

ANNUAL REPORT

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KELSEY DEVELOPMENTS PLC

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Vision

To be the
Trusted Leader
Creating Better Built Environments

Mission

To convert our clients' architectural needs and desires to conceptual designs and constructively develop them into reality, as a valuable return on investment, through a committed team, whilst ensuring optimal returns to shareholders

Our values

- » Integrity
 - » Mutual Respect
 - » Accountability
 - » Performance Driven Culture
 - » Meritocracy
 - » Teamwork
-

Who we are

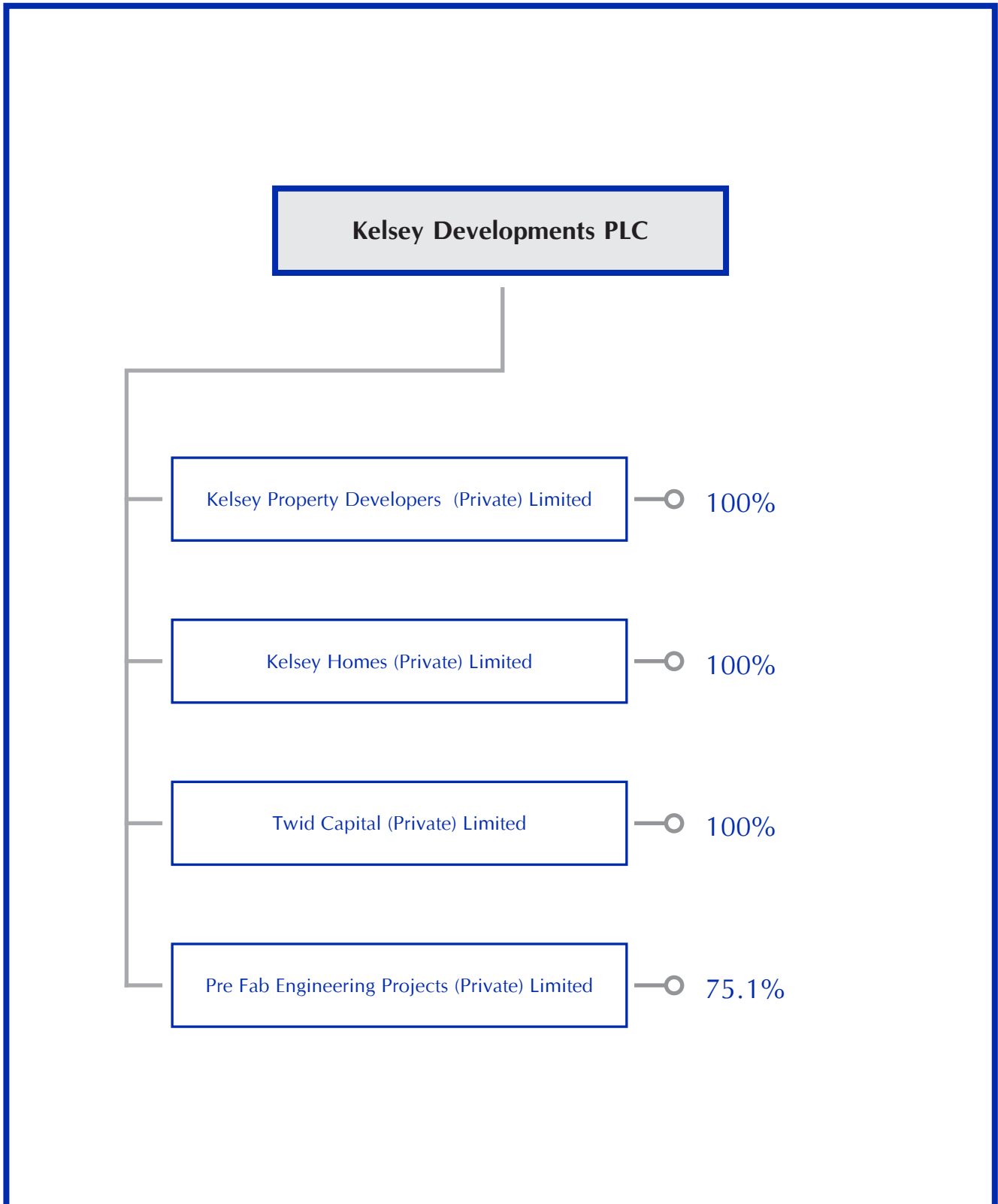
Incorporated in 1983, Kelsey Developments PLC (Kelsey or the Company) provides specialist operations in real estate development through four subsidiaries, Kelsey Homes (Private) Limited, Kelsey Property Developers (Private) Limited, Pre Feb Engineering Projects (Private) Limited and Twid Capital (Private) Limited (collectively the Group). The Company is listed on the Colombo Stock Exchange (CSE) since 1984 and trades under the ticker code KDL.

Pooled expertise and resources are integral to our offering which covers the full client service spectrum from land acquisition and sale to the design and development of gated communities and apartments.

The Kelsey signature is an iconic expression of modern spaces complete with security, comfort and convenience. We offer buyers a range of houses, villas, apartments and lands in highly desirable urban environments.

Active mainly in Colombo and selected rapidly modernising suburbs, Kelsey has completed over 200 projects serving 1,000 satisfied homeowners, creating a considerable portfolio of superior accommodation.

Group Structure



Significant Highlights

12.57

Net Asset Value Per Share
↑ from 12.26 Last Year

165.55

Price Earnings Ratio
↑ from 20.52 Last Year

02

No of New
↑ Projects Launched

07

No of Total
↑ Projects

Chairman's Statement

“

I am confident that Kelsey, with its strong brand equity, diversified portfolio and solid business fundamentals, is well equipped to benefit from an improved and favourable outlook for Sri Lanka's property market in the year ahead and beyond.

”

Dear Shareholder

It is with pleasure that I present you this Report and Financial Statements of the Company for 2016-2017 the year just concluded.

As the new Chairman of Kelsey Developments PLC, may I first express sincere appreciation to the outgoing Chairperson, Mrs. Manjula Mathews for her visionary leadership that steered the way for Kelsey to be what it is today – the hallmark of gated living solutions in Sri Lanka. I am honoured to take the reins from her, and in doing so assure you of my best intentions to deliver on the vision your Company has committed itself to.

In presenting to you the Annual Report and Financial Statements of Kelsey Developments PLC for the year ended 31 March 2017, I would like to begin by stating that through a combination of prudent capital management and strict cost control, your Company tabled good results for the year.

Key Financial Highlights

Managing an Inventory Portfolio of Rs. 1.8Bn, as at 31 March 2017, Kelsey Developments PLC reported Profit after Tax of Rs. 2.2 Mn for the year under review. Though miniscule considering the expectations we had, it is still commendable in the light of the very difficult environment within which we had to proceed during the year under review. Our Return on Equity (ROE) for 2016/17 was 0.94%, while Earnings Per Share (EPS) was Rs. 0.3 – both lower than last year and lower than what we anticipated for this year. The Net Asset Value Per Share for the year was Rs.12.57 and the Price Earnings Ratio remained stable at 166 times

Business Environment

We are certainly in the right business sector with a large section of the middle and high income earners still investing in the property market and aspiring for better and more modern living conditions. However, the volatility and resultant uncertainties in the macro-economic environment, have contributed to a certain degree of vasillation in the decision making process. Compounding this situation, the anticipated changes to the tax structures; did not help to expedite decision making on housing investments. We are hopeful, more constructive, predictable and conducive that the economic environment will blossom in the years ahead.

Business Strategy

Our underlying strategic thrust remained the same this year too where, we continued to manage our land portfolio to generate returns in line with our benchmarked 5-year ROA.

We pursued new opportunities to acquire land in areas where there is a high demand for residential living space. Given that our value proposition is one that promotes affordable luxury, we continued to focus our efforts on properties in greater Colombo and its suburbs.

Progress on Existing Projects

We made good progress on our project pipeline. In the Templer's Square project, 39 new houses were handed over to their owners during the year. I am happy to report that of the total of 94 houses, 81 have now been handed over to their owners.

The Verdant Villa's project in Negombo was also on track, with the fragmentation approvals being secured and the common amenities, road network and the club house; all being completed on schedule during the year. We also completed the two model houses, which were made available

for viewing with effect from the December 2016 launch.. The launch of the model houses has continued to attract tremendous interest from the public, which I see as an encouraging sign for the future prospects of the project.

In March 2017, we announced the launch of 'Riverside – Bollegala' a gated property within minutes of Kelaniya and Biyagama Towns. The proposed project located on a 7.4-acre land offers 24 unique plots, 16 of which border the Kelani River, giving their owners the unique and much sought-after waterfront living experience.

Strategic Diversification

Meanwhile, quick to capitalise on the rising demand for vertical living spaces, we began preliminary work on two condominium projects. The first project was the proposed construction of a 4-storey apartment complex in Elakanda, Wattala with 16 units for middle income sector at unit prices beginning at Rs.15Mn. The second; a proposed 9-level structure located on 1st Cross Street, off Templers Road in Mount Lavinia consisting of 62 apartments, with a 70:30 spread of 3 and 2 bedroom units, at a starting price of Rs.17.5 Mn per unit.

Operational Developments

While Kelsey remains the vanguard in gated living, we believe the only way we can stay ahead is by increasing our stronghold in the market. As part of this effort, Kelsey Developments PLC acquired 75.1% controlling stake in Pre Fab Engineering Projects (Private) Ltd., a specialised construction company, in September 2016. I expect this acquisition to bring considerable business synergies that would greatly complement our operations in the long term. We also set up Twid Capital (Private) Ltd, in April 2016 in order to further support the growth of the core business.

Stewardship and Governance

The stewardship and governance of your Company continue to be key priorities for the Board. The Board provides leadership to ensure proper execution of strategies, effective risk management and good governance practices, to safeguard shareholders' interests and the Group's assets.

In doing so, we are guided by the Code of Best Practice on Corporate Governance jointly issued by The Institute of Chartered Accountants of Sri Lanka, The Securities and Exchange Commission of Sri Lanka and The Colombo Stock Exchange.

The Board also understands the importance of setting the right culture and has put in place policies and practices to ensure the core values of Integrity, Mutual Respect, Accountability, Performance-driven culture, Meritocracy and Team Work; are successfully disseminated to all employees. As part of our commitment, we continue to provide our employees with opportunities for both personal and professional development and growth.

Future Outlook

With many of the projects in our pipeline coming into fruition in the next few years, our focus for the medium term would be to actively monitor the market and pursue growth opportunities in line with the Company's investment strategy and core business model.

I am confident that Kelsey, with its strong brand equity, diversified portfolio and solid business fundamentals, is well equipped to benefit from an improved and favourable outlook for Sri Lanka's property market in the year ahead and beyond.

Appreciations

I have had the privilege of a very astute, competent and dedicated Board of Directors whose direction and guidance were always valued by me. I will continue to look forward to their engagement in the most appropriate way in the year ahead. Meanwhile, on behalf of the Board, I wish to thank the senior management team and the staff of Kelsey Developments PLC for their commitment in realising corporate aspirations. My gratitude also goes out to our valued customers, bankers, and other business partners for their continued support. In conclusion I wish to thank all our Shareholders for the trust and confidence placed in the Company and request for your continued patronage in the years ahead as well.

(Sgd.)

A.D.E.I. Perera
Chairman

Board of Directors

Eardley Perera

Chartered Marketer

Chairman

Eardley Perera has been a Director of Kelsey Developments PLC since 01 May 2012 and was appointed Chairman of Kelsey Developments PLC with effect from 01 May 2017. He is a Chartered Marketer and a Graduate of the Chartered Institute of Marketing, UK, with over 40 years of experience in management. He has undergone management training in UK, Sweden, South Korea, India, the Philippines and Singapore. He is a member on the Board of Study of the Postgraduate Institute of Management, University of Sri Jaywardenepura and is actively engaged in management education and consultancy.

Other principal appointments

Non-Executive Director: *First Capital Holdings PLC and subsidiaries, Dunamis Capital PLC and subsidiaries, Premier Synthetic Leather Manufacturers (Private) Limited, Janashakthi Insurance PLC, Janashakthi General Insurance Limited, Janashakthi PLC, Sting Consultants (Private) Limited, Brand Finance Lanka (Private) Limited, MAS Tropical Foods (Private) Limited, RIL Properties (Private) Limited.*

Manjula Mathews

MBA (Cantab), FCMA (UK)

Chairperson (Retired w.e.f. 30 April 2017)

Manjula Mathews who retired from the role of Chairperson of the Kelsey Developments PLC with effect from 30 April 2017 has a strong managerial and financial background inclusive of multi-sector investment and tactical initiatives spanning 25 years.

Manjula executed a range of transactions including change of control, capital raising, turnaround, restructuring and joint ventures. Kelsey Developments PLC benefited from her leadership and value addition in several key areas.

She is a Fellow Member of the Chartered Institute of Management Accountants of UK and holds a Master's degree in Business Administration from the University of Cambridge, UK.

Other principal appointments

Non-Executive Director: *Janashakthi Insurance PLC, Janashakthi General Insurance Limited, Habitat for Humanity Sri Lanka.*

Dinesh Schaffter

LLB (Hons), Executive MBA (INSEAD), ACMA(UK)

Managing Director

Dinesh Schaffter serves as the Managing Director of Kelsey Developments PLC and its subsidiaries. He has a finance background with managerial, investment and deal-making expertise of over 25 years. He has executed a range of transactions focused on change of control, capital formation and capital market strategy. These include M&A, debt and equity offerings, restructuring and business valuations.

He is an Associate Member of The Chartered Institute of Management Accountants of UK. He also holds a Bachelor of Laws (Honours) Degree from UK and an Executive Master of Business Administration from INSEAD, France.

Other principal appointments

Managing Director: First Capital Holdings PLC, Dunamis Capital PLC.

Chandana L. de Silva

BSc(Lond), FCA (England & Wales), FCA (SL)

Independent Non-Executive Director

Chandana de Silva brings 25 years of managerial, financial and strategic acumen. He has held several senior management positions including that of Chief Financial Officer for Level (3) Communications in Europe, a NASDAQ quoted company, from 2000 to 2002 and Head of Financial Planning for British Telecommunications PLC from 1996 to 1999. Since moving back to Sri Lanka in 2002 he worked for MAS Holdings in a variety of roles and established its Supply Chain Management function, set up the MAS training center and was the Chief Executive Officer of the MAS Investment Division from 2008 to 2011. He currently serves as a management consultant to clients in the investment, manufacturing, property development and IT sectors and promotes competency development in negotiation and influencing skills and team development.

Chandana is a Fellow Member of the Institute of Chartered Accountants in England and Wales and in Sri Lanka. He holds a Bachelor of Science in Mathematics and Management from the University of London, UK.

Other principal appointments

Non-Executive Director: First Capital Holdings PLC and subsidiaries, Dunamis Capital PLC, Premier Synthetic Leather Manufacturers (Private) Limited, Eureka Technologies (Private) Limited, 24/7 Techies (Private) Limited, Sea-Change Partners Lanka (Private) Limited, Bairaha Farms PLC.

Annual Report of the Board of Directors

The Directors present to the members their 34th Annual Report together with the Audited Financial Statements of the Company and the Group for the year ended 31 March 2017.

These Financial Statements were approved by the Board of Directors on 09 August 2017.

Directors' Responsibility for Financial Reporting

The Directors' responsibility in relation to the Financial Statements is detailed on page 10.

Legal Status

Kelsey Developments PLC was incorporated in 1983 under the provisions of the Companies Act No.17 of 1982 and reregistered under the Companies Act No. 7 of 2007 on 05 September 2007. In 1984, the Company was listed on the Colombo Stock Exchange.

Principal Activities

The principal activities of the Group are the construction, development and sale of quality residential houses and apartments and the development and sale of land plots.

Review of Operations

A review of the operations of the Company during the financial year and the results of those operations are contained in the Chairman's Statement on pages 4 to 5 of the Annual Report. This report forms an integral part of the Directors' Report.

Financial Results

The Group's net profit after tax was Rs. 2.2Mn compared with a net profit after tax of Rs. 54.3Mn in the previous year. The Financial Statements of the company are set out in pages 26 to 53 of the Annual Report.

Risk and Internal Control

The Board of Directors has satisfied itself that there exists an effective and comprehensive system of internal controls to monitor, control and manage the risks to which the Company is exposed to carry on its business in an orderly manner, to safeguard the assets and to secure as far as possible the reliability and accuracy of the records. A Risk Management report is included on pages 19 to 22.

Corporate Governance

The Directors of the Company are responsible for the application of corporate governance principles as detailed on pages 12 to 15 of this report.

Significant Accounting Policies

The accounting policies adopted in preparation of the Financial Statements are given on pages 30 to 37. There were no changes in the accounting policies adopted during the year under review.

Directorate

The following were the Directors of the Company as at 31 March 2017.

1. Mr. A.D.E.I. Perera
2. Ms. Manjula Mathews
3. Mr. Dinesh Schaffter
4. Mr. Chandana de Silva

The profiles of the Directors are given on page 6 to 7 of the Annual Report and Directors shareholding as at 31 March 2017 and 2016 were as follows:

	No. of shares 2017	No. of shares 2016
1. Mr. A.D.E.I. Perera	Nil	Nil
2. Ms. Manjula Mathews	222,700	222,700
3. Mr. Dinesh Schaffter	395,899	395,899
4. Mr. Chandana De Silva	Nil	Nil

Directors Interests

During the accounting period under review, an Interests Register was 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 of the said Act.

Income Tax Expenses

Income tax expenses have been computed at the rates given in Note 22 to the Financial Statements.

Capital Expenditure

Details of property, plant & equipment and their movements during the year are given in Note 3 to the Financial Statements.

Reserves

There were no material transfers to or from reserves during the financial year as disclosed in Notes 10 and 11 to the Financial Statements.

Stated Capital

The stated capital of the Company as at 31 March 2017 was Rs. 232,390,325 consisting of 17,429,274 Ordinary shares. The movements in profits and reserves are given in the Statement of Changes in Equity on page 28 to the Financial Statements.

Share Information & Substantial Shareholders

As at 31 March 2017, there were 1,054 registered shareholders. Share information and the twenty largest shareholders as at 31 March 2017 are given on page 56 to 57 of the Annual Report. Information relating to earnings, dividends, net assets per share and market value of a share are given under "Decade at a Glance" on page 59. Information on share trading is stated under "Investors' Information" on pages 56 to 58 of the Annual Report.

Related Party Transactions

Related Party Transactions are reviewed by the Related Party Transaction Committee and are detailed in Note 29 to the Financial Statements.

Corporate Donations

During the year, the Group did not make any donations to charity.

Statutory Payments and Compliance With Laws And Regulations

The Directors to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to employees have been made and the Group has not engaged in any activities contravening laws and regulations.

Human Resources

The Group is committed to provide equal opportunities to all employees. It is the company's policy to give full and fair consideration to persons with respect to applications for employment, continued employment, training, career development and promotion, having regard to each individual's particular aptitude and abilities.

There were no material issues pertaining to employees and industrial relations pertaining to the company that occurred during the year under review which needs to be disclosed.

The Chairman's Statement provides further information with regard to human resources.

Going Concern

The application and non-application of the going concern basis is more fully described in Note 2.1.3 on pages 31.

Events occurring after the reporting date

Events after the balance sheet date have been disclosed in Note 26 on page 51 of the Financial Statements.

Independent Auditors

The Company's Auditors during the period under review were Messrs Ernst & Young, Chartered Accountants. The fees paid to Auditors are disclosed in Note 21 on page 49 of the Financial Statements.

Based on the declaration from Messrs Ernst & Young, and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company or its subsidiaries other than those disclosed in the above paragraph. Messrs Ernst & Young, Chartered Accountants, have expressed their willingness to continue in office as auditors of the Company for the ensuing year.

Independent Auditor's Report

The Independent Auditor's Report on the Financial Statements is given on pages 24 and 25 of the Annual Report.

(Sgd.)

A.D.E.I. Perera
Chairman

(Sgd.)

Dinesh Schaffter
Managing Director

(Sgd)

K H L Corporate Services Limited
Secretaries

Statement of Directors' Responsibility

Set out below are the responsibilities of the Directors in relation to the Financial Statements of the Company.

The Directors are responsible for ensuring that the Company and its subsidiaries maintain proper accounting records of all the transactions, and prepare Financial Statements that give a true and fair view of the state of affairs of the Company at reporting date and of the profit or loss for the year ended on that reporting date in accordance with the Companies Act No. 07 of 2007. The Directors are required to prepare these accounts on a Going Concern basis unless it is not appropriate.

The Financial Statements of the Company and the Group have been certified by the Finance Manager of the Company who is responsible for the preparation of Financial Statements as required by the Act. The Financial Statements have been signed by two Directors on 09 August 2017 in accordance with Section 150 (1) (c) and 152 (1) (c) of the Companies Act.

Directors are also responsible for ensuring that proper accounting records which correctly record and explain the Company's transactions and also determine the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of Financial Statements and further enabling the Financial Statements to be readily and properly audited, in accordance with the Section 148 (1) of the Act. The Directors have therefore caused the Company and its subsidiaries to maintain proper books of accounts and regularly review financial reports at their meetings. The Board also reviews and approves all interim Financial Statements prior to their release.

The Board of Directors accepts the responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that the Financial Statements have been prepared using appropriate accounting policies on a consistent basis and appropriate estimates and judgements have been made to reflect the true substance and form of transactions.

The Financial Statements of the Company for the year ended 31 March 2017 are in conformity with the requirements of Sri Lanka Accounting Standards (LKAS/SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL).

Directors have taken reasonable measures to safeguard the assets of the Company and its subsidiaries and to prevent and detect frauds and other irregularities. In this regard, the Directors have laid down effective and comprehensive internal control systems.

The Directors further confirm that after considering the financial position, operating conditions and regulatory and other factors, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future and that the Going Concern basis is the most appropriate in the preparation of these Financial Statements.

(Sgd.)

K H L Corporate Services Limited

Secretaries

9 August 2017

Corporate Governance

The Directors acknowledge their responsibility for the Company's Corporate Governance and the need to ensure the highest standards of accountability to all stakeholders.

Kelsey Developments PLC is fully committed to the principles of good governance and recognises that good Corporate Governance is the corner-stone of a successful organisation.

The Company is committed to act with integrity, transparency and fairness in all of its dealings, and considerable emphasis is placed by the Board on the development of systems, processes and procedures to ensure the maintenance of high standards throughout the organisation.

Board Composition and Independence

The Board comprises of two Non-Executive Independent Directors and one Executive Director all of whom possess a broad range of skills and experience across a range of industries and functional areas. Detailed profiles of each member of the Board are provided in a separate section of this Annual Report (pages 6 to 7).

The Independence of the Directors are measured in accordance with the Colombo Stock Exchange Rules and the Independent Non- Executive Directors have submitted signed confirmation of their Independence.

The Board meets frequently in order to ensure the effective discharge of its duties. Formal board meetings were held five times during the year and performance review meetings were held monthly at which a majority of directors were present.

Board Responsibilities

The Directors are responsible for the formulation of the Company's business strategy and in ensuring the existence of an adequate risk management framework. The Non-Executive Directors bring independent judgement to bear on issues of strategy and performance. The Board is satisfied with the effectiveness of the system of internal control in the Company for the period up to the date of signing the Financial Statements.

The Board carries responsibility for ensuring that the senior management team possesses the relevant skills and expertise required in the management of the Company and that a suitable succession planning strategy is in place. Directors also ensure adherence to laws and regulations pertaining to the functioning of the organisation. The Head of Risk and Compliance functions as the Compliance Officer to ensure compliance with all regulatory and statutory requirements and proper reporting of all compliance matters to the Board.

The Board reviews strategic and operational issues, approves interim and annual Financial Statements and annual budgets, assesses performance and ensures compliance with all statutory and regulatory obligations. Members of the Board are expected to attend the Annual General Meeting of shareholders, Board and review meetings. Material is provided to members of the Board well in advance of scheduled meetings to allow adequate time for review and familiarisation and to facilitate decision making at meetings.

Necessary advice and guidance is provided to the senior management team at monthly performance review meetings which provide an opportunity to evaluate progress and ensure accountability of the senior management team.

A strong focus on training and career development has created a committed and empowered workforce who continue to generate value and drive the Company towards high standards of achievement.

Board Balance

The balance of Executive, Non-Executive and Independent Non-Executive Directors on the Board who are professionals / academics / business leaders holding senior positions in their respective fields ensures a right balance between executive expediency and independent judgement as no individual Director or small group of Directors dominate the Board discussion and decision making.

Directors are provided with monthly reports of performance and minutes of the Board Meetings and are given the specific documentation necessary, in advance of such meetings.

Corporate Governance Contd.

There is a distinct and clear division of responsibilities between the Chairman and the Management to ensure that there is a balance of power and authority. The roles of the Chairman and the Management are separated and clearly defined. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Management has overall responsibilities over the operating units, organisational effectiveness and implementation of Board policies and decisions.

Appointment and Re-election of Directors

The Company's Articles of Association call for one third of the Non-Executive Directors retire at each Annual General Meeting and the Director who retires are those who have served for the longest period after their appointment / re-appointment.

Board Committees

To assist the Board in discharging its duties various Board Committees are established. The functions and terms of references of the Board Committee are clearly defined and where applicable, comply with the recommendation of the Code of Best Practice on Corporate Governance.

Audit Committee

The Report of the Audit Committee is presented on pages 16 to 17 and the duties of the Committee are included therein.

Related Party Transactions Review Committee

The Report of the Related Party Transactions Review Committee is presented on page 18 and the duties of the Committee are included therein.

Remuneration Committee

Composition of the Committee, mandate of the Committee, other details are shown on Page 14.

Relationship with Shareholders

The Board considers the Annual General Meeting as a prime opportunity to communicate with shareholders. The Shareholders are given the opportunity of exercising their rights at the Annual General Meeting. The notice of the Annual General Meeting and the relevant documents required

are published and sent to the shareholders within the statutory period. The Company circulates the agenda for the meeting and shareholders vote on each issue separately.

All shareholders are invited and encouraged to participate at the Annual General Meeting. The Annual General Meeting provides an opportunity for shareholders to seek and obtain clarifications and information on the performance of the Company. The external Auditors are also present at the Annual General Meeting to render any professional assistance that may be required. Shareholders who are not in a position to attend the Annual General Meeting in person are entitled to have their voting rights exercised by a proxy of their choice.

The Company published quarterly accounts in a timely manner as its principle communication with shareholders and others. This enables stakeholders to make a rational judgement of the Company.

Internal Audit and Control

The Board is responsible for the Company's internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing great discipline on decision making. It covers all controls, including financial, operational and compliance control and risk management. It is important to state, that any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time.

The selected subsidiaries of the Group obtain the services of an independent, a leading professional accounting firm other than the statutory auditors to carryout internal audits and reviews. These reports along with management comments are discussed with the Audit Committee and with the Board. Further at each meeting, follow up issues from the previous meeting are also discussed in order to make sure implementation of appropriate policies and procedures as a prevention mechanism.

External Audit

The Company engages the services of an independent external auditor to conduct an audit and obtain reasonable assurance on whether the Financial Statements and relevant disclosures are free from material misstatements. The independent auditors directly report their findings to the Audit Committee which has the oversight responsibility of Financial Statement integrity and the reporting process.

Messrs Ernst & Young is the External Auditor of the Company. External Auditor would not engage in any services which may compromise the independence of the Auditor. All services have been provided with the full knowledge of the Audit Committee and are assessed to ensure that there is no compromise on the independence of the External Auditor.

The Company conducts a performance appraisal of the External Auditors on an annual basis. Based on the evaluation results the Committee proposes the appointment of the external auditors to the Board for endorsement and approval of the shareholders. The endorsement is submitted to the stockholders for approval at the Annual General Meeting (AGM). The representatives of the independent auditors are expected to be present at the AGM and have the opportunity to make a statement on the Company's Financial Statements and results of operations if they desire to do so. The auditors are also expected to be available to respond to appropriate questions during the meeting.

There were no disagreements with the Company's independent auditors on any matter of accounting principles or practices, Financial Statement disclosures, or auditing scope or procedures in the period under review.

Company Secretaries

Messrs KHL Corporate Services Limited serve as the Company Secretaries for Kelsey Developments PLC. The Company Secretaries ensure compliance with Board procedures, the Companies Act, Regulations of the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange. The Company Secretaries keep the Board informed of relevant new regulations and requirements.

Going Concern

The Directors, upon making necessary inquiries and reviews including reviews of the Group budget for the following year, capital available financing facilities, have a reasonable expectation of the Company's existence in the foreseeable future. Therefore, the going concern basis is adopted in the preparation of the Financial Statements.

The Company's commitment with respect to the Listing Rules issued by the Colombo Stock Exchange following directions, code and rules are summarised below;

Company's adherence to the Corporate Governance Rules as required by Section 7.10 of the Listing Rules of the Colombo Stock Exchange:

	CSE Rule	Status of Compliance	Details/Reference
7.10.1 Non-Executive Director (NED)			
a./b./c.	At least 2 members or one third of the Board, whichever is higher should be NEDs as at the conclusion of immediately preceding AGM. Any change to this ratio should be rectified within 90 days.	Complied	Two out of three Directors are NEDs.
7.10.2 Independent Directors			
a.	At least 2 or one third of the NEDs, whichever is higher shall be independent.	Complied	Two out of two Non-Executive directors are determined to be independent.

Corporate Governance Contd.

b.	Each NED should submit annually a signed and dated declaration of his/her independence or non-independence.	Complied	All NEDs have submitted their confirmations on independence as per the criteria laid down in the listing rules.
7.10.3 Disclosures Relating to Directors			
a./b.	The Board should determine the independence or otherwise of the NEDs and disclose in the annual report the names of the NEDs determined to be 'independent'.	Complied	Profile of Directors in pages 6 to 7.
c.	A brief resume of each Director with information on his/her area of expertise should be included in the annual report.	Complied	
d.	Upon appointment to the Board, a brief resume of the new director should be provided to the exchange for dissemination to the public.	N/A	
7.10.5 Remuneration Committee			
a.1	Remuneration committee should comprise at least 2 independent NEDs or more than 2 NEDs majority of whom shall be independent.	Complied	The Remuneration Committee consists of two independent Non-Executive Directors namely, Mr. Eardley Perera and Mr. Chandana de Silva.
a.2	One NEDs shall be appointed as chairman of the committee by the Board of Directors.	Complied	Mr. A.D.E.I. Perera functions as the Chairman of the committee. The committee functions with delegated authority from the Board and is responsible for setting the Company's remuneration policy and ensuring its continued ability to attract and retain high caliber candidates.
b.	Remuneration committee shall recommend the remuneration of the CEO and Executive Directors to the Board.	Complied	The Company bases remuneration on both individual and company performance whilst paying due regard to staff retention.
c.	The Annual Report should include the names of the Remuneration committee members, a statement of remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	Complied	The aggregate remuneration paid to the Directors is given in the Note 29.2 to the Financial Statements.

7.10.6 Audit Committee			
a.1	Audit Committee should comprise at least 2 independent NEDs or more than 2 NEDs majority of whom shall be independent.	Complied	Audit Committee Report on pages 16 to 17.
a.2	One NEDs shall be appointed as Chairman of the committee by the Board of Directors.	Complied	
a.3	CEO and the Finance Manager shall attend the Audit Committee meetings.	Complied	
a.4	The Chairman of the Audit Committee or one member should be a member of a recognised professional accounting body.	Complied	
B. Functions of the Audit Committee			
b.1	Overseeing the preparation, presentation of the Financial Statements and adequacy of disclosures in accordance with Sri Lanka Accounting Standards.	Complied	
b.2	Overseeing the compliance with financial reporting requirements and information requirements as per laws and regulations.	Complied	
b.3	Overseeing the processes to ensure internal controls and risk management functions are adequate to meet the requirements of Sri Lanka Auditing Standards.	Complied	
b.4	Assessing the independence and performance of the external auditors.	Complied	
b.5	Making recommendations to the Board pertaining to appointment or reappointment or removal of external auditors and to approve their remuneration and terms of engagement.	Complied	
C	The annual report should include the names of the audit committee members, the basis for the determination of the independence of the external auditors and a report of the Audit Committee setting out the manner of compliance with the above requirements during the specified period.	Complied	

Audit Committee Report

Composition

As permitted under Section 7.10.6 of the Listing Rules of the Colombo Stock Exchange the Audit Committee of the parent, Dunamis Capital PLC functions as the Audit Committee of Kelsey Developments PLC. It is comprised of two Independent Non-Executive Directors of the Company and is chaired by Mr. Chandana de Silva. The other member of the Board appointed Audit Committee is Mr. A.D.E.I. Perera.

Brief profiles of the members of the Board appointed Audit Committee are given on pages 6 to 7 of the Annual Report.

Meetings

Five Audit Committee Meetings were held during the year under review. The attendance at the meetings were as follows:

Name of Director	Executive/Non-Executive/ Independent Non-Executive	Attendance
Mr. Chandana De Silva	Independent Non-Executive	5/5
Mr. A.D.E.I. Perera	Independent Non-Executive	4/5

The Chairperson, Managing Director, Chief Executive Officer, Finance Manager, Risk and Compliance Officers, External Auditors and Internal Auditors have attended the meetings by invitation. The proceedings of the Audit Committee meetings are reported to the Board of Directors on a regular basis.

Functions

The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities, primarily through:

- Overseeing Management's conduct of the Group's financial reporting process and systems of internal accounting and financial controls;
- Monitoring the independence and performance of the Group's external auditors; and
- Providing an avenue of communication among the external auditors, internal auditors, Management and the Board.

Financial Reporting System

The Committee reviewed the financial reporting system adopted by the Company with particular reference to the following;

- The preparation, presentation and adequacy of the disclosures in the Company's annual and interim Financial Statements in accordance with the Sri Lanka Accounting Standards, the Companies Act No. 7 of 2007 and other applicable statutes.
- The underlying rationale and basis for the significant estimates and judgements to the Financial Statements.

Internal Audit

The Committee monitors the effectiveness of the Internal Audit function of the company and is responsible for approving their appointment or removal and for ensuring they have adequate access to information required to conduct their audits.

The internal audit function has been outsourced to Messrs. B R De Silva & Company, a firm of Chartered Accountants.

The Audit Committee has agreed with the Internal Auditors as to the frequency of audits to be carried out, the scope of the audit and the areas to be covered and the fee to be paid for their services.

During the year under review, the audit committee has met the Internal Auditors to consider their reports, Management responses and matters requiring follow up on the effectiveness of internal controls and audit recommendations.

External Audit

External Auditors' management letters pertaining to the previous year's audit and the Management's response thereto were discussed during the year. Follow up actions taken by the management to ensure that the recommendations contained in the Management letter were implemented was reviewed. Further, the draft annual Financial Statements for 2016/17 were also reviewed with the External Auditors prior to release.

The fees payable to the auditors have been recommended by the committee to the Board for approval.

Based on the declaration from Messrs Ernst & Young, and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company or its subsidiaries other than those disclosed in the above paragraph.

The Audit Committee also recommended to the Board of Directors that Messrs Ernst & Young be reappointed as Auditors for the financial year ending 31 March 2018, subject to the approval of the shareholders at the Annual General Meeting.

Conclusion

The Audit Committee is of the view that adequate controls are in place to safeguard the Company's assets and to ensure that the financial position and the results disclosed in the Audited Accounts are free from any material misstatements.

(Sgd.)

Chandana De Silva

Chairman – Audit Committee

9 August 2017

Colombo

Related Party Transactions Review Committee Report

Composition of the Committee

As permitted under Section 9.2.3 of the Listing Rules of the Colombo Stock Exchange, the Related Party Transactions Review Committee of Dunamis Capital PLC functions as the Related Party Transactions Review Committee of Kelsey Developments PLC. Related Party Transactions Review Committee was appointed by the Board of Directors of the Company and reports directly to the Board. The Committee consists of three (3) members with a combination of two Independent Non-Executive Directors and one Executive Director. The members of the committee as at 31 March 2017 are:

Mr. A.D.E.I. Perera – Independent Non-Executive Director (Chairman)
Mr. Chandana de Silva – Independent Non-Executive Director
Mr. Dinesh Schaffter – Managing Director

The Company Secretary acts as the Secretary to the Committee

Scope

The Related Party Transactions Review Committee (RPTRC) was formed by the Board to assist the Board in reviewing all Related Party Transactions (RPT) carried out by the Company.

The mandate of the Committee includes inter-alia the assurance of the following:

- Developing and recommending for adoption by the Board of Directors of the Company and its listed subsidiaries; a Related Party Transactions Policy consistent with that proposed by the CSE.
- Making immediate market disclosures on applicable Related Party Transactions, as required by Section 9 of the Continuing Listing Requirements of the CSE.
- Making appropriate disclosures on Related Party Transactions in the Annual Report, as required by Section 9 of the Continuing Listing Requirements of the CSE.

Policies and Procedures

The Company has adopted a Related Party Transactions (RPTs) Policy in view of structuring the Company's policies and procedures to uphold good governance and in the best interest of the Company.

The Committee adopted policies and procedures for,

- (a) reviewing the Related Party Transactions at each quarterly meeting,
- (b) identifying and reporting on recurrent and non-recurrent transactions,

to be in line with the applicable CSE Rules.

Meetings

The Committee held four meetings on a quarterly basis during the year under review. Proceedings of the committee meetings were regularly reported to the Board of Directors.

During the year under review:

During the financial year under review, there were no non-recurrent or recurrent Related Party Transactions that exceeded the thresholds that require immediate market disclosure or shareholder approval, as required under Section 9 of the Continuing Listing Requirements of the CSE.

Details of other Related Party Transactions are given in Note No. 29 to the Financial Statements on pages 52.

(Sgd.)

A.D.E.I. Perera
*Chairman – Related Party
Transactions Review Committee*

9 August 2017
Colombo

Risk Management

Risk Management

Kelsey Developments PLC and its subsidiaries operate in the real estate industry segment of the economy transferring land to aesthetically pleasing and environment friendly living spaces. Considering the risk factors associate with managing this unique asset class, Board of Directors have embedded the risk management process to the corporate strategy of the Company/ Group.

The types of risks encountered by the Company in managing highly complex, dynamic, and multi-disciplinary activities of real estate development are varied and broadly categorised as Strategic, Operational, Financial and Regulatory.

Kelsey Developments PLC derives its corporate culture and values from its ultimate parent company Dunamis Capital PLC to manage risks associated through an Enterprise Risk Management process with an oversight of the Board of Directors. The Risk appetite, the degree of uncertainty that the Company is willing to accept has been determined by the Board and reflected in the Company strategy and corporate goals in order to enhance shareholder value.



Risk Management Process

The Real Estate Developments are projects with several phases namely Land Acquisition, Design and Costing, Regulatory and Local Authority Permissions, Execution and Implementation and finally disposing the developed property. At each of the above phases different risks are identified and measured with the probability of events and impact of loss or gain.

Our approach to risk management is designed to provide reasonable, but not absolute, assurance that our assets are safeguarded, the risks impacting the business are continuously assessed and mitigated and all information required to be disclosed is reported to the senior management.

Based on the types of risks we encounter and the lessons learnt, we have created a Risk Matrix as shown below,

Risk Matrix

Type of Risk	Mitigation Measure
<p>1. Strategic Risk Strategic risk refers to the losses resulting from uncertainties such as unknown future demand, failure to capitalise on untapped opportunities and inability to execute strategies and objectives.</p> <p>Real Estate Development is a high growth Industry segment in the economy, the strategies to win customers and be ahead of the competition is vital, whilst been alert on a bubble been formed.</p> <p>1.1 Macro-Economic Risk The dynamics of Macroeconomic indicators such as GDP Growth, Per Capita Income, Interest Rate, Inflation, Foreign Reserves, Rate of Exchange and Commodity prices influence the demand for real estate and achieving the strategic objectives.</p>	<p>The Structured risk management approach in developing strategies at every phase of the development cycle has paid off in value creation.</p> <p>The Bi- monthly meetings with the management and monthly performance and review meetings of the Board of Directors have entrenched strategic intent coupled with Risk Management Measures.</p> <p>Early identification of economic, social and political factors affecting the industry through research on the industry segment has enabled the company to counter and mitigate the risk emanating from changes of Macro Economic Indicators.</p>

Risk Management Contd.

Type of Risk	Mitigation Measure
<p>1.2 Project Risk The uncertainties during the tenure of projects will result in failure of strategies and finally project failure.</p> <p>Project failure may occur due to operational and legal issues.</p>	<p>To mitigate project risk, company carries out expert investigations on possible risk factors in land acquisition, regulatory permissions, and method of execution prior to committing on the investment. We acquire and develop lands that meet our hurdle returns in locations where prospective buyers look for contemporary living solutions.</p>
<p>2. Operational Risk Operational Risk is the loss resulting from inadequate or failed processes, systems, people and external events.</p> <p>Operational Risks are categorised under internal and external frauds, Process and system failures, Delivery and execution shortcomings and damage to fixed assets.</p> <p>2.1 People and Retention An ability to attract, develop, motivate, and retain talented employees could have an impact in operational risk.</p> <p>2.2 Legal Risk Legal risks are inherited to Real-estate industry due to the nature of the business. From the time of Land acquisition, signing Sales and Purchase agreement to handing over of the completed project, it goes through a process of preparation and review of Legal documentation.</p>	<p>The process driven operations and people with different skill sets have enabled to minimise the losses arising from operational risks. The procedure manual and Internal controls are properly documented and well explained to all employees through knowledge sharing. Where the probability is low but impact is high, such operational risks are transferred by obtaining adequate insurance covers.</p> <p>The group HR policies and values are in line with self-development of all employees and meeting their expectations of a great place to work.</p> <p>The remuneration committee approves salaries and financial benefits at prevailing market rates.</p> <p>Human safety at work is another priority further strengthened by several insurance covers.</p> <p>The Group's legal department comprise of specialised legal officers who are thorough in handling Legal documents related to real-estate business. They engage and review the whole process from the outset.</p> <p>All contracts with stakeholders are carefully drawn to avoid unforeseen legal battles.</p>

Type of Risk	Mitigation Measure
<p>2.3 System and Information Risk Our operations are increasingly dependent on IT systems and the management of information and consequently a greater emphasis is placed on the need for secure and reliable IT systems and infrastructure and careful management of the information that is in our possession.</p> <p>Disruption of our IT systems could inhibit our business operations in a number of ways, including through disruption of sales, production and cash flows, ultimately impacting our results.</p> <p>2.4 Reputational Risk The Risk of potential earnings due to stake holders taking a negative view of the group due to its action.</p>	<p>The Group's IT policy has been updated to reflect the dynamic changes that are taking place in the global technological environment.</p> <p>We have policies covering the protection of both business and personal information, as well as the use of IT systems and applications by our employees. Our employees are trained to understand and observe these requirements.</p> <p>A comprehensively documented Business Continuity Plan is in place, validated by external consultants and our staff is fully trained in its operation in the event of a disaster.</p> <p>Bi-annual Disaster Recovery drills are conducted and validated by external experts to further enhance the Group's preparedness to face a potential business disruption caused by a disaster to our primary business and data centers.</p> <p>As a real estate developer, we always endeavor to deliver value proposition to our stake holders. Our teams work closely with local authorities, and the neighborhood residents of our project sites.</p> <p>We have a Whistle Blower Policy in place where the employees could report any incident that could ultimately damage Company's reputation. Investigations of such incidents will be carried out by a Non-Executive Director.</p>
<p>3. Financial Risk Financial risk arises in funding projects with sources profitable to the company. Further, Market Risk (Interest rate, Exchange rate and commodity prices), Credit Risk (Receivables) and Liquidity Risk (availability of funds to meet obligations) are part of the financial risk profile.</p>	<p>Finance department with expertise in costing and fund management recommend the source of funding, either equity or debt based on profitability. Further, supplier's credit and prepayments from prospective buyers are used to fund the construction.</p>

Risk Management Contd.

Type of Risk	Mitigation Measure
<p>3.1 Market Risk Interest Rate and the Exchange Rate are factors that affect our cost of funding as well as influence the purchase decisions of the potential customer.</p> <p>Land been a scarce commodity, price of which can be enhanced based on the location and value addition.</p> <p>The prices of building materials move upwards due to inflation as well as demand.</p> <p>Inability to factor above in our costing and pricing of the product affect profitable sales.</p>	<p>Project finance debt is predominantly fixed rate. Where we have exposure to floating rate debt or investments sensitive to interest rates, we utilise financial models enabling simulation and to support informed decisions on the impact of interest rate movements. To manage rate related cost variations, potential interest rate impact is accommodated in the form of a contingency in our cost estimates/pricing.</p> <p>Our experienced land teams have strong market knowledge in the Group's areas of focus.</p> <p>Our strategy is to acquire land opportunistically, where internal criteria for the purchases are met. Each land acquisition is subject to formal internal appraisal and approval processes. Land acquisition is focused on core geographies in Colombo and rapidly urbanising suburbs where the demand fundamentals in the client niche is strong and hence stands the best chance of securing viable planning consent.</p> <p>The Group keeps the financial risk low and maintains liquidity to enable competitiveness when bidding for new land.</p>
<p>3.2 Credit Risk Credit Risk arises from counterparties defaulting on their contractual obligations. The Groups credit exposure comprises of trade receivables.</p> <p>3.3 Liquidity Risk Liquidity Risk refers to the non-availability of funding or funding at unfavourable prices to meet financial obligations.</p>	<p>The Sale and Purchase agreement entered into with customers, expressly sets out aspects including payment schedule, point of title transfer and actions to be taken in view of default.</p> <p>The credit risk on cash and cash equivalents is limited due to counterparties being reputed, approved commercial banks.</p> <p>Levels of committed expenditure are carefully monitored against forward sales secured and liquidity facilities available. Overall, a conservative cash administration and funding strategy is in place to mitigate liquidity risk.</p>
<p>4. Regulatory and compliance Risk Changes in the new Government, Local Authority Policies, Environmental Certifications,</p> <p>Corporate Taxation on property development may hinder current operations and expected profitability. Failure to comply to new and existing regulation expose us to regulatory and compliance risk resulting penalties and cancellation of licences.</p>	<p>The effects of changes to Government policies at all levels are closely monitored via a process list driven approach. Representations are made to the Board where appropriate.</p> <p>Our experienced teams are well placed to interpret and implement new regulation at the appropriate time through direct communication across the Group.</p> <p>Detailed policies and procedures are in place in respect of compliance and these are communicated to all staff.</p>

Financial Reports

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Independent Auditors' Report



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TO THE SHAREHOLDERS OF KELSEY DEVELOPMENTS PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Kelsey Developments PLC ("the Company") and the consolidated Financial Statements of the Company and its subsidiaries (Group), which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 26 to 53.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited



Report on Other Legal and Regulatory Requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In our opinion :
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - the Financial Statements of the Company give a true and fair view of the financial position as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards and
 - the Financial Statements of the Company and the Group, comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.

A handwritten signature in black ink, appearing to read 'Ernst & Young', written in a cursive style.

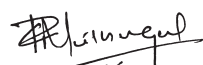
9 August 2017
Colombo

Statement of Financial Position

As at 31 March	Note	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
ASSETS					
Non-Current Assets					
Goodwill on Acquisition	4.1.1.1	26,469,682	-	-	-
Property, Plant and Equipment	3	102,951,373	6,451,662	-	-
Investments in Subsidiaries	4	-	-	301,451,988	111,682,199
Deferred Tax Asset	22.2	-	10,956,691	-	-
		129,421,055	17,408,353	301,451,988	111,682,199
Current Assets					
Inventories	5	1,765,271,084	1,488,036,298	31,534,012	-
Trade and Other Receivables	6	17,319,957	71,097,741	116,419	-
Amounts due from Related Parties	7	3,999,260	-	10,327,689	112,927,218
Income Tax Recoverable		7,712,160	125,151	-	125,151
Cash and Cash Equivalents	8	7,673,782	119,187,600	3,125,467	411,725
		1,801,976,243	1,678,446,790	45,103,587	113,464,094
Total Assets		1,931,397,298	1,695,855,143	346,555,575	225,146,293
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	9	232,390,325	232,390,325	232,390,325	232,390,325
Other Reserves	10	7,500,000	7,500,000	7,500,000	7,500,000
Capital Reserves	11	15,000,000	15,000,000	-	-
Retained Earnings		(35,878,325)	(41,211,521)	27,206,440	(20,442,076)
Shareholders' Fund		219,012,000	213,678,804	267,096,765	219,448,249
Non Controlling Interest	9.1	17,855,603	-	-	-
Total Equity		236,867,603	213,678,804	267,096,765	219,448,249
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	15	375,965,163	-	-	-
Deferred Tax Liability	22.2	858,333	-	-	-
Defined Benefit Obligations	12	7,253,454	5,505,306	5,025,693	4,938,784
		384,076,950	5,505,306	5,025,693	4,938,784
Current Liabilities					
Trade and Other Payables	13	451,511,347	1,246,833,593	15,646,100	379,287
Unclaimed Dividends		350,839	379,973	350,839	379,973
Amounts Due to Related Parties	14	495,956,703	218,013,285	54,599,441	-
Income Tax Payable		6,582,329	11,444,182	3,836,737	-
Interest Bearing Loans and Borrowings	15	247,712,059	-	-	-
Bank Overdraft	8	108,339,468	-	-	-
		1,310,452,745	1,476,671,033	74,433,117	759,260
Total Equity and Liabilities		1,931,397,298	1,695,855,143	346,555,575	225,146,293
Net Assets Per Share		12.57	12.26	15.32	12.59

The Accounting Policies and Notes on pages 30 through 53 form an integral part of these Financial Statements.

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



Prashan Muthugala
Finance Manager

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the Board by:



A.D.E.I. Perera
Chairman



Dinesh Schaffter
Director

Statement of Comprehensive Income

For the year ended 31 March	Note	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Revenue	16	949,016,355	1,016,318,732	-	-
Cost of Sales		(787,483,171)	(865,745,205)	-	-
Gross Profit		161,533,184	150,573,527	-	-
Other Income	17	83,401,993	51,384,362	44,133,768	-
Selling and Distribution Expenses		(35,492,266)	(23,722,107)	-	-
Administrative Expenses		(145,580,719)	(94,077,359)	(814,377)	(1,250,907)
Other Expenses	18	(36,942,510)	(36,264,501)	(1,769,896)	-
Loss on Disposal of Subsidiary	19	-	(570,807)	-	-
Finance Expenses	20.1	(16,587,665)	-	(12,041,109)	-
Finance Income	20.2	2,899,206	7,464,982	22,102,016	-
Profit/(Loss) Before Taxation	21	13,231,223	54,788,097	51,610,402	(1,250,907)
Income Tax Expenses	22	(10,996,261)	(430,866)	(3,961,887)	(60,860)
Profit/(Loss) After Taxation		2,234,962	54,357,231	47,648,515	(1,311,767)
Other Comprehensive Income					
Actuarial (Gain)/ Loss		(112,105)	1,406,870	-	-
Total Comprehensive Income		2,122,857	55,764,101	47,648,515	(1,311,767)
Profit Attributable to :					
Equity Holders of the Parent		5,263,979	54,357,231	-	-
Non Controlling Interest		(3,029,017)	-	-	-
		2,234,962	54,357,231	-	-
Total Comprehensive Income Attributable to:					
Equity Holders of the Parent		5,333,196	55,764,101	-	-
Non Controlling Interest		(3,210,339)	-	-	-
		2,122,857	55,764,101	-	-
Profit/(Loss) Per Share - Basic	23	0.30	3.12	2.73	(0.08)

The Accounting Policies and Notes on pages 30 through 53 form an integral part of these Financial Statements.

Statement of Changes in Equity

Group

For the year ended 31 March	Stated Capital Rs.	Capital Reserves Rs.	Other Reserves Rs.	Retained Earnings Rs.	Shareholders Fund Rs.	Non Controlling Interest Rs.	Total Rs.
As at 1 April 2015	232,390,325	15,000,000	7,500,000	(96,975,622)	157,914,703	-	157,914,703
Profit for the year	-	-	-	54,357,231	54,357,231	-	54,357,231
Other Comprehensive Income	-	-	-	1,406,870	1,406,870	-	1,406,870
As at 31 March 2016	232,390,325	15,000,000	7,500,000	(41,211,521)	213,678,804	-	213,678,804
As at 1 April 2016	232,390,325	15,000,000	7,500,000	(41,211,521)	213,678,804	-	213,678,804
Acquisition of Subsidiary	-	-	-	-	-	21,065,942	21,065,942
Profit for the year	-	-	-	5,263,979	5,263,979	(3,029,017)	2,234,962
Other Comprehensive Income	-	-	-	69,217	69,217	(181,322)	(112,105)
As at 31 March 2017	232,390,325	15,000,000	7,500,000	(35,878,325)	219,012,000	17,855,603	236,867,603

Company

For the year ended 31 March	Stated Capital Rs.	Other Reserves Rs.	Retained Earnings Rs.	Total Rs.
As at 1 April 2015	232,390,325	7,500,000	(19,130,309)	220,760,016
Loss for the year	-	-	(1,311,767)	(1,311,767)
As at 31 March 2016	232,390,325	7,500,000	(20,442,076)	219,448,249
As at 1 April 2016	232,390,325	7,500,000	(20,442,076)	219,448,249
Profit for the year	-	-	47,648,515	47,648,515
As at 31 March 2017	232,390,325	7,500,000	27,206,440	267,096,765

The Accounting Policies and Notes on pages 30 through 53 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 March	Notes	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Cash Flows From Operating Activities					
Profit/(Loss) before Income Tax Expenses		13,231,223	54,788,097	51,610,402	(1,250,907)
Adjustments for					
Depreciation	3	7,445,508	2,158,816	-	-
Loss on disposal of subsidiary			570,807	-	-
Provision for Defined Benefit Obligations		2,203,393	1,993,349	-	468,120
Provision for bad & doubtful debts		-	-	-	-
Reversal of Impairment on investment in Subsidiaries		-	-	(13,317,801)	-
Gain on Sale of Fixed Assets		(2,413,564)	2,576,166	-	-
Interest Income		(2,899,206)	(7,464,982)	(22,102,016)	-
Finance Expenses		16,587,665	-	12,041,109	-
Operating Profit before Working Capital Changes		34,155,019	54,622,253	28,231,694	(782,787)
(Increase)/Decrease in Inventories		(277,141,029)	48,891,959	(31,534,012)	-
(Increase)/Decrease in Trade and Other Receivables		118,905,058	(55,318,681)	(116,419)	2,688
(Increase)/Decrease in Amounts Due from Related Parties		(3,999,260)	1,226,620	17,179,150	978,838
Increase/(Decrease) in Amounts Due to Related Parties		277,943,418	31,013,285	54,599,441	-
Increase/(Decrease) in Trade and Other Payables		(845,941,022)	333,468,501	237,679	46,284
Cash Generated from Operations		(696,077,816)	413,903,937	68,597,533	245,023
Finance Expenses Paid		(15,157,875)	-	(12,041,109)	-
Income Tax Paid		(18,295,892)	(178,894)	-	-
Defined Benefit Plan - Cost Paid		(961,700)	(186,000)	(938,700)	(186,000)
Net Cash From/(Used in) Operating Activities		(730,493,283)	413,539,042	55,617,724	59,023
Cash Flows from/(Used in) Investing Activities					
Acquisition of Property, Plant and Equipment	3	(30,735,290)	(3,722,221)	-	-
Cash loss upon the disposal of Subsidiary		-	(18,288)	-	-
Investment in Subsidiaries		-	-	(75,005,998)	-
Acquisition of subsidiary, net of cash acquired		(87,039,026)	-	-	-
Cash receipts on disposal of fixed assets		4,035,034	-	-	-
Interest Received		2,899,206	7,464,982	22,102,016	-
Net Cash From/(Used in) Investing Activities		(110,840,076)	3,724,473	(52,903,982)	-
Cash Flows from/(Used in) Financing Activities					
Proceeds from Interest Bearing Loans and Borrowings		641,600,000	-	-	-
Repayment of Interest Bearing Loans and Borrowings		(20,000,000)	(320,258,093)	-	-
Leased Capital Repayment		(119,927)	-	-	-
Net Cash Flows from/(Used in) Financing Activities		621,480,073	(320,258,093)	-	-
Net Increase / (Decrease) in Cash and Cash Equivalents		(219,853,286)	97,005,422	2,713,742	59,023
Cash and Cash Equivalents at the beginning of the year		119,187,600	22,182,178	411,725	352,702
Cash and Cash Equivalents at the end of the year	8	(100,665,686)	119,187,600	3,125,467	411,725

The Accounting Policies and Notes on pages 30 through 53 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

Kelsey Developments PLC is a company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No 02, Deal Place, Colombo 03.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were handling investments in subsidiaries and management of subsidiaries., Kelsey Property Developers (Private) Limited, Kelsey Homes (Private) Limited, Twid Capital (Private) Limited and Pre Fab Engineering Projects (Private) Limited.

The principal activities of the subsidiary companies namely Kelsey Homes (Private) Limited, Kelsey Property Developers (Private) Limited and Twid Capital (Private) Limited are construction, development and sale of lands, quality residential houses and apartments. The principal activity of Pre Fab Engineering Projects (Private) Limited is carrying on the business of construction, Engineers, Builders and Projects Managers.

1.3 Parent Enterprise and Ultimate Parent Enterprise

In the opinion of the Directors, the Company's parent, ultimate parent and controlling party is Dunamis Capital PLC, which is incorporated in Sri Lanka.

1.4 Date of Authorisation for Issue

The Financial Statements of Kelsey Developments PLC for the year ended 31 March 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 09 August 2017.

2. GENERAL ACCOUNTING POLICIES

2.1 Statement of Compliance

The consolidated Financial Statements of Kelsey Developments PLC ("the Company") and its subsidiaries ("Group") have been prepared in accordance with Sri Lanka Accounting Standards, as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

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

2.1.1 Basis of Measurement

The Financial Statements have been prepared on a historical cost basis unless otherwise indicated and presented in Sri Lankan Rupees.

2.1.2 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Company and its Subsidiaries as at 31 March 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

1. Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
2. Exposure, or rights, to variable returns from its involvement with the investee
3. The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

1. The contractual arrangement with the other vote holders of the investee
2. Rights arising from other contractual arrangements
3. The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit

balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Companies in the Group, the Group holdings in its subsidiary are listed below,

Company	Holding %
- Kelsey Homes (Private) Limited	100%
- Kelsey Property Developers (Private) Limited	100%
- Twid Capital (Private) Limited	100%
- Pre Fab Engineering Projects (Private) Limited	75.1%

The total profits and losses for the year of the Company and Its Subsidiaries included in consolidation and all assets and liabilities of the Company and Its Subsidiaries included in consolidation are shown in the Consolidated Statement of Profit or Loss, Statement of Comprehensive Income and Statement of Financial Position respectively.

Non controlling interest which represents the portion of profit or loss and net assets not held by the group, are shown as a component of profit for the year in the Statement of Profit or Loss, Statement of Other Comprehensive Income and as a component of equity in the consolidated Statement of Financial Position, separately from parent's shareholders' equity.

The Consolidated Statement of Cash Flow includes the cash flows of the Company and Its Subsidiaries

2.1.3 Going Concern of Subsidiaries

Kelsey Property Developers (Private) Limited

The Financial Statements are prepared on the assumption that the company is a going concern i.e. as continuing in operations for the foreseeable future.

During the year the company generated a net profit of Rs. 10,250,577/- (2016 Net loss - Rs. 3,806,338/-). As at 31 March 2017 the Company's current liabilities exceeded its current assets by Rs. 8,026,312/- (2016 - Rs. 43,167,946/-) and the company had a negative net assets position of Rs. 7,133,833/- (2016 – Rs 41,702,100/). However, the Directors having considered their future plans and strategies are confident of the company's ability to continue as a going concern.

2.2 Significant Accounting Judgements, Estimates and Assumptions

Estimates and Assumptions

The preparation of the Financial Statements of the Group require the management to make judgements, estimates and assumptions, which may affect the amounts of income, expenditure, assets and liabilities at the end of the reporting period. In the process of applying the Groups's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

	Policy	Note
Deferred Tax	2.3.10 (b)	22.2
Inventories – Allowance for Obsolete and Slow Moving Items	2.3.2	5
Trade and Other Receivables	2.3.4 (i)	6
Amounts Due from Related Parties	2.3.4 (i)	7
Impairment – Investments in Subsidiaries	2.3.6	4.1.1
Impairment – Other Investment	2.3.4 (i)	4
Going concern of subsidiaries	2.1.3	-
Amounts Due to Related Parties	2.3.4 (ii)	14

Transfer Pricing Regulations

The Company is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations, necessitated using management judgement to determine the impact of transfer pricing regulations. Accordingly critical judgements and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgements. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

Notes to the Financial Statements Contd.

2.3 Summary of Significant Accounting Policies

The following are the significant accounting policies applied by the Group in preparing its Financial Statements:

2.3.1 Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

The Group provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight line basis over the periods appropriate to the useful lives based on the patterns in which the asset's future economic benefits are expected to be consumed by the Group. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognized. Depreciation does not cease when the asset becomes idle or is retired from active use, unless the asset is fully depreciated.

Asset Type	Useful Life
Motor Vehicles	Over 05 Years
Furniture and Fittings	Over 08 Years
Office Equipment	Over 06 Years
Computer Equipment	Over 05 Years
Plant and Machinery	Over 02-10 Years
Buildings	Over 20 Years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income, when the asset is derecognised.

2.3.2 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the estimated selling price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

Contract work in progress - This cost represents the amounts due from customer for uncertified work and measured at actual cost incurred.

2.3.3 Investments in Subsidiaries

In the parent company Financial Statements non-current investments are stated at cost net of impairment losses which are charged to the comprehensive income.

2.3.4 Financial Instruments – Initial Recognition and Subsequent Measurement

(i) Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as loans and receivables, available-for-sale financial assets, held to maturity or fair value through profit or loss as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, in the case of assets not at fair value through profit or loss.

The Group's financial assets include cash and bank balances, trade and other receivables, amounts due from inter companies and other financial assets.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below :

Trade and Other Receivables

Trade and Other Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are measured at amortised cost using the Effective Interest Rate method (EIR), less impairment. The losses arising from impairment are recognised in the Income Statement.

Derecognition of Financial Assets

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or Group has transferred substantially all the risks and rewards of the asset.

Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. The assets are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to the income statement.

*(ii) Financial Liabilities***Initial Recognition and Measurement**

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities include trade and other payables, loans and borrowings, amounts due to inter companies and other financial liabilities.

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, directly attributable transaction costs.

Subsequent Measurement

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

Interest Bearing Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the Effective Interest Rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Fair Value of Financial Instruments

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

2.3.5 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of the above net of outstanding bank overdrafts.

Notes to the Financial Statements Contd.

2.3.6 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is higher of asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.3.7 Provisions

Provisions are recognised when the Group 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

2.3.8 Post Employment Benefit

a) Defined Benefit Plan – Gratuity

Gratuity is a Defined Benefit Plan. The group annually measures the present value of the promised retirement benefits for gratuity, which is a Defined Benefit Plan. The cost of providing benefits under the defined benefits plan is determined using the projected unit credit method.

Gain or losses arising as a result of changes in assumptions are recognized in Other Comprehensive Income in the period in which it arises.

The Gratuity liability is not externally funded or actuarial valued. These items are grouped under Defined benefit Liability in the Statement of Financial Position.

b) Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.3.9 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, 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 or duty.

Construction and selling of houses

Revenue from construction and selling of houses are recognised, when construction completion, 100% sales proceeds are collected and Certificate of Conformity is obtained.

Sale of Land

Revenue from sale of Land is recognized only when the risk and rewards pertaining to the land is transferred to the customers.

Rendering of Service.

Revenue from rendering of Services is recognized by reference to the stage of completion. Stage of completion is measured by reference to the work certified by Chief Engineer.

Contract Revenue

Contract Revenue and Contract Cost in respect of construction contract, execution of which is spread over different accounting periods is recognized as revenue and expense respectively by reference to the basis of percentage of completion method of the project as of the reporting date. The certification of work completed by contractors is obtained from quantity surveyor at site. For the purpose of revenue recognition. Management recognises revenue based on the certification made by the Quantity Surveyor.

Determination of revenues under the percentage completion method by the Company is based on estimates (some of which are technical in nature) concerning the percentage of completion, which is a proportion of work certified to contract value, cost to completion, expected revenue from the contract and the foreseeable losses of completion.

Foreseeable losses, if any, which are based on technical estimates are provided in the accounts irrespective of the work done.

Interest Income

Interest Income is recognised as the interest accrues, taking into account the effective interest rate of the asset. Interest income is included in finance income in the statement of comprehensive income.

Other Income

Net gains and losses of a revenue nature on the disposal of property, plant and equipment and other assets have been accounted for in the statement of comprehensive income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

2.3.10 Taxation**(a) Current Income Taxes**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred taxation

Deferred income tax is provided, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.3.11 Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition and construction of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset.

2.3.12 Dividend Distributions

The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

2.3.13 Segmental Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segments) or in providing products or services within a particular economic environment (geographical segments) which are subject to risks and rewards that are different from those of other segments.

There are no distinguishable components to be identified as a segment as all operations are treated as one segment.

2.3.14 Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured

Notes to the Financial Statements Contd.

as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.4 Risk Management Policies

Financial Risk Management Policies

The identification and managing of financial risk is an integral part to Group policies. The Group financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of the financial liabilities is to provide support to its business operations. The Group's Statement of financial position includes trade and other receivables and cash and cash equivalents as financial assets.

The Group is exposed to operational risk, credit risk and liquidity risk. The management of the Group has identified the mitigation of these risks and agreed on policies for managing each of these risks which are summarized below:

Operational Risk

Operational risk arises from deficiencies in systems and processes leading to sub-optimal decisions. Key risks arise in regard to the purchase and sale of land and property. Every

prospective purchase is rigorously evaluated to ensure that the projects meet the Group's minimum criteria. Prior to purchase feasibility reports are prepared to evaluate saleability and profitability, comprehensive legal checks are carried out on title, and approvals are obtained from the relevant local authorities.

Interest Rate Risk

It is defined as the probability of income losses arising, owing to a change in interest rates. Management of Interest Rate Risk included the following elements;

- Interest Rate Risk responded through establishing better relationship with financial institutions
- Use of internal fund management models and techniques in order to make informed decisions

Credit Risk

A risk on non-payment of capital and interest by the customer can be identified as a credit risk. An evaluation of the client's ability to pay is carried out and the risk is further mitigated by the title to the property being retained by the Group until payments are settled in full.

Liquidity Risk

In order to ensure that the Group has adequate financial resources to meet its obligations, project borrowings are structured based on an assessment of project turn-around time. Borrowing facilities are in place to meet other short term requirements that may arise from time to time.

2.5 Effects of Sri Lanka Accounting Standards Issued But Not Yet Effective

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements.

(i) SLFRS 9 -Financial Instruments: Classification and Measurement

In December 2014, the CA Sri Lanka issued the final version of SLFRS 9 Financial Instruments which reflects all phases of the financial Instruments project and replaces LKRS 39 Financial Instruments, Recognition and Measurement. The standard introduces new requirements for classification and measurement impairment, and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 01 January 2018, with early application permitted. Retrospective application is required. But comparative information is not compulsory.

The adoption of SLFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

(ii) SLFRS 15 -Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. This standard is effective for the annual periods beginning on or after 01 January 2018.

The Group will adopt these standards when they become effective. Pending the completion of a detailed review, the financial impact is not reasonably estimable.

The Company will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.

(iii) SLFRS 16 - Leases

SLFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases- Incentives; and SIC 27 evaluating the substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

The following amendments and improvements are not expected to have a significant impact on the Company's Financial Statements.

(iv) LKAS 7 Disclosure Initiative – Amendments to LKAS 7

The amendments to LKAS 7 Statement of Cash Flows are part of the CA Sri Lanka's disclosure initiative and require an entity to provide disclosures that enable users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the

amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Company.

(v) LKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to LKAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

(vi) SLFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to SLFRS 2

CA Sri Lanka issued amendments to SLFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company is assessing the potential effect of the amendments on its Financial Statements.

Notes to the Financial Statements Contd.

3. PROPERTY, PLANT & EQUIPMENT**Group**

	Land & Building Rs.	Motor Vehicles Rs.	Computer Equipment Rs.	Furniture Fixtures and Fittings Rs.	Office Equipment Rs.	Plant and Machinery Rs.	Leasehold Assets Rs.	Total Rs.
Cost								
As at 1 April 2016	-	4,231,801	9,166,362	57,474	687,701	-	-	14,143,338
Through acquisition of subsidiary	75,000,000	291,717	138,124	870,085	110,799	2,380,781	1,475,000	80,266,506
Additions	-	-	9,240,553	19,959,984	1,171,742	363,011	-	30,735,290
Disposals/ Transfers	-	(3,199,270)	(233,831)	(870,085)	(266,506)	(1,425,856)	-	(5,995,548)
As at 31 March 2017	75,000,000	1,324,248	18,311,208	20,017,458	1,703,736	1,317,936	1,475,000	119,149,586
Accumulated Depreciation								
As at 1 April 2016	-	4,231,801	3,047,869	57,474	354,532	-	-	7,691,676
Through acquisition of subsidiary	3,669,606	104,898	99,336	156,436	19,921	854,516	530,394	5,435,107
Charge for the year	1,436,389	32,768	3,104,086	2,109,074	226,542	370,480	166,169	7,445,508
Disposals/ Transfers	-	(3,199,270)	(117,493)	(208,607)	(164,997)	(683,711)	-	(4,374,078)
As at 31 March 2017	5,105,995	1,170,197	6,133,798	2,114,377	435,998	541,285	696,563	16,198,213
Net Book Value								
As at 31 March 2017	69,894,005	154,051	12,177,410	17,903,081	1,267,738	776,651	778,437	102,951,373
As at 31 March 2016	-	-	6,118,493	-	333,169	-	-	6,451,662

Details of Freehold Properties of the group are given below,

Company	Location	Land Extent	Building (Sq.ft)	Cost of Land	Net Book Value
Pre Fab Engineering Projects (Private) Limited	Pepiliyana	13.7 perches	10,850	23,975,000	69,894,005

Company

	Motor Vehicles Rs.	Computer Equipment Rs.	Furniture Fixtures and Fittings Rs.	Total Rs.	
Cost					
As at 1 April 2016		3,275,787	578,500	57,475	3,911,762
Disposals/ Transfers		(3,199,270)	-	-	(3,199,270)
As at 31 March 2017		76,517	578,500	57,475	712,492
Accumulated Depreciation					
As at 1 April 2016		3,275,787	578,500	57,475	3,911,762
Disposals/ Transfers		(3,199,270)	-	-	(3,199,270)
As at 31 March 2017		76,517	578,500	57,475	712,492
Net Book Value					
As at 31 March 2017		-	-	-	-
As at 31 March 2016		-	-	-	-

4. INVESTMENTS IN SUBSIDIARIES

Summary	Note	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Long Term Investments	4.1	-	-	301,451,988	111,682,199
		-	-	301,451,988	111,682,199

4.1 Non Current Investments

Summary	Note	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Investments In Subsidiaries	4.1.1	-	-	301,451,988	111,682,199
Other Equity Investments	4.1.2	-	-	-	-
		-	-	301,451,988	111,682,199

4.1.1 Investments in Subsidiaries

Non Quoted	Note	Holding		No. of Shares		Company	
		2017	2016	2017	2016	2017 Rs.	2016 Rs.
Kelsey Homes (Private) Limited		100%	100%	1,250,000	1,250,000	125,000,000	125,000,000
Kelsey Property Developers (Private) Limited		100%	100%	4,431,771	2,000,000	29,317,710	5,000,000
Pre Fab Engineering Projects (Private) Limited	4.1.1.1	75.1%	0%	904,826	-	90,005,918	-
Twid Capital (Private) Limited	4.1.1.2	100%	0%	6,212,836	-	62,128,360	-
Less: Impairment for fall in value							
Kelsey Property Developers (Private) Limited	-	-	-	-	-	(5,000,000)	(5,000,000)
Kelsey Homes (Private) Limited	-	-	-	-	-	-	(13,317,801)
		-	-	-	-	301,451,988	111,682,199

During the year, an impairment provision amounting to Rs. 13,317,801 relating to Kelsey Homes (Private) Limited was reversed due to the probability of future positive cash flows. The Company ended with a Profit before tax of Rs. 41.3Mn and the Net Assets position was Rs. 139Mn for the year ended 31 March 2017.

4.1.1.1 Acquisition of subsidiary - Pre Fab Engineering Projects (Private) Limited

On 07 September 2016, Kelsey Developments PLC acquired 904,826 Ordinary shares representing 75.1% stake of Pre Fab Engineering Projects (Private) Limited, at a total purchase consideration of Rs.90Mn. Pre Fab Engineering Projects (Private) Limited, is carrying on the business of constructors, Engineers, Builders & Project Managers.

Notes to the Financial Statements Contd.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition,

	Rs.
Property Plant and Equipment	74,831,400
Work-in-Progress	93,758
Trade & Other Receivables	73,261,751
Cash and Cash Equivalents	33,200
Interest Bearing Loans & Borrowings	(767,359)
Retirement Benefit Obligations	(394,350)
Trade and Other Payables	(50,389,914)
Bank Overdraft	(12,066,308)
Total Identifiable Net Assets Acquired	84,602,178

Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	Rs.
Consideration transferred	90,005,918
NCI, based on their proportionate interest in the recognised amounts of net assets	21,065,942
Value of identifiable net assets acquired	(84,602,178)
Goodwill	26,469,682

The goodwill is attributable mainly to the non-current assets and the synergies expected to be achieved from integrating the Company into the Group's existing businesses. None of the goodwill recognised is expected to be deductible for tax purposes.

Net cash outflow on acquisition of subsidiaries

	Rs.
Consideration paid in cash	90,005,918
Net of cash in hand and bank overdraft	12,033,108
	102,039,026

4.1.1.2 Incorporation of subsidiary - Twid Capital (Private) Limited

Twid Capital (Private) Limited, a company incorporated on 31 March 2016 was transferred to Kelsey Developments PLC on 20 April 2016 for the purpose of supporting the business expansion of the Group. The net asset value of the Company as at the date of transfer was Rs. 10/-.

Twid Capital (Private) Limited has 6,212,836 shares of Rs. 10.00 each and the share capital as at 31 March 2017 is Rs. 62,128,360.

4.1.2 Other Equity Investments

Non Quoted	No. of Shares		Group		Company	
	2017	2016	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Keells Agro Products Limited	145,000	145,000	1,450,000	1,450,000	1,450,000	1,450,000
Impairment for fall in value			(1,450,000)	(1,450,000)	(1,450,000)	(1,450,000)
			-	-	-	-

5. INVENTORIES

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Work in Progress	1,765,052,494	1,487,971,798	31,534,012	-
Raw Materials and Components	158,590	4,500	-	-
Consumables	60,000	60,000	-	-
	1,765,271,084	1,488,036,298	31,534,012	-

Work in progress is in respect of on-going projects and includes borrowing cost of Rs. 98,106,925 capitalised during the year.

6. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Trade Receivables	6.1	475,297	2,038,234	-	-
Other Receivables	6.2	16,844,660	69,059,507	116,419	-
		17,319,957	71,097,741	116,419	-

6.1 Trade Receivables

	Note	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Trade Receivables - Non Current		-	-	-	-
Trade Receivables - Current		16,534,860	17,287,055	15,248,821	15,248,821
Less: Provision for doubtful debts (Note 6.3)		(16,059,563)	(15,248,821)	(15,248,821)	(15,248,821)
		475,297	2,038,234	-	-

Notes to the Financial Statements Contd.

6.2 Other Receivables

	Note	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Other Receivables		3,692,532	1,345,670	-	-
Receivable from Kelsey Aluminium (Private) Limited		-	-	9,081,092	9,081,092
Less: Provisions for Other Receivables		(700,957)	-	-	-
Provisions for Receivable from Kelsey Aluminium (Private) Limited		-	-	(9,081,092)	(9,081,092)
		2,991,575	1,345,670	-	-
Advances and Prepayments		13,853,085	67,713,837	116,419	-
		16,844,660	69,059,507	116,419	-

6.3 Movement of Provision for Doubtful Debts - Trade Receivables

	Individually Impaired Rs.	Collectively Impaired Rs.	Total Rs.
As at 1 April 2016	15,248,821	-	15,248,821
Provision made during the year	810,742	-	810,742
As at 31 March 2017	(16,059,563)	-	(16,059,563)

6.4 As at 31 March the Age Analysis of Trade Receivables is as follows:

	Total Rs.	Neither Past due nor impaired <30 Rs.	31-60 Days Rs.	Past due not impaired	
				61-90 Days Rs.	above 90 Days Rs.
2017	475,297	421,320	5,544	-	48,433

7. AMOUNTS DUE FROM RELATED PARTIES

Relationship	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Dunamis Capital PLC Ultimate Parent	3,999,260	-	-	-
Kelsey Homes (Private) Limited Subsidiary	-	-	-	106,512,906
Kelsey Property Developers (Private) Limited Subsidiary	-	-	7,899,205	30,731,935
Pre Fab Engineering Projects (Private) Limited Subsidiary	-	-	2,428,484	-
Less : Provision for Impairment				
Kelsey Property Developers (Private) Limited (Note 7.1)	-	-	-	(24,317,623)
	3,999,260	-	10,327,689	112,927,218

7.1 Movement of Provision for Impairment

	Individually Rs.	Collectively Impaired Rs.	Total Impaired Rs.
As at 1 April 2016	24,317,623	-	24,317,623
Reversal of impairment of Kelsey Property Developers (Private) Limited	(24,317,623)	-	(24,317,623)
As at 31 March 2017	-	-	-

8. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Cash and Bank Balances	7,673,782	119,187,600	3,125,467	411,725
Bank Overdraft	(108,339,468)	-	-	-
Total Cash and Cash Equivalents for the purpose of Cash Flow Statement	(100,665,686)	119,187,600	3,125,467	411,725

9. STATED CAPITAL - GROUP / COMPANY

	2017 Number	2017 Rs.	2016 Number	2016 Rs.
Fully Paid Ordinary Shares	17,429,274	232,390,325	17,429,274	232,390,325

Holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company.

NON CONTROLLING INTEREST - GROUP

	2017 Number	2017 Rs.	2016 Number	2016 Rs.
Balance at Beginning of the Year	-	-	-	-
Non Controlling Interest	300,002	17,855,603	-	-
Balance at End of the Year	300,002	17,855,603	-	-

9.1 Financial Information of subsidiary that have a material Non - Controlling Interest is provided below:

Company Name	Ownership Interests %	Held by Non - Controlling Interest %
Pre Fab Engineering Projects (Private) Limited	75.1%	24.9%

Notes to the Financial Statements Contd.

Summarised Statement of Total Comprehensive Income for the year ended 31 March 2017

	Rs.
Revenue	33,327,565
Profit/(loss) after tax	(12,164,725)
Other Comprehensive Income	(728,201)
Total Comprehensive Income (Before intra-group adjustments)	(12,892,926)
Profit allocated to Non Controlling Interest	(3,029,017)
OCI allocated to Non Controlling Interest	(181,322)

Summarised Statement of Financial Position as at 31 March 2017

Non-current assets	74,534,599
Current assets	12,323,882
Total assets	86,858,481
Non-current liabilities	1,739,343
Current liabilities	13,409,887
Total liabilities	15,149,230
Net Assets	71,709,251
Net Assets Attributable to NCI	17,855,603

10. OTHER RESERVES

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
General Reserve	6,705,000	6,705,000	6,705,000	6,705,000
Repair Expenses Reserve	795,000	795,000	795,000	795,000
	7,500,000	7,500,000	7,500,000	7,500,000

The General Reserve is a revenue reserve which represents the amounts set aside by Directors for general application.

The Repair Expense Reserve is a reserve set aside by the Directors to meet any major repair expenses in respect of houses built previously.

11. CAPITAL RESERVES

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
At the Beginning of the Year	15,000,000	15,000,000	-	-
At the End of the Year	15,000,000	15,000,000	-	-

This reserve was created during the year 2007 on the Bonus issue made by Kelsey Property Developers (Private) Limited.

12. DEFINED BENEFIT OBLIGATIONS

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
As at 1 April	5,505,305	5,104,827	4,938,784	4,656,664
Through Acquisition of Subsidiary	394,350	-	-	-
Interest Charge for the Year	511,178	450,163	437,530	404,907
Current Service Cost for the Year	1,692,215	1,543,186	1,191,281	1,366,392
Benefits Paid	(961,700)	(186,000)	(938,700)	(186,000)
Actuarial (Gain)/ Loss	112,105	(1,406,870)	(603,202)	(1,303,179)
As at 31 March	7,253,454	5,505,306	5,025,693	4,938,784

The gratuity obligation is recognised in the Company accounts but as employees have been seconded to subsidiaries, gratuity expenses are recognised in the respective subsidiary company accounts.

The Key assumptions used in determining the cost of employee benefits were:

	2016/2017	2015/2016
Rate of Interest:	13%	11%
Rate of Salary Increase:	7.5% - 9.75%	9%
Retirement Age:	55 years	55 years

The result of sensitivity analysis are as follows:

	Group		Company	
	Present Value of Defined benefit Obligations Rs.	Effect on Defined benefit Obligations Rs.	Present Value of Defined benefit Obligations Rs.	Effect on Defined benefit Obligations Rs.
Discount Rate				
1% Less	7,662,168	(408,714)	5,335,932	(310,240)
1% More	6,872,569	380,885	4,737,184	288,508
Salary Escalation Rate				
1% Less	6,857,458	395,996	4,726,326	299,367
1% More	7,671,568	(418,114)	5,342,473	(316,780)

Notes to the Financial Statements Contd.

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Advances Received on Projects in Progress	347,392,952	1,103,208,445	-	-
Provision for Contingent Tax Liability	-	14,800,275	-	-
Retention Payable	37,680,084	48,560,342	-	-
Project Payable	36,037,164	76,314,685	-	-
Accrued Expenses and Sundry Creditors	15,401,147	3,949,846	646,100	379,287
Other Payable	15,000,000	-	15,000,000	-
	451,511,347	1,246,833,593	15,646,100	379,287

14. AMOUNTS DUE TO RELATED PARTIES

	Relationship	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Owners of the Negombo Land	Note 29.2.1	-	187,000,000	-	-
Dunamis Capital PLC	Ultimate Parent	-	31,013,285	-	-
Kelsey Homes (Private) Limited	Subsidiary	-	-	54,599,441	-
First Capital Limited Note 15.2	Subsidiary of the Parent	495,950,103	-	-	-
Nextventures Limited	Subsidiary of the Parent	6,600	-	-	-
		495,956,703	218,013,285	54,599,441	-

15. INTEREST BEARING LOANS AND BORROWINGS

		Amount Repayable within 1 year	Amount Repayable after 1 year	2017	2016
		Rs.	Rs.	Total Rs.	Total Rs.
Bank Loans	15.1	247,429,790	375,600,000	623,029,790	-
Finance Lease	15.3	282,269	365,163	647,432	-
		247,712,059	375,965,163	623,677,222	-
First Capital Limited	15.2	495,950,103	-	495,950,103	-
		743,662,162	375,965,163	1,119,627,325	-

15.1 Bank Loans

	As at 01.04.2016 Rs.	Loans Obtained Rs.	Repayments Capital Rs.	Accrued Interest Rs.	As at 31.03.2017 Rs.	Tenure of Loan
Commercial Bank PLC	-	500,000,000	20,000,000	1,139,178	481,139,178	42 Months
Sampath Bank PLC	-	141,600,000	-	290,612	141,890,612	18 Months
	-	641,600,000	20,000,000	1,429,790	623,029,790	

15.2 Loans from Related Parties

		As at 01.04.2016	Loans Obtained	Accrued Interest	Repayments	As at 31.03.2017
	Relationship	Rs.	Rs.	Rs.	Rs.	Rs.
First Capital Limited	Subsidiary of the Parent	-	494,662,625	1,287,478	-	495,950,103
		-	494,662,625	1,287,478	-	495,950,103

15.3 Finance Lease

		Repayable within 1 year	Repayable after 1 year	As at 31.03.2017
		Rs.	Rs.	Rs.
Lease Creditors		332,028	387,366	719,394
Interest-in-Suspense		(49,759)	(22,203)	(71,962)
		282,269	365,163	647,432

	On Acquisition	Lease Obtained	Repayments	As at 31.03.2017
Hatton National Bank PLC		767,359	-	647,432
		767,359	-	647,432
Lease Creditor		913,077		719,394
Interest in Suspense		(145,718)		(71,962)
Net Liability		767,359		647,432

16. REVENUE

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Revenue from Property Sales	949,016,355	1,015,348,020	-	-
Rendering Services	-	970,712	-	-
	949,016,355	1,016,318,732	-	-

17. OTHER INCOME

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Gain Received from Investments	271,385	1,636,370	-	-
Profit on Sale of Property, Plant & Equipment	2,413,564	-	2,400,000	-
Reversal of provision for Amounts due from Related Parties	-	-	24,317,623	-
Reversal of Impairment Provision on Investments in Subsidiary	-	-	13,317,801	-
Dividend Income	-	-	4,098,344	-
Gain on Transfer of Assignment of Property	75,000,000	49,747,992	-	-
Other Income Projects	5,717,044	-	-	-
	83,401,993	51,384,362	44,133,768	-

Notes to the Financial Statements Contd.

18. OTHER EXPENSES

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
BOI expenses	-	3,030,000	-	-
25% Profit Share to Parent Company	32,971,393	32,239,905	-	-
Provision for Kelsey Property Developers (Private) Limited	-	-	-	-
Loss on Disposal of Property Plant & Equipment	1,512,620	994,596	-	-
Miscellaneous Expenses	2,458,497	-	1,769,896	-
	36,942,510	36,264,501	1,769,896	-

19. DISPOSAL OF SUBSIDIARY

On 26 February 2016, Kelsey Developments PLC disposed 100% of Kelsey Aluminium (Private) Limited, a fully owned subsidiary.

26 February 2016 Kelsey Aluminium (Private) Limited

Identifiable Assets and Liabilities Disposed	
Income Tax Recoverable	552,519
Cash and Cash Equivalents	18,288
	570,807
Net Assets Disposed - 100%	570,807
Loss from Disposal	570,807

20. FINANCE EXPENSES AND INCOME

Relationship	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
20.1 Finance Expenses				
Interest Expense - Related Party	8,267,208	-	12,041,109	-
Interest on Loans & Borrowings	8,244,544	-	-	-
Finance Charges on Lease Liabilities	75,913	-	-	-
	16,587,665	-	12,041,109	-

Relationship	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
20.2 Finance Income				
Interest Income - Related Party	-	-	22,102,016	-
Interest Income - Projects	69,210	3,728,421	-	-
Interest Income - Other	-	3,723,770	-	-
Interest Income - Bank	2,829,996	-	-	-
Staff Loan Interest Income	-	12,791	-	-
	2,899,206	7,464,982	22,102,016	-

21. PROFIT/ (LOSS) FROM OPERATING ACTIVITIES

Profit/(Loss) before taxation is stated after charging all expenses including the following:

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Personnel Costs	66,188,525	49,182,393	-	-
Defined Contribution Plan Costs - EPF & ETF	10,755,681	7,691,100	-	-
Defined Benefit Plan Costs - Gratuity	2,203,394	1,993,349	-	-
Depreciation	7,443,344	2,158,815	-	-
Auditor's Remuneration	895,000	721,000	360,000	335,000
Legal Fees	687,693	559,489	-	-
Advertising	31,019,604	18,314,202	-	-
Commission	2,628,963	5,357,901	-	-

22. INCOME TAX EXPENSE

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Current Tax on Ordinary Activities for the Year	13,546,163	11,387,557	4,022,567	60,860
Under/ (Over) Provision of Tax	(20,022)		(60,680)	
Dividend Tax	455,372			
Reversal of Contingent Tax Liability	(14,800,275)			
	(818,763)	11,387,557	3,961,887	60,860
Deferred Tax Expense				
(Origination)/Reversal of Temporary Differences	11,815,024	(10,956,691)	-	
Total Income Tax Expense	10,996,261	(430,866)	3,961,887	60,860

22.1 Reconciliation Between Current Tax Expenses/Income and the product of Accounting Profit/(Loss)

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Accounting Profit/(Loss) Before Tax	13,231,222	54,788,097	51,610,402	(1,250,907)
Exempted Profit - Others	(4,369,730)	(898,795)	(4,098,344)	-
Expenses Disallowed for Tax	27,092,054	11,106,007	2,400,000	1,771,299
Allowed Expenses and Other Sources of Income	(86,901,780)	(12,381,692)	(63,076,140)	(186,000)
	(50,948,233)	52,613,617	(13,164,082)	334,392
Consolidation and Other Adjustments	85,990,734	4,167,887	-	-
Profit from Trade or Business	35,042,501	56,781,504	(13,164,082)	334,392
Other Sources of Income	36,910,574	5,780,606	22,102,016	-
Tax Loss Utilised	(23,573,922)	(21,892,262)	(7,735,706)	(117,037)
Taxable Income	48,379,153	40,669,848	14,366,310	217,355
Current Income Tax Expense - 28%	13,546,163	11,387,557	4,022,567	60,860
Total Tax Liability	13,546,163	11,387,557	4,022,567	60,860

Notes to the Financial Statements Contd.

22.2 DEFERRED TAX ASSETS / (LIABILITIES)

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Balance at the Beginning of the Year	10,956,691	-	-	-
Charge/(Reversal) for the Year	(11,815,024)	10,956,691	-	-
Balance at the end of the Year	(858,333)	10,956,691	-	-

Deferred tax assets and liabilities,

	Statement of Financial Position		Statement of Profit or Loss	
	2017	2016	2017	2016
Deferred Tax Assets/ (Liabilities)				
Property, Plant & Equipment	(1,097,336)	189,832	(1,287,168)	189,832
Defined Benefit Obligations	239,003	1,368,735	(1,129,732)	1,368,735
B/f Unutilised Tax Losses	-	9,398,124	(9,398,124)	9,398,124
	(858,333)	10,956,691	(11,815,024)	10,956,691
Deferred Tax Liabilities	-	-	-	-
Deferred Tax Expenses	-	-	(11,815,024)	-
Net Deferred Tax Asset/ (Liability)	(858,333)	10,956,691	-	-

A deferred tax asset amounting to Rs. 56,929,380/- (2016 - Rs. 51,872,626/-) as at the year end has not been recognised due to the group being unable to assess the future taxable profits with reasonable certainty.

23. EARNINGS / (LOSS) PER SHARE

The Basic Earnings per share is calculated by dividing the Profit/(Loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Amounts used as Numerator				
Profit/ (Loss) after Tax	5,263,979	54,357,231	47,648,516	(1,311,767)
Profit/ (Loss) attributable to ordinary shares	5,236,979	54,357,231	47,648,516	(1,311,767)
Number of Ordinary Shares used as denominator:	Number	Number	Number	Number
Weighted average Number of shares in Issue	17,429,274	17,429,274	17,429,274	17,429,274
Profit/ (Loss) Per Share	0.30	3.12	2.73	(0.08)

24. DIVIDENDS PER SHARE

	Group	
	2017 Rs.	2016 Rs.
24.1 Equity Dividends on Ordinary Shares :	-	-
Dividend per share	-	-
Dividend pay out ratio	-	-

25. COMPARATIVE INFORMATION

The Accounting Policies have been consistently applied by the Group and are consistent with those used in the recent audited Financial Statements published for the year ended 31 March 2016.

Certain figures and phrases have been rearranged whenever necessary to conform to current period presentation.

26. EVENTS OCCURRING AFTER THE REPORTING DATE

Except for the below indicated events, there have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

26.1 Final Dividend

The board of directors of the Company has recommended a final dividend of Rs. 1.00 per share for the financial year ended 31 March 2017 subject to shareholders approval at the Annual General Meeting. As required by section 56 (2) of the Companies act. No 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No. 07 of 2007, and has obtained an independent opinion on same from auditors, prior to recommending a final dividend.

In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the Financial Statements as at 31 March 2017

27. COMMITMENT AND CONTINGENCIES**27.1 Capital Expenditure Commitments**

There are no material commitments made by the Group as at year end. (2016 - None)

27.2 Financial Commitments

As per the agreement between Dunamis Capital PLC and Kelsey Homes (Private) Limited (subsidiary), Kelsey Homes (Private) Limited is liable to pay 25% of the profit generated from the property development in Mount Lavinia to Dunamis Capital PLC on a quarterly basis.

27.3 Contingent Liabilities

Kelsey Developments PLC is one of the defendants, on behalf of its clients, in a Partition Case to establish title in respect of a property situated at Nawala. Based on legal advice, management is of the opinion that a loss is not probable. Accordingly provision has not been made in the Financial Statements.

There are no other contingent liabilities or litigations of a material nature.

Notes to the Financial Statements Contd.

28. ASSETS PLEDGED

The following assets have been pledged as security for liabilities

Nature of the Assets	Nature of the Liabilities	Carrying amount Pledged	
		2017 Rs.	2016 Rs.
Land - at Negombo	Primary Mortgage for the Term Loan obtained from Commercial Bank of Ceylon PLC	487,000,000	-
Land - at Vauxhall Street	Primary Mortgage for the Term Loan obtained from Sampath Bank PLC	46,550,000	-
Land - at Mount Lavinia	Primary Mortgage for the Term Loan obtained from Sampath Bank PLC	139,075,700	-

29. RELATED PARTY DISCLOSURES**29.1 Transactions with the parent and related entities**

Company	Parent Company		Subsidiaries	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
As at 1 April	-	-	137,913,593	145,433,916
Disposal of Kelsey Aluminium (Private) Limited	-	-	-	(9,081,092)
Fund Transfer Made	-	-	258,104,405	68,855,169
Fund Transfer Received	-	-	(363,904,604)	(67,294,400)
Inter Company Interest	-	-	10,060,908	-
Inter Company Receivables covering to Equity	-	-	(86,446,054)	-
As at 31 March	-	-	(44,271,751)	137,913,593

Group	Note	Parent Company		Subsidiaries of Parent	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Short Term Loan obtained inclusive of Interest		106,870,246	-	511,157,226	392,743,978
Settlement of Short Term Loans inclusive of Interest		(106,870,246)	-	(15,207,123)	(443,001,071)
Sales proceeds received on transfer of assignment of land	29.1.1	75,000,000	75,000,000	-	-
Receivable from		-	1,226,620	-	-
Excess Funds Invested / withdrawal with interest		-	-	125,271,386	-
Profit Share on Project	29.1.2	32,971,393	32,239,905	-	-
Fund Transfer made (Interest Free)		3,999,260	-	5,946,388	-

Parent Company: - Dunamis Capital PLC.

Subsidiaries: - Kelsey Homes (Private) Limited, Kelsey Property Developers (Private) Limited, Twid Capital (Private) Limited, Pre Fab Engineering Projects (Private) Limited

Subsidiary of the parent: - First Capital Limited.

Refer Note 7 and 14 for outstanding balances with Related Parties as at 31 March 2017.

29.1.1 Kelsey Homes (Private) Limited, a fully owned subsidiary of Kelsey Developments PLC received Rs. 75 Mn during the year from its ultimate parent Dunamis Capital PLC in settlement of the profit share on the transaction relating to the assignment of rights from Kelsey Homes (Private) Limited to Dunamis Capital PLC which occurred during the previous financial year.

29.1.2 As per the agreement between Dunamis Capital PLC and Kelsey Homes (Private) Limited (subsidiary), Kelsey Homes (Private) Limited is liable to pay 25% of the profit generated from the property development in Mount Lavinia to Dunamis Capital PLC on a quarterly basis.

29.2 Transactions with Key Management Personnel

Key Management Personnel(KMP), are defined as those having authority and responsibility for planning, directing and controlling the activities of the Group. Accordingly. The Board of Directors of the Group and their immediate family members have been classified as Key Management Personnel of the Group. Transactions with Key Management Personnel are as follows:

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Short term benefits	600,000	3,050,000	-	-

Costs relating to Key Management Personnel of the company amounting to Rs. 15,599,952 (2016 - Rs. 14,609,400) was apportioned from Dunamis Capital PLC (Parent company) during the year ended 31 March 2017.

29.2.1 On 19 December 2014, Kelsey Homes (Private) Limited (subsidiary) purchased a plot of land in Negombo from Ms. Manjula Mathews (Chairperson), Mr. Dinesh Schaffter (Managing Director) and Ms. Tarni Schaffter (Spouse of Mr. Dinesh Schaffter, Managing Director) for a consideration of Rs. 487Mn. Of the total consideration, the balance of Rs. 187Mn which remained outstanding as at 31 March 2016 was fully settled during the current financial year.

29.2.2 On 31 March 2017, Kelsey Property Developers (Private) Limited (subsidiary) purchased a plot of land in Panadura for a consideration of Rs. 20Mn from a Trust in which Mr. Dinesh Schaffter (Managing Director) is also a trustee.

Disclosures in Accordance with the Continuing Listing Requirements

Disclosures in Relation to Related Party Transactions in Accordance with the Continuing Listing Requirements of the Colombo Stock Exchange are as follows,

Recurrent & Non-recurrent Related Party Transactions

1. Recurrent Related Party Transactions - Group

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate Value of Related Party Transactions entered into during the financial year	Aggregate Value of the Related Party Transactions as a % of Net Revenue/ Income	Terms and conditions of the Related Party Transactions
Dunamis Capital PLC	Parent	Short Term Loan	105,000,000	14.54%	Interest at Market Rates
		Profit Share - Templer's Square	32,971,394		Refer Note 29.1.2
First Capital PLC	Subsidiary of Parent	Investment in Unit Trust	125,000,000	65.43%	Invested at the prevailing market prices
		Short Term Loan	495,950,103		Interest based on Lenders Marginal cost of fund

2. Recurrent Related Party Transactions - Company

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate Value of Related Party Transactions entered into during the financial year	Aggregate Value of the Related Party Transactions as a % of Net Revenue/ Income	Terms and conditions of the Related Party Transactions
Kelsey Homes (Private) Limited	Subsidiary	Fund Transfer	149,071,238	16.98%	Short term lending made by the Subsidiary at commercial terms
		Inter company interest	12,041,109		
Twid Capital (Private) Limited	Subsidiary	Issuance of ordinary shares	62,128,344	13.09%	Intercompany receivables converted to Equity
		Inter company interest	18,039,939		Short term lending made by the Subsidiary at commercial terms
		Fund Transfer	44,088,406		

3. Non Recurrent Related Party Transactions - Group

Name of the Related Party	Relationship	Value of the Related Party Transactions entered into during the financial year	Value of Related Party Transactions as a % of Equity and as a % of Total Assets	Terms & Conditions of the Related Party Transactions	The rationale for entering into the transactions
Dunamis Capital PLC	Parent	75,000,000	Equity 28%	Refer Note 29.1.1	Refer Note 29.1.1
			Total Assets 22%		

4 On 19 December 2014, Kelsey Homes (Private) Limited (subsidiary) purchased a plot of land in Negombo from Ms. Manjula Mathews (Chairperson), Mr. Dinesh Schaffter (Managing Director) and Ms. Tarni Schaffter (Spouse of Mr. Dinesh Schaffter, Managing Director) for a consideration of Rs. 487Mn. Of the total consideration, the balance of Rs. 187Mn which remained outstanding as at 31 March 2016 was fully settled during the current financial year. The Directors are of the view that this transaction has been carried out on commercial terms.

5 On 31 March 2017, Kelsey Property Developers (Private) Limited (subsidiary) purchased a plot of land in Panadura for a consideration of Rs. 20Mn from a Trust in which Mr. Dinesh Schaffter (Managing Director) is also a trustee. The Directors are of the view that this transaction has been carried out on commercial terms.

6 Ms. Manjula Mathews retired from the Board of Directors of Kelsey Developments PLC, and its subsidiaries with effect from 30 April 2017. Mr. A.D.E.I. Perera has been appointed as the Chairman of Kelsey Developments PLC with effect from 01 May 2017.

Investors' Information

1. Stock Exchange Listing

The issued ordinary shares of Kelsey Developments PLC are listed on the Colombo Stock Exchange.

2. Distribution of Shareholding

No. of Shares held	31 March 2017				31 March 2016			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1 - 1,000	868	82.36	180,839	1.04	844	81.62	179,030	1.03
1,001 - 5,000	142	13.47	310,223	1.78	145	14.02	323,270	1.85
5,001 - 10,000	18	1.71	115,144	0.66	19	1.84	124,904	0.72
10,001 - 50,000	16	1.52	339,876	1.95	16	1.55	330,211	1.89
50,001 - 100,000	3	0.28	174,851	1.00	3	0.29	174,851	1.00
100,001 - 500,000	5	0.47	1,306,554	7.50	5	0.48	1,295,221	7.43
500,001 - 1,000,000	-	0.00	-	-	-	0.00	-	-
Over - 1,000,000	2	0.19	15,001,787	86.07	2	0.19	15,001,787	86.07
Total	1,054	100.00	17,429,274	100.00	1,034	100.00	17,429,274	100.00

3. Analysis of Shareholders

Category of Shareholders	31 March 2017				31 March 2016			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Joint & Individuals	994	94.31	2,085,213	11.96	975	94.29	2,078,277	11.92
Institutions	60	5.69	15,344,061	88.04	59	5.71	15,350,997	88.08
Total	1,054	100.00	17,429,274	100.00	1,034	100.00	17,429,274	100.00
Resident	1,042	98.86	17,105,671	98.14	1,022	98.84	17,132,625	98.30
Non-Resident	12	1.14	323,603	1.86	12	1.16	296,649	1.70
Total	1,054	100.00	17,429,274	100.00	1,034	100.00	17,429,274	100.00

4. Public Holding

	2016/2017	2015/2016
Number of shares held by the public	2,884,685	2,884,685
Percentage held by the public	16.55%	16.55%

5. Share Price movements for the year

	2016/2017	2015/2016
Highest	64.00	67.00
Lowest	34.50	39.30
Year-end	50.00	64.00

6. Information on share trading and market capitalisation

	2016/2017	2015/2016
Number of transactions	889	2,124
Number of shares traded	462,841	1,379,966
Value of shares traded (Rs.)	21,828,715	74,811,826
Market capitalisation (Rs.)	871,463,700	1,115,473,536

TOP TWENTY SHAREHOLDERS

Name of the Shareholder	No. of Shares as at 31 March 2017	Holding %	No. of Shares as at 31 March 2016	Holding %
1. Dunamis Capital PLC	13,925,990	79.90	13,925,990	79.90
2. Janashakthi PLC Account no. 1	1,075,797	6.17	1,075,797	6.17
3. Mr. Dinesh Schaffter	395,899	2.27	395,899	2.27
4. Mr. Teruaki Ono	280,528	1.61	286,286	1.64
5. Mrs. M. Mathews	222,700	1.28	222,700	1.28
6. Dr. Ramani Maryette Shanez Fernando	218,400	1.25	218,336	1.25
7. Mr. Murugesu Mahibalan	190,527	1.09	-	-
8. Mr. Kangasu Chelvadurai Vignarajah	66,525	0.38	66,525	0.38
9. Mr. Abeysiri Hemapala Munasinghe	58,325	0.33	58,325	0.33
10. Mr. Athula Ranaweera Ranaweera Kaluarachchige	50,001	0.29	50,001	0.29
11. Mr. Rex Joseph Srilal Jayamaha	50,000	0.29	50,000	0.29
12. Mrs. Manikku Badathuruge Hashani Karunawardana	40,916	0.23	42,916	0.25
13. Pan Asia Banking Corporation PLC/Mr. Ravindra Erle Rambukwelle	35,000	0.20	35,000	0.20
14. Mr. Kazuo Kondo	33,273	0.19	-	-
15. Dr. Srinath Daminda Rajamantri	25,492	0.15	-	-
16. Mrs. Sarathathevy Vignarajah	18,225	0.10	18,225	0.10
17. Mrs. Nanayakkara Hettige Mary Loretta Perera	16,875	0.10	16,875	0.10
18. Mr. Dinal Jayawantha Galhinarachchi	16,700	0.10	16,700	0.10
19. Mr. Warnakulasuriya Mahamandadige Luke Francis Sunil Fernando	16,000	0.09	16,000	0.09
20. Mr. Ginige Cyril Walter De Silva (deceased)	15,000	0.09	15,000	0.09
	16,752,173	96.11		

Investors' Information Contd.

SHAREHOLDINGS OF THE BOARD OF DIRECTORS / CHIEF EXECUTIVE OFFICER

Name of the Director	Designation	No. of Shares as at 31 March 2017	Holding %	No. of Shares as at 31 March 2016	Holding %
Mrs. M.Mathews (resigned w.e.f 30 April 2017)	Chairperson	222,700	1.28	222,700	1.28
Mr. D. Schaffter	Managing Director	395,899	2.27	395,899	2.27
Mr. A.D.E.I. Perera	Director	Nil	-	Nil	-
Mr. Chandana De Silva	Director	Nil	-	Nil	-
Mr. Samidda Kannangara (resigned w.e.f 28 February 2017)	Chief Executive Officer	Nil	-	Nil	-

Decade at a Glance

Group										
Year Ended 31 March	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	(Restated)									
Trading Results										
Gross Revenue	949,016	1,016,319	102,742	95,612	231,485	164,656	169,367	114,378	203,562	450,119
Profit/(Loss) before Taxation	13,231	54,788	(31,227)	152,155	(55,040)	(18,669)	(7,964)	(63,489)	(67,589)	(43,357)
Taxation	(10,996)	(431)	(739)	(16,018)	(431)	498	(3,627)	903	(3,527)	(4,765)
Profit/(Loss) after Taxation	2,235	54,357	(31,965)	136,137	(55,471)	(18,172)	(11,591)	(62,586)	(71,117)	(48,122)
Funds Employed										
Stated Capital	232,390	232,390	232,390	232,390	232,390	232,390	232,390	232,390	232,390	232,390
Cumulative Preference Shares	-	-	-	600,000	-	-	-	-	-	-
Revenue Reserves	(28,378)	(33,712)	(89,476)	(64,350)	(190,897)	(135,425)	(117,254)	(105,429)	(42,843)	28,274
Capital Reserves	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Non Controlling Interest	17,856									
Paid up Share Capital	-	-	-	-	-	-	-	-	-	-
Share Premium	-	-	-	-	-	-	-	-	-	-
	236,868	213,679	157,915	783,041	56,493	111,964	130,136	141,961	204,547	275,664
Assets Employed										
Current Assets	1,801,976	1,678,447	1,573,075	846,283	382,174	386,680	170,162	219,516	494,389	568,153
Current Liabilities	(1,310,453)	(1,476,671)	(1,311,329)	(73,795)	(329,857)	(273,441)	(38,586)	(77,872)	(281,358)	(296,913)
Non Current Trade & other receivables	-	-	3,814	10,000	5,355	-	-	-	-	-
Fixed Assets, Goodwill & Investments	129,421	17,408	7,464	4,148	2,240	1,141	1,434	2,532	4,146	14,246
Non current Interest bearing borrowings & deferred tax liability	(376,823)	-	(110,005)	-	-	-	-	-	(9,063)	(3,717)
Defined benefit obligations	(7,253)	(5,505)	(5,105)	(3,597)	(3,419)	(2,415)	(2,874)	(2,215)	(3,567)	(6,105)
	236,868	213,679	157,515	783,041	56,493	111,964	130,136	141,961	204,547	275,664
Key Indicators										
Earnings/(Loss) per Share (Rs.)	0.30	3.12	(1.44)	7.41	(3.18)	(1.04)	(0.67)	(3.59)	(4.08)	(2.76)
Net Asset Value per Share (Rs.)	12.57	12.26	9.06	10.50	3.24	6.42	7.46	8.15	11.74	15.82
Market Price per Share (Rs.)	50.00	64.00	39.00	17.50	15.00	14.20	16.20	13.00	7.00	16.50
Price Earnings Ratio	165.55	20.52	(27.08)	2.36	(4.72)	(13.65)	(24.18)	(3.62)	(1.72)	(5.98)
Interest Cover (Times)	1.80	-	-	15.69	-	-	-	-	-	-
Current Ratio	1.38	1.14	1.20	11.47	1.16	1.41	4.41	2.86	1.76	1.96
Liquidity Ratio	0.03	0.13	0.03	2.83	(0.05)	0.06	1.58	1.13	0.96	1.22
Return on Equity (%)	0.94	25.44	(20.24)	74.37	(98.18)	(16.23)	(8.90)	(44.09)	(34.77)	(17.46)

Glossary of Financial and Business Terms

- **Accounting Policies:** The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.
- **Accrual Basis** - the system of accounting wherein revenue is recognised at the time it is earned and expenses at the time they are incurred, regardless of whether cash has actually been received or paid out.
- **Asset:** is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.
- **Capital Reserves:** The profits of a company that (for various reasons) are not regarded as distributable to shareholders as dividends. These include gains on the revaluation of capital assets and share premium.
- **Cash Equivalents** - short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- **Consolidated Financial Statements** - Financial Statements of a holding company and its subsidiaries based on their combined assets, liabilities and operating results.
- **Contingent Liabilities:** Conditions or situations at the Balance Sheet date, the financial effects of which are to be determined by future events which may or may not occur.
- **Corporate Governance** - process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practices".
- **Contribution:** Is the portion of sales not used up by variable costs of production, calculated as revenue minus variable costs of production.
- **Current Ratio:** A liquidity ratio that measures a company's ability to pay off its short-term liabilities with its current assets.
- **Depreciation:** The systematic allocation of the depreciable amount of an asset over its useful life.
- **Development Pipeline:** The Group's current programme of developments authorised or in the course of construction at the balance sheet date, together with potential schemes not yet commenced on land owned or controlled by the Group.

For the purpose of this Annual Report the Development Pipeline refers to the current programme of developments which are in the course of construction at the balance sheet date, while land owned or controlled by the Group which have potential for development is termed Strategic Land Portfolio or Land Holdings.
- **Earnings per Share:** Post tax profit divided by the weighted average number of shares in issue during the year.
- **Effective Interest Method** - is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.
- **Events Occurring after the Reporting Date:** Significant events that occur between the balance sheet date and the date on which Financial Statements are authorised for issue.
- **Fair Value** - is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
- **Guarantee:** A promise made for a fee by a third party (Guarantor), who is not a party to the contract between two others, that the guarantor will be liable if one of the parties fails to fulfill the contractual obligations.

- **Interest Cover:** A ratio showing the number of times interest charges is covered by earnings before interest and tax.
- **Liabilities:** Debt or obligations of a business.
- **Liquidity Ratio:** For the purpose of this Annual Report Liquidity Ratio specifically refers to the Quick Ratio which measures a company's ability to meet its short-term obligations with its most liquid assets and is calculated as (current assets – inventories) / current liabilities.
- **Land Holdings:** For the purpose of this report refers to the Group's portfolio of land. See Strategic Land Portfolio and Development Pipeline.
- **Market Value per Share:** The price at which an ordinary share is transacted in the stock market.
- **Market Capitalisation:** The market value of a company at a given date obtained by multiplying the share price by the number of issued shares.
- **Net Asset Value per Share:** Net assets (total assets less total liabilities) divided by the number of shares issued.
- **Non-Controlling Interest** - portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent
- **Portfolio:** In relation to financial activities refers to income-generating assets such as loans, finance leases and investment securities etc. In relation to real estate development activities refers to income-generating assets including land and developments. See Strategic Land Portfolio.
- **Pre-sales:** An agreement by the buyer with a real estate developer to purchase a property today that is to be completed in the near future. The monies received in advance are utilised by the developer in completing the project.
- **Price Earnings Ratio:** Market price of a share divided by earnings per share.
- **Projects:** Refers to the developments in the course of construction, land and other property owned by the group.
- **Real Estate Development:** The process of building activities including the purchase of raw land, the sale of developed land and the renovation and re-lease of existing buildings. Also generally referred to as Property Development.
- **Related Parties** - Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions
- **Related Party Transactions** - A transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.
- **Residential Units:** For the purpose of this Annual Report Residential Units refer to both land lots and accommodation units including apartments and houses.
- **Return on Equity (ROE):** Profit after tax less preference share dividends if any, expressed as a percentage of ordinary shareholders' equity.
- **Revenue Reserves:** Reserves which may be distributed to shareholders as dividends.
- **Revenue Recognition or Revenue Recognition norms:** Refer to an accounting principle which determines the specific conditions under which income becomes realised as revenue. Generally, revenue is recognised only when a specific critical event has occurred and the amount of revenue is measurable.
- **Shareholders' Funds:** Shareholders' funds consist of issued and fully paid ordinary share capital plus capital and revenue reserves.

Glossary of Financial and Business Terms Contd.

- **Strategic Land Portfolio:** Refers to the land acquired or controlled by the Group with potential for development activities in line with the Group's strategy.
- **Subsidiary:** A subsidiary is an enterprise that is controlled by another enterprise (known as the parent company). Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.
- **Substance Over Form** – the consideration that the accounting treatment and the presentation in Financial Statements of transactions and the events are governed by their financial reality and not merely by its legal form
- **Ungeared:** Refers to a company (or balance sheet) where its capital is solely constituted of shares (with no debt capital for example in the form of debentures).
- **Value proposition:** A business or marketing statement that a company uses to summarise why a consumer should buy a product or use a service.

Corporate Information

Name of Company	- Kelsey Developments PLC
Company Registration no	- PQ – 76
Name of Subsidiaries	- Kelsey Property Developers (Private) Limited Kelsey Homes (Private) Limited Twid Capital (Private) Limited Pre Fab Engineering Projects (Private) Limited
Holding Company	- Dunamis Capital PLC No 02, Deal Place, Colombo 03, Sri Lanka
Legal Form	- Incorporated as a Public company in 1983 under the provisions of the companies act No. 17 of 1982 and subsequently re- registered under the Companies Act No. 07 of 2007 on 5 September 2007. In 1984 the Company was listed on the Colombo Stock Exchange.
Board of Directors	- Mr. A.D.E.I. Perera – Chairman Mr. Dinesh Schaffter – Managing Director Mr. Chandana De Silva
Registered Office	- No 02, Deal Place, Colombo 03, Sri Lanka Tel : (94 11) 5 355255 Fax : (94 11) 5 368216 Email : info@kelsey.lk
Secretary	- K H L Corporate Services Limited No 02, Deal Place, Colombo 03 Tel : (94 11) 2145030
Registrars	- Accounting Systems Secretarial Services (Private) Limited Level 3, No 11, Castle Lane, Colombo 04 Tel : (94 11) 5444425
External Auditors	- Ernst & Young, Chartered Accountants P.O Box 101, No 201, De Saram Place, Colombo 10
Principal Bankers	- Bank of Ceylon Commercial Bank of Ceylon PLC Hatton National Bank PLC Sampath Bank PLC Seylan Bank PLC

Notice of Meeting

Notice is hereby given that the 34th Annual General Meeting of Kelsey Developments PLC will be held on 07 September 2017 at Level 6, Conference Hall of the Institute of Chartered Accountants of Sri Lanka, No.30A, Malalasekera Mawatha, Colombo 07 at 10.45 a.m. to transact the following businesses.

Ordinary Business

1. To receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 March 2017 together with the report of the Auditors thereon.
2. To declare a final dividend of Rs. 1/- per share for the financial year ended 31 March 2017 as recommended by the Board of Directors.
3. To re-elect Mr. Chandana de Silva who retires by rotation in terms of Article 85 of the Articles of Association of the Company and offers himself for re-election.
4. To re-appoint Mr. Eardley Perera as a Director of the Company in terms of Section 211 of the Companies Act, No. 07 of 2007;

IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act, No.7 of 2007 shall not apply in relation to Mr. Eardley Perera, who is over seventy years and that he be re-appointed as a Director of the Company.

5. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.
6. To authorise the Directors to determine and make donations.

By Order of the Board

(Sgd)

K H L Corporate Services Limited
Secretaries

At Colombo

9 August 2017

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her.
2. A proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The Completed Form of Proxy must be deposited at the Registered Office of the Company, No. 15, Walukarama Road, Colombo 03 not less than 48 hours before the time fixed for the meeting.

Form of Proxy Contd.

INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and fill in the date of signature and your National Identity Card Number.
2. The completed Form of Proxy should be deposited at the Office of the **Secretaries, K H L Corporate Services Limited of No.15, Walukarama Road, Colombo 03**, 48 hours before the time appointed for the holding of the meeting.
3. If an Attorney has signed the Form of Proxy, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the Shareholder is a company or a corporate body, the Proxy should be executed under its Common Seal in accordance with its Articles of Association or Constitution.
5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.



For more information...

<http://www.kelsey.lk/>