

FUTURE PERSPECTIVE

ENERGY CONSERVATION



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



FUTURE PERSPECTIVE

ENERGY CONSERVATION

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

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

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

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

"Save Energy today for a brighter tomorrow"



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



Winner - GOLD AWARD

Land & Property Sector

CA Sri Lanka Annual Report Awards 2015

CHAIRMAN'S REVIEW



GROWTH
102%
in after tax profits

Dear Shareholders:

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



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



Economic background and trend:

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

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

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



Composition of the Board:

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

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



Development Projects:

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

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

During the year the company embarked on an Energy Efficiency

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

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

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



Financial Performance:

Rs:
201.3 Mn
net profit after tax

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

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



Future Plans:

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

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

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



Corporate Social Responsibility:

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

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

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



Achievement on Financial Reporting & Compliance:

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

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



Acknowledgments

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

performance of their duties.

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

relationship and expect their support during 2016.

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

Kapila Ariyaratne
Chairman
08th February 2016.

HEAD OF OPERATION'S REVIEW



Reduction
30%
Energy foot print

Dear Stakeholder,

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



Key achievements of 2015

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

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



Operating environment

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

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

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



Our strategy in action

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

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

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

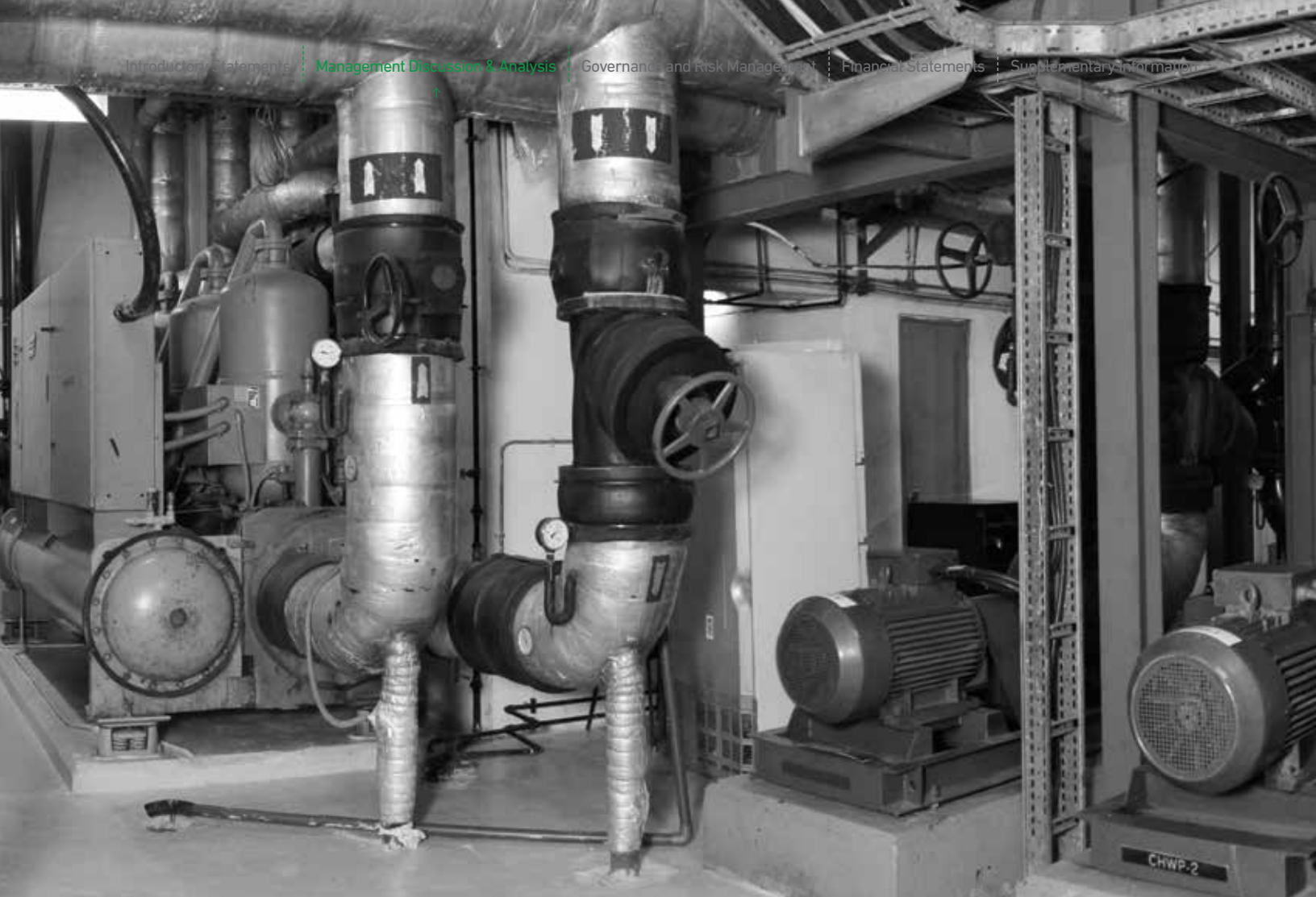


Creating value to our Employees

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

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

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



Way forward

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

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

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



Acknowledgements

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

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

K.S Edirisinghe
Head of Operations

BOARD OF DIRECTORS





From Left to right

Mr. P. D. Hennayake -Director

Mr. R. J. Jayasekara - Director

Mr. K. P Ariyaratne - Chairman

Mr. P. Saravanapavan - Director

Mr. S. Palihawadana - Deputy Chairman