakdown of Employees resignation according to gender

Gender	No. of Resignations
Male	-
Female	01

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.

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 labour.

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 through Sri Lanka Insurance Corporation and a Critical Insurance cover obtained from Ceylico Insurance. In addition the Company pays a fixed allowance for every employee to encompass outpatient medical expenses.

In order to minimize risk and repetition of health and safety related issues all health and safety related issues are monitored on an individual basis and necessary corrective action is taken where necessary.

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 our 'Open Door Policy' which enable and encouraged 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
Routine Medical Allowances	Yes

8.2.1 Social Performance Indicators**CSR Activities (Corporate Social Responsibility):**

CSR stands for actions that appear to further some social good, beyond the interests of the firm and that which is required by law. It is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities etc.

This year we went beyond the boundaries reaching out to a small underprivileged community in "Gothami gama" in Kataragama. The Village, with around 500 families where farming is their main source of income lives along with the rituals of "Dewalaya". The village junior school lacks basic infrastructure for learning in terms of class room spaces, water & sanitation, ICT etc. Our technical team with the assistance of Parents, Teachers and other volunteers designed, build and handed over a 20'x20' Class Room within a short time period for required quality and standards.

With 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 monetary assistance plus community participation in the years to come.

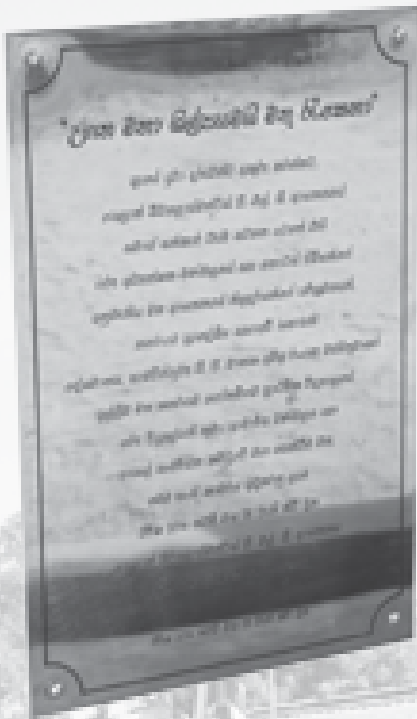


Village junior school around 350 students, and having classes up to year 11 is lack of basic amenities in terms of class rooms, sanitation, labs etc; needed for a proper learning environment.

The team Seylan Developments designed and built a 20' x 20' class room in less than 50 days and handed over which was appreciated by Pradeshiya saba Katharagama, Divisional Secretariat, Zonal Education Ministry and by all well wishes



“Gothemigama” is a boarder village on the extremes of Katharagama handicapped by terrorism and conflicts years back and is stricken further down by poverty, social issues, unemployment etc.



FINANCIAL CALENDAR 2014

Financial Statements for the year ended 31st December 2013 signed on 25 th February 2014.

21st Annual General Meeting held on 28th March, 2013.

Submission of the Interim Financial Statements in terms of Rule 7.4 of the Colombo Stock Exchange – 2013

For the three months ended
March 31, 2013 (un-audited) on
8th May, 2013

For the six months ended June
30, 2013 (un-audited) on 29th
July, 2013

For the nine months ended
September 30, 2013 (un-audited)
on 29th October, 2013

For the twelve months ended
December 31, 2013 (un-audited)
before 28th February 2014.

FINANCIAL CALENDAR 2014

Proposed Financial Calendar – 2014

22nd Annual General Meeting to be held on 31st March 2014

Submission of Interim Financial Statements in terms of Rule 7.4 of the Colombo Stock Exchange – 2014

For the three months ended
March 31, 2014 (un-audited) on
or before May 15, 2014

For the six months ended June
30, 2014 (un-audited) on or
before August 15, 2014

For the nine months ended
September 30, 2014 (un-audited)
on or before November 15, 2014

For the twelve months ended
December 31, 2014 (un-audited)
on or before February 28, 2015



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

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

GENERAL

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 2013 of Seylan Developments PLC, 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.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principal activities of the Company includes property development , management of developed property given on rent and providing services to the tenants. The East Tower consists of office space rented to the parent company and the west tower consisting apartments. There was no significant change during the year.

During the year under review the Company initiated a new project of constructing a holiday bungalow at Kataragama with a view to rent to Seylan Bank PLC. This project is expected to be completed by June 2014. The Company has planned to construct holiday bungalows in other cities like Anuradhapura, Kandy, Nuwara-Eliya in the future.

A review of financial and operational performance of the Company during the year and the future developments of the Company is contained in the Chairman's Statement in pages 6 & 7 of this Annual Report. The audited Financial Statements are given in page 62 of the Annual Report. These reports together reflect the state of affairs of the Company during the period under review.

FINANCIAL STATEMENTS

The financial statement of the Company was approved by the Board of Directors on 25th February 2014 and is stated in page no. 63 to 90 of this Annual Report

AUDITOR'S REPORT

Company's Auditors, KPMG – Chartered Accountants carried out the audit on the financial statements of the Company for the year ended 31 December 2013 and the Auditors Report on those financial statements is given in page 62 of this Annual Report.

ACCOUNTING POLICIES

The accounting policies adopted by the Company in the preparation of financial statements are stated in pages 68 to 74. 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 Directors recommended the payment of a first and final dividend of Rs. 0.25 per share for the year ended 31 December 2012 which was approved by the shareholders at the Annual General Meeting of the Company held on 28th March 2013 and paid out in April 2013.

At the meeting of the Board of Directors held on 25th February 2014, the Directors recommended the payment of first and final dividend of Rs: 0.30 per share for the financial year ended 31st December 2013 to be approved by the Shareholders at the Annual General Meeting of the Company to be held on 31st March 2014.

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 made during the year amounted to Rs: 479,265/- (2012 – 149,843/-) approved by the Board of Directors as approved at the last Annual General Meeting.

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. The Interests Register is available for inspection as required by the Companies Act.

DIRECTORS' REMUNERATIONS

Directors' remuneration, in respect of the Company for the financial year ended December 31, 2013 is given on Note 09 on the Financial Statements on page 75.

DIRECTORATE

The Board of Directors of the Company as at December 31, 2013 consisted of six Directors (seven Directors as at December 31, 2012) with wide knowledge and experience in the finance, banking, engineering and commercial sectors. The qualifications and experience of the Directors are given in the 'Board of Directors -Profiles' on pages 12 and 13.

LIST OF DIRECTORS

The following were the Directors of the Company during the year:

Name of the Director	Executive / Non-Executive Status	Independence / Non-independence Status
Mr. R. Nadarajah (Chairman)	Non-Executive	Non-Independent
Mr. S. Palihawadana (Deputy Chairman)	Non-Executive	Non-Independent
Mr. P. Saravanapavan	Non-Executive	Independent
Dr. P. M. Gunasekera	Non-Executive	Independent
Mr. K. P. Ariyaratne	Non-Executive	Non-Independent
Mr. R. Jayasekara	Non-Executive	Non-Independent
Mr. M. K. Muthukumar *	Non-Executive	Non-Independent

* Resigned w.e.f. March 1, 2013

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the Company which should be in conformity with the books of accounts and records maintained. The Directors are of the view that the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement, Accounting Policies and Notes thereto appearing on pages 63 to 90 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 58 of this Annual Report.

DIRECTORS' MEETINGS

Details of Directors' meetings which comprised Board meetings and Board Sub-Committee meetings (Board Remuneration Committee, Audit Committee) are presented on pages 28, 38 & 40.

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,	2013	2012
Mr. R. Nadarajah (Chairman)	15,000 shares	15,000 shares
Mr. S. Palihawadana (Deputy Chairman)	10,000 shares	6,600 shares
Mr. P. Saravanapavan	Nil	Nil
Dr. P. M. Gunasekera	Nil	Nil
Mr. K. P. Ariyaratne	25,000 shares	Nil
Mr. R. Jayasekara	Nil	Nil
Mr. M. K. Muthukumar *	N/A	Nil

* Resigned w.e.f. March 1, 2013

DIRECTORS' INTERESTS IN CONTRACTS

Directors' interests in contracts with the Company, both direct and indirect are disclosed on page 87.

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 28 to 37.

AUDITORS

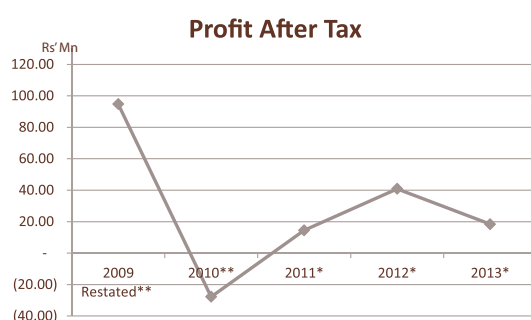
The Audit Committee reviews the appointment of the Auditors, their effectiveness, independence and relationship with the Company. In accordance with Section 158 of the Companies Act No. 7 of 2007, the Auditors of the Company Messrs. KPMG – Chartered Accountant are re-appointed as Auditors of the Company.

The Auditors, Messrs. KPMG - Chartered Accountants were paid Rs. 770,000/- as audit fees for the year 2013 (2012 - Rs. 700,000/-). In addition, Auditors were paid Rs: 90,421/- as Non-Audit fee during the year 2013 (2012 – 263,296/-).

OPERATING RESULTS

Details of profit relating to the Company are given below:

For the year ended December 31	2013 Rs:	2012 Rs:
(Loss) / Profit from operations for the year	(111,358,404)	91,986,065
Less : Net Finance Income	31,363,681	16,121,378
(Loss) / Profit before taxation	(79,994,723)	108,107,443
Income tax reversal / (expense)	98,408,415	(67,424,971)
Net Profit after taxation	18,413,692	40,682,472



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

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

INCOME TAX EXPENSES

Income tax expense has been computed at the rates mentioned in Note 11 of the Financial Statements on page 76.

PROPERTY, PLANT AND EQUIPMENT

Details on Capital expenditure on Property, Plant and Equipment are given in Note 13 of the Financial Statements on page 77 of this Annual Report.

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 during the financial year and the Audit committee had reviewed their quarterly reports. A detail report is given in the Section on "Statement of Internal Control" on pages 24 to 27.

RENTAL INCOME

The Company recorded a rental income of Rs: 168 mn (2012 – Rs: 157 mn).

INVESTMENT PROPERTY

The land & the buildings held to earn rental income and capital appreciation are classified as an Investment Property. The value of Seylan Towers is stated at 'Fair Value' based on a valuation carried out by a Professional valuer in 2013 and the difference between the carrying value and the revalued amount has been taken to the Statement of Comprehensive Income. Details of Investment Properties are given in Note 14 of the Financial Statements on page 78.

INVESTMENTS IN PROPERTY DEVELOPMENT PROJECTS

Seylan Developments PLC had commenced a project at Kataragama to construct a holiday bungalow to rent out to Seylan Bank PLC. The cost incurred up to 31st December 2013 is shown under work in progress and disclosed in Note 15 of the Financial Statements. The total cost will be transferred to Investment Property on completion of project.

OTHER INVESTMENTS

The details of Other Investments held by the Company are disclosed in Notes 16 on pages 79 & 80 of the Financial Statements.

STATED CAPITAL AND RESERVES

The stated capital of the Company as at 31 December 2013 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 2013 amounts to Rs 4,230,110,071/- (2012 – Rs. 4,249,249,160/-)

SHARE INFORMATION

Information on share holding is given on page 91.

SHARE HOLDINGS

There were 7,466 registered shareholders (8,307 in 2012) holding Ordinary Voting Shares as at December 31, 2013. The distribution of share holding is given on page 91.

SUBSTANTIAL SHARE HOLDINGS

The list of the top twenty shareholders is given on page 91 of the Annual Report.

EQUITABLE TREATMENT TO SHAREHOLDERS

All shareholders have been treated equally in accordance with the original terms of issue.


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.

For and on behalf of the Board of Directors



.....
R. Nadarajah
Chairman



.....
S. Paliawadana
Deputy Chairman



.....
SSP Corporate Services (Pvt) Ltd
Company Secretary

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, 2013, other than the cases disclosed in Note 29 on page 88.

EVENTS AFTER THE REPORTING PERIOD

There have not been any material events that occurred subsequent to the reporting period that require adjustments 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 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 Level 1, Seylan Towers, on 31st March 2014 at 2.30 pm. Notice of Meeting relating to the Twenty Second Annual General Meeting is given on page 94.

25th February 2014

STATEMENT OF DIRECTORS' RESPONSIBILITY

In terms of Sections 150 (1) and 151 (1) of the Companies Act No. 07 of 2007, 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.

The Directors have taken appropriate steps to ensure that the Company maintain proper books of account and review the financial reporting system at their meetings through the Audit Committee, the Report of which Committee is given on page 38 to 39. The Board of Directors also approves Interim Financial Statements prior to their release following a review and recommendation by the Audit Committee.

The Financial Statements for the year 2013, prepared and presented in this Annual Report is consistent with the underlying books of account and is in conformity with the requirements of the Companies Act No. 07 of 2007, Sri Lanka Accounting Standards, Listing Rules of Colombo Stock Exchange and generally accepted accounting policies.

The Directors have taken reasonable measures to safeguard the assets of the Company, by the establishing of an appropriate system of internal controls with the view to prevent and detect fraud and other irregularities. The Directors are responsible for the formulation of overall business policies and for guiding Management on the conduct of the activities of the Company. Accordingly, the day to day Management of the Company is delegated to a competent management team. The Directors have

also made the necessary assessment of the Company's ability to continue as a going concern and the Company has adequate resources to continue in its operations. The Company continues to adopt the Going concern basis in preparing the Financial Statements.

The Board of Directors also wish to confirm that as required under Sections 166 (1) and 167 (1) of the Companies Act, they have prepared the Annual Report and ensured that a copy thereof is sent to every shareholder of Company, within the stipulated period of time.

The Company's External Auditors, Messrs KPMG - Chartered Accountants, who was appointed during the year, was provided with every opportunity to undertake the inspections they considered appropriate.

Further, as required by section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors have confirmed that the Company based on the information available, satisfied the solvency test immediately after the proposed dividend, in accordance with section 57 of the Companies Act No. 07 of 2007 and has obtained a certificate of solvency from the auditors, prior to recommending a final dividend of Rs. 0.30 per share for this year which is to be approved by the shareholders at the Annual General Meeting to be held on 31st March 2014.

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and Government and other statutory bodies that were due in respect of the Company have been paid where relevant or provided for.



R. Nadarajah
Chairman



S. Paliawadana
Deputy Chairman



SSP Corporate Services (Pvt) Ltd
Company Secretary

Building a winning strategy





finan
stat



Financial Elements

INDEPENDENT AUDITORS' REPORT



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
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+94 - 11 230 7345
Internet : www.lk.kpmg.com

INDEPENDENT AUDITORS' REPORT**REPORT ON THE FINANCIAL STATEMENTS OF SEYLAN DEVELOPMENTS PLC**

We have audited the accompanying financial statements of Seylan Developments PLC ("the Company"), which comprise the statement of financial position as at December 31, 2013, the statements of comprehensive income, changes in equity and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 63 to 90 of the annual report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended December 31, 2013 and the financial statements give a true and fair view of the financial position of the Company as at December 31, 2013, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

Chartered Accountants
Colombo, Sri Lanka.
25th February 2014

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

Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

STATEMENT OF COMPREHENSIVE INCOME

Amounts in Sri Lankan Rupees

For the year ended 31st December	Notes	2013	2012
Revenue	5	168,174,406	156,975,913
Other income	6	13,657,244	6,364,752
		181,831,650	163,340,665
Personnel cost	7	(23,929,610)	(29,279,030)
Premises, equipment, establishments		(42,355,236)	(30,325,969)
Administrative expenses		(50,227,252)	(20,917,014)
Marketing expenses		(605,877)	(129,608)
Change in fair value of investment properties	8	(176,072,079)	9,297,021
Results from operating activities	9	(111,358,404)	91,986,065
Net finance income	10	31,363,681	16,121,378
Profit / (Loss) before income taxation		(79,994,723)	108,107,443
Income tax reversal / (expenses)	11	98,408,415	(67,424,971)
Net profit for the year		18,413,692	40,682,472
Other comprehensive income			
Defined benefit plan actuarial (losses) / gains		(572,675)	3,990,733
Reversal of revaluation of property plant & equipment disposed / written off		(39,674)	-
Deferred tax liability on reversal of revaluation		11,109	-
Other comprehensive income for the period, net of income tax		(601,240)	3,990,733
Total comprehensive income for the period		17,812,452	44,673,205
Earnings per share	12	0.12	0.27

The notes on pages 68 to 90, form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

Amounts in Sri Lankan Rupees

As at 31 December	Notes	2013	2012
Assets			
Non current assets			
Property, plant & equipment	13	4,752,457	3,276,586
Investment property	14	4,457,202,500	4,647,399,250
Investment in property development projects	15	3,502,680	-
Other investments	16	135,943,493	-
Total non current assets		4,601,401,130	4,650,675,836
Current assets			
Inventories	17	3,884,646	3,554,428
Trade and other receivables	18	37,193,443	55,131,457
Other assets	19	19,257,941	16,209,131
Other investments	16	126,661,172	195,250,333
Income tax receivable	21	991,851	1,257,701
Cash and cash equivalents	22	15,944,803	25,724,409
Total current assets		203,933,856	297,127,459
Total assets		4,805,334,986	4,947,803,295
Equity and liabilities			
Equity			
Stated capital	23	1,644,391,650	1,644,391,650
Reserves	24	525,899,331	525,927,896
Retained earnings		2,059,819,090	2,078,929,614
Total equity		4,230,110,071	4,249,249,160
Non current liabilities			
Deferred tax liability	25	429,621,152	531,384,164
Total non current liabilities		429,621,152	531,384,164
Current liabilities			
Bank overdrafts	22	-	503,047
Other liabilities	26	145,603,763	166,666,924
Total current liabilities		145,603,763	167,169,971
Total equity and liabilities		4,805,334,986	4,947,803,295

The notes on pages 68 to 90, 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;



R. Nadarajah
Chairman



S. Paliawadana
Deputy Chairman

Colombo
25th February 2014

STATEMENT OF CHANGES IN EQUITY

Amounts in Sri Lankan Rupees

For the year ended 31st December	Stated capital	Capital reserve	Revaluation reserve	Retained earnings	Total
Balance as at 01.01.2012	1,644,391,650	525,493,650	434,246	2,049,052,895	4,219,372,441
Total comprehensive income for the period					
Profit for the year	-	-	-	40,682,472	40,837,906
Other comprehensive income					
Defined benefit plan actuarial gain				3,990,733	3,835,299
Total comprehensive income for the period	-	-	-	44,673,205	44,673,205
Transactions recorded directly in equity					
Dividend paid	-	-	-	(14,796,486)	(14,796,486)
Balance as at 31.12.2012	1,644,391,650	525,493,650	434,246	2,078,929,614	4,249,249,160
Balance as at 01.01.2013	1,644,391,650	525,493,650	434,246	2,078,929,614	4,249,249,160
Total comprehensive income for the period					
Profit for the year	-	-	-	18,413,692	18,413,692
Other comprehensive income					
Defined benefit plan actuarial losses	-	-	-	(572,675)	(572,675)
Reversal of revaluation of property plant & equipment disposed / written off	-	-	(39,674)	39,674	-
Deferred tax liability on reversal of revaluation	-	-	11,109	-	11,109
Total comprehensive income for the period	-	-	(28,565)	17,880,691	17,852,126
Transactions recorded directly in equity					
Dividend paid	-	-	-	(36,991,215)	(36,991,215)
Balance as at 31.12.2013	1,644,391,650	525,493,650	405,681	2,059,819,090	4,230,110,071

CASH FLOW STATEMENT

Amounts in Sri Lankan Rupees

For the year ended 31st December	2013	2012
Cash flows from operating activities		
Receipt from other operating activities	175,446,864	163,697,835
Cash payments to employees and suppliers	(92,310,718)	(74,383,928)
Interest payments	(387,548)	(232,471)
Operating profit before changes in operating assets	82,748,598	89,081,436
(Increase)/Decrease in operating assets :		
Stock & receivables	(4,652,115)	896,555
(Decrease) / Increase in operating liabilities :		
Deposits & trade payables	(25,661,753)	50,130,226
Cash Generated from operations	52,434,730	140,108,217
Income taxes paid	-	-
Gratuity paid	-	(102,713)
Net cash from operating activities	52,434,730	140,005,504
Cash flows from investing activities		
Interest received	31,677,773	19,005,305
Purchase of non-dealing securities	(144,677,740)	(122,271,672)
Disposal of non-dealing securities	77,474,645	-
Investment in property development projects	(3,502,680)	-
Purchase of property , plant and equipment	(2,193,679)	(1,337,044)
Proceeds from sale of property, plant & equipment	95,536	-
Additions to investment property	(12,869,079)	(2,598,083)
Disposal proceeds of investment property	29,275,150	-
Net cash used in investing activities	(24,720,074)	(107,201,494)
Cash flows from financing activities		
Dividends paid	(36,991,215)	(14,796,486)
Net cash used in financing activities	(36,991,215)	(14,796,486)
Net (decrease) / increase in cash and cash equivalents	(9,276,559)	18,007,524
Cash and cash equivalents at beginning of period	25,221,362	7,213,838
Cash and cash equivalents at end of period	15,944,803	25,221,362
Reconciliation of cash and cash equivalents		
Cash & cash equivalents	15,944,803	25,724,409
Bank overdraft	-	(503,047)
Net cash & cash equivalents	15,944,803	25,221,362

CASH FLOW STATEMENT

Amounts in Sri Lankan Rupees

For the year ended 31st December	2013	2012
Cash flows from operating activities		
Net (Loss) / Profit before tax	(79,994,723)	108,107,443
Adjustments for		
Gratuity	(4,266,237)	3,687,548
Depreciation	633,777	1,287,513
Changes in fair value of investment properties	176,072,079	(9,297,021)
Bad & doubtful debtors	16,100,131	1,303,596
Interest income	(31,677,771)	(19,005,305)
Net change in fair value of financial assets at fair value through profit or loss	(151,236)	2,999,702
Amortisation of pre paid staff expenses	229,112	89,317
Change in interest income of staff loan & staff cost on SLFRS adjustments	(195,778)	(91,357)
Provision for corporate guarantee	12,300,000	-
Profit on disposal of property, plant & equipment & investment property	(2,376,936)	-
Write off fixed assets	84,031	-
Tax over provisions and write backs	(4,007,851)	-
Operating profit before working capital changes	82,748,598	89,081,436

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 2013 is 31 (2012- 31).

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 25th February 2014.

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.
- Available-for-sale financial assets are measured at fair value.
- Investment property is measured at fair value.
- Liability for defined benefit obligation is recognized as the present value of the defined benefit obligation less the net total of the plan assets and unrecognized past service cost.

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 26.1	- Measurement of defined benefit obligations
Note 27	- Fair value of financial instruments

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1. 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. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

3.2. 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.

3.3. Expenses

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

3.4. 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

3.5. 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.

3.6. 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.

3.7. 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.

3.8. 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 revalued 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 comprehensive income. Any decrease in the carrying amount is recognised as an expense in the statement of comprehensive income 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 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.

NOTES TO THE FINANCIAL STATEMENTS

Derecognition

The carrying amount of an item of property, plant and equipment is derecognized 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. Land is not depreciated.

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.

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

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

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

3.9. 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

3.10. 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.

3.11. 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 valuation Company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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.

NOTES TO THE FINANCIAL STATEMENTS

3.12. Financial instruments - Initial recognition and subsequent measurement

(i) Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises 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 on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and 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 on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets;

- Financial assets at fair value through profit or loss.
- Held-to-maturity financial assets.
- Loans and receivables.
- Available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition 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 are recognised in statement of comprehensive income.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments 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 comprise cash balances and deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Company's unquoted investments in equity securities and certain debt securities are classified as available-for-sale financial assets.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 16.1.1) are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and 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 on a net basis or to realise the asset and settle the liability simultaneously.

The Company generally records the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

3.13. 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.

3.14. 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 flow statement.

NOTES TO THE FINANCIAL STATEMENTS

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

3.15. Stated capital

3.15.1. Ordinary shares

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

3.16. 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.

3.17. Impairment

(i) Financial assets (including receivables)

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 (including equity securities) 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 or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the default and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3.18. Non-current asset held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Company's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.19. Employee benefits

3.19.1 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 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.

3.19.2 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 recognised as expense in profit or loss as and when they are due.

NOTES TO THE FINANCIAL STATEMENTS

3.19.2 (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 - 7)

3.20.2 (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 -7)

3.20. Commitments and contingencies

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

3.21. Events after the reporting period

All material and important events which occur after the reporting period have been considered and disclosed in Note 30 or adjusted as applicable.

3.22. Comparative information

The comparative information is re-classified wherever necessary to conform with the current year's presentation in order to provide a better presentation (Note 33).

3.23. 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 financial periods beginning on or after 1st January 2014/2015.

Accordingly, these Standards have not been applied in preparing these Financial Statements.

SLFRS 9 - Financial Instruments:

Classification and Measurement

SLFRS 9, as issued, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

The effective date for SLFRS 9 is yet to be announced by The Institute of Chartered Accountants of Sri Lanka.

SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 provides guidance on all fair value measurements under SLFRS.

SLFRS 13 will be effective for financial periods beginning on or after 1st January 2014.

The extent of the impact of the above Standards to the Financial Statements has not been determined as at 31st December 2013. None of these are expected to have a significant effect on the Financial Statements of the Company.

3.24. 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 58 for the statement of the Directors' responsibility for financial reporting.

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 counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 59 percent (2012: 54 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.

NOTES TO THE FINANCIAL STATEMENTS

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 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;

	2013 Rs:'000	2012 Rs:'000
Total liabilities	575,225	698,554
Less: cash and cash equivalents	15,945	25,724
Net debt	559,280	672,830
Total equity	4,230,110	4,249,249
Debt to adjusted capital ratio at 31 December	0.13	0.16

		2013 Rs'	2012 Rs'
5.	Revenue		
	Rental income	168,174,406	156,975,913
		168,174,406	156,975,913
6.	Other income		
	Management fees	3,571,429	4,854,010
	Profit on disposal property plant & equipment	95,536	-
	Dividend income	643	843
	Work order income	1,472,516	1,266,921
	Miscellaneous income	6,235,720	242,978
	Profit / (loss) from disposal of investment property	2,281,400	-
		13,657,244	6,364,752

NOTES TO THE FINANCIAL STATEMENTS

Amounts in Sri Lankan Rupees

		2013	2012
7.	Personnel cost		
	Salary and wages (Including Directors' emoluments)	16,123,095	14,694,305
	Statutory EPF	1,851,971	1,646,923
	Statutory ETF	462,993	401,979
	Staff allowances	1,317,400	1,788,250
	(Reversal) / Provision for retirement benefits (Note 26.1.d)	(4,266,237)	615,443
	Amortisation of prepaid staff expenses	229,112	89,317
	Other staff expenses	8,211,276	10,042,813
		23,929,610	29,279,030
8.	Change in fair value of investment properties		
	Investment property - Seylan Towers (Note 8.1)	(239,869,079)	9,297,021
	Investment property - Union Place	64,744,500	-
	Investment property - Moratuwa	(947,500)	-
		(176,072,079)	9,297,021

- 8.1 The Company made adjustments to rentable area based on the net square feet identified in the agreement and the valuer used the guidelines on property, plant and equipment and biological assets valuation for the purpose of financial reporting issued by the Institute of Chartered Accountants of Sri Lanka to make appropriate changes that had an impact on the final value and the impairment charge above.

9. Results from operating activities

Results from operating activities are stated after deducting all operating expenses including the following,

		2013	2012
	Directors' emoluments	694,900	1,295,000
	Audit fees	828,837	812,705
	Non audit fees	83,155	96,934
	Depreciation (Note 13)	633,777	1,287,513
	Legal fees	1,415,450	484,200
	Professional fees	1,328,940	983,721
10.	Financing income & expenses		
10.1	Finance income		
	Interest income on loans and receivables	628,226	348,246
	Interest income on bank deposits	18,131,966	19,005,305
	Interest income on debentures	13,113,356	-
	Net change in fair value of financial assets at fair value through profit or loss	151,236	(2,999,702)
		32,024,784	16,353,849
10.2	Finance expenses		
	Interest on overdraft	387,548	16
	Bank charges	273,555	232,355
	Overdue interest	-	100
		661,103	232,471
	Net finance expenses / (income)	(31,363,681)	(16,121,378)

NOTES TO THE FINANCIAL STATEMENTS

Amounts in Sri Lankan Rupees

		2013	2012
11.	Income tax expenses		
	Current tax	4,708,758	5,877,655
	Over provision for taxation	(1,365,270)	-
		3,343,488	5,877,655
	Deferred income tax		
	Deferred taxation (reversal)/charge (Note 25)	(101,751,903)	61,547,316
		(101,751,903)	61,547,316
	Income tax expense reported in the statement of comprehensive income	(98,408,415)	67,424,971
11.1	Reconciliation of income tax		
	(Loss) / Profit as per the statement of comprehensive income	(79,994,723)	108,107,443
	Less: Income from other sources	(33,874,379)	(19,097,505)
	Changes in fair value of investment property	176,072,079	(9,297,021)
	Unclaimed dividend write back	(2,348,148)	-
	Disallowable expenses	28,658,761	9,959,573
	Allowable expenses	(80,050,181)	(76,382,985)
	Adjusted tax profit	8,463,409	13,289,505
	Taxable interest income	18,131,965	19,005,305
		26,595,374	32,294,810
	Less : Tax losses set off	(9,308,381)	(11,303,184)
	Assessable income	17,286,993	20,991,626
	Less: Qualifying payment		
	Donation to government	(470,000)	-
	Taxable income	16,816,993	20,991,626
	Tax liability		
	Taxable income at 28%	4,708,758	5,877,655
	Effective Tax Rate (Note 11.2)	(123%)	62%
	Effective Tax Rate (Excluding Deferred Tax) (Note 11.2)	4%	5%
11.2	Reconciliation of effective tax rate		
	(Loss)/Profit before income tax		
	Income tax using domestic tax rate		
	Disallowable expenses		
	Allowable expenses		
	Exempt income		
	Tax loss utilized		
	Qualifying payments		
	Current tax on profit for the year		
	Over provided in prior years		
	Current tax on profit for the year		
	Charge to deferred tax		
	Total income tax income /expense		
		%	Rs:
		(79,994,723)	108,107,443
		-28%	28%
		(22,398,522)	30,270,084
		10%	3%
		8,024,453	2,788,680
		-28%	-20%
		(22,414,051)	(21,387,236)
		55%	-2%
		44,234,825	(2,628,982)
		-3%	-3%
		(2,606,347)	(3,164,892)
		0%	0%
		(131,600)	-
		6%	5%
		4,708,758	5,877,655
		-2%	0%
		(1,365,270)	-
		4%	5%
		3,343,488	5,877,655
		-127%	57%
		(101,751,903)	61,547,316
		-123%	62%
		(98,408,415)	67,424,971

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 period.

	2013	2012
Profit attributable to ordinary shareholders	18,413,692	40,682,472
Weighted average number of ordinary shares	147,964,860	147,964,860
Basic earnings per ordinary share (Rs)	0.12	0.27

NOTES TO THE FINANCIAL STATEMENTS

Amounts in Sri Lankan Rupees

SEYLAN DEVELOPMENTS PLC

13.	Property, plant & equipment	Office, machine & equipments	Furniture & fittings	Freehold Other equipment	Leasehold motor vehicles	Apartment assets	Total
Cost / Revaluation							
	Balance as at 01st January 2012	1,215,190	2,032,218	4,263,640	532,269	-	8,043,317
	Additions	200,190	26,505	-	-	1,110,349	1,337,044
	Balance as at 31st December 2012	1,415,380	2,058,723	4,263,640	532,269	1,110,349	9,380,361
	Balance as at 01st January 2013	1,415,380	2,058,723	4,263,640	532,269	1,110,349	9,380,361
	Additions	293,363	8,258	-	-	1,892,058	2,193,679
	Disposals / Written off	(121,590)	(4,418)	(4,263,640)	(405,369)	-	(4,795,017)
	Balance as at 31st December 2013	1,587,153	2,062,563	-	126,900	3,002,407	6,779,023
Accumulated depreciation							
	Balance as at 01st January 2012	792,235	80,847	3,410,911	532,269	-	4,816,262
	Charge for the year	108,934	203,664	852,729	-	122,186	1,287,513
	Balance as at 31st December 2012	901,169	284,511	4,263,640	532,269	122,186	6,103,775
	Balance as at 01st January 2013	901,169	284,511	4,263,640	532,269	122,186	6,103,775
	Charge for the year	158,969	206,241	-	-	268,567	633,777
	Disposals / Written off	(41,175)	(802)	(4,263,640)	(405,369)	-	(4,710,986)
	Balance as at 31st December 2013	1,018,963	489,950	-	126,900	390,753	2,026,566
Net book value as at 31st December 2013		568,190	1,572,613	-	-	2,611,654	4,752,457
Net book value as at 31st December 2012		514,211	1,774,212	-	-	988,163	3,276,586

NOTES TO THE FINANCIAL STATEMENTS

Amounts in Sri Lankan Rupees

14.	Investment property	Property at Colombo 3*		Property at Union Place**	Property at Moratuwa***	Property at Ja-Ela****	Total
		Leasehold land	Building, plant & machinery				
	Balance as at 1st January 2012	1,542,733,585	2,801,371,311	250,255,500	44,143,750	-	4,638,504,146
	Additions during the year	-	2,598,083	-	-	-	2,598,083
	Disposals during the year	-	-	-	(3,000,000)	-	(3,000,000)
	Changes in fair value	(123,986,999)	133,284,020	-	-	-	9,297,021
	Net Balance as at 31st December 2012	1,418,746,586	2,937,253,414	250,255,500	41,143,750	-	4,647,399,250
	Balance as at 1st January 2013	1,418,746,586	2,937,253,414	250,255,500	41,143,750	-	4,647,399,250
	Additions during the year	-	12,869,079	-	-	-	12,869,079
	Disposals during the year	-	-	-	(26,993,750)	-	(26,993,750)
	Changes in fair value	211,627,644	(451,496,723)	64,744,500	(947,500)	-	(176,072,079)
	Net Balance as at 31st December 2013	1,630,374,230	2,498,625,770	315,000,000	13,202,500	-	4,457,202,500

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 2013	4,129,000,000
Property at Union Place	No. 257, Union Place, Colombo 02.	0A - 1R - 12.27 P	06th January 2014	315,000,000
Property at Moratuwa	Moratuwa Lake Villas, St. Peters Rd, Moratuwa	0A - 1R - 24.50 P	31st December 2013	13,202,500
				4,457,202,500

*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 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,

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

The property at Union Place is presently occupied by Ceylinco Packaging (Pvt) Limited and the Company has initiated legal actions for the eviction. Therefore, this is considered as an encumbered property for this valuation.

***The Property at Moratuwa was valued by Mr.D.N.D. Baranage, professionally qualified valuer based on open market method. The assumptions for the valuation are,

- It's a well established residential area.
- Along new Galle Road there is a commercial development.
- Being in close proximity to Moratuwa, enjoying easy accessibility to Colombo City.

****The Ja-Ela Commercial Complex was a joint venture project and a 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. 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.

14.1	Ja-Ela commercial complex	2013	2012
	Balance as at 1st January	70,351,000	70,351,000
	Provision for impairments	(70,351,000)	(70,351,000)
	Balance as at 31st December	-	-

NOTES TO THE FINANCIAL STATEMENTS

Amounts in Sri Lankan Rupees

		2013	2012
15.	Investments in property development projects		
	Kataragama holiday bungalow		
	Capital work in progress	3,502,680	-
	Balance as at 31st December	3,502,680	-
	Above consists of property developed or constructed for future identification as investment property.		
16.	Other investments		
16.1	Non current investments		
	Available-for-sale financial assets (Note 16.1.1)	-	-
	Held to maturity investments (Note 16.1.2)	135,943,493	-
		135,943,493	
	The financial assets designated as available for sale are equity securities. (unquoted)		
	The financial assets designated as held to maturity investments are investments in Debentures with long term maturities.		
16.2	Current investments		
	Financial assets designated at fair value through profit or loss (Note 16.1.3)	7,926,925	7,878,662
	Held to maturity investments (Note 16.1.4)	124,776,848	193,414,272
		132,703,773	201,292,934
	Provision for impairment	(6,042,601)	(6,042,601)
		126,661,172	195,250,333

The financial assets designated as fair value through profit or loss are investments in equity securities (quoted). Held to maturity investments under current investments includes fixed deposits with short term maturities.

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.

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

16.1.1	Available-for-sale financial assets	2013		2012	
		No.of Shares	Valuation	No.of Shares	Valuation
	Unquoted				
	MBSL Savings Bank Ltd	25,000	250,000	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	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	40,500	405,000
	Ceylinco International Property Developers (Pvt) Limited	50,000	500,000	50,000	500,000
	Ceyenergy Electronic Company (Pvt) Ltd	15,000	150,000	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	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	10,000	100,000
	Ceylinco Seraka Investment Limited	510,000	5,100,000	510,000	5,100,000
	Ceylinco Cisco Ranaviru Services (Pvt) Limited	10,000	100,000	10,000	100,000
		5,632,900	56,329,000	5,632,900	56,329,000
	Appreciation (Diminution) in value as at 31 December		(56,329,000)		(56,329,000)
	Fair value for the investment securities		-		-

NOTES TO THE FINANCIAL STATEMENTS

Amounts in Sri Lankan Rupees

16.1.2	Held to maturity investments (Non current)	2013	2012
	Quoted debentures		
	Seylan Bank PLC (500,000 Debentures of Rs: 100/- each)	56,645,890	-
	People's Leasing & Finance PLC (500,000 Debentures of Rs: 100/- each)	54,158,904	-
	Merchant Bank of Sri Lanka PLC (250,000 Debentures of Rs: 100/- each)	25,138,699	-
		135,943,493	-

16.1.3	Financial assets designated at fair value through profit or loss	2013			2012		
		No. of Shares	Market value / fair value	Cost	No. of Shares	Market value / fair value	Cost
	Quoted						
	Nations Lanka Finance PLC	-	-	-	8,288	81,222	80,440
	C T Land Development PLC	-	-	-	100	2,420	666
	City Housing and Real Estate Co. PLC	250	2,825	2,421	250	3,925	2,421
	The Colombo Fort Land & Building PLC (Formerly known as The Colombo Fort Land & Building Company PLC)	-	-	-	100	3,460	917
	Overseas Realty (Ceylon) PLC	-	-	-	100	1,440	316
	Kelsey Developments PLC	-	-	-	100	1,460	817
	Property Development PLC	-	-	-	100	4,720	1,728
	Colombo Land & Development Company PLC	1,250	49,000	241	1,250	44,375	241
	East West Properties PLC	-	-	-	200	2,920	516
	Equity One PLC	-	-	-	100	3,340	1,348
	On'ally Holdings PLC	-	-	-	100	5,440	867
	York Arcade Holdings PLC	-	-	-	100	1,680	417
	Blue Diamonds Jewellery World Wide PLC	78,600	275,100	176,850	78,600	322,260	176,850
	Commercial Leasing and Finance PLC	2,000,000	7,600,000	10,000,000	2,000,000	7,400,000	10,000,000
		2,080,100	7,926,925	10,179,512	2,089,388	7,878,662	10,267,544
	Fair value for the investment securities		7,926,925			7,878,662	

16.1.4	Held to maturity investments (current)	2013	2012
	Unquoted debentures		
	Nation Lanka Finance PLC (1,000 Debentures of Rs: 100/- each)	100,000	100,000
	Ceylinco Fashion Trend Ltd	100,000	100,000
	Fixed deposits		
	The Standard Credit Lanka Ltd (Formerly known as Ceylinco Investment & Reality Ltd)	5,942,601	5,942,601
	Seylan Bank PLC (Note 16.1.4.1)	118,634,247	187,271,671
		124,776,848	193,414,272

16.1.4.1 Fixed deposit amounting to Rs. 35,000,000/- has been pledged for the overdraft facility of the Company

		2013	2012
17.	Inventories		
	Maintenance material	3,884,646	3,554,428
		3,884,646	3,554,428
18.	Trade & other receivables		
	Trade receivables	59,276,993	58,924,399
	Other receivables	69,674,892	68,025,230
	Value added tax	4,641,578	6,733,474
	Trade and other receivables from related companies	18,859,784	20,694,659
	Project receivable Naiwala	16,863,063	16,863,063
	Loans and receivables	169,316,310	171,240,825
	Provision for doubtful receivables	(132,122,867)	(116,109,368)
		37,193,443	55,131,457

The property at Naiwala was a joint venture project with Ceylinco Investment & Reality Ltd. The investment of Rs. 16,863,063/- has been fully provided in 2010 due to the uncertainty of the reliability of the investment.

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		2013	2012
19.	Other assets Deposits Prepayments Advances Prepaid staff expenses Plan assets (Note 26.1) Provision for doubtful receivables	2,591,022 1,451,459 21,085,360 597,818 7,293,542 33,019,201 (13,761,260) 19,257,941	2,566,022 1,147,614 22,018,953 552,822 3,599,980 29,885,391 (13,676,260) 16,209,131
20.	Provision for doubtful receivables Provision for trade and other receivables Provision for other assets Provision movement for the year Balance as at 1st January Over provision reversal Provision during the year Amounts written off during the year as uncollectible Balance as at 31st December	132,122,867 13,761,260 145,884,127 129,785,628 (1,632) 16,100,131 - 145,884,127	116,109,368 13,676,260 129,785,628 129,420,637 (100,442) 1,303,597 (838,164) 129,785,628
21.	Income tax receivables As at the beginning of the year Income tax for the period Over provision reversal Less: Tax paid Notional tax With holding taxes As at the end of the year	1,257,701 (4,708,758) 2,596,675 - 128,973 1,717,260 991,851	6,116,401 (5,877,655) - 151,887 867,068 1,257,701
22.	Cash and cash equivalents Favourable cash & cash equivalents Cash and bank balances REPO investments Unfavourable cash & cash equivalents Bank overdraft Total cash & cash equivalents for the purpose of cash flow statement	 5,944,803 10,000,000 15,944,803 - - 15,944,803	 25,724,409 - 25,724,409 (503,047) (503,047) 25,221,362
23.		2013	2012
		Number	Rs.
	Stated capital		
	Issued and fully paid ordinary shares		
	On issue as at 1 January	147,964,860	1,644,391,650
	On issue as at 31 December	147,964,860	1,644,391,650
	Dividends		
	The following dividends were declared and paid by the Company;		
		2013	2012
	Rs: 0.25 per qualifying ordinary share (2012: Rs:0.10)	36,991,215	14,796,486
		36,991,215	14,796,486

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.

NOTES TO THE FINANCIAL STATEMENTS

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		2013	2012
24.	Reserves		
	Capital reserve (24.1)	525,493,650	525,493,650
	Revaluation reserve (24.2)	405,681	434,246
		525,899,331	525,927,896
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	434,246	434,246
	Transfer during the year	(28,565)	-
	Balance as at the end of the year	405,681	434,246

* Capital Redemption Reserve Fund 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 3.8.

25. **Deferred tax liability****Deferred tax assets, liabilities and income tax relates to the following**

	Statement of financial position		Statement of comprehensive income		Statement of other comprehensive income	
	2013	2012	2013	2012	2013	2012
Deferred tax liability						
Property plant & equipment & investment property	2,341,431,003	2,714,178,715				
Total taxable temporary difference	2,341,431,003	2,714,178,715				
	655,600,681	759,970,040	(104,358,250)	58,382,425	(11,109)	-
Deferred tax assets						
Effect from carried forward tax losses	(807,069,747)	(816,378,128)				
Total taxable temporary difference	(807,069,747)	(816,378,128)				
	(225,979,529)	(228,585,876)	2,606,347	3,164,891	-	-
Deferred tax (income)/ expense			(101,751,903)	61,547,316	(11,109)	-
Net deferred tax liability	429,621,152	531,384,164				

		2013	2012
26.	Trade & other liabilities		
	Trade payables	11,307,142	18,604,148
	Accrued expenses	20,523,607	431,326
	Rent in advance and security deposits	25,697,228	21,219,160
	Defined benefit obligations (Note 26.1)	-	-
	Payables to related companies	15,000,000	60,715,926
	Other payables	73,075,786	65,696,364
		145,603,763	166,666,924

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		2013	2012
26.1	Plan assets		
	The amount recognized in the statement of financial position		
	Present value of defined benefit obligations - (Note 26.1.b)	4,280,463	7,457,469
	Fair value of plan assets - (Note 26.1.c)	(11,574,005)	(11,057,449)
	Provision for defined benefit obligations (Note 19)	(7,293,542)	(3,599,980)
26.1.a	Plan assets consist the following		
	Repo and fixed deposits	11,516,280	10,984,686
	Cash	57,725	72,763
	Provision for defined benefit obligations	11,574,005	11,057,449
26.1.b	Movement in the present value of defined benefit obligations		
	Liability for defined benefit obligations as at 1 January	7,457,469	10,101,783
	Current service cost	374,225	637,912
	Interest cost	745,747	1,010,178
	Actuarial losses / (gains)	553,486	(4,126,586)
	Past service cost - non vested benefits	(89,135)	-
	Past service cost - vested benefits	(4,191,329)	-
	Payments made (including benefits paid by the plan)	(570,000)	(165,818)
	Liability for defined benefit obligations as at 31st December	4,280,463	7,457,469
26.1.c	Movement in plan assets		
	Fair value of plan assets at 1 January	11,057,449	10,326,473
	Expected return	1,105,745	1,032,647
	Benefits paid	(570,000)	(165,818)
	Actuarial loss	(19,189)	(135,853)
	Fair value of plan assets at 31 December	11,574,005	11,057,449
26.1.d	Amount recognized in the statement of comprehensive income		
	Current service cost	374,225	637,912
	Interest cost	745,747	1,010,178
	Expected return on plan assets	(1,105,745)	(1,032,647)
	Past service gain- non vested benefits	(89,135)	-
	Past service gain- vested benefits	(4,191,329)	-
		(4,266,237)	615,443
26.1.e	Amount recognized in the statement of other comprehensive income		
	Actuarial loss / (gain) immediately recognised	572,675	(3,990,733)
		572,675	(3,990,733)
26.1.f	Actuarial assumptions		
	Normal retirement age	55 years	55 years
	Rate of discount	10%	10%
	Expected return on plan asset as at 1st January	10%	10%
	Salary increase	Long term salary escalation rate of 5%. Next increment due on 01st January 2014	Long term salary escalation rate of 2.5 %. Next increment due on 01st January 2013

NOTES TO THE FINANCIAL STATEMENTS

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26.1.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	2013		2012	
		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%	**	(0.297)	(0.297)	(0.356)	(0.356)
(1%)	**	0.333	0.333	0.392	0.392
*	1%	0.366	0.366	0.455	0.455
*	(1%)	(0.330)	(0.330)	(0.418)	(0.418)

* Discount Rate fixed at

** Salary increment rates for

2013	10.0%	2013	5.0%
2012	10.0%	2012	2.5%

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	
			2013	2012
	Available-for-sale financial assets	16	-	-
	Held-to-maturity investments	16	254,677,740	187,371,671
	Financial assets designated at fair value through profit or loss	16	7,926,925	7,878,662
	Loans and receivables	18	37,193,443	55,131,457
	Cash and cash equivalents	22	15,944,803	25,724,409
			315,742,911	276,106,199

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

		Carrying amount	
		2013	2012
	Corporate Customers	53,617,126	55,472,883
	Residential Customers	5,659,867	3,451,516
		59,276,993	58,924,399

Impairment losses

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

		2013		2012	
		Gross	Impairment	Gross	Impairment
	Not past Due	4,618,540	-	13,758,288	-
	Past due 0-90 days	26,495,242	-	17,802,221	-
	Past due 91-365 days	665,304	-	733,909	-
	More than one year	137,537,224	132,122,867	138,946,407	116,109,368
		169,316,310	132,122,867	171,240,825	116,109,368

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

		2013	2012
	Balance at 1 January	116,109,368	115,643,935
	Impairment loss recognised	16,100,131	1,303,597
	Impairment reversed / written off	(1,632)	(838,164)
	Balance at 31 December	132,207,867	116,109,368

The impairment loss as at 31 December 2013 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 movement in the allowance for impairment in respect of held-to-maturity investments and available for sale assets during the year was as follows:

		2013	2012
	Balance at 1 January	62,371,601	62,371,601
	Impairment loss recognised	-	-
	Impairment reversed / written off	-	-
	Balance at 31 December	62,371,601	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.

Interest rate risk

Profile

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

		Carrying amount	
		2013	2012
	Fixed rate instruments		
	Financial assets	260,720,341	193,414,272
	Financial liabilities	-	-
		260,720,341	193,414,272
	Variable rate instruments		
	Financial assets	-	-
	Financial liabilities	-	(503,047)
		-	(503,047)

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.

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27. Financial instruments (continued) 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 2013		31st December 2012	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value					
Financial assets designated at fair value through profit or loss	16	7,926,925	7,926,925	7,878,662	7,878,662
Available-for-sale financial assets	16	-	-	-	-
		7,926,925	7,926,925	7,878,662	7,878,662
Assets carried at amortised cost					
Held to maturity investments	16	254,677,740	259,987,649	187,371,671	187,371,671
Loans and receivables	18	37,193,443	37,193,443	55,131,457	55,131,457
Cash and cash equivalents	22	15,944,803	15,944,803	25,724,409	25,724,409
		307,815,986	313,125,895	268,227,537	268,227,537
Liabilities carried at amortised cost					
Trade and other payables	26	145,603,763	145,603,763	166,666,924	166,666,924
Bank overdraft	22	-	-	503,047	503,047
		145,603,763	145,603,763	167,169,971	167,169,971

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 investments in 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.

Held to maturity investments

Held to maturity investments includes quoted debentures, fixed deposits and unquoted debentures amounting to Rs. 135,943,493/-, Rs. 124,576,848/- and Rs. 200,000/- respectively. Out of that Rs. 124,776,848/- stated at carrying value which mature with in next financial year. Quoted debentures were valued using market interest rates as at 31st December 2013 for Government Treasury Bonds rates with adjustments for maturity mismatches and credit risk factors since there is no active market for quoted debentures.

Loans and receivables

Loans and receivables includes trade and other receivables of the Company occur in day today transactions. The Company provided 78% of outstanding balance as at 31st December 2013 as doubtful and remaining balance stated at carrying value which realise with in 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 a contractual remaining payment terms of less than one year from the reporting date.

Bank overdraft

Carrying value and the fair value of the bank overdraft was same since it's payable on demand.

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28. Related party transactions**Parent and the ultimate controlling party**

The Company is a subsidiary of Seylan Bank PLC, which owns 52.37% 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 Development PLC considers its Board of Directors, and Key Employees and their immediate family members have been classified as Key Management Personnel of the Company."

Immediate family member is defined as spouse or dependent. Dependent is defined as anyone who depends on the respective Director for more than 50% of his / her financial needs.

Mr. R. Nadarajah is the Chairman of this Company and is also Director of Seylan Bank PLC.

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

a. Key Management Personnel compensation for the period comprised:

	2013	2012
Short term employee benefits	694,900	1,787,700
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-

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 or significant influence over financial or operating policies of these entities.

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

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 2013	Balance outstanding as at 31 December 2013
Seylan Bank PLC	* Mr. R. Nadarajah (Executive Director)	* Loans, advances & security deposit	45,715,925	15,000,000
	* Mr. S. Paliawadana (DGM - Treasury, Head of Primary Dealer Unit & Gold Investment Unit)	* Charges (OD interest/ Bank Charges etc)	660,103	-
	* Mr. Muthukumar (Head of Legal - Resigned w.e.f. 1st March 2013)	* Interest income (Fixed Deposits, REPO & Debentures)	31,245,323	15,280,137
	* Mr. K.P. Ariyaratne (General Manager / Chief Executive Officer)	* Investments (Fixed Deposits & Debentures)	(18,637,425)	160,000,000
	* Mr. R.J. Jayasekara (Chief Financial Officer)	* Administrative services		
		Rent	110,770,818	-
		Management Fee	4,000,000	4,000,000
		Other Income	1,484,742	92,689
		Expense reimbursement	92,716,699	14,767,095

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

c. Seylan Development Employees' Gratuity Trust Fund

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

- Mr. R. Nadarajah
- Mr. S. Paliawadana
- Dr. P M. Gunasekara

The above trust fund has invested in REPO's at Seylan Bank PLC amounting Rs. 4,507,957/-.

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29. Litigation and claims

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

(a) Income tax for the year of assessment 2008/09 (Rs 8,581,317/-Assessment no: 6416959) determined by the Tax Appeal Commission dated 6th February 2014 to the favour of Seylan Developments PLC.

(b) Income tax for the year of assessment 2005/06 (Rs 9,287,489/-) and 2006/07 (Rs 14,028,233/-) determined by commissioner General of Inland Revenue (assessment no: 8740923, 8240889) have been referred to the Tax Appeals Commission. Company is of the view that the above assessment would not have any material impact on the Financial Statements.

(c) Case DC COL DMR/04114/11 filed plaintiff claiming Rs; 14.62 Mn including surcharge for delay in settlement of security fee for the period of November 2007 to September 2010. Case was decided ex-parte against Seylan Developments PLC. Seylan Developments PLC has filed an appeal against the order.

(d) Labour department inquiry number IR/10/06/2013 filed by retired employee of Seylan Developments PLC claiming gratuity at the rate of one month salary for each year of service. The matter is pending at Labour Department.

30. Events after the reporting period

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

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.

	2013	2012
Approved and contracted for	21,641,164	-
Approved but not contracted for	134,914	2,617,370

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
Tax Appeal Commission	1,200,589	Seylan Bank PLC

Company provided Rs: 40.2Mn during the year 2011 for the Corporate Guarantees given to Ceylinco Industries (Pvt) Ltd., and Ceylinco Packaging Co. Ltd. As they were Non Performing as at 31st December 2011. In 2013 further Rs: 12.3 Mn provided for Corporate Guarantee given for Ceylinco Packaging Co. Ltd. As at year end the Company provided Rs. 38,000,000/- and Rs. 14,500,000/- respectively from Ceylinco Packaging Co. Ltd and Ceylinco Industries (Pvt) Ltd.

Since the tax appeal commission determined the appeal on Assessment No: 6416959 to the favour of Seylan Developments PLC through their determination dated 6th February 2014, the Bank Guarantee placed with the Seylan Bank PLC on the appeal amounting Rs: 1,200,589/- will be cancelled.

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33. Comparative information

- 33 The following comparative figures have been reclassified in the 2013 Financial Statements to maintain comparability of Financial Statements in order to provide a better presentation.

33.1 Statement of comprehensive income & statement of other comprehensive income

		As disclosed in 2012 Rs'	Company Reclassified in 2013 Rs'	Adjustment Rs'
33.1.1	Other Income	15,661,773	6,364,752	(9,297,021)
	Changes in fair value of investment properties	-	9,271,021	9,271,021
33.1.2	Personnel Cost	(25,288,297)	(29,279,030)	(3,990,733)
	Defined benefit plan actuarial gains	-	3,990,733	3,990,733
33.1.3	Administrative Expenses	19,613,418	20,917,014	1,303,596
	Provisions for doubtful receivables	1,303,596	-	(1,303,596)

33.1.1 Changes in fair value of investment properties Rs: 9,297,021/- has been reclassified and presented separately as changes in fair value of investment properties in the statement of comprehensive income.

33.1.2 Defined benefit plan actuarial gain of Rs: 3,990,733/- has been reclassified and presented separately in the statement of other comprehensive income as required by LKAS 19, Employee benefits effective from 01. 01. 2013

33.1.3 Provision for doubtful receivables amounting to Rs. 1,303,596/- has been reclassified and presented under administration expenses.

33.2 Statement of financial position

		As disclosed in 2012 Rs'	Company Reclassified in 2013 Rs'	Adjustment Rs'
33.2.1	Non Current - Other Investment	7,878,662	-	(7,878,662)
	Current - Other Investment	187,371,671	195,250,333	7,878,662

33.2.1 Investment in quoted shares recognized as financial assets designated at the fair value through profit or loss amounting Rs: 7,878,662/- classified under other investments in Non-current assets reclassified under other investment in current assets.

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	2013	2012
Less than one year	150	150
More than one year	10,950	11,100
	11,100	11,250

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	2013	2012
Less than one year	150,918,013	145,171,065
More than one year	13,932,821	10,917,000

The future minimum lease payments are presented above based on lease agreements which Company has presently entered into with it's respective

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tenants. Maximum period is two years.

During the year ended 31 December 2013 Rs. 168,174,406/- was recognized as rental income in profit or loss (2012:

Rs:156,975,913/-). Repairs and maintenance expenses recorded under premises, equipment, establishment expenses for the year ended 31st December 2013 is Rs: 24,006,071/- (2012: Rs.11,470,672/-)

Direct operating expenses (including repairs and maintenance) arising from investment property that generate rental income during the period is Rs: 66,806,892.70 (2012 - Rs: 53,381,435/-).

Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period is Rs: 1,117,710/- (2012 - Rs: 1,091,791/-).



SHAREHOLDERS' AND DIRECTORS' HOLDING INFORMATION

SHAREHOLDERS' AND DIRECTORS' HOLDING INFORMATION

Range Of Share Holding	No Of Share Holders	Total Number Of Shares	% As At	
			31.12.2013	31.12.2012
1 - 1,000	4,213	1,195,944	0.81%	0.92%
1,001 - 10,000	2,606	8,427,515	5.70%	6.86%
10,001 - 100,000	560	15,909,386	10.75%	13.69%
100,001 - 1,000,000	76	18,708,177	12.64%	14.28%
Over 1,000,000	11	103,723,838	70.10%	64.25%
TOTAL	7,466	147,964,860	100.00%	100.00%

Public Share Holding - 47.59%

No of Share Holders as at 31st December 2013- 7,466

TWENTY MAJOR SHAREHOLDERS

	NAME OF SHAREHOLDER	NO OF SHARES 31.12.2013	%	NO OF SHARES 31.12.2012	%
1	Seylan Bank PLC	77,493,339	52.37	76,688,880	51.83
2	Mr Perera K D D	8,546,640	5.78	8,546,640	5.78
3	J B Cocoshell (Pvt) Ltd	7,296,626	4.93	1,426,928	0.96
4	Amina Investments Ltd	2,750,000	1.86	2,500,000	1.69
5	Amana Bank Ltd	1,801,588	1.22	-	-
6	Assorciated Electrical Corporation Ltd	1,325,000	0.90	-	-
7	Mrs M M Udeshi (DESC)	1,287,900	0.87	1,287,900	0.87
8	Mr Imtiaz T L M	1,107,542	0.75	2,455,136	1.66
9	Standard Capital PLC	1,100,000	0.74	-	-
10	Dr. Senthilvel Thirugnanasambandar	1,015,203	0.69	1,039,903	0.70
11	Mr Sithampalam Arunasalam	769,128	0.52	769,128	0.52
12	Mr. Alnoqib Loay Mohmoud Sayed Hamed	651,208	0.44	-	-
13	Bank of Ceylon A/C Ceybank Unit Trust	611,087	0.41	737,210	0.50
14	Asian Guild Financial Services (Pvt) Ltd	609,121	0.41	609,121	0.41
15	Zagra Investment Consultants (Pvt) Ltd	594,200	0.40	594,000	0.40
16	Mr. Patel Saifuddin Esmail	508,675	0.34	-	-
17	Mr. Tay Biak Chye	505,948	0.34	505,948	0.34
18	Commercial Bank of Ceylon PLC / Sinali Capital (Pvt) Ltd	505,000	0.34	600,000	0.41
19	Dee Investments (Pvt) Ltd	440,000	0.30	440,000	0.30
20	Mr Abishek Sithampalam	434,800	0.29	-	-

DIRECTORS' SHAREHOLDINGS

Name Of The Director	No. Of Shares 31.12.2013	No. Of Shares 31.12.2012
Mr R Nadarajah	15,000	15,000
Mr S Paliyawadana	10,000	6,600
Mr. P Saravanapavan	-	-
Dr. H A D P Mervyn Gunasekara	-	-
Mr. K. Ariyaratne	25,000	-
Mr. R. Jayasekara	-	-
Mr. M. K. Muthukumar	N/A	-

TEN YEARS SUMMARY

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Statement of Comprehensive Income										
	2013*	2012*	2011*	2010**	2009 Restated**	2008Restated**	2007**	2006**	2005**	2004**
Total Income	181,831,650	163,340,665	210,913,075	153,993,181	149,000,620	186,770,518	209,413,432	217,968,858	170,745,893	711,251,217
Rent Income	168,174,406	156,975,913	148,451,419	143,156,566	139,751,049	148,881,839	142,445,934	141,283,563	117,962,108	140,015,274
Other Income	13,657,244	6,364,752	62,461,656	10,836,615	9,249,571	37,888,679	66,967,498	76,685,295	52,783,785	571,235,943
Operating Expenses	181,831,650	163,340,665	210,913,075	153,993,181	149,000,620	186,770,518	209,413,432	217,968,858	170,745,893	711,251,217
Changes in Fair Values of Investment Properties	(117,117,975)	(80,651,621)	(174,352,003)	(96,975,953)	(213,824,743)	(438,743,215)	(148,164,909)	(124,650,360)	(104,609,859)	(93,652,335)
Operating Profit	(176,072,079)	9,297,021	-	-	350,567,145	(29,329,592)	203,775,766	-	-	-
Finance Income / (Expenses)	(111,358,404)	91,986,065	36,561,072	57,017,228	285,743,022	(281,302,289)	265,024,289	93,318,498	66,136,034	617,598,882
Profit Before Tax	31,363,681	16,121,378	(13,525,064)	(84,701,319)	(190,316,068)	(104,103,440)	(26,571,681)	(27,358,473)	(21,382,830)	(36,582,821)
Tax	(79,994,723)	108,107,443	23,036,008	(27,684,091)	95,426,954	(385,405,729)	238,452,608	65,960,025	44,753,204	581,016,061
Profit/(Loss) After Tax	98,408,415	(67,424,971)	(8,525,047)	(55,525)	(662,589)	(7,061,622)	(14,145,386)	(16,757,186)	(4,230,195)	-
Transfer To Capital Redemption Reserve Fund	18,413,692	40,682,472	14,510,961	(27,739,616)	94,764,365	(392,467,351)	224,307,222	49,202,839	40,523,009	581,016,061
Profit / (Loss) for the year	-	-	-	-	-	-	-	-	-	(540,000,000)
	18,413,692	40,682,472	14,510,961	(27,739,616)	94,764,365	(392,467,351)	224,307,222	49,202,839	40,523,009	41,016,061
Statement of Financial Position										
Property, Plant & Equipments	4,752,457	3,276,586	3,227,055	5,494,921	13,932,509	1,402,102,935	1,433,335,254	1,446,381,065	1,461,744,687	1,486,641,890
Investment Property	4,457,202,500	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	1,022,768,646	1,022,791,703
Investment - Security & Projects	139,446,173	-	878,364	2,383,319	253,606,884	498,331,609	605,761,760	457,226,858	405,118,623	11,122,823
Current Asset	203,933,856	297,127,459	161,344,225	62,741,153	119,004,210	463,530,345	453,173,122	173,093,056	230,198,677	256,106,460
Total Assets	4,805,334,986	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	3,119,830,633	2,776,662,876
Current Liabilities	145,603,763	167,169,971	114,744,501	1,018,810,711	821,301,761	649,458,890	424,589,772	336,519,415	186,136,730	90,125,494
Non Current Liabilities	429,621,152	531,384,164	469,836,848	463,772,331	609,804,069	576,065,982	574,832,260	427,456,401	413,621,183	192,481,313
Total Liabilities	575,224,915	698,554,135	584,581,349	1,482,583,042	1,431,105,830	1,225,524,872	999,422,032	763,975,816	599,757,913	282,606,807
Net Assets	4,230,110,071	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	2,520,072,720	2,494,056,069
Capital & Reserves										
Stated Capital	1,644,391,650	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	1,356,078,570	1,356,078,570
Reserves	525,899,331	525,927,896	525,927,896	-	2,073,232,126	926,339,375	926,339,375	926,339,374	1,090,316,291	1,090,316,291
Retained Earning	2,059,819,090	2,078,929,614	2,049,052,895	2,034,541,934	117,599,564	7,516,004	436,974,571	257,264,643	73,677,859	47,661,208
Shareholder's Fund	4,230,110,071	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	2,520,072,720	2,494,056,069
Weighted Average Number of Shares										
Earning/(Loss) Per Share	0.12	0.27	0.12	(0.37)	1.28	(5.30)	3.03	0.67	0.55	0.57
Net Asset Per Share	28.59	28.72	28.52	45.83	47.94	30.95	36.76	34.33	34.06	34.39
Dividend Per Share	-	0.25	0.10	-	-	-	-	0.50	0.40	-
Market Value Per Share Year End	9.00	9.10	12.30	17.00	9.50	4.50	9.00	8.25	5.75	3.00
Staff Members	31	31	31	35	45	48	52	52	47	47

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

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

NOTICE OF MEETING

SEYLAN DEVELOPMENTS PLC – PQ 151

NOTICE IS HEREBY GIVEN THAT THE TWENTY SECOND ANNUAL GENERAL MEETING OF SEYLAN DEVELOPMENTS PLC WILL BE HELD ON 31ST MARCH 2014 AT 2.30 P.M. AT LEVEL 1, SEYLAN TOWER, NO.90, GALLE ROAD, 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 2013 and to receive the Report of the Auditors thereon.
- 2.To declare a dividend as recommended by the Directors.
- 3.To re-elect Dr. P.M. Gunasekara who retires in terms of Article 93(a) of the Company's Articles of Association as a Director of the Company.
- 4.To re-appoint the retiring auditors, M/s KPMG, Chartered Accountants and to authorize the Directors to determine their remuneration.
- 5.To authorize the Directors to determine contributions to charities and other donations for the year 2014/2015.
- 6.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: 28th February 2014

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. Ramanathan Nadarajah of Colombo 07	failing him
Mr. Somadasa Palihawadana of Kotte	failing him
Mr. Ponniah Saravanapavan of Dehiwela	failing him
Dr. P. Mervyn Gunasekera of Malabe	failing him
Mr. K.P.Ariyaratne of Colombo 08	failing him
Mr. R.J.Jayasekara of Colombo 04	

as my /our proxy to represent me/us and vote and speak for me/us on my/our behalf at the Twenty Second Annual General Meeting of the Company to be held on 31st March 2014 at 2.30 p.m. at Level 1, Seylan Towers, No.90, Galle Road, 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 2013 and to receive the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a first & final dividend of Rs.0.30 per ordinary share as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Dr. P.M. Gunasekara who retires by rotation in terms of Article 93 (a) of the Company's Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
4. 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"/>
5. To authorize the Directors to determine contributions to charities and other donations for the year 2014/2015.	<input type="checkbox"/>	<input type="checkbox"/>
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.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand/s thisday of2014

.....
 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 SS P Corporate Services (Private) Limited at No. 101, Inner Flower Road, 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: 011-2452697-8
Fax: 011-2423249
E-mail: seylandplc@sltnet.lk
Website: www.seylanddevelopments.com

BOARD OF DIRECTORS

Mr. R. Nadarajah

Chairman

Mr. S. Palihawadana

Deputy Chairman

Mr. P. Saravanapavan

Director

Dr. P. Mervyn Gunasekera

Director

Mr. Kapila Ariyaratne

Director

Mr. R. J. Jayasekara

Director

Mr. M. K. Muthukumar

Director

(Resigned with effect from 1st March 2013)

SECRETARIES & REGISTRARS

SSP Corporate Services (Pvt) Ltd,

No. 101, Inner Flower Road,
Colombo 03.

LAWYERS

Mr. H. L. Vipula Silva

Attorney-at-Law & Notary Public
Resigned w.e.f 31st December 2013

Mr. Rohana Muhandiram

Attorney-at-Law & Notary Public
Commissioner for Oaths and Company Secretary
Seylan Bank PLC, Legal Department
Appointed w.e.f.1st January 2014

EXTERNAL AUDITORS

M/s KPMG - Chartered Accountants

INTERNAL AUDITORS

M/s Ponnampereuma & Company
Chartered Accountants

TAX CONSULTANT

M/s Amarasekara & Co.
Chartered Accountants

BANKERS

Seylan Bank PLC

ACCOUNTING YEAR

December 31st

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.

SEYLAN TOWERS, 90, GALLE ROAD,
COLOMBO 3.

Phone: 011 2452697-8

Fax: 011 2423249

E-mail: seylandplc@sltnet.lk

Web: www.seylanddevelopments.com