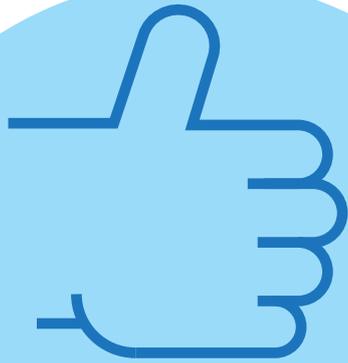


ANNUAL REPORT 2020

COMMERCIAL DEVELOPMENT
COMPANY PLC



CONFIDENT.



COMMITTED.



COURAGEOUS.



CONFIDENT... COMMITTED... COURAGEOUS

Commercial Development Company PLC (CDC) is firmly committed to being a true partner in helping its client, Commercial Bank of Ceylon PLC achieve sustainable success in its enterprise. It is a “partnership” that we approach with a confidence that no stone will be left unturned in providing optimal solutions to their needs. Likewise, across CDC everyone is committed to the end goal, which is to delight the customer. The Company has always embraced a courageous mindset. We are not afraid to innovate and apply great resourcefulness in tailoring solutions that meet or exceed expectations of our client.

**It is what we do each day...confidently...
with commitment...and courage.**

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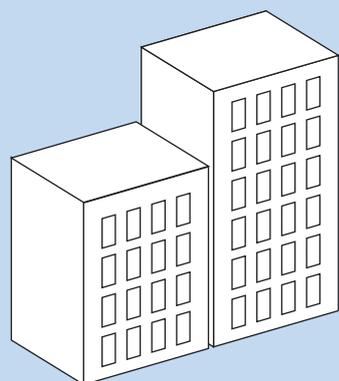
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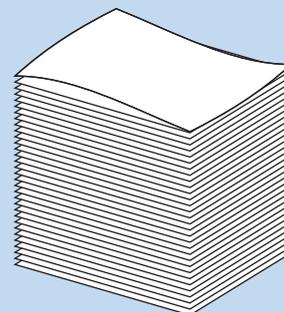


ABOUT



THE COMPANY

THE REPORT



Commercial Development Company PLC was incorporated on March 14, 1980. It is a subsidiary of Commercial Bank of Ceylon PLC which owns a 90% stake as at December 31, 2020 (90% as at December 31, 2019). With a market capitalisation of Rs. 1,404.0 Mn. as at end 2020 (Rs. 949.2 Mn. as at end 2019), the Company has been listed on the Colombo Stock Exchange since March 1983.

The Company's main business activities include renting of premises, staff outsourcing, hiring of vehicles and provision of other utility services. The parent company, Commercial Bank of Ceylon PLC, is the Company's sole tenant. The above services are being provided according to the mandate of the Central Bank of Sri Lanka (CBSL).

The "Commercial House" building at No. 21, Sir Razik Fareed Mawatha, Colombo 1, which houses the Head Office and the Foreign Branch of the Commercial Bank, is owned by the Company. In addition, Company owns two other properties in Negombo and Tangalle both of which are rented to Commercial Bank of Ceylon PLC.

This 41st Annual Report of Commercial Development Company PLC covers the 12-month period from January 01 to December 31, 2020 and it is consistent with our usual annual reporting cycle for financial reporting. This Report follows our most recent Report for the year ended December 31, 2019, for which comparatives are given within, where applicable.

The theme of this Report, "Confident, Committed, Courageous" demonstrates the ethos of the Company that helped it navigate the unprecedented year under review. Based on our Purpose Statement of "Being a reliable, responsive and resourceful partner in our clients' success," the theme highlights the three key attributes that we uphold at all times in the provision of services to our clients.

We welcome you to direct your comments or questions on this Report to:

Company Secretary
Commercial Development Company PLC
No. 8-4/2, York Arcade Building,
Leyden Bastian Road,
Colombo 1,
Sri Lanka.



OUR PURPOSE



**BEING A RELIABLE, RESPONSIVE AND RESOURCEFUL
PARTNER IN OUR CLIENTS' SUCCESS**

FINANCIAL HIGHLIGHTS

	Page No.	2020	2019	Change %
Results for the Year (Rs. '000)				
Gross Revenue	66	454,906	453,849	0.23
Gross Profit	66	202,889	189,442	7.10
Profit Before Taxation	66	171,273	412,990	(58.53)
Taxation	66	48,691	49,773	(2.17)
Profit After Taxation	66	122,582	363,217	(66.25)
Gross Dividends	93	66,000	72,000	(8.33)
Position at the Year End (Rs. '000)				
Investment property	68	2,876,679	2,911,000	(1.18)
Current Assets	68	464,168	234,252	98.15
Current Liabilities	68	51,555	42,342	21.76
Total Assets	68	3,449,510	3,343,932	3.16
Shareholders' Funds	68	2,995,105	2,900,710	3.25
Information per Ordinary Share - (Rs.)				
Net Assets Value at the year end	68	249.59	241.73	3.25
Earnings (Basic)	66	10.22	30.27	(66.25)
Dividends	93	5.50	6.00	(8.33)
Market Value at the year end	134	117.00	79.10	47.91
Key Financial Ratios				
Return on Average Shareholders' Funds - ROE (%)		4.16	13.20	-904 bps
Return on Average Assets - ROA (%)		3.61	11.41	-780 bps
Price Earnings (times)		11.45	2.61	338.70
Year on year growth in Earnings (%)		0.23	14.39	-1,416 bps
Dividend Yield (%)		4.70	7.59	-289 bps
Dividend Cover (times)		1.86	5.04	(63.09)
Dividend Payout Ratio (%)		53.84	19.82	3,402 bps
Current Ratio (times)		9.00	5.53	62.75
Quick Assets Ratio (times)		9.00	5.53	62.75
Interest cover (times)		29.91	75.04	(60.14)

FINANCIAL HIGHLIGHTS

Total Assets and Revenue



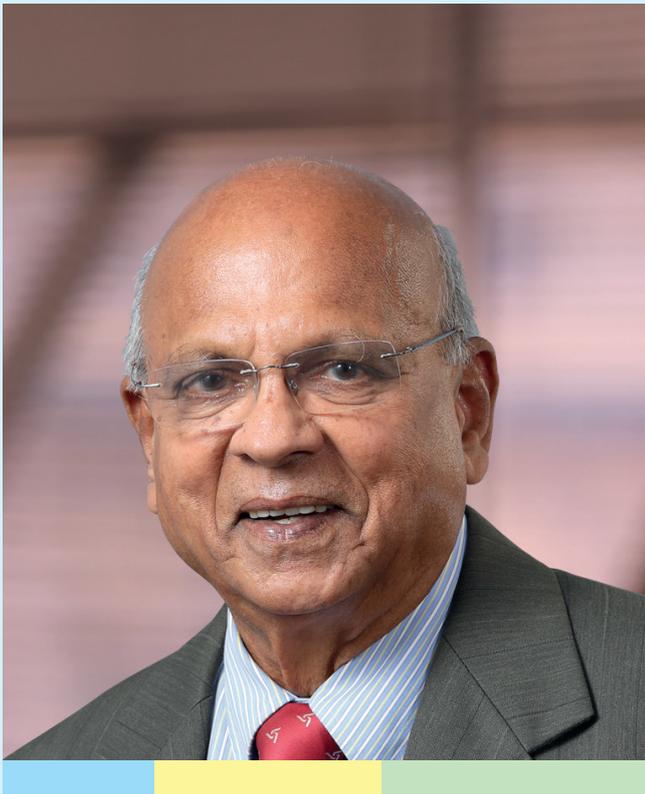
Company recorded Compound Annual Growth Rates (CAGR) of 7.49% in total revenue and 10.81% in total assets over the past five years. This was largely aided by the fair value gains on Investment Property.

Earnings & Dividend Per Share



Earnings per share recorded a significant drop due to the fair value loss on Investment Property for the year. Consequently, dividend per share was marginally reduced to Rs. 5.50.

CHAIRMAN'S MESSAGE



OUR RELIABILITY AND CAN-DO ATTITUDE IN THE FACE OF UNMATCHED CHALLENGES WERE KEY CONTRIBUTORS TO OUR SUCCESS DURING THE YEAR UNDER REVIEW. THE ACTIONS TAKEN DURING THE YEAR UNDER REVIEW POSITIVELY IMPACTED OUR PROFITABILITY IN DIFFICULT TIMES AND BODE WELL FOR OUR MEDIUM-TO LONG-TERM OUTLOOK.

On behalf of members of the Board of Directors, I am pleased to welcome all our shareholders to the Forty First Annual General Meeting of the Company to be held under challenging conditions on account of the pandemic which has undermined the very foundation and the social fabric of all countries including Sri Lanka. The meeting scheduled to be held on the 31st day of March 2021 is the forum to discharge the accountability of your Directors with the presentation of the Annual Report and the Audited Statement of Accounts for the year ended December 31, 2020.

With the restrictions imposed on the Company by the regulatory authority, our core business remains the provision of space and other allied services to our parent namely the Commercial Bank of Ceylon PLC. Within the permitted parameters we continually scan each horizon to avail to capitalise on any significant opportunities which in turn has enabled us to achieve the objective of delivering equitable returns to our shareholders from the inception. This year is no exception. Although we have maintained the growth momentum it is not overtly reflected in the net profit after tax of Rs. 123 Mn. due to two exceptional items

CHAIRMAN'S MESSAGE

namely a loss on fair valuation of our investment properties amounting to Rs. 45 Mn. for the first time and a realised gain on the disposal of our Associate Company amounting to Rs. 18 Mn. included in the profit reported for the year 2020 in accordance with applicable Accounting Standards. The profit after tax after discounting the above mentioned exceptional items has recorded a significant increase of Rs. 17 Mn. or 13% over the year 2019. Our investment in Commercial Insurance Brokers (Pvt) Ltd. was sold to the Commercial Bank at the same value per share paid by the Bank to a public listed Company which decided to divest their 40% stake. Our earnings per share too declined due to the drop in value in investment properties.

With rental income stagnant as revision was due only in 2021 in the agreed four year cycle, gross revenue of the Company grew by a mere Rs. 1 Mn. or 0.23% in comparison to the previous year. Even this marginal increase is attributed to the abolition of the Nations Building Tax which was abolished in December 2019. The stringent controls on direct cost however yielded returns with gross margins improving by Rs. 13 Mn. or 7.10%.

The Bank originally held 94.55% of the issued capital of the Company and opted to dilute their investment and has now reduced its stake to 90% over a period of over three years with the concurrence of the Securities and Exchange Commission. The Company is now fully compliant with the Listing Rules of the Colombo Stock Exchange with our shares listed on the Dirisavi Board reinforcing our commitment to transparency and accountability.

Over the last four years, we invested substantial sums on the building to improve air quality and fire preparedness. Shareholders are aware that we revised rentals at four year intervals with the next increase due in January 2021. With the demonstrated improvements in the building we have now successfully negotiated a new agreement for the next four years with a healthy increase in rentals. The provision of manpower, maintenance and vehicle hire continues as viable revenue streams. A detailed analysis of our performance is provided in the Management Discussion and Analysis given on page 20.

There were no new appointments or retirements of the Directors during the year. Details of the Directors seeking reappointments are incorporated both in the Report of the Directors as well as in the Notice convening the Annual General Meeting on pages 48 and 141 respectively of this Report.

Last year, we paid a dividend of Rs. 6.00 per share in two tranches. The first interim dividend for the current year of Rs. 2.00 per share was paid in December 2020. The Directors have now recommended a final dividend of Rs. 3.50 per share which will raise the dividend per share to Rs. 5.50 for the year. Accordingly, the dividend payout ratio amounts to 53.84% in comparison to the 19.82% in the previous year. The net asset value per share reflected a modest improvement given the fact that there was no fair value gain with the steep decline in interest rates in the second half of the year.

As the Chairman I must reiterate the fact that every effort is made to be compliant with all applicable regulatory requirements and best practices in line with our prestigious parent. Accordingly as at the date of publishing this Annual Report the Company has complied with all statutory requirements.

I take this opportunity to express my sincere thanks to the Managing Director and all members of the Board for contributing their knowledge and expertise. Their strategic leadership enabled the Board to steer uncharted waters successfully in a turbulent year.

I thank the Chief Executive Officer for the tenacity and hard work and also the clarity he brought in for cementing the bond we had with our parent. Our staff at all levels demonstrated their commitment with hard work which made the Company's achievements possible. I will be failing in my duty if I do not thank the Internal Auditors and the Bank's Inspection Department and the Risk Management Department for going the extra mile in fine tuning conformance. My thanks to Messrs KPMG, our external auditors for completing their work in a timely manner. Finally my profound appreciation to all our shareholders for their trust and support at all times.



B R L Fernando
Chairman

February 22, 2021

MANAGING DIRECTOR'S REVIEW



YOUR COMPANY'S RESOURCEFULNESS AND INNOVATIVE SPIRIT ARE WHAT GAVE IT WINGS TO RISE TO THE OCCASION DURING A YEAR IN WHICH INDIVIDUALS, COMMUNITIES AND CORPORATES FOUND THEMSELVES CHALLENGED ON MULTIPLE FRONTS.

Every year comes with its own share of challenges, but I believe it is safe to say that the year under review arrived with more than its fair share of trials. Despite the knock-on effect of pandemic-related curfews, lockdowns and social restrictions, Commercial Development Company (CDC) was able to mitigate a number of risks and capitalise on the opportunities.

Chief among these opportunities was the initiation of a new business line, the deep cleaning and sanitisation of the premises and vehicles of the Company's sole client – Commercial Bank. Realising the great need for such services in order for this systemically important Sri Lankan bank to continue providing banking services seamlessly, CDC was resourceful, reliable and responsive, working on the frontlines to keep the Bank's employees and customers safe.

Showcasing its resourcefulness in other ways, CDC also invested Rs. 10.1 Mn. in a mini-bus which was then hired out to the Bank to support the latter's new transport arrangements for employees. In addition, your Company invested Rs. 10.7 Mn. in an addressable fire alarm system – its biggest investment of the year – to improve safety standards.

MANAGING DIRECTOR'S REVIEW

The Company's divestment of a 20% stake in associate company, Commercial Insurance Brokers (Pvt) Ltd., during the year provided a substantial gain for CDC. The re-valuation of the Company's three investment properties, namely Commercial House, and the Bank's Tangalle branch and Negombo branch car park, however resulted in a loss of Rs. 45 Mn. reflecting the drop in fair values of land and buildings as a result of COVID-19 pandemic. With CDC's rental agreements with its sole tenant - the Bank - coming to an end in 2020, your Company was also able to successfully negotiate a new and more lucrative rental agreement which came into effect from 1 January 2021 and is applicable for four years.

Undeterred by the many disruptions of the year, and making best use of down time, CDC also increased training hours for employees, conducting a number of internal and external training programmes on topics as varied as labour law and investor relations as well as maintenance and improved driving skills. With face-to-face recruitment programmes proving to be high risk given the possibility for the transmission of the COVID-19 virus, the Company also succeeded in training and promoting suitable employees for two key senior roles. A pilot Performance Management System was also successfully launched during the year and will be rolled out across the Company during 2021. Despite the difficulties of the year, your Company was able to maintain cordial relations with all employees.

Ensuring that our people remain safe and secure despite the tumultuous backdrop remained a key priority for your Company. We are proud to have been able to continue providing them with all salaries and benefits due to them and vastly appreciative of the way our people rallied together to support the Company in overcoming the odds. I take this opportunity to thank each member of staff for their resourcefulness and tireless efforts throughout a difficult year. I warmly thank the Chairman and other members of the Board of Directors for their cooperation and guidance during the year under review.



S Renganathan
Managing Director

February 22, 2021

CHIEF EXECUTIVE OFFICER'S REVIEW



BEING RESPONSIVE IN THE FACE OF TREMENDOUS ODDS, ACROSS THE MULTIPLE ROLES WE PLAY - FROM BUSINESS PARTNER TO EMPLOYER - HAS BEEN THE KEY TO YOUR COMPANY'S STRONG RESULTS AND PRUDENT GROWTH DURING A YEAR THAT WILL GO DOWN IN HISTORY AS BEING UNPRECEDENTED!

The year 2020 has been an eventful one, to say the least, and I am honoured to provide you with an overview of your Company's operational activities and robust results in relation to its operating environment. Since the beginning of the year under review, the global pandemic has plagued both our economy and your Company alike.

Despite the challenges, Commercial Development Company PLC (CDC) successfully converted its threats into opportunities, introducing a new business line that focuses on the sanitisation of buildings and vehicles owned by Commercial Bank of Ceylon PLC - our sole customer. The addition of this business line to the Company's lucrative portfolio was vital in ensuring that the Bank was able to provide safe and uninterrupted services to its clients and safeguard its employees, while earning CDC a steady stream of income which was particularly helpful during the uncertain times of the year under review.

CHIEF EXECUTIVE OFFICER'S REVIEW

Although many businesses were forced to reduce salary payments or terminate employment contracts in a bid to survive, we at CDC are proud to state that we were able to pay salaries, bonuses and other welfare payments to employees on time while ensuring their safety. It was crucial for us to prioritise and reassure our employees of their job security and wellbeing, and so we paid great attention to employee communications as a result.

Considering the tumultuous year and its offset thanks to the new service line, our revenue has remained fairly stable, relative to the previous financial year. The Company had implemented several cost efficiency measures which have resulted in a growth in gross profit by 7.10%, compared to the previous year, against cost reductions of 4.7%. Reducing costs was a challenge for CDC given the unexpected circumstances, yet it was a challenge that we successfully navigated.

Although net profits reduced by 66% compared to the financial year 2019, the root cause was the loss in fair value of land and buildings, which was linked to the spread of COVID-19 and the resultant impact on market demand for properties. Even though this adverse situation was beyond our control, we are hopeful that this is a non-recurrent event which will no longer impact the Company once the pandemic is brought under control.

Several policies were revamped with the intention of streamlining operations, including those related to human resources, procurement, record classification, and business continuity planning. These policies will undoubtedly aid the Company in performing better and growing even further. We are also proud to announce that we have launched our website, to which we warmly welcome our stakeholders. By visiting www.cdcpic.net, you will be able to gain a better understanding of our operations, view our Annual Reports and Interim Financial Statements and contact our management. It is noteworthy that the website was solely developed by one of our own employees.

In a bid to focus on sustainable growth, we have extended our full cooperation to the Bank to install solar panels on "Commercial House" rooftop, as we strongly believe in the importance of environmental conservation. In the years to come, we will incorporate green practices into our activities in a bid to better safeguard the finite natural resources of the planet.

Even though 2020 was a difficult year for the entire country, as a responsible corporate entity, we ensured that our CSR projects remained on par with pre-pandemic levels. Accordingly, generous donations were made to Lady Ridgeway Hospital, the Leprosy Society (SUROL) and our own staff members in need of medical assistance, as our contribution towards the wellbeing of the communities within which we operate.

Further we are delighted to state that all taxes, statutory payments, municipal rates, utility bills and all other payables were made on time without any arrears despite the crisis situation faced in 2020.

Despite many challenges, our commendable performance during the year 2020 would not have been possible without the guidance of the Board of Directors and the collective effort of the management, staff and all other stakeholders, and I wish to extend my gratitude to all those who have made this outcome possible.

We are confident that the years ahead will be much brighter and have already laid the groundwork for capitalising on new and existing business opportunities.



R N De Silva
Chief Executive Officer

February 22, 2021

CONTEXT FOR OUR PERFORMANCE

The global COVID-19 pandemic impacted Sri Lanka at a time when the country was beginning to recover from the unfortunate Easter Sunday attacks in April 2019. With the Government taking strict measures to impose restrictions and social distancing to curb the spread of the virus in early 2020, the economy shrank significantly in the second quarter, severely impacted by capital outflows and depreciating Sri Lankan Rupee.

By the beginning of the second half of the year under review, however, economic activity had begun to pick up again as the country's businesses implemented safe working measures and started recording positive growth. Worker remittances exceeded USD 7 Bn., during the year under review, making up for suspended tourist inflows. Although Government finances were under significant pressure, official reserves remained at USD 5.7 Bn. by end 2020.

With Commercial Bank being our sole tenant, our performance and the demand for our services is closely tied to the operations and performance of the Bank and, by default, the Sri Lankan banking sector.

Having enforced measures to ensure adequate levels of liquidity and capital as per international standards, the Sri Lankan banking sector began 2020 on a comfortable footing. Financing was primarily focused on lending to and investments in the Government sector.

In 2020, the banking sector's major funding source continued to be rupee deposits, which had increased from 8.4% in 2019 to 21.5% year-on-year. Foreign currency growth remained largely stable during the same period. The expected increase in non-performing loans, following the end of the Government-implemented debt moratorium, is likely to impact the sector's liquidity and profitability unless appropriate remedial measures are taken.

The future outlook holds many possibilities, with the Central Bank of Sri Lanka (CBSL) expecting robust growth of approximately 5-6% and promising to continue an accommodative stance on monetary policy to help drive the economy.

With borders gradually opening up and plans for COVID-19 vaccine drives taking place around the world, there is hope that tourism and financial inflows will improve. Low interest rates should contribute towards economic growth and support debt consolidation. Global and local investors appear confident, with the country's sovereign bond yields and stock market indices performing satisfactorily. Inflation is likely to remain between 4-6% in the medium-term, with downside risks being external factors such as rising global petroleum prices or domestic supply-side pressures.

BUSINESS MODEL FOR SUSTAINABLE VALUE CREATION

On the subject of value creation, the Company takes a multi-stakeholder approach. The Company defines stakeholders as those who may be considerably impacted by the organisation’s activities, as well as those whose actions may in turn affect the Company’s ability to perform successfully in meeting its strategic objectives in line with its Purpose. Engaging with stakeholders is critical to identifying which of them are important to the Company, understanding why the Company is important to them, and adjusting the business model in line with such findings to create value for each other over time.

The Company’s ability to create sustainable value for itself is interrelated with the value it creates for its stakeholders. As the value created by the Company for itself is a resource, it is considered a form of capital. In other words, the Company’s capital is not limited to the financial capital reported on the balance sheet.

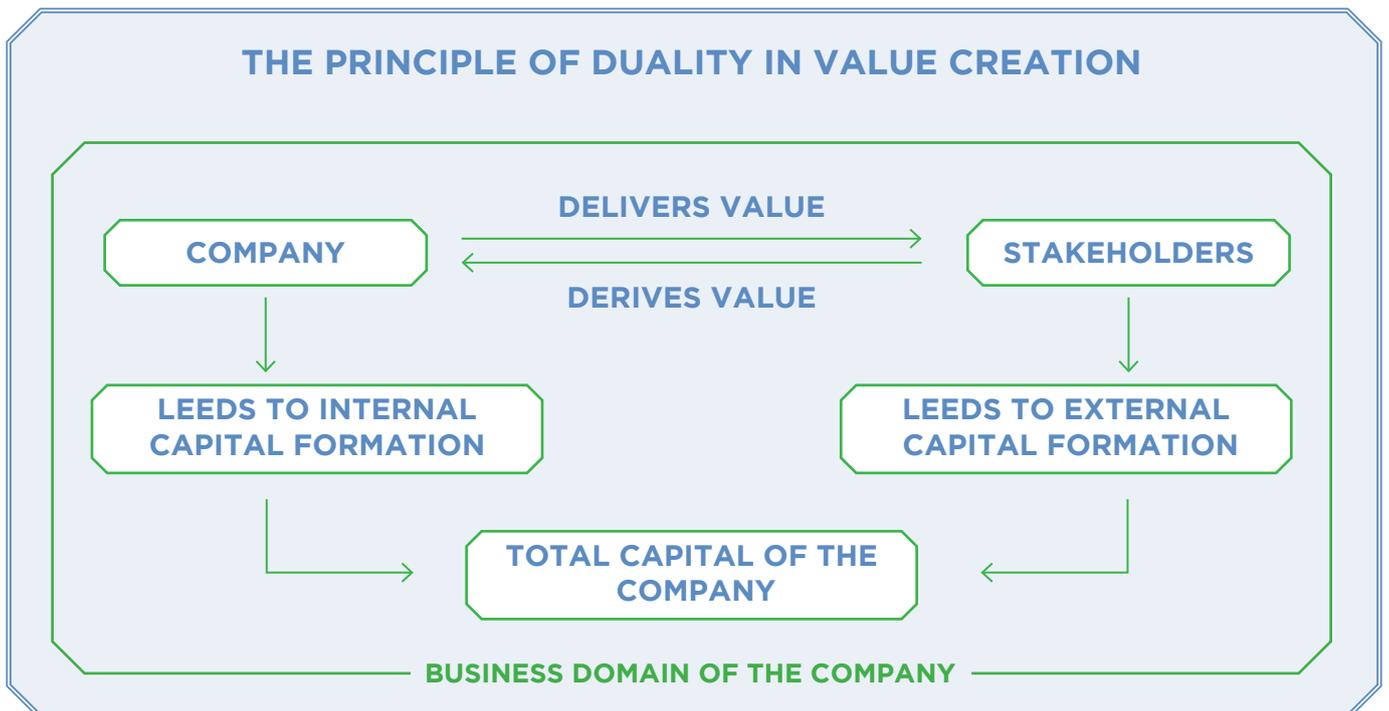
The multiple capitals are the inputs to the Company’s business activities as it seeks to create value over the short, medium and long term. While CDC’s goal is to increase its overall stock of capitals, the capitals are continually increased, decreased or preserved over time.

The Company’s system for transforming input capitals through business activities into outputs and outcomes is depicted in the business model appearing on pages 14 and 15.

CDC’s business activities, which centre on renting of premises, outsourcing of staff, hiring of vehicles and providing other utility services are conducted in line with its Purpose and Strategy. These activities are also shaped by the Company’s Corporate Governance strategy and the risks and opportunities in the operating environment.

To identify such risks and opportunities, the Company systematically scans the environment, using information about events, trends and relationships within its external and internal operating environments. Following this process, CDC determines items that could affect the organisation’s ability to achieve its strategic objectives; in other words, its ability to create value over time.

The diagram on Principle of Duality given below depicts the delivering of value to stakeholders and deriving value from them, in the process of creating value by the Company.



BUSINESS MODEL FOR SUSTAINABLE VALUE CREATION

BUSINESS MODEL

INPUTS

Capital position as at January 1, 2020

INTERNAL CAPITALS



FINANCIAL

- Shareholders' funds Rs. 2,900.7 Mn.
- 805 shareholders
- Dividend per share Rs. 6.00
- Market capitalisation Rs. 949.2 Mn.



INTELLECTUAL

- Institutionalised knowledge
- Board approved policies covering many operational spheres
- Streamlined systems and procedures

EXTERNAL CAPITALS



MANUFACTURED

- Property, Plant and Equipment Rs. 130.4 Mn.
- Investment property Rs. 2,911.0 Mn.
- Extent of rentable space 130,566 sq.ft.
- Appreciation in property value during 2019 Rs. 237.3 Mn.



HUMAN

- Staff cadre of 212 employees
- Cumulative service of 1,522 years
- Staff retention ratio 98%



SOCIAL AND RELATIONSHIP

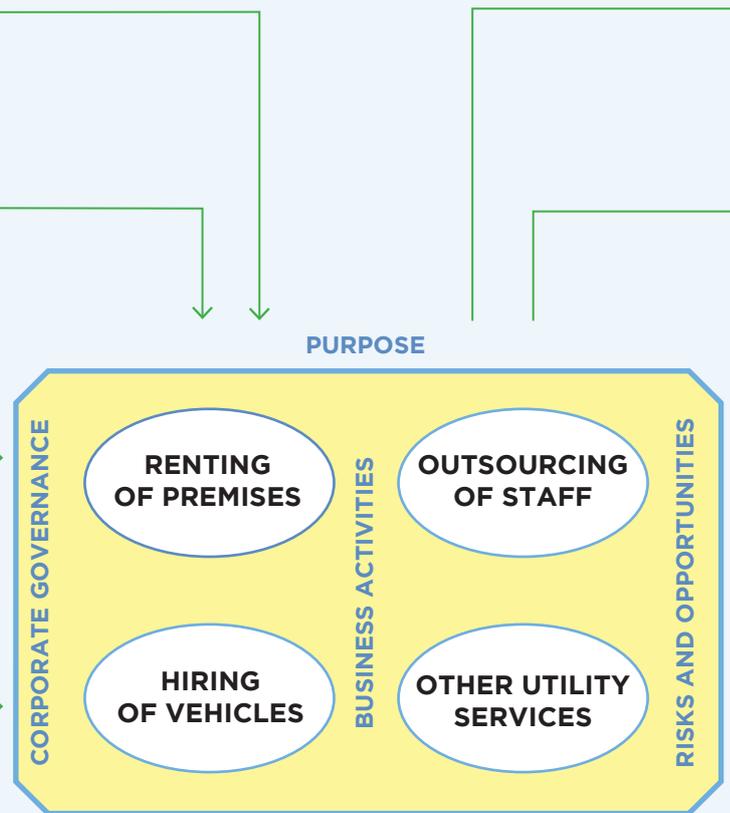
- Anchor tenant - Commercial Bank
- 456 suppliers and service providers
- Robust and longstanding relationships



NATURAL

- Energy 1,761,860 kWh
- Water 6,840,000 liters
- Collecting/disposing garbage in a responsible manner

VALUE CREATING ACTIVITIES



PURPOSE

STRATEGY

EXTERNAL ENVIRONMENT

(including economic conditions, technological changes, societal issues, environmental challenges and outlook)

OUTPUTS TO STAKEHOLDERS



SHAREHOLDERS

- Profit after tax Rs. 122.6 Mn.
- Net assets value per share Rs. 249.59
- Dividend per share Rs. 5.50



GOVERNMENT INSTITUTIONS/ REGULATORS

- Taxes paid Rs. 87.4 Mn.
- Fully compliant with the relevant rules and regulations



TENANTS

- Reliable, responsive and resourceful service in an economically viable, socially responsible and environmentally friendly manner



EMPLOYEES

- Total remuneration of Rs. 115.5 Mn.
- Training and Development Rs. 0.227 Mn.
- Enhanced employee productivity



BUSINESS PARTNERS

- OPEX paid for services Rs. 283.2 Mn.
- CAPEX paid for plant and equipment Rs. 21.2 Mn.



COMMUNITY

- CSR activities
- Initiative to donate medical equipment to Lady Ridgeway Hospital and cash donation to Leprosy Association (SUROL)

OUTCOMES

Capital position as at December 31, 2020



FINANCIAL

- Shareholders' funds Rs. 2,995.1 Mn.
- 903 shareholders
- Market capitalisation Rs. 1,404.0 Mn.



INTELLECTUAL

- Institutionalised knowledge
- Board approved policies covering operations
- Streamlined systems and procedures



MANUFACTURED

- Property, Plant and Equipment Rs. 97.5 Mn.
- Investment property Rs. 2,876.7 Mn.
- Extent of rentable space 130,566 sq.ft.



HUMAN

- Staff cadre of 212 employees
- Cumulative service of 1,708 years
- Staff retention ratio 99%



SOCIAL AND RELATIONSHIP

- Anchor tenant - Commercial Bank
- 476 suppliers and service providers
- Robust and longstanding relationships



NATURAL

- Energy 1,715,550 kWh
- Water 5,331,000 liters
- Collecting/disposing garbage in a responsible manner.

STAKEHOLDER ENGAGEMENT

In this Report, stakeholders are defined as individuals or entities that are separate from the Company but are materially impacted by its activities. Stakeholders are also those who are able to impact the Company by their actions or opinions. Remaining sensitive to the aspirations, expectations and concerns of its stakeholders, we consider proper identification of and effective engagement with them as essential for the sustainable value creation of the Company.

Value creation is the net result of value delivered to stakeholders and value derived from them and as such we remain committed to maintaining positive stakeholder relationships (please refer the diagram on "Principle of Duality" on Page 13).

Key stakeholder groups identified by the Company are:

- Shareholders
- Tenants
- Employees
- Suppliers and business partners
- Government and regulatory authorities
- Society and environment

To effectively engage with said groups, we are committed to ensuring the free flow of quality information between the Company and its stakeholders. For instance, we share information on Company performance through the publication of interim and annual financial statements and make various market announcements to the Colombo Stock Exchange. While the Bank owns a 90% stake in the Company, 10% is owned by 902 other shareholders as at December 31, 2020.

We also engage with stakeholders through various other means and at various frequencies as outlined further on in the report. The level of engagement depends on the potential impact on or by the stakeholders and the nature of relationships.

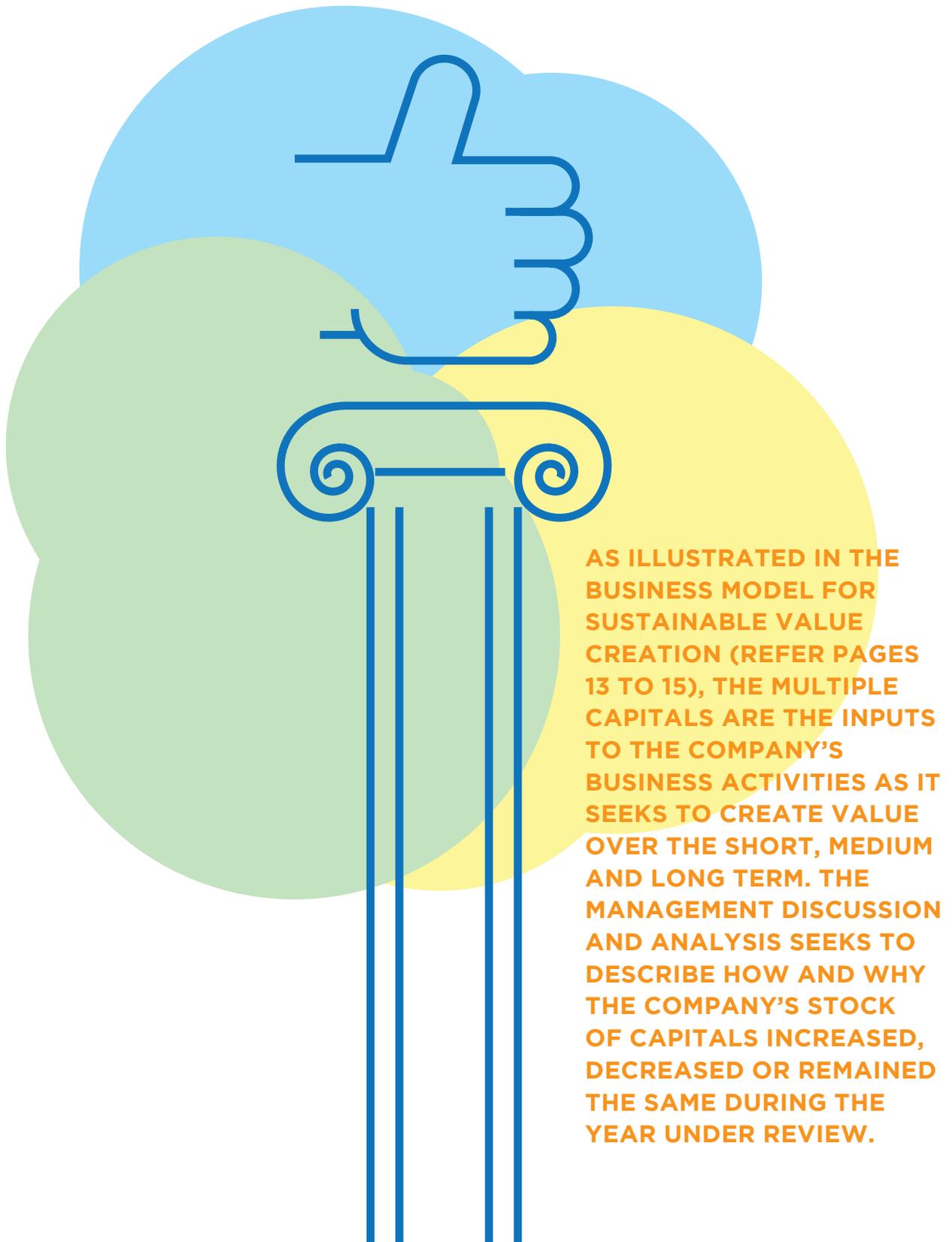
This type of meaningful interaction helps us to understand stakeholders and their expectations better, including the quality of our services and any gaps, empowering us to provide continuous improvements. It also enhances the quality of our governance, risk management and compliance efforts while helping us to identify new business opportunities.

Formal mechanisms for stakeholder engagement continue to be in place, even though every point of stakeholder contact remains a shared responsibility across the Company. These mechanisms and our understanding of stakeholder concerns are outlined below.

Stakeholder	Topics of concern	Engagement method	Frequency
Shareholders	Financial performance	Annual General Meeting	Annual
	Shareholder returns	Annual Report	Annual
	Governance	Extraordinary General Meeting	As required
	Risk management	Interim Financial Statements	Quarterly
	Related party transactions	Announcements to CSE	As required
	Expansion	One-to-one meetings	As required
	Transparency	Internal and external audits	Ongoing and annual
Tenants	Rent and other charges	Review meetings	As required
	Facilities and utilities	Feedback evaluation	As required
	Maintenance, security	Correspondence	As required
	Service quality	Periodic updates	As required
	Staff training / development	Field visits	As required
	Fire drills / risks associated	Announcements	At least once a year
	Waste management		

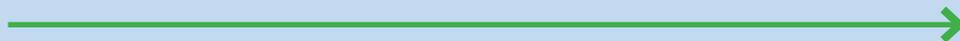
STAKEHOLDER ENGAGEMENT

Stakeholder	Topics of concern	Engagement method	Frequency
Employees	Recruitment and retention	Review meetings	As required
	Salaries and remuneration	One-to-one meetings	As required
	Training and development	Appraisals	Annual
	Welfare	Policies and procedures	As required
	Performance appraisal	Operational guidelines	As required
	Health and safety	Evaluating feedback	As required
	Career progression	Annual trip and staff events	Annual
	Grievances	Job descriptions	As required
	Future plans	Training and workshops	As required
		Close relationships with EFC	Ongoing
Suppliers and business partners	Registrations	Correspondence	As required
	Quality	One-to-one meetings	As required
	Scope of work	Policies and procedures	As required
	Terms & Conditions	Media releases	As required
	Pricing	Supplier visits	As required
	Warranties	Resolving complaints	As required
		Collaborations	As required
Government and regulatory authorities	Compliance	Statutory reporting	As specified
	Tax liabilities	Periodic payments and returns	As specified
	Labour regulations	Submissions to policy makers	As required
	Employee terminal benefits	Meetings and consultations	As required
		CSE disclosures and announcements	As required
Society and environment	Ethical behaviour	Being subject to Group audit, risk and compliance	Periodic
	Business conduct	Tone at the top	Ongoing
	CSR activities	Compliance culture	Ongoing
	Business practices	Eye/organ donation campaign	February 2020
	Social and environmental impact of business activities	Donation of Medical Equipment to Lady Ridgeway Hospital	November 2020
		Cash Donation to SUROL	November 2020
		Shouldering the responsibilities of terminally ill employees	Ongoing
		Other CSR activities	Ongoing



AS ILLUSTRATED IN THE BUSINESS MODEL FOR SUSTAINABLE VALUE CREATION (REFER PAGES 13 TO 15), THE MULTIPLE CAPITALS ARE THE INPUTS TO THE COMPANY'S BUSINESS ACTIVITIES AS IT SEEKS TO CREATE VALUE OVER THE SHORT, MEDIUM AND LONG TERM. THE MANAGEMENT DISCUSSION AND ANALYSIS SEEKS TO DESCRIBE HOW AND WHY THE COMPANY'S STOCK OF CAPITALS INCREASED, DECREASED OR REMAINED THE SAME DURING THE YEAR UNDER REVIEW.

MANAGEMENT DISCUSSION AND ANALYSIS



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FINANCIAL CAPITAL

Financial Capital refers to assets that are used for producing goods or services. All items, like machinery, tools, and buildings, that are directly used for manufacturing goods or services are called capital goods. Financial capital is used for purchasing capital goods. Debt and equity are the two sources for raising financial capital. It comprises the pool of funds procured through equity, profits ploughed back after paying dividends, appreciation in value of investment properties recognised each year following revaluation and debt capital raised (if and when required) available at its disposal for use in provision of services. It is the financial capital which together with the other forms of capitals described below enables the sustainable value creation of the Company.

Growth of the Company over the past 41 years and the consistent returns generated for the shareholders by way of dividends as well as performance of the shares in the Colombo Stock Exchange bear ample testimony to CDC's success in sustainable value creation.

FINANCIAL REVIEW

Revenue

In 2020, the total gross revenue of the Company recorded only a marginal increase of Rs. 1.06 Mn. or 0.23% over the year 2019. The marginal increase in revenue was mainly due to the inclusion of Nation Building Tax amounting to Rs. 8.2 Mn. in the gross revenue recognised for 2019 until it was abolished in December 2019.

It is noteworthy that the Company recorded a significant increase of Rs. 8.4 Mn. or 28% in revenue derived from providing other utility services to the Bank. However, a decline of Rs. 9.6 Mn. or 11% is recorded in income derived from vehicle hiring services mainly due to the disposal of several vehicles during the latter part of 2019, negatively impacting the total revenue. The rental income and the income derived from the outsourcing business too recorded a marginal increase when the impact of the Nation Building Tax in the revenue recognised for 2019 is discounted.

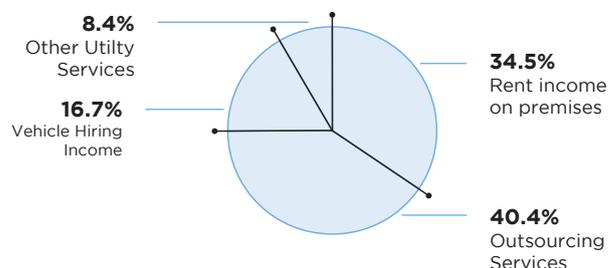
Profit

The net profit for the year amounted to Rs. 122.6 Mn., which included two exceptional items, namely a fair value loss recognised on investment properties and the profit on sale of the equity accounted investee. Accordingly, this resulted in a drop of Rs. 240.6 Mn. or 66% in the post-tax profit for the year compared to the profit reported for 2019.

The fair value loss on investment properties recognised in the income statement amounting to Rs. 45 Mn. reflects the drop in fair values of land and buildings as a result of COVID-19 pandemic and its impact on the real estate market.

Out of the three investment properties owned by the Company, its main property situated in Colombo for the first time as at December 31, 2020 recorded a fair value loss of Rs. 57 Mn. on revaluation which was recognised in the income statement in accordance with accounting standards. This fair value loss is mainly attributable to change in assumptions and variables used by the valuer in his valuation considering the impact of COVID-19 pandemic. However, the fair value loss on property in Colombo has been partly offset by gains recognised on other two properties situated in Tangalle and Negombo.

Segmental revenue - 2020



The second exceptional item included in the profit reported for the year was the profit on sale of equity accounted investee amounting to Rs. 18.3 Mn. During the year, the Company sold its 20% stake in the Associate Company, Commercial Insurance Brokers (Pvt) Ltd to its parent Company, Commercial Bank of Ceylon PLC, consequent to a strategic investment decision taken by the parent Company.

However, after discounting the above mentioned two exceptional items, the profit before tax has recorded a significant increase of Rs. 22.3 Mn. or 12.7% over the year 2019. It is commendable that the Company has been able to increase gross margins in its business lines with efficiency achieved through cost savings backed by detailed cost management strategies adopted during the year under review. The total administrative cost on the other hand too decreased by 4.4% as a result of cost saving initiatives adopted by the management and staff at all levels.

FINANCIAL CAPITAL

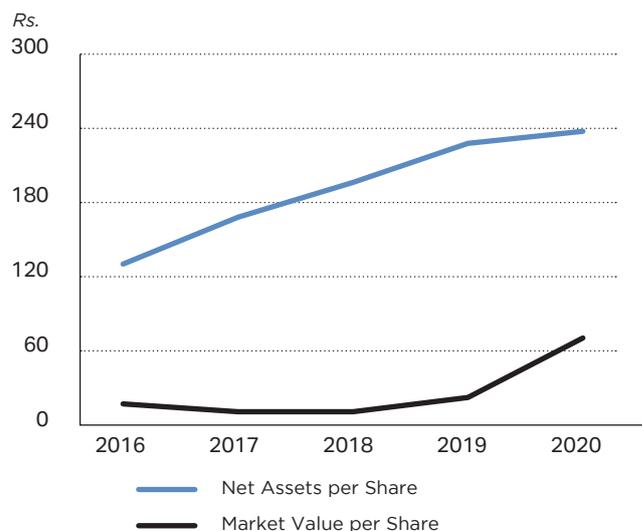
Further, the net finance income too has increased as a result of increased interest income accrued on investments made in fixed deposits during the year.

Financial Position

The net assets of the Company stood at Rs. 2,995.1 Mn. as at December 31, 2020, which represents a growth of Rs. 94.4 Mn. or 3.3% over the year 2019.

The main contributory factor for the increase in net assets was the profits earned for the year despite the negative impact brought about by the fair value loss on investment properties due to factors beyond our control which hindered the potential growth in shareholder wealth.

Net Assets Value and Market Price per Share



VALUE ADDED STATEMENT

	2020 Rs. '000	%	2019 Rs. '000	%
Value Added				
Income from providing Services	454,906		453,849	
Cost of Services	(56,068)		(57,181)	
Value added by providing Services	398,838		396,668	
Other Income	23,163		4,930	
Fair value Gain/(Loss) on Investment Property	(45,046)		237,283	
Net Finance Income	12,011		4,786	
Share of Profit of Equity Accounted Investee	9,438		9,158	
Total Value Added	398,404		652,825	
Distribution of Value Added				
Value Added to Employees				
Salaries wages and other benefits	(183,701)	46%	(179,765)	28%
To Shareholders				
Dividends	(66,000)	17%	(66,000)	10%
To Government				
Income and deferred Tax	(48,691)	12%	(49,773)	8%
Nation Building Tax	-	0%	(8,155)	1%
To Expansion and Growth				
Depreciation	(43,430)	11%	(51,915)	8%
Retained profit	(56,582)	14%	(297,217)	45%
Gross Value Distributed	(398,404)	100%	(652,825)	100%

INTELLECTUAL CAPITAL

Our Intellectual capital sets the Company apart from the competition and impacts our total market value. This capital consists of intangibles that provide the Company with a competitive advantage, future readiness, and the ability to meet stakeholder expectations. It encompasses our integrity and business ethics, systems and processes, corporate culture, accumulated knowledge and expertise, and relationship, among other aspects. Although not reflected on the balance sheet, the Intellectual capital of the Company comprises institutionalised knowledge that has been amassed over more than 40 years of our existence. The Company's Intellectual capital also includes our 212-strong employee cadre who have together accumulated a service period of 1,708 years.

The Company's activities, conduct, culture and progress correlate closely with that of our parent company, Commercial Bank of Ceylon PLC. Besides being the parent with a 90% ownership, our unique relationship and close association with the Bank is also a result of the latter being the sole tenant of the Company's properties and all our activities being directed to take care of the needs of the sole tenant. In compliance with the CBSL directions, the Company's risk management, compliance and audit functions come under the purview of the Commercial Bank Group which is in addition to the internal audit function outsourced by the Company to a reputed firm of Chartered Accountants. Such a close relationship with the Bank immensely benefits our image, brand, reputation and culture.

We also receive invaluable guidance from the parent company, ensuring that our activities are highly ethical and transparent at all times.

Low employee turnover and long years of service have meant that the Company is in possession of a wealth of tacit knowledge and employee skills and experience. Formal and informal channels are in place to encourage employees to share their ideas, experience and knowledge. Such a free flow of information benefits the Company as well as existing and new employees.

The Company's documented and Board-approved policies and procedures guide employees across a range of operations. During the year under review, a number of such initiatives were launched including:

- Human Resource Management Policy
- Asset Procurement and Disposal Policy
- Policy on Record Classification, Management, Retention and Destruction
- Business Continuity Management System
- Limits of Authority

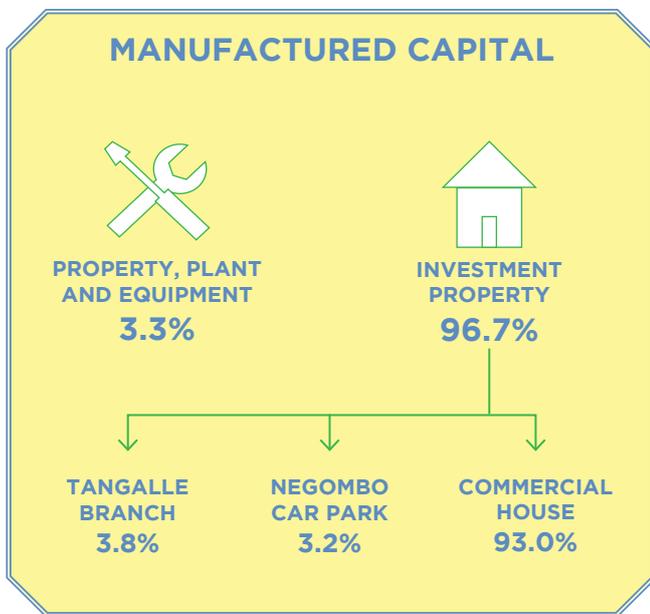
These Board-approved policies are now in place.

We also began work on our website which will be launched in 2021. The plan to begin work on our website proved to be timely, given the pandemic-related restrictions on movement and the migration of many forms of corporate communications to online formats. The website will provide us with a single platform to showcase our products and services and provide stakeholders with the latest updates about the Company in a timely and cost effective manner.

It is noteworthy that the Company engaged with a reputed vendor to develop a Human Resources Information System which includes automation of the Payroll function as well.

MANUFACTURED CAPITAL

The Company offers four primary services to its sole tenant namely, renting of premises, outsourcing staff, hiring out vehicles and providing other utility services and our Manufactured capital comprises investments in physical assets and other infrastructure that contribute towards their provision. Comprising investment property, property plant and equipment, the net book value of this capital at year end totalled Rs. 2,974 Mn. Please refer Notes 17 and 18 to the Financial Statements on pages 95 and 98 for details.



The Company’s investment properties consist of the “Commercial House” Building at 21, Sir Razik Fareed Mawatha, Colombo 1, the Commercial Bank branch in Tangalle, and the car park of the Commercial Bank branch in Negombo. Through rental income, investment properties generate 35% of our operating income. During the year under review, the Company managed to successfully negotiate for a new rental agreement in line with market rates which became effective from January 1, 2021 and provide the Company with a higher revenue and be applicable for four years with a reasonable increase in rent at the end of the first two years. This successful negotiation is expected to further boost the Company’s performance.

Representing 93% of our investment properties, Commercial House occupies 58.48 perches and has a building space of over 126,000 sq.ft. Following the completion of construction in 1984, our parent company, Commercial Bank of Ceylon PLC, established their head office at this prime location and is now the Company’s sole tenant.

One of the key benefits of having the Bank as our sole tenant is that while the Company bears the cost of day-to-day maintenance, the Bank reimburses costs of any major improvements made to the rented area of the Building. However, the Company is keen to negotiate a different rental model with the Bank wherein all structural improvements to the Building being borne by the Company whilst it could be compensated in terms of competitive rentals charged from the Bank. In return we provide the Bank with focused and tailored services of the highest standard. In the process, we also give the utmost priority to complying with all the applicable rules and regulations including “social license” and all aspects relating to the safety and security of the tenant, its employees and regulatory authorities.

The Company ensures that all investment properties are valued by professional Valuation Officers annually to determine their fair value. For the year under review, the Company recorded a gross loss from the valuation of investment properties reflecting the negative impact on the real estate market brought by the COVID-19 global pandemic. Details of the valuations conducted at year’s end including the gains and losses on valuation are given in Note 18 to the Financial Statements on page 98. We have also taken comprehensive insurance cover, inclusive of terrorism cover, for all our buildings.

Our rental agreements with the Bank for the above properties are periodically reviewed and renewed in line with the movement of market rates for space in the respective areas and the quality of the facilities available. Several air-conditioning units were added to the service list ensuring an increase in revenue.

The rental agreements with the Bank also include the provision of certain maintenance services to the premises by the Company. By going the extra mile for our client during the unprecedented times precipitated by the pandemic, we were able to expand our services to undertake the sanitisation of Bank premises and vehicles. Our services provided the Bank with cost-effective and trusted services during uncertain times. In return, these services contributed to the Company’s profitability during the year under review.

In 2020, we also installed a new addressable fire alarm system in the “Commercial House” building amounting to Rs. 10.7 Mn. This was the Company’s biggest investment during the year under review. In the event of a fire, the system allows the necessary teams to quickly locate the fire and initiate specific actions, reducing the likelihood of false alarms. The system, which is well suited for high-rise buildings, also allows activation of fire alarms from any point in the building through the use of sensors and automatic activation, further improving safety.

HUMAN CAPITAL

The driving force behind the Company's success is its human resources or human capital. By using the term 'human capital' we reinforce the fact that our employees are a resource that needs to be nurtured. The quality and commitment of our human capital is critical for sustainable value creation. This goal to develop and engage our people is an acknowledgement of the fact that the Company's 212-strong team creates value for the Company and its stakeholders in the same way that the Company is conscious of delivering value to them in turn.

Such a duality of value creation gains added significance when discussed in relation to the fact that Commercial Bank is the sole tenant of our properties with a 90% stake in our business. With all our services directed towards the Bank, our employees are called on to maintain the highest degree of integrity to meet the expectations of one of the country's four systemically important banks. Bank reviews of our employees show a high degree of satisfaction with regard to the commitment and professionalism of our people. Further, our dedicated maintenance team and others carried-out their duties to the maximum satisfaction of our sole customer despite many challenges/obstructions, created by the pandemic.

EMPLOYEE POPULATION

By end 2020, the Company's total employee population numbered 212 (205 permanent and 7 contracted employees). Of the permanent staff, 59.5% were males and 40.5% were females, with four new recruits and four employees leaving the Company's service during the year. A large number of employees belong to the 31-40 year age group with over 90% of employees having been employed at the Company for over 6 years.

In accordance with our policy of being an equal opportunity employer, we have provided employment to two differently-abled persons who carry out their duties with dedication and professionalism.

The high degree of commitment and job satisfaction of our employees is demonstrated by the extremely low staff turnover rates. In 2020, only three resignations and one retirement were reported while all eight female staff members who took maternity leave returned to work at the appointed time.

The Company also benefited from secondments from Commercial Bank of Ceylon PLC during the year under review. These secondments include the following Commercial Bank employees, who served the Company in the capacities as stated below, bringing with them a wealth of experience from the Bank:

- Mr Ruwan De Silva – Chief Executive Officer
- Mrs Kumari Perera – Head of Human Resource
- Mr Upul Athukorala – Junior Executive Officer

During the year under review, the Company maintained cordial relationships with all employees.

In the near future, the Company plans to implement an HR Information System to enhance productivity and streamline administration work. This system will allow the Company to plan its HR costs more effectively and manage the employees better without needing to allocate too many resources towards such tasks.

EMPLOYEE BENEFITS

The Company ensures that its employees continue to receive competitive remuneration, well above the market average for their respective levels of skill and experience. During the year under review, salaries were revised upwards by 6%, with a notable enhancement in allowances after a period of three years.

In addition to salary, our employees receive benefits including performance bonus, insurance for hospitalisation and surgery and for selected categories of staff, fuel/travelling allowances and professional subscriptions. Employees in adverse situations are given sympathetic consideration. For instance, staff who contract long-term illnesses continue to be employed in a capacity that suits them while the Company bears their medical expenses.

TRAINING AND DEVELOPMENT

The ongoing development of employee skills and technical knowledge continued despite the impact of COVID-19 with 16 employees participating in one internal and six external training programmes on topics including labour law and investor relations as well as maintenance and improved driving skills.

HUMAN CAPITAL

Instead of using the recruitment channel to fill vacancies, the Company also invested in training and development for two positions and then promoted the selected individuals for the positions of Senior Technical Officer and Associate Executive Human Resources & Administration.

In order to improve the employee value proposition and the Company's HR pipeline, we implemented a best-in-class Performance Management System (PMS). Covering Maintenance Staff and Drivers for now, the system will soon be expanded to include other categories of employees as well. The new PMS allows HR administrators, employees and managers to track, measure, and report on performance more effectively. The Company ensures that all employees receive the opportunity to discuss career progression plans with their line manager during the mid-year and end-of-year performance reviews.



EMPLOYEE WELL-BEING

There were no health and safety related incidents during the year. In addition, the Company conducted a number of awareness drives relating to the pandemic to make sure that employees were able to maintain a safe working environment at all times. Communications in multiple forms, including posters, were launched to ensure that all employees wore masks, maintained social distancing and washed or sanitised hands regularly.

Despite the keen anticipation for the annual Christmas party for immediate family members of employees, we regretfully decided to cancel the festivities for 2020, putting the safety of our employees and their families first. To ensure the children did not miss out during the festive season, however, the Company presented gift vouchers to the tune of Rs. 400,000 to approximately 400 youngsters.

A statistical analysis of permanent employees is given below.

Total number of permanent employees

	2020	2019	2018	2017	2016
Number of employees	205	207	206	211	220

Age analysis of permanent employees - 2020

	Total	%	Male	%	Female	%
18-20 years	-	-	-	-	-	-
21-30 years	5	2.44	5	4.10	-	-
31-40 years	122	59.51	67	54.92	55	66.26
41-50 years	71	34.63	45	36.88	26	31.33
51-55 years	7	3.42	5	4.10	2	2.41
Over 55 years	-	-	-	-	-	-
Total	205	100.00	122	100.00	83	100.00

Service analysis of employees - 2020

	Total	%	Male	%	Female	%
0-5 years	13	6.34	12	9.84	1	1.20
6-10 years	163	79.51	89	72.95	74	89.17
11-15 years	15	7.32	12	9.84	3	3.61
16-20 years	10	4.88	6	4.91	4	4.82
Over 20 years	4	1.95	3	2.46	1	1.20
Total	205	100.00	122	100.00	83	100.00

HUMAN CAPITAL

Gender analysis - 2020

Gender	No.	%
Male	122	59.51
Female	83	40.49

Analysis of employees by grade - 2020

Grade	Male	Female
Executive staff	2	-
Non-Executive staff	120	83
Total	122	83

Analysis of employees by types of employment - 2020

Type of employment	Total	Male	%	Female	%
Permanent	205	122	94.57	83	100.00
Contract	7	7	5.43	-	-
Total	212	129	100.00	83	100.00

Employees recruited by age and gender - 2020

Age group	Total	Male	Female
18-20 years	-	-	-
21-30 years	-	-	-
31-40 years	4	4	-
41-50 years	-	-	-
51-55 years	-	-	-
Over 55 years	-	-	-
Total	4	4	-

Employee turnover by age and gender - 2020

Age group	Total	Male	Female
18-20 years	-	-	-
21-30 years	-	-	-
31-40 years	2	-	2
41-50 years	-	-	-
51-55 years	2	2	-
Over 55 years	-	-	-
Total	4	2	2

Employee turnover by grade - 2020

Grade	Male	Female
Executive staff	-	-
Non-Executive staff	2	2
Total	2	2

Training and development by grade - 2020

Grade	Male	Female
Executive staff	-	-
Non-Executive staff	15	1
Total	15	1

Training & development by area of focus - 2020

Programme	No. of sessions
Certificate Programme of Labour Law	16
Industrial Relations Challenges in New Normal	1
A/C Maintenance and Plumbing System	1
Safe Driving and Accountabilities	1

HUMAN CAPITAL

Benefits and rewards

	Permanent employees	Contract employees
Guaranteed Cash and Allowances		
Fuel/Travelling allowance	✓	✓
Risks, Weekend/Holiday banking allowance	-	-
Leave pay/Holiday allowance	-	-
Job specific allowance	✓	-
Variable Pay		
Performance bonus	✓	✓
Sales incentive	-	-
Overtime	✓	✓
Reimbursable Expenses		
Subscriptions (Professional and Club)	✓	-
Educational assistance (MBAs)	-	-
Other prerequisites		
Holiday bungalow/Annual trip	✓	✓
Medical insurance scheme	✓	✓
Leave	-	-
Cafeteria/Gymnasium/Library	-	-
Toast Masters Club	-	-
Recreation Club	-	-
Subsidised Loan Benefit		
Housing, vehicle, sundry loan	✓	-
Share Ownership Plans		
Employee share ownership plan	-	-
Retirement		
EPF/ETF/Gratuity	✓	✓

Parental leave

The number of employees that were entitled to parental leave	Total (Female) 83
The number of employees that took parental leave	8
The number of employees who returned to work after parental leave	8
The number of employees who returned to work after parental leave and were still employed 12 months later	8
Return to work and retention rate after parental leave	100%

SOCIAL AND RELATIONSHIP CAPITAL

The communities within which we operate expect us to function with their well-being at heart and we do so with the expectation that they will in turn provide us with a legitimate social license to operate. As the Company creates value for them so they too create value for us.

The relationships and networks that have grown and prospered between the Company and each stakeholder group are built on trust, loyalty, and shared values. The Company leverages social and network capital by delivering value to and deriving value from stakeholders such as customers, suppliers and business partners and the community.

CUSTOMER

With Commercial Bank having been the Company's anchor tenant for the Company's existence, the latter has developed a keen sense for meeting the Bank's needs in keeping with the strictest of standards. Despite the lack of diversification of business and sources of income that this entails for the Company, the Bank's profitability and prudent growth has brought many benefits to us.

The Company's core services to the Bank include renting premises, outsourcing staff for non-banking services, renting out vehicles and providing other utility services. We also provide cleaning services for the Bank by co-ordinating with a third-party service provider.

During the year under review, pandemic-related restrictions forced the Bank to take unprecedented precautions in order to continue operations without disruption. At this critical juncture, we were able to provide an invaluable service to our sole tenant. We provided cost effective and high quality sanitisation services at Bank premises and for Bank vehicles during the pandemic. This ensured Bank employees were able to continue their services without negatively impacting Bank customers and while safeguarding their own health and safety.

We also increased the number of employees on data centre maintenance from one person to three Maintenance Assistants to be able to operate the centre around the clock 24 x 365 – which was especially important during periods of lockdown.

While we continue to maintain the three investment properties that we own, we also provide the Bank with other services such as the maintenance of 340 units of air conditioners at Commercial House and in several branches in the Western Province, the administration of 15 holiday bungalows and the provision of electrical wiring services.

As we do maintenance work of the benchmark private sector bank in the country, we have ensured that highly trained and skilled technicians are engaged in providing monthly preventive servicing as well as emergency breakdown servicing. Servicing of the air conditioning units (centralised Air-conditioning system) of Commercial House is included in the rental agreement while branch services are billed separately. The Bank values our speedy service in the event of breakdowns and we are renowned for our promptness. Our charges too are very competitive, compared to peers in the market. Despite the pandemic-related restrictions, we were able to continue providing our services to the Bank without interruption.

We rent out and maintain a fleet of vehicles, providing a total of 29 vehicles to the Bank, to be used in its vehicle pool. During the year under review, the Company purchased a 15-seater mini-Bus at a cost of Rs. 10.1 Mn. This vehicle was rented out to the Bank for the safe transport of employees to and from their workplace during the pandemic-related restrictions. All the vehicles are fully maintained by the Company.

The Company also provided 194 outsourced staff members to the Bank for certain non-core banking functions. They are classed as support services, telephone operators, drivers, maintenance staff and caretakers. We maintain all 15 of the Bank's holiday bungalows, two of which are owned by the Bank while the balance have been rented out by it. These bungalows are for the use of Bank employees.

While we provide services such as procurement, settlement of utility bills, payments to staff, etc. for the management of these bungalows, the Bank reimburses such expenses together with an agency fee.

BUSINESS PARTNERS

We have entered into contracts with reputed engineering companies who provide maintenance services for our buildings and facilities. We consult chartered engineers and other professionals as needed prior to effecting important improvements and maintenance activities of the buildings in our charge. Our vehicle fleet is maintained by well-reputed agents of the original vehicle manufacturers using genuine spare parts.

NATURAL CAPITAL

Natural Capital covers our use of stewardship of natural resources including water, soil, earth, and oil; the resources that communities and organisations depend on to thrive. It defers from other forms of capital – such as manufactured capital for instance – as it cannot be created anew or replenished. It is for this reason that we have always acted with responsibility towards our natural resources, making every effort to conserve it for future generations.

Just as our sole service recipient Commercial Bank, is focused on greening its operations and influencing its stakeholders for good, as a subsidiary of the Bank, the Company too is keenly focused on the responsible stewardship of our planet. Shunning business practices that are unsustainable, the Company is committed to contributing towards the preservation of natural resources. With such resources being depleted at an increasingly alarming rate, communities and businesses are facing a plethora of risks caused by climate change, air and water pollution, natural disasters, scarcity of water, and so on. Preserving our natural resources is not only the right thing to do but it also makes good business sense.

The Company’s direct environmental footprint is very minimal; yet it strives to conduct its activities in an environmentally conscious manner. Over the past 20 years, the Company has incorporated a number of eco-friendly practices, including the use of energy efficient CFL and LED bulbs, an energy efficient central air conditioning system and more efficient operations which lead to reduced resource consumption.

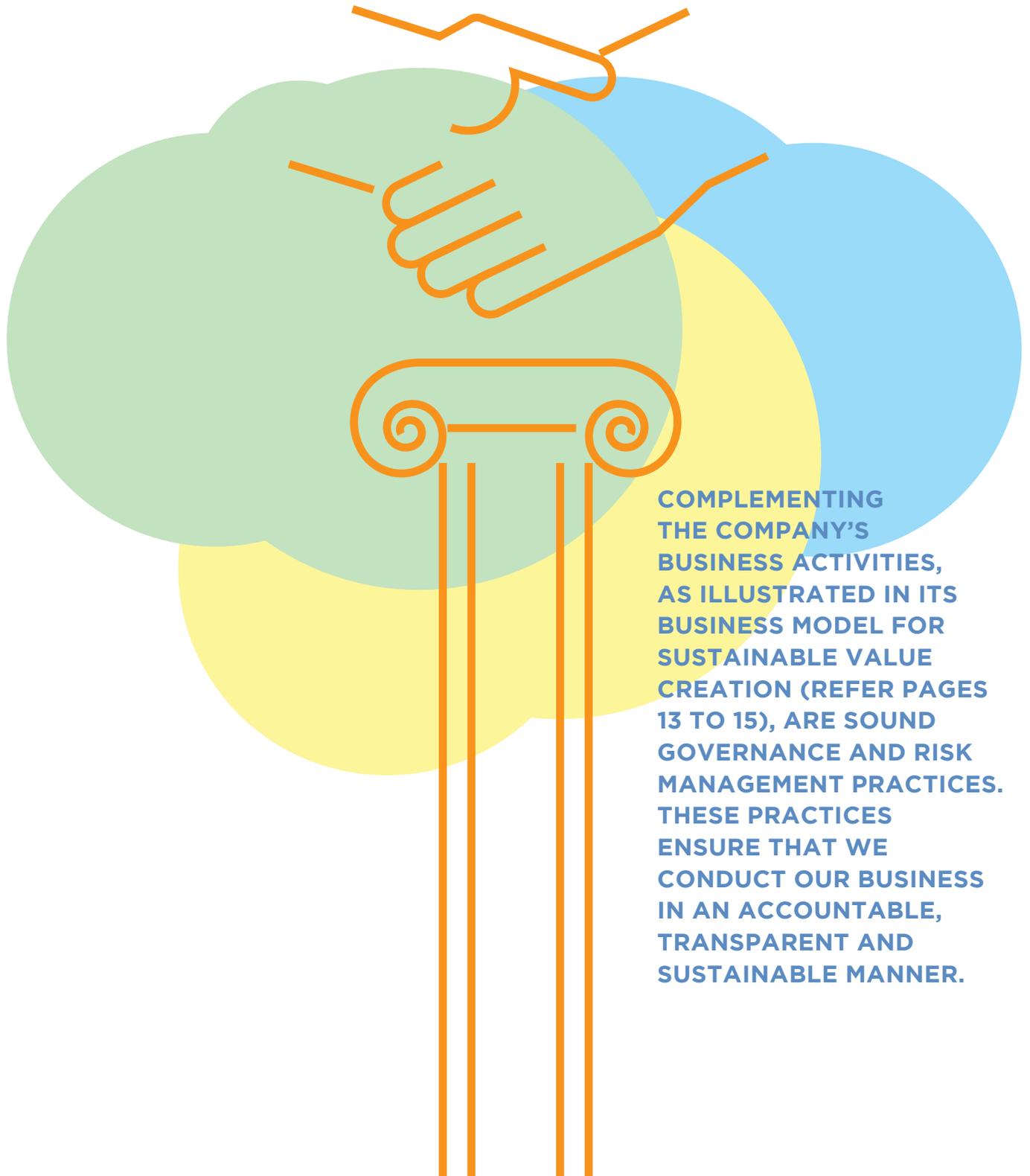
The Company has also assisted the Bank in installing a solar energy system on the rooftop of “Commercial House” which reduces the Bank’s use of grid electricity. While the Bank benefits from lower electricity costs, the Company has the satisfaction of safeguarding natural capital through a reduction in the use of non-renewable resources.



CSR ACTIVITIES

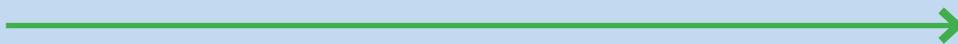
Due to the COVID-19 related restrictions our corporate social responsibility activities were limited to providing support to a member of staff who was diagnosed with late-stage cancer. The Company focused on providing for the employee’s needs during this difficult period.

In addition, the Company also made generous donations to the Lady Ridgeway Hospital and the “Society for Upliftment and Rehabilitation of Leprosy Affected Persons” (SUROL).



COMPLEMENTING THE COMPANY'S BUSINESS ACTIVITIES, AS ILLUSTRATED IN ITS BUSINESS MODEL FOR SUSTAINABLE VALUE CREATION (REFER PAGES 13 TO 15), ARE SOUND GOVERNANCE AND RISK MANAGEMENT PRACTICES. THESE PRACTICES ENSURE THAT WE CONDUCT OUR BUSINESS IN AN ACCOUNTABLE, TRANSPARENT AND SUSTAINABLE MANNER.

GOVERNANCE AND RISK MANAGEMENT



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BOARD OF DIRECTORS AND PROFILES



MR B R L FERNANDO

Chairman

- Chairman of the Board since December 21, 2009
- Director since February 23, 2007
- Chairman of the Board Audit Committee and the Board Remuneration Committee
- Non-Executive Independent Director

Skills and experience

Fellow of The Institute of Chartered Accountants of Sri Lanka with considerable exposure to the banking, manufacturing, agricultural and trading sectors in Sri Lanka

Other current appointments

Non-Executive Director -
First Guardian Equities (Pvt) Ltd., Ceylon Tea Brokers PLC, St. Nicholas' Education Services Ltd., Tropibar (Pvt) Ltd. and Lanka Hydraulic Institute (Pvt) Ltd.

Director -
Tropical Abundance (Pvt) Ltd.

Chairman of the Noorani Estates (Pvt) Ltd.

Previous appointments

Director and Deputy Chairman -
Commercial Bank of Ceylon PLC.

Non-Executive Chairman -
CIC Holdings PLC and Chemanex PLC., until his retirement in December 2013

Non-Executive Chairman -
Akzo Nobel Paints Lanka (Pvt) Ltd., until his retirement in August 2018.

Executive Chairman of CIC Holdings PLC. and its subsidiaries up to March 2009

Served on the Board of Directors of the Insurance Corporation of Ceylon, the State Mortgage and Investment Bank, Employees' Trust Fund and as a Member of the Telecom Regulatory Commission and the 2010 Taxation Commission

President and a Trustee of the Japan-Sri Lanka Technical & Cultural Association (JASTECA)

Shareholding in the Company: Nil



MR S RENGANATHAN

Managing Director

- Managing Director of the Company since July 27, 2018

Skills and experience

Fellow of the Chartered Institute of Management Accountants, UK (FCMA)

Chartered Global Management Accountant (CGMA)

Fellow of the London Institute of Banking & Finance, UK (FLIBF)

Fellow of the Institute of Bankers Sri Lanka (FIB)

39 years-long career at Commercial Bank, having held several key positions at the Bank

Other current appointments

Managing Director -
Commercial Bank of Ceylon PLC

Deputy Chairman -
Commercial Bank of Maldives Private Limited

Director -
Lanka Financial Services Bureau Limited

Director -
Sri Lanka Banks' Association (Guarantee) Limited

BOARD OF DIRECTORS AND PROFILES



MR AMITHA LAL GOONERATNE

Director

Vice Chairman -

International Chamber of Commerce Sri Lanka

Executive Member -

The Ceylon Chamber of Commerce

Executive Member -

The Council for Business with Britain

Council Member -

The Employers' Federation of Ceylon

Previous appointments

Chief Operating Officer/Executive Director -
Commercial Bank of Ceylon PLC

Deputy General Manager -

Personal Banking -
Commercial Bank of Ceylon PLC

Chief Risk Officer -

Commercial Bank of Ceylon PLC

Member -

General Council of the Institute of Bankers of Bangladesh

Founder President -

Sri Lanka-Bangladesh Chamber of Commerce and Industry

Executive Member -

Foreign Investors Chamber of Commerce and Industry in Bangladesh

Shareholding in the Company: Nil

- Director since September 17, 1993.
- Member of the Board Audit Committee.
- Non-Executive Independent Director

Skills and experience

Fellow member of the Institute of Chartered Accountants in England and Wales

Fellow member of The Institute of Chartered Accountants of Sri Lanka

Higher National Diploma in Business Studies, United Kingdom

Other current appointments

Managing Director -

Melstacorp PLC

Chairman -

Subsidiaries of Melstacorp PLC namely - Melsta Logistics (Pvt) Ltd., Bellvantage (Pvt) Ltd.

Director/Board Member of Periceyl (Pvt.) Limited, Balangoda Plantation PLC, Lanka Bell Limited, Telecom Frontier (Pvt.) Limited, Bell Solutions (Pvt.) Limited, Timpex (Pvt.) Limited, Texpro Industries Limited, Bogo Power Limited, Melsta Towers (Pvt) Limited, Melsta Healthcare Services and Melsta Hospital Management Services,

Melsta Laboratories (Pvt) Limited, Melsta Pharmaceuticals (Pvt) Limited, Continental Insurance Limited and Browns Beach Hotel PLC which are subsidiary companies of Melstacorp PLC

Alternate Director -

Distilleries Company of Sri Lanka PLC and Aitken Spence PLC

Independent Director -

Lanka IOC, Teejay Lanka PLC. and Teejay Lanka Prints Limited

Previous appointments

Managing Director -

Commercial Bank of Ceylon PLC (from 1996-2012) and Commercial Development Company PLC

Founder Chairman -

Financial Ombudsman Sri Lanka (Guarantee) Ltd.

Chairman -

Sri Lanka Banks' Association (Guarantee) Ltd. and Commercial Insurance Brokers (Pvt) Ltd.

Director -

SriLankan Airlines Ltd. (from 2002-2004)

Shareholding in the Company: Nil

BOARD OF DIRECTORS AND PROFILES



MR A T P EDIRISINGHE

Director

- Director since April 4, 2008
- Member of the Board Audit Committee and the Board Remuneration Committee
- Non-Executive Independent Director

Skills and experience

Fellow of The Institute of Chartered Accountants of Sri Lanka

Fellow of the Chartered Institute of Management Accountants, UK

Diploma in Commercial Arbitration

Counts over 49 years experience in both public practice and in the private sector

Other current appointments

Consultant/Advisor -

BAKER TILLY Edirisinghe & Company, Chartered Accountants

Managing Director -

PE Management Consultants (Pvt) Ltd.

Serves on the Boards of several other quoted companies where he also serves as Chairman/Member of the Audit Committee, as a Chairman/Member of the Remuneration Committee and Chairman/Member of the Related Party Transactions Review Committee of some of them.

Previous appointments

Senior Partner -

H L B Edirisinghe & Company, Chartered Accountants. Deputy Group Finance Director and holding over 10 Directorates in the John Keells Group of Companies

Shareholding in the Company: Nil



MR L D A JAYASINGHE

Director

- Director since December 21, 2009
- Member of the Board Audit Committee and the Board Remuneration Committee
- Non-Executive Independent Director

Skills and experience

Fellow of The Institute of Chartered Accountants of Sri Lanka

Fellow of The Institute of Certified Management Accountants of Sri Lanka

Counting over 33 years of experience in public practice and 14 years in the private sector

Other current appointments

Senior Partner -

Jayasinghe & Company, an established firm of Chartered Accountants

Serves as Director in a number of private limited companies

Previous appointments

Past President -

The Association of Accounting Technicians of Sri Lanka

Shareholding in the Company: Nil

BOARD OF DIRECTORS AND PROFILES



MR U I S TILLAKAWARDENA

Director

- Director since December 1, 2011
- Non-Executive Non-Independent Director

Skills and experience

Fellow Member – Association of HR Professionals Sri Lanka

Graduate Member – Sri Lanka Institute of Directors

MBA – University of Sri Jayewardenepura

Degree in Law (L.L.B) – University of Colombo

MA – University of Colombo

Other current appointments

Deputy General Manager –

Human Resource Management – Commercial Bank of Ceylon PLC

Director –

Commercial Insurance Brokers (Pvt) Ltd.,

Non-Executive Director –

Commercial Bank of Maldives Private Limited

Previous Appointments

Past President of Association of HR Professionals

Prior to joining the Bank, he has held leadership positions in the following organisations:

Group Director –

HR, Hemas PLC

Chief Operating Officer, Sri Lanka Insurance Corporation

General Manager –

HR, Union Assurance PLC

Assistant General Manager, Colombo Stock Exchange

Shareholding in the Company: Nil

EXECUTIVE MANAGEMENT



MR R N DE SILVA
Chief Executive Officer



MR W H WIJESEKARA
Accountant



MRS KUMARI PERERA
Head of Human Resource

CORPORATE GOVERNANCE

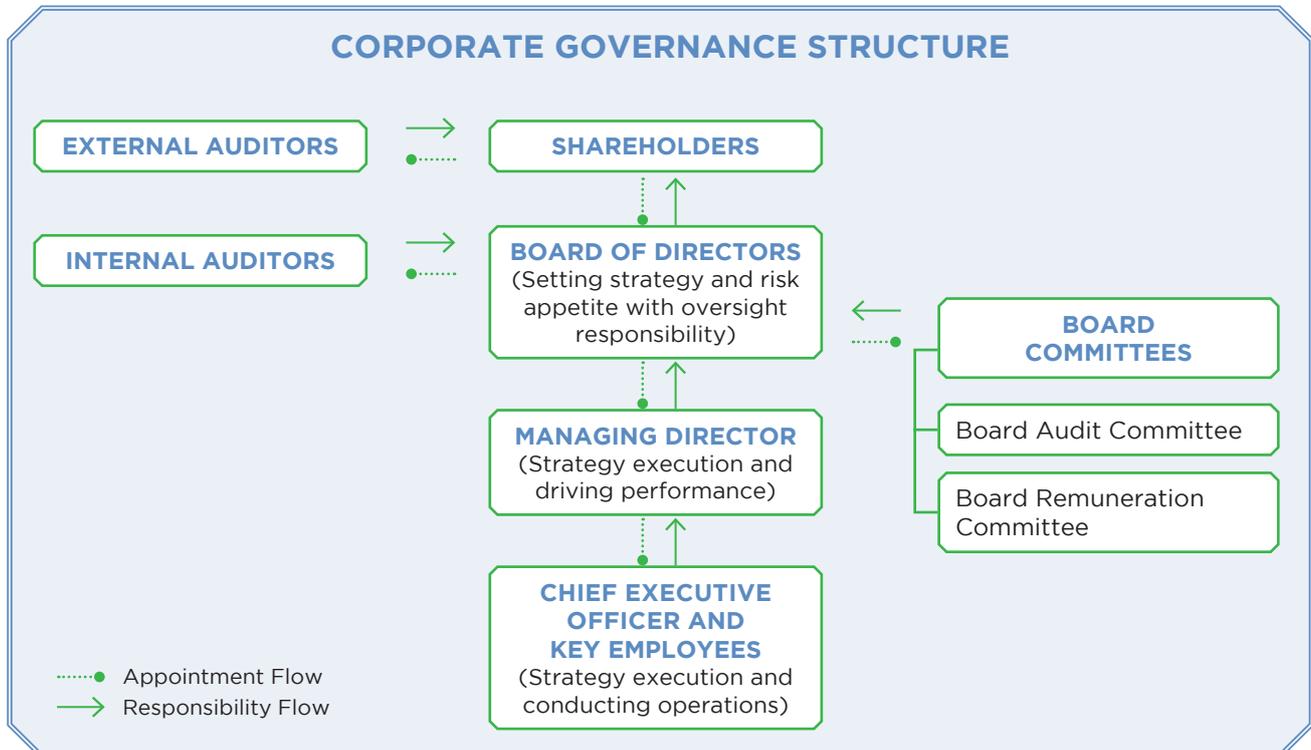
The system through which corporate entities are directed, managed and controlled is what we define as Corporate Governance and at Commercial Development Company (CDC) we strive to implement this system in an accountable and transparent manner. Our Board collectively takes responsibility for CDC's long-term success, ensuring stakeholders remain centre-stage at all times and following best practice in corporate governance to increase its effectiveness. It is this system that enables delivery of value to CDC's stakeholder groups, even as the Company derives value from them. To ensure that the system remains robust CDC takes into account the legitimate interests and expectations of all stakeholders, emerging developments and opportunities.

Under the leadership of the Board, we have implemented a sound governance framework across all levels. It consists of a culture built on strong corporate values,

a comprehensive code of conduct, an efficient operating model and a proven performance management system across all levels. The framework is designed to be a working structure for principled actions, effective decision-making and appropriate monitoring of both compliance and performance. Strengthening and validating the trust and confidence that CDC's investors have placed in it, the Company ensures the fairness, transparency and integrity of its Management practices.

Through our Board and Board Committees we are committed to maintaining the highest standards in governance for the benefit of our stakeholders while remaining in compliance with all the applicable regulatory and best practice requirements.

The Company's Governance Structure is illustrated in the diagram below.



CORPORATE GOVERNANCE

The Company's cohesive governance structure comprises well-defined roles and responsibilities, greater accountability and clear reporting lines. Our Board of Directors and Board Committees are responsible for setting strategy, risk appetite and oversight. They also charge Management with the responsibility for implementing strategy, driving performance and conducting operations.

In this Corporate Governance Report we outline the Company's governance structure and the extent to which we focus on enhancing shareholder value. We do so while following best practices for maintaining the highest standards of integrity, accountability, transparency and business ethics in the governance of Company activities.

Adhering to principles of good governance is of critical importance to the Company which strives to ensure strict compliance with the Continuing Listing Requirements set out in the Listing Rules of the Colombo Stock Exchange (Listing Rules), the requirements of the Securities and Exchange Commission of Sri Lanka, the Code of Best Practices on Corporate Governance ('the Code') issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and statutory provisions contained in the Companies Act No. 07 of 2007 and amendments thereto.

The Company continuously reviews all systems and procedures to ensure transparency and accountability and continued adherence to the stipulated guidelines.

THE BOARD OF DIRECTORS

Our governance structure is derived from an independent, engaged and committed Board of Directors. The governance structure's aim is to satisfy the legitimate claims of all stakeholders and to fulfil the Company's corporate governance responsibilities in a transparent manner.

In overseeing the Company's performance, the Board of Directors acts as representatives of the shareholders ensuring that CDC continues to operate in the best interest of all stakeholders.

THE COMPOSITION OF THE BOARD AND THE BOARD BALANCE

As at December 31, 2020, the Company's Board of Directors consisted of six eminent professionals from a wide variety of fields. Their expertise range from finance, corporate management and corporate law with varied professional experience, enabling them to successfully direct, lead and control the Company's business activities. The Board is sufficiently diverse to enhance its effectiveness, promote

healthy and constructive exchange of views and create an environment where diverse perspectives are embraced.

The names and "Executive/Non-Executive" and "Independence" status of the Directors are as follows:

Name of the Director	Executive/ Non-Executive Status	Status of Independence
Mr B R L Fernando (Chairman)	Non-Executive	Independent
Mr S Renganathan (Managing Director)	Executive	Non-Independent
Mr A L Gooneratne	Non-Executive	Independent
Mr A T P Edirisinghe	Non-Executive	Independent
Mr L D A Jayasinghe	Non-Executive	Independent
Mr U I S Tillakawardena	Non-Executive	Non-Independent

All Non-Executive Directors of the Company have submitted declarations on their independence or non-independence as required by the Rule No. 7.10.2 (b) of the Listing Rules.

The Board has determined that Mr B R L Fernando, the Chairman and Directors, Messrs A L Gooneratne, A T P Edirisinghe and Mr L D A Jayasinghe, as independent despite serving on the Board continuously for more than nine years, after taking into consideration all the relevant circumstances as provided in Section 7.10.3 (b) of the Listing Rules.

In addition, it was also determined that the institutions in which they are Directors do not directly or indirectly get involved in the operational management of either the Company or its Associate and as such they are independent of management and free of business relationships.

In terms of Rule No. 7.10.4 (g) of the Listing Rules, Mr S Renganathan, the Managing Director of the Company, is not an Independent Director as he serves on the Board of the Commercial Bank of Ceylon PLC ("the Bank") in the capacity of its Managing Director. The Bank has material business connections with the Company together with a significant shareholding. In addition, Mr U I S Tillakawardena, a Director of the Company, is not an Independent Director as per Rule No. 7.10.4 (f) as he functions as the Deputy General Manager - Human Resource Management, a Member of the Key Management Personnel of the Bank.

In line with the requirements of the Code of Best Practice in Corporate Governance of CA Sri Lanka and the Listing Rules of the Colombo Stock Exchange, more than one third of the Board consists of Non-Executive Directors and more than

CORPORATE GOVERNANCE

one-third of such Non-Executive Directors is “Independent” thus ensuring their independence and integrity to an even higher standard.

The Chairman is responsible for effectively leading the Board. The Managing Director’s role is primarily to conduct the business activities of the Company with the help of the Management and the staff. As a result, the roles of the Chairman and the Managing Director are clearly distinct from one another and hence have been separated. The Chairman is also the point of contact for shareholders, particularly on matters related to Corporate Governance.

Each Director of the Company is also responsible to determine his or her potential or actual conflicts of interest arising from any external involvements or other interests.

Further, the Chairman evaluates the Board’s composition on a yearly basis, with the assistance of other Directors, to ascertain the alignment of the knowledge and experience of the Board with the strategic direction of the Company. The findings of this assessment are taken into account when the appointments and re-election of the Directors take place.

ROLE AND RESPONSIBILITY OF THE BOARD

The Articles of Association of the Company and the provisions of the Companies Act No. 07 of 2007 and amendments thereto determine the role of the Board. While exercising their powers in the best interest of shareholders and the Company as a whole, Board members are duty bound to act in good faith. The Directors take measures to ensure that their own personal interests do not come before and are not in conflict with the interests of the Company. Periodic reviews ensure that the Board is continuously working towards compliance.

Formulating the overall business strategy and monitoring the efficient and effective implementation of same is the collective responsibility of the entire Board. In order to effectively exercise this responsibility, the Board appoints Board Committees to assist it in fulfilling its stewardship function. These Committees review systems of internal control, internal and external audit, risk management and financial reporting to shareholders. The final responsibility for maintaining the integrity of financial information and the effectiveness of the Company’s internal control and risk management rests with the Board. As such, its functions include:

- Formulation of short-term and long-term strategies towards sustainable growth

- Ensuring compliance with applicable laws and regulations
- Ensuring that a system of proper Internal Control is in place
- Review of management and operational information
- Approval of the Annual Report and the Interim Financial Statements prior to publication
- Review of exposure to key operational risks
- Approval of annual budgets, monitoring progress towards achieving those budgets and
- Sanctioning major capital expenditure and acquisition of assets

The Board is supported by two Board appointed Committees. They are the Board Audit Committee (BAC) and the Board Remuneration Committee (BRC). In turn, these Committees are supported by the Company’s Management team which is headed by the Managing Director.

Responsibility to the Board in ensuring that all Board procedures are followed up and that applicable rules and regulations are complied with falls on the Company Secretary. All Directors have access to the latter. These arrangements provide a regular forum for monitoring the effectiveness and in ensuring the efficiency of the Board’s performance.

In its governance of the Company’s affairs, the Board strives to balance the interests of the Company, its shareholders, employees and other stakeholders, given its responsibility for the Company’s performance.

FINANCIAL ACUMEN AND KNOWLEDGE

The Board of Directors together encompass a diverse range of expertise needed for the overall direction, strategy and achievement of financial objectives of the Company. While a number of Board members have considerable expertise in finance-related fields, four out of the six members are senior Chartered Accountants. As a result, these members possess the necessary acumen and knowledge to offer guidance to the Board on matters of finance.

The depth of knowledge and experience individually and collectively gained by them and a list of the various public and private sector institutions are set out on pages 32 to 35 in the “Board of Directors and Profiles.”

CORPORATE GOVERNANCE

ACCESS TO INFORMATION

Through the Board Audit Committee (BAC), the Board receives accurate and complete information necessary for effective deliberations and making informed decisions on all matters pertaining to the Company. The Board is also privy to accurate, relevant and comprehensive papers relating to all matters itemised in the agenda of Board meetings well in advance. Such information generally includes a detailed analysis of financials, all aspects of operations, background and/or explanatory information relating to matters brought before the Board, copies of disclosure documents, budgets and forecasts. The interim financial statements are also submitted in advance of each meeting to enable the Directors to make informed decisions. Advice and information on topical matters, new regulations and practices that would further the interests of the Company are accessible to the Directors through the Company's management at all times. The Company also bears any expenses incurred by the Directors when they seek professional advice, as deemed necessary, in order to fulfil their directorial responsibilities.

APPOINTMENT TO THE BOARD AND RE-ELECTION

At every Annual General Meeting, one-third of the Directors, including the Chairman, retire and submit themselves for re-election as mandated by the Articles of Association of the Company. Each Director's retirement is determined according to who has served the longest period of time in office, since his/her appointment or reappointment, as the case may be. In addition, for the appointment of new Directors to the Board, the Company has a formal and transparent procedure in place.

While there were no new appointments during the year under review, five Directors including Mr B R L Fernando, the Chairman of the Company, Mr A T P Edirisinghe and Mr L D A Jayasinghe who are over the age of 70 years are due to be re-elected at the 41st Annual General Meeting of the Company. The Articles also stipulate that newly appointed Directors, if any, whether they are appointed to fill a casual vacancy or to serve as an additional Director, can hold office only until the next Annual General Meeting of the Company. Following such an appointment, each Director must seek re-election.

APPRAISAL OF BOARD PERFORMANCE AND THE MANAGING DIRECTOR'S PERFORMANCE

The Board assists the Chairman in assessing its performance. The Board Committees carry out a self-assessment each year to ensure they function effectively and efficiently with the objective of facilitating continuous improvement. The Board also conducts a performance assessment of the Managing Director at the end of each year to evaluate how effectively pre-agreed targets have been met.

BOARD AUDIT COMMITTEE

The BAC is led by the Chairman, Mr B R L Fernando, and consists of four Non-Executive Directors, all of whom are senior Chartered Accountants. This Committee is responsible for reviewing the financial reporting process, the system of internal controls, the audit process and the Company's process for monitoring compliance with the requirements of the Companies Act and other applicable laws and regulations. The BAC also reviews the status of the independence of the External Auditors of the Company, Messrs KPMG, and has satisfied itself that they are independent. The Report of the BAC is given on pages 44 and 45.

BOARD REMUNERATION COMMITTEE

Chaired by Mr B R L Fernando, the BRC consists of three Non-Executive Independent Directors. Mr A T P Edirisinghe and Mr L D A Jayasinghe serve as the other two members of the Committee.

Setting guidelines and policies to formulate compensation packages which attract, motivate and are capable of retaining highly qualified and experienced Directors and key employees in the Company is part of the BRC's mandate. In this regard, the BRC sets the criteria such as qualifications, experience and key attributes required for eligibility, when considering appointment or promotion. The Report of the BRC is given on page 46.

Aggregate remuneration paid to the Executive and Non-Executive Directors of the Company is given in Note 10 to the Financial Statements on page 87.

CORPORATE GOVERNANCE

Status of Directors' Attendance at Meetings

The names of the Directors and their attendance at Board meetings and Board Committee meetings are tabulated below:

Name of the Director	Main Board		Board Audit Committee		Board Remuneration Committee	
	Eligible to Attended	Attended	Eligible to Attended	Attended	Eligible to Attended	Attended
Mr B R L Fernando (Chairman)	4	4	4	4	-	-
Mr S Renganathan (Managing Director)	4	4	4*	4*	-	-
Mr A L Gooneratne	4	4	4	4	N/A	N/A
Mr A T P Edirisinghe	4	2	4	2	-	-
Mr L D A Jayasinghe	4	4	4	4	-	-
Mr U I S Tillakawardena	4	4	N/A	N/A	N/A	N/A

* Attended by invitation N/A - Not applicable

ACCOUNTABILITY AND AUDIT

The Board considers it within their topmost priorities that complete disclosure of financial and non-financial information is made, within the parameters of realistic commercial practices. The Board pays great attention to the adoption of sound and accurate reporting practices ensuring that an honest and balanced assessment is presented at all times. The Board is well aware of its responsibility to present regulatory and statutory reporting in a balanced and understandable manner and a statement to this effect is given in the "Statement of Directors' Responsibility" that appears on pages 53 and 54.

The Independent Auditors' Report is given on pages 63 to 65.

SHAREHOLDERS

The Board and the Management acknowledge their responsibility to represent the interests of shareholders and to maximise their long-term return.

In fulfilling these expectations of the shareholders, the Company has the following primary objectives:

- Provide a reasonable return to shareholders maintaining a satisfactory return on equity

- Provide a satisfactory distribution of dividends out of the profits earned
- Communicate effectively and efficiently with shareholders in order to keep them informed of the operations of the Company

A significant event in the Company's calendar for communicating with shareholders and encouraging their active participation is the Annual General Meeting. Individual shareholders are encouraged to be present at the Annual General Meeting of the Company and exercise their voting rights. To ensure that shareholders are kept well informed, the Company communicates effectively with all shareholders by dispatching necessary notices on time. To provide shareholders with the opportunity to deal with each concern adequately, separate resolutions are proposed for each major item in order. The Board is of the view that this mechanism promotes better stewardship while assuring transparency.

CORPORATE GOVERNANCE

Adherence to the corporate governance rules of the Colombo Stock Exchange for listed companies

CSE Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report or Other Remarks
7.10.1 (a)	Non-Executive Directors	Two or at least one third of the total number of Directors to be Non-Executive Directors.	Complied	Corporate Governance (Page 38)
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher, to be independent.	Complied	Corporate Governance (Page 38)
7.10.2 (b)	Independent Directors	Each Non-Executive Director to submit a declaration of independence/non-independence in the prescribed format.	Complied	Corporate Governance (Page 38)
7.10.3 (a)	Disclosure relating to Directors	The Board to make a determination as to the Independence or Non-Independence of each Non-Executive Director annually and names of Independent Directors to be disclosed in the Annual Report.	Complied	Corporate Governance (Page 38)
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board to determine whether a Director is Independent, if criteria specified for independence is not met.	Complied	Corporate Governance (Page 38)
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director to be included in the Annual Report containing information on the nature of his/her expertise in relevant functional areas.	Complied	Board of Directors and profiles (Pages 32 to 35)
7.10.3 (d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in Rule 7.10.3 (a), (b) and (c) mentioned above.	Not Applicable	Not Applicable
7.10.5 (a)	Composition of Remuneration Committee	To comprise of a minimum of two Independent Non-Executive Directors or Non-Executive Directors, a majority of whom to be Independent, whichever is higher.	Complied	Corporate Governance and Board Remuneration Committee Report (Pages 40 and 46)
		A Non-Executive Director to be appointed as the Chairman of the Committee.	Complied	Board Remuneration Committee Report (Page 46)
7.10.5 (b)	Functions of Remuneration Committee	Recommend the remuneration payable to the Executive Directors and the Chief Executive Officer and/or equivalent position thereof, to the Board which will make the final determination upon consideration of such recommendations.	Complied	Board Remuneration Committee Report (Page 46)
7.10.5 (c)	Disclosure in the Annual Report on Remuneration Committee	The names of Directors comprising the remuneration committee and contain a statement of the remuneration policy.	Complied	Board Remuneration Committee Report (Page 46)
		Aggregate remuneration paid to Executive and Non-Executive Directors.	Complied	Note 10 to the Financial Statements (Page 87)

CORPORATE GOVERNANCE

CSE Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report or Other Remarks
7.10.6 (a)	Composition of Audit Committee	To comprise of a minimum of two Independent Non-Executive Directors or Non-Executive Directors a majority of whom to be Independent, whichever be higher.	Complied	Corporate Governance and Board Audit Committee Report (Pages 40 and 44)
		A Non-Executive Director be appointed as the Chairman of the Committee.	Complied	Board Audit Committee Report (Page 44)
		Unless otherwise determined by the Audit Committee, the Chief Executive Officer and the Chief Financial Officer to attend Audit Committee Meetings.	Complied	Board Audit Committee Report (Page 44)
		The Chairman of the Audit Committee or one member be a member of a professional accounting body.	Complied	Board Audit Committee Report (Page 44)
7.10.6 (b)	Functions of the Audit Committee	a. Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards.	Complied	Board Audit Committee Report (Page 44)
		b. Ensuring Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	Complied	Board Audit Committee Report (Page 44)
		c. Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.	Complied	Board Audit Committee Report (Page 44)
		d. Assessment of the Independence and performance of the External Auditors.	Complied	Board Audit Committee Report (Page 44)
		e. Making recommendations to the Board pertaining to appointment, reappointment and removal of External Auditors, and approving their remuneration and terms of engagement.	Complied	Board Audit Committee Report (Page 44)
7.10.6 (c)	Disclosure in the Annual Report on Audit Committee	a. Names of Directors comprising the Audit Committee.	Complied	Board Audit Committee Report (Page 44)
		b. The Audit Committee to make a determination of the independence of the Auditors and disclose the basis for such determination.	Complied	Board Audit Committee Report (Page 44)
		c. The Annual Report to contain a Report of the Audit Committee setting out of the manner of compliance with their functions.	Complied	Board Audit Committee Report (Page 44)

BOARD AUDIT COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Board appointed Audit Committee (“the Committee”) comprised the following Non-Executive Directors of the Company as at December 31, 2020:

Mr B R L Fernando (*Chairman*)
Mr A L Gooneratne
Mr A T P Edirisinghe
Mr L D A Jayasinghe

The Chairman and all the other members of the Committee are Fellow members of The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and possess wide expertise in finance and related fields.

The Managing Director, Mr S Renganathan attended the meetings by invitation.

The Accountant of the Company, who is responsible for preparation of Financial Statements, attends meetings by invitation.

The Company Secretary of the Company functions as the Secretary of the Committee.

The profiles of the members are given on pages 32 to 35.

The responsibilities of the Committee are governed by the Rules and Regulations which are approved and adopted by the Board. The Board fulfils its overall responsibility to the shareholders in relation to the integrity of the Company’s financial reporting process in accordance with the Companies Act No. 07 of 2007 and amendments thereto and other legislative reporting requirements including adequacy of disclosures in the Financial Statements in accordance with the Sri Lanka Accounting Standards.

The Committee also has a responsibility to ensure that the system of internal controls of the Company are in accordance with legal and regulatory requirements. The Committee also evaluates the performance and the independence of the Company’s External and Internal Audit functions.

TERMS OF REFERENCE

The Committee focuses on the following aspects in discharging its responsibilities.

- Review of accounting policies and supervision of preparation and presentation of Financial Statements and adequacy of disclosures made in accordance with

the Sri Lanka Accounting Standards (including estimates and judgments made by the Management and adoption of new accounting standards)

- Overseeing the procedures in relation to internal controls
- Ensuring compliance with the requirements of the Companies Act No. 07 of 2007 and amendments thereto and other financial reporting requirements and regulations
- Ensuring the independence and effectiveness of the External and Internal Auditors
- Recommending the appointment and fees of the External and Internal Auditors

MANDATE AND ROLE

The Committee examines matters relating to the Financial Reporting System of the Company and the External and Internal Audits of the Company. Its duties include a detailed review of the Financial Statements and Management Accounts, internal control procedures, Accounting Policies and compliance with the Sri Lanka Accounting Standards. The Committee also reviews the overall adequacy of the systems for compliance with legal, regulatory, and ethical requirements. It also decides on the appointment and fees of the External Auditors, having given due consideration to the independence of the External Auditors. The Committee assesses the major business and control risks and the control environment prevalent in the Company.

Annual Report and the Accounts and the Interim Financial Statements prepared for publication were reviewed and recommended by the Committee before submission of same to the Board. Members of the management of the Company were also invited to participate in the meetings as and when the necessity arose.

The Committee, with the concurrence of the Board, outsourced the internal audit function to a reputed firm of Chartered Accountants. The Inspection Department and the Integrated Risk Management Department of the Commercial Bank of Ceylon PLC reviewed the operations and performance of the Company from the perspective of a subsidiary of the Bank. The Committee having noted the above, instructed the Management to initiate corrective actions where necessary. The observations of the internal audit reports were considered by the Committee and corrective action initiated by the Management on reported weaknesses. The Committee having reviewed the operations

BOARD AUDIT COMMITTEE REPORT

and existing internal control procedures is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that the assets of the Company are properly accounted for and safeguarded and that the financial position is monitored according to information made available.

As far as the Directors are aware and according to the Auditors' written confirmation, the External Auditors are independent and they do not have any interest in contracts with the Company.

The Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants, be re-appointed as Auditors for the financial year ending December 31, 2021 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

The Committee is satisfied that the effectiveness of the organisational structure of the Company in the implementation of the Accounting Policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with accepted policies and that assets are properly accounted for and adequately safeguarded.

MEETINGS

The Committee met four times during the year under review. A table showing the record of attendance at meetings appears on page 41. The proceedings of the Committee meetings were regularly reported to the Board.



B R L Fernando

Chairman - Board Audit Committee

Colombo
February 22, 2021

BOARD REMUNERATION COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Board appointed Remuneration Committee (“the Committee”) of the Company consisted of the following Non-Executive Independent Directors.

Mr B R L Fernando (Chairman)
Mr A T P Edirisinghe
Mr L D A Jayasinghe

The Company Secretary of the Company functions as the Secretary of the Committee.

The profiles of the members are given on pages 32 to 35.

MANDATE AND ROLE

The mandate of the Committee is to determine and design a remuneration policy that attracts and retains highly qualified and experienced personnel to the Company and compensates for their performance.

The Committee is responsible for the determination of the compensation of all Directors and Key Management Personnel of the Company. The Committee also recommends the appointment of Key Management Personnel to the Company.

The remuneration of the Chairman of the Board is determined by the Board, excluding the Chairman. The remuneration of the Non-Executive Directors is determined by the Board, including the Non-Executive Directors.

In addition, Key Management Personnel headed by the Managing Director of the Company assist the Committee by providing relevant information such as remuneration of Directors and employees. Managing Director also provides relevant market survey data to enable the Committee to make more effective recommendations on remuneration matters to the Board.

MEETINGS

The Committee did not meet during the year ended December 31, 2020 as there were no significant matters for discussion. The management of the Company made arrangements to obtain approval for revision of salaries and other perks of the staff by way of Circular papers.



B R L Fernando
Chairman - Remuneration Committee

Colombo
February 22, 2021

DIRECTORS' STATEMENT OF INTERNAL CONTROL

This Report is presented in accordance with the requirement to publish the Directors' Statement on Internal Controls as per Section D.1.5 of the Code of Best Practice on Corporate Governance 2017 issued by The Institute of Chartered Accountants of Sri Lanka.

The Board of Directors is responsible for the adequacy and effectiveness of the Company's system of internal control on financial reporting. The system of internal control has been however designed to manage the Company's key risk areas within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the Company's policies and objectives. Hence, the Company's internal control system can only provide reasonable but not absolute assurance against material misstatements of management and financial information and records or against financial losses.

The Board has established a mechanism for identifying, evaluating and managing material risks. This process includes enhancing the system of internal control when needed in line with changes in the business environment or regulation. The Management assists the Board in the implementation of the policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation, and monitoring of suitable internal controls to control risks.

STRENGTHENING SYSTEM OF INTERNAL CONTROL

The following processes have been established for reviewing the adequacy and integrity of the system of internal controls pertaining to financial reporting:

- Relevant Heads of Departments have been delegated the task of applying controls to capture and record transactions for financial reporting. The Accountant has been delegated the task of preparing the management accounts, interim and annual financial statements in line with applicable standards and other regulations.
- The Company has outsourced the Internal Audit function to an independent firm of Chartered Accountants, which carries out periodic internal audits to verify compliance with policies and procedures and the effectiveness of the internal control systems and providing feedback of such reviews to the Audit Committee on any noncompliance and recommendations for improvements.
- The Internal Audit function has sought confirmations by Management on internal controls adopted and confirmed to the Board on same upon testing of such controls.

- As a subsidiary of Commercial Bank of Ceylon PLC, Company's operations are subjected to review by the Bank's Inspection, Risk Management and Compliance Departments, as required by the directions of the CBSL. The feedback of such reviews is periodically submitted to the Board Audit Committee.
- The Board Audit Committee which is set up on Terms of Reference approved by the Board of Directors meets regularly to review internal control issues identified by Internal Auditors in their periodic reviews, matters highlighted by the External Auditors following statutory audit and any other matters referred to it by the Management.
- The Board Audit Committee further reviews work of Internal Auditors on their scope and quality of audits. The Committee follows up with the Management and in turn provides feedback to the Board on any matters of concern for their deliberation and resolution.
- The matters highlighted by the External Auditors relating to the internal controls in 2019 were attended to and corrective measures were initiated to rectify such concerns.

CONFIRMATION BY THE BOARD

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting. Based on the established internal control mechanism explained above, the Board confirms that the financial reporting system of the Company has been designed and continuously upgraded to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes is done in line with Sri Lanka Accounting Standards.

By order of the Board.



B R L Fernando
Chairman



S Renganathan
Managing Director

February 22, 2021

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Annual Report of the Board of Directors on the affairs of the Company and statement of compliance of the contents of the Annual Report as required by the Section 168 of the Companies Act No. 07 of 2007 and amendments thereto.

1. GENERAL

The Directors have pleasure in presenting to the members their Report together with the Audited Financial Statements for the year ended December 31, 2020 of the Commercial Development Company PLC, (“the Company”) and the Independent Auditors’ Report on these Financial Statements, conforming to the requirements of the Companies Act No. 07 of 2007 (‘the Companies Act’) and amendments thereto.

The details set out herein provide the pertinent information required by the Companies Act, the Listing Rules of the CSE and recommended best practices on Corporate Governance.

This Report was approved by the Board of Directors on February 22, 2021. The appropriate number of copies of the Annual Report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within statutory deadlines.

The Company is a public limited liability company incorporated in Sri Lanka on March 14, 1980 under the Companies Ordinance No. 51 of 1938, quoted in the Colombo Stock Exchange (“the CSE”) in March 1983 and re-registered as per the requirements of the Companies Act on January 17, 2008, under the Company Registration No. PQ 114.

The registered office of the Company is situated at No. 8 - 4/2, York Arcade Building, Leyden Bastian Road, Colombo 01, Sri Lanka.

Ordinary Voting shares of Commercial Development Company PLC have been transferred from the Main Board to the Diri Savi Board of the CSE, with effect from May 29, 2020.

Percentage of public holding in the stated capital of the Company as at December 31, 2020 was 10% and there were 902 shareholders representing the public holding percentage stated above.

Existing Float Adjusted Market Capitalisation of the Company as at December 31, 2020 was Rs. 140.4 Mn.

2. REVIEW OF BUSINESS

2.1 Review on operations of the Company

The “Chairman’s Message”, “Managing Director’s Review”, “Chief Executive Officer’s Review” and the “Management Discussion and Analysis” appearing on pages 6, 8, 10 and 20 provide an overall assessment on the financial performance and financial position of the Company and the state of the affairs as required by the Section 168 of the Companies Act and the recommended best accounting practices.

2.2 Principal business activities

The nature of the principal business activities of the Company as required by the Section 168 (1) (a) of the Companies Act is given in Note 1.3 to the Financial Statements on page 72. There were no significant changes in the nature of the principal business activities of the Company during the financial year under review.

2.3 Financial Statements

The Financial Statements of the Company prepared in compliance with the requirements of the Sections 151 and 168 (1) (b) of the Companies Act, are given on pages 66 to 128.

2.4 Directors’ Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that the Income Statement, Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies and Notes thereto appearing on pages 66 to 128 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Companies Act and the Listing Rules of the CSE.

The “Statement of Directors’ Responsibility” appearing on pages 53 and 54 forms an integral part of this Report.

2.5 Independent Auditors’ Report

The “Independent Auditors’ Report” on the Financial Statements for the year ended December 31, 2020, as required by the Section 168 (1) (c) of the Companies Act is given on pages 63 to 65.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

2.6 Significant Accounting Policies and changes during the year

As required by the Section 168 (1) (d) of the Companies Act, the Significant Accounting Policies adopted in the preparation of the Financial Statements of the Company are stated on pages 75 to 128. There were no changes to the Accounting Policies adopted by the Company during the year except the changes as required by new Accounting Standards.

Changes in Significant Accounting Policies are disclosed in Note 5 to the Financial Statements on Page 75.

2.7 Entries in the Interests Register

An Interests Register is maintained by the Company, as per the requirements of the Companies Act. All Directors have made declarations as provided for in the Section 192 (1) and (2) of the Companies Act aforesaid. All related entries were made in the Interests Register on Directors' interests in contracts, remuneration paid to the Directors, etc. during the year under review. The Directors do not hold shares in the Company as disclosed on page 51 under the subheading of "Directors' Interest in Shares".

The Interests Register is available for inspection by shareholders or their authorised representatives as required by the Section 119 (1) (d) of the Companies Act.

2.8 Directors' Remuneration

Directors' remuneration, in respect of the Company for the financial year ended 31 December, 2020 is given in Note 10 to the Financial Statements on page 87 as required by the Section 168 (1) (f) of the Companies Act.

2.9 Donations

The Company donated medical equipment worth of Rs. 305,000/- to Lady Ridgeway Hospital during the year. In addition, a cash donation of Rs. 50,000/- was made to SUROL organisation during the year with the intention of helping leprosy affected people.

This information forms an integral part of the Report of the Board of Directors as required by the Section 168 (1) (g) of the Companies Act.

3. GROSS INCOME

The gross income of the Company for 2020 was Rs. 454.9 Mn., (Rs. 453.8 Mn., in 2019).

4. DIVIDENDS AND RESERVES

4.1 Profit and Appropriations

Details of appropriation of Profit of the Company are given below:

For the year ended December 31,	2020 Rs. '000	2019 Rs. '000
Profit from operations for the year	149,824	399,046
Add: Net finance income	12,011	4,786
Add: Share of profit of equity accounted investee, net of tax	9,438	9,158
Profit before tax	171,273	412,990
Less: Income tax expense	(48,691)	(49,773)
Net profit after taxation	122,582	363,217
Add: Amounts recognised in Other Comprehensive Income, Net of Tax (*)	43,504	855
Total Comprehensive Income for the year, Net of Tax (*)	166,086	364,072
Add: Unclaimed dividends written back	238	219
Add: Unappropriated profit brought forward	405,609	349,096
Transfers to/from Fair Value Reserve - Investment property	39,728	(235,778)
Profit available for appropriation	611,661	477,609
Less: Interim dividend of Rs. 2.00 per share (Rs. 2.00 per share in 2019)	(24,000)	(24,000)
Less: Final Dividend of Rs. 3.50 per share (Rs. 4.00 per share in 2019)	(42,000)	(48,000)
Unappropriated profit carried forward	545,661	405,609

*Excluding unrealised gains/(losses) on Debt Investments at FVOCI (Treasury Bills)

4.2 Provision for taxation

Income tax expense has been computed at the rate of 28% as given in Note 12 to the Financial Statements on page 89.

The Company has also provided for deferred tax on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting Standard - LKAS 12 on "Income Taxes".

4.3 Dividend on ordinary shares

The Company paid an interim dividend of Rs. 2.00 per ordinary share in December 2020 (an interim dividend of Rs. 2.00 per share was paid in December 2019).

ANNUAL REPORT OF THE BOARD OF DIRECTORS

In addition, Directors recommended the payment of Rs. 3.50 per share as a final dividend for the year 2020. (Rs. 4.00 per share in 2019). This final dividend is to be approved at the Annual General Meeting to be held on March 31, 2021.

On this basis, the total dividend payout ratio amounts to 53.84% of the profit after tax of 2020 compared to 19.82% for 2019.

The Board of Directors fulfilled the requirement of the Solvency Test in terms of the Section 31 (3) of the Companies Act immediately after the payment of the interim dividend and would ensure the compliance of Solvency Test after the payment of aforesaid final dividend proposed to be paid on April 27, 2021. Provided however in instances where the shareholder has given accurate dividend disposal instructions to the CDS or the Company by providing the bank account number, the proposed final dividend shall be directly credited to such bank account on or before April 06, 2021 which is within two (2) Market Days from and excluding the 'XD' date.

The Board of Directors provided the Statement of Solvency to the Auditors and obtained Certificates of Solvency from the Auditors in respect of each dividend payment conforming to the statutory requirements.

4.4 Reserves

A summary of the Company's reserves is given below:

As at December 31,	2020 Rs. '000	2019 Rs. '000
Fair Value Reserve - Investment Property	2,287,444	2,327,172
Fair Value Reserve - Financial Assets	-	(71)
Retained Earnings	587,661	453,609
Total	2,875,105	2,780,710

5. PROPERTY, PLANT AND EQUIPMENT

Details on Capital expenditure on property, plant and equipment are given in Note 17 to the Financial Statements on page 95. There was no capital expenditure approved and contracted for at the year-end.

6. INVESTMENT PROPERTY

The land and buildings held to earn rental income and for capital appreciation are classified as Investment Property. Investment property is stated at "Fair Value" based on the valuations carried out by professional valuers and the difference between the carrying values and the fair values had been taken to the Income Statement. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of the property. The residual lease period of the land in Colombo as at December 31, 2020 was 61 years.

Details of the investment property are given in Note 18 to the Financial Statements on page 98.

7. INFORMATION ON SHARES

7.1 Stated capital

The stated capital as at December 31, 2020 was Rs. 120.0 Mn., consisting of 12,000,000 ordinary shares and this remained unchanged during the year under review.

7.2 Share information

Information on market value of ordinary shares is given on page 134.

7.3 Shareholdings

There were 903 registered shareholders (805 in 2019) holding Ordinary Voting Shares as at December 31, 2020. The distribution of shareholding is given on page 133.

7.4 Substantial shareholdings

The details of top twenty shareholders are given on page 132.

7.5 Equitable treatment to shareholders

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

ANNUAL REPORT OF THE BOARD OF DIRECTORS

8. DIRECTORS

8.1 List of directors

Names of the Directors of the Company as at the end of 2020, as required by the Section 168 (1) (h) of the Companies Act are given below:

Mr B R L Fernando (Chairman)
 Mr S Renganathan (Managing Director)
 Mr A L Gooneratne
 Mr A T P Edirisinghe
 Mr L D A Jayasinghe
 Mr U I S Tillakawardena

8.2 New appointments

None

8.3 Resignations/Relinquishments

None

8.4 Recommendations for re-election

Mr S Renganathan

In terms of Clause 84 of the Articles of Association of the Company, Mr S Renganathan retires by rotation and being eligible is recommended for re-election.

Mr A L Gooneratne

In terms of Clause 84 of the Articles of Association of the Company, Mr A L Gooneratne retires by rotation and being eligible is recommended for re-election.

Mr B R L Fernando

A Special Notice has been received by the Company from Mr K K Wijayaweera, a shareholder of the Company, informing his intention to move an ordinary resolution stating that age limit stipulated in Section 210 of the Companies Act shall not be applicable to Mr B R L Fernando who has attained the age of 78 years.

(Resolution is stated on page 142 under Notice of Meeting)

Mr A T P Edirisinghe

A Special Notice has been received by the Company from Mr M Thiyagaraja, a shareholder of the Company, informing his intention to move an ordinary resolution stating that age limit stipulated in Section 210 of the Companies Act shall

not be applicable to Mr A T P Edirisinghe who has attained the age of 75 years.

(Resolution is stated on page 142 under Notice of Meeting)

Mr L D A Jayasinghe

A Special Notice has been received by the Company from Mr T Vedamanickam, a shareholder of the Company, informing his intention to move an ordinary resolution stating that age limit stipulated in Section 210 of the Companies Act shall not be applicable to Mr L D A Jayasinghe who has attained the age of 72 years.

(Resolution is stated on page 142 under Notice of Meeting)

8.5 Directors' interests in shares

The Directors (including the Chief Executive Officer) did not hold shares of the Company as at December 31, 2020 (The Directors, including the Chief Executive Officer did not hold shares as at December 31, 2019).

8.6 Directors' interests in contracts or proposed contracts

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed in Note 34 under "Related Party Disclosures" on page 118 These interests have been declared at Directors' Meetings. As a practice, Directors have refrained from voting on matters in which they were interested. Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

9. COMPLIANCE WITH LAWS AND REGULATIONS

The Company has not engaged in any activities contravening the laws and regulations.

10. ENVIRONMENTAL PROTECTION

The Company has not, to the best of its knowledge, engaged in any activity which is harmful to the environment.

11. STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments to the Government, other regulatory institutions and related to the employees have been made in time.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

12. EVENTS AFTER THE REPORTING PERIOD

There have not been any material events that occurred subsequent to the date of the Statement of Financial Position that require adjustments to the Financial Statements other than those disclosed in Note 39 to the Financial Statements on page 127.

13. AUDITORS

13.1 Appointment of Auditors

The retiring Auditors, Messrs KPMG have signified their willingness to continue in office. A resolution to reappoint them as Auditors and granting authority to the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting to be held on March 31, 2021.

13.2 Auditors' Remuneration and Interest in Contracts with the Company

The Auditors, Messrs KPMG were paid Rs. 662,500/- for the year ended December 31, 2020 (Rs. 645,000/- in 2019) as audit and audit related services by the Company. In addition, they were paid Rs. 388,641/- for the year ended December 31, 2020 (Rs. 300,612/- in 2019) by the Company, for non-audit related services including tax consultancy services. This information is disclosed as required by the Section 168 (1) (i) of the Companies Act.

As far as the Directors are aware, the Auditors do not have any other relationship or interest in contracts with the Company, or its Associate other than being the Auditors for Company's Associate. This information is disclosed as required by the Section 168 (j) of the Companies Act.

14. SYSTEM OF INTERNAL CONTROLS

The Board of Directors has taken steps to oversee the implementation of an effective and comprehensive system of Internal Controls covering financial operations and compliance control required to carry on the business of the Company in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the records. Controls over financial reporting were also reviewed during the year to ensure that the financial reporting process is sound.

15. CORPORATE GOVERNANCE

Systems and procedures are in place to ensure that Corporate Governance is adequately and practically dealt with. The Board of Directors has focused on the necessary resources and processes required to ensure that the Company is compliant with the Codes of Best Practice on Corporate Governance issued by regulators as detailed in the Section on "Corporate Governance" on pages 37 to 43

16. OUTSTANDING LITIGATION

Details of litigations pending against the Company are given in Note 38.1 to the Financial Statements on page 127.

17. GOING CONCERN

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared based on the going concern basis.

18. NOTICE OF MEETING

Notice of Meeting relating to forty first Annual General Meeting is given on page 141.

19. ACKNOWLEDGMENT OF THE CONTENTS OF THE ANNUAL REPORT

As required by the Section 168 (1) (k) of the Companies Act, the Board of Directors does hereby acknowledge the contents of this Annual Report.

For and on behalf of the Board of Directors,



B R L Fernando
Chairman



S Renganathan
Managing Director



L W P Indrajith
Company Secretary

Colombo
February 22, 2021

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors, in relation to the Financial Statements of the Commercial Development Company PLC ("the Company") is set out in this statement. The responsibilities of External Auditors in relation to the Financial Statements are set out in the "Independent Auditors' Report" given on pages 63 to 65.

In terms of Sections 150 (1), 151 (1), 152 and 153 (1) and (2) of the Companies Act No. 07 of 2007 and amendments thereto, the Directors are responsible for ensuring that the Company keeps proper books of account of all the transactions and prepare Financial Statements that give a true and fair view of the financial position of the Company as at end of each financial year and of the financial performance of the Company for each financial year and place them before a general meeting. The Financial Statements comprise of the Statement of Financial Position as at December 31, 2020, the Income Statement, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto.

Accordingly, the Directors confirm that the Financial Statements of the Company give a true and fair view of:

- The financial position of the Company as at December 31, 2020; and
- The financial performance of the Company for the financial year ended on the Reporting date.

COMPLIANCE REPORT

The Board of Directors also wishes to confirm that:

- (a) In preparing the Financial Statements exhibited on pages 66 to 128 including, appropriate Accounting Policies have been selected and applied based on the financial reporting framework on a consistent basis, while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.
- (b) the Financial Statements for the year 2020, prepared and presented in this Annual Report are in agreement with the underlying books of account and are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007 and amendments thereto, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Listing Rules of the Colombo Stock Exchange ("the CSE") and the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).
- (c) Under the Section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which correctly record and explain the Company's transactions and the Company's financial position are maintained, with reasonable accuracy, at any point of time, enabling preparation of the Financial Statements, in accordance with the Companies Act to facilitate proper audit of the Financial Statements. They have taken appropriate steps to ensure that the Company maintains proper books of account and reviews the financial reporting system at their regular meetings and also through the Board Audit Committee ("the BAC"). The Report of the BAC is given on pages 44 and 45. The Board of Directors also approves the Interim Financial Statements prior to their release, following a review and recommendation by the BAC.
- (d) They accept responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.
- (e) They also have taken reasonable measures to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls, comprising of internal checks, internal audit, financial and other controls required to carry on the business of the Company in an orderly manner and safeguard its assets and secure as far as practical, the accuracy and reliability of the records.
- (f) To the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the Reporting date have been paid or, where relevant, provided for.
- (g) As required by the Section 56 (2) of the Companies Act, they have authorised distribution of dividends paid and proposed upon being satisfied that the Company would satisfy the solvency test after such distributions are made in accordance with the Section 57 of the Companies Act and have obtained in respect of dividends paid and proposed, and also for which approval is now sought, necessary certificates of solvency from the External Auditors.

STATEMENT OF DIRECTORS' RESPONSIBILITY

- (h) As required by the Sections 166 (1) and 167 (1) of the Companies Act, this Annual Report is prepared in time and ensured that a copy thereof is sent to every shareholder of the Company within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the CSE.
- (i) All shareholders have been treated equitably in accordance with the original terms of issue.
- (j) The Company has met all the requirements under the Section 07 on Continuing Listing Requirements of the Listing Rules of the CSE (where applicable).
- (k) After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the "Code on Corporate Governance" issued by CA Sri Lanka, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the Going Concern basis in preparing the Financial Statements.
- (l) The Financial Statements of the Company have been certified by the Company's Accountant, the officer responsible for their preparation, as required by the Section 150 (1) (b) and 152 (1) (b) of the Companies Act. In addition, the Financial Statements of the Company have been signed by two Directors of the Company on February 22, 2021 as required by the Section 150 (1) (c) and 152 (1) (c) of the Companies Act.
- (m) The Company's External Auditors, Messrs KPMG who were appointed in terms of the Section 158 of the Companies Act and in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and Minutes of Shareholders' and Directors' Meetings and expressed their opinion which appears as reported by them on pages 63 to 65.

Accordingly, the Directors are of the view that they have discharged their responsibilities as set out in this Statement.

By Order of the Board,



L W P Indrajith
Company Secretary

Colombo
February 22, 2021

MANAGING DIRECTOR'S AND ACCOUNTANT'S RESPONSIBILITY STATEMENT

The Financial Statements of the Company are prepared and presented in compliance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007 and amendments thereto, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Listing Rules of the Colombo Stock Exchange and Guidelines issued by the Securities and Exchange Commission of Sri Lanka.

The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistently applied, unless otherwise stated in the Notes accompanying the Financial Statements. Application of Significant Accounting Policies and estimates that involve a high degree of judgment and complexity were discussed with the Board Audit Committee ("the BAC") and Company's External Auditors. Comparative information has been restated to comply with the current presentation, where applicable. We confirm that to the best of our knowledge, the Financial Statements, Significant Accounting Policies and other financial information included in this Annual Report, fairly present in all material respects the financial position, results of the operations and the Cash Flows of the Company during the year under review. We also confirm that the Company has adequate resources to continue in operation and have applied the Going Concern basis in preparing these Financial Statements.

There were no changes to the Accounting Policies and methods of computation since the publication of the Annual Report for the year ended December 31, 2019.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order to ensure that the Financial Statements reflect true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs. Accordingly, the Company has taken proper and sufficient care in designing a System of Internal Control and accounting records, for safeguarding assets, preventing and detecting frauds as well as other irregularities, which are regularly reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were constantly followed. Inherent limitations however need to be recognised in weighing the assurance provided by any system of internal control and accounting.

The Financial Statements of the Company were audited by our External Auditors Messrs KPMG, Chartered Accountants and their Report is given on pages 63 to 65 The BAC of the Company meets quarterly in order to review reports of internal auditor, Financial Statements and connected reports to be submitted to shareholders, and to discuss issues arising from audit, internal controls and financial reporting etc. Both external and internal auditors are afforded full and free access to the members of the BAC to discuss any matter of substance, if any.

We confirm that the Company has complied with all applicable laws and regulations.

Details of litigations pending against the Company are given in Note 38.1 to the Financial Statements on page 127.

We also confirm that all taxes, duties, levies and statutory payments of the Company and contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at the Reporting date have been paid or where relevant provided for.



S Renganathan
Managing Director



W H Wijesekara
Accountant

Colombo
February 22, 2021

RISK MANAGEMENT

Risk is an inherent and critical aspect of any venture – commercial or otherwise. Commercial Development Company PLC (CDC) is no exception. Risk is present in varying degrees of frequency and magnitude in all the activities and interactions it undertakes in the process of delivering value to and deriving value from its stakeholders. After all, risk and reward are positively co-related.

As a 90% owned subsidiary of Commercial Bank of Ceylon PLC (Bank), CDC has put in place a risk governance framework and risk management function in the Company to aid the process of value creation. Further, its operations come under the purview of the Risk Management function of the Bank too as specified by the CBSL that banks are required to manage risk on a Group basis.

OBJECTIVES

The primary objectives of the Company's risk governance framework and the risk management function are:

- To establish the necessary organisational structure for the management and oversight of risk;
- To ensure that risks assumed are commensurate with the rewards generated;
- To develop strategies and execute them for managing risk;
- To institutionalise a strong risk culture within the Company;
- To establish functional responsibility for decisions relating to accepting, transferring, mitigating and minimising risks and recommending ways of doing so;
- To periodically evaluate the risk exposures on an ongoing basis; and
- To estimate potential losses that could arise from its risk exposures.

KEY DEVELOPMENTS IN 2020

Major initiatives relating to risk governance and risk management during the year included:

- Launched a new and profitable business line of sanitising Commercial Bank premises and vehicles and contributing to the Bank's ability to provide seamless services during disruptions caused by the pandemic

- Invested Rs. 10.7 Mn. in an Addressable Fire Alarm System to improve safety at "Commercial House" to a business risk that carried a high risk profile/impact although with low probability
- Invested Rs. 10.1 Mn. in a mini-bus and hired it to Commercial Bank for staff transport – which proved especially timely during pandemic-related social restrictions
- Took precautions against the pandemic by stepping up sanitation and communications on hygiene and employee safety resulting in no interruptions to our services even during periods of lockdown
- Performance management system launched successfully with plans laid out for further roll out to all staff in the near future

RISK PROFILE

During the year and as at the year end, there were no incidents that resulted in financial losses/reputational damage or potential to cause such losses/damage to the Company in future. There was no pending litigation by or against the Company, except as disclosed in Note 38.1 to the financial statements on page 127.

Some of the indicators are given in table below:

Indicator	2020	2019
Equity to total assets	87%	87%
On balance sheet gearing ratio	15%	15%
Litigation against the Company	One LT Case	One LT Case
Tax assessments pending	N/A	One

OUTLOOK AND PLANS FOR 2021 AND BEYOND

CDC's sustainability is intrinsically linked to the sustainability of the Bank, especially given the fact that the Company's services are currently provided primarily to the Bank. The Bank's ability to create value in the short, medium and long term in turn largely depends on the global and local socio-economic backdrop.

RISK MANAGEMENT

PLANS FOR 2021

Major initiatives relating to risk governance and risk management for the year 2021 include:

- Automating the Payroll function
- Developing an Information Security Policy (ISP)

RISK GOVERNANCE FRAMEWORK

The Board is responsible for risk governance. As a result it takes on the task of establishing the necessary organisational structure for the management and oversight of risk, defining the extent of risk exposures that the Company is willing to undertake and institutionalising a strong risk culture.

Applying best practice in corporate governance to risk management is an important function and it is conducted with the support of the parent company. The Board of Directors has established a governance structure comprising Board oversight, Board committees and executive functions through which authority is exercised and decisions are taken and implemented. The Board facilitates accountability for risk at all levels of the Company and across all types of risk that the Company is exposed to. The organisation of the Company's risk governance is given below.

BOARD OF DIRECTORS

The Board of Directors is the body responsible for strategy and policy formulation, objective setting and for overseeing executive functions (refer pages 32 to 35 for the profiles of the Board members). As such, it has the overall responsibility for understanding the risks assumed by the Company for ensuring that they are appropriately managed. The Board discharges this responsibility both directly and indirectly.

- Directly - by determining the extent of risk exposures to be undertaken
- Indirectly - by delegating oversight responsibility to the Board committees which work closely with the Company's executive functions and by assessing the effectiveness of the risk management function and reporting to the Board on a regular basis

The tone at the top and the corporate culture reinforced by the ethical leadership of the Board and that of the parent company play a key role in managing risk at the Company. As a result, the Company is committed to undertaking its

business in a responsible, transparent, and socially and environmentally conscious manner. CDC demands the highest level of honesty, integrity and accountability from all its employees, a sine qua non considering the fact that its services are primarily provided to Commercial Bank of Ceylon PLC.

BOARD COMMITTEES

The two Board committees set up by the Board assist it in discharging its oversight responsibilities for risk management. They are as follows:

- Board Audit Committee (BAC)
- Board Remuneration Committee (BRC)

The Board is making plans to set up a Related Party Transactions Review Committee (RPTRC) to maintain formal communications with that of the Board Related Party Transactions Review Committee of the Bank. The latter acts as the RPTRC Committee of the Company as permitted in Section 9.2.3 of the Colombo Stock Exchange Listing Rules.

Among other duties, these committees periodically review and make recommendations to the Board on the subjects coming under their purview.

Details relating to composition, terms of reference, authority, meetings held and attendance, activities undertaken during the year etc., of these Board committees are given in the respective Committee reports on pages 44 to 46.

EXECUTIVE RESPONSIBILITY

The Company's Executive Management is responsible for the execution of the strategies and plans in accordance with the mandate of the Board of Directors while maintaining the risk exposures within approved risk levels.

Although the Company has not set up formal executive level committees to spearhead execution of strategies and plans relating to risk management, as a subsidiary of the Bank, CDC comes under the purview of the Bank's Group Risk Management function.

As a result, besides the external and internal audits carried out by reputed audit firms, the Company is periodically inspected by the Bank's Inspection Department and the Integrated Risk Management Unit to ensure that the operations conform to required standards. Based on these

RISK MANAGEMENT

inspections, the Company receives a number of audit/inspection/risk reports periodically which contain guidelines to streamline the operations and also to minimise the risk factors.

Based on the recommendations of these reports, the Company has taken a number of precautionary measures such as:

- Installing a new IT system with recommended standards to strengthen IT security
- Providing training opportunities for employees to mitigate business risk
- Improving service standards by installing an Addressable Fire System at the Bank and deploying well trained staff
- Developing an Information Security Policy (ISP)

RISK MANAGEMENT FUNCTION

The Company's Risk management function is responsible for identifying, assessing and mitigating risks; finding risk mitigation methods; being on alert for early warning signs; forecasting potential for future losses and implementing plans to contain losses/risk transfer.

RISK MANAGEMENT INFRASTRUCTURE

The Company's risk management infrastructure consists of both human and physical resources that enhance its readiness to identify and manage risk. These resources include the mandate, policies and procedures, limits, tools, databases, competencies, communications etc. The Company invests significantly in resources to build capacity in risk management infrastructure and to ensure that such infrastructure is up to date.

RISK GOVERNANCE STRUCTURE

Given that managing risk is a responsibility of each and every employee for which each and every employee needs to understand the risks the Company is exposed to, CDC provides appropriate training/awareness to its people, disseminating knowledge and enhancing skills on all aspects related to their job responsibilities.

RISK MANAGEMENT POLICIES AND PROCEDURES

Besides the risk governance framework referred to above, the Company has developed a number of policies and related procedures to strengthen its risk management function. These include a Human Resources Policy (which was successfully piloted and will soon be rolled out across the Company). Other policies include, Asset Procurement and disposal Policy, Record classification/management/retention/destruction Policy, and Business Continuity Plan, all of which were developed during the year 2020.

RISK MANAGEMENT FRAMEWORK

In order to ensure a structured approach to managing all its risk exposures, the Company has developed a risk management framework. Underpinned by organisational structures, systems, processes, procedures, controls and industry best practices, it takes into account all risks and uncertainties the Company is exposed to.

RISK MANAGEMENT

The Company employs a combination of tools and measures for identifying, measuring, managing and reporting risks. These include organisational structure, system of internal controls and segregation of duties, periodic communication with stakeholders, adherence to compliance requirements, institutionalising lessons learned and historical experience, maintenance of log records, preventive maintenance schedules, customer comments and complaints, insurance, exit interviews with staff members, periodic audits etc.

Once a risk is identified, the Company decides on one or more of three possible options, viz. risk avoidance, risk control/management and risk transfer (via insurance). In general, risks that do not generate commensurate rewards are avoided while risks relating to activities that generate a commensurate return are controlled/managed. Risks with low probability/frequency of occurrence, but with high potential impact are insured.

TYPES OF RISKS

Further to the Credit, Market (liquidity and interest rate risks) and Operational risks relating to financial instruments (see Note 36 on Financial Risk Management to the Financial Statements on page 123), Company is exposed to a number of other risks.

RISK MANAGEMENT

A list of such risks and a detailed description of risk management measures in place are given below:

Risk category	Risk description	Risk mitigation measures	Risk level	
Credit risk	Counterparties failing to honour their contractual obligations to the Company	Credit risk of the Company is limited to financial instruments. Since Company provides its services and invoices therefor primarily to the Bank, credit risk is minimal.	Low	
Market risk	Interest rate risk arising from exposure of financial instruments to fluctuations in market interest rates	Monitoring of market interest rates, matching tenures of assets and liabilities	Medium	
	Liquidity risk	Cash flow projections, working capital management, contingency funding arrangements	Low	
Operational Risk	Human resource related risks such as failure to attract/retain/develop staff	Review of exit interviews, review of remuneration, Human Resources Policy	Average	
	Health and safety risk	Adhoc PCR checkups taken for employees who have a reasonable chance of exposing to the COVID-19 virus. Periodic fire drills, training, Human Resources Policy (which is being developed). In addition, Company ensures that periodic medical checkups are conducted for drivers. Maintenance staff is given uniforms, safety shoes and other required safety gears. Maintenance staff exposed to higher work-related accident risk is given special work-related training. Company sponsored Insurance cover the medical expenses of all employees.	Average	
	Risk of damage to physical assets	Scheduled periodic maintenance, availability of insurance from reputed Insurance companies.	High	
	Public liability arising from potential incidents relating to properties	Regular maintenance and review/monitoring of properties by experts, insurance cover, 24-hour security and surveillance	Average	
	Thefts and frauds	System of internal controls, security and surveillance, internal and external audits, audits conducted by the Inspection Department and the Integrated Risk Management Unit of the Bank, HR policies governing the disciplinary actions for employees.	Low	
	Disruptions to IT and information systems	Business Continuity Plan	Information Security Policy (ISP)	High

RISK MANAGEMENT

Risk category	Risk description	Risk mitigation measures	Risk level
Legal and compliance risk	Potential for losses or penalties/restrictions being imposed for failure to meet legal and other compliance requirements	<p>Company comes under the Group compliance requirement of the Bank as required by the CBSL.</p> <p>In addition, compliance documents/checklists are reviewed at the quarterly Audit Committee meetings.</p> <p>Also, the Company seeks professional advice as appropriate from reputed firms of auditors, lawyers etc. whenever the need arises.</p>	Average
Business continuity risk	Natural or man-made risks which could impact continuity of business operations	Besides other controls and mitigatory measures referred to under other risk categories, a formal Business Continuity Plan has been developed and approved by the Board in 2020.	High
Reputational risk	May arise from failure to meet compliance requirements, poor service standards/unprofessional behaviour and any negative publicity	Giving compliance related matters due prominence, operational procedures and training on providing quality services.	Average
Strategic risk	Failure to maximise opportunities and achieve financial targets, impact of erroneous strategic decisions, failure to meet customer expectations	According highest priority to risk related matters at the Board level and ongoing oversight and customer interactions.	Average
	Business concentration risk due to all its services being currently provided to the Bank	Company is currently in the process of seeking permission from the CBSL to allow it to provide its services to other parties as well, enabling it to diversify its sources of revenue to leverage growth opportunities.	High

FINANCIAL STATEMENTS



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FINANCIAL CALENDAR - 2020 AND 2021

Dividend Calendar - 2020

Final Dividend 2019 paid on June 29, 2020

Interim Dividend for 2020 paid on November 30, 2020 and December 16, 2020

Final Dividend for 2020 proposed to be paid on or before April 06, 2021 and April 27, 2021

Annual General Meeting Calendar - 2020

Annual Report and Accounts for 2020 signed on February 22, 2021

Forty First Annual General Meeting to be held on March 31, 2021

Submission of the Interim Financial Statements in terms of Rule 7.4 of the Colombo Stock Exchange - 2020

For the 3 months ended March 31, 2020 (unaudited) - Submitted on May 13, 2020

For the 3 and 6 months ended June 30, 2020 (unaudited) - Submitted on August 11, 2020

For the 3 and 9 months ended September 30, 2020 (unaudited) - Submitted on November 10, 2020

For the 3 months and year ended December 31, 2020 (unaudited) - Submitted on February 22, 2021

Dividend Calendar - 2021

Final Dividend for 2020 to be paid on or before April 06, 2021 and April 27, 2021

Interim Dividend for 2021 to be paid in December 2021

Final Dividend for 2021 proposed to be paid in April 2022

Annual General Meeting Calendar - 2021

Annual Report and Accounts for 2021 to be signed in February 2022

Forty Second Annual General Meeting to be held in March 2022

Submission of the Interim Financial Statements in terms of Rule 7.4 of the Colombo Stock Exchange - 2021

For the 3 months ending March 31, 2021 (unaudited) - will be submitted on or before May 13, 2021

For the 3 and 6 months ending June 30, 2021 (unaudited) - will be submitted on or before August 13, 2021

For the 3 and 9 months ending September 30, 2021 (unaudited) - will be submitted on or before November 15, 2021

For the 3 months and year ending December 31, 2021 (unaudited) - will be submitted on or before February 28, 2022

INDEPENDENT AUDITORS' REPORT



KPMG
(Chartered Accountants)
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To the Shareholders of Commercial Development Company PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Commercial Development Company PLC (“the Company”), which comprise the statement of financial position as at 31 December 2020, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 66 to 128 of the Annual Report.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakanier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan FCA	M.N.M. Shameel ACA	Ms. C.T.K.N. Perera ACA
A.M.R.P. Alahakoon ACA		
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA		
Ms. P.M.K. Sumanasekara FCA		

INDEPENDENT AUDITORS' REPORT

Valuation of Investment Property

Risk Description	Our response
<p>As at the reporting date 31 December 2020, land and building (including buildings on leasehold land) carried at fair value, classified as Investment properties amounted to Rs. 2,877 Mn.</p> <p>Investment property comprise of leasehold land with a value of Rs. 1,597,030,000/-, freehold land of Rs. 173,000,000/- and building of Rs. 1,106,649,000/- located in Colombo, Negombo and Tangalle, and represented 83% of total assets.</p> <p>The Company has recorded a fair value loss of Rs. 45,046,263/- during the year, in respect of its investment property.</p> <p>Management assessment of fair value of these investment properties is based on the valuation performed by a qualified independent property valuer in accordance with recognized industry standards.</p> <p>The valuation of the investment property requires the application of significant judgment and estimation in the selection of the appropriate valuation methodology to be used and in estimating the key assumptions applied. These key assumptions include capitalization rate, future rental growth, anticipated maintenance cost and depreciation rate. A change in key assumptions will have a significant impact on the valuation.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> Assessing the objectivity, independence, competence and qualifications of the independent external property valuers; Assessing the appropriateness of the valuation techniques used by the external valuer, including key assumptions applied and conclusions made in deriving the fair value of the properties and comparing the same with evidence of current market practice. Assessing the key inputs used in the valuation by the independent external valuer against our expectations based on our experience, externally published market comparable and our knowledge of property market, consultation with internal valuation specialist; and Discussions with management and the external valuer in relation to the possible impact on the key assumptions and the resulting valuation due to COVID-19 pandemic. Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITORS' REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2599.



CHARTERED ACCOUNTANTS

Colombo, Sri Lanka
February 22, 2021

INCOME STATEMENT

For the year ended December 31,	Note	Page No.	2020 Rs. '000	2019 Rs. '000	Change %
Revenue	8	85	454,906	453,849	0.23
Cost of Sales			(252,017)	(264,407)	(4.69)
Gross Profit			202,889	189,442	7.10
Other Income	9	86	23,163	4,930	369.84
Administrative Expenses			(31,182)	(32,609)	(4.38)
Fair Value Gain/(Loss) on Investment Property	18	98	(45,046)	237,283	(118.98)
Operating Profit	10	87	149,824	399,046	(62.45)
Finance Income	11.1	89	17,020	10,104	68.45
Finance Costs	11.2	89	(5,009)	(5,318)	(5.81)
Net Finance Income			12,011	4,786	150.96
Share of Profit of Equity Accounted Investee (Net of Tax)	19	102	9,438	9,158	3.06
Profit before Tax			171,273	412,990	(58.53)
Income Tax Expense	12.6	91	(48,691)	(49,773)	(2.17)
Profit for the year attributable to Owners of the Company			122,582	363,217	(66.25)
Earnings per Share					
Basic and diluted (Rs.)	13	92	10.22	30.27	(66.25)

The Notes appearing on pages 72 to 128 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31,	Note	Page No.	2020 Rs. '000	2019 Rs. '000	Change %
Profit for the year			122,582	363,217	(66.25)
Other Comprehensive Income, Net of Tax					
Items that will never be reclassified to profit or loss					
Actuarial Gain/(Loss) on Defined Benefit Plans	27	108	(985)	1,168	(184.33)
Related Tax	29	113	276	(327)	(184.40)
Net Actuarial Gain/(Loss) on Defined Benefit Plans			(709)	841	(184.30)
Share of Other Comprehensive Income of the Equity Accounted Investee, Net of Tax	19	102	44,213	14	315,707.14
Total Share of Other Comprehensive Income of the Equity Accounted Investee, Net of Tax			44,213	14	315,707.14
Items that are or may be reclassified to profit or loss					
Net change in fair value of Debt Investments at FVOCI			99	140	(29.29)
Related Tax	29	113	(28)	(39)	(28.21)
Net change in fair value of Debt Investments at FVOCI, Net of Tax			71	101	(29.70)
Other Comprehensive Income, Net of Tax			43,575	956	4,458.05
Total Comprehensive Income			166,157	364,173	(54.37)

The Notes appearing on pages 72 to 128 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at December 31,	Note	Page No.	2020 Rs. '000	2019 Rs. '000	Change %
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	17	95	97,482	130,392	(25.24)
Investment Property	18	98	2,876,679	2,911,000	(1.18)
Equity Accounted Investee	19	102	-	57,274	(100.00)
Deposits Receivable	20	105	11,181	11,014	1.52
Total Non-Current Assets			2,985,342	3,109,680	(4.00)
Current Assets					
Inventories			18	18	-
Trade and Other Receivables	21	105	47,429	41,623	13.95
Financial Investments	22	106	206,288	73,329	181.32
Cash and Cash Equivalents	23	106	210,433	119,282	76.42
Total Current Assets			464,168	234,252	98.15
Total Assets			3,449,510	3,343,932	3.16
EQUITY AND LIABILITIES					
Equity					
Stated Capital	24	106	120,000	120,000	-
Other Reserves	25	107	2,287,444	2,327,101	(1.70)
Retained Earnings			587,661	453,609	29.55
Total Equity			2,995,105	2,900,710	3.25
Non-Current Liabilities					
Deposits Payables	26	108	37,796	34,120	10.77
Employee Benefits	27	108	51,776	41,533	24.66
Lease Liabilities - Long Term	28	112	1,626	5,974	(72.78)
Deferred Taxation	29	113	311,652	319,253	(2.38)
Total Non-Current Liabilities			402,850	400,880	0.49
Current Liabilities					
Trade and Other Payables	30	115	16,609	20,629	(19.49)
Lease Liabilities - Short Term	28	112	4,347	5,374	(19.11)
Deferred Revenue	31	115	1,841	8,336	(77.92)
Current Tax Liabilities	32	116	28,758	8,003	259.34
Total Current Liabilities			51,555	42,342	21.76
Total Liabilities			454,405	443,222	2.52
Total Equity and Liabilities			3,449,510	3,343,932	3.16
Net Assets Value per Ordinary Share (Rs.)			249.59	241.73	3.25

The Notes appearing on pages 72 to 128 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

These Financial Statements have been prepared and presented in compliance with the requirements of the Companies Act No. 07 of 2007 and amendments thereto.



W H Wijesekara

Accountant

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

Approved and signed for and on behalf of the Board;



B R L Fernando

Chairman

Colombo,
February 22, 2021



S Renganathan

Managing Director

STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Other Reserves		Retained Earnings	Total Equity
	Rs.'000	Fair Value Reserve - Investment Property Rs.'000	Fair Value Reserve - Financial Assets Rs.'000	Rs.'000	Rs.'000
Balance as at January 01, 2019	120,000	2,091,394	(172)	391,096	2,602,318
Total Comprehensive Income for the year					
Profit for the year 2019	-	-	-	363,217	363,217
Other Comprehensive Income for the year 2019	-	-	101	855	956
Total Comprehensive Income for the year 2019	-	-	101	364,072	364,173
Transaction with Equity Holders, recongnized directly in Equity					
Final Dividend for 2018	-	-	-	(42,000)	(42,000)
Interim Dividend for 2019	-	-	-	(24,000)	(24,000)
Write back of Unclaimed Dividends	-	-	-	219	219
Transfer of Fair Value Gains on Investment Property (Note 25.1 on page 107)	-	235,778	-	(235,778)	-
Balance as at December 31, 2019	120,000	2,327,172	(71)	453,609	2,900,710
Balance as at January 01, 2020	120,000	2,327,172	(71)	453,609	2,900,710
Total Comprehensive Income for the year					
Profit for the year 2020	-	-	-	122,582	122,582
Other Comprehensive Income for the year 2020	-	-	71	43,504	43,575
Total Comprehensive Income for the year 2020	-	-	71	166,086	166,157
Transaction with Equity Holders, recongnized directly in Equity					
Final Dividend for 2019	-	-	-	(48,000)	(48,000)
Interim Dividend for 2020	-	-	-	(24,000)	(24,000)
Write back of Unclaimed Dividends	-	-	-	238	238
Transfer of Fair Value Loss on Investment Property (Note 25.1 on page 107)	-	(39,728)	-	39,728	-
Balance as at December 31, 2020	120,000	2,287,444	-	587,661	2,995,105

The Notes appearing on pages 72 to 128 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended December 31,			2020	2019
	Note	Page No.	Rs.'000	Rs.'000
Cash Flows from Operating Activities				
Profit before Tax			171,273	412,990
Non-cash adjustments to reconcile Profit before Tax to Net Cash Flows				
Depreciation	17	95	43,430	51,915
Fair Value (Gain)/Loss on Investment Property	18	98	45,046	(237,283)
Share of Profit of Equity Accounted Investee, Net of Tax	19	102	(9,438)	(9,158)
Interest Income	11	88	(17,020)	(10,104)
Provision for Employee Benefits	27	108	9,841	9,088
Interest Expense	11	88	4,869	5,255
Gain on Disposal of Property, Plant & Equipment	9	86	(4,835)	(4,480)
Profit on Disposal of Equity Accounted Investee	19.4	104	(18,275)	-
			224,891	218,223
Changes in:				
Inventories			-	87
Trade & Other Receivables			(12,236)	(2,972)
Deposits Receivable			(167)	(196)
Deposits Payables			73	3,024
Deferred Revenue			(6,495)	(2,038)
Trade & Other Payables			(1,554)	(14)
			204,512	216,114
Employee Benefits paid	27	108	(583)	(3,005)
Current Tax paid	32	116	(35,289)	(45,479)
Net Cash generated from Operating Activities			168,640	167,630
Cash Flows from Investing Activities				
Purchase of Property, Plant & Equipment			(10,520)	(4,412)
Purchase of Fire Detection System			(3,759)	-
Proceeds from Sale of Property, Plant & Equipment			4,835	4,451
Proceeds from Sale of Equity Accounted Investee			125,000	-
Interest Received	11	88	17,020	10,104
Dividend Received from Equity Accounted Investee	19	102	4,200	2,580
Investment in Treasury bills			-	(5,920)
Disposal of Investments in Treasury Bills			73,329	-
Investment in Fixed Deposits			(206,189)	-
Net Cash generated from Investing Activities			3,916	6,803
Cash Flows from Financing Activities				
Payment of Lease Liabilities	28	112	(6,641)	(6,306)
Dividend Paid			(74,764)	(65,655)
Net Cash used in Financing Activities			(81,405)	(71,961)
Net increase in Cash & Cash Equivalents			91,151	102,472
Cash & Cash Equivalents at the beginning of the Year			119,282	16,810
Cash & Cash Equivalents at the End of the Year	23	106	210,433	119,282

The Notes appearing on pages 72 to 128 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Corporate Information

Commercial Development Company PLC ('the Company') is a public limited liability Company listed on the Colombo Stock Exchange ('the CSE'), incorporated on March 14, 1980, (and domiciled) in Sri Lanka. The Company was re-registered under the Companies Act No. 07 of 2007 ('the Companies Act'). The registered office of the Company is situated at No. 8 - 4/2, York Arcade Building, Leyden Bastian Road, Colombo 01, Sri Lanka. The ordinary shares of the Company have a listing on the CSE.

The staff strength of the Company as at December 31, 2020 was 212 (212 as at December 31, 2019).

1.2 Parent Entity and Ultimate Parent Entity

The Company's controlling entity and ultimate parent undertaking is Commercial Bank of Ceylon PLC which is incorporated in Sri Lanka.

1.3 Principal Business Activities and Nature of Operations of the Company and its Equity Accounted Investee

Entity	Principal Business Activities	Ownership as at December 31,	
		2020	2019
Company			
Commercial Development Company PLC	Property development & related ancillary services and providing the manpower needs for various support services which are unrelated to providing core banking services to the customers of the Commercial Bank of Ceylon PLC.	N/A	N/A
Equity Accounted Investee			
Commercial Insurance Brokers (Pvt) Ltd.	Insurance brokering	0%	20%

There were no significant changes in the nature of the principal business activities of the Company and its Equity Accounted Investee during the financial year under review. The Company disposed its 20% stake in the Equity Accounted Investee on December 30, 2020.

1.4 Financial Statements

These Financial Statements as at and for the year ended December 31, 2020 comprise the Company and its interest in the Equity Accounted Investee accounted for under the Equity Method until the date of its disposal.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

The Company did not adopt any inappropriate accounting treatments which are not in compliance with the requirements of the SLFRSs, and regulations governing the preparation and presentation of the Financial Statements. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Details of the Company's significant accounting policies followed during the year are given on Note 6 on pages 75 to 82.

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company as per the provisions of the Companies Act and the SLFRSs.

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the 'Annual Report of the Board of Directors', 'Statement of Directors' Responsibility' and the certification on the Statement of Financial Position on pages 48, 53 and 68 respectively.

These Financial Statements include the following components:

- an Income Statement and a Statement of Profit or Loss and Other Comprehensive Income (OCI) providing the information on the financial performance of the Company for the year under review (Refer pages 66 and 67),
- a Statement of Financial Position providing the information on the financial position of the Company as at year-end (Refer page 68),

NOTES TO THE FINANCIAL STATEMENTS

- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review (Refer page 69),
- a Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs to utilise those cash flows (Refer page 70), and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information (Refer pages 72 to 128).

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended December 31, 2020 (including comparatives) were approved and authorised for issue by the Board of Directors on February 22, 2021.

2.4 Basis of Measurement

The Financial Statements of the Company have been prepared on historical cost basis except for the following material items in the Statement of Financial Position:

Item	Basis of measurement	Note	Page
Investment Property	Investment Property is measured at cost at the time of acquisition and subsequently at fair value	18	98
Financial Investments	Financial Investments are measured at amortised cost	22	106
Net Defined Benefit Liability	Liability for Defined Benefit Obligations is recognised as the present value of the Defined Benefit Obligation plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses	27.2	109
Deposits Receivable	Deposits Receivable are measured at present value initially and subsequently at amortised cost.	20	105
Deposits Payable	Deposits Payable are measured at present value initially and subsequently at amortised cost.	26	108
Lease Liabilities	Lease Liabilities are measured at amortised cost using effective interest method.	28	112

No adjustments have been made for inflationary factors affecting the Financial Statements.

2.5 Presentation of Financial Statements

The assets and liabilities of the Company presented in its Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

Offsetting

Financial Assets and Financial Liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by an Accounting Standard or Interpretation, and as specifically disclosed in the Accounting Policies of the Company.

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements'.

2.7 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements'.

2.8 Going concern

In preparing these Financial Statements, the management has assessed the existing and anticipated effect of COVID-19 on the Company and the appropriateness of the use of going concern basis of preparation giving special attention to highly impacted areas.

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

2.9 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability.

The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency.

There was no change in the Company's presentation and functional currency during the year under review.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these Financial Statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Financial Statements is included in the following notes:

Item	Note	Page
Revenue recognition: whether revenue is recognised over time or at a point in time	8	85
Fair value of Investment Property: whether the Company is able to generate revenues upto the end of the lease period	18	98
Equity-accounted investees: whether the Company has significant influence over an investee	19	102
Lease term: whether the Company is reasonably certain to exercise extension options	6.3	78

4.2 Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties as at December 31, 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Item	Note	Page
Measurement of defined benefit obligations: key actuarial assumptions.	27.3	110
Determining the fair value of investment properties on the basis of significant unobservable inputs.	18.3.2	101
Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.	38	127
Impairment of financial instruments: key assumptions used in estimating recoverable cash flows.	6.5	79

4.3 Impact of COVID-19 Pandemic

The ongoing COVID-19 pandemic has increased the uncertainties of estimates used in the preparation of these Financial Statements.

These estimation uncertainties are associated with:

- The extent and the duration of the disruption to business due to the spread of virus.
- The extent and duration of the expected economic downturn and the duration taken for the global economy to recover from the downturn.
- The effectiveness of the measurement taken by the authorities to support business and consumers through this disruption and economic downturn.

NOTES TO THE FINANCIAL STATEMENTS

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company has initially adopted Definition of a Business (amendments to SLFRS 3) and amendments to References to Conceptual Framework in SLFRS Standards from January 1, 2020 which does not have a impact on the Company's Financial Statements.

6. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company, except as specified in Note 5 above.

These accounting policies have been applied consistently by the Company

Set out below is an index of the significant accounting policies:

	Note	Page
A Foreign currency	6.1	75
B Revenue from contracts with customers	8	85
C Other income	9	86
D Finance income and expenses	11	88
E Expenditure recognition	10	87
F Income tax	12	89
G Financial assets and financial liabilities	6.2	75
H Cash and cash equivalents	23	106
I Property, plant and equipment	17	95
J Leases	6.3	78
K Investment property	18	98
L Equity accounted investee	19	102
M Inventories	6.4	79
N Impairment	6.5	79
O Provisions	6.6	80
P Dividend payables	30	115
Q Fair value measurement	6.7	80
R Employee benefits	27	108
S Contingencies and commitments	38	127
T Share capital, other equity and reserves	24 and 25	106 and 107
U Earnings per share	13	92
V Dividend per share	14	93
W Segment reporting	7	82
X Standards issued but not yet effective	6.8	81

6.1 Foreign currency

6.1.1 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rate at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

6.1.2 Foreign operations

The Company does not have any foreign operations that is a subsidiary, associate, joint venture or a branch. Therefore there is no exchange differences recognised in other comprehensive income.

6.2 Financial assets and financial liabilities

6.2.1 Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at Fair Value through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

NOTES TO THE FINANCIAL STATEMENTS

6.2.2 Classification

6.2.2.1 Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principle and Interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets not classified as measured at amortised cost or FVOCI are classified as FVTPL measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

6.2.2.1.1 Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

6.2.2.1.2 Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the

NOTES TO THE FINANCIAL STATEMENTS

instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers :

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

Equity instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected.

6.2.2.1.3 Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

6.2.2.2 Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

6.2.3 Derecognition

6.2.3.1 Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised)

and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

6.2.3.2 Financial liabilities

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

6.2.4 Subsequent Measurement and Gains and Losses

6.2.4.1 Financial Assets

Financial Assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial Assets at Amortised Cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt Investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

6.2.4.2 Financial liabilities

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

6.2.5 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a Company of similar transactions such as in the Company's trading activity.

6.3 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

This policy is applied to contracts entered into, on or after January 1, 2019.

6.3.1. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made or payable at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the

underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes

NOTES TO THE FINANCIAL STATEMENTS

its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'lease liability' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

6.3.2 As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies SLFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from SLFRS 16.

6.4 Inventories

Inventories are valued at lower of the cost and estimated net realisable value after making necessary allowance for obsolete and slow moving items. Net realisable value is the price at which the inventories can be sold in the normal course of the business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

The weighted average cost basis is adopted to arrive at the cost of inventories

6.5 Impairment

6.5.1 Non Derivative Financial Assets

Financial Instruments and Contract Assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of Allowance for ECL in the Statement of Financial Position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

6.5.2 Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than investment properties, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest Company of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or Cash Generating Units (CGUs).

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6.6 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

6.7 Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

NOTES TO THE FINANCIAL STATEMENTS

in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

6.7.1 Use of Assumptions and Estimation Uncertainty

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a team that has overall responsibility for overseeing all

significant fair value measurements, including Level 3 fair values, and reports directly to management.

The team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Company's audit committee. When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 18.3 – Investment Property on pages 101 to 102.
- Note 35 – Financial Instruments on pages 120 to 123.

6.8 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards and amendments are effective for annual periods beginning after the current financial year and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

The following amended standards are not expected to have a significant impact on the Company's Financial Statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- Reference of Conceptual Framework (Amendments to LKAS 3)

The amendments update an outdated reference to the Conceptual Framework in LKAS 3 without significantly changing the requirements in the standard.

- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

- Onerous Contracts - Cost of fulfilling the contract (Amendments to LKAS 37)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- Interest benchmark reform phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16)

The amendments in Interest Rate Benchmark Reform clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

- COVID-19 related concessions (Amendments to SLFRS 16)

Introduces an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance.

The practical expedient applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

- SLFRS 17 Insurance Contracts and amendments of SLFRS 17 Insurance Contracts

SLFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. SLFRS 17 introduces a new measurement model for insurance contracts and becomes effective in 2023.

7. OPERATING SEGMENTS

Accounting policy →

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Company's other components, whose operating results are regularly reviewed by the Company's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's corporate management include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

7.1 Basis for segmentation

The Company has the following four strategic divisions, which are its reportable segments. These divisions offer different services, and are managed separately because they require different technology and marketing strategies.

NOTES TO THE FINANCIAL STATEMENTS

The following summary describes the operations of each reportable segment;

Reportable Segment	Operations
Rent Income on Premises	Property development and letting of Investment Property
Outsourcing Services	Provision of manpower needs for various support services which are unrelated to providing core banking services to the customers of Commercial Bank of Ceylon PLC
Vehicle Hiring Income	Hiring of motor vehicles to the Commercial Bank of Ceylon PLC
Other Utility Services	Provision of janitorial services, air conditioning services and other premises related maintenance services to the Commercial Bank of Ceylon PLC

7.2 Information about Reportable Segments and Reconciliations to SLFRS Measures

Information related to each reportable segment is set out below. Segment profit before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries

As at December 31,	2020 %	2019 %
Assets		
Rent Income on Premises	97	96
Outsourcing Services	-	-
Vehicle Hiring Income	3	4
Other Utility Services	-	-
Total	100	100
For the year ended December 31,	2020 %	2019 %
External Revenue		
Rent Income on Premises	35	35
Outsourcing Services	40	40
Vehicle Hiring Income	17	19
Other Utility Services	8	6
Total	100	100
Profit Before Tax		
Rent Income on Premises	58	87
Outsourcing Services	12	4
Vehicle Hiring Income	23	8
Other Utility Services	7	1
Total	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020	Reportable Segments						
	Rent Income on Premises Rs.'000	Outsourcing Services Rs.'000	Vehicle Hiring Income Rs.'000	Other Utility Services Rs.'000	Sub Total Rs.'000	Unallocated Rs.'000	Total Rs.'000
External revenue	157,013	183,991	75,562	38,340	454,906	-	454,906
Inter-segment revenue	-	-	-	-	-	-	-
Segment Revenue	157,013	183,991	75,562	38,340	454,906	-	454,906
Segment Profit before Tax	92,422	18,920	35,686	11,658	158,686	12,587	171,273
Interest income	-	-	-	-	-	17,020	17,020
Interest expense	(3,603)	-	-	-	(3,603)	(1,406)	(5,009)
Depreciation	-	-	(34,781)	-	(34,781)	(8,649)	(43,430)
Share of profit of equity-accounted investees	-	-	-	-	-	9,438	9,438
Fair value loss on Investment Property	(45,046)	-	-	-	(45,046)	-	(45,046)
Income tax expense	-	-	-	-	-	(48,691)	(48,691)
Segment Assets	2,896,970	1,950	89,972	11,959	3,000,851	448,659	3,449,510
Equity accounted investee	-	-	-	-	-	-	-
Capital expenditure	10,725	-	10,140	-	20,865	380	21,245
Segment Liabilities	42,699	44,712	2,438	836	90,685	363,720	454,405

For the year ended December 31, 2019	Reportable Segments						
	Rent Income on Premises Rs.'000	Outsourcing Services Rs.'000	Vehicle Hiring Income Rs.'000	Other Utility Services Rs.'000	Sub Total Rs.'000	Unallocated Rs.'000	Total Rs.'000
External revenue	158,462	180,269	85,170	29,948	453,849	-	453,849
Inter-segment revenue	-	-	-	-	-	-	-
Segment Revenue	158,462	180,269	85,170	29,948	453,849	-	453,849
Segment Profit before Tax	370,534	17,504	35,290	4,122	427,450	(14,460)	412,990
Interest income	-	-	-	-	-	10,104	10,104
Interest expense	(3,246)	-	(480)	-	(3,726)	(1,592)	(5,318)
Depreciation	-	-	(43,787)	-	(43,787)	(8,128)	(51,915)
Share of profit of equity-accounted investees	-	-	-	-	-	9,158	9,158
Fair value gain on Investment Property	237,283	-	-	-	237,283	-	237,283
Income tax expense	-	-	-	-	-	(49,773)	(49,773)
Segment Assets	2,940,066	1,832	107,843	5,329	3,055,070	288,862	3,343,932
Equity accounted investee	-	-	-	-	-	57,274	57,274
Capital expenditure	-	-	23,400	-	23,400	4,442	27,842
Segment Liabilities	42,003	38,766	3,147	97	84,013	359,209	443,222

NOTES TO THE FINANCIAL STATEMENTS

7.3 Major Customer

Revenue of the Company is mainly represented by the revenue with the Commercial Bank of Ceylon PLC (The Parent), which is approximately Rs. 453 Mn. (2019: Rs. 452 Mn.) of the Company's total revenue.

7.4 Geographic information

The Company functions in one geographic location (Sri Lanka only). Accordingly, geographic information is not presented in the Financial Statements.

8. REVENUE

Accounting policy →

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of Service	Nature and timing of Satisfaction of Performance Obligations, including Significant Payment Terms	Revenue recognition policies
Rent Income on Premises	This represents the income from letting the Company's investment property. The performance obligation is satisfied over time as the properties are being used by the customer. The customer is invoiced on a monthly basis.	Rent income is recognised as revenue on a straight line basis over the term of the lease (recognition over time).
Outsourcing Services	This represents the income from the outsourcing of staff to the Commercial Bank of Ceylon PLC. The performance obligation is satisfied as and when the Company's staff have completed a month of work based on the agreements. The customer is invoiced on a monthly basis.	This income is recognised over time on a monthly basis.
Vehicle Hiring Income	Hiring of motor vehicles to the Commercial Bank of Ceylon PLC. The performance obligation is satisfied as and when the service is rendered by the Company. The customer is invoiced on a monthly basis.	This income is recognised over time on a monthly basis.
Other Utility Services	Provision of janitorial services, air conditioning services, other premises related maintenance services and bungalow administration services to the Commercial Bank of Ceylon PLC. The performance obligation is satisfied as and when the service is rendered by the Company. The customer is invoiced on a monthly basis.	This income is recognised over time on a monthly basis.

8.1 Revenue Streams

For the year ended December 31,	2020 Rs. '000	2019 Rs. '000
Rent Income on Premises	157,013	158,462
Outsourcing Services	183,991	180,269
Vehicle Hiring Income	75,562	85,170
Other Utility Services	38,340	29,948
Total Revenue	454,906	453,849

NOTES TO THE FINANCIAL STATEMENTS

8.2 Disaggregation of Revenue from Contracts with Customers

The Company's revenue is from local customers in Sri Lanka and the products and services offered by the Company to its customers are services in its line of business. Revenue from contracts with customers is disaggregated by the timing of revenue recognition as follows;

Timing of revenue recognition

For the year ended December 31,	2020 Rs. '000	2019 Rs. '000
Products and Services transferred over time		
Rent Income on Premises	157,013	158,462
Outsourcing Services	183,991	180,269
Vehicle Hiring Income	75,562	85,170
Other Utility Services	38,340	29,948
	454,906	453,849
Products transferred at a point in time		
	-	-
Total Revenue	454,906	453,849

8.3 Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

As at December 31,	Note	Page No.	2020 Rs. '000	2019 Rs. '000
Receivables, which are included in Trade and Other Receivables	21	105	32,233	21,059
Deferred revenue	31	115	1,841	5,353

No revenue was recognised in 2020 from performance obligations satisfied (or partially satisfied) in previous periods.

No information is provided about remaining performance obligations as at December 31, 2020 or as at December 31, 2019 that have an original expected duration of one year or less, as allowed by SLFRS 15.

9. OTHER INCOME

Accounting policy →

Other Income includes gains or losses on sale of Property, Plant and Equipment and investment in equity accounted investees and miscellaneous income which are recognised when the related performance obligation is satisfied.

Gains and losses on disposal of assets

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets including investments in joint ventures and Equity Accounted Investees are accounted for, in the statement of profit or loss after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31,	Note	Page No.	2020 Rs. '000	2019 Rs. '000
Gain on Disposal of Property, Plant & Equipment			4,835	4,480
Profit on Disposal of Equity Accounted Investee	19.4	104	18,275	-
Miscellaneous Income			53	450
Total Other Income			23,163	4,930

10. OPERATING PROFIT

Accounting policy →

Operating profit is the result generated from the continuing principal revenue-producing activities of the Company as well as other income and expenses related to operating activities. Operating profit includes profit on disposal of the equity accounted investee but excludes net finance costs, share of profit of equity-accounted investees and income taxes.

Expense recognition

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement.

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's performance.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except those that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the cost of the asset during the period of such development.

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Operating profit is stated after charging all expenses including the following :

For the year ended December 31,	Note	Page No.	2020 Rs. '000	2019 Rs. '000
Auditor's Remuneration				
Statutory audit and audit related services			663	645
Non audit services			389	301
Directors' Emoluments	10.1	88	2,880	2,880
Depreciation			43,430	51,915
Staff Costs	10.2	88	125,386	119,274
Direct Operating Expenses on Investment Property that generated Rental Income			15,936	18,181

NOTES TO THE FINANCIAL STATEMENTS

10.1 Directors Emoluments

Directors' emoluments represents fees paid to both Executive and Non-Executive Directors of the Company.

10.2 Staff Costs

For the year ended December 31,	Note	Page No.	2020 Rs. '000	2019 Rs. '000
Salaries			100,474	95,814
Employees' Provident Fund			12,057	11,498
Employees' Trust Fund			3,014	2,874
Provision for Employee Benefits	27.2.1	110	9,841	9,088
Total Staff Costs			125,386	119,274

11. NET FINANCE INCOME

Accounting policy →

Finance Income and Costs

The Company's finance income and expenses include:

- Interest income
- Interest expense

Interest income and Costs are recognised using the effective interest rate method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

NOTES TO THE FINANCIAL STATEMENTS

11.1 Finance Income

For the year ended December 31,	Note	Page No.	2020 Rs. '000	2019 Rs. '000
Interest on Government Treasury Bills			5,086	5,921
Interest on Money Market Investments			4,162	2,862
Interest on Fixed Deposits			6,288	–
Interest on Staff Loans and Other Deposits			1,484	1,321
Total Finance Income			17,020	10,104

11.2 Finance Costs

Interest Expense on leases recognised for Right of Use Assets	28	112	1,266	2,009
Interest Expense on Rent Deposits made by tenants	26	108	3,603	3,246
Other Finance Costs			140	63
Total Finance Costs			5,009	5,318
Net Finance Income			12,011	4,786

12. INCOME TAX EXPENSE

Accounting policy →

Income tax expense comprises current and deferred tax.

Income tax expense is recognised in the Income Statement except to the extent it relates to items recognised directly in Equity or in OCI, in which case it is recognised in Equity or in OCI.

12.1 Current Taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the Reporting date.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and subsequent gazette notifications thereto. According to this act, the Company is liable for current tax at 28%.

Current tax assets and liabilities are offset only if certain criteria are met.

12.2 Deferred Taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- taxable temporary differences arising on the initial recognition of goodwill.

NOTES TO THE FINANCIAL STATEMENTS

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each Reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each Reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the Reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of Investment Property measured at fair value is presumed to be recovered through sale, and the Company has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

12.3 Tax Exposures

In determining the amount of current and deferred tax, the Company considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgements regarding the adequacy of existing tax liabilities. Such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

12.4 Withholding Tax on Dividends Distributed by the Company and its Equity Accounted Investee

Withholding tax on dividends distributed by the Company

Withholding tax, that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised.

Withholding tax on dividends distributed by Equity Accounted Investee

Dividends received by the Company from its Equity Accounted Investee, have attracted a 14% deduction at source.

Withholding tax was abolished w.e.f. January 01, 2020.

12.5 Economic Service Charge

As per the provisions of the Economic Service Charge Act No. 13 of 2006 and the amendments thereto, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed liability can be carried forward within the specified time period mentioned in the Act and set off against the income tax payable as per the relevant provisions of the Act. ESC have been abolished w.e.f. January 01, 2020.

NOTES TO THE FINANCIAL STATEMENTS

12.6 Recognised in Profit or Loss

For the year ended December 31,	Note	Page No.	2020 Rs. '000	2019 Rs. '000
Current Tax Expense				
Current Tax Expense for the year	32	116	56,035	44,289
Under provision for prior years	32	116	9	430
			56,044	44,719
Dividend Tax deducted at source on Dividend Received from Equity Accounted Investee	19.1	103	–	420
Total Current Tax			56,044	45,139
Deferred Tax Expense				
Origination/(reversal) of Deferred Tax Liabilities	29.1	113	(4,855)	6,614
Origination of Deferred Tax Assets	29.2	113	(2,498)	(1,980)
Total Deferred Tax			(7,353)	4,634
Income Tax Expense			48,691	49,773

Income tax expense excludes the Company's share of income tax expense of equity accounted investee of Rs. 4.313 Mn. (2019: Rs. 3.420 Mn.), which has been included in share of profit of equity accounted investee, net of tax.

12.7 Recognised in Other Comprehensive Income

For the year ended December 31,	Note	Page No.	2020 Rs. '000	2019 Rs. '000
Debt Investments at FVOCI	29.4	114	28	39
Remeasurement of Defined Benefit Liability	29.4	114	(276)	327
Total Deferred Tax Recognised in Other Comprehensive Income			(248)	366

NOTES TO THE FINANCIAL STATEMENTS

12.8 Reconciliation of Effective Tax Rate

A reconciliation between Tax Expense and the product of Accounting Profit multiplied by the Statutory Tax Rate is as follows;

For the year ended December 31,		2020 Rs. '000		2019 Rs. '000
	%		%	
Profit for the year		122,582		363,217
Income Tax Expense		48,691		49,773
Profit before tax		171,273		412,990
Tax effect using the Domestic Tax Rate	28.0	47,956	28.0	115,637
Tax effect on Non-deductible Expenses	9.0	15,370	3.9	16,298
Tax effect on Tax-Exempt Income	4.4	7,496	(16.1)	(66,439)
Tax effect on Deductible Expenses	(7.4)	(12,732)	(4.5)	(18,643)
Tax effect on Dividend Tax on Dividend Received	0.3	588	0.1	420
Under provision of tax for the Previous Year	-	9	0.1	430
Tax effect on Share of Profit of Equity Accounted Investee	(1.5)	(2,643)	(0.6)	(2,564)
Total Current Tax Expenses	32.8	56,044	10.9	45,139

13. EARNINGS PER SHARE

Accounting policy →

The calculation of Basic Earnings per Share is done by dividing the profit attributable to Ordinary Shareholders of the Company, by the weighted average number of Ordinary Shares in issue during the year. Diluted Earnings Per Share is calculated by dividing the profit attributable to Ordinary Shareholders of the Company by the weighted average number of ordinary shares outstanding, adjusted for the effects of all potentially dilutive ordinary shares.

13.1 Basic Earnings Per Share

For the year ended December 31,	2020	2019
Profit attributable to Ordinary Shareholders (Rs.'000)	122,582	363,217
Weighted Average number of Ordinary Shares ('000)	12,000	12,000
Basic Earnings per Share (Rs.)	10.22	30.27

13.2 Diluted Earnings per Share

There was no dilution of Ordinary Shares outstanding at any time during the year. Therefore, Diluted Earnings per Share is the same as Basic Earnings per Share.

NOTES TO THE FINANCIAL STATEMENTS

14. DIVIDEND PER SHARE

Accounting policy →

Dividend per share is calculated by dividing the dividend paid/proposed for the year attributable to ordinary share holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted from Equity when they are declared and no longer at the discretion of the Company.

Dividends for the year, that are approved after the reporting date and not provided for, are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standard - LKAS 10 on "Events after the Reporting Period" as stated in Note 39 on page 127.

For the year ended December 31,	Note	2020	2019
Dividend paid/proposed during the year (Rs.'000)	14.1	66,000	72,000
Weighted Average number of Ordinary Shares ('000)		12,000	12,000
Dividend per Share (Rs.)		5.50	6.00

14.1 Dividend paid/proposed during the year

For the year ended December 31,	2020 Rs.'000	2019 Rs.'000
Interim dividend of Rs. 2.00 per share for 2019 paid on December 10, 2019	-	24,000
Final dividend of Rs. 4.00 per share proposed for 2019 paid on June 29, 2020	-	48,000
Interim dividend of Rs. 2.00 per share for 2020 paid on November 30, and December 16, 2020	24,000	-
Final dividend of Rs. 3.50 per share proposed for 2020	42,000	-
Total dividend paid/proposed for the year	66,000	72,000

14.2 Compliance with Section 56 and 57 of the Companies Act No. 07 of 2007

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company has satisfied the solvency test in accordance with Section 57, subject to relevant regulatory adherence, prior to declaring the dividends.

15. ADJUSTED EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (ADJUSTED EBITDA)

Management has presented the performance measure adjusted EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to an understanding of the Company's financial performance. Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of net finance income, taxation, depreciation, amortisation and share of profit of equity-accounted investee.

Adjusted EBITDA is not a defined performance measure in SLFRS. The Company's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

NOTES TO THE FINANCIAL STATEMENTS

15.1 Reconciliation of adjusted EBITDA to Profit from Continuing Operations

For the year ended December 31,	Note	Page No.	2020 Rs. '000	2019 Rs. '000
Profit from Continuing Operations			122,582	363,217
Income Tax Expense	12.6	91	48,691	49,773
Profit before Tax			171,273	412,990
Adjustments for:				
- Net Finance Income	11	88	(12,011)	(4,786)
- Depreciation/ Amortisation	17.1	96	43,430	51,915
- Share of Profit of Equity-Accounted Investee, net of Tax	19.1.1	103	(9,438)	(9,158)
Adjusted EBITDA			193,254	450,961

16. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Accounting policy →

See accounting policies in Note 6.2 on page 75.

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

Item	As at December 31, 2020						As at December 31, 2019			
	Note	Page No.	"Fair Value through Profit or Loss" Rs.'000	"Fair Value through Other Comprehensive Income" Rs.'000	"Amortised Cost" Rs.'000	Total Rs.'000	"Fair Value through Profit or Loss" Rs.'000	"Fair Value through Other Comprehensive Income" Rs.'000	"Amortised Cost" Rs.'000	Total Rs.'000
Financial Assets										
Deposits Receivable	20	105	-	-	11,181	11,181	-	-	11,014	11,014
Trade and Other Receivables	21	105	-	-	42,335	42,335	-	-	29,779	29,779
Financial Investments	22	106	-	-	206,288	206,288	-	73,329	-	73,329
Cash and Cash Equivalents	23	106	-	-	210,404	210,404	-	-	119,239	119,239
Total financial assets			-	-	470,208	470,208	-	73,329	160,032	233,361
Financial Liabilities										
Deposits Payables	26	108	-	-	37,796	37,796	-	-	34,120	34,120
Trade and Other Payables	30	115	-	-	2,200	2,200	-	-	5,202	5,202
Lease Liabilities	28	112	-	-	5,973	5,973	-	-	11,348	11,348
Total financial liabilities			-	-	45,969	45,969	-	-	50,670	50,670

NOTES TO THE FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT

Accounting policy →

The Company applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on 'Property, Plant & Equipment' in accounting for its owned assets which are held for and used in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Basis of Recognition

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

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Basis of Measurement

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing). The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software which is an integral to the functionality of the related Computer Equipment is capitalised as Computer Software.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Cost Model

The Company applies the Cost Model to all Property, Plant & Equipment and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Subsequent Cost

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation is calculated to write off the cost of items of Property, Plant and Equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative years are as follows:

Class of Asset	% Per Annum	Period
Leased Building (Right of Use Asset)	–	Over the lease period
Motor Vehicles	20	5 years
Leased Motor Vehicles	20	5 years
Computer Equipment	20	5 years
Computer Software	20	5 years
Office Equipment	20	5 years
Furniture & Fittings	20	5 years
Interior Decorations and Partitions	20	5 years

The depreciation rates are determined separately for each significant part of an item of Property, Plant & Equipment and commence to depreciate when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. 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 derecognised.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

Derecognition

An item of Property, Plant & Equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognised in profit or loss in the year the asset is derecognised.

When replacement costs are recognised in the carrying amount of an item of Property, Plant & Equipment, the remaining carrying amount of the replaced part is derecognised as required by the Sri Lanka Accounting Standard - LKAS 16 on 'Property, Plant & Equipment'.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss.

17.1 Reconciliation of carrying amount

	Right-of-use Assets Building Rs. '000	Motor Vehicles Rs. '000	Right-of-use Asset-Leased Motor Vehicles Rs. '000	Computer Equipment Rs. '000	Computer Software Rs. '000	Office Equipment Rs. '000	Furniture & Fittings Rs. '000	Interior Decorations & Partitions Rs. '000	Total Rs. '000
Cost									
Balance as at January 01, 2019	-	258,749	8,050	1,181	271	1,401	1,760	3,394	274,806
Recognition of right-of-use asset on initial application of SLFRS 16	11,545	-	-	-	-	-	-	-	11,545
Adjusted balance as at January 01, 2019	11,545	258,749	8,050	1,181	271	1,401	1,760	3,394	286,351
Additions for the year 2019	-	23,400	-	3,163	598	432	144	105	27,842
Disposals during the year 2019	-	(7,963)	-	-	-	(190)	-	-	(8,153)
Balance as at December 31, 2019	11,545	274,186	8,050	4,344	869	1,643	1,904	3,499	306,040
Additions for the year 2020	-	10,140	-	18	139	223	-	-	10,520
Disposals during the year 2020	-	(12,894)	-	-	-	(71)	(53)	-	(13,018)
Balance as at December 31, 2020	11,545	271,432	8,050	4,362	1,008	1,795	1,851	3,499	303,542
Accumulated Depreciation									
Balance as at January 01, 2019	-	127,899	450	1,063	186	1,012	506	770	131,886
Charge for the year 2019	4,329	44,427	1,610	147	68	197	455	682	51,915
Disposals during the year 2019	-	(7,963)	-	-	-	(190)	-	-	(8,153)
Balance as at December 31, 2019	4,329	164,363	2,060	1,210	254	1,019	961	1,452	175,648
Charge for the year 2020	4,329	35,421	1,610	675	165	210	320	700	43,430
Disposals during the year 2020	-	(12,894)	-	-	-	(71)	(53)	-	(13,018)
Balance as at December 31, 2020	8,658	186,890	3,670	1,885	419	1,158	1,228	2,152	206,060
Carrying Value									
As at December 31, 2020	2,887	84,542	4,380	2,477	589	637	623	1,347	97,482
As at December 31, 2019	7,216	109,823	5,990	3,134	615	624	943	2,047	130,392

NOTES TO THE FINANCIAL STATEMENTS

17.2 Leased Property, Plant and Equipment

The details of leased property, plant and equipment are as follows;

As at December 31,	Carrying value of the asset		Carrying value of the liability	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Leased motor vehicles	4,380	5,990	2,438	3,147
Right-of-use assets – Building **	2,887	7,216	3,536	8,201
Total Carrying Value	7,267	13,206	5,974	11,348

** The future rentals of the Building have been discounted and recognised as Right-of-use-assets. The corresponding liabilities have been recorded as lease liabilities.

17.3 Acquisition of Property, Plant and Equipment during the year

During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 10.5 Mn. (2019 – Rs. 27.8 Mn.). Cash payments amounting to Rs. 10.5 Mn. (2019 – Rs. 4.4 Mn.) was paid during the year for the acquisition of Property, Plant and Equipment.

17.4 Capitalisation of Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year (2019 – Nil).

17.5 Temporarily idle Property, Plant and Equipment

There were no temporarily idle property, plant and equipment as at the reporting date (2019 – Nil).

17.6 Fully-depreciated Property, Plant and Equipment

The cost of fully-depreciated property, plant and equipment of the Company which are still in use is as follows:

As at December 31,	2020 Rs.'000	2019 Rs.'000
Motor Vehicles	98,027	89,450
Computer Equipment	1,034	818
Office Equipment	826	387
Furniture & Fittings	252	305
Computer Software	208	–
Total cost of fully-depreciated assets	100,347	90,960

17.7 Title restrictions on Property, Plant and Equipment

There were no Property, Plant and Equipment pledged as security for liabilities, except for leased motor vehicles as described in Note 17.2. Hence there were no restrictions on the title of such property, plant and equipment as at the reporting date, except for those motor vehicles obtained under finance leases.

NOTES TO THE FINANCIAL STATEMENTS

17.8 Impairment of Property, Plant and Equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at December 31, 2020 especially considering the impact that the COVID-19 Pandemic could have on Company assets. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of property, plant and equipment.

17.9 Compensation from third parties for items of Property, Plant and Equipment

There were no compensation received/receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.

17.10 Amount of contractual commitments for the acquisition of Property, Plant and Equipment

The Company had no contractual commitments for the acquisition of property, plant and equipment as at the reporting date. (2019: Nil)

18. INVESTMENT PROPERTY

Accounting policy →

Classification

Property which is held to earn rental income or for capital appreciation or for both are classified as Investment Property.

Basis of Measurement

Investment Property is measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property.

Subsequent Measurement

Subsequent to initial recognition, Investment Property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the

fair value of Investment Property are included in the Income Statement in the period in which they arise. Fair values are evaluated annually by accredited external independent valuers, applying a valuation model recommended by the relevant accounting standard.

Derecognition

Investment Property is derecognised when either they have been disposed of or when the Investment Property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Income Statement in the period of derecognition.

Transfers

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Fair Value Reserve - Investment Property

The Fair Value Reserve - Investment Property represents the post-tax difference between the cost and revalued/fair valued amount of Investment Property from the date that it was identified as Investment Property.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Rental Income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

18.1 Reconciliation of carrying amount

	Leasehold Land Rs. '000	Freehold Lands Rs. '000	Buildings Rs. '000	Total Rs. '000
Balance as at January 01, 2019	1,391,175	151,764	1,130,778	2,673,717
Change in fair value	231,906	12,566	(7,189)	237,283
Balance as at December 31, 2019	1,623,081	164,330	1,123,589	2,911,000
Balance as at January 01, 2020	1,623,081	164,330	1,123,589	2,911,000
Additions through subsequent capital expenditure	-	-	10,725	10,725
Change in fair value	(26,051)	8,670	(27,665)	(45,046)
Balance as at December 31, 2020	1,597,030	173,000	1,106,649	2,876,679

18.2 Details of Investment Property

Location	Extent		Carrying Amount / Fair Value	
			2020 Rs. '000	2019 Rs. '000
As at December 31,	Note	Page No.		
1) No. 21, Sir Razik Fareed Mawatha, Colombo 01	18.2.1	100		
- Leasehold Land			58.48 P	1,597,030
- Building			126,309 Sq.ft	1,079,649
Sub Total				2,676,679
2) No. 48, Matara Road, Tangalle	18.2.2	100		
- Freehold Land			48.76 P	80,000
- Building			4,257 Sq.ft	27,000
Sub Total				107,000
3) No. 18, Fernando Avenue, Negombo	18.2.3	100		
- Freehold Land			18.65 P	93,000
Sub Total				93,000
Balance as at December 31,				2,876,679
				2,911,000

The above mentioned Investment Property are stated at fair value, and has been determined based on the valuations performed by professionally qualified Independent Valuers as at December 31, 2020. Investment Property were appraised in accordance with the Sri Lanka Accounting Standards – LKAS 40 on Investment Property. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used which are based upon assumptions including future rental income, anticipated maintenance costs, appropriate discount rate, remaining lease period and making reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within an appropriate range of values.

The leasehold land held under an operating lease, classified as Investment Property has been stated at fair value as required by paragraph 34 of LKAS 40 – “Investment Property”.

NOTES TO THE FINANCIAL STATEMENTS

18.2.1 Property situated in Colombo

Investment Property situated at Colombo is stated at fair value, and has been determined based on the valuation performed by Mr P B Kalugalagedara, a Chartered Valuer as at December 31, 2020 in the report dated January 02, 2021.

The significant assumptions used by the Valuer are as follows;

	2020	2019
Long term growth in future rentals (per annum)	3% – 5%	5%
Anticipated maintenance cost (per annum)	45%	45%
Yield/Discount rate (per annum)	6.25%	6%

Income from Investment Property situated in Colombo

For the year ended December 31,	2020 Rs. '000	2019 Rs. '000
Rental Income from Investment Property	150,254	151,584
Direct Operating Expenses (including maintenance) generating Rental Income	(15,936)	(18,156)
Net Profit from Investment Property carried at Fair Value	134,318	133,428

The residual lease period of the Land as at December 31, 2020 was 61 years. The remaining useful lifetime of the Building as at December 31, 2020 was 40 years.

18.2.2 Property situated in Tangalle

This Property is stated at fair value, and has been determined based on the valuation performed by Mr G M Gamage, an Independent Incorporated Valuer as at December 31, 2020 in the report dated December 30, 2020.

Income from Investment Property situated in Tangalle

For the year ended December 31,	2020 Rs. '000	2019 Rs. '000
Rental Income from Investment Property	3,513	3,576
Direct Operating Expenses (including maintenance) generating Rental Income	-	(25)
Net Profit from Investment Property carried at Fair Value	3,513	3,551

Remaining period of lifetime of the building as at December 31, 2020 was 46 years.

18.2.3 Property situated in Negombo

This Property is stated at fair value, and has been determined based on the valuation performed by Mr G H A P K Fernando, a Chartered Valuation Surveyor as at December 31, 2020 in the report dated December 31, 2020.

Income from Investment Property situated in Negombo

For the year ended December 31,	2020 Rs. '000	2019 Rs. '000
Rental Income from Investment Property	3,246	3,302
Direct Operating Expenses (including maintenance) generating Rental Income	-	-
Net Profit from Investment Property carried at Fair Value	3,246	3,302

NOTES TO THE FINANCIAL STATEMENTS

18.3 Information on Fair Value Measurement

18.3.1 Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio every year.

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

18.3.2 Summary of Fair Value Measurement of Investment Property

For the year ended December 31, 2020

Name of Professional Valuer / Location and Address	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Carrying Value before Revaluation of			Revalued Amount of			Revaluation Gain / (Loss) recognised on			
			Land Rs.'000	Buildings Rs.'000	Total Rs.'000	Land Rs.'000	Buildings Rs.'000	Total Rs.'000	Land Rs.'000	Buildings Rs.'000	Total Rs.'000	
1) Mr P B Kalugalagedara												
No 21, Sir Razik Fareed Mawatha, Colombo 01	Investment Method		1,623,081	1,110,644	2,733,725	1,597,030	1,079,649	2,676,679	(26,051)	(30,995)	(57,046)	
	Gross monthly rental	Rs. 20,125,000 p.m										
- Land	"Years purchase (Present value of 1 unit per period)"											
- Building		15.27										
2) Mr G M Gamage												
No 48, Matara Road, Tangalle	Investment Method		76,330	23,670	100,000	80,000	27,000	107,000	3,670	3,330	7,000	
	Gross monthly rental	Rs. 320,000 p.m										
- Land	"Years purchase (Present value of 1 unit per period)"											
- Building		18.18										
3) Mr G H A P K Fernando												
No 18, Fernando Avenue, Negombo	Market Comparable Method		-	88,000	-	88,000	93,000	-	93,000	5,000	-	5,000
- Land	Price per perch for land	Rs. 5,000,000 p.p.										
Total			1,787,411	1,134,314	2,921,725	1,770,030	1,106,649	2,876,679	(17,381)	(27,665)	(45,046)	

NOTES TO THE FINANCIAL STATEMENTS

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation Technique	Significant Unobservable Valuation Inputs (Ranges of each Property are given in the previous page)	Sensitivity of the Fair Value Measurement to Inputs
Market Comparable Method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and the condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land Price per square feet for building Depreciation rate for building	Estimated fair value would increase / (decrease) if; Price per perch of land increase / (decreases) Price per square feet for building increase / (decreases) Depreciation rate for building increases / (decreases)
Investment Method This method involves capitalisation of the expected rental income at an appropriate rate of years purchase currently characterised by the real estate market.	Gross annual rentals Years purchase (Present value of 1 unit per period)	Estimated fair value would increase / (decrease) if; Gross annual rentals increases / (decreases) Years purchase increases / (decreases)

The Company has considered the impact of the COVID-19 Pandemic when determining the fair value of the Investment Property. Refer Note 40 on page 128 for the impact of COVID-19 Pandemic to the Financial Statements.

19. EQUITY ACCOUNTED INVESTEE

Accounting policy →

The Company's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Company has significant influence, but not control or joint control, over the variable returns through its power over the investee. Significant influence is presumed to exist when the Company holds 20% or more of the voting power of another entity.

The Company had a stake of 20% (2019: 20%) in Commercial Insurance Brokers (Pvt) Limited a private limited liability company incorporated in Sri Lanka, whose principal business activity is the provision of insurance brokering services in Sri Lanka.

On December 30, 2020 the Company disposed its 20% stake in Commercial Insurance Brokers (Pvt) Limited for a consideration of Rs. 125,000,000.

Interests in associates are accounted for using the equity method and are recognised initially at cost, which includes transaction costs, in terms of Sri Lanka Accounting Standards - LKAS 28 on "Investments in Associates and Joint Ventures". Subsequent to initial recognition, the Financial Statements include the Company's share of the profit or loss and OCI of equity accounted investees, from the date that significant influence commences until the date on which significant influence ceases. Accordingly, under the Equity Method, investments in Equity Accounted Investees are carried at cost plus post-acquisition changes in the Company's share of net assets of the associates and are reported as a separate line item in the Statement of Financial Position. The income statement reflects the Company's share of the results of operations of the equity-accounted investee. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in Equity through OCI. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in associate.

NOTES TO THE FINANCIAL STATEMENTS

When the Company's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee. If the Equity Accounted Investee subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equal the share of losses not recognised previously.

The Company discontinues the use of the Equity Method from the date that it ceases to have significant influence over an Equity Accounted Investee and accounts for such investments in accordance with the Sri Lanka Accounting Standard - SLFRS 9 on "Financial Instruments".

Upon loss of significant influence over the Equity Accounted Investee, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the Equity Accounted Investee upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

After application of the Equity Method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its Equity Accounted Investee. At each reporting date, the Company determines whether there is objective evidence that the investment in the Equity Accounted Investee is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the Equity Accounted Investee and its carrying value, and recognises the loss as "Share of profit of Equity Accounted Investee" in the income statement.

19.1 Value of the Equity Accounted Investee

As at December 31,	Note	Page No.	2020 Rs.'000	2019 Rs.'000
Balance as at January 01,			57,274	51,102
Current year's Share of Comprehensive Income				
Included in Profit or loss	19.1.1		9,438	9,158
Included in Other Comprehensive Income	19.1.2	104	44,213	14
Sub Total	19.3	104	53,651	9,172
Net Dividend received			(4,200)	(2,580)
Dividend tax deducted at source on Dividend received			-	(420)
Gross Dividend			(4,200)	(3,000)
Carrying Value			106,725	57,274
Disposal during the year	19.4	104	(106,725)	-
Balance as at December 31,			-	57,274

19.1.1 Included in Profit or Loss for the year

For the year ended December 31,	2020 Rs.'000	2019 Rs.'000
Share of Profit before Tax	13,751	12,578
Share of Current Tax Charge	(2,465)	(3,598)
Share of Deferred Tax	(1,848)	178
Share of Profit, net of Tax	9,438	9,158

NOTES TO THE FINANCIAL STATEMENTS

19.1.2 Included in Other Comprehensive income for the year

For the year ended December 31,	2020 Rs.'000	2019 Rs.'000
Share of Other Comprehensive Income before Tax	61,407	19
Related Share of Deferred Tax	(17,194)	(5)
Share of Other Comprehensive Income, Net of Tax	44,213	14

The following table illustrates summarised information of the Company's investment in Commercial Insurance Brokers (Pvt) Limited;

19.2 Carrying Amount of Interest in Equity Accounted Investee

As at December 31,	2020 Rs.'000	2019 Rs.'000
Financial Position of Equity Accounted Investee		
Non-Current Assets	488,632	167,659
Current Assets	222,396	211,534
Non-Current Liabilities	(137,533)	(32,788)
Current Liabilities	(39,872)	(60,036)
Net Assets (100%)	533,623	286,369
Percentage Ownership Interest	0%	20%
Company's Share of Net Assets	-	57,274
Carrying Amount of Interest in Equity Accounted Investee	-	57,274

19.3 Company's Share of Comprehensive Income

For the year ended December 31,	2020 Rs.'000	2019 Rs.'000
Financial Performance of Equity Accounted Investee		
Revenue	255,268	235,178
Profit for the year, net of tax	47,189	45,791
Other Comprehensive Income for the year, net of tax	221,064	70
Total Comprehensive Income for the year, net of tax	268,253	45,861
Company's Share of Comprehensive Income (20%)	53,651	9,172

19.4 Profit on disposal on Equity Accounted Investee

For the year ended December 31,	2020 Rs.'000	2019 Rs.'000
Consideration Received	125,000	-
Carrying Value	(106,725)	-
Profit on disposal of Equity Accounted Investee	18,275	-

NOTES TO THE FINANCIAL STATEMENTS

20. DEPOSITS RECEIVABLES

Accounting policy →

See accounting policy in Note 6.2 on page 75.

As at December 31,	2020 Rs.'000	2019 Rs.'000
Refundable Deposit – Ceylon Electricity Board (CEB)	8,720	8,720
Refundable Deposit – Colombo Fort Land & Building Company PLC	2,364	2,148
Refundable Deposits with Other Suppliers	97	146
Total Deposit Receivables	11,181	11,014

20.1 No fair value adjustment has been made for refundable deposits with CEB and other suppliers as these deposits do not have a defined period.

21. TRADE AND OTHER RECEIVABLES

Accounting policy →

See accounting policy in Note 6.2 on page 75.

A receivable represents the Company's right to an amount of consideration that is unconditional.

As at December 31,	Note	2020 Rs.'000	2019 Rs.'000
Financial Assets			
Trade Receivables	21.1	1,154	1,335
Amount due from Commercial Bank of Ceylon PLC		31,079	19,724
Staff Loans		9,493	7,980
Other Receivables		609	740
Total Financial Assets		42,335	29,779
Non Financial Assets			
Prepaid staff cost		384	423
Insurance premium paid in advance		4,710	4,991
Advance paid for installation of Fire Detection System		–	6,430
Total Non Financial Assets		5,094	11,844
Total trade and other receivables		47,429	41,623

21.1 Trade Receivables are non-interest bearing and generally on 15 to 30 day credit terms.

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INVESTMENTS

Accounting policy →

See accounting policy in Note 6.2 on page 75.

As at December 31,	2020 Rs.'000	2019 Rs.'000
Investments in Fixed Deposits – At Amortised Cost	206,288	–
Investments in Treasury Bills – At FVOCI	–	73,329
Total Financial Investments	206,288	73,329

The Company has invested Rs. 200,000,000 in a Fixed Deposit for 1 year at 8.5% p.a. interest at CBC Finance Limited which is a fully owned subsidiary of Commercial Bank of Ceylon PLC (the Parent).

23. CASH AND CASH EQUIVALENTS

Accounting policy →

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with a maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts, if any.

Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flows'. Cash and Cash Equivalents includes of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

As at December 31,	2020 Rs.'000	2019 Rs.'000
Cash at Bank	210,404	119,239
Cash in Hand	29	43
Total Cash and Cash Equivalents	210,433	119,282

The Company's cash at bank consists of balances with Commercial Bank of Ceylon PLC (the Parent).

24. STATED CAPITAL

Accounting policy →

The ordinary shares of the Company are quoted in the Colombo Stock Exchange. Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are eligible to one vote per share at the General Meeting of the Company.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with LKAS 12.

NOTES TO THE FINANCIAL STATEMENTS

As at December 31,	2020 Rs.'000	2019 Rs.'000
12,000,000 Ordinary Shares	120,000	120,000
Total Stated Capital	120,000	120,000

25. OTHER RESERVES

As at December 31,	Note	Page No.	2020 Rs.'000	2019 Rs.'000
Fair Value Reserve – Investment Property	25.1		2,287,444	2,327,172
Fair Value Reserve – Financial Assets	25.2	108	–	(71)
Total Other Reserves			2,287,444	2,327,101

25.1 Fair Value Reserve – Investment property

Any gains arising from the fair value adjustments from Investment Property are transferred from Retained Earnings to the Fair Value Reserve – Investment Property and any losses incurred are transferred to the Fair Value Reserve – Investment Property to the extent that the loss does not exceed the balance held in the said reserve.

As at December 31,	Note	2020 Rs.'000	2019 Rs.'000
Balance as at January 01,		2,327,172	2,091,394
Transfer of Fair Value Gains/(Losses) on Investment Property	25.1.1	(39,728)	235,778
Balance as at December 31,		2,287,444	2,327,172

25.1.1 Transfer of Fair Value Gains on Investment Property

For the year ended December 31,	2020			2019		
	Pre-tax Fair Value Gain/(Loss) Rs.'000	Related tax Rs.'000	Post-tax Fair Value Gain/(Loss) Rs.'000	Pre-tax Fair Value Gain/(Loss) Rs.'000	Related tax Rs.'000	Post-tax Fair Value Gain/(Loss) Rs.'000
Leasehold Land	(26,051)	–	(26,051)	231,906	–	231,906
Freehold Land	8,670	(2,428)	6,242	12,566	(3,518)	9,048
Building	(27,665)	7,746	(19,919)	(7,189)	2,013	(5,176)
Total	(45,046)	5,318	(39,728)	237,283	(1,505)	235,778

NOTES TO THE FINANCIAL STATEMENTS

25.2 Fair Value Reserve – Financial Assets

Fair Value Reserve – Financial Assets comprises of the impact arising from the changes in the market values of financial assets at Fair value through other comprehensive income.

As at December 31,	2020 Rs.'000	2019 Rs.'000
Balance as at January 01,	(71)	(172)
Gain on Financial Assets at FVOCI – Net of Tax	71	101
Balance as at December 31,	–	(71)

26. DEPOSITS PAYABLES

Accounting policy →

See accounting policy in Note 6.2 on page 75.

Deposits payables are the aggregate amount of obligations to pay for deposits received from tenants which are refundable. Deposits payable are initially recorded at their fair value and subsequently carried at amortised cost.

As at December 31,	Note	Page No.	2020 Rs.'000	2019 Rs.'000
Balance as at January 01			34,120	27,199
Deposits received during the year			118	4,612
Day 1 Difference			(45)	(937)
Notional Interest Expense for the year	11.2	89	3,603	3,246
Balance as at December 31			37,796	34,120

26.1 The Deposits Payables as at the reporting date consists of deposits received from Commercial Bank of Ceylon PLC and other tenants which should be repaid after the termination of the tenancy agreements. Average tenancy period is 4 years.

The balance includes deposits payables of Rs. 36.7 Mn. (2019 : Rs. 33.2 Mn.) with Commercial Bank of Ceylon PLC (The Parent).

27. EMPLOYEE BENEFITS

Accounting policy →

A. Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Income Statement in the periods during which related services are rendered by employees.

Employees' Provident Fund

All employees of the Company are members of the Employees' Provident Fund (EPF). The Company and employees contribute 12% and 8% respectively of the salary to Employees' Provident Fund managed by the Central Bank of Sri Lanka.

NOTES TO THE FINANCIAL STATEMENTS

Employees' Trust Fund

All employees of the Company are members of the Employees' Trust Fund (ETF). The Company contributes at the rate of 3% of the salaries of each employee to the Employees' Trust Fund managed by the Central Bank of Sri Lanka.

B. Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that amount to determine its present value. The calculation is performed annually by a qualified independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

With the adoption of Sri Lanka Accounting Standards LKAS 19 on 'Employee Benefits', which became effective from January 1, 2013, the re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The obligation is not externally funded.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

27.1 Defined Contribution Plans

Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.

For the year ended December 31,	2020 Rs. '000	2019 Rs. '000
Employees' Provident Fund		
Employer's contribution (12%)	12,057	11,498
Employees' contribution (8%)	8,038	7,665
Employees' Trust Fund (3%)	3,014	2,874

27.2 Defined Benefit Plans - Provision for Employee Benefits

For the year ended December 31,	Note	Page No.	2020 Rs. '000	2019 Rs. '000
Present Value of Unfunded Obligation	27.2.1	110	51,776	41,533
Balance as at December 31,			51,776	41,533

NOTES TO THE FINANCIAL STATEMENTS

27.2.1 Movement in the Present Value of the Employee Benefits Unfunded Obligation

For the year ended December 31,	Note	2020 Rs. '000	2019 Rs. '000
Balance as at January 01,		41,533	36,618
Provision recognised during the year	27.2.1.1	9,841	9,088
Actuarial (Gain)/Loss during the year	27.2.1.2	985	(1,168)
		52,359	44,538
Payments made during the year		(583)	(3,005)
Balance as at December 31,		51,776	41,533

27.2.1.1 Provision recognised in the Income Statement

For the year ended December 31,	2020 Rs. '000	2019 Rs. '000
Current Service Cost	5,480	4,877
Interest on Obligation	4,361	4,211
Total Provision recognised in the income statement	9,841	9,088

27.2.1.2 Provision recognised in Other Comprehensive Income

For the year ended December 31,	2020 Rs. '000	2019 Rs. '000
Actuarial (Gain)/Loss during the year	985	(1,168)
Total Actuarial (Gain)/Loss recognised in Other Comprehensive Income	985	(1,168)

27.3 Principal Actuarial Assumptions Used

As at December 31,	2020	2019
(a) Discount Rate (%)	7.5	10.5
(b) Future Salary Increase Rate (%)	6.5	9
(c) Retirement Age (Years)	55	55

The Company obtained an actuarial valuation from Mr M Poopalanathan (AIA), Qualified Actuary, of Messrs Actuarial and Management Consultants (Pvt) Ltd., using Projected Unit Credit Method dated January 05, 2021.

NOTES TO THE FINANCIAL STATEMENTS

27.4 Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation from the amounts shown below.

	2020		2019	
	%	Effect Rs. '000	%	Effect Rs. '000
Increase				
Discount rate (1% movement)	8.5%	(4,132)	11.5%	(3,336)
Future salary growth (1% movement)	7.5%	4,684	10%	3,798
Decrease				
Discount rate (1% movement)	6.5%	4,704	9.5%	3,795
Future salary growth (1% movement)	5.5%	(4,188)	8%	(3,395)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

27.5 Maturity Analysis of the Payments

The following payments are expected on employee benefit liabilities in future years.

As at December 31,	Defined Benefit Obligation	
	2020 Rs.'000	2019 Rs.'000
Future Working Life Time		
Less than one year	3,273	1,856
Between 1-2 years	5,933	6,101
Between 3-5 years	9,330	6,144
Between 6-10 years	13,748	10,941
Beyond 10 years	19,492	16,491
Balance As at December 31,	51,776	41,533

The average duration of the defined benefit plan obligation at the end of the reporting period is 9.53 years for the Company (2019 - 9.40 years).

NOTES TO THE FINANCIAL STATEMENTS

28. LEASE LIABILITIES

Accounting policy →

See accounting policy in Note 6.3 on page 78.

As explained in Note 6.3 to the Financial Statements, the Company has applied SLFRS 16 using the modified retrospective approach in 2019 and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4.

As at December 31,	Note	Page No.	2020 Rs. '000	2019 Rs. '000
Balance as at January 01,			11,348	15,645
Interest expense for the year	11.2	89	1,266	2,009
Repayments during the year			(6,641)	(6,306)
Balance as at December 31,			5,973	11,348
The above balance is made up as follows;				
Payable within one year			4,347	5,374
Payable after one year			1,626	5,974
Total			5,973	11,348
Lease liabilities arising from purchase of a motor vehicle	28.1		2,438	3,147
Lease liabilities arising from right-of-use assets			3,535	8,201
			5,973	11,348

28.1 The above balance consists of the lease creditor balance with Commercial Bank of Ceylon PLC in respect of purchasing motor vehicles under finance leases. Details of carrying value of the assets pledged as securities are given in Note 17.7 on page 97 to the Financial Statements.

Information about the Company's exposure to interest rate, foreign currency and liquidity risks is included in Note 36 on page 123.

28.1.1 Terms and repayment schedule

The terms and conditions of outstanding lease payable to Commercial Bank of Ceylon PLC are as follows;

As at December 31,	Currency	Nominal interest rate	Year of maturity	2020		2019	
				Face value Rs.'000	Carrying amount Rs.'000	Face value Rs.'000	Carrying amount Rs.'000
Lease liabilities arising from purchase of a motor vehicle	LKR	13.75%	2023	2,926	2,438	4,024	3,147
Total finance lease liabilities				2,926	2,438	4,024	3,147

NOTES TO THE FINANCIAL STATEMENTS

29. DEFERRED TAXATION

Accounting policy →

See accounting policy in Note 12 on page 89.

Net deferred tax (assets)/liabilities of an entity cannot be set-off against another entity's deferred tax (assets)/liabilities as there is no legally enforceable right to set-off.

As at December 31,	Note	Page No.	2020 Rs. '000	2019 Rs. '000
Deferred Tax Liabilities	29.1		326,332	331,187
Deferred Tax Assets	29.2		(14,680)	(11,934)
			311,652	319,253

29.1 Deferred Tax Liabilities

Balance as at January 01,			331,187	324,573
Origination during the year recognised in Income Statement	29.4	114	(4,855)	6,614
Balance as at December 31,			326,332	331,187

29.2 Deferred Tax Assets

Balance as at January 01,			11,934	10,320
Origination during the year recognised in Income Statement	29.4	114	2,498	1,980
Origination during the year recognised in Other Comprehensive Income	29.4	114	248	(366)
Balance as at December 31,			14,680	11,934

29.3 Reconciliation of Deferred Tax Liabilities and Deferred Tax Assets

As at December 31,	Statement of Financial Position					
	Note	Page No.	2020		2019	
Temporary Difference Rs. '000			Tax Effect Rs. '000	Temporary Difference Rs. '000	Tax Effect Rs. '000	
Deferred Tax Liabilities						
Investment Property - Building			1,091,587	305,645	1,117,053	312,775
Property, Plant and Equipment			23,533	6,589	24,077	6,743
Fair Value Gain on Freehold Land	29.5	114	50,348	14,098	41,678	11,669
Total			1,165,468	326,332	1,182,808	331,187
Deferred Tax Assets						
Employee Benefits			51,776	14,497	41,533	11,629
Fair Value Reserve - Financial Assets			-	-	100	28
Lease Liabilities			3,535	991	8,202	2,297
Right of use asset			(2,886)	(808)	(7,216)	(2,020)
Total			52,425	14,680	42,619	11,934

NOTES TO THE FINANCIAL STATEMENTS

29.4 Movement of Deferred Tax Liabilities and Deferred Tax Assets

	Note	Balance as at January 1, 2020 Rs. '000	Recognised through Income Statement Rs. '000	Recognised through Other Comprehensive Income Rs. '000	Balance as at December 31, 2020 Rs. '000
Deferred Tax Liabilities					
Investment Property - Building		312,775	(7,130)	-	305,645
Property, Plant and Equipment		6,743	(154)	-	6,589
Fair Value Gain on Freehold Land	29.5	11,669	2,429	-	14,098
Total		331,187	(4,855)	-	326,332
Deferred Tax Assets					
Employee Benefits		11,629	2,592	276	14,497
Fair Value Reserve - Financial Assets		28	-	(28)	-
Lease Liabilities		2,297	(1,306)	-	991
Right of use Assets		(2,020)	1,212	-	(808)
Total		11,934	2,498	248	14,680

	Note	Balance as at January 1, 2019 Rs. '000	Recognised through Income Statement Rs. '000	Recognised through Other Comprehensive Income Rs. '000	Balance as at December 31, 2019 Rs. '000
Deferred Tax Liabilities					
Investment Property - Building		307,678	5,097	-	312,775
Property, Plant and Equipment		8,744	(2,001)	-	6,743
Fair Value Gain on Freehold Land	29.5	8,151	3,518	-	11,669
Total		324,573	6,614	-	331,187
Deferred Tax Assets					
Employee Benefits		10,253	1,703	(327)	11,629
Fair Value Reserve - Financial Assets		67	-	(39)	28
Lease Liabilities		-	2,297	-	2,297
Right of use Assets		-	(2,020)	-	(2,020)
Total		10,320	1,980	(366)	11,934

29.5 As per the Inland Revenue Act No. 24 of 2017, which became effective from April 01, 2018, capital assets/business assets attract tax at applicable corporate tax rate on gains at the time of disposal. Accordingly, deferred tax liability of Rs. 14,097,501/- has been recognised as at December 31, 2020 (2019: Rs. 11,669,901/-) at the rate of 28% on revaluation surplus relating to Freehold Land which are classified as business assets for tax purposes, although the same is classified as Investment Property for accounting purposes.

29.6 Unrecognised Deferred Tax Assets and Liabilities

There were no unrecognised deferred tax assets or liabilities as at the reporting date (2019: Nil).

NOTES TO THE FINANCIAL STATEMENTS

30. TRADE AND OTHER PAYABLES

Accounting policy →

See accounting policy in Note 6.2 on page 75.

The Company initially recognises financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

Non-financial liabilities include accruals and advances and these payables are recorded at the amounts that are expected to be paid.

Trade and other payables are normally non - interest bearing and settled within one year.

As at December 31,	2020 Rs. '000	2019 Rs. '000
Financial Liabilities		
Dividend Payable	2,200	5,202
	2,200	5,202
Non-financial Liabilities		
VAT Payable	3,024	2,323
Accrued Expenses	7,297	9,275
Overtime Payable	2,092	1,741
EPF and ETF Payable	1,954	1,874
Other Payables	42	214
	14,409	15,427
Total	16,609	20,629

31. DEFERRED REVENUE

Accounting policy →

See accounting policy in Note 8 on page 85.

As at December 31,	Note	2020 Rs. '000	2019 Rs. '000
Rent received in advance		1,841	5,353
Insurance reimbursements received in advance	31.1	-	2,983
Total		1,841	8,336

31.1 This consists of balances with Commercial Bank of Ceylon PLC in respect of insurance reimbursements received in advance.

NOTES TO THE FINANCIAL STATEMENTS

32. CURRENT TAX LIABILITIES

Accounting policy →

See accounting policy in Note 12 on page 89.

As at December 31 ,	2020 Rs. '000	2019 Rs. '000
Balance as at January 01,	8,003	8,763
Provision made during the year	56,035	44,289
Under provision for prior years	9	430
Payments made during the year	(35,289)	(45,479)
Balance as at December 31,	28,758	8,003

33. LEASES

33.1 Leases as lessee (SLFRS 16)

The Company entered into a lease agreement with Urban Development Authority for lease of property for a period of 99 years ending April 1, 2081. This property has been sub-let and the sub-lease was expired on December 31, 2020. A new agreement was signed with sub-lessee for a period of 4 years.

The Company entered into a lease agreement with Colombo Fort Land and Building PLC for lease of office space for a period of 4 years ending August 31, 2021.

The Company has leased a motor vehicle, which was classified as a finance lease under LKAS 17 as at December 31, 2018. Information about leases for which the Company is a lessee is presented below.

33.1.1 Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

As at December 31, 2020	Property, Plant and Equipment		Investment Property Leasehold Land	Total
	Building Rs. '000	Motor Vehicles Rs. '000	Rs. '000	Rs. '000
Balance at January 1	7,216	5,990	1,623,081	1,636,287
Depreciation for the year	(4,329)	(1,610)	–	(5,939)
Change in fair value	–	–	(26,051)	(26,051)
Balance at December 31	2,887	4,380	1,597,030	1,604,297

NOTES TO THE FINANCIAL STATEMENTS

33.1.2 Amounts recognised in profit or loss

For the year ended December 31,	2020 Rs.'000	2019 Rs.'000
Interest on lease liabilities	1,266	2,009
Depreciation of right-of-use assets	5,939	5,939
Total	7,205	7,948

33.1.3 Amounts recognised in statement of cash flows

The Company has classified:

- cash payments for the principal portion of lease payments as financing activities.
- cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Company.
- short-term lease payments and payments for leases of low-value assets as operating activities.

For the year ended December 31,	2020 Rs.'000	2019 Rs.'000
Total cash outflow for leases	6,641	6,306
Total	6,641	6,306

33.2 Leases as lessor

33.2.1 Operating Leases

The Company leases out its investment property. The Company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 18 on page 98 sets out information about the operating leases of investment property.

Rental income recognised by the Company during 2020 was Rs. 157,013,302/- (2019: Rs.158,462,418/-).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Operating leases under SLFRS 16

As at December 31,	2020 Rs. '000	2019 Rs. '000
Less than one year	251,535	150,088
One to two years	247,109	4,951
Two to three years	253,252	3,437
Three to four years	256,819	2,117
Total	1,008,715	160,593

NOTES TO THE FINANCIAL STATEMENTS

34. RELATED PARTY DISCLOSURES

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related Parties as per the Sri Lanka Accounting Standard LKAS 24 on "Related Party Disclosures".

34.1 Parent and Ultimate Controlling Party

The Company's immediate and ultimate controlling party is Commercial Bank of Ceylon PLC.

34.2 Key Management Personnel

According to LKAS 24 "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors and the Chief Executive Officer of the Company have been classified as Key Management Personnel (KMP) of the Company.

Commercial Bank of Ceylon PLC is the ultimate parent of the Company, and the Board of Directors of the Bank have the authority and responsibility for planning, directing and controlling the activities of the Company. Therefore, the Directors of the Commercial Bank of Ceylon PLC have also been identified as Key Management Personnel of the Company.

34.2.1 Transactions with Key Management Personnel

For the year ended December 31,	2020 Rs. '000	2019 Rs. '000
Short Term Benefits	3,674	4,160
Post Employment Benefits	-	947

No other payments such as termination benefits and share based payments have been paid to KMP during the year.

34.2.2 Transactions with Close Family Members (CFM) of KMP

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Company. They may include KMP's domestic partner and children, children of the KMP's domestic partner and dependants of the KMP or the KMP's domestic partner. CFM are related parties to the Company.

There are no transactions with the CFM of the KMP of the Company during the year (2019: Nil).

NOTES TO THE FINANCIAL STATEMENTS

34.3 Related Party Transactions

The value of all transactions carried out by the Company with its related parties during the year ended December 31, 2020 and comparative year are summarised below;

Name of the Related Party	Relationship	Nature of Transactions	Value of Transactions 2020 Rs. '000	Value of Transactions 2019 Rs. '000
Commercial Bank of Ceylon PLC	Parent	Income		
		Rent Income on Premises	154,753	156,524
		Outsourcing Services	183,991	180,269
		Vehicle Hiring Income	75,562	85,170
		Other Utility Services	38,340	29,948
		Interest Income	9,248	8,782
		Reimbursement of Expenses	58,499	57,583
		Disposal of Equity Accounted Investee	125,000	-
		Expenses		
		Bank Charges	140	63
		Lease Interest Expense	389	480
		Insurance Renewals through Bank Assurance	3,287	3,203
		Expenses incurred	58,499	57,583
Commercial Insurance Brokers (Pvt) Ltd.	Equity Accounted Investee	Expenses		
		Insurance Renewal	6,424	8,090
CBC Finance Ltd.	Affiliate	Investments		
		Investment in Fixed Deposit	200,000	-
		Income		
		Interest Income	6,288	-

The Deposits Payables to Commercial Bank of Ceylon PLC as at the Reporting date amounted to Rs. 36.8 Mn. (Rs. 32.6 Mn. in 2019)

Receivable from Commercial Bank of Ceylon PLC is disclosed in Note 21 on page 105.

34.4 Related Party Transactions Review Committee

As permitted under the Section 9.2.3 of the Listing Rules of the Colombo Stock Exchange, the Related Party Transactions Review Committee of the parent Company, Commercial Bank of Ceylon PLC (CBC), functions as the Related Party Transactions Review Committee of the Company.

A summary of all transactions carried out by the Company with CBC is tabled at the meetings of the Board Related Party Transactions Review Committee of CBC for the information of the members of the Committee.

NOTES TO THE FINANCIAL STATEMENTS

Disclosure Requirement under Section 9.3.2 (a) and 9.3.2 (b) of the CSE Listing Rules

As per rule No. 9.3.2 (a) the Company does not have any non-recurrent related party transactions carried out during the financial year under review with a value exceeding 10% of the equity or 5% of the total assets whichever is lower, as per the audited financial statements of the Company. However, the Company has received Rs. 125 Mn, from Commercial Bank of Ceylon PLC, being sales proceeds for the disposal of it's Equity Accounted Investee.

As per rule No. 9.3.2 (b), the Company has following recurrent related party transactions carried out during the financial year under review with value exceeding 10% of the gross revenue/income as per the latest audited financial statements of the 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 related party transactions as a % of net revenue	
			2020 Rs.'000	2019 Rs.'000	2020 %	2019 %
Commercial Bank of Ceylon PLC	Parent	Rent Income, Outsourcing Services, Vehicle Hiring Income, Other Utility Service, Interest Income and Reimbursement of Expenses.	520,393	518,276	114%	114%
		Bank Charges, Lease Interest Expense, Insurance Renewals through Bankassurance and Expenses Incurred	62,315	61,329	14%	14%

The Company carried out transactions in the ordinary course of business on an arm's length basis at terms and conditions under normal commercial terms.

35. FAIR VALUES OF FINANCIAL INSTRUMENTS

Accounting policy →

See accounting policy in Note 6.7 on page 80.

35.1 Valuation models

The Company measures fair values using the fair value hierarchy, as described in Note 6.7.1 on page 81.

35.2 Valuation Framework

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Accountant.

When third party information, such as broker quotes or pricing services is used to measure fair value, the evidence so obtained to support the conclusion that such valuations meet the requirements of SLFRSs/LKAs is documented.

NOTES TO THE FINANCIAL STATEMENTS

This includes:

- Verifying that the broker or pricing service is approved by the Company for use in pricing the relevant type of financial instrument
- Several quotes obtained from randomly selected brokers for the same financial instrument and the fair value determined on this basis

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Any changes to the fair value methodology is reported to the Company's Audit Committee.

35.3 Valuation Methodologies of Financial Instruments Measured at Fair Value

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

As at December 31, 2020		Fair value hierarchy			Total Rs.'000
Note	Page No.	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	
Financial assets at FVOCI					
Treasury bills	22	106	-	-	-
			-	-	-
As at December 31, 2019					
As at December 31, 2019		Fair value hierarchy			Total Rs.'000
Note	Page No.	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	
Financial assets at FVOCI					
Treasury bills	22	106	73,329	-	73,329
			73,329	-	73,329

As Treasury Bills/Bonds are valued using Central Bank published rates, investments in Treasury Bills/Bonds are classified under level 1.

Transfers between Levels 1 and 2

There were no transfers from Level 1 to 2 or Level 2 to Level 1 in 2020 and no transfers in either direction in 2019.

NOTES TO THE FINANCIAL STATEMENTS

35.4 Fair values of Financial Assets and Liabilities not carried at Fair Value

Set out below is a comparison of the carrying amounts and fair values of the financial instruments of the Company which are not measured at fair value in the Financial Statements. This tables does not include non-financial assets and liabilities.

	2020		2019	
	Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Financial assets at amortised cost:				
Deposits Receivable	11,181	11,181	11,014	11,014
Trade Receivables	1,154	1,154	1,335	1,335
Amount due from Commercial Bank of Ceylon PLC	31,079	31,079	19,724	19,724
Staff Loans	9,493	9,493	7,980	7,980
Financial Investments	206,288	206,288	-	-
Cash and Cash Equivalents	210,404	210,404	119,239	119,239
Other Receivables	609	609	740	740
Total	470,208	470,208	160,032	160,032
Other financial liabilities:				
Deposits Payables	37,796	37,796	34,120	34,120
Lease Liabilities	5,973	5,973	11,348	11,348
Dividend Payable	2,200	2,200	5,202	5,202
Total	45,969	45,969	50,670	50,670

Determination of Fair Values

Financial Assets

The carrying amount of cash and cash equivalents approximate fair value due to the relatively short maturity of the financial instruments.

The fair value of the Loans to staff has been computed based on the interest rates prevailing at loan grant date.

Carrying values of Deposits and Trade and Other Receivables have been considered as the fair value due to the timing of cash flows.

Financial Liabilities

Carrying value of all Financial Liabilities has been considered as the fair value due to the timing of cash due.

Fair valuation methodology and significant unobservable valuation inputs

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under Level 3 in the fair value hierarchy.

Sensitivity of Fair value measurement to unobservable inputs

A significant increase/(decrease) in the market interest rate would result in lower/(higher) fair value being disclosed.

NOTES TO THE FINANCIAL STATEMENTS

Assets for which fair value approximates carrying value

For financial assets and liabilities with short term maturities or with short term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

36. FINANCIAL RISK MANAGEMENT

Introduction and Overview

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

1. Credit risk
2. Liquidity risk
3. Interest Rate risk
4. Operational risk

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

Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The objective of the financial risk management strategy of the Company is to minimize the impact of risks that arise due to the use of financial instruments. The risks that are unmanaged can potentially result in the Company being unable to achieve its budgeted profits in a given financial year. Hence, importance is given by the Company to manage financial risk.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

36.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities. The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

NOTES TO THE FINANCIAL STATEMENTS

The maximum credit risk of the Company is limited to the carrying value of these financial assets, as at December 31, 2020.

Carrying Value as at December 31,	2020 Rs. '000	2019 Rs. '000
Trade Receivables	1,154	1,335
Amounts due from Commercial Bank of Ceylon PLC ("the Parent")	31,079	19,724
Staff Loans	9,493	7,980
Deposits Receivable	11,181	11,014
Financial Investments	206,288	-
Cash and Cash Equivalents	210,404	119,239
Other Receivables	10,102	8,720
Total	479,701	168,012

No impairment losses on financial assets and contract assets are recognised in profit or loss for the year ended December 31, 2020 (2019: Nil).

(i) Trade Receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 8 on page 85.

A summary of the Company's exposure to credit risk for trade receivables and contract assets is as follows.

As at December 31, 2020	2020		2019	
	Non-Credit Impaired Rs. '000	Credit Impaired Rs. '000	Non-Credit Impaired Rs. '000	Credit Impaired Rs. '000
Current (Not past due)	1,154	-	1,335	-
1- 30 days past due	-	-	-	-
31- 90 days past due	-	-	-	-
More than 90 days past due	-	-	-	-
Total gross carrying amount	1,154	-	1,335	-
(-) Loss allowance	-	-	-	-
Net carrying amount	1,154	-	1,335	-

(ii) Amount due from Commercial Bank of Ceylon PLC (the Parent)

Revenues of the Company is mainly represented by the revenue from the Commercial Bank of Ceylon PLC (The Parent), which is approximately Rs. 453 Mn (2019: Rs. 452 Mn) of the Company's total revenue. The Commercial Bank of Ceylon PLC is a public limited liability company listed on the Colombo Stock Exchange (CSE), incorporated on June 25, 1969. It is a licensed commercial bank regulated under the Banking Act No. 30 of 1988 and amendments thereto. Its credit rating, AA-(lka) was rated by Fitch Ratings Lanka Ltd. as at the reporting date [2019: AA(lka)].

(iii) Cash and Cash Equivalents

The cash and cash equivalents are held with the Commercial Bank of Ceylon PLC which is rated AA-(lka) by Fitch Ratings Lanka Ltd. (2019: AA-(lka)).

NOTES TO THE FINANCIAL STATEMENTS

(iv) Financial Instruments

The Fixed Deposit held with the CBC Finance Limited which is rated A(Ika) by Fitch Ratings Lanka Ltd.

36.2 Liquidity risk

The liquidity risk of the Company arises from having insufficient cash resources to meet its obligations as they arise. Insufficient liquidity resources could have an adverse impact on the Company's operations while impairing investor, customer and supplier confidence thereby weakening its competitive position. The Company has adopted a number of strategies in order to ensure that sufficient cash resources are available to meet both operational and investment liquidity whilst meeting its debt servicing obligations.

The Company closely monitors cash inflows and outflows both at consolidated and sector levels to ensure matching of cash flows wherever possible.

As at December 31, 2020	Carrying Amount		Contractual Cash Flows		
	Rs. '000	Total Rs. '000	6 Months or Less Rs. '000	6-12 Months Rs. '000	Over One Year Rs. '000
Financial Liabilities					
Deposits Payables	37,796	37,987	-	-	37,987
Lease Liabilities	5,973	6,950	3,322	1,596	2,032
Dividend Payables	2,200	2,200	2,200	-	-
Total	45,969	47,137	5,522	1,596	40,019

As at December 31, 2019	Carrying Amount		Contractual Cash Flows		
	Rs. '000	Total Rs. '000	6 Months or Less Rs. '000	6-12 Months Rs. '000	Over One Year Rs. '000
Financial Liabilities					
Deposits Payables	34,120	37,219	-	-	37,219
Lease Liabilities	11,348	13,103	2,999	3,154	6,950
Dividend Payables	5,202	5,202	5,202	-	-
Total	50,670	55,524	8,201	3,154	44,169

The Company has implemented a strategic working capital management plan across whereby the receivables are closely monitored and debtor's period is minimized.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities over the next 360 days. The ratio of investments to total financial liabilities was 9.07 at December 31, 2020 (2019: 3.80).

36.3 Market Risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates and equity prices - will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company's exposure to market risk is limited only to Interest Rate Risk as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

36.3.1 Interest Rate Risk

The interest rate risk of the Company arises from financial instruments which are exposed to variable or fixed interest rates. Variable interest rates expose the Company to cash flow difficulties due to the impact on the quantum of interest payable. Financial instruments with fixed interest rates are subject to variations in fair values due to market interest movements.

The Company closely monitors market interest rate movements and implements appropriate strategies in order to minimize the interest rate risk associated with financial instruments.

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management is as follows.

Carrying Value as at December 31,	2020 Rs. '000	2019 Rs. '000
Financial Assets		
Financial Investments	206,288	73,329
Financial Liabilities		
Lease Liabilities	5,973	11,348

36.4 Operational Risk

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management of the Company.

37. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The Company monitors capital using a ratio of 'net debt' to 'adjusted equity'. Net debt is calculated as total liabilities (as shown in the statement of financial position) less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Company's net debt to adjusted equity ratio was as follows

As at December 31,	2020 Rs. '000	2019 Rs. '000
Total liabilities	454,405	443,222
Cash and cash equivalents	(210,433)	(119,282)
Net debt	243,972	323,940
Total equity	2,995,105	2,900,710
Adjusted equity	2,995,105	2,900,710
Net debt to adjusted equity ratio	8%	11%

The increased cash position of the Company as at December 31, 2020 has resulted to the decrease in the Net debt to adjusted equity ratio from 11% to 8%

NOTES TO THE FINANCIAL STATEMENTS

38. CONTINGENT LIABILITIES AND COMMITMENTS

Accounting policy →

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on “Provisions, Contingent Liabilities and Contingent Assets”.

All material capital commitments and contingent liabilities of the Company are disclosed in the respective notes to the Financial Statements.

The Company receives legal claims against it in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37.

38.1 Litigations and Claims

A case has been filed against the Company by an employee at the Labour Tribunal, Negombo. The employee declared that he would be willing for a settlement with compensation of Rs. 1 Mn. The case is currently at the Labour Tribunal. No provision is made in the Financial Statements as the lawyers are of the opinion that the outcome of the potential liability on this case cannot be assessed with reasonable certainty at this stage.

Except for the above, there were no significant contingent litigations and claims against the Company outstanding as at the reporting date.

38.2 Capital Commitments

There were no contracts for capital expenditure of material amounts approved or contracted for as at reporting date.

38.3 Financial Commitments

The Company does not have any significant financial commitments as at the reporting date.

39. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements, other than disclosed below:

NOTES TO THE FINANCIAL STATEMENTS

39.1 Final Dividend - 2020

The Board of Directors has recommended the payment of a final dividend of Rs. 3.50 per share for the year ended December 31, 2020 which was approved at the board meeting held on February 22, 2021.

This final dividend is yet to be approved at the Annual General Meeting to be held on March 31, 2021. In accordance with the Sri Lanka Accounting Standard - LKAS 10 on "Events After the Reporting Period", this proposed final dividend has not been recognised as a liability as at December 31, 2020.

Compliance with Sections 56 and 57 of Companies Act No. 07 of 2007.

As required by the Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with the Section 57, prior to recommending the final dividend. A Statement of Solvency completed and duly signed by the Directors on February 22, 2021 has been audited by Messrs KPMG.

40. IMPACT OF COVID-19 PANDEMIC TO THE FINANCIAL STATEMENTS

It is pertinent to mention that the Company is permitted to provide its services only to Commercial Bank of Ceylon PLC. As a result of the COVID-19 pandemic, the direct impact on the Company's business operations is expected to be at a minimal level. However, any adverse impact on operations of Commercial Bank of Ceylon PLC could have impact on the Operations of the Company. Therefore, the Company's response to the impact can be varied, which largely depends on operational decisions of Commercial Bank.

However, the Company has assessed that the fair value of its main investment property situated at Colombo as at December 31, 2020 have declined due to the impact of COVID-19 outbreak which in turn negatively impacted in terms of a fair value loss recognized in the income statement for the year ended December 31, 2020. The value recognized on investment property situated in Colombo and the fair value loss recognized for the year ended December 31, 2020 are stated in Note 18.3.2 to the Financial Statements on page 101.

41. COMPARATIVE INFORMATION

Where necessary information has been restated to conform to current year's presentation and classification.

42. BOARD OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

SUPPLEMENTARY INFORMATION



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FORM OF PROXY - Enclosed

STAKEHOLDER FEEDBACK FORM - Enclosed

INVESTOR INFORMATION

1. COMPLIANCE REPORT ON THE CONTENTS OF ANNUAL REPORT IN TERMS OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (CSE)

Commercial Development Company PLC has complied with all the requirements of the Section 7.6 of the Listing Rules of the CSE on the contents of the Annual Report and Accounts of a Listed Entity. The table below provides reference to the relevant sections of this Annual Report where specified information is found together with page references for the convenience of the readers.

Rule No.	Disclosure Requirement	Section/Reference	Page/s
7.6 (i)	Names of persons who held the position of Directors during the financial year	Section 8.1 in the Annual Report of the Board of Directors	51
7.6 (ii)	Principal activities of the Company during the year and any changes therein	Note 1.3 to the Financial Statements	72
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Section 3 of the Investor Information	132
7.6 (iv)	The float adjusted market capitalisation, public holding percentage, number of public shareholders and under which option the company complies with the Minimum Public Holding requirement.	Section 4 of the Investor Information	132
7.6 (v)	Directors' and Chief Executive Officer's holding in shares at the beginning and at the end of the financial year	Section 8.5 in the Annual Report of the Board of Directors	51
7.6 (vi)	Information pertaining to material foreseeable risk factors	Section 5 of the Investor Information	133
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	Section 6 of the Investor Information	133
7.6 (viii)	Extents, locations, valuations and the number of buildings of the land holdings and investment properties	Section 7 of the Investor Information	133
7.6 (ix)	Number of shares representing the stated capital	Note 24 to the Financial Statements on "Stated Capital"	106
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Section 8 of the Investor Information	133
7.6 (xi)	Ratios and market price information: Equity – Dividend per share, dividend payout ratio, net asset value per share, market value per share Debt – (only if listed) – Interest rate of comparable Government security, debt/equity ratio, interest cover and quick asset ratio, market prices and yields during the year, any changes in credit rating	Financial Highlights The Company has not issued debt securities which are listed on CSE.	04

INVESTOR INFORMATION

Rule No.	Disclosure Requirement	Section/Reference	Page/s
7.6 (xii)	Significant changes in the Company's fixed assets and the market value of land, if the value differs substantially from the book value	Note 18.1 to the Financial Statements on "Investment Property"	99
7.6 (xiii)	Details of funds raised through Public Issues, Rights Issues, and Private Placements during the year	The Company did not issue any shares during the year	-
7.6 (xiv)	Information in respect of Employee Share Option Plan schemes (ESOPs):	The Company does not have ESOPs	-
	Total number of shares allotted during the financial year, price at which shares were allotted and the details of funding granted to employees (if any)		
	Highest, lowest and closing prices of the share recorded during the financial year	Section 9 of the Investor Information	134
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 (c) and 7.10.6 (c) of Section 7 of the Listing Rules	Corporate Governance Report	37
		Profiles of the Board of Directors	32
		Board Remuneration Committee Report	46
		Board Audit Committee Report	44
7.6 (xvi)	Disclosures on Related Party Transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	Note 34 to the Financial Statements on "Related Party Disclosures"	118

2. STOCK EXCHANGE LISTING

The Ordinary shares of the Company are listed on the Diri Savi Board of the Colombo Stock Exchange (CSE).

The Ordinary Voting shares of Commercial Development Company PLC have been transferred from the Main Board to the Diri Savi Board of the CSE, with effect from May 29, 2020.

The unaudited Interim Financial Statements for the first three quarters of 2020 were submitted to the CSE within 45 days from the respective quarter ends, as required by the Rule No. 7.4 (a) (i) of the Listing Rules of the CSE. (The Company duly complied with this requirement for 2019.)

The Company duly submitted the unaudited Interim Financial Statements for the year 2020 to the CSE on February 22, 2021 (within applicable statutory deadlines) as required by the Rule No. 7.4 (a) (i) of the Listing Rules of the CSE. (The Company duly complied with this requirement for 2019.)

The Audited Income Statement and the Statement of Profit or Loss and Other Comprehensive Income for the year ended December 31, 2020 and the Audited Statement of Financial Position as at December 31, 2020 will be submitted to the CSE within five months from the date of the Statement of Financial Position, which is within the required deadline as required by the Rule No. 7.5 (a) of the Listing Rules of the CSE. (The Company duly complied with this requirement for 2019.)

The Stock Exchange ticker symbol for Company's shares is "COMD".

INVESTOR INFORMATION

3. TWENTY LARGEST SHAREHOLDERS AS AT DECEMBER 31,

	2020		2019 (*)	
	No. of Shares	%	No. of Shares	%
1. Commercial Bank of Ceylon PLC	10,800,000	90.00	10,800,000	90.00
2. People's Leasing & Finance PLC/K K Shujeevan	56,569	0.47	-	-
3. Assetline Leasing Co. LTD./British American Technologies (Pvt) Ltd	56,100	0.47	56,100	0.47
4. People's Merchant Finance PLC/K Laveendrakumar	48,371	0.40	46,871	0.39
5. Hettiarachchige Mano Jerome De Silva	44,597	0.37	57,000	0.48
7. Amirally Lukmanjee	44,168	0.37	44,168	0.37
8. Seylan Bank PLC/ARRC Capital (Pvt) Ltd.	40,226	0.34	55,270	0.46
8. Binanthi Shamani Rasanayagam	36,000	0.30	36,000	0.30
9. Dassanayake Liyanarachchige Niroshan Pradeep Dassanayaka	35,800	0.30	34,970	0.29
10. People's Leasing & Finance PLC/K Laveendrakumar	30,228	0.25	-	-
11. Gajath Chrysantha Goonetilleke	30,077	0.25	30,077	0.25
12. Estate of late Surendra Wickremasinghe (Deceased)	27,200	0.23	27,200	0.23
13. Sampath Bank PLC/Abishek Sithampalam	26,000	0.22	26,000	0.22
14. Sithamparapillai Gowrisangar	25,500	0.21	25,500	0.21
15. Kowriesan Karlasingam	25,000	0.21	17,905	0.15
16. Carimjee Zoebaly Gulamabass	25,000	0.21	25,000	0.21
17. Wijewickrama Pathinayakage Asanka Dinunuwan	24,000	0.20	13,200	0.11
18. Manel Senanayake	24,000	0.20	24,000	0.20
19. Gunendra Rasitha Sellahewa	17,539	0.15	17,072	0.14
20. Citizens Development Business Finance PLC/P.Gajendra	17,500	0.15	16,358	0.14
	11,433,875	95.30	11,352,691	94.62
Other	566,125	4.70	647,309	5.38
Total	12,000,000	100.00	12,000,000	100.00

*Comparative shareholdings as at December 31, 2019 of the 20 largest shareholders as at December 31, 2020.

4. THE PUBLIC HOLDING

Existing Float Adjusted Market Capitalisation of the Company as at December 31, 2020 was Rs. 140,400,000/- (Rs. 94,912,090/- as at December 31, 2019).

The Percentage of public holding in the share capital of the Company as at December 31, 2020 was 10% representing 902 shareholders (9.99% representing 803 shareholders as at December 31, 2019).

INVESTOR INFORMATION

5. INFORMATION PERTAINING TO MATERIAL FORESEEABLE RISK FACTORS OF THE ENTITY

The Company does not foresee any material risks affecting its business in the foreseeable future.

6. DETAILS OF MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS OF THE ENTITY

There were no material issues pertaining to employees and industrial relations of the Company during the year under review.

Details of litigations pending against the Company are given in Note 38 to the Financial Statements on page 127.

7. EXTENTS, LOCATIONS, VALUATIONS AND THE NUMBER OF BUILDINGS OF THE ENTITY'S LAND HOLDINGS AND INVESTMENT TO PROPERTY

Location	Extent (Perches)	Cost or Revaluation of Land (Rs. '000)	Number of Buildings	Buildings (Square Feet)	Cost or Revaluation of Building (Rs. '000)	Total Value (Rs '000)
1. "Commercial House" Building No. 21, Sir Razik Fareed Mawatha, Colombo 01.	58.48	1,597,030	1	126,309	1,079,649	2,676,679
2. No. 148, Matara Road, Tangalle.	48.76	80,000	1	4,257	27,000	107,000
3. No. 18, Fernando Avenue, Negombo.	18.65	93,000	-	-	-	93,000

The Company did not hold lands and buildings as at the Statement of Financial Position date, other than the Investment Property mentioned above.

8. ANALYSIS OF SHAREHOLDERS

8.1 Distribution schedule of the number of holders and percentage of holding in ordinary shares

As at December 31,	2020				2019			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
1 to 1,000 shares	755	83.61	145,029	1.21	667	82.86	140,462	1.17
1,001 to 10,000 shares	123	13.62	358,362	2.99	110	13.67	307,727	2.56
10,001 to 100,000 shares	24	2.66	696,609	5.80	27	3.35	751,811	6.27
100,001 to 1,000,000 shares	0	0.00	0	0.00	0	0.00	0	0.00
Over 1,000,000 shares	1	0.11	10,800,000	90.00	1	0.12	10,800,000	90.00
Total	903	100.00	12,000,000	100.00	805	100.00	12,000,000	100.00

INVESTOR INFORMATION

8.2 Composition of Shareholders

As at December 31,	2020				2019			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Resident	888	98.34	11,984,449	99.87	791	98.26	11,985,574	99.88
Non-resident	15	1.66	15,551	0.13	14	1.74	14,426	0.12
Total	903	100.00	12,000,000	100.00	805	100.00	12,000,000	100.00

9. MARKET VALUE OF SHARES

The market value of the Company's ordinary shares was as follows:

	2020	2019
Highest price during the year (Rs.)	119.00	84.90
Date of the highest price	December, 31	July, 26
Lowest price during the year (Rs.)	60.00	70.00
Date of the lowest price	May, 13	May, 16
Year-end price (Rs.)	117.00	79.10

10. MARKET CAPITALISATION

Market Capitalisation of the Company which is the number of the ordinary shares in issue multiplied by the market value of a share as at the end of the year was Rs. 1,404.0 Mn. (Rs. 949.20 Mn. as at December 31, 2019).

DECADE AT A GLANCE

Statement of Comprehensive Income

Year ended December 31,	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Operating results										
Revenue	454,906	453,849	396,770	354,489	329,257	316,988	275,997	266,024	244,222	226,165
Cost of sales	(252,017)	(264,407)	(221,914)	(187,436)	(183,363)	(173,004)	(150,235)	(145,901)	(148,555)	(136,580)
Gross profit	202,889	189,442	174,856	167,053	145,894	143,984	125,762	120,123	95,667	89,585
Other income	23,163	4,930	13,436	8,672	12,433	8,337	13,712	10,896	14,252	4,836
Administrative expenses	(31,182)	(32,609)	(28,733)	(29,198)	(24,977)	(22,149)	(21,647)	(24,276)	(30,753)	(16,584)
Fair Gain/(Loss) on investment properties	(45,046)	237,283	197,174	317,588	240,826	178,677	210,934	77,000	241,237	269,853
Operating profit	149,824	399,046	356,733	464,115	374,176	308,849	328,761	183,743	320,403	347,690
Net finance income	12,011	4,786	5,488	12,681	12,354	9,041	11,604	13,855	9,445	8,413
Share of profit of equity accounted investee, net of tax	9,438	9,158	6,566	5,742	5,124	4,007	1,539	3,558	3,920	3,848
Profit before tax	171,273	412,990	368,787	482,538	391,654	321,897	341,904	201,156	333,768	359,951
Income tax expense	(48,691)	(49,773)	(40,240)	(55,760)	(65,212)	(62,103)	(66,469)	(49,755)	(99,406)	(21,612)
Profit for the year attributable to owners of the company	122,582	363,217	328,547	426,778	326,442	259,794	275,435	151,401	234,362	338,339
Other comprehensive income										
Items that will never be reclassified to profit or loss										
Actuarial gains/(losses) on defined benefit plans, net of tax	(709)	841	(2,675)	(6,366)	736	6,767	(69)	223	(817)	(176)
Share of other comprehensive income of the equity accounted investee, net of tax	44,213	14	(66)	(33)	99	(188)	(226)	11	(101)	(180)
Items that are or may be reclassified to profit or loss										
Net change in fair value of debt investments at FVOCI, net of tax	71	101	(236)	9	90	(38)	(222)	(115)	514	(203)
Other comprehensive income for the year, net of tax	43,575	956	(2,977)	(6,390)	925	6,541	(517)	119	(404)	(559)
Total comprehensive income for the year, net of tax	166,157	364,173	325,570	420,388	327,367	266,335	274,918	151,520	233,958	337,780

DECADE AT A GLANCE

Statement of Financial Position

as at December 31,	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Assets										
Non-current assets										
Property, plant and Equipment	97,482	130,392	142,920	91,955	100,054	90,331	82,828	46,873	87,439	142,077
Investment properties	2,876,679	2,911,000	2,673,717	2,472,183	2,005,826	1,765,000	1,530,800	1,320,000	1,243,000	982,130
Equity accounted investee	–	57,274	51,102	46,602	42,693	39,270	36,051	35,638	32,789	29,690
Deposits receivable	11,181	11,014	10,818	10,690	8,896	8,896	5,475	5,425	5,242	5,242
	2,985,342	3,109,680	2,878,557	2,621,430	2,157,469	1,903,497	1,655,154	1,407,936	1,368,470	1,159,139
Current assets										
Inventories	18	18	105	85	86	63	27	66	194	295
Trade and other receivables	47,429	41,623	62,051	53,842	14,975	14,854	25,096	23,065	13,839	23,714
Income tax receivable	–	–	–	–	–	–	–	–	–	792
Financial investments	206,288	73,329	67,269	62,340	159,289	123,101	162,166	166,838	114,193	140,478
Cash and cash equivalents	210,433	119,282	16,810	15,688	32,858	22,846	31,153	8,957	16,547	2,668
	464,168	234,252	146,235	131,955	207,208	160,864	218,442	198,926	144,773	167,947
Total assets	3,449,510	3,343,932	3,024,792	2,753,385	2,364,677	2,064,361	1,873,596	1,606,862	1,513,243	1,327,086
Equity and liabilities										
Equity										
Stated capital	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Other reserves	2,287,444	2,327,101	2,091,222	1,887,396	1,580,795	1,364,117	1,209,321	1,028,747	451,709	520,476
Retained earnings	587,661	453,609	391,096	328,859	275,072	223,722	199,764	153,420	626,938	440,074
Total equity	2,995,105	2,900,710	2,602,318	2,336,255	1,975,867	1,707,839	1,529,085	1,302,167	1,198,647	1,080,550
Non-current liabilities										
Lease liabilities	1,626	5,974	3,146	–	–	–	–	2,205	23,992	95,788
Deposits payables	37,796	34,120	27,199	23,959	29,063	27,345	26,079	23,193	21,882	19,586
Employee benefits	51,776	41,533	36,618	28,247	16,633	13,970	21,305	16,418	13,612	10,278
Deferred tax liabilities	311,652	319,253	314,253	313,189	297,536	272,247	245,469	213,999	198,117	48,218
	402,850	400,880	381,216	365,395	343,232	313,562	292,853	255,815	257,603	173,870
Current liabilities										
Trade and other payables	16,609	20,629	21,503	21,706	18,387	17,648	28,252	9,617	8,388	5,156
Lease creditors	4,347	5,374	618	–	–	–	2,204	14,760	33,410	60,731
Deferred revenue	1,841	8,336	10,374	12,800	6,351	5,135	2,090	4,600	1,714	3,849
Current tax liabilities	28,758	8,003	8,763	17,229	20,840	20,177	19,112	19,903	13,481	–
Bank overdraft	–	–	–	–	–	–	–	–	–	2,930
	51,555	42,342	41,258	51,735	45,578	42,960	51,658	48,880	56,993	72,666
Total equity and liabilities	3,449,510	3,343,932	3,024,792	2,753,385	2,364,677	2,064,361	1,873,596	1,606,862	1,513,243	1,327,086
Information on shares										
Earnings per share (Rs.)	10.22	30.27	27.38	35.56	27.20	21.65	22.95	12.62	19.53	28.19
Dividend per share (Rs.)	5.50	6.00	5.50	5.00	5.00	5.00	5.00	4.00	4.00	4.00
Net assets value per share (Rs.)	249.59	241.73	216.86	194.69	164.66	142.32	127.42	108.51	99.89	90.05
Other information										
No. of employees	212	212	214	215	226	234	245	171	172	55

GLOSSARY

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

Actuarial Gain/Loss

Gain or loss arising from the difference between estimates and actual experience in an entity's pension plan.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost

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

Associates/Equity Accounted Investee

An entity over which the investor has significant influence.

Basis Point (BP)

One hundredth of a percentage point (0.01 per cent); 100 basis points is 1 percentage point. Used in quoting movements in interest rates or yields on securities.

Business Model

The organisational structure that enables the Company to undertake its activities to deliver value to and derives value from the stakeholders, leading to sustainable value creation.

Cash Equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Cash Generating Unit (CGU)

The smallest group of assets that independently generates cash flow and the cash flow is largely independent of the cash flows generated by other assets.

Commitments

Credit facilities approved but not yet utilised by the clients as at the reporting date.

Compound Annual Growth Rates (CAGR)

The constant rate of growth of a variable such as revenue or assets over a period of time if it were to grow at an even rate.

Contingencies

A condition or situation, the ultimate outcome of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Credit Risk

Risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade other receivables and investment in debt securities.

Current Assets Ratio

Current assets divided by current liabilities

Deferred Taxation

Sum set aside in the Financial Statements for taxation that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derivatives

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. interest rate) that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

GLOSSARY

Dividend Cover

Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by the current year's distributable profits.

Dividend Payout Ratio

Dividends per share divided by earnings per share, indicates the percentage of the Company's earnings that is paid out to shareholders in cash.

Dividend Yield

Dividend earned per share as a percentage of its market value.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

Earnings before interest and tax includes other operating income.

Earnings per Ordinary Share (EPS)

The profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate (ETR)

Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Equity Method

This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss and other comprehensive income of the investor include the investor's share of the profit or loss and other comprehensive income of the investee.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease

A lease in which the lessee acquires all financial benefits and risks attaching to ownership of the asset under lease.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Assets Measured at Amortised Cost

Financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

FVOCI include debt and equity instruments measured at fair value through other comprehensive income. A debt instrument is measured at FVOCI, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Equity investments may be irrevocably classified as FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation, and are not held for trading.

Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)

All financial assets other than those classified at Amortised Cost or FVOCI are classified as measured at FVTPL. These are held for trading or managed and their performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Gearing

Proportion of total interest bearing liabilities to capital employed.

GLOSSARY

Guarantees

Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment loss

Impairment losses are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Interest Cover

Number of times interest charge is covered by earnings before interest and tax.

Investment Properties

Property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative services; or sale in the ordinary course of business.

Key Management Personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

Market Capitalisation

The value of an entity obtained by multiplying the number of ordinary shares in issue by its market value as at a date.

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

Net Assets

Total assets minus current liabilities, long term liabilities, and non-controlling interests.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Parent Company

A Parent company is a company that owns enough voting stock in another entity firm to control management and operation by influencing or electing its Board of Directors.

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by the earnings per share.

Price to Book Value

Market price of a share divided by the net assets value of a share.

Quick Assets Ratio

Current assets excluding inventories, divided by current liabilities.

Related Parties

One party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transaction (RPT)

RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless whether a price is charged.

Return on Average Assets (ROA)

Profit after tax expressed as a percentage of the average assets.

Return on Average Shareholders' Funds (ROE)

Net profit attributable to owners expressed as a percentage of average ordinary shareholders' equity.

Segment Reporting

Disclosure of the Company's assets, income and other information, broken down by activity and geographical area.

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NOTICE OF MEETING

Notice is hereby given that the Forty First Annual General Meeting (AGM) of Commercial Development Company PLC (the "Company") will be held at the Auditorium of the Commercial Bank of Ceylon PLC, 9th floor, Union Place Branch Building, No. 01, Union Place, Colombo 02, on March 31, 2021 at 10.00 am for the following purposes.

1. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and Statement of Compliance and the Financial Statements for the year ended December 31, 2020 with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Board of Directors.
3. To re-elect Directors in place of those retiring by rotation or otherwise, as given below:
 - (a) Mr Sivakrishnarajah Renganathan
 - (b) Mr Amitha Lal Gooneratne
 - (c) Mr Bentotage Robert Lakshman Fernando*
 - (d) Mr Antoine Theodore Priyalal Edirisinghe **
 - (e) Mr Lokubalasuriyage Don Asoka Jayasinghe***
4. (a) To re-appoint Messrs KPMG, as recommended by the Board of Directors, as Auditors to the Company for the ensuing year
(b) To authorise the Board of Directors to determine the remuneration of the Auditors for the ensuing year
5. To authorise the Board of Directors to determine donations for 2021

By Order of the Board.



L W P Indrajith
Company Secretary

Colombo
March 08, 2021

Notes

1. A shareholder entitled to attend, speak and vote at the AGM is entitled to appoint a proxyholder to attend, speak and vote instead of him/her.
2. A proxyholder need not be a member of the Company. The Form of Proxy is enclosed at the end of this Annual Report.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 8 - 4/2, York Arcade Building, Leyden Bastian Road, Colombo 1, not less than 48 hours before the time appointed for the holding of the meeting.

NOTICE OF MEETING

SPECIAL NOTICE - 1

*A special Notice dated January 25, 2021 has been received by the Company from Mr K K Wijayaweera, a Shareholder of the Company giving notice of his intention to move the following resolution in regard to the re-election of Mr B R L Fernando, at the forthcoming AGM of the Company.

“That the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not be applicable to Mr Bentotage Robert Lakshman Fernando, who attained the age of 78 years on August 1, 2020 and that he be re-elected as a Director of the Company”.

SPECIAL NOTICE - 2

**A special Notice dated January 25, 2021 has been received by the Company from Mr M Thiyagaraja a Shareholder of the Company giving notice of his intention to move the following resolution in regard to the re-election of Mr A T P Edirisinghe, at the forthcoming AGM of the Company.

“That the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not be applicable to Mr Antoine Theodore Priyalal Edirisinghe, who attained the age of 75 years on September 11, 2020 and that he be re-elected as a Director of the Company”.

SPECIAL NOTICE - 3

***A special Notice dated February 02, 2021 has been received by the Company from Mr T Vedamanickam a Shareholder of the Company giving notice of his intention to move the following resolution in regard to the re-election of Mr L D A Jayasinghe, at the forthcoming AGM of the Company.

“That the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not be applicable to Mr Lokubalasuriyage Don Asoka Jayasinghe, who attained the age of 72 years on November 17, 2020 and that he be re-elected as a Director of the Company”.

FORM OF PROXY

Instructions as to Completion

1. Perfect the Form of Proxy, after filling in legibly your full name and address, by signing in the space provided and filling in the date of signature.
2. In case of a Company/Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
3. The completed Form of Proxy should be deposited at the registered office of the Company at the under noted address not less than forty-eight (48) hours before the time appointed for the holding of the meeting.

Commercial Development Company PLC
No. 8 - 4/2, York Arcade Building,
Leyden Bastian Road,
Colombo 1,
Sri Lanka.

REQUEST TO SHAREHOLDERS

SHAREHOLDERS ARE KINDLY REQUESTED TO INDICATE THE "FOLIO NUMBER" APPEARING IN THE ADDRESS LABEL [PASTED ON THE ENVELOPE CONTAINING THE NOTICE OF MEETING/ANNUAL REPORT] IN THE SPACE PROVIDED FOR "FOLIO NUMBER" IN THE FORM OF PROXY. THIS IS FOR THE CONVENIENCE OF THE REGISTRARS. PLEASE NOTE THAT NON-INDICATION OF THE "FOLIO NUMBER" WILL NOT INVALIDATE THE FORM OF PROXY, UNDER ANY CIRCUMSTANCES.

STAKEHOLDER FEEDBACK FORM

Dear Reader,

We welcome your valuable ideas/comments on our Annual Report.

To request information or submit a comment/query to the Company, please provide the following details and return this page to -

The Company Secretary
Commercial Development Company PLC
No. 8-4/2, York Arcade Building,
Leyden Bastian Road,
Colombo 1,
Sri Lanka.

Name :

Permanent Mailing Address :

Contact Number/s -
- Tel :
- Fax :
- e-Mail :

Name of Company (If Applicable) :

Designation (If Applicable) :

Company Address (If Applicable) :

Queries/Comments
.....
.....
.....
.....

CORPORATE INFORMATION

NAME OF THE COMPANY

Commercial Development Company PLC

LEGAL FORM

A public limited liability company incorporated in Sri Lanka on March 14, 1980, under the Companies Ordinance No. 51 of 1938 and quoted in the Colombo Stock Exchange in March 1983. The Company was re-registered under the Companies Act No. 07 of 2007, on January 17, 2008.

COMPANY REGISTRATION NO.

PQ 114

ACCOUNTING YEAR-END

December 31

STOCK EXCHANGE LISTING

The Ordinary Shares of the Company are listed on the Diri Savi Board of the Colombo Stock Exchange.

REGISTERED OFFICE

No. 8-4/2, York Arcade Building,
Leyden Bastian Road,
Colombo 01, Sri Lanka.
Phone/Facsimile: +94 11 244 7300
Email: cdccompany@combank.net
Website: www.cdclpc.net

TAX PAYER IDENTIFICATION NO. (TIN)

124010578

LAWYERS

Julius & Creasy
Julius & Creasy Building,
No. 371, R. A. De Mel Mawatha,
P.O. Box 154, Colombo 03,
Sri Lanka.
Phone: +94 11 2422601 (5 Lines)
Facsimile: +94 11 2446663
Email: juliusc@lankacom.net jcship@slt.net.lk

AUDITORS

KPMG,
Chartered Accountants,
32A, Sir Mohamed Macan Markar
Mawatha, Colombo 03,
Sri Lanka.

REGISTRARS

S S P Corporate Services (Pvt) Ltd.,
No. 101, Inner Flower Road,
Colombo 03, Sri Lanka.
Phone: +94 11 257 3894,
+94 11 257 6871
Facsimile: +94 11 257 3609
Email: sspsec@slt.net.lk
(Kindly direct any queries about the administration of the shareholding to the above Company)

PRINCIPAL BANKER

Commercial Bank of Ceylon PLC

BOARD OF DIRECTORS

Mr B R L Fernando - Chairman
Mr S Renganathan
- Managing Director
Mr A L Gooneratne
Mr A T P Edirisinghe
Mr L D A Jayasinghe
Mr U I S Tillakawardana

COMPANY SECRETARY

Mr L W P Indrajith

BOARD AUDIT COMMITTEE

Mr B R L Fernando - Chairman
Mr A L Gooneratne
Mr A T P Edirisinghe
Mr L D A Jayasinghe
Mr S Renganathan (By invitation)

BOARD REMUNERATION COMMITTEE

Mr B R L Fernando - Chairman
Mr A T P Edirisinghe
Mr L D A Jayasinghe
Mr S Renganathan (By invitation)



**This Annual Report is
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COMMERCIAL DEVELOPMENT COMPANY PLC

No. 8-4/2, York Arcade Building, Leyden Bastian Road,
Colombo 01, Sri Lanka.

Phone/Facsimile: +94 11 244 7300

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