



Commercial Development
Company PLC

IN ACCORD



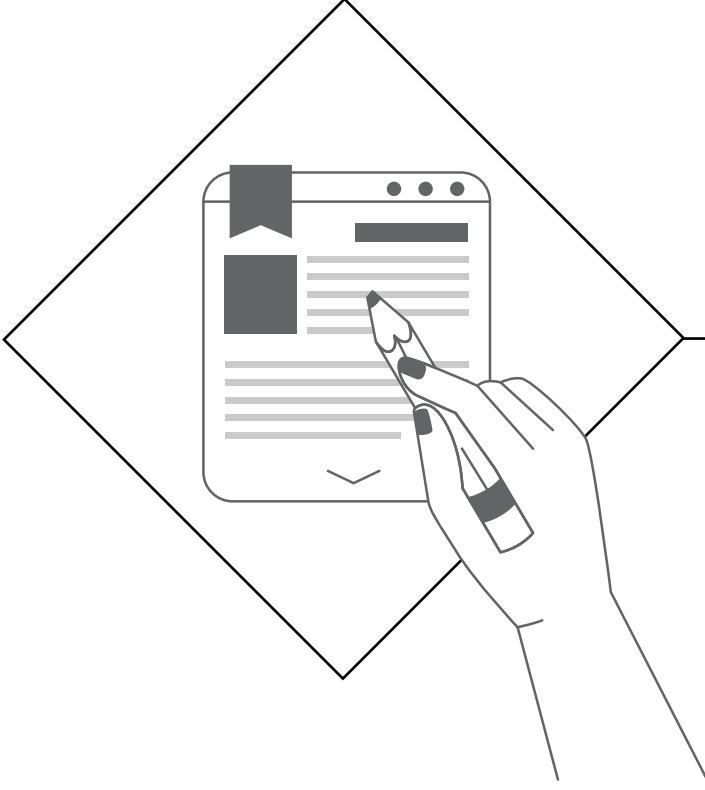
Annual Report 2023



Commercial Development Company PLC

In accord

Mutual agreement and respect, the cornerstone of any enduring relationship, govern our symbiotic ties with Commercial Bank of Ceylon PLC, which, as our esteemed parent, also serves as our sole customer. Our prospects and prosperity are intricately woven into the fabric of this mutual understanding. Our superior value proposition built on a wealth of resources – expertise, capacity, technology, commitment, financial strength, and acceptance – has seamlessly aligned with the expectations of the Bank, enabling us to strike that enduring accord over the past 40 years. Despite certain inherent constraints on the scope and the unpredictable tides of the operating environment, this shared understanding has propelled our pursuit of a balanced approach to growth and sustainability. Looking to the future, our commitment remains resolute, ensuring that our offerings continue to align seamlessly with the expectations of the Bank, as we go above and beyond to secure a lasting accord for the years to come.



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Overview

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About the Company

Commercial Development Company PLC (CDC) was incorporated on March 14, 1980. The initial purpose of forming the Company was to construct the Head Office building for the Commercial Bank of Ceylon PLC ("the Bank"), its sole client, which owns a 90% stake as of December 31, 2023, (90% as of December 31, 2022).

The Company has been listed on the Colombo Stock Exchange since March 1983 and has a market capitalisation of Rs.1,341 Mn. as at the end of 2023.

The services which CDC is allowed to provide to the Bank are specified and restricted by the Central Bank of Sri Lanka (CBSL). The four primary lines of business provided by CDC to the Bank are as follows:



Renting of premises



Outsourcing of staff



Hiring of vehicles



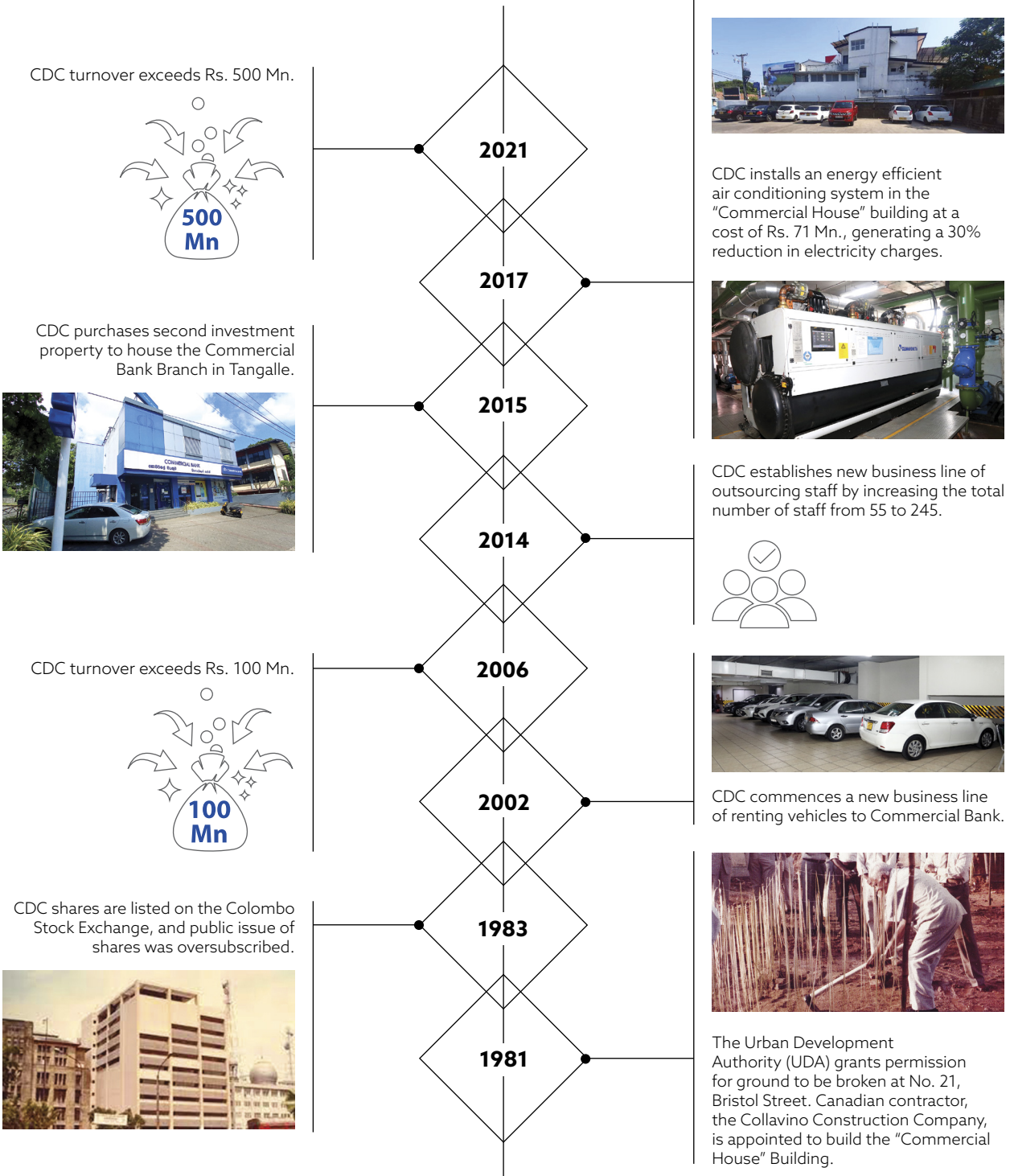
Providing other utility services

The Company's real estate portfolio includes the "Commercial House" building at No. 21, Sir Razik Fareed Mawatha, Colombo 01, which houses the Head Office and the Foreign Branch of the Bank. CDC also owns two other properties in Negombo and Tangalle, which are also rented to the Bank.

CDC has repeatedly sought the permission of the CBSL to expand its role in relation to the Bank, in addition to serving external clientele, and other lines of related businesses, but has met with limited success to date. However, the Company will keep requesting the CBSL to grant permission to provide its services to other clients.



Timeline



About the Report

The 44th Annual Report of Commercial Development Company PLC (“CDC”) aims to disseminate appropriate information to all our stakeholders, presenting how CDC takes into account all material, financial and non-financial aspects relevant to the Company, and how resources are allocated through the six capitals to create sustainable value for all our stakeholders.

The theme “In accord” reflects the mutual agreement and respect that underpins the enduring relationship between CDC and Commercial Bank of Ceylon PLC, which is the esteemed parent and sole customer. This relationship has been nurtured over 40 years, with a focus on a superior value proposition encompassing expertise, technology, and financial strength. Despite challenges and changes in the operating environment, the commitment to growth and sustainability remains steadfast, ensuring continued alignment with the Bank’s expectations for a lasting accord in the future.

Scope and Boundary

This Annual Report covers operations for the period from January 01, 2023 to December 31, 2023 in keeping with the usual annual reporting cycle for financial reporting and includes: a synopsis of operational performance in relation to risks and opportunities in the operating environment; CDC’s financial results for the financial year 2023; and an overview of corporate governance, risk management and compliance frameworks within which CDC operates.

Reporting Frameworks

The 44th Annual Report adheres to all relevant regulatory compliance requirements applicable to entities listed on the Colombo Stock Exchange. In addition, the report presents a range of non-financial information alongside traditional financial commentary.

Guiding Frameworks and Principles

Financial Reporting

- Companies Act No. 07 of 2007
- Listing Rules of the Colombo Stock Exchange (CSE)
- Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

Corporate Governance

- Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka
- Listing Rules of the CSE
- Directions issued by the Securities and Exchange Commission of Sri Lanka
- Companies Act and amendments there to.

Targeted Readers

This Report is primarily prepared to provide information to the Shareholders of CDC, as well as information on value creation to other key stakeholders, including Investors, Regulators, Employees, Customers, Business Partners and Community.

About the Report

Available Mediums

Print

Available on request (We have printed only a limited number of copies as an eco-friendly initiative taken by the Company)



Online

Available in PDF format at www.cdplc.com and www.cse.lk

Scan to view the PDF version of this Annual Report



Annual Reports prepared in previous years are publicly available on the Colombo Stock Exchange Website (<https://www.cse.lk>) and on the CDC website (<https://www.cdplc.net>).

Forward Looking Statements

The 44th Annual Report of CDC contains forward looking statements with regard to future value creation. However, uncertainties are inevitable in these statements as the country and the world economy has undergone past and current economic crisis. Therefore, users of this Report are advised to use the latest information available at the time of assessment and adjust their assessments accordingly.

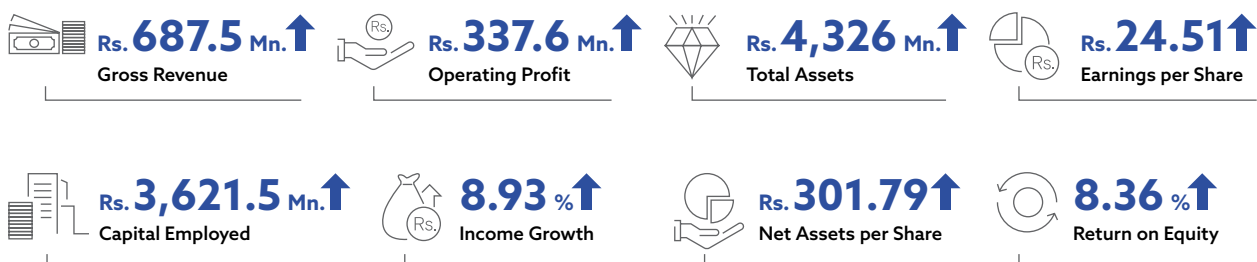
All forward looking statements are provided without recourse or any liability whatsoever to the Board or other preparers of the Annual Report due to the high levels of uncertainty associated with them.

Any comments and questions about this Report can be directed to:

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

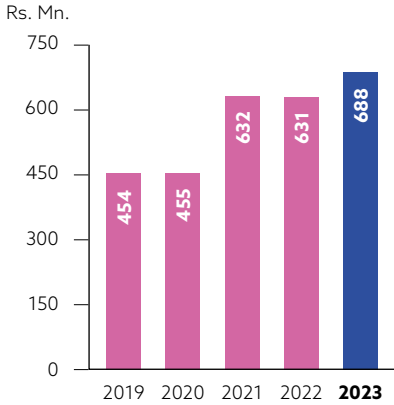
Financial Highlights

	Page	2023	2022	Change %
◆ RESULTS FOR THE YEAR (Rs. '000)				
Gross revenue	104	687,511	631,128	8.93
Gross profit	104	266,753	306,521	(12.97)
Profit before taxation	104	461,977	401,289	15.12
Taxation	104	167,917	176,912	(5.08)
Profit after taxation	104	294,060	224,377	31.06
Gross dividends	132	84,000	84,000	–
◆ POSITION AT THE YEAR END (Rs. '000)				
Investment property	106	3,129,111	3,031,216	3.23
Current assets	106	1,096,099	878,986	24.70
Current liabilities	106	116,692	103,867	12.35
Total assets	106	4,326,289	4,055,082	6.69
Shareholders' funds	106	3,621,473	3,417,424	5.97
◆ INFORMATION PER ORDINARY SHARE (Rs.)				
Net assets value at the year end	106	301.79	284.79	5.97
Earnings (basic)	104	24.51	18.70	31.06
Dividends	132	7.00	7.00	–
Market value at the year end	180	111.75	95.50	17.02
◆ KEY FINANCIAL RATIOS				
Return on average shareholders' funds - ROE (%)		8.36	6.65	1.71
Return on average assets - ROA (%)		7.02	5.72	1.30
Price earnings (times)		4.56	5.11	(10.76)
Year on year growth in earnings (%)		8.93	(0.18)	9.11
Dividend yield (%)		6.26	7.33	(1.07)
Dividend cover (times)		3.50	2.67	31.09
Dividend payout ratio (%)		28.57	37.44	(8.87)
Current ratio (times)		9.39	8.46	11.00
Interest cover (times)		17.56	26.11	(32.75)

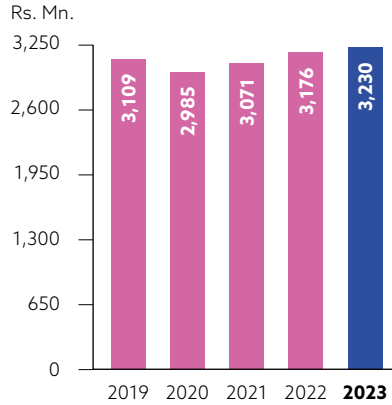


Financial Highlights

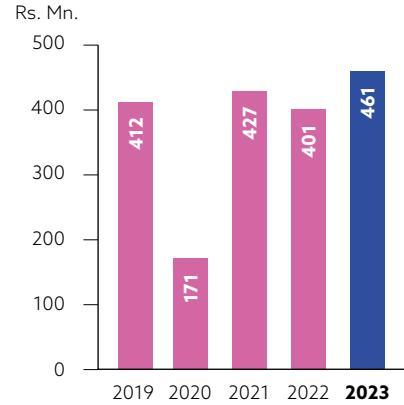
Gross Revenue



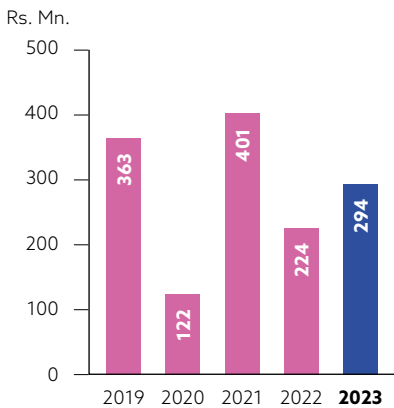
Non Current Assets



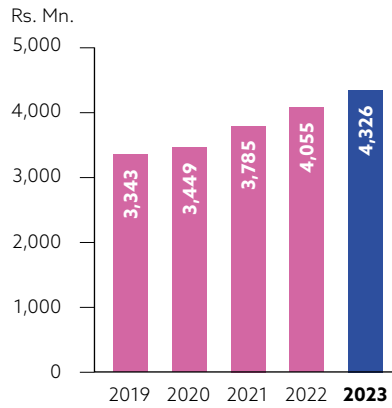
Profit Before Tax



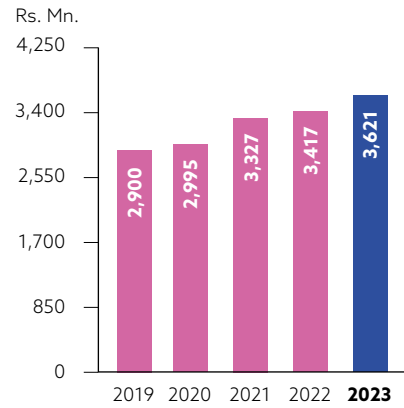
Profit After Tax



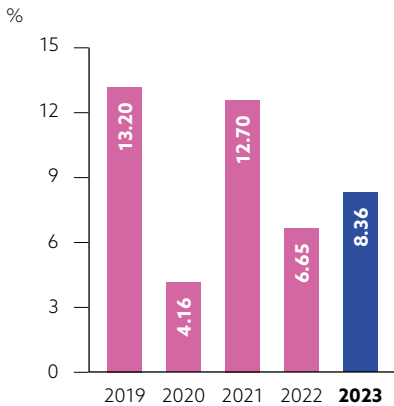
Total Assets



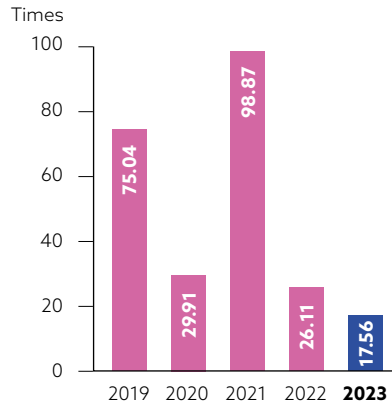
Shareholders Funds



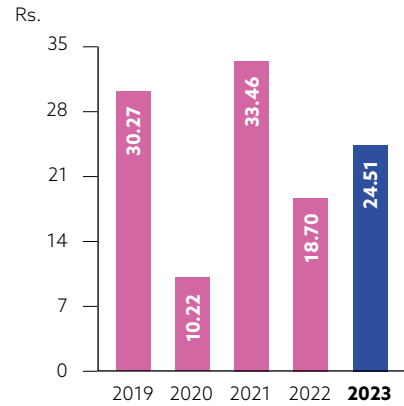
Return on Equity



Interest Cover



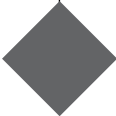
Earnings per Share



Chairman's Message



On behalf of the Board of Directors, it is my privilege and pleasure to welcome all our shareholders to the 44th Annual General Meeting (AGM) of Commercial Development Company PLC (CDC). The AGM provides the platform mandated by the Companies Act for a continuing conversation between the owners and those entrusted with the Management to steer the development trajectory of the Company.



Let me begin by presenting a brief yet comprehensive summary of the year we have had, along with the Audited Financial Statements for the financial year ended December 31, 2023.

2023 was a year in which our economy seemingly stabilised compared to the turbulence suffered in the previous year. Import controls and the higher taxation regime resulted in narrowing both the trade deficit and the fiscal deficit, while foreign reserves have shown improvement. Even though global events grow troublingly concerning and multiple wars in other countries threaten to escalate beyond control, tourist arrivals in Sri Lanka have climbed. However, given the nation's reliance on the tourism sector to prop up our fragile economy, geopolitical turmoil poses a real threat; global warming and a possible El Niño effect have impacted local agriculture as it continues to struggle recovering from adverse decisions and policy options exercised in the years prior.

The emerging outlook, therefore, does not project a positive picture. We appear to anticipate better outcomes while repeating the same mistakes made over the years. Enhancing productivity and redefining education to foster competition and innovation eludes policymakers; our development is stifled and suffers with large numbers seeking to abandon the country. As a corporate, CDC has not been spared by the current economic mires as we have witnessed a substantial erosion in the purchasing capacity of our savings. Our plans to diversify investments depend on regulatory approvals. The focus on foreign direct investment, while overlooking our own development capacities, raises concerns for the future.

At CDC, turnover growth for the year remained ambivalent with a near 9% improvement largely due to the provision of additional outsourced services to our principal shareholder. We were fortunate that the turbulence affecting the banking sector did not result in delayed rent payments by our tenant. Our rent income remained the same as in 2022, and the rent review is scheduled for 2024. Meanwhile, gross margins declined by nearly 13% as cost of sales increased by a hefty 29.6%; namely due to a surge in building maintenance costs as CDC commenced on the long overdue refurbishments of the "Commercial House" building.

The new governance regulations announced by the Colombo Stock Exchange require one-third of the Directors of a public company to be independent, while a Director over the age of 70 years could continue to be on the Board, but he or she will not be considered independent.

The direct cost of outsourced staff was the other large increased expense as wages were increased. A higher fair value gain helped in maintaining operating profit while the increase in net finance income contributed to a 15% growth in profit before taxation. Profit for 2023 increased by 31% to Rs. 294 Mn. and the Company continues on a planned growth trajectory amid constraints to continue improving profits and returns to shareholders.

The dividend payment in 2022 was made in two tranches, making the annual dividend to Rs. 7 per share. An interim dividend of Rs. 3 per share was paid in December 2023, and the Directors recommend a final dividend of Rs. 4 per share, bringing the cumulative dividend per share to Rs. 7 for 2023. The dividend payout ratio for 2023 amounted to 28.57% compared to the 37.44% paid out in the previous year.

The "Commercial House" building was constructed in the early 1980s; the emerging maintenance costs now pose a challenge, both in terms of cost and organisational capacities. Both vigilant focus and appreciation of costs is essential given the high levels of corrosion as the building is on the coast and exposed to high levels of humidity. In order to meet emerging challenges, we need to infuse additional skills to the Board of Directors, currently heavily weighted in favour of finance professionals. Keeping the aforementioned scenario in mind, the Board is in search of suitable candidates to address gaps in expertise.

The new governance regulations announced by the Colombo Stock Exchange require one-third of the Directors of a public company to be independent, while a Director over the age of 70 years could continue to be on the Board, but he or she will not be considered independent.

Chairman's Message

In accordance with these regulations, I wish to announce that myself, Mr A T P Edirisinghe and Mr L D A Jayasinghe will not seek re-election. Moreover, Mr A L Gooneratne, who is also over 70 years old, will retire in light of the currently applicable regulations. However, given the need for continuity and succession, the Board of Directors has unanimously resolved to recommend the re-election of Mr A L Gooneratne, even though he would not qualify as an Independent Director.

I want to take this opportunity to express my sincere thanks to all members of the Board of Directors for their commitment and unwavering support, sharing their vast experience and knowledge to guide the Company. I also extend my personal thanks to Mr Priya Edirisinghe and Mr Asoka Jayasinghe, who have been friends and colleagues for over sixty years, and providing their unflagging support in all that time. My special thanks go out to Mr Sanath Manatunge, our Managing Director for his leadership, guidance and contribution to our team's accomplishments. I would also like to thank Mr Ruwan De Silva, our Chief Executive Officer, and the entire staff at every level for the good work they have done. We have all grown together to keep the Company growing and steady.

I will be failing in my duty if I do not mention the Bank's Internal Auditors, risk management department and compliance department, as well as the external auditors, Messrs KPMG for their professionalism and guidance throughout the financial reporting period.

Last, but not least, to our valued shareholders: Thank you for the trust and support you have extended at all times, as I relinquish the office of this Company in which I have been involved since its incorporation.



B R L Fernando

Chairman

February 16, 2024

Managing Director's Review



In a time fraught with economic turbulence, our business has proven to be a bulwark against the relentless onslaught faced by many enterprises in the country. Operating within the intricate web of Sri Lanka's business ecosystem, our Company's ability to derive its entire revenue from its parent company has provided a shield against the shocks reverberating throughout the nation. As economic uncertainty ebbs but continues to linger this year, and as political upheavals around the world threaten to cause further instability that could affect the island, this steadfast reliance on a regular and reliable income stream has enabled us to navigate the tides of uncertainty with resilient consistency.



Rent Income from Premises

Given that "Commercial House", our parent company's Head Office building in Colombo 1, is nearly 40 years old, its interiors and structure required major improvements. The planned refurbishments initially slated for 2022 were undertaken at last in 2023 at a budgeted cost of Rs. 75 Mn., and is due for completion within 2024. The refurbishments include repairing cracks on the external walls plus colour washing them, and fully refurbishing all washrooms with the replacement of all fittings, washroom doors, and new mirrors. In addition, the building's basement, external walls, and rooftop will be waterproofed to strengthen the structures from environmental and natural factors. These upgrades are designed to maintain the appearance of the building and provide comfort to the people in Commercial Bank. Given that "Commercial House" is the Head Office of Commercial Bank and a unique property in Colombo, it is our prime responsibility to maintain the building at its highest standards to ensure the comfort of the occupants.

Outsourcing of Staff

This function is limited to the provision of staff for non-core banking duties, as Commercial Bank restricts its core functions to in-house staff according to banking regulations. This includes the roles of telephone operators, drivers, maintenance staff, caretakers, and other support staff. Last year, CDC intended to undertake telephone operations of Commercial Bank of Ceylon PLC but that was shelved in 2023 when it became clear that technological advancements made this plan unfeasible. Instead, it has been decided that Telephone Board operations will be amalgamated with the Bank's Call Centre. As a result, this move has deprived CDC of possible projected income from outsourcing the staff for this intended function. Yet given the precarious economic situation, the Company opted to increase salaries and ex-gratia bonuses to ensure that its staff members were not deprived from meeting their daily expenses. At CDC, we believe in taking care of the people who have helped us achieve our goals during the good times.

Renting of Vehicles

Income from renting of vehicles to Commercial Bank showed a positive growth that was hampered by increases in maintenance costs. This year, CDC disposed four vehicles that were fully depreciated, three of which had been in service for over 15 years. Although this will reduce the amount of maintenance costs required previously to keep the disposed vehicles in service, there is a concern of adding new vehicles to our fleet owing to import restrictions. However, in keeping with our commitment to reducing the carbon footprint and the growing urgency to address climate change, we believe that opportunities will open up in the immediate future to switch from gasoline to electric and hybrid vehicles.

Utility Services

As it has for several years, CDC provides regular maintenance and utility services to the Bank's Head Office, certain branches, and its holiday bungalows. This year, the earnings made from the provision of Utility Services is at an acceptable level, with an increase of 13.5% in the revenue generated from air-conditioning business and janitorial services, partly owing to several administrative initiatives implemented.

Empowering and Developing Our Human Resources

In keeping with our policy of looking after our staff and sharing the benefits of exceptional financial performance, we increased staff salaries across all grades in addition to offering bonus payments. Medical expenses for some employees suffering from long-term illnesses were borne by CDC, while medical insurance for employees was also increased. Our success has always been a dedicated workforce and CDC believes that it has a responsibility to look after the people who have dedicated their loyalty and skills to benefit the organisation, and it was vital to assure employees that during this difficult time, their jobs would remain secure.

Moreover, we provided 18 training programmes, as well as several hands-on training sessions organised by experienced and qualified professionals, to increase their knowledge and upgrade their skills. Technical staff members were offered financial assistance to pursue higher levels of NVQ certifications at various government-approved institutions that would open opportunities for promotions going forward.

In keeping with our policy of looking after our staff and sharing the benefits of exceptional financial performance, we increased staff salaries across all grades in addition to offering bonus payments.

Results of Operations

With Commercial Bank being the sole tenant and the recipient of all other services provided by the Company, CDC has managed to record higher levels of revenue compared to last year, thanks to investments made in high-yield deposits. Although the pressures of inflation and financial uncertainty have increased costs, the impact was partly offset by an increase in net finance income. CDC managed to report a profit before tax of Rs. 462.0 Mn. in 2023 compared to Rs. 401.3 Mn. in 2022.

Looking Forward

Commercial Development Company PLC is a cash-rich institution and has access to different options for investing its resources. Although changes in regulation for the financial sector are on the docket for 2024 that could have an impact on the Company, since Commercial Bank is its sole client, I am confident that we will pull forward through the challenges yet to come. I wish to thank our Chairman, other members of the Board of Directors, Senior Management, our stakeholders, our regulators, and our staff for the trust they have placed in our ability to deliver. In particular, I would like to take this opportunity to extend my deepest gratitude to Mr B R L Fernando, Mr A T P Edirisinghe, and Mr L D A Jayasinghe three of our esteemed Directors who will be retiring from the CDC Board this year. These distinguished gentlemen have served CDC with full honours and distinction, and under their guidance, they have been instrumental in continuing to keep the light of CDC burning bright. As we move forward into a new chapter without them, we shall uphold their legacy by continuing to deliver value and aid each other in an ethical and professional manner in the times to come.



S C U Manatunge

Managing Director

February 16, 2024

Chief Executive Officer's Review



Despite the ongoing economic crisis that began in 2020, it is with great pride that I declare that Commercial Development Company PLC has successfully achieved its goals in the year 2023.

Our parent company, Commercial Bank of Ceylon PLC (the Bank) holds 90% of the stake in CDC; it is also our sole client, and one of the top business entities in the country. Suffice to say, our progress has benefitted immensely from the services we provided. On behalf of CDC, I wish to extend my heartfelt gratitude to the Bank and its management for maintaining a close bond with our Company at all times.

Financial Performance

In 2023, CDC recorded a revenue of Rs. 687.5 Mn., a significant improvement compared to the revenue of Rs. 631.1 Mn. reported in 2022, representing an 8.9% increase in the country's highly uncertain economic situation.

The net profit after tax in 2023 stands at Rs. 294.0 Mn., compared to the net profit after tax of Rs. 224.4 Mn. recorded in 2022, a steady growth of 31.1% this financial year due to investing earnings in high-yield deposits, after negotiating with financial institutions holding these deposits. Compared to 2022, CDC also received an additional Gross Interest income for Rs. 65.0 Mn. on its investments this year. In 2023, the profits generated from operations stands at Rs. 337.6 Mn. against Rs. 336.3 Mn. recorded in 2022. The main reason for the marginal increase is due to undertaking additional refurbishment work of the "Commercial House" building at a significant cost, as well as increase in salaries and other staff related costs and administration expenses. However, we believe this is an investment that will pay off in the long-term.

Our business model is a four-sector model. The real estate sector accounted for 40.3% of the total revenue and 74.9% of gross profit, bringing in a revenue of Rs. 277.3 Mn. in 2023. CDC made a budgetary allocation of Rs. 75.0 Mn. for various refurbishment works of the "Commercial House" building, including repairs on concrete facades and cracks on external walls; a full-colour wash; refurbishing all the washrooms; and waterproofing the building basement. These works are underway and expected to be completed within 2024. However, due to the additional work, the gross profit generated from the real estate division shows a decline of Rs. 37.9 Mn. compared to the previous year; yet the CDC Board of Directors believes that the substantial amount invested in the refurbishment is a timely decision as the income generated from the building rental accounts for approximately 75% to the gross profit of the Company, and will therefore help to strengthen this revenue channel in the long run.

In 2023, CDC recorded a revenue of Rs. 687.5 Mn., a significant improvement compared to the revenue of Rs. 631.1 Mn. reported in 2022, representing an 8.9% increase in the country's highly uncertain economic situation.

In the "Outsourcing" business, CDC increased salaries and ex-gratia bonuses for staff members to help our employees as inflation and economic turmoil increased the costs of living in the country. Along with accommodating an increase in the Gratuity Provision, CDC did not record a noticeable growth in gross profit in this sector.

Our "Vehicle Hiring" channel showed a steady growth of 16.7% in turnover compared to 2022; yet despite that, the growth in gross profit stands at 5.8% owing to increases in maintenance costs this year.

Meanwhile, even though the revenue generated from "Utility Services" stands at an acceptable level, the contribution to the gross profit does not indicate any significant growth in 2023. It is worth taking into consideration that the gross profit generated from the air-conditioning business show significant increases of 39.5% in 2023 when compared to 2022, owing to the results of several administrative initiatives implemented.

In 2023, CDC's asset base recorded an increase of Rs. 271.2 Mn., growing from Rs. 4,055.0 Mn. in 2022 to Rs. 4,326.3 Mn. Along with this increase, the Net Asset per Ordinary Share rose by Rs. 17.00 to stand at Rs. 301.79 from last year's value of Rs. 284.79.

Cybersecurity

As the line between the digital world and the physical world increasingly merge, CDC has taken many steps to uphold the highest standards of information security. As CDC's Information Technology (IT) infrastructures are linked with the Bank, the Company is well-protected against cyber threats such as data breaches, malware, and ransomware. All network activities, including software applications used at CDC, are closely monitored by experts from the Bank and the Company's IT service provider, CBC Tech Solutions Ltd. This is to ensure a secure environment where data and systems

can operate effectively and securely, fostering trust and confidence among all stakeholders. At CDC, any development related to IT is conducted with the prior approval of the IT division of the parent company and the Company's IT service provider to minimise potential cyber threats. Additionally, all IT-related operations are documented in a comprehensive Information Security Policy, which is reviewed on an annual basis to remain up to speed.

Employees

We rely greatly on our dedicated workforce, CDC's most valuable asset. Our goal is to provide a workplace where employees can feel they are performing to their highest capabilities and have opportunities to constantly learn and upskill through an assortment of training programmes and hands-on experience. In 2023, 18 well-structured training programmes were conducted with the support of leading institutions engaged in providing training. Additionally, CDC encouraged its employees engaged in maintenance work to obtain their NVQ certification and extended financial assistance to this purpose. In 2023, the Company managed to avail a substantial salary increase for all grades across the Company, and ensured that all salaries, bonuses, and ex-gratia payments were paid on time to ensure the staff's well-being. We are constantly motivating employees to grow further; potential resourceful employees are identified and promoted to the next level to recognise their contributions and services. CDC has also undertaken additional costs to ensure the well-being of three employees suffering from prolonged illnesses, acknowledging our responsibility in taking care of staff members who have been dedicated to the Company prior to their health issues.

Social Responsibility

As a responsible corporate citizen, CDC believes in making timely payments of taxes and all other obligations, including utility bills, municipal rates, and other dues. Under its CSR considerations, we donated a Phototherapy Machine to the Premature Baby Unit at the Homagama Base Hospital at a cost of Rs. 430,000 for the treatment of newborn babies. Additionally, our paper use and paper wastage has reduced substantially since the implementation of our Human Resources Information System, thereby limiting the toll of environment pollution.

Closing Remarks

Despite the slight respite granted to Sri Lanka's economy, a reasonable level of recovery is still a long way off in the immediate future. In such times, survival is the common strategy for most business entities. However, CDC trusts that challenges also bring new opportunities with it, and we were able to achieve remarkable results on several fronts this year despite the ongoing endless challenges starting in 2020. It is especially worth noting the 31% recorded increase in net profits after taxes, a significant achievement in difficult times.

Throughout this challenging year, our Managing Director, Mr Sanath Manatunge, provided assistance and guidance of the highest calibre, and on behalf of CDC, I would like to extend my sincere gratitude to the Managing Director.

I also wish to specially thank three members of the Board: Mr B R L Fernando, Mr A T P Edirisinghe, and Mr L D A Jayasinghe. These gentlemen will not be seeking re-election at the forth coming Annual General Meeting and retiring from the Board. On behalf of every person at CDC, thank you for your service, your wisdom, and your guidance across these many years. We shall strive to ensure that your achievements and deeds continue to be reflected in future milestones as CDC embarks on a new path for the Company.

Although a complete recovery for the Sri Lankan economy is still way off from materialising, we assure you that 2024 will mark another successful year for Commercial Development Company PLC.



Ruwan De Silva
Chief Executive Officer
February 16, 2024

Context for Our Performance

Global Economic Outlook

The biggest threat to economic growth and stability in 2023 is geopolitical instability. Despite signs of resilience early in 2023, many countries are tightening policies to reduce inflation which is expected to slow down economic activity going forward. In addition, the growing concern of climate change is spurring the acceleration of the green transition which comes with new opportunities and obstacles. Meanwhile, further disruptions in commodity trades caused by the ongoing Russian invasion of Ukraine could affect commodity prices, economic activity, and the energy transition. The International Monetary Fund baseline forecasts global growth to slow down to 3.0% in 2023 and drop to 2.9% in 2024, well below the average of 3.8% recorded between 2000-2019. While advanced economies are expected to slow from 2.6% in 2022 to 1.5% in 2023 and 1.4% later in 2024 as the pinching effects of policy tightening begins to be felt, emerging market and developing economies are projected to decline from 4.0% in both 2023 and 2024. Moreover, global inflation is expected to continue declining steadily to 6.9% in 2023 and 5.8% in 2024 owing to tighter monetary policy aided by lower international commodity prices. It is expected that core inflation will decline gradually, and that in most cases, inflation will not return to target until 2025.

Sri Lankan Economy

During the latter part of 2023, the Sri Lankan economy started to show signs of gradual recovery, recording the first positive economic growth in the third quarter following consecutive contractions since the first quarter of 2022. This marked a turning point in the aftermath of a turbulent year, and promises to mark the beginning of a long journey towards stability.

Over the course of the year, inflation was reduced to single-digit levels due to a flurry of policy measures implemented by the Central Bank and the Government. These measures also aimed at restoring economical confidence and stability that, while painful in the immediate future, helped stabilise inflation expectations. Halfway through 2023, the Central Bank relaxed its monetary policy stance in view of reducing inflation, benign inflation expectations, and improvements observed in the external sector. As a result, however, market rates declined significantly, particularly deposit interest rates; while market lending interest rates declined at a slower pace, partly due to the rigidity in the yields on government securities amidst

the high-risk premia. However, the parent company was able to negotiate with financial institutions to successfully secure higher interest rates on its high-yield deposits.

The Sri Lankan Government has pursued a revenue-based fiscal consolidation path alongside the arrangement with the International Monetary Fund (IMF) and Extended Fund Facility (EFF) to restore fiscal sector sustainability, having recognised the persistent fiscal imbalances as the root cause of the economic crisis that emerged in 2022. As market lending interest rates gradually normalise and investor and business sentiments improve, we can expect this to support credit expansion to the private sector, and thereby allowing the economy to reach its potential. However, there are several risks and challenges, both domestic and foreign, that could affect this progress that needs to be factored in.

Banking Industry Outlook

As Commercial Bank of Ceylon PLC is the sole client of CDC, the Company's fortunes are directly tied to the Bank's performance, which in turn is impacted by the overall outlook of the banking sector.

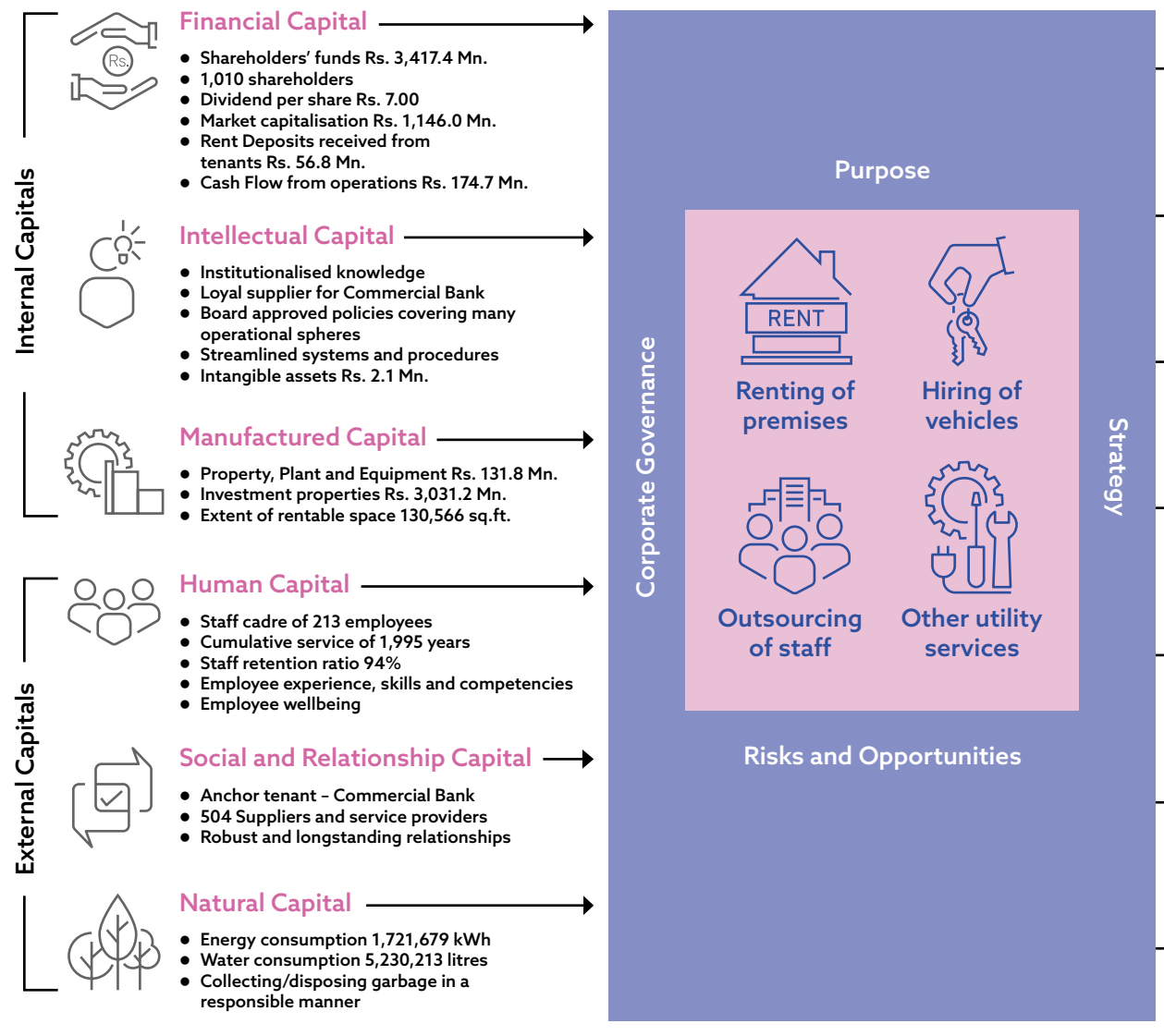
In 2023, Sri Lanka's slow and gradual economic recovery, along with the implementation of several policy measures in the immediate and medium term, shows signs of maintaining the financial and operational resilience of the banking sector. To address identified capital and foreign exchange liquidity shortfalls in the banking sector, the Central Bank intends to implement plans to perform diagnostic exercises and forward-looking stress testing based on macro-financial scenarios and sovereign debt restructuring in 2024. The Bank's statutory examinations will be intensified in line with a risk-based consolidated supervision framework to meet regulations, as amendments are being proposed to the Banking Act in order to strengthen the legal and regulatory framework of licensed banks in the nation. Slated to be passed in Parliament in early 2024, the Banking (Amendment) Bill aims to strengthen corporate governance, shareholder suitability, acquisitions, mergers and consolidation, and more measures. Moreover, incentive mechanisms will be introduced to licensed banks in order to promote sustainable and climate finance activities, in line with the Sustainable Finance Roadmap.

While it remains to be seen how the effects of these measures, along with events that unfold during 2024, will impact the parent company, CDC is confident that it will prevail through headwinds and dips by continuing to adapt to the situation, as it has adroitly demonstrated since 2020.

Business Model for Sustainable Value Creation

Inputs → Value Creating Activities

Capital position as at January 01, 2023



Outputs

Outputs to stakeholders



Shareholders

- Profit after tax Rs. 294.1 Mn.
- Net assets value per share Rs. 301.79
- Dividend per share Rs. 7.00
- Share price appreciation



Bankers and Other Financial Institutions

- Investment in fixed deposits - Rs. 853.0 Mn.



Government Institutions/Regulators

- Taxes paid Rs. 219.7 Mn.
- Compliant with the relevant rules and regulations as disclosed in this Annual Report



Tenants

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



Employees

- Total remuneration of Rs. 150.5 Mn.
- Training and development - Rs. 0.4 Mn.
- Enhanced employee productivity
- Job satisfaction and career progression



Business Partners

- Opex paid for services Rs. 465.8 Mn.

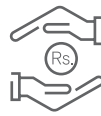


Community

- CSR activities
- Donated a Medical Scanner Equipment worth Rs. 430,000 to Homagama Base Hospital

Outcomes

Capital position as at December 31, 2023
For the year ended December 31, 2023



Financial Capital

- Shareholders' funds Rs. 3,621.50 Mn.
- 984 Shareholders
- Market capitalisation Rs. 1,341 Mn.
- Rent Deposits received from tenants: Rs. 61.1 Mn.
- Cash Flow from operations Rs. 102.0 Mn.



Intellectual Capital

- Institutionalised knowledge
- Board approved policies covering operations
- Loyal Supplier for Commercial Bank
- Streamlined systems and procedures
- Intangible assets Rs. 1.5 Mn.



Manufactured Capital

- Property, Plant and Equipment Rs. 88.40 Mn.
- Investment properties Rs. 3,129.1 Mn.
- Extent of rentable space 130,566 sq.ft.



Human Capital

- Staff cadre of 211 employees
- Cumulative service of 2,117 years
- Staff retention ratio 92%
- Employee experience, skills and competencies
- Employee well-being



Social and Relationship Capital

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



Natural Capital

- Energy consumption 1,814,083 kWh
- Water consumption 5,379,871 litres
- Collecting/disposing garbage in a responsible manner

Sustainable Value Creation Model

In addition to its sole client, Commercial Bank of Ceylon PLC, CDC has a multitude of stakeholders that may be considerably impacted by the Company's activities. Stakeholders also include those whose actions may, in turn, affect CDC's ability to achieve its strategic objectives in a successful manner.

CDC engages its stakeholders by means of a holistic, multi-stakeholder approach in relation to its value creation model. Consequently, it is imperative for CDC to have a sound understanding of its stakeholders and which groups are important to the Company; and conversely, why the Company is important to them. This will help CDC to adapt its business model in a manner that is best suited to create and maximise value for such stakeholders, both individually and collectively.

CDC believes that its ability to create sustainable value for itself, and accordingly for its stakeholders, are interrelated and mutually reinforcing. It could be considered a resource, and therefore, a form of capital. This underscores the fact that CDC's capital is not limited to the financial capital reported on the balance sheet.

As the Company creates value for itself and its stakeholders over the short, medium, and long-terms, it will continue to focus on its multiple capitals which are the inputs to its business activities. Furthermore, the CDC's overall stocks of capital are continually increased, decreased, or preserved over time through continuous interactions and transformations through such activities.

The business model appearing on pages 22 and 23 provides a clear and concise visual depiction of how CDC transforms its input capitals into outputs and outcomes through its range of business activities.

CDC's business activities, which are conducted in line with its Purpose and Strategy encompass:

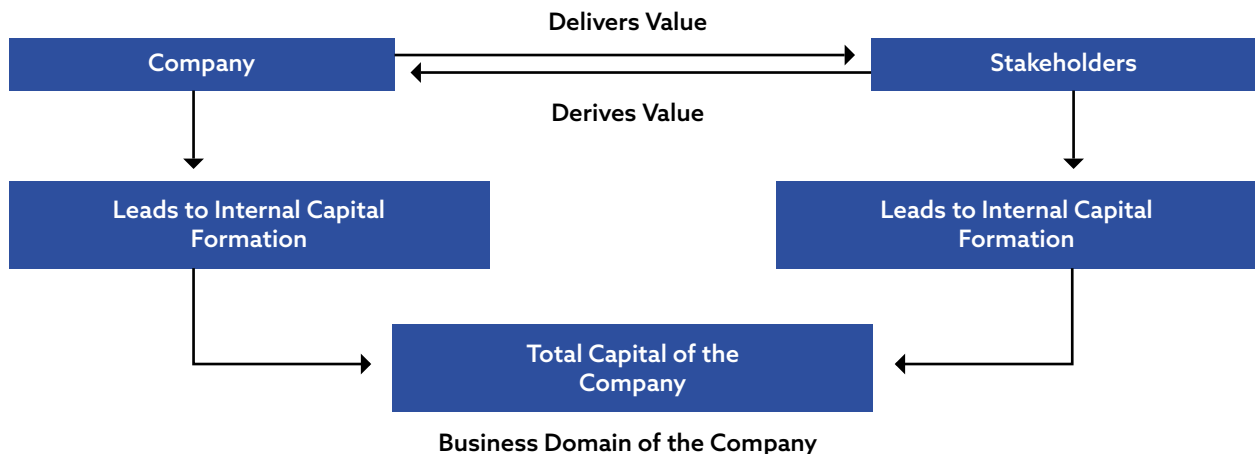
- (a) Renting of premises
- (b) Outsourcing of staff
- (c) Hiring of vehicles
- (d) Providing other utility services

These activities provide the backdrop for CDC's Corporate Governance Strategy, in addition to how it faces risks and takes on opportunities in the operating environment.

Continuous and systematic scanning of the environment, especially information relating to events, trends, and relationships within its external and internal operating environments, enables the Company to identify risks and opportunities. Based on the information gathered, CDC formulates its strategic plan, focusing on a course of action that would enable it to achieve its objectives most efficiently and effectively; and create value for its stakeholders over time.

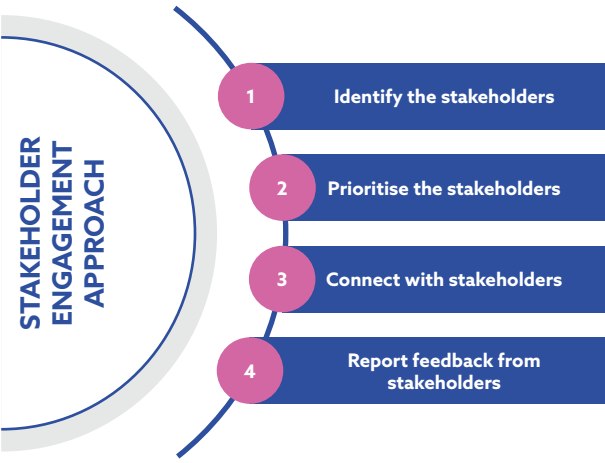
The diagram given below is based on the Principle of Duality, which depicts the delivery of value to stakeholders, and deriving value from them, resulting from the Company's activities in relation to creating value.

The Principle of Duality in Value Creation



Stakeholder Engagement

Being a listed company, Commercial Development Company PLC, promises its fundamental role to deliver what shareholders expect in a sustainable manner. Accordingly, the Company has mapped a four-step approach to ensure that CDC gets the best possible outcomes from the stakeholder engagement process.



1. Identify the Stakeholders

The Management is responsible for identifying the stakeholders of the Company. Stakeholders are individuals or entities, separate from and not forming part of the Company, who are materially affected by its activities. This definition also covers those whose actions and opinions are likely to have an impact on the Company. In this Report, key stakeholder groups as identified by the Company are:

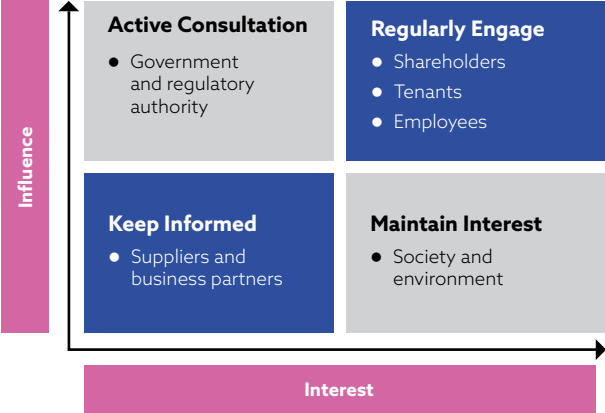
- Shareholders
- Tenants
- Employees
- Suppliers and business partners
- Government and regulatory authorities
- Society and environment

2. Prioritise the Stakeholders

The Company prioritises stakeholders based on their influence and interest on CDC to identify and understand their requirements, determining the degree of engagement that is required. Accordingly, these stakeholders are:

- directly connected to the Company and have the power to influence business outcomes;
- stakeholders who do not have a direct influence over the business activities but are nevertheless interested in the Company affairs.

The Influence/Interest Grid



3. Connect with Stakeholders

CDC has a range of channels and methods of engagement through which it communicates with stakeholders, at varying intervals on relevant topics. The scope and degree of engagement with different groups are in accordance with the level of potential impact on or by each group of stakeholders, as well as the nature of relationships with them.




4. Report Feedback from Stakeholders

The feedback and insights received from stakeholders are documented and reported to the Management. CDC has established different platforms for dialogue and communication to record stakeholder perspectives and relay concerns into Company policies and commitments. The mechanisms include:




- formal and informal consultations
- participation
- negotiations
- communication
- mandatory and voluntary disclosures
- certification
- accreditation

Stakeholder Engagement

The table below details the engagement mechanism used for different stakeholders.

Stakeholder	Engagement Mechanism	Frequency	Topics of Concern	Our Response
SHAREHOLDERS 	Interim Financial Statements	Quarterly	Financial performance	CDC takes a prudent approach towards managing its financial resources, to ensure adequate resources are reinvested in the business, while fully honouring stakeholder obligations.
	Annual Report and AGM	Annually	Business strategies and operational efficiency	
	Announcements to the CSE	As required	Related party transactions	
	CDC's website		Governance stability and sustainability	
	Press releases		Risk management	
TENANTS 	Review meetings	As required	Rent and other charges	CDC ensures rent and other charges are in line with market rates whilst space and facilities are provided to the highest standards.
	Feedback evaluation		Facilities and utilities	
	Correspondence		Maintenance and security	
	Periodic updates	Service quality		
	Field visits	At least once a year	Staff training/development	
	Announcements		Fire drills/risks associated	
EMPLOYEES 	HR Digital platform (HRIS), WhatsApp Groups, Group Email	Continuous and ongoing	Employee engagement and communication	CDC is committed to assure an excellent employee experience throughout the employee lifecycle. The Company believes a friendly and supportive work environment will be a definite positive impact on productivity and service quality. CDC makes a conscious effort to inculcate the Company core values among employees to drive the team towards a high-performance organisation and ultimately meet the expectations of all stakeholders.
	One-on-one discussions	As required	Technology collaboration	
	Staff meetings		Industrial harmony	
	Regular performance reviews	Annually	Employee well-being	
	Staff training	Ongoing	Conducive work environment	
	Remuneration and benefit reviews	Annually	Career growth and improving productivity	
			Employee development and enhancing quality of service	
		Competitive remuneration benefits		

Stakeholder Engagement

Stakeholder	Engagement Mechanism	Frequency	Topics of Concern	Our Response
GOVERNMENT AND REGULATORY AUTHORITIES 	Statutory reporting	As specified	Compliance	CDC ensures to comply with all laws and regulations applicable to every aspect of the Company's operations.
	Periodic payments and returns		Tax liabilities	
	Submissions to policymakers	As required	Labour regulations	
	Meetings and consultations		Employee terminal benefits	
	CSE disclosures and announcements			
SUPPLIERS AND BUSINESS PARTNERS 	Correspondence	As required	Registrations	Suppliers are selected based on a detailed evaluation, where external consultations are obtained depending on the complexity of the matter concerned.
	One-to-one meetings		Quality	
	Policies and procedures		Scope of work	
	Media releases		Terms and conditions	
	Supplier visits		Pricing	
	Resolving complaints		Warranties	
	Collaborations			
SOCIETY AND ENVIRONMENT 	Being subject to Company's audit, risk and compliance	Periodic	Ethical behaviour Business conduct	CDC remains committed to contribute towards improving community well-being and the development of sustainable communities.
	Tone at the top	Ongoing	CSR activities	
	Compliance culture	As required	Social and environmental impact of business activities	
	Donated photo therapy machines worth Rs. 430,000 to the Premature Babies Unit at the Homagama Base Hospital		Compliance culture	
	Shouldering the responsibilities of terminally ill employees	Ongoing		
	Other CSR Ongoing			

Management Discussion and Analysis

Governance and Risk Management

Financial Reports

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Management Discussion and Analysis

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Financial Capital

The financial capital of CDC comprises of stated capital, retained earnings and other reserves. It also refers to the pool of funds available for use in the production of goods or the provision of services, and reflected on the balance sheet.

Prudent management of financial capital is imperative for CDC to achieve its broad and specific strategic objectives, allowing the Company to create value and deliver on stakeholder expectations, while ensuring viability and sustainability of all operations.

An analysis of the results of operations and the financial position of CDC as at December 31, 2023 is given below.

Profit

CDC recorded an operating profit of Rs. 337.6 Mn. for the year compared to Rs. 336.3 Mn. recorded for the year 2022. Despite a significant drop in gross profit by Rs. 39.8 Mn. compared to 2022, mainly as a result of increased expenditure on maintenance of investment properties and increase in salaries and thus the related staff costs, the operating profit remained at a marginal increase of 0.4% over the year 2022. This is mainly due to the positive contribution brought by the increase in other operating income by Rs. 15.9 Mn. and the increase in fair value gain on investment properties by Rs. 33.4 Mn. over the year 2022. The timely decision by the Company to dispose four old vehicles which were almost a burden to the Company as they brought expensive repairs and maintenance generated a disposal profit or other operating income of Rs. 17.8 Mn. during the year.

Composition of Total Revenue

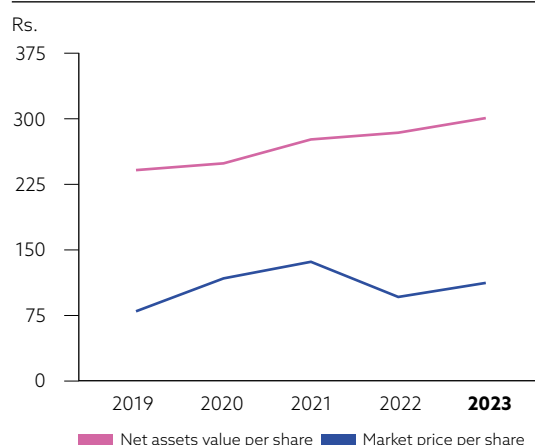
	2023		2022	
	Rs. '000	%	Rs. '000	%
Rent income on premises	277,372	40.3	271,371	43.0
Outsourcing services	256,211	37.3	226,715	35.9
Vehicle hiring income	106,184	15.5	90,995	14.4
Other utility services	47,744	6.9	42,047	6.7
TOTAL REVENUE	687,511	100.0	631,128	100.0

Consequently, net profit after tax in 2023 stood at Rs. 294.1 Mn., reflecting a steady growth of 31.1% compared to the net profit after tax of Rs. 224.4 Mn. in 2022. Although, a marginal increase is recorded in the operating profit, mainly due to the expenditure of additional refurbishment of the "Commercial House" building in addition to administrative expenses (including salaries and related staff expenses), CDC was able to record a higher net profit in 2023 with the interest income earned by investing earnings in high-yield deposits, negotiating with financial institutions to successfully secure higher interest rates. The Company received an additional Gross Interest income of Rs. 65.7 Mn. on its investments in 2023.

Financial Position

The total assets of the Company grew to Rs. 4,326.3 Mn. as at December 31, 2023 from Rs. 4,055.1 Mn. last year. Investment properties portfolio that generates rental income for the Company accounted for 72.3% of the total assets, 74.8% in 2022 as at the year end. The net assets of the Company stood at Rs. 3,621.5 Mn. as at December 31, 2023. The net assets per ordinary share also grew from Rs. 284.79 in 2022 to Rs. 301.79 in 2023.

Net Assets Value and Market Price per Share



Value Added Statement

	2023	2022
	Rs. '000	Rs. '000
VALUE ADDED		
Income from providing services	687,511	631,128
Cost of services	(154,792)	(91,796)
Value added by providing services	532,719	539,332
Other income	17,978	2,040
Fair value gain on investment properties	97,895	64,503
Net finance income	124,343	64,955
TOTAL VALUE ADDED	772,935	670,830

Distribution of Value Added

	2023		2022	
	Rs. '000	%	Rs. '000	%
VALUE ADDED TO EMPLOYEES:				
Salaries, wages, and other benefits	(267,062)	34	(227,249)	34
TO SHAREHOLDERS				
Dividends	(84,000)	11	(84,000)	13
TO GOVERNMENT				
Income and deferred tax	(167,917)	22	(176,912)	26
TO EXPANSION AND GROWTH				
Depreciation and amortisation	(43,896)	6	(42,292)	6
Retained profit	(210,060)	27	(140,377)	21
GROSS VALUE DISTRIBUTED	(772,935)	100	(670,830)	100

Intellectual Capital

The intangible assets and resources owned and controlled by a company are crucial for its performance, progress, and market valuation. In the case of CDC, intellectual capital comprises of managerial capabilities, brand and reputation, business ethics, systems and processes, tacit knowledge, internal auditing, labour relations, and organisational culture. This encompasses accumulated knowledge built up over the years in the form of information, ideas, and technical skills of the employees and the Company.

As a strategic measure, two out of the three senior managerial positions at CDC are seconded by Commercial Bank. This measure was initiated a few years ago to ensure that the best practices of the parent company are implemented in CDC. Since its implementation, operations have been elevated to a commendable level. Furthermore, as a result of this initiative, the Management of the Company maintains a cordial relationship with the Commercial Bank, ensuring a win-win situation for both entities. The employees seconded from the Commercial Bank bring notable expertise in administration, management, finance, banking, risk management, compliance, best HR practices and cost control methods. All crucial decisions, especially regarding costs, are referred to the experts from the Bank to ensure adherence to the best practices and compliance.

The image and reputation of CDC are inextricably linked with and defined by its parent company. This strengthens CDC's risk management, as well as audit and regulatory compliance, aligning with the guidelines of the Central Bank of Sri Lanka. Additionally, internal audit functions are outsourced to Messrs B R De Silva & Company. The Inspection, Anti-Money Laundering and Risk Management divisions of Commercial Bank closely monitor CDC's operations in order to minimise various risk factors. The Company has built up a formidable level of tacit knowledge, technical skills, and expertise during its operations of over four decades. High level of talent retention has enabled the transfer of knowledge and skills across different functionalities, as well as to new staff, and staff members are encouraged and given opportunities to share their experience and leverage their knowledge through formal and informal means. The secondments from Commercial Bank to CDC have immensely helped CDC in this aspect.

The implementation of the Human Resource Information System (HRIS) for the automation of human resource functions has further enhanced the existing systems and processes within CDC. This has improved efficiency, accuracy, and relevance of organisational processes in line with the

ongoing business expansion. Moreover, it has enabled the Human Resources (HR) Department to maintain a master database containing the details of all employees, facilitating the automation of attendance, leave, claims and payroll functions of the workforce. The payroll module in this system enables the HR Department to effectively maintain salary grades and other allowances; advances and loans; overtime; no-pay calculations; PAYE-tax functions; and several more operations. It also enables employees to apply for leave, make claims, and check attendance. In addition, HRIS has reduced the amount of paperwork which increases cost-savings and boosts its measures to minimise waste. It has also reduced the demand for manual work needed to maintain HR operations.

In 2023, as the second phase of the HRIS initiative, CDC developed a well-structured intranet facility for the benefit of all employees. The intranet is equipped with all the necessary information, significantly reducing the time spent gathering required information manually and ensuring employee productivity. The full-scale intranet facility is expected to launch by early 2024. The cost of developing the intranet facility was substantially reduced since it was developed by staff members attached to the Company.

CDC is confident the migration of key accounts related operations to a cloud-based computing system through an advanced Oracle Cloud Infrastructure will ease the operations while assuring the productivity as well as the clarity. Last year, it was proposed that CDC would undertake the telephone operations of Commercial Bank of Ceylon PLC to further enhance CDC's intellectual capital; however, in 2023, technological advancements made it unfeasible to carry this out, and accordingly, it has been decided to amalgamate Telephone Board operations with the Bank's Call Centre.

Manufactured Capital

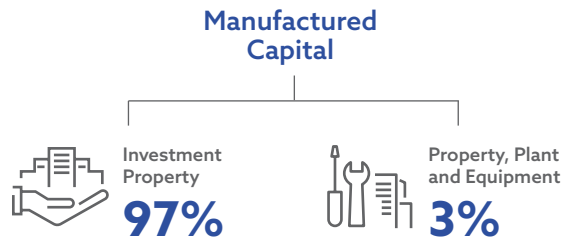
Manufactured capital plays a pivotal role in the value creation model of Commercial Development Company PLC, as it is primarily engaged in the ownership and development of property. CDC's portfolio of manufactured capital encompasses investments in real estate assets and infrastructural facilities needed for carrying out activities connected with its primary lines of business of renting company-owned properties and vehicles; outsourcing human resources; and other utility services.

97% of CDC's manufactured capital is in the form of investment properties, including the "Commercial House" building at Colombo 01, the Commercial Bank branch in Tangalle, and the car park of the Commercial Bank branch in Negombo. The property rental portfolio accounts for 40% of the operating income, which amounted to Rs. 277.4 Mn. as of December 31, 2023. The tenancy agreement with the Bank already includes a provision to increase the rental for the year 2024 in keeping with prevailing market rates which in turn will result in an increase in rental income on investment property for the ensuing year. The total rental income thus derived from investment property can be attributed as follows: 97.4% from "Commercial House", 1.4% from Tangalle branch, and 1.2% from the car park of the Commercial Bank branch in Negombo.

Commercial Bank of Ceylon PLC holds the right of tenancy to the "Commercial House" building, which occupies a prime location in the heart of Colombo's premier business area. While the building has been occupied for over four decades, structural adjustments and improvements carried out during this period have been limited in their scope. As part of the new negotiated rental agreements, CDC has agreed to bear the cost of all structural improvements to the building, as well as provide maintenance work, especially in relation to air conditioners; thereby adding a new revenue stream to the business.

It is the utmost responsibility of CDC to maintain the Commercial Bank Head Office building at its best while assuring all infrastructure facilities are in place. In this context, CDC has undertaken several maintenance initiatives of the building in 2023, which included repairing cracks on the external walls and colour washing them, as well as fully refurbishing all 39 washrooms to improve the building's appearance and provide comfort to the users. Additionally, the washroom refurbishments included replacing 731 different fittings as well as 52 washroom doors and the mirrors. Meanwhile, the basement, external walls, and the rooftop of the building were waterproofed to strengthen the structures from environmental and natural factors. For all these requirements, CDC allocated Rs. 75 Mn. in its budget, to cover the expenditure that will ensure the continued upkeep of the four decade-old building and increase comfort

of all Bank personnel and customers. It is also worth mentioning that upon completion of these refurbishments, the rental could be increased at the next renewal slated for the end of 2024.



CDC entrusts the valuation of all of its investment properties each year to professional valuers based on accepted methods of valuation, to arrive at a fair value that reflects current market conditions. The annual valuation carried out during the year indicated a fair value gain on properties owned by the Company.

Meanwhile, CDC's fleet of luxury vehicles, currently rented out to the Commercial Bank of Ceylon PLC, is likely to be replaced by new vehicles in the coming years, which would reduce the running and maintenance costs. In 2023, CDC disposed four vehicles; three of these vehicles were more than 15 years old and the other high-end vehicle was fully depreciated. CDC had been expressing its concerns owing to the high maintenance cost required to keep these four vehicles operational. Accordingly, three vehicles were released by Commercial Bank and sold at a price through an open tender, while the fully depreciated high-end old vehicle was disposed separately deriving a profit of Rs.17.8 Mn. on disposal for all four vehicles. However, looking to 2024 and ahead, CDC must take into account that import restrictions will make it less easy to replace the disposed vehicles.

Since the gradual easing of COVID-19 restrictions and the return of employees to office settings, the Company has witnessed a positive shift in demand for office space. Many businesses have begun to transition away from remote work arrangements, leading to an increased need for physical office spaces. Furthermore, with economic conditions improving, there is renewed optimism among businesses, resulting in a resurgence of operations and a potential uptick in the opening of new offices/branches. Consequently, the Company anticipates a favourable trend in demand for its rental operations, reflecting the broader recovery in business activities. However, the opening of several mixed development projects in Colombo during recent times, and the opening of the Colombo Port City in the near future could lead to some erosion in the demand for office space within the City's main business area around Colombo 01.

Human Capital

The experienced and trained team of 211 individuals at CDC provides Commercial Bank an effective and efficient service that is geared towards long-term, sustainable value creation. Further, well-structured training programmes, backed by hands-on experience are provided to assure the employees are providing a professional and unmatched service to our client, Commercial Bank. The Company has a unique advantage in this respect, as its employees are familiar with the personnel, working environment, and working styles of the client, while also having an exceptionally high retention rate. As a result, this creates strict confidentiality in the performance of their duties, which is essential in the banking sector.

	2018	2019	2020	2021	2022	2023
Permanent employees	206	207	205	196	193	192
Contract employees	8	5	7	11	17	17
Seconded employees from the parent company	1	3	3	3	3	2

Workforce Composition

- As of December 31, 2023, the total employees of CDC stood at 211, of whom 62% were males and 38% were females.
- Out of its total employees, 87% have an employment period of over 6 years and 54% have an employment period of over 10 years with the Company.
- The analysis of permanent employees by age indicates that 37% are between the ages of 31-40 years and 51% between the ages of 41-50.

Service Analysis of Employees - 2023

Years of service	Male	Female	Total
Less than 5	23	5	28
5 - 10	35	35	70
11 - 15	57	33	90
16 - 20	12	3	15
Over 21	4	4	8
TOTAL	131	80	211

Age Analysis of Employees - 2023

Age (years)	Male	Female	Total
18 - 20	0	0	0
21 - 30	7	2	9
31 - 40	43	35	78
41 - 50	70	37	107
51 - 55	8	4	12
Over 56	3	2	5
TOTAL	131	80	211

Employee Recruitment by Age - 2023

Age (years)	Male	Female	Total
18 - 20	0	0	0
21 - 30	4	2	6
31 - 40	3	1	4
41 - 50	3	1	4
51 - 55	2	0	2
Over 56	0	0	0
TOTAL	12	4	16

Training and Development by - 2023 Grade

	Male	Female	Total
Senior Management and above	1	0	1
Executive Staff	2	0	2
Non-Executive Staff	29	10	39
TOTAL	32	10	42

Employee Turnover by Grade - 2023

	Male	Female	Total
Senior Management and above	0	0	0
Executive Staff	1	0	1
Non-Executive Staff	10	6	16
TOTAL	11	6	17

Staff turnover this year was slightly higher than in previous years, yet is still low enough to serve as proof of the trust and satisfaction placed by employees in the Company, as well as the excellent working environment, career progression, and emoluments on offer.

Employee Turnover by Age - 2023

Age (years)	Male	Female	Total
18 - 20	0	0	0
21 - 30	2	1	3
31 - 40	7	1	8
41 - 50	1	3	4
51 - 55	1	1	2
Over 56	0	0	0
TOTAL	11	6	17

Employee Benefits

Between the effects of the COVID-19 pandemic in 2020 and the prevailing economic downturn, CDC has been providing staff members with regular annual increments to help mitigate the effects of soaring inflation to an extent, in order to retain staff members.

Moreover, staff bonuses, ex-gratia payments and increments have been offered by way of incentives, in addition to staff remuneration. In light of the country's challenging economic conditions, the special monthly allowance previously paid to staff was added to their basic salaries which resulted an increase in their income.

Considering financial hardships faced by the lower/middle level employees, all salaries were elevated in 2023 based on total salaries of each grades and the increase is substantial compared to previous years. In addition to the direct financial benefits availed to the employees, the policy values of the Health Insurances have also been increased to meet the increasing medicine cost. As a company operating in these highly uncertain economic conditions, the decision to offer more benefits to its staff could be considered bold, especially considering that many leading companies are currently in the process of reducing facilities for their staff members.

Employee Development

As a company that firmly believes in strengthening the intellectual resources and skills of employees, and providing them with career development opportunities, CDC has been holding regular internal and external programmes during the year. These included 18 training programmes, hands-on training sessions organised by experienced and qualified professionals within CDC and Commercial Bank, and encouraging technical staff members to pursue higher levels of NVQ certifications to enhance their knowledge. The details are listed below:

Name of Course/Programmes	Internal/ External Trainer	No. of Participants	Duration/ Hours
Certificate in foundation in audio engineering	External	1	03 months
Practices on air-conditioning installation and maintenance	External	5	01 day
Training on lightening and protection	External	2	01 day
Electrical examination/NVQ level 4	External	1	01 day
'Competency development' training for support service operators	External	8	01 day
Taxation - CIMA	External	2	12 days
Split/Cassette type A/C unit maintenance	External	4	02 days
Certificate NVQ level 4	External	1	06 months
Ref. Air condition by Ceylon German Tech.	External	1	01 day
Certificate NVQ level 4	External	1	06 months
Certificate NVQ level 4	External	1	06 months
Financial reporting	External	2	06 days
Seminar on corporate governance	External	2	01 day
Training - Serving in a new era'	External	2	01 day
Generator maintenance by DIMO	External	15	01 day
Training - Electrical installation maintenance and industrial wiring skill	External	3	02 days
Training - Air Condition Services	External	2	01 day
Training - Excellence customer service	External	4	01 day

Employees who showed exceptional promise and dedication to self-advancement have been promoted to higher grades, based on evolutions of their performance and potential.

Employee Well-being and Engagement

In addition to the health facilities available to staff members (insurance covers), CDC has provided care for three employees diagnosed with cancer. Despite the significant costs involved, since 2022, the Company has been financially supporting these three employees and their families to ensure their well-being. This effort reflects the Company's commitment to go the extra mile during this challenging time, despite the numerous difficulties it faces in a competitive environment.

In order to assure employee interaction, an annual staff get-together an overnight stay with three meals at a star class hotel was held for all staff and their family members in the month of October 2023.

New Trends

The Company has developed a user-friendly intranet facility for the convenience of all employees. Through this measure, employees have the advantage of accessing important company information, including information pertaining to the Director Board/Executive Management, circulars, policy documents, organisational structure, and details of all employees, etc.

It is expected to launch the full operation of the intranet facility in early 2024.

Social and Relationship Capital

To create and deliver value, both for the Company as well as its stakeholders, CDC diligently focuses on delivering value to its customers, business partners, investors and communities in its areas of operation, as well as the larger social environment. This effort has resulted in the establishment of enduring trust and loyalty between the Company and its stakeholders. Commercial Bank of Ceylon PLC remains the sole customer of the Company since its inception in 1980, as well as the foundation upon which it rests and derives sustenance. This parent-subsidiary relationship has stood the test of time by being exemplary, and intertwined in creating value for each other.

Sole Customer

The profitability and growth of CDC lies in its ability to function effectively as the subsidiary of the largest private sector bank in Sri Lanka. In turn, this depends on the growth of the economy, the banking sector in particular. The core services offered to the Bank extend beyond renting the premises and vehicles, outsourcing of staff, and the provision of utility services; the outsourcing of staff remains particularly important, as CDC has achieved a high degree of specialisation in this aspect in addition to ensuring the confidentiality of such staff engagement.

Moreover, CDC has also been entrusted with the maintenance of 330 units, consist of Water Cool package and Split Units. These units are installed in Commercial Bank Head Office building and a number of Commercial Bank branches. In addition to the above units, the Magnetic Bearing Centralised Chiller, installed in year 2017, is owned and maintained by CDC. The main grid of "Commercial House" building is also maintained and repaired by CDC.

Skilled and trained technicians are deployed for routine servicing activities, as well as installations and emergency breakdowns. The Company's badge of merit over the years has been in ensuring efficient and timely service at all times, which has earned the appreciation of Commercial Bank. An agreement is provided by CDC for the governance of utility services, which is renewed annually. CDC always assures a rapid and trustworthy service to Commercial Bank at market rates, and the Bank has been greatly benefitted from this service due the Company's reliable and competent staff.

CDC also rents out and maintains a fleet of vehicles to the Bank as part of its service offering. The Company outsources staff for certain non-core activities of the Bank, including the roles of telephone operators, drivers, maintenance staff, caretakers, and other support staff; taking charge of these ancillary functions to free the Bank to focus on its business priorities. CDC's highly evolved ability to meet the Bank's

needs, particularly between the 2020 COVID-19 pandemic and the 2022 financial crisis, has endowed it with the ability to adapt its services and methods of delivery to meet emergencies and difficult circumstances.

Expanding the customer base, or providing the current customer with a broader range of services could significantly enhance financial performance and professional profile of the Company. However, despite continued efforts, CDC has met with limited success in receiving the required due to restrictions imposed by the regulatory authorities. Even though the continuous efforts of the Company were not successful in this context, attempts will be made to do outside businesses as a measure of expansion.

Even though the opportunities for CDC to expand are limited, CDC will never hesitate to undertake any form of business from Commercial Bank if it assures reasonable returns to CDC while providing superior service. In this context, CDC was highly successful as it managed to secure a new business line to sanitise Commercial Bank buildings and vehicles during the pandemic years of 2020, 2021, and 2022. CDC earned extra profits from this project while ensuring the safety of the staff members and customers of Commercial Bank. CDC achieved this success without heavy investments or new recruitments, showcasing the true potential of the maintenance staff. Hence, CDC is always confident that it has the capacity to grasp any form of business element from Commercial Bank if such a business line could be accommodated by CDC with the available resources.

Business Partners

The portfolio of services offered by CDC requires the expertise and partnership of engineering companies, professionals of varied categories, and local agents of vehicle manufacturers. The wide range of skills and expertise of these business partners across different fields complements CDC's managerial skills, and ensures meeting its service obligations towards its parent company. As such, the Company enters into contracts with reputed companies as its business partners in order to extend its services effectively to Commercial Bank.

Community

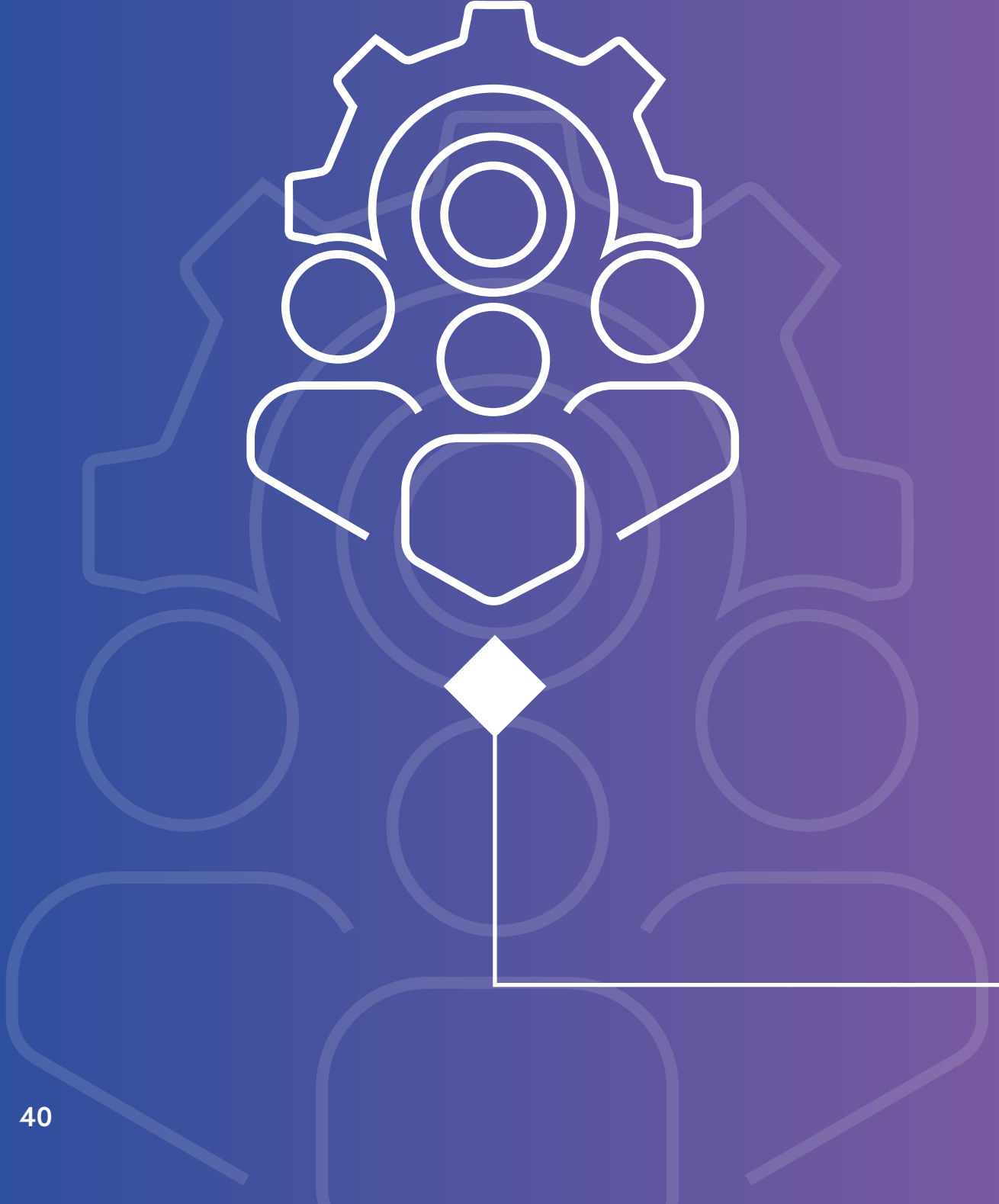
Extending its consideration and goodwill towards society, the Company engages in its Corporate Social Responsibility activities in fields where it feels its presence would be of vital importance and wide-ranging impact. This year, CDC bore the total cost of Rs. 430,000 for the provision of Photo Therapy Machines to the Homagama Base Hospital in order to treat newborn babies in the Premature Babies Unit.

Natural Capital

Natural capital refers to all renewable and non-renewable environmental resources and processes that provide goods or services to support the past, current, or future prosperity of an organisation. While CDC functions as a purely service-based organisation and therefore has no significant impact on the natural environment, considerable effort has been taken to keeping its carbon footprint and other environment-related metrics to the barest minimum. This is further reinforced by its relationship with Commercial Bank, which has achieved carbon neutrality for all of its operations, and the stated goal of being a net-zero carbon company, with responsible environmental stewardship. Some of the initiatives undertaken by CDC in furthering its environment-related policy during the year include:

- Purchasing and installing three new bus bar capacitors as well as pressure sensors for a cost of Rs. 8 Mn. to replace the old parts in the centralised chiller that reduces energy consumption.
- Meanwhile, the Human Resource Information System (HRIS) has helped to reduce paperwork, thus eliminating paper wastage and work in a paperless environment.

With the implementation of the full operation of the intranet, paperwork and time spent on gathering information will be further reduced.



Governance and Risk Management

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Board of Directors and Profiles



Mr B R L Fernando
Chairman



Mr S C U Manatunge
Managing Director



Mr A L Gooneratne
Director



Mr A T P Edirisinghe
Director



Mr L D A Jayasinghe
Director



Mr U I S Tillakawardana
Director



Dr R A Attalage
Director

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 Non-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

Chairman – First Guardian Equities (Pvt) Ltd., Tropibar (Pvt) Ltd., Tropical Abundance (Pvt) Ltd., and Noorani Estates (Pvt) Ltd.

Director – Ceylon Tea Brokers PLC, St. Nicholas' Education Services (Pvt) Ltd., and Lanka Hydraulic Institute (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 – 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 and Cultural Association (JASTECA).

Shareholding in the Company: Nil

Mr S C U Manatunge

Managing Director

- Managing Director of the Company since May 12, 2022

Skills and experience

Fellow of Chartered Institute of Management Accountants – UK (FCMA – UK)

Fellow of Chartered Global Management Accountants (CGMA) MBA – University of Sri Jayewardenepura (Merit Pass)

Fellow Member of the Institute of Bankers – Sri Lanka (FIB)

Fellow of the Institute of Certified Management Accountants of Sri Lanka (FCMA)

Fellow of the Chartered Management Institute, UK (FCMI)

Member of Sri Lanka Institute of Directors

Member of Certified Practicing Accountants – CPA (Aus.)

Other current appointments

Managing Director/Chief Executive Officer – Commercial Bank of Ceylon PLC

Deputy Chairman – Commercial Bank's of Maldives (Pvt) Limited

Vice Chairperson – Sri Lanka Bank's Association (Guarantee) Limited

Council Member – Employers' Federation of Ceylon

Executive Member – Council for Business with Britain

Director – Credit Information Bureau of Sri Lanka

Director – LankaPay (Pvt) Limited

Previous appointments

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

Deputy General Manager – Corporate Banking – Commercial Bank of Ceylon PLC

Chief Risk Officer – Commercial Bank of Ceylon PLC

President – Association of Banking Sector Risk Professionals in 2014

Council Member – Association of Professional Bankers (APB)

Member – CIMA – "Thought Leadership Committee"

Adjudged the "Chief Information Security Officer of the Year" at the EC – Council Global CISO Forum held in Atlanta – USA in September 2013 in recognition of his outstanding contribution in strengthening and promoting information security practices and IT Risk Management.

Resource person at the Training Centre of the Central Bank of Sri Lanka and the Institute of Bankers of Sri Lanka.

Shareholding in the Company: Nil

Mr A L Gooneratne

Director

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

Non-Executive Independent Director Lanka IOC PLC

Non-Executive Independent Director Teejay Lanka PLC

Previous appointments

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

Founder Chairman – Financial Ombudsman Sri Lanka (Guarantee) Ltd.

Chairman – Sri Lanka Banks' Association (Guarantee) Ltd.

Chairman – Commercial Insurance Brokers (PVT) Ltd.

Director – Commercial Leasing PLC

Director – Sri Lankan Airlines Ltd. (From 2002-2004)

Managing Director – Melstacorp PLC (from 2012-September 2022)

Board member of several Melstacorp PLC Group subsidiary companies including the following Public Listed Subsidiary companies; Aitken Spence PLC, DCSL PLC, Browns Beach Hotel PLC, Balangoda Plantations PLC.

Shareholding in the Company: Nil

Mr A T P Edirisinghe

Director

- Director since April 04, 2008
- Member of the Board Audit Committee and the Board Remuneration Committee
- Non-Executive Non-Independent Director

Skills and experience

Fellow of The Institute of Chartered Accountants of Sri Lanka,

Fellow of the Chartered Institute of Management Accountants – UK

ICLP Diploma in Commercial Arbitration. Counts over 53 years' experience in both public practice and in the private sector

Other current appointments

Consultant/Advisor – BAKERTILLY Edirisinghe & Company, Chartered Accountants

Managing Director – PE Management Consultants (Pvt) Ltd.

Serves on the Boards of several other quoted and non-quoted companies where he also serves as a member of the Audit Committee, as a member of the Remuneration Committee and a member of the Related Party Transactions Review Committee being Chairman of some of them and as a member of a Group Nominations Committee.

Previous appointments

Senior Partner – HLB 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 Non-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 35 years of experience in public practice and 14 years in the private sector.

Other current appointments

Senior Partner – Jayasinghe & Company, Chartered Accountants and serving as Director in a number of companies

Previous appointments

Past President – The Association of Accounting Technicians of Sri Lanka

Shareholding in the Company: Nil

Mr U I S Tillakawardana

Director

- Director since December 01, 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 (LLB)
University of Colombo

MA – University of Colombo

Other current appointments

Deputy General Manager – Commercial Bank of Ceylon PLC

Director – Commercial Insurance Brokers (Pvt) Ltd.

Non-Executive Director – Commercial Bank of Maldives (Pvt) 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

Dr R A Attalage

Director

- Appointed on January 01, 2023
- Non-Executive Independent Director

Skills and experience

PhD, Ecole Nationale Supérieure des Mines de Paris, France
DEA (Degree of Profound Studies), Ecole des Mines de Paris, France

MEng., Asian Institute of Technology

BSc Engineering (Hons) in Mechanical Engineering, University of Moratuwa

Member Institution of Engineers Sri Lanka – Chartered Engineer

Fellow National Academy of Sciences Sri Lanka

Other current appointments

Pro – Vice Chancellor (Academic)/Professor in Mechanical Engineering – Sri Lanka Institute of Information Technology
Professor Emeritus University of Moratuwa

Previous appointments

Senior Professor in Mechanical Engineering – University of Moratuwa

Deputy Vice Chancellor – University of Moratuwa

Professor in Mechanical Engineering – University of Moratuwa

Commissioner, Public Utilities Commission, Government of Sri Lanka

Visiting Faculty – Asian Institute of Technology, Thailand

Visiting Professor in the International Cooperation Centre for Engineering Education Development (ICCEED) – Toyohashi University of Technology, Japan

Chairman – National Institute of Fisheries & Nautical Engineering, Government of Sri Lanka

Shareholding in the Company: Nil

Executive Management



Mr Ruwan De Silva

Chief Executive Officer

Mr Ruwan De Silva is an experienced and professional Banker, who joined Commercial Bank in year 1984, just after leaving the school. In May 2019, Mr De Silva was appointed by the Commercial Bank Management to serve for Commercial Development Company in the capacity of the Chief Executive Officer on secondment.

He had worked nearly 36 years for Commercial Bank in a number of divisions and had earned extensive experience in Branch Banking, Foreign Operations, Trade Finance and Corporate Banking. Prior to undertaking the responsibilities at Commercial Development Company, Mr De Silva was serving for Commercial Bank in the capacity of Senior Branch Manager in Personal Banking Division.

Professional Qualifications

- Masters in Financial Economics – University of Colombo
- Postgraduate Degree in Development Economics – University of Colombo
- Associate Member of Association of Professional of Bankers – Sri Lanka



Mr W H Wijesekara

Finance Manager

Mr Wijesekara joined CDC in April 2011. Prior to joining CDC, he also served as a Senior Assistant Accountant for CBC Tech Solutions Limited, a fully owned subsidiary of Commercial Bank of Ceylon PLC. Mr Wijesekara also possesses multi-sectoral financial experience in Information Technology, telecommunication services and travel and tourism industry with an overall tenure of 24 years.

Professional Qualifications

- Associate Member of the Institute of Certified Management Accountants of Sri Lanka (ACMA, SL)
- Finalist of Association of Chartered Certified Accountants, UK (ACCA-UK)



Mrs Kumari Perera

Head of Human Resources

Mrs Perera has been working for Commercial Bank for more than three decades. In year 2020, she was seconded by Commercial Bank Management to undertake the responsibilities in Human Resources Division in Commercial Development Company.

Mrs Perera, a qualified professional in HR, holds the position of Head of Human Resources in Commercial Development Company PLC.

Professional Qualifications

- Master of Business Administration – Cardiff Metropolitan University
- Associate Member of Association of Professional Bankers – Sri Lanka
- Currently following Chartered Qualification in Human Resource Management (CIPM)
- Certificate in Labour Law and Industrial Relations at the Employers' Federation of Ceylon
- Diploma in Personal and Professional Communication – University of West London
- Past President of Commercial Bank Toastmasters Club
- Certificate of Competent Communicator/Competent Leader – International Toastmasters
- Advanced Leader Bronze – International Toastmasters

Corporate Governance

Principles of Corporate Governance

The Board promotes good corporate governance in the areas of risk management and accountability as a positive contribution to business prosperity.

Further, the Board endeavours to apply corporate governance principles in a sensible and pragmatic fashion having regard to the circumstances of the business. The key objective is to enhance and protect shareholder value.

The Company is keen on the new Listing Rules particularly with regards to the rules on corporate governance as principles behind them will enhance the good corporate governance standards and provide appropriate information to Shareholders.

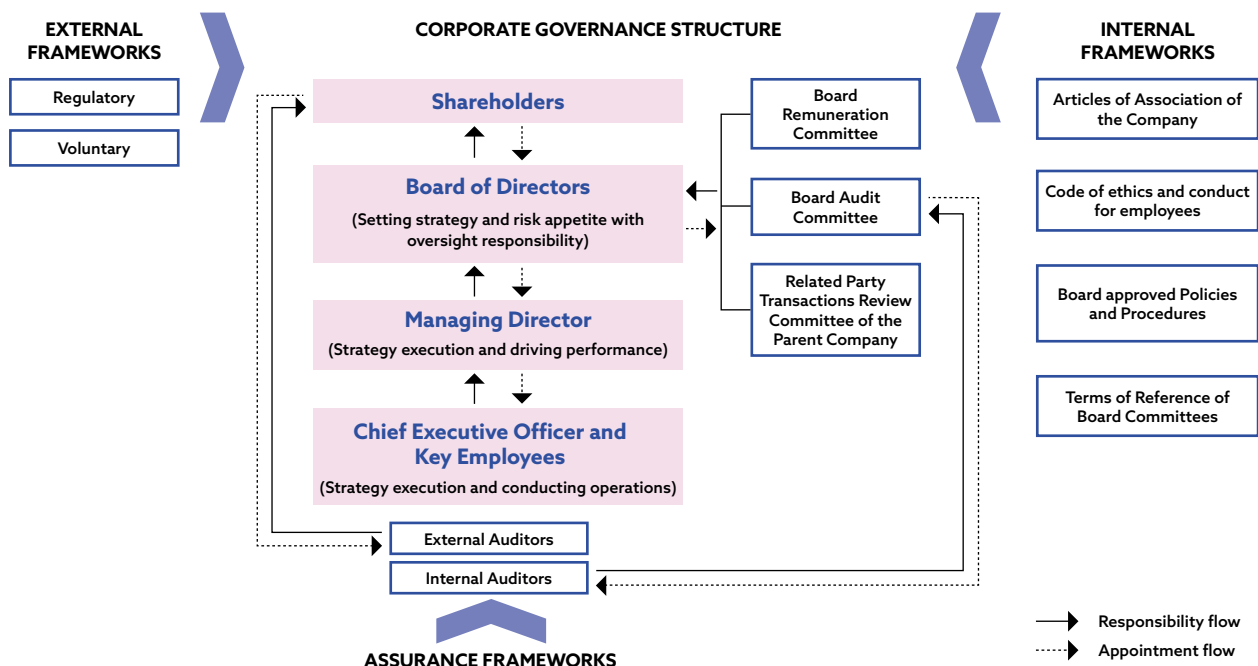
In this regard, the Board ensures devising strategies and means to comply with the new Listing Rules on or before the respective deadline enforced by the regulator. This corporate governance report indicates the level of compliance with the requirements of the Listing Rules of the Colombo Stock Exchange as at December 31, 2023.

The Board has determined that the Company's purpose is to create and manage investment properties and provide other support services to deliver positive outcomes for all our stakeholders on a sustainable basis. We do this by understanding the evolving needs of the clients who use our spaces and services every day and the communities who live in and around them.

The changing way our clients choose to work is what shapes our strategy, enabling us to drive demand for our space, in turn creating value over the long term. The Board, supported by an expert management team, continues to maximise the competitive advantages of the Company by utilising a deep history of stakeholder engagement to produce spaces and other support services to maximise sustainable value for shareholders.

The system through which corporate entities are directed, managed and controlled is what is defined as corporate governance and at Commercial Development Company PLC (CDC), we strive to implement this system in an accountable and transparent manner. CDC's robust governance framework and sound principles have proven to be a solid foundation of driving sustainable value. The Company also has a positive approach towards the content of the revised Listing Rules, as it has been drafted in a way to enhance the corporate governance standards and thus the value of the Company.

The Company's governance structure is illustrated in the diagram below:



The Board has set in place a governance framework and structure appropriate to the Company's size, nature, complexity, and risk profile. These are reviewed when necessary, to adapt to regulatory developments, internal requirements, and reflect best practices. The framework is built on the core principles of transparency, accountability, and ethical conduct which are essential for the creation, enhancement and maintenance of a sustainable business model.

The governance structure in place focuses on the responsibility of the Board of Directors, Board Committees and Executive Management of the Company who formulate, execute, and monitor the Company's business objectives.

It further endorses the operating structure of the Organisation, assignment of responsibilities and authority levels, setting up of reporting lines and information to be conveyed as well as the deployment of systems of internal control, including risk controls, compliance and internal audit.

Being a listed entity and with the largest private sector bank as the parent company, adhering to principles of good governance is of critical importance to the Company. Hence, it strives to ensure strict compliance with the continuing listing requirements set out in the Listing Rules of the Colombo Stock Exchange and rules on Corporate Governance (Listing Rules), the requirements of the Securities and Exchange Commission of Sri Lanka, the Code of Best Practice 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

The Directors are committed to maintaining high Standards of Corporate Governance and seek to comply with all the requirements pertaining to the Corporate Governance of quoted Companies. CDC's core underlying principle is "to ensure that the Company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

The Board has the ultimate responsibility in defining the overall strategic direction, policy frameworks, internal controls, risk management and reporting mechanisms that enables the effective oversight of the Commercial Development Company PLC.

Consequently, the Board sets the tone at the top by strengthening our corporate values through deliberations and guidance provided to the Management. The Board remains true to the corporate values and beliefs that is shaping our unique organisation culture while carrying out its duties with integrity. These matters are clearly identified in the Board Charter which defines the role of the Board with clear responsibility for setting the tone at the top.

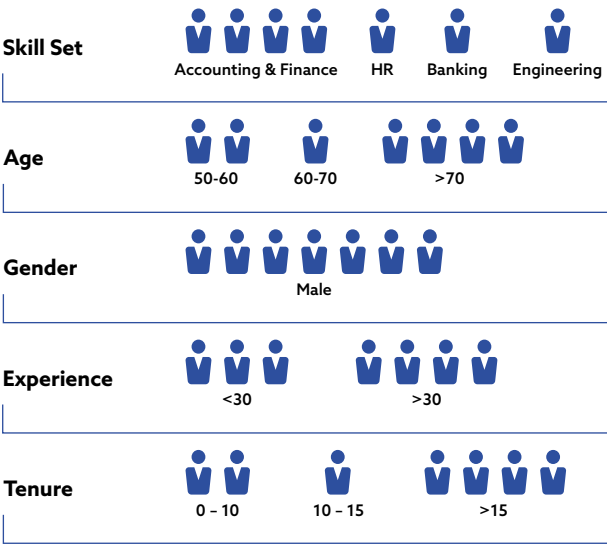
The Composition of the Board and the Board Balance

As per the Rule No. 9.8 of the Listing Rules of the CSE, the Board shall at a minimum consist of five Directors. The Company having seven Directors as at December 31, 2023 complies with the requirement on minimum number of Directors on the Board. However, as explained in the Chairman's message appearing on page 12 to 14, since three Directors, including the Chairman will not seek re-election at the forty fourth Annual General Meeting (AGM) to be held on March 27, 2024, the total number of Directors will reduce to four Directors immediately after the AGM. In addition, the above rule on board composition further states that the Company must at least have two independent Directors or one third of total number of Directors at any time, whichever is higher. These circumstances necessitate the Company to have at minimum two independent Directors. Accordingly, as permitted by the Colombo Stock Exchange, arrangements are being made to rectify the required composition of Board of Directors on or before October 01, 2024.

The composition of Executive and Non-Executive, Independent Directors brings the right mix of knowledge required to operate the business sustainably. The Executive Director brings in extensive knowledge of the business through experience while the Non-Executive Directors and the Independent Director bring in the required experience, objectivity and independent oversight to the business. During the year under review Dr R A Attalage was appointed as an Independent Non-Executive Director bringing up the total number of Directors to seven.

Current composition of the Board is as follows;

Name of the Director	Executive/Non-Executive Status	Status of Independence
Mr B R L Fernando (Chairman)	Non-Executive	Non-Independent
Mr S C U Manatunge	Executive	Non-Independent
Mr A L Gooneratne	Non-Executive	Non-Independent
Mr A T P Edirisinghe	Non-Executive	Non-Independent
Mr L D A Jayasinghe	Non-Executive	Non-Independent
Mr U I S Tillakawardana	Non-Executive	Non-Independent
Dr R A Attalage (Appointed on January 01, 2023)	Non-Executive	Independent



We continue to have a strong mix of experienced individuals on the Board, despite many cease to hold their independence status with the revision of the Listing Rules of the Colombo Stock Exchange.

Mr B R L Fernando, the Chairman, Mr A L Gooneratne, Mr A T P Edirisinghe and Mr L D A Jayasinghe, the Directors of the Company, after considering all other relevant circumstances, were previously considered as nevertheless independent despite they are over seventy years of age and have served on the Board for more than nine years since their first appointment. However, the “nevertheless independent” status as permitted by the previous rule (Rule No 7.10.3 (b) of the Listing Rules of CSE) ceased to exist with the revision of Listing Rules effective from October 01, 2023. Further, Mr B R L Fernando, Mr A T P Edirisinghe and Mr L D A Jayasinghe will not seek re-election at the forthcoming Annual General Meeting of the Company. Therefore, as permitted by the Colombo Stock Exchange, arrangements are being made to rectify the required Board composition in accordance with the Rule No 9.8 of the Listing Rule of the Colombo Stock Exchange on or before October 01, 2024.

All Non-Executive Directors have submitted declarations on their independence or Non-Independence as required by Rule No. 9.8.5 (a) of the Listing Rules.

As at December 31, 2023, the Board comprised of the Managing Director and six other Non-Executive Directors. Out of these Non-Executive Directors, Dr R A Attalage, a mechanical engineer by profession and who was appointed to the Board on January 01, 2023 can be considered as an Independent Director as per the Rule No. 9.8.3 of the Listing Rules of the Colombo Stock Exchange.

The Non-Executive Directors who are not only able to offer an external perspective on the business, but also constructively challenge Executive Directors, particularly when developing the Company’s strategy and in their performance. Our governance structure is designed to ensure that decisions are taken at the appropriate level and with the proper degree of oversight and challenge. Elements of our business require quick decision making and this is enabled by an agile Board and management team that collaborate effectively on complex issues.

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 the Company and as such they are independent of management and free of business relationships. Further, either Directors or their close family members do not have any material business relationship with other Directors as stated in Rule No. 9.10.4 (c) of the Listing Rules of the CSE.

In terms of Rule No. 9.8.3 (vii) (b) of the Listing Rules, Mr S C U Manatunge, 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/Chief Executive Officer. The Bank has material business connections with the Company together with a significant shareholding. In addition, Mr U I S Tillakawardana, a Director of the Company, is not an Independent Director as per Rule No. 9.8.3 (vi) (c) as he functions as the Deputy General Manager – Human Resource Management, a member of the Key Management Personnel of the Bank.

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. The Board has planned to set up a separate Nominations and Governance Committee as per the guidelines provided in the Section 9 of the Listing Rules of the Colombo Stock Exchange.

Policies on Matters relating to Directors and Corporate Governance

The Company has adopted a Code of Business Conduct and Ethics (for employees and Key Management Personnel.) through the HR Policy of the Company.

As required by Rule No. 9.2 of the Listing Rules of the Colombo Stock Exchange, required policies will be formulated and implemented on or before October 01, 2024.

Policies on governance and Board of Directors contained in the Rule No. 9.2.1 will be developed and published in the Company's website on or before October 01, 2024.

The Roles 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 and risk management 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 Company Secretary. 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 encompasses 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 seven 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 where they are Directors are set out on pages 42 to 46 in the "Board of Directors and Profiles."

Fitness of Directors and the CEO

Conduct of all Directors and the CEO can be considered as honest as there was no any events that deteriorated their honesty. Further, there were no any event or reason damaging their integrity and or reputation.

All Directors and the CEO being professionally qualified in their relevant fields, comes with a wide range of experience, competencies and skills. They are considered to be financially sound as there were no any events reported, deteriorating their financial soundness as indicated in Rule No. 9.7.3 (c) of the Listing Rules of the Colombo Stock Exchange (CSE).

Accordingly, Directors of the Company have continuously satisfied the 'Fit and Proper' assessment criteria as set out in the Rule No. 9.7.3 of the Listing Rules of the CSE.

Access to Information

Through the Board Audit Committee (BAC), the Board is provided with 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

The Articles provides 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 appointment, after which they must seek re-election.

Accordingly, Dr R A Attalage who was appointed to the Board on January 01, 2023 to fill a casual vacancy as permitted by the Articles of Association of the Company, was already re-elected at the 43rd Annual General Meeting held on March 31, 2023.

The Articles of Association of the Company also mandates that one third of the Directors, including the Chairman, retire and submit themselves for re-election at every Annual General Meeting. The retirement of each Director is determined according to who has served the longest period of time in office, since his appointment or reappointment, as the case may be. Further, there is a formal and transparent procedure in place for the appointment of new Directors to the Board. Accordingly, two other Directors including Mr A L Gooneratne who is over the age of 70 years are due to be re-elected at the 44th Annual General Meeting of the Company.

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.

Evaluation of the Chairman and the Board are carried out by all Directors individually. Managing Director and the Chairman carry out evaluation of Non-Executive Directors whilst Non-Executive Directors and the Chairman evaluate the Managing Director’s performance. Going forward, the collective outcome of the above evaluations will be made available to the Nomination Committee once it is established on or before October 01, 2024. The Nomination Committee is expected to consider the results of these evaluations and make recommendations to the Board on initiatives and actions required to improve the balance of skills and experience, independence, industry knowledge and strategy relevant to its effectiveness.

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 and risk management, 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 72 and 73.

Necessary steps are being taken to comply with the new Listing Rules with regard to the composition of the Committee as given in the principle D.3.1 of the Best Practice Code and the Rule No. 9.13.3 of the Listing Rules of the CSE. The Board of Directors will ensure the compliance with the above principle and the CSE Rule on or before October 01, 2024 as permitted by the CSE.

Board Remuneration Committee

Chaired by Mr B R L Fernando, the BRC consists of three Non-Executive 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 pages 74 and 75.

Aggregate remuneration paid to the Executive and Non-Executive Directors of the Company is given in Note 10 to the Financial Statements on page 126.

Necessary steps are being taken to comply with the new Listing Rules with regard to the composition of the Committee as given in Rule No. 9.12.6 of the Listing Rules of the Colombo Stock Exchange on or before October 01, 2024.

Details of Directors' Attendance at Meetings

Name of the Director	Main Board		Board Audit Committee		Board Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr B R L Fernando (Chairman)	4	4	4	4	1	1
Mr S C U Manatunge (Managing Director)	4	4	4**	4**	1**	1**
Mr A L Gooneratne	4	3	4	3	N/A	N/A
Mr A T P Edirisinghe	4	3	4	3	1	1
Mr L D A Jayasinghe	4	4	4	4	1	1
Mr U I S Tillakawardana	4	4	N/A	N/A	N/A	N/A
Dr R A Attalage*	4	3	2	2	N/A	N/A

* Appointed w.e.f. January 01, 2023

** 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 for Financial Reporting" that appears on pages 86 and 87.

The Independent Auditors' Report is given on pages 101 to 103.

Board Related Party Transactions Review Committee

As the parent company is also a listed company, the Securities and Exchange Commission of Sri Lanka has permitted the Related Party Transactions Review Committee of the parent company to oversee the related party transactions of the listed companies in the Commercial Bank Group, of which Commercial Development Company PLC is a subsidiary.

The Report of the Board Related Party Transactions Review Committee is given on page 76.

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.
- To make Directors aware of major issues and concerns of shareholders.

As required by Rule No. 9.4.2, a written policy on communication with shareholders and investors will be formulated on or before October 01, 2024. Further, shareholders and investors are encouraged to communicate with the Chairman on any major issues and concerns.

A significant event in the Company's calendar for communicating with shareholders and encouraging their active participation in 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. The Board is of the view that this mechanism promotes better stewardship while assuring transparency.

Adherence to the Corporate Governance Rules of the Colombo Stock Exchange for Listed Companies

Compliance with Corporate Governance Rules as per Section 9 of the Listing Rules of the Colombo Stock Exchange.

The Company is in the process of fully complying with the Corporate Governance Rules as per Section 9 of the Listing Rules of CSE. The following table has been published in accordance with the requirement to disclose the level of compliance with such rules.

CSE Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable section in the Annual Report or other remarks
9.1.3	Compliance with Corporate Governance Rules	Statement confirming the extent of compliance with the Corporate Governance Rules	As permitted by the Colombo Stock Exchange, the Board of Directors affirm to be fully compliant with the new Listing Rules on or before October 01, 2024. In this regard, the Directors are keen to immediately rectify the key concerns such as independence of Directors, Board Committees and their composition.	Corporate Governance (Page 48) Annual Report of Board of Directors (Page 84)
9.2.3	Policies	List of policies in place as per Rule 9.2.1, with reference to website	The Company has adopted a Code of Business conduct and ethics (for employees and Key Management Personnel) though the HR Policy of the Company Other policies contained in the Rule No. 9.2.1 will be developed and published in Company's website on or before October 01, 2024	Corporate Governance (Page 51)

Corporate Governance

CSE Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable section in the Annual Report or other remarks
9.4.2	Communication with Shareholders and Investors	<p>(a) The Policy on effective communication and relations with shareholders and investors</p> <p>(b) The contact person for such communication</p> <p>(c) The policy on relations with shareholders and investors on the process to make all Directors aware of major issues and concerns of shareholders</p>	A written policy on effective communication and relations with shareholders and investors will be formulated on or before October 01, 2024.	Corporate Governance (Page 54) Stakeholder Engagement (Page 25)
9.5.2	Confirmation on compliance with the requirements of the Policy on matters relating to the Board of Directors	Confirmation on compliance with the requirements of the Policy on matters relating to the Board of Directors. If non-complied reasons for the same with proposed remedial action.	Although, a written policy is not available, extent of compliance is explained in the Corporate Governance Report.	Corporate Governance (Page 48)
9.6.3 – 9.6.4	Report of SID	Report of SID demonstrating the effectiveness of duties	There is no requirement to appoint a senior Independent Director as positions of the Chairman and the Managing Director are held by two individual.	Corporate Governance (Page 51)
9.7.5	Fit and Proper Assessment	<p>(a) Statement on Directors and CEO satisfying Fit and Proper Assessment Criteria</p> <p>(b) Any non-compliance/s and remedial action taken</p>	The Directors have satisfied the “Fit and Proper” assessment criteria as set out in Rule No. 9.7.3	Corporate Governance (Page 52)
9.8.1	Number of Directors	Board of Directors of the Company shall, at a minimum, consist of five Directors	Six out of seven Directors were considered to be Non-Executive Directors.	Corporate Governance (Page 49)

CSE Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable section in the Annual Report or other remarks
9.8.2	Independent Directors	The Board of Directors of the Company shall include at least two Independent Directors or such number equivalent to one third of the total number of Directors of the Company at any given time, whichever is higher.	The Board should have at least two Independent Directors. However, the Company's Board being consisted only one Independent Director as at December 31, 2023 arrangements are being made to rectify the required number of Independent Directors on or before October 01, 2024.	Corporate Governance (Page 49)
9.8.5	Names of Independent Directors	Names of Directors determined to be 'independent'	Complied	Corporate Governance (Page 50)
9.10.4	Directors details	Directors details <ul style="list-style-type: none"> ● Name, qualifications and brief profile ● Nature of his/her expertise in relevant functional areas ● Whether either the Director or close Family members has any material business relationships with other Directors ● Whether Executive, Non-Executive and/or Independent Director ● Whether functions as Executive or Non-Executive ● Number of Board meetings attended ● Names of Board Committees in which the Director serves as Chairperson or a member ● Attendance of Board Committee meetings 	Complied	Board of Directors and Profiles (Page 42) Corporate Governance (Page 48)

Corporate Governance

CSE Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable section in the Annual Report or other remarks
9.11.6	Nominations and Governance Committee	Nominations and Governance Committee Report	Compliance with the requirement for Nominations and Governance Committee will be addressed on or before October 01, 2024	N/A
9.12.8	Remuneration Committee Report	Remuneration Committee Report <ul style="list-style-type: none"> Names of Chairperson and members with nature of directorship Remuneration Policy The aggregate remuneration of the Executive and Non-Executive Directors 	Complied	Report of the Board Remuneration Committee (Page 74)
9.13.5	Audit Committee Report	Audit Committee Report <ul style="list-style-type: none"> Names of Chairperson and members with nature of directorship Status of risk management and internal control Statement on CEO and CFO assurance on operations and finances Opinion on compliance with financial reporting requirements, information requirements Listing Rules, Companies Act, SEC Act and any other requirements. Availability of formal audit charter Internal audit assurance and summary of the work internal audit Details demonstrating effective discharge of functions and duties Statement on External Auditors' assurance on their independence Confirmation on determining auditor's independence 	Complied	Report of the Board Audit Committee (Page 72)

CSE Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable section in the Annual Report or other remarks
9.14.8 (1)	Related Party Disclosures – Non-recurrent Related Party Transactions (RPT).	<p>Related Party Disclosures</p> <ul style="list-style-type: none"> • Non-recurrent RPT exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower (in the specified format) • Name of the RP • Relationship • Value of RPT • Value as % of equity and total assets • Terms and Conditions • Rationale 	Complied	Note 34.4 to the Financial Statements (Page 165)
9.14.8 (2)	Related Party Disclosures – Recurrent RPT	<p>Recurrent RPT exceeding 10% of the gross revenue/income (in the specified format)</p> <ul style="list-style-type: none"> • Name of the RP • Relationship • Nature of RPT • Value of aggregate RPT • Value as % of gross income • Terms and Conditions 	Complied	Note 34.4 to the Financial Statements (Page 165)
9.14.8 (3)	Related Party Transactions Review Committee Report	<p>Related Party Transactions Review Committee Report</p> <ul style="list-style-type: none"> • Names of the Directors comprising the Committee • Statement that Committee has reviewed RPTs and communicated comments/observations to the Board • Policies and procedures adopted by the Committee 	Complied	Report of the Board Related Party Transactions Review Committee (Page 76)
9.14.8 (4)	Affirmative declaration by the Board of Directors on compliance with RPT Rules	Affirmative declaration by the Board of Directors on compliance with RPT Rules or negative statement to that effect.	Complied	Report of the Board Related Party Transactions Review Committee (Page 76)

Corporate Governance

CSE Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable section in the Annual Report or other remarks
9.16	Additional disclosures by Board of Directors	<p>Additional disclosures by Board of Directors Declaration on following</p> <ul style="list-style-type: none"> • All material interests in contracts and have refrained from voting on matters in which they were materially interested • Reviewed of the internal controls covering financial, operational and compliance controls and risk management and obtained reasonable assurance of their effectiveness and successful adherence, and, if unable to make any of these declarations an explanation on why it is unable to do so; • Made themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions; • Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations. 	Complied	<p>Annual Report of the Board of Directors (Page 80)</p> <p>Audit Committee Report (Page 72)</p> <p>Managing Director's and Finance Manager's Responsibility Statement (Page 88)</p> <p>Corporate Governance Report (Page 48)</p>

Compliance with the Code of Best Practice on Corporate Governance 2023 Issued by The Institute of Chartered Accountants of Sri Lanka.

The table below summarises CDC's level of compliance with the Code of Best Practice on Corporate Governance.

Reference to CA Sri Lanka Code	Corporate Governance Principle	Level of Compliance	Status
SECTION 1 - THE COMPANY			
A. DIRECTORS			
A.1. THE BOARD			
A.1	The Board	The Board headed by the Chairman, consists of seven Directors, out of which six are Non-Executive Directors. out of the six Non-Executive Directors, one Director is considered to be independent. The Board is comprised of skilled professionals in the fields of finance, engineering and human resources.	Independence status of Directors will be corrected on or before October 01, 2024.
A.1.1	Board meetings	The Board meets at least four times a year and additional meetings are held as necessary. The Board met four times during the year ended December 31, 2023.	Complied
A.1.2	Board's responsibility	The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. Directors are made aware of their duties and responsibilities with regard to monitoring and managing the risks associated with capitals, value creation activities, business operations and impacts.	Complied
A.1.3	Compliance with laws and obtaining independent professional advices	The Board collectively and Directors individually act in accordance with the laws of the Country and the Board members are permitted to obtain independent professional advice from a third party including the Company's External Auditors and other professional Consultants whenever deemed necessary at the expense of the Company.	Complied
A.1.4	Access to Company Secretary	All Directors have access to the advice and services of the Company Secretary.	Complied
A.1.5	Independent judgement of Directors	All Directors exercise independent judgement in all decisions pertaining to strategy, performance, resource allocation, risk management, compliance and standards of business conduct.	Complied

Corporate Governance

Reference to CA Sri Lanka Code	Corporate Governance Principle	Level of Compliance	Status
A.1.6	Dedication of adequate time and effort by Directors	<p>The Board met on four occasions during the year.</p> <p>The Board is satisfied that the Chairman and all other Directors committed sufficient time during the financial year 2023 to fulfill their duties.</p> <p>The Board papers and the agenda are received by the Directors ahead of Board Meetings, enabling the Directors to review the papers and obtain clarifications ahead of the meetings.</p>	Complied
A.1.7	Call for resolution by Directors	One third of Directors can call for a resolution to be presented to the Board where they feel it is in best interest to the Company to do so.	Complied
A.1.8	Training for Directors	<p>Training and Development needs of the Directors are recognised by the Board.</p> <p>Directors are briefed on the changes in laws and regulations, tax laws and accounting standards from time to time, either during the Board meetings.</p>	Complied
A.2. CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)			
A.2	Chairman and Chief Executive Officer (CEO)	<p>The Chairman is responsible for effectively leading the Board.</p> <p>The CEO'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 CEO are clearly distinct from one another and hence have been separated.</p>	Complied
A.3. CHAIRMAN'S ROLE			
A.3- A.3.1	Chairman's Role	The Board is headed by the Chairman who is responsible for preserving order and facilitating the effective discharge of Board functions. As the Chairman, he ensures the effective participation and contribution of all Directors within their respective capabilities for the benefits of the Company.	Complied
A.4. FINANCIAL ACUMEN			
A.4	Financial Acumen	<p>The Board includes Directors who are skilled, experienced and possess the necessary knowledge and competence to offer expert opinions on financial matters to the Board.</p> <p>Out of the seven Directors, four Directors are senior Chartered Accountants. Other members of the Board have the ability to offer guidance on matters of finance to the Board.</p>	Complied

Reference to CA Sri Lanka Code	Corporate Governance Principle	Level of Compliance	Status
A.5. BOARD BALANCE			
A.5- A.5.1	Board Balance	<p>The Board of the Company has a balanced composition of an Executive Director and six Non-Executive Directors. Out of seven Directors, six Directors are considered to be Non-Executive Directors.</p> <p>Accordingly, the Chairman, not being an Independent Director, but the majority of the Directors of the Board being Non-Executive Directors, ensures a balance of Executive and Non-Executive Directors in the Board.</p>	Complied
A.5.2	Independent Non-Executive Directors	<p>More than two-third of Non-Executive Directors appointed to the Board should be independent.</p> <p>Out of the six Non-Executive Directors, five Directors are considered to be Non-Independent, since they are over 70 years of age or/and have served for more than nine years on the board.</p>	Independence status of Directors will be corrected on or before October 01,2024.
A.5.3	Directors independent from management	The Director who is considered to be independent is independent of management and free of any business or other relationships that could materially interfere with their professional judgement.	Complied
A.5.4	Annual Declaration of Independence by Non-Executive Director	Every Non-Executive Director of the Company has made written submissions as to their Independence or Non-Independence against specified criteria set out by the schedule "C" of the Code.	Complied
A.5.5	Determination of Independence	The Board has determined the independence of the Non-Executive Directors based on the declarations submitted by the Non-Executive Directors and after taking into consideration all the relevant circumstances as provided in Section 9.8.3 of the Listing Rules.	Complied
A.5.6	Alternate Director	No alternate Directors were appointed	Complied
A.5.7	Appointment of Senior Independent Director	The Chairman and the CEO are two different positions and hence there is no requirement to appoint a Senior Independent Director	Complied
A.5.8	Confidential discussion with Senior Independent Director	There is no requirement to appoint a Senior Independent Director	Complied
A.5.9	Chairman's meetings with Non-Executive Directors	The Chairman has held meetings with the Non-Executive Directors without the presence of Executive Directors.	Complied
A.5.10	Recording of Concerns raised by Directors in Board Minutes	Concerns raised by the Directors during the financial year, if any, are adequately recorded in the minutes of Board meetings by the Company Secretary.	Complied

Reference to CA Sri Lanka Code	Corporate Governance Principle	Level of Compliance	Status
A.6. SUPPLY OF INFORMATION			
A.6.1	Supply of Information	<p>The Board is provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.</p> <p>Directors make further inquiries where necessary if information provided by the management is deemed to be not enough.</p>	Complied
A.6.2	Adequate Time for Conduct of Board Meetings	<p>The Agenda for the Board meeting and connected Board papers are ordinarily circulated to the Directors seven (7) days in advance to facilitate the effective conduct of the meeting.</p> <p>In addition, minutes of the meetings have ordinarily been provided to Directors within two weeks after the meeting date.</p>	Complied
A.7. APPOINTMENTS TO THE BOARD : NOMINATION COMMITTEE			
A.7.1	Establishing a Nomination Committee	<p>A Nomination Committee has not been established as at December 31, 2023.</p> <p>However, all functions specified under Nomination Committee has been performed at the Board meetings held by the Company.</p>	A Nomination and Governance Committee will be established on or before October 01, 2024.
A.7.2	Annual assessment of Board composition	<p>The Board annually assessed the Board composition against pre-defined criteria to ensure that the combined knowledge and experience of the Board matches the strategic demand facing the Company.</p> <p>Further, the findings of such assessments have been considered for the appointment of new Directors.</p> <p>However, the responsibility of carrying out such annual assessment of Board composition will be entrusted to a Nomination Committee, once it is established on or before October 01, 2024.</p>	Annual assessment of Board composition has been done by the Board of Directors, but not through a Nomination Committee.
A.7.3	Succession plan for CEO and key management personnel	<p>The Board has ensured that there is a succession plan for the Chief Executive Officer and for all key management personnel of the Company, giving due consideration for the training requirements for those identified as successors.</p> <p>However, going forward, this responsibility will be entrusted to the Nominations and Governance Committee once it is established on or before October 01, 2024.</p>	Succession plan for CEO and key management personnel has been ensured by the Board, but not through a Nomination Committee.

Reference to CA Sri Lanka Code	Corporate Governance Principle	Level of Compliance	Status
A.7.4	Disclosure to the Shareholders	All new appointments are communicated to the shareholders by way of announcement through the Colombo Stock Exchange. Dr R A Attalage was appointed as a Director during the financial year.	Complied
A.7.5	Nominations and Governance Committee report to be disclosed in a separate section of the Annual Report	The Chairman and the members of the Nomination Committee to be identified in the Annual Report. A separate section of the Annual Report should describe the work of the Nomination Committee including the process it has used in relation to Board appointments. A Nomination Committee is to be established on or before October 01, 2024.	A Nomination and Governance Committee Report will be published with the next Annual Report (2024) once after the said Committee is established on or before October 01, 2024.
A.8. RE-ELECTION			
A.8.1-A.8.2	Re-election	Re-elections taken place as per the provisions of the Articles of Association.	Complied
A.8.3	Resignation	The Articles provides for resignation to be given in writing, however no resignations have taken place during the year under review.	Complied
A.9. APPRAISAL OF BOARD PERFORMANCE			
A.9.1-A.9.4	Appraisal of Board Performance	The Annual self-evaluation of the Board's and its Sub-committee's performance was done.	Complied
A.10. DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS			
A.10	Disclosure of information in respect of Directors	The details in respect of Directors are disclosed in the Annual Report covering: <ul style="list-style-type: none"> • Name, qualifications and brief profile • The nature of his/her expertise in relevant functional areas • Immediate family and/or material business relationships with other Directors of the Company • Whether Executive, Non-Executive and/or Independent Director • Names of listed companies in Sri Lanka in which the Director concerned serves as a Director • Number of Board meetings of the Company attended during the year • Number of Committee meetings attended during the year - Refer to the "Committee Reports" 	Complied

Reference to CA Sri Lanka Code	Corporate Governance Principle	Level of Compliance	Status
A.11. APPRAISAL OF CHIEF EXECUTIVE OFFICER			
A.11.1 – A.11.2	Appraisal of Chief Executive Officer	At the commencement of the financial year, the Board in consultation with the Managing Director and CEO has set short, medium and long-term objectives, and reasonable financial and non-financial targets that should be met by the CEO during the year. The performance of the CEO has been evaluated by the Board to ascertain whether the targets have been achieved.	Complied
B. DIRECTORS' REMUNERATION			
B.1. REMUNERATION PROCEDURE			
B.1	Remuneration Procedure	The Board has implemented a formal and transparent procedure for developing policies on remuneration by setting up a Remuneration Committee. Its purpose is to assist the Board of Directors in matters relating to compensation of the Company's Directors and Key Management Personnel.	Complied
B.2. REMUNERATION COMMITTEE			
B.2 - B.2.16	The level and make up of remuneration	The Board ensures that Executive Directors and Non-Executive Directors are provided with an attractive remuneration package to attract and retain them with the Company.	Complied However, with regard to the composition of the committee, independence status of Directors will be corrected on or before October 01, 2024
B.3 - B.3.2	Disclosure of remuneration	The Annual Report contains a statement from the Remuneration Committee on remuneration Policy and details of remuneration of the Board as a whole.	Complied
C. RELATIONSHIP WITH SHAREHOLDERS			
C.1 - C.1.5	Constructive use of the AGM and conduct of General Meetings	AGM is held. Notice of the AGM, form of the proxy and related papers are sent to shareholders before the meeting, in order to provide an opportunity for all shareholders to attend the AGM.	Complied
C.2 - C.2.7	Effective communication with shareholders	Effective communication with shareholders has been established.	Complied
C.3 - C.3.3	Major and material transactions	The Related Party Transactions for the year are disclosed in the Annual Report. The Related Party Transactions Review Committee of the parent reviews the major related party transactions that require prior approval.	Complied

Reference to CA Sri Lanka Code	Corporate Governance Principle	Level of Compliance	Status
D. ACCOUNTABILITY AND AUDIT			
D.1. FINANCIAL AND BUSINESS REPORTING			
D.1.1	Financial and Business Reporting	The Board has presented the Annual Report, which includes the Financial Statements of the Company that is true and fair, balanced and understandable and prepared and presented in accordance with LKASs and SLFRSs as required by statutory requirements.	Complied
D.1.2	Board responsibility for fair reporting extends to interim and price-sensitive report, regulatory reporting, and statutory information	<p>The Board is aware of its responsibility to present regulatory and statutory reporting and other price sensitive information in a balanced and understandable manner.</p> <p>The Company has strictly complied with the requirements of the Companies Act No. 07 of 2007 in the preparation of Interim and Annual Financial Statements which are prepared and presented in conformity with the Sri Lanka Accounting Standards.</p> <p>Further, the Company has complied with the reporting requirements prescribed by Listing Rules of the Colombo Stock Exchange.</p>	Complied
D.1.3	The Board should obtain a declaration from the CEO and the Finance Manager	The Finance Manager and the Chief Executive Officer are responsible for ensuring that the financial records of the Company have been properly maintained and that the Financial Statements comply with the appropriate accounting standards and give a true and fair view of Company's performance for the financial year. The Finance Manager and the Chief Executive Officer are required to review quarterly and at the year-end, the Company's Financial Statements before submitting it to the Audit Committee and Board.	Complied
D.1.4	The Directors' Report in the Annual Report	The Annual Report of Board of Directors is given on pages 80 to 85.	Complied
D.1.5	Directors' and Auditors' Responsibility for the Financial Statements	<p>Statement setting out the responsibilities of the Board of Directors for the preparation and presentation of Financial Statements is given on page 86.</p> <p>A statement by the Auditors about their reporting responsibilities is given on page 101.</p>	Complied
D.1.6	Management Discussion and Analysis	Section on Management Discussion and Analysis is available on pages 29 to 39.	Complied
D.1.8	Related Party Transactions	The transactions entered into by the Company with the related parties is disclosed on Note 34 to the Financial Statements in page 163.	Complied

Reference to CA Sri Lanka Code	Corporate Governance Principle	Level of Compliance	Status
D.2. RISK MANAGEMENT AND INTERNAL CONTROL			
D.2 - D.2.2.4	<p>Policy for determining the nature and extent of principal risks it is willing to take in achieving its strategic objectives.</p> <p>A process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.</p>	<p>A risk management and internal control system is effected by the Board under the internal audit, which will report to the Board Audit Committee.</p> <p>The Board, through the Audit Committee has established a monitoring system to review the Company's risk management and internal control systems.</p> <p>The Company's outsourced internal audit function assesses the effectiveness of the internal control system through regular review of all processes and carries out risk assessments and presents it to the Board Audit Committee. In addition, inspections carried out by the Parent Company's Inspection Department provides a further assurance on the effectiveness of the risk management and internal control system of the Company.</p>	Complied
D.3 AUDIT COMMITTEE			
D.3 - D.3.2	Audit Committee	<p>The Board has established a formal and transparent arrangements for considering how they should select and apply accounting policies for financial reporting, determine the structure and content of corporate reporting, implement internal control and risk management, ensure compliance with laws and regulations and ensuring the independence of the Company's Auditors.</p> <p>The Report of the Board Audit Committee on page 72 explains the extent of compliance with this principle in detail.</p> <p>Necessary steps are being taken to rectify the non-compliance with regard to the composition of the Committee as given in the principle D.3.1 of the Code. The Board of Directors will ensure the compliance with the above principle on or before October 01, 2024 as permitted by the CSE.</p>	Complied
D.3.3	Disclosures - Activities of the Audit Committee	The Report of the Board Audit Committee, describing the scope of the Committee in discharging its responsibilities is included in the Annual Report on page 72.	Complied
D.4	Risk Committee	The Company does not have a separate Risk Committee. However, all functions as described under this principle is covered by the Audit Committee. Accordingly the Audit Committee of the Company additionally perform the risk functions as set out in the 9.13.1 of the Listing Rules of the CSE.	Complied

Reference to CA Sri Lanka Code	Corporate Governance Principle	Level of Compliance	Status
D.5 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE			
D.5 – D.5.3	Related Party Transactions Review Committee	<p>The Board, through the operating procedures with regard to entering transactions with related parties ensures that all transactions with related parties are carried out on arm's length basis, where no favourable treatment is given to related parties.</p> <p>The Related Party Transactions Review Committee (RPTRC) of the parent Company which acts as the RPTRC of the Company, through its detailed review of all related party transactions, further ensures that no undue advantage is obtained between parties.</p> <p>The Report of the Board Related Party Transactions Review Committee appears on page 76.</p>	Complied
D.6 CODE OF BUSINESS CONDUCT AND ETHICS			
D.6	Code of Business Conduct and Ethics	<p>The Company has adopted a Code of Business conduct and ethics (for employees) through the HR Policy of the Company and Key Management Personnel and all employees are committed to the code and the principles contained therein. There were no reported cases of non-compliance with the Code of Business Ethics by any Key Management Personnel or any other employee.</p> <p>A written policy on Code of Business conduct and ethics for Directors will be developed in future. However, Directors of the Company, to the best of our knowledge has ensured to maintain a good business conduct and ethics at all times.</p>	Complied to the extent that a code of business conduct and ethics for Directors is yet to be developed.
D.7 CORPORATE GOVERNANCE DISCLOSURES			
D.7	Corporate Governance Disclosures	The Corporate Governance Report sets out the manner and extent to which the Company has complied with the principles and provisions of the code and is included in the Annual Report on page 48.	Complied
SECTION 2 - SHAREHOLDERS			
E. INSTITUTIONAL INVESTORS			
E.1	Shareholder Voting	Institutional shareholders are given the right to use their votes.	Complied
E.2	Evaluation of Governance Disclosures	Corporate Governance related matters, along with the adequate disclosures, are communicated to all shareholders via the Annual Report and the AGM as mentioned.	Complied

Reference to CA Sri Lanka Code	Corporate Governance Principle	Level of Compliance	Status
F. OTHER INVESTORS			
F.1	Individual Shareholder's Investing/Divesting decision	Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	Complied
F.2	Individual Shareholder voting	Individual shareholders are encouraged to participate in General Meetings and exercise their voting rights.	Complied
SECTION 3 - OTHER MATTERS			
G. INTERNET OF THINGS AND CYBERSECURITY			
G	Internet of things and Cybersecurity	<p>The Board fulfills this responsibility through the shared services provided by the Information Technology Department of the Commercial Bank of Ceylon PLC (the parent company) as the internet connection of the Company has been obtained through the parent company's network.</p> <p>The parent company adopts stringent cyber security controls throughout the Commercial Bank group which are thoroughly reviewed by the Integrated Risk Management Department of the parent company (IRMD of the Commercial Bank). The reports of the IRMD of the Commercial Bank with management comments are tabled to the Board of Directors of CDC.</p>	Complied
H. SUSTAINABILITY : ENVIRONMENT, SOCIETY & GOVERNANCE (ESG) RISKS AND OPPORTUNITIES			
H	Environment, Society and Governance risks and opportunities	Annual Report contains information on Environment (Page 39 - Natural Capital), Social (Social and Relationship Capital - page 38) and Governance (Corporate Governance report - page 48), that will enable investors and other stakeholders to assess how ESG risks and opportunities are recognised, managed, measured and reported.	Complied
I. ESTABLISHMENT AND MAINTENANCE OF POLICIES			
I	Establishment and maintenance of policies relating to governance and Board of Directors	<p>The Company does not have written policies on governance and Board of Directors.</p> <p>As required by Rule No. 9.5 of the Listing Rules of the Colombo Stock Exchange, policies will be formulated and implemented accordingly on or before October 01, 2024.</p>	Not Complied

Level of Compliance with Mandatory Regulations

Disclosures Required by the Companies Act No. 07 of 2007

This section provides a navigation on the level of compliance to the Companies Act.

Section Reference	Requirement	Annual Report Reference
168 (1) (a)	The nature of the business of the Company, together with any change thereof during the accounting period	Note 1.3 to the Financial Statements on page 110.
168 (1) (b)	Signed Financial Statements of the Company for the accounting period completed	Audited Financial Statements – Page 104.
168 (1) (c)	Auditors' Report on Financial Statements of the Company	Auditor's Report – Page 101.
168 (1) (d)	Accounting Policies and any changes therein	Material Accounting Policies to the Financial Statements – Pages 112 to 173.
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	"Entries in the Interest Register" under Annual Report of Board of Directors. – Page 81.
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Note 10 to the Financial Statements – Page 126.
168 (1) (g)	Total amount of donations made by the Company during the accounting period	Annual Report of Board of Directors – Page 81.
168 (1) (h)	Information on the Directorate of the Company during and at the end of the accounting period	Annual Report of Board of Directors – Page 83.
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Annual Report of Board of Directors – Page 84.
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Annual Report of Board of Directors – Page 84.
168 (1) (k)	Acknowledgment of the contents of this Report and Signatures on behalf of the Board (Annual Report of the Board of Directors)	Annual Report of Board of Directors – Page 85.

Report of the Board Audit Committee

Purpose

The Committee is established to assist the Board in fulfilling its oversight responsibility for the Company's financial reporting system, internal control mechanisms, compliance with legal and regulatory requirements, risk management processes, internal audit functions and review of Independence and External Auditors' performance, with a view to safeguarding the interests of shareholders and all other stakeholders.

Composition of the Committee

The Board appointed Audit Committee ("the Committee") comprised the following Non-Executive Directors of the Company as at December 31, 2023:

- **Mr B R L Fernando (Chairman)**
Non-Executive, Non-Independent Director
- **Mr A L Gooneratne (Member)**
Non-Executive, Non-Independent Director
- **Mr A T P Edirisinghe (Member)**
Non-Executive, Non-Independent Director
- **Mr L D A Jayasinghe (Member)**
Non-Executive, Non-Independent Director
- **Dr R A Attalage (Member)**
Non-Executive, Independent Director

As per the Rule No. 9.13.3 of the revised Listing Rules of the Colombo Stock Exchange, the members of the Audit Committee shall comprise three Directors of the Company out of which a minimum of two Directors or majority of the members, whichever higher, shall be Independent Directors.

However, four members of the Committee including the Chairman are considered as Non-Independent Directors as they are over 70 years of age and also have served on the Board for more than nine years. Accordingly, as set out in the above Rule, necessary steps are being taken to rectify the Board composition, and thus the required composition of the Audit Committee on or before October 01, 2024.

The Chairman and all 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 C U Manatunge attended the meetings by invitation.

The Chief Executive Officer being responsible for overall operations of the Company attends meetings by invitation.

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

The Company Secretary functions as the Secretary of the Committee.

The profiles of the members are given on pages 42 to 46. 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 judgements made by the Management and adoption of new accounting standards)
- Overseeing and reviewing the procedures to ensure internal controls and risk management procedures are adequate.
- 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.
- Provide oversight assessing the Company's ability to continue as a going concern in the foreseeable future.

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 and risk management 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 also reviewed the Positive Assurance Statement submitted by the Finance Manager and satisfied themselves that the Financial Statements give a true and fair view of the Company's operations and finances.

Risk Management and Internal Controls

The Committee reviews the adequacy of internal controls in place and provides directives on further strengthening internal controls. The Risk Assessments done for the Company are evaluated and the significant risks and their controls are discussed in detail at the Audit Committee meetings. Key Risks that exceed the Company's risk appetite are discussed and appropriate risk management strategies are initiated.

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

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 reappointed as Auditors for the financial year ending December 31, 2024 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 54. The proceedings of the Committee meetings were regularly reported to the Board.



B R L Fernando
Chairman - Board Audit Committee

February 16, 2024

Report of the Board Remuneration Committee

Purpose

The Remuneration Committee's purpose is to assist the Board to fulfil its responsibility to shareholders to ensure that the remuneration policy and practices of the Company reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements.

The objective of such a policy is to attract, retain and motivate the Board of Directors and give recommendations to the Board on all new Board appointments, ensuring that the Board possesses the correct mix of expertise, knowledge, skills and experience for its effective functioning to match the strategic demands of the Company.

Composition of the Committee

The Board appointed Remuneration Committee ("the Committee") of the Company consisted of the following Non-Executive Directors:

- **Mr B R L Fernando (Chairman)**
Non-Executive, Non-Independent Director
- **Mr A T P Edirisinghe (Member)**
Non-Executive, Non-Independent Director
- **Mr L D A Jayasinghe (Member)**
Non-Executive, Non-Independent Director

As per the rule No. 9.12.6 of the Listing Rules of the Colombo Stock Exchange, the members of the Remuneration Committee shall comprise a minimum of three Non-Executive Directors of the Company out of which a minimum of two Directors shall be Independent Directors.

However, all three Directors including the Chairman are considered as Non-Independent directors as they are over 70 years of age and also have served on the Board for more than nine years. Accordingly, as set out in the above Rule, necessary steps are being taken to rectify the Board composition, and thus the required composition of the Board Remuneration Committee on or before October 01, 2024.

The Company Secretary functions as the Secretary of the Committee.

The profiles of the members are given on pages 42 to 46.

Aggregate remuneration paid to Executive and Non-Executive Directors are stated in Note 10 to the Financial Statements on page 126.

Terms of Reference

The overall focus of the Committee:

- Recommending the total remuneration package and incentives packages of the Executive Directors including the Managing Director and Chief Executive Officer of the Company
- To set guidelines for policies with regard to compensation and benefit packages that motivate/retain the capable qualified staff and highly skilled staff of the Company.
- To assess and recommend to the Board with regard to succession planning of Key Management Personnel and align the organisational structure accordingly.
- To set the criteria such as qualifications, experience, and the required competencies to be considered for appointment of Key Management Positions.
- To direct on relevant matters connected to general areas of Human Resources Management of the Company in order to uphold the best HR practices in formulating policies.
- To recommend to the Board, the matters such as compensation of the Chairman, other members of the Board of Directors while ensuring that no Director is involved in deciding or recommending his or her own remuneration.
- To focus on a suitable bonus to the Executive/ Non-Executive staff according to the overall achievements of the Company for pre-agreed individual targets, which will be based on various performance parameters.
- To decide the compensation structures for all staff of the Company.
- To make recommendations to the Board with regard to the additional/new expertise required for the Company.
- To make deliberations with regard to industrial relations and regulatory matters that may lead to financial losses to the Company and to direct the Key Management Personnel accordingly.

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 are 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 met once during the year ended December 31, 2023. A table showing the record of attendance at meetings appear on page 54. The proceedings of the Committee meetings were regularly reported to the Board.



B R L Fernando
Chairman - Board Remuneration Committee

Colombo

February 16, 2024

Report of the Board Related Party Transactions Review Committee

As the parent company is also a listed Company, the Securities and Exchange Commission of Sri Lanka (SEC) has permitted the Related Party Transactions Review Committee of the parent company to oversee the related party transactions of the listed Companies in the Commercial Bank Group, of which Commercial Development Company PLC is a subsidiary.

Objective

To exercise oversight on behalf of the Board of the Company in complying with the Code on Related Party Transactions (RPTs) issued by the Securities and Exchange Commission of Sri Lanka ("The Code") and with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by CA Sri Lanka and the CSE.

The RPT Committee ensures that the interests of shareholders as a whole are taken into account when entering into Related Party Transactions and provides measures to prevent Directors, Chief Executive Officers or Substantial Shareholders taking advantage of their status in entering into transactions with the Company.

Functions

The Committee primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel (KMP) with a view to ensuring:

- Compliance with the Code;
- Protection of shareholder interests; and
- Maintenance of fairness and transparency.

Mandate of the Committee

The mandate of the Committee includes inter-alia, the following;

- Developing, updating and recommending a RPTs Policy consistent with that proposed by the Section 9 of the Listing Rules of the Colombo Stock Exchange for adoption by the Board of Directors of the Bank and its listed subsidiaries.
- Updating the Board of Directors on the RPTs of each of the listed companies of the Group on a quarterly basis.

- Advising the Board in making immediate market disclosures on applicable RPTs as required by Section 9.14.7 of the Listing Rules of the CSE
- Advising the Board in making appropriate disclosures on RPTs in the Annual Report as required by Section 9.14.8 of the Listing Rules of the CSE
- Reviewing and recommending RPTs as per the RPTs Policy for the approval of the Board of Directors

The Company submits details of recurrent and non-recurrent related party transactions in the form of a quarterly return to the Related Party Transactions Review Committee.

The Committee reviewed all recurrent and non-recurrent related party transactions carried out by the Company with its parent and other related companies in the Commercial Bank Group to ensure that Directors, Key Management personnel and shareholders with any substantial shareholding of the Company do not secure any undue advantage due to their positions, thereby avoiding any conflicts of interest.

Accordingly, based on the mandate and the following methodology adopted by the Committee, the Board of Directors of the Company is satisfied that the Company has complied with the requirements set out in the rule No. 9.14 of the Listing Rules of the Colombo Stock Exchange.

Methodology adopted by the Committee

- Reviewing the mechanisms in place to obtain declarations from all Directors (at the time of joining the Board and annually thereafter) informing the Company Secretary, the primary contact point for Directors, of any existing or potential RPTs carried out by them or their Close Family Members (CFMs) and obtaining further declarations on a quarterly basis in the event of any change during the year to the positions previously disclosed.
- Reviewing the mechanisms in place to obtain confirmations on any new appointments accepted by Directors of the Company in other entities as KMP, informing the Company Secretary to identify and capture transactions carried out by the Company with such entities.
- Reviewing the mechanisms in place to capture and feed relevant information on RPTs which also includes information on KMP, CFMs and the Bank's subsidiaries and associate into the data collection system and the accuracy of such information.

- Ensuring that annual declarations are submitted by Directors directly to the Company's External Auditors immediately after the closure of the Financial Year for external audit purposes.
- Obtaining independent validation from the Bank's Internal Audit division for information submitted to the Committee for its review.

Composition of the Committee

- **Prof A K W Jayawardane (Chairman)** Independent Non-Executive Director of Commercial Bank of Ceylon PLC appointed in March 2022
- **Mr L D Niyangoda** Independent Non-Executive Director of Commercial Bank of Ceylon PLC appointed in August 2016
- **Mr R Senanayake** Independent Non-Executive Director of Commercial Bank of Ceylon PLC appointed in October 2020
- **Mr P M Kumarasinghe** Independent Non-Executive Director of Commercial Bank of Ceylon PLC

Regular Attendance by Invitation

- **Mr S C U Manatunge**
Managing Director of the Company and Managing Director/ Chief Executive Officer of Commercial Bank of Ceylon PLC
- **Mr S Prabagar**
Executive Director/Chief Operating Officer of Commercial Bank of Ceylon PLC

Secretary to the Committee

Mr L W P Indrajith

Secretary and Deputy General Manager – Finance of Commercial Bank of Ceylon PLC.

Meetings

The Committee held four meetings during the year under review as required by Section 9.14.4 of the Listing Rules of the CSE. The Committee reviewed all related party transactions carried out by its subsidiaries during the year at its quarterly meetings. The proceedings of the Committee meetings which also included activities under its Terms of Reference, were regularly reported to the Board of Directors of the parent company.

Directors' Statement on Risk Management and Internal Control

This Report is presented in accordance with the requirement to publish the Directors' Statement on Risk Management and Internal Controls as per Section D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by The Institute of Chartered Accountants of Sri Lanka.

The Board of Directors of the Company acknowledge the fact that maintaining a sound system of risk management and internal controls to safeguard shareholders' investment and the Company's assets is the responsibility of the board and the top management.

Further, the Board of Directors is responsible for the adequacy and effectiveness of the Company's system of risk management and internal control on financial reporting. The system of risk management and 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 on an ongoing basis. 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.

In designing, operation and monitoring of suitable internal controls to control risks faced by the Company, following factors are taken in to account;

- (a) Nature and risk faced by the Company
- (b) Adequacy of the existing risk management framework of the Company
- (c) Extent and type of risks, which the Company can accept to bear
- (d) The likelihood of risks being materialised
- (e) The Company's ability to curtail the risks that do materialise and the impact of these risks to the Company.
- (f) Cost benefit analysis of managing the risks

Strengthening System of Risk Management and Internal Control

The following processes have been established for reviewing the adequacy and integrity of the system of risk management and 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 Finance Manager 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 risk management and internal control systems and providing feedback of such reviews to the Audit Committee on any non-compliance 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 risk management and 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 risk management and internal controls in 2022 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 risk management and 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 C U Manatunge
Managing Director
Colombo
February 16, 2024

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, 2023 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 16, 2024. 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 1, Sri Lanka.

Ordinary voting shares of Commercial Development Company PLC is listed in Diri Savi Board of the CSE.

Percentage of public holding in the stated capital of the Company as at December 31, 2023 was 10% and there were 983 shareholders representing the public holding percentage stated above.

Existing Float Adjusted Market Capitalisation of the Company as at December 31, 2023 was Rs. 134.1 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 12, 15, 18, and 29 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 110. 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 104 to 173.

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, Material Accounting Policies and Notes thereto appearing on pages 104 to 173 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 for financial reporting" appearing on pages 86 and 87 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, 2023, as required by the Section 168 (1) (c) of the Companies Act is given on pages 101 to 103.

2.6 Significant Accounting Policies and changes during the year

As required by the Section 168 (1) (d) of the Companies Act, the Significant (Material) Accounting Policies adopted in the preparation of the Financial Statements of the Company are stated on pages 112 to 173. 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 (Material) Accounting Policies are disclosed in Note 5 to the Financial Statements on Page 112.

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 83 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 (d) of the Companies Act.

2.8 Directors' Remuneration

Directors' remuneration, in respect of the Company for the financial year ended December 31, 2023 is given in Note 10 to the Financial Statements on page 126 as required by the Section 168 (f) of the Companies Act.

2.9 Donations

The Company donated a medical scanning equipment worth Rs. 430,000/- to Homagama Base Hospital.

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 2023 was Rs. 687.5 Mn., (Rs. 631.1 Mn., in 2022).

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,	2023 Rs. '000	2022 Rs. '000
Profit from operations for the year	337,634	336,334
Add: Net finance income	124,343	64,955
PROFIT BEFORE TAX	461,977	401,289
Less: Income tax expense	(167,917)	(176,912)
NET PROFIT AFTER TAXATION	294,060	224,377
Add/Less: Amounts recognised in other comprehensive income, Net of tax (*)	(6,337)	(294)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX (*)	287,723	224,083
Add: Unclaimed dividends written back	326	349
Add: Unappropriated profit brought forward	842,744	741,199
Less: Surcharge tax paid	-	(50,556)
Transfers from/(to) fair value reserve - investment property	(44,950)	11,669
PROFIT AVAILABLE FOR APPROPRIATION	1,085,843	926,744
Less: Interim dividend of Rs. 3.00 per share (Rs. 3.00 per share in 2022)	(36,000)	(36,000)
Less: Final dividend of Rs. 4.00 per share (Rs. 4.00 per share in 2022)	(48,000)	(48,000)
UNAPPROPRIATED PROFIT CARRIED FORWARD	1,001,843	842,744

*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 30% as given in Note 12 to the Financial Statements on page 129.

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. 3.00 per ordinary share in December 2023 (an interim dividend of Rs. 3.00 per share was paid in December 2022).

In addition, Directors recommended the payment of Rs. 4 per share as a final dividend for the year 2023. (Rs. 4.00 per share in 2022). This final dividend is to be approved at the Annual General Meeting to be held on March 27, 2024.

On this basis, the total dividend payout ratio amounts to 28.57% of the profit after tax of 2023 compared to 37.44% for 2022.

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 22, 2024. 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 05, 2024 which is within three (3) market days from and excluding the “Record 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,	2023 Rs. '000	2022 Rs. '000
Fair Value Reserve – Investment property	2,451,630	2,406,680
Retained earnings	1,049,843	890,744
TOTAL	3,501,473	3,297,424

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 135. 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, 2023 was 58 years.

Details of the investment property are given in Note 19 to the Financial Statements on page 141.

7. Information on Shares

7.1 Stated Capital

The stated capital as at December 31, 2023 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 180.

7.3 Shareholdings

There were 984 registered shareholders (1,010 in 2022) holding ordinary voting shares as at December 31, 2023. The distribution of shareholding is given on page 180.

7.4 Substantial Shareholdings

The details of top twenty shareholders are given on page 178.

7.5 Equitable Treatment to Shareholders

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

8. Directors

8.1 List of Directors

Names of the Directors of the Company as at the end of 2023, as required by the Section 168 (1) (h) of the Companies Act are given below:

Mr B R L Fernando (Chairman)

Mr S C U Manatunge (Managing Director)

Mr A L Gooneratne

Mr A T P Edirisinghe

Mr L D A Jayasinghe

Mr U I S Tillakawardana

Dr R A Attalage (Appointed w.e.f. January 01, 2023)

8.2 New Appointments

Dr R A Attalage (Appointed w.e.f. January 01, 2023)

The Board of Directors of the Company shall decide any new appointments to the Board giving due consideration to the new Listing Rules of the Colombo Stock Exchange which are mandatory to be complied with effect from October 01, 2024. When deciding any new appointments, Board shall consider age, qualifications and independent status of new Directors as composition of Board Committees is a matter of concern.

8.3 Resignations/Relinquishments

As per the Rule No. 9.8.3 (ix) of the Listing Rules of the Colombo Stock Exchange, which should be complied with effect from October 01, 2024, a Director shall not be considered as independent if they are over 70 years of age.

Mr B R L Fernando, the Chairman, and Mr A T P Edirisinghe and Mr L D A Jayasinghe, Directors of the Company will not seek re-election at the forthcoming Annual General Meeting of the Company as they are over 70 years of age.

8.4 Recommendations for Re-election

Mr A L Gooneratne

As per Rules No. 9.8.3 (v) and 9.8.3 (ix) of the Listing Rules of the Colombo Stock Exchange, Mr A L Gooneratne, a Director of the Company having served on the Board for over 9 years and being over 70 years of age shall cease his independence status on the Board.

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 A L Gooneratne who has attained the age of 71 years.

(Resolution is stated on page 187 under Notice of Meeting)

Mr U I S Tillakawardana

In terms of clause 84 of the Articles of the Association of the Company, Mr U I S Tillakawardana retires by rotation and being eligible is recommended for re-election with the unanimous support of the Board.

8.5 Directors' Interests in Shares

The Directors (including the Chief Executive Officer) did not hold shares of the Company as at December 31, 2023 (The Directors, including the Chief Executive Officer did not hold shares as at December 31, 2022).

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 163. 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.

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 173.

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 27, 2024.

13.2 Auditors' Remuneration and Interest in Contracts with the Company

The Auditors, Messrs KPMG were paid Rs. 1,195,000/- for the year ended December 31, 2023 (Rs. 960,000/- in 2022) as audit and audit related services by the Company. In addition, they were paid Rs. 491,288/- for the year ended December 31, 2023 (Rs. 465,850/- in 2022) 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. 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 risk management and 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

Governance is adequately and practically dealt with. Accordingly, the Board of Directors are now taking necessary steps to fully comply with the new Listing Rules on Corporate Governance as entailed in the Section 9 of the Listing Rules of the Colombo Stock Exchange.

As permitted by the Colombo Stock Exchange, the Board of Directors affirm to be fully compliant with the new Listing Rules on or before October 01, 2024. In this regard, the Directors are keen to immediately rectify the key concerns such as independence of Directors, Board Committees and their composition.

Further, the Board of Directors focuses on the necessary resources and processes required to ensure that the Company is compliant with the Code of Best Practice on Corporate Governance issued by CA Sri Lanka as detailed in the Section on "Corporate Governance" on pages 48 to 71.

16. Outstanding Litigation

Details of litigations pending against the Company are given in Note 38.1 to the Financial Statements on page 173.

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 fourth Annual General Meeting is given on page 187.

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.



B R L Fernando
Chairman



S C U Manatunge
Managing Director



L W P Indrajith
Company Secretary

February 16, 2024

Statement of Directors' Responsibility for Financial Reporting

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 101 to 103.

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 the Statement of Financial Position as at December 31, 2023, 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, 2023 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 104 to 173 including, appropriate Accounting Policies have been selected and applied based on the financial reporting framework on a consistent basis, while reasonable and prudent judgements have been made so that the form and substance of transactions are properly reflected.

- (b) The Financial Statements for the year 2023, 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 72 and 73. 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 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.
- (h) As required by the Sections 166 (1) and 167 (1) of the Companies Act, this Annual Report is prepared in time. A copy thereof is sent to every shareholder of the Company who have expressed desire to receive a hard copy 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, instead of sending a soft copy in a CD. We also have hosted a soft copy of this Annual Report in the Company's website (<https://www.cdcpic.net>), in addition to the soft copy thereof available in the CSE website for the benefit of other shareholders within the stipulated period of time.
- (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 Best Practice on Corporate Governance – 2023" 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 Finance Manager, 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 16, 2024 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 101 to 103.

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 16, 2024

Managing Director's and Finance Manager'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 judgement 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, 2022.

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 101 to 103. 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 except to the extent that independence of Directors, Board Subcommittees and their composition will be brought fully in line with new Listing Rules on or before October 01, 2024.

Details of litigations pending against the Company are given in Note 38.1 to the Financial Statements on page 173.

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 C U Manatunge
Managing Director



W H Wijesekara
Finance Manager

Colombo
February 16, 2024

Risk Management

Risk which is the probability that the actual performance may be different from the expected performance, is an inherent aspect of any venture, commercial or otherwise. Commercial Development Company PLC (CDC) is no exception. An element of 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. Risk and return are positively co-related since higher risks yield higher returns to compensate the risk.

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 guide and aid the process of value creation. Its operations come under the purview of the Integrated 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:

- Establish the necessary organisational structure for the management and oversight of risk;
- Ensure that risks assumed are commensurate with the returns generated;
- Develop strategies and execute them for managing risk;
- Institutionalise a strong risk culture within the Company;
- Establish functional responsibility for decisions relating to accepting, transferring, mitigating and minimising risks and recommending ways of doing so;
- Periodically evaluate the risk exposures on an ongoing basis;
- Estimate potential losses that could arise from its risk exposures.

Key Developments in 2023

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

- Initiating measures in the latter part of 2023 to develop a comprehensive Intranet facility to assure the availability of accurate information required by the staff members as a part of the Human Resources Management System (HRIS).
- The significant reduction of paperwork and manual work with the implementation of HRIS, guaranteeing accuracy in attendance as well as overtime claims. Both CDC and Commercial Bank have immensely benefited from the advantages provided by HRIS. In addition, the reduced paperwork can be regarded as an indirect responsible measure by CDC as a "Corporate Citizen", making HRIS a true investment.
- Several refurbishment projects in "Commercial House" which had been previously delayed owing to the uncertain economic situation in the country since 2020. At a budgeted cost of Rs. 75 Mn., the refurbishment included repairs to precast concrete panels; addressing cracks in the external walls with a complete colour wash; waterproofing treatments in the basement; and necessary repairs in all 39 washrooms, including the installation of new fittings. The refurbishments are expected to be completed in 2024.
- Proposed repairs to the precast facades of the "Commercial House" building to ensure their strength. The task was handed to the Central Engineering Consultancy Bureau (CECB), and will receive guidance from The Collavino Group (Toronto), the original constructor of the building in 1982. The proposed repairs involve several stages, including external inspections and laboratory investigations. The process is in the laboratory investigation stage and CDC is confident that the task can be completed by the end of 2024.
- Authorised agents conducting the biannual servicing of two standby 500 KVA generators to ensure preparedness for any power supply crisis. Prior to this, the generators were serviced on an annual basis. CDC is also exploring alternative options, refraining from outsourcing this task to third parties to minimise associated risks. Additionally, the CDC has fully cooperated with Commercial Bank in installing an additional standby 160 KVA generator that is strategically connected to the most sensitive areas in "Commercial House" to guarantee uninterrupted power supply in the event of failure in the national grid and both 500 KVA generators.

Risk Management

- Replacing three bus bar capacitors and pressure sensors in the building's centralised chiller to ensure uninterrupted air conditioning facilities in "Commercial House". The initial 5-year period of the centralised chiller had elapsed and different parts required replacement; despite incurring a significant cost for the new parts, it remains CDC's responsibility to minimise any associated risk factors and ensure air conditioning facilities are functioning at all times.
- Implementing precautionary measures outlined in the Risk, Inspection, Audit, and compliance reports within a specific time frame. The observations in these reports, along with the corresponding corrective measures, were presented in Board Meetings to secure the approval of the Board of Directors.
- Re-examining company policies and making necessary amendments in mid-2023. A new policy titled "Reputational Risk Management" was introduced to safeguard the reputation of CDC; both the amendments and the new policy were endorsed by the Board of Directors.
- Successfully negotiating with financial institutions to secure special interest rates on high-yield deposits and mitigating the risks associated with reduced interest income. This strategic move allowed CDC to continue enjoying higher interest income in 2023 even as deposit rates declined significantly.
- Maintaining and updating the knowledge of employees across all grades to mitigate various risk factors. Consequently, a total of 18 training programmes were conducted to enhance the productivity, professionalism, and output of employees. Additionally, hands-on training sessions were organised by experienced and qualified professionals associated with CDC and Commercial Bank. Meanwhile, technical staff members engaged in the maintenance and utility service divisions were encouraged to pursue higher levels of NVQ certifications with financial assistance provided to ensure the highest level of professional services to our client.
- Increasing salaries for all staff members to motivate staff and minimise turnover, a substantial raise compared to the annual increment. Despite having to allocate a sizable portion for the proposed increase, the decision was taken to mitigate the risk factors of losing trained and loyal employees, and protecting the best services offered to Commercial Bank.

- Promoting the Accountant to the newly introduced role of Finance Manager with the aim of segregating the duties of the Accounts department between the Finance Manager and a newly recruited Assistant Accountant. The decision to engage a new professional in the Accounts department was seen as a means to mitigate risk factors of any perception of career stagnation and create a succession plan within CDC.

Risk Profile

During the year and as at the year end, there were no incidents that resulted in financial losses or reputational damage, or potential to cause such losses or damage to the Company in future. There was no pending litigation by or against CDC except as disclosed in Note 38.1 to the Financial Statements on page 173. Some of the indicators are given in the table below:

Indicator	2023	2022
Equity to total assets	83.7%	84.3%
On balance sheet gearing ratio	19.0%	19.0%
Litigation against the Company	One high court appeal case	One high court appeal case
Tax assessments pending	No	No

Outlook and Plans for 2024 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 socioeconomic backdrop.

Plans for 2024

Major initiatives relating to risk governance and risk management planned for the year 2024 and onwards include:

"Commercial House" Building

- Commencement of the rooftop waterproofing project.
- Replacement of the window glasses fixed on the ground floor (initiated in coordination with Commercial Bank to update the appearance of the Bank and as an energy-saving measure).

- Completion of repairs in precast panels and colour-washing of external walls.
- Completion of refurbishment work in all the washrooms.
- Negotiating a new Rental Agreement with Commercial Bank to increase the rental to a reasonable level when the existing Rental Agreement for "Commercial House" expires in December 2024.
- Signing a new agreement for the provision of space rented to a telecommunication company when the existing agreement expires in 2024.
- Revisiting and renewing the building insurance policy, vehicle rental agreement, and public liability policies for a further period in order to guarantee that CDC's assets continue to be protected.
- Renewing service agreements with the janitorial service provider, as well as with Commercial Bank, pertaining to the management of janitorial services at "Commercial House".

The property at Tangalle

- Refurbishing and enlarging the vehicle park.

The property at Negombo

- Renovating and strengthening the boundary walls in the vehicle park.

Other

- Signing a new agreement for vehicle rentals when the existing vehicle renting agreement expires in 2024.
- Re-examining and renewing all other insurance policies, ensuring benefits for CDC as well as for the staff members.
- Reviewing staff salaries in July 2024.
- Reinvesting the 2024 maturing deposits containing CDC's earnings at special rates.
- Revisiting all policy documents and making the required amendments.
- Developing policy documents in relation to the Board of Directors and Corporate Governance on or before October 01, 2024
- Correcting the Board composition in relation to independent Directors and required Board Committees in compliant with new Listing Rules on or before the respective deadline dates permitted by the CSE.

Risk Governance Framework

Since the Board is responsible for risk governance, all guidelines pertaining to the optimum level of risk management are defined by the Board of Directors, who also determines the level of risk that the Company can undertake.

Accordingly, the observations stated in Risk, Audit, Inspection, and Anti-Money Laundering reports are thoroughly verified by the Board and the Management, closely examining the actions initiated by the Management with follow-ups to ensure that potential risk factors are minimised.

The best practices relating to corporate governance and risk management are always in line with the parent company. As the parent company has set precise standards for risk governance, CDC also benefits from obtaining guidance from the experts associated with Commercial Bank.

As a separate legal entity and a subsidiary of the Commercial Bank group, reputational risk management at CDC is crucial. Therefore, a new policy regarding "Reputational Risk Management" was introduced in 2023 with the guidance of experts, and this policy was approved by the Board.

The Company also reviewed internal control documents for the year 2023 in relation to finance and operations. Reviewing the internal control documents is an annual exercise, for which an affirmation given by the Chief Executive Officer and the Finance Manager to the Bank's Inspection Department.

Furthermore, all policy documents will be reviewed and amended annually to minimise potential risk factors.

Board of Directors

The responsibility for strategy and policy formulation lies with the Board of Directors who also provide guidance on objective settings, new business lines, new investments, purchase and disposal of fixed assets (if volumes are higher than normal levels), and the annual budget. The Board also closely monitors the progress, bearing overall responsibility for managing the associated risk factors within the Company.

The Board itself possesses the capacity to determine the extent of risk factors. It is also indirectly responsible for various levels of risk factors through Board Committees given that risk management through Committees has proven more effective. However, revelations related to risk factors and its management are broadly discussed in the Board with recommendations supplied by the Committees.

The Board comprises of reputed professionals with extensive experience in corporate governance and risk management. Along with the guidance of the parent company, the Board takes the lead in managing risk levels within itself, conforming to the standard of Commercial Bank. CDC has greatly benefited from the Bank's expertise in risk management and due to their direct mediation regarding risk management, CDC is committed to undertaking its business transactions with due responsibility and diligence, assuring the adherence to the ultimate goals of risk management in the Commercial Bank group. In return, CDC demands the highest level of honesty, integrity, accountability, and professionalism from its employees.

As a listed entity operating under the Listing Rules of the Colombo Stock Exchange (CSE), related party transactions are carefully monitored by the Related Party Transactions Review Committee, established by Commercial Bank. As permitted by the Listing Rules of the CSE, Related Party Transactions Review Committee of the Bank acts as the Related Party Transactions Review Committee of the Company; this ensures keeping transactions at an arm's length and maintaining transparency. Furthermore, the parent company is regulated by the Central Bank, in addition to the regulations imposed by the Securities Exchange Commission. All these transactions are closely monitored, and all details reported to the Bank with a copy provided to the Board of Directors of CDC.

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)

Formal terms of reference for the Board Remuneration Committee appears in the Report of the Board Remuneration Committee on page 74.

As the parent company is also a listed company, the Securities and Exchange Commission of Sri Lanka has permitted the Related Party Transactions Review Committee of the parent company to oversee the related party transactions of the listed companies in the Commercial Bank group, of which Commercial Development Company PLC is a subsidiary.

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 72 to 77.

Executive Management Responsibility

The responsibility for managing CDC resources and executing strategies in accordance with the mandate of the Board of Directors, while maintaining risk factors within approved levels, is held by the Executive Management.

Even though CDC is a publicly quoted entity, 90% of the stake is held by Commercial Bank. Therefore, events relating to the risk management of CDC are overseen by the parent company, a common procedure for all subsidiaries within the Commercial Bank group. The group risk policy framework is set by the Bank, ensuring a mutually beneficial situation for both CDC and the Bank.

Out of the three executive management positions, two positions are seconded by Commercial Bank, allowing CDC to follow good practices in risk management applicable within the Commercial Bank group framework.

The Executive Management performs day-to-day transactions in accordance with guidelines outlined in policy documents while adhering to acceptable practices in good governance. Approved by the Board, these policies are examined during frequent audit/risk inspections with required amendments carried out the following year, after assessing the recommendations provided in Risk, Inspection, and Audit reports as well as considering the particular issues faced in the past year. The proposed amendments are recommended by the Executive Management, meticulously scrutinised by the Board Subcommittees, and approved by the Board of Directors.

All internal and external audits are entrusted to reputed audit firms. In addition, CDC is frequently inspected by the Bank's Inspection, Risk Management, and Anti-Money Laundering units. Upon completion of each inspection, the inspecting teams provide detailed reports to the Executive Management with observations and recommendations. The Executive Management is responsible for forwarding the action plan to the Inspection team, detailing the actions to be initiated that

address the lapses stated in the report, and adhering to the timeline stated in the report (usually within 14 working days). A copy of the report is tabled in the next board meeting, and the actions to be initiated within a specific time frame are explained to the Board.

Due diligence is practiced by the Executive Management regarding the day-to-day operations as well as purchases of various items and services from outside parties. In the case of large-scale purchases and services, the Management visits the vendors or service providers to assess the operations, ensuring those are conducted at an acceptable standard while avoiding risk factors. Some of the services are governed by written agreements. All provided quotations from the service providers are carefully assessed prior to obtaining approvals from higher authorities or the Board, depending on the total cost of the project.

Based on observations and recommendations, the following measures were initiated to mitigate risk factors in 2023:

- Implementing a systematic approach to gather the required information to propose necessary amendments to the policy documents.
- Implementing the "Reputational Risk Management Policy".
- Entrusting the maintenance of two generators only to the authorised agents from whom the generators were purchased to minimise risks.
- Providing the technical staff engaged in the maintenance of the two generators with comprehensive training conducted by the authorised agents.

In the perspective of staff development and as a motivational measure, the following initiatives were undertaken in the year 2023:

- Conducting continuous training programmes to develop the skills of staff members.
- Enhancing policy values for a number of insurance policies for the benefit of staff members, obtained at the expense of CDC.
- Offering all staff members a substantial salary increases to keep pace with the costs of living, as well as awarding internal promotions, and arranging a staff dinner at an upscale hotel.

Risk Management Function

One of the key responsibilities of the executive management is to identify, assess, mitigate, and report the risks that could adversely affect CDC's operations, reputation, and performance. Accordingly, to avoid any form of calamity, it has been recognised that the most crucial areas in risk management lies in recognising early warning signals, red flag alerts, forecasting future losses, and replacing resources within a limited timeframe. In the Company's Human Resources policy, a well-designed "Whistleblower" system has been installed to alert the Executive Management and initiate any necessary steps to avoid risk factors.

Risk Management Infrastructure

Even though CDC does not have a separate division dedicated to risk management, expert advice on risk management is obtained from the Bank which has a separate division established with professionals specialising in different fields of risk management.

In addition to the infrastructural support extended by Commercial Bank, CDC has developed its own infrastructure to mitigate risks. This includes mandates, policies, internal control documents, best practices, extensive professional knowledge, experience, and competencies of the Executive Management; as well as Non-Executive grades, databases, and well-documented rental and service agreements. CDC is vigilant in building and maintaining its risk management infrastructure, to ensure it is able to operate in a trouble-free environment to the best of its abilities.

Risk Governance Structure

Irrespective of seniority and the various positions held, all employees have been trained and instructed to understand the risks that the Company and its employees are exposed to. In addition, CDC provides training programmes related to their job profiles to enhance the knowledge and skills of employees, while circulating important information among the staff through circulars to reduce risks.

Risk Management Policies and Procedures

CDC has developed a number of policies that are revisited and updated annually to strengthen the risk management functions within the organisation. These policy documents include Assets Procurement and Disposal; Business Continuity Planning; Information Security; Human Resources Management; Record Classification; Management; Retention and Destruction; Limits of Authority; and Reputational Risk Management. Apart from the "Reputational Risk Management Policy" developed in 2023, all other policy documents have been in existence since 2020. CDC functions adhere to the policy documents to ensure that risk management is in line with accepted standards, which also conforms to the risk policy of the parent company.

Cybersecurity Risk Management

Cyber risks, being one of the key risks, is managed through shared services provided by the parent company, the Commercial Bank. The Company's all IT devices having linked with the Commercial Bank's network and the firewall, ensures highest standards of measures in mitigating cyber risks. In this regard, all network activities and Information Systems are monitored by the experts in the parent Company's IT Division as well as an outsourced IT service provider CBC Tech Solutions Ltd. which is also a fully owned subsidiary of the Bank. In addition, Bank's Risk Management Department carries out annual audits and the scope of such audits includes assessing the level of compliance in regard to the Information Security Policy of the Company as well as the Commercial Bank.

Risk Management Framework

The Risk Management Framework is structured to ensure the four-sector business model is operated with minimal risk factors. The drive to avoid various identified risk factors at the corporate level is discussed under one umbrella, while different methods are practiced to mitigate risks in various areas within the overall business model. In this perspective, CDC follows organisational structure, procedures, systems, best industry practices, and guidelines, along with soliciting advice from the parent company, to mitigate both apparent and unseen risk factors.

Risk Management

In order to identify, measure, analyse, and report the level of risk, CDC has deployed a number of tools, procedures, and processes; this includes the organisational structure with approving authority, internal controls specified in approved policies, and comprehensive consideration of observations appearing in Audit, Risk, Inspection, and Anti-Money Laundering reports. CDC conducts fruitful communication with all stakeholders, adhering to compliance, and obtaining technical advice from risk experts employed at the Bank to facilitate risk management.

Furthermore, several measures are practiced to avoid risk factors, such as maintaining log records and preventive maintenance schedules; revisiting service agreements; considering past experience and the availability of the latest technology; reviewing feedback from service recipients; and conducting exit interviews with staff members who leave CDC.

In the event that a risk is identified, CDC quickly initiates several actions to avoid harmful repercussions to the Company and all stakeholders. Thereafter, the risk element is analysed to assess possible tangible and intangible damages, followed by strengthening risk control measures to prevent damage from a similar attack in future. Some risks are identified with low occurrences but carry a high level of damage. Such risks are identified at early stages, and transferred through custom-made insurance policies and properly worded agreements signed with service providers and recipients. These insurance policies are annually revised with prevailing market rates while covering all possible risks. Prior to signing new agreements when the previous agreements are up for renewal, clauses are revisited and amendments are incorporated if risk factors are identified. Further, prior to the commencement of any project, quotations are solicited from reputed service providers and suppliers, and the jobs delegated only after a careful review of their performances to gauge a higher level of transparency, with payments made based on the invoices provided.

Types of Risks

Regarding financial instruments, CDC is also exposed to risks such as operational, credit, market, and financial risk management as reflected in the Financial Statements. CDC being a cash-rich company, its earnings are invested in financial instruments, hence exposing CDC to the risks of interest rates, inflation, and the potential loss of face values of the financial instruments invested.

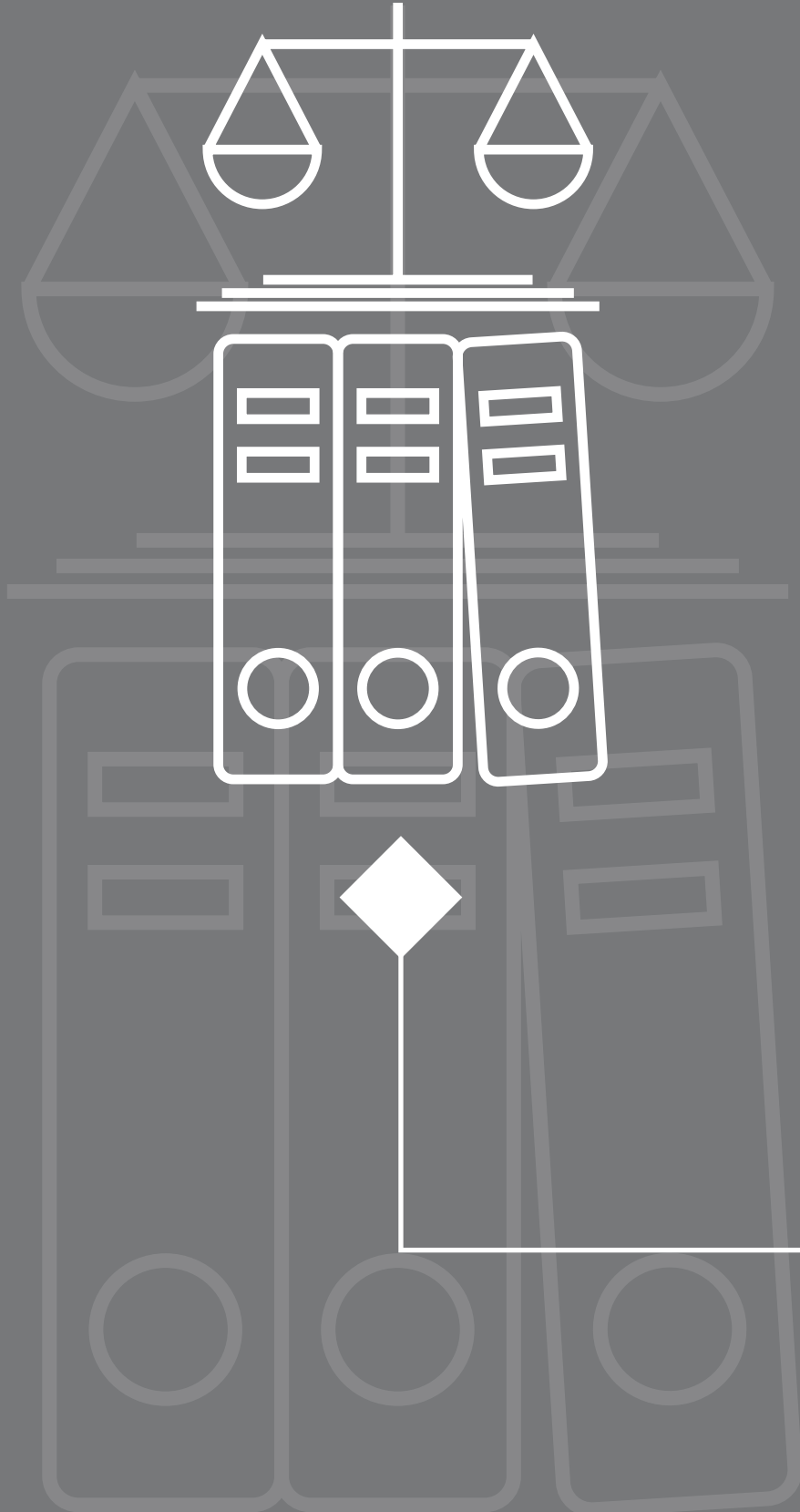
A list of such risks and a detailed description of risk management measures in place are given below:

Risk category	Risk description	Risk mitigation measures	Risk level
Credit risk	Counterparties failing to honour their contractual obligations to the Company	<p>(1) Given that Commercial Bank is the sole client of the Company, the defaulting risks related to the services provided to Commercial Bank are nearly at zero. All jobs are appropriately invoiced and settled within a specific timeframe.</p> <p>(2) As a security measure, all earnings of the Company are invested in reputable financial institutions regulated by the Central Bank. Consequently, the defaulting rate is minimal unless a large-scale collapse of the economy were to occur.</p>	Low
Market risk	<p>(1) Interest rate risk arising from exposure to financial instruments due to fluctuations in market interest rates</p> <p>(2) The risk arising from price competition as CDC services are available in the market (even though Commercial Bank is the sole customer of CDC, the Bank has many options to select suitable service providers at competitive rates)</p>	<ul style="list-style-type: none"> Monitor the deposit rates available in the market and reinvest the funds of matured deposits and new deposits in high-yield deposits offered by reputable financial institutions; Seek professional advice from the Commercial Bank Treasury division. <p>Employ skilled workers and provide an unparalleled service at reasonable and transparent rates.</p>	Medium
	Liquidity risk	All financial commitments have been met without any difficulty, as longstanding debtors do not appear on the books. The implementation of a proper accounting system, well-planned cash flow management, and the maintenance of financial discipline have effectively minimised liquidity risk.	Low

Risk Management

Risk category	Risk description	Risk mitigation measures	Risk level
Operational Risk	Human resource related risks such as failure to attract/retain/develop staff	Conduct exit interviews to assess where the Company may have failed.	Minimum
	Health and safety risk	<ol style="list-style-type: none"> (1) Following best practices. (2) Adhering to Human Resources policy and reviewing it annually. (3) Conducting employee training to provide hands-on experience. (4) Enhancing the value of health insurance packages to cover all possible risks. (5) Providing uniforms, safety shoes, and other safety gear to technical staff. 	Average
	Risk of damage to physical assets	<ol style="list-style-type: none"> (1) Periodic maintenance of all assets. (2) Obtaining insurance coverage to the market values of the assets from reputed insurance companies. (3) Reviewing and updating the assets recorded in the insurance policies when new assets are purchased. 	High
	Public liability arising from potential incidents relating to properties	<ol style="list-style-type: none"> (1) Regular maintenance and review of standards. (2) Availing security services. (3) Availability of "Public Liability Insurance Policies" with annual review conducted. 	Average
	Thefts and frauds	<ol style="list-style-type: none"> (1) Implementing a system to ensure that internal controls are in place with regular updates. (2) Setting an example by Senior Management when performing duties. (3) Minimising the possibility of fraud through properly worded agreements, quotations, and invoices when obtaining services from outside parties. (4) Conducting internal and external audits, and promptly taking realistic actions in response to the observations stated in these reports. 	Low
	Disruptions to IT and information systems	<ol style="list-style-type: none"> (1) Having a properly designed Business Continuity Plan and testing it at least once biannually. (2) Having an Information Security Policy with an annual review. (3) Establishing signed agreements with service providers to engage in a crisis situation. 	High

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	<ol style="list-style-type: none"> (1) Addressing the compliance requirements of the Colombo Stock Exchange thoroughly to leave no room for penalties. (2) Successfully adhering to the deadlines set by the Inland Revenue Department, and settling crisis situations amicably. (3) Given that CDC compliance requirements fall under the group of Commercial Bank, increased supervision by the parent company is ensured. (4) Reviewing compliance documents and observations from Audit, Inspection, Risk and Anti-Money laundering reports, along with action plans, during Audit Committee and Board meetings. 	Average
Business continuity risk	Natural or man-made risks which could impact continuity of business operations	<ol style="list-style-type: none"> (1) A formal Business Continuity Plan, approved by the Board, is tested periodically and reviewed annually. (2) Implementing contingency plans using available resources and subsequently assessing the risks to which the Company is exposed. (3) Clearly indicating the limitations of the services in the agreements, signed with Service Recipients, that the Company could provide in a disaster situation. 	High
Reputational Risk	May arise from failure to meet compliance requirements, poor service standards/unprofessional behaviour and any negative publicity	<ol style="list-style-type: none"> (1) CDC developed a comprehensive policy on "Reputational Risk Management" in 2023 that was approved by the Board of Directors. (2) Prime requirements of reputational risk and compliance have been communicated to all staff members. (3) Disciplinary actions have been initiated against staff members who fail to adhere to unprofessional/irresponsible behaviour, as per the guidelines stated in the Human Resources Policy 	Average
Strategic risk	Failure to maximise opportunities and achieve financial targets, impact of erroneous strategic decisions, failure to meet customer expectations	<ol style="list-style-type: none"> (1) Strategic decisions involving excessive investments or expenditure are assessed by the Board with the recommendations and consultation of experts in respective fields. (2) Given that Commercial Bank is the sole customer of CDC, a cordial relationship is maintained between the entities to ensure that the services provided are at their best. 	Average
	Business concentration risk due to all its services being currently provided to the Bank	Efforts to diversify the business externally remain without success, as the permission of the Central Bank was not granted. However, the existing services continue to be provided to Commercial Bank without losing opportunities.	High



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Financial Calendar 2023 and 2024

Dividend Calendar – 2023

Final Dividend for 2022 paid on April 12, 2023 and April 27, 2023

Interim Dividend for 2023 paid on December 12, 2023 and December 27, 2023

Final Dividend for 2023 proposed to be paid on or before April 05, 2024 and April 22, 2024

Annual General Meeting Calendar – 2023

Annual Report and Accounts for 2023 signed on February 16, 2024

Forty Fourth Annual General Meeting to be held on March 27, 2024

Submission of the Interim Financial Statements in terms of Rule 7.4 of the Colombo Stock Exchange – 2023

For the 3 months ended March 31, 2023 (unaudited) – Submitted on May 08, 2023

For the 3 and 6 months ended June 30, 2023 (unaudited) – Submitted on August 11, 2023

For the 3 and 9 months ended September 30, 2023 (unaudited) – Submitted on November 13, 2023

For the 3 months and year ended December 31, 2023 (unaudited) – Submitted on February 16, 2024

Dividend Calendar – 2024

Final Dividend for 2023 to be paid on or before April 05, 2024 and April 22, 2024

Interim Dividend for 2024 to be paid in December 2024

Final Dividend for 2024 proposed to be paid in April 2025

Annual General Meeting Calendar – 2024

Annual Report and Accounts for 2024 to be signed in February 2025

Forty Fifth Annual General Meeting to be held in March 2025

Submission of the Interim Financial Statements in terms of Rule 7.4 of the Colombo Stock Exchange – 2024

For the 3 months ending March 31, 2024 (unaudited) – will be submitted on or before May 15, 2024

For the 3 and 6 months ending June 30, 2024 (unaudited) – will be submitted on or before August 15, 2024

For the 3 and 9 months ending September 30, 2024 (unaudited) – will be submitted on or before November 14, 2024

For the 3 months and year ending December 31, 2024 (unaudited) – will be submitted on or before February 28, 2025

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 December 31, 2023, and the statement of profit and 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 material accounting policies and other explanatory information.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its 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 for professional Accountants 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.

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Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FTII



Valuation of Investment Property

Refer Note 19 to the Financial Statements

Risk Description	Our response
<p>As at the reporting date December 31, 2023, land and building (including buildings on leasehold land) carries at fair value, classified as Investment properties amounted to Rs. 3,129 Mn.</p> <p>Investment property comprise of leasehold land with a value of Rs. 1,621 Mn., freehold land of Rs. 203 Mn. and building of Rs. 1,305 Mn. located in Colombo, Negombo and Tangalle, and represented 72% of total assets.</p> <p>The Company has recorded a fair value gain of Rs. 98 Mn. 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 recognised 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 capitalisation 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 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 will 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 identified above when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.



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 relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

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 26, 2024

Income Statement

For the year ended December 31,	Note	Page	2023 Rs. '000	2022 Rs. '000	Change %
Revenue	8	124	687,511	631,128	8.93
Cost of sales			(420,758)	(324,607)	29.62
GROSS PROFIT			266,753	306,521	(12.97)
Other income	9	126	17,978	2,040	781.27
Administrative expenses			(44,992)	(36,730)	22.49
Fair value gain on investment property	19	141	97,895	64,503	51.77
OPERATING PROFIT	10	126	337,634	336,334	0.39
Finance income	11.1	128	143,575	77,837	84.46
Finance costs	11.2	128	(19,232)	(12,882)	49.29
NET FINANCE INCOME			124,343	64,955	91.43
PROFIT BEFORE TAX			461,977	401,289	15.12
Income tax expense	12	129	(167,917)	(176,912)	(5.08)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY			294,060	224,377	31.06
EARNINGS PER SHARE					
Basic and diluted (Rs.)	13	131	24.51	18.70	31.06

The Accounting Policies and Notes appearing on pages 110 to 173 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	2023 Rs. '000	2022 Rs. '000	Change %
PROFIT FOR THE YEAR			294,060	224,377	31.06
OTHER COMPREHENSIVE INCOME, NET OF TAX					
ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS					
Actuarial gain/(loss) on defined benefit plans	27	151	(9,053)	(402)	2,151.99
Related tax	29.4	157	2,716	108	2,414.81
Net actuarial gain/(loss) on defined benefit plans			(6,337)	(294)	2,055.44
ITEMS THAT ARE OR MAY BE RECLASSIFIED TO PROFIT OR LOSS					
Net change in fair value of debt investments at FVOCI			–	243	(100.00)
Related tax	29.4	157	–	(58)	(100.00)
Net change in fair value of Debt Investments at FVOCI, net of tax			–	185	(100.00)
OTHER COMPREHENSIVE INCOME, NET OF TAX			(6,337)	(109)	5,713.76
TOTAL COMPREHENSIVE INCOME			287,723	224,268	28.29

The Accounting Policies and Notes appearing on pages 110 to 173 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Financial Position

As at December 31,	Note	Page	2023 Rs. '000	2022 Rs. '000	Change %
ASSETS					
NON-CURRENT ASSETS					
Property, plant, and equipment	17	135	88,390	131,768	(32.92)
Intangible assets	18	139	1,502	2,132	(29.55)
Investment property	19	141	3,129,111	3,031,216	3.23
Deposits receivable	20	146	11,187	10,980	1.89
TOTAL NON-CURRENT ASSETS			3,230,190	3,176,096	1.70
CURRENT ASSETS					
Trade and other receivables	21	147	100,737	53,042	89.92
Financial investments	22	147	852,989	671,482	27.03
Cash and cash equivalents	23	148	142,373	154,462	(7.83)
TOTAL CURRENT ASSETS			1,096,099	878,986	24.70
TOTAL ASSETS			4,326,289	4,055,082	6.69
EQUITY AND LIABILITIES					
EQUITY					
Stated capital	24	148	120,000	120,000	-
Other reserves	25	149	2,451,630	2,406,680	1.87
Retained earnings			1,049,843	890,744	17.86
TOTAL EQUITY			3,621,473	3,417,424	5.97
NON-CURRENT LIABILITIES					
Deposits payables	26	150	61,083	56,760	7.62
Employee benefits	27	151	86,164	61,078	41.07
Lease liabilities - long-term	28	155	50,642	69,138	(26.75)
Deferred taxation	29	156	390,235	346,815	12.52
TOTAL NON-CURRENT LIABILITIES			588,124	533,791	10.18
CURRENT LIABILITIES					
Trade and other payables	30	159	54,203	26,894	101.54
Lease liabilities - short-term	28	155	18,496	15,963	15.87
Deferred revenue	31	160	6,089	8,515	(28.49)
Current tax liabilities	32	160	37,904	52,495	(27.80)
TOTAL CURRENT LIABILITIES			116,692	103,867	12.35
TOTAL LIABILITIES			704,816	637,658	10.53
TOTAL EQUITY AND LIABILITIES			4,326,289	4,055,082	6.69
NET ASSETS VALUE PER ORDINARY SHARE (Rs.)			301.79	284.79	5.97

The Notes appearing on pages 110 to 173 form an integral part of these Financial Statements.

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
Finance Manager

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 16, 2024



S C U Manatunge
Managing Director

Statement of Changes in Equity

	Note	Page	Stated capital Rs. '000	Other reserves		Retained earnings Rs. '000	Total equity Rs. '000
				Fair value reserve – Investment property Rs. '000	Fair value reserve – Financial assets Rs. '000		
BALANCE AS AT JANUARY 01, 2022			120,000	2,418,349	(185)	789,199	3,327,363
Adjustment for surcharge tax			–	–	–	(50,556)	(50,556)
ADJUSTED BALANCE AS AT JANUARY 01, 2022			120,000	2,418,349	(185)	738,643	3,276,807
TOTAL COMPREHENSIVE INCOME FOR THE YEAR							
Profit for the year 2022			–	–	–	224,377	224,377
Other comprehensive income for the year 2022			–	–	185	(294)	(109)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR 2022			–	–	185	224,083	224,268
TRANSACTION WITH EQUITY HOLDERS, RECONGNISED DIRECTLY IN EQUITY							
Final dividend for 2021			–	–	–	(48,000)	(48,000)
Interim dividend for 2022			–	–	–	(36,000)	(36,000)
Write back of unclaimed dividends			–	–	–	349	349
Transfer of fair value losses on investment property	25.1	149	–	(11,669)	–	11,669	–
BALANCE AS AT DECEMBER 31, 2022			120,000	2,406,680	–	890,744	3,417,424
BALANCE AS AT JANUARY 01, 2023			120,000	2,406,680	–	890,744	3,417,424
TOTAL COMPREHENSIVE INCOME FOR THE YEAR							
Profit for the year 2023			–	–	–	294,060	294,060
Other comprehensive income for the year 2023			–	–	–	(6,337)	(6,337)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR 2023			–	–	–	287,723	287,723
TRANSACTION WITH EQUITY HOLDERS, RECONGNIZED DIRECTLY IN EQUITY							
Final dividend for 2022			–	–	–	(48,000)	(48,000)
Interim dividend for 2023			–	–	–	(36,000)	(36,000)
Write back of unclaimed dividends			–	–	–	326	326
Transfer of fair value gains on investment property	25.1	149	–	44,950	–	(44,950)	–
BALANCE AS AT DECEMBER 31, 2023			120,000	2,451,630	–	1,049,843	3,621,473

The Notes appearing on pages 110 to 173 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Cash Flows

For the year ended December 31,				2023	2022
	Note	Page		Rs. '000	Rs. '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax				461,977	401,289
NON-CASH ADJUSTMENTS TO RECONCILE PROFIT BEFORE TAX TO NET CASH FLOWS					
Depreciation	17	135		43,266	41,662
Amortisation	18	139		630	630
Fair value gain on investment property	19	141		(97,895)	(64,503)
Interest income	11	128		(143,575)	(77,837)
Provision for employee benefits	27	151		17,937	10,876
Interest expense	11	128		18,910	12,453
Gain on disposal of property, plant, and equipment	9	126		(17,830)	(1,933)
				283,420	322,637
CHANGES IN;					
Trade and other receivables				(47,695)	(10,030)
Deposits receivable				(207)	(123)
Deposits payables				1,015	(535)
Deferred revenue				(2,426)	(2,051)
Trade and other payables				21,791	9,242
CASH GENERATED FROM OPERATING ACTIVITIES					
				255,898	319,140
Employee benefits paid	27	151		(1,904)	(1,166)
Interest paid on leases				(15,603)	(9,649)
Surcharge tax paid				–	(50,556)
Current tax paid	32	160		(136,372)	(83,102)
NET CASH GENERATED FROM OPERATING ACTIVITIES					
				102,019	174,667
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant, and equipment	17	135		(46)	(31,453)
Proceeds from sale of property, plant, and equipment				17,988	28,203
Interest received				107,070	47,181
Disposal of treasury bills				–	80,000
Investment in fixed deposits				(145,000)	(155,000)
NET CASH GENERATED FROM INVESTING ACTIVITIES					
				(19,988)	(31,069)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of lease liabilities				(15,963)	(11,703)
Dividend paid				(78,157)	(82,957)
NET CASH USED IN FINANCING ACTIVITIES					
				(94,120)	(94,660)
Net increase in cash and cash equivalents				(12,089)	48,938
Cash and cash equivalents at the beginning of the year				154,462	105,524
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR					
	23	148		142,373	154,462

The Notes appearing on pages 110 to 173 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, 2023 was 211 (213 as at December 31, 2022).

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

Property development and related ancillary services and providing the manpower needs for various support services which are unrelated to providing core banking services to the customers of Commercial Bank of Ceylon PLC.

There were no significant changes in the nature of the principal business activities of the Company during the financial year under review.

1.4 Financial Statements

These Financial Statements as at and for the year ended December 31, 2023 comprise the Company only.

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 material accounting policies followed during the year are given on Note 6 on pages 113 to 120.

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 for Financial Reporting" and the certification on the Statement of Financial Position on pages 80, 86 and 106 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 104 and 105),
- a Statement of Financial Position providing the information on the financial position of the company as at year-end (refer page 106),
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review (Refer page 107),
- 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 108), and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information (Refer pages 110 to 173).

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended December 31, 2023 (including comparatives) were approved and authorised for issue by the Board of Directors on February 16, 2024.

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	19	141
Financial investments	Financial investments are measured at amortised cost .	22	147
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	152
Deposits receivable	Deposits receivable are measured at present value initially and subsequently at amortised cost.	20	146
Deposits payable	Deposits payable are measured at present value initially and subsequently at amortised cost.	26	150
Lease liabilities	Lease liabilities are measured at amortised cost using effective interest method.	28	155

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

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.

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	124
Fair value of investment property: whether the Company is able to generate revenues upto the end of the lease period	19	141
Lease term: whether the Company is reasonably certain to exercise extension options	6.3	116

4.2 Assumptions and Estimation

Information about assumptions and estimation uncertainties as at December 31, 2023 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	153
Determining the fair value of investment properties on the basis of significant unobservable inputs.	19.3.2	144
Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.	38	172

5. Changes in Material Accounting Policies

New and amended standards and interpretations

Several amendments apply from January 01, 2023, but do not have an impact on the Financial Statements of the Company. The Company has not early adopted any standards or amendments that have been issued but are not yet effective.

5.1 Material accounting policy information

The Company also adopted Disclosure of Accounting policies (Amendments to LKAS 1 and SLFRS Practice Statement) from January 01, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the Financial statements.

The amendments require the disclosure of "Material", rather than "significant", accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity – specific accounting policy information that users need to understand other information in the financial statement.

Management reviewed the accounting policies and made updates to the information disclosed in Note 5 Material Accounting policies (2022: significant accounting policies)

6. Material Accounting Policies

The Material 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 on page 112.

In addition, the Company adopted Disclosure of Accounting policies (Amendments to LKAS 1 and SLFRS Practice statement) from January 01, 2023. The amendments require the disclosure of “material” rather the “significant” accounting policies. The amendments did not result in any change to the accounting policies themselves.

These accounting policies have been applied consistently by the Company. Set out below is an index of the material accounting policies:

	Note	Page
A Foreign currency	6.1	113
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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.

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) on the principle amount outstanding.

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 the principal amount outstanding.

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 amortized 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 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;
- terms that may adjust the contractual coupon rate, including variable rate- features
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

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. The Company also derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability

Notes to the Financial Statements

are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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.

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 01, 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 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.

Notes to the Financial Statements

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.

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 categorised 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 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 19.3 - Investment Property on pages 144 to 146;
- Note 35 - Financial Instruments on pages 166 to 168.

6.8 Accounting Standards Issued but not yet Effective

A number of new accounting standards are effective for annual periods beginning after January 01, 2023 and earlier application is permitted. However, the Company has not early adopted the following new amended accounting standards in preparation of these Financial Statements.

(a) Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendment to IAS 1)

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after January 01, 2024.

(b) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the Financial Statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual periods beginning on or after January 01, 2024.

(c) Other Accounting Standards

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

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Lack of Exchangeability (Amendments to IAS 21)

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.

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,	2023 %	2022 %
ASSETS		
Rent income on premises	97	96
Outsourcing services	-	-
Vehicle hiring income	3	4
Other utility services	-	-
TOTAL	100	100

Notes to the Financial Statements

For the year ended December 31,	2023 %	2022 %
EXTERNAL REVENUE		
Rent income on premises	40	43
Outsourcing services	37	36
Vehicle hiring income	16	14
Other utility services	7	7
TOTAL	100	100

For the year ended December 31,	2023 %	2022 %
PROFIT BEFORE TAX		
Rent income on premises	81	79
Outsourcing services	2	6
Vehicle hiring income	14	11
Other utility services	3	4
TOTAL	100	100

For the year ended December 31, 2023	Reportable segments						Unallocated Rs. '000	Total Rs. '000
	Rent income on premises Rs. '000	Outsourcing services Rs. '000	Vehicle hiring income Rs. '000	Other utility services Rs. '000	Sub total Rs. '000			
External revenue	277,372	256,211	106,184	47,744	687,511	–	687,511	
Inter-segment revenue	–	–	–	–	–	–	–	
SEGMENT REVENUE	277,372	256,211	106,184	47,744	687,511	–	687,511	
SEGMENT PROFIT BEFORE TAX	294,333	8,024	51,752	10,464	364,573	97,404	461,977	
Interest income	–	–	–	–	–	143,575	143,575	
Interest expense	(3,307)	–	(14,600)	–	(17,907)	(1,325)	(19,232)	
Depreciation/amortisation	–	–	(36,350)	–	(36,350)	(7,546)	(43,896)	
Fair value gain on investment property	97,895	–	–	–	97,895	–	97,895	
Income tax expense	–	–	–	–	–	(167,917)	(167,917)	
SEGMENT ASSETS	3,194,605	–	89,076	13,289	3,296,970	1,029,319	4,326,289	
Capital expenditure	–	–	–	–	–	46	46	
SEGMENT LIABILITIES	72,459	75,268	60,093	1,072	208,892	495,924	704,816	

For the year ended December 31, 2022	Reportable segments							Total Rs. '000
	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		
External revenue	271,371	226,715	90,995	42,047	631,128	–	631,128	
Inter-segment revenue	–	–	–	–	–	–	–	
SEGMENT REVENUE	271,371	226,715	90,995	42,047	631,128	–	631,128	
SEGMENT PROFIT BEFORE TAX	234,895	16,884	33,972	11,644	297,395	103,894	401,289	
Interest income	–	–	–	–	–	77,837	77,837	
Interest expense	(2,804)	–	(8,255)	–	(11,059)	(1,823)	(12,882)	
Depreciation/amortisation	–	–	(31,763)	–	(31,763)	(10,529)	(42,292)	
Fair value gain on investment property	64,503	–	–	–	64,503	–	64,503	
Income tax expense	–	–	–	–	–	(176,912)	(176,912)	
SEGMENT ASSETS	3,062,398	–	116,016	12,675	3,191,089	863,993	4,055,082	
Capital expenditure	–	–	108,660	–	108,660	143	108,803	
SEGMENT LIABILITIES	69,215	52,640	71,423	879	194,157	443,501	637,658	

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. 681.0 Mn. (2022: Rs. 625 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,	2023 Rs. '000	2022 Rs. '000
Rent income on premises	277,372	271,371
Outsourcing services	256,211	226,715
Vehicle hiring income	106,184	90,995
Other utility services	47,744	42,047
TOTAL REVENUE	687,511	631,128

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;

For the year ended December 31,	2023 Rs. '000	2022 Rs. '000
TIMING OF REVENUE RECOGNITION		
PRODUCTS AND SERVICES TRANSFERRED OVER TIME		
Rent income on premises	277,372	271,371
Outsourcing services	256,211	226,715
Vehicle hiring income	106,184	90,995
Other utility services	47,744	42,047
	687,511	631,128
PRODUCTS TRANSFERRED AT A POINT IN TIME		
	–	–
TOTAL REVENUE	687,511	631,128

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	2023 Rs. '000	2022 Rs. '000
Receivables, which are included in trade and other receivables	21	147	79,540	35,103
Deferred revenue	31	160	6,089	8,515
Deposits payable	26	150	61,083	56,760

No revenue was recognised in 2023 from performance obligations satisfied (or partially satisfied) in previous periods.

No information is provided about remaining performance obligations as at December 31, 2023 or as at December 31, 2022 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 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 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.

For the year ended December 31,	2023 Rs. '000	2022 Rs. '000
Gain on disposal of property, plant, and equipment	17,830	1,933
Miscellaneous income	148	107
TOTAL OTHER INCOME	17,978	2,040

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.

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.

For the year ended December 31,	Note	2023 Rs. '000	2022 Rs. '000
Operating profit is stated after charging all expenses including the following:			
Auditor's Remuneration			
Statutory audit and audit related services		1,195	960
Non audit services		491	466
Directors' emoluments	10.1	6,125	3,530
Depreciation and amortisation		43,896	42,292
Staff Costs	10.2	168,403	138,773
Direct operating expenses on investment property that generated rental income		70,693	31,942

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,	2023 Rs. '000	2022 Rs. '000
Salaries	130,840	111,215
Employees' Provident Fund	15,701	13,346
Employees' Trust Fund	3,925	3,336
Provision for employee benefits	17,937	10,876
Total staff costs	168,403	138,773

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.

11.1 Finance Income

For the year ended December 31,	2023 Rs. '000	2022 Rs. '000
Interest on government treasury bills	–	11,261
Interest on money market investments	4,938	4,091
Interest on fixed deposits	136,507	61,124
Interest on staff loans and other deposits	2,130	1,361
TOTAL FINANCE INCOME	143,575	77,837

11.2 Finance Costs

For the year ended December 31,	Note	Page	2023 Rs. '000	2022 Rs. '000
Interest expense on leases recognised for right-of-use assets	28	155	15,603	9,649
Interest expense on rent deposits made by tenants			3,307	2,804
Bank charges			322	429
TOTAL FINANCE COST			19,232	12,882
NET FINANCE INCOME			124,343	64,955

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.

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 Provisions, Contingent Liabilities and Contingent Assets.

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 30% (2022 - 24% and 30%).

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.

Temporary differences in relation to a right-of-use asset and lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

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 Recognised in Profit or Loss

For the year ended December 31,	Note	Page	2023 Rs. '000	2022 Rs. '000
CURRENT TAX EXPENSE				
Current tax expense for the year	32	160	120,857	93,220
Under/(over) provision for prior years	32	160	924	(14)
Total current tax			121,781	93,206
DEFERRED TAX EXPENSE				
Origination of deferred tax liabilities	29.1	156	51,000	21,024
Origination of deferred tax assets	29.2	156	(4,864)	(3,123)
Impact of rate change			–	65,805
Total deferred tax			46,136	83,706
INCOME TAX EXPENSE			167,917	176,912

12.5 Recognised in Other Comprehensive Income

For the year ended December 31,	Note	Page	2023 Rs. '000	2022 Rs. '000
Items that are or may be reclassified subsequently to profit or loss – Debt investments at FVOCI	29.4	157	–	58
Items that will not be reclassified to profit or loss – Remeasurement of defined benefit liability	29.4	157	(2,716)	(108)
Total deferred tax recognised in other comprehensive income			(2,716)	(50)

12.6 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,	2023		2022	
	%	Rs. '000	%	Rs. '000
Profit for the year		294,060		224,377
Income tax expense		167,917		176,912
Profit before tax		461,977		401,289
Tax effect using the domestic tax rate	30.0	138,593	27.0	108,348
Tax effect on non-deductible expenses	6.2	28,711	4.8	19,448
Tax effect on tax-exempt income	(6.4)	(29,369)	(4.8)	(19,350)
Tax effect on deductible expenses	(3.7)	(17,078)	(3.8)	(15,226)
Under/(over) provision of tax for the previous year	0.2	924	0.0	(14)
TOTAL CURRENT TAX EXPENSES	26.3	121,781	23.2	93,206

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,	2023	2022
Profit attributable to ordinary shareholders (Rs. '000)	294,060	224,377
Weighted average number of ordinary shares ('000)	12,000	12,000
Basic Earnings per Share (Rs.)	24.51	18.70

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.

14. Dividend Per Share

Accounting Policy

Dividend per share is calculated by dividing the dividend paid/proposed for the year attributable to ordinary shareholders 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 173.

For the year ended December 31,	Note	2023	2022
Dividend paid/proposed during the year (Rs. '000)	14.1	84,000	84,000
Weighted average number of ordinary shares ('000)		12,000	12,000
Dividend per share (Rs.)		7.00	7.00

14.1 Dividend Paid/Proposed during the Year

For the year ended December 31,	2023	2022
	Rs. '000	Rs. '000
Interim dividend of Rs. 3.00 per share for 2022 paid on December 30, 2022	–	36,000
Final Dividend of Rs. 4.00 per share for 2022 paid on April 12 and April 27, 2023	–	48,000
Interim dividend of Rs. 3.00 per share for 2023 paid on December 12, and December 27, 2023	36,000	–
Final dividend of Rs. 4.00 per share proposed for 2023	48,000	–
TOTAL DIVIDEND PAID/PROPOSED FOR THE YEAR	84,000	84,000

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 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 and amortisation.

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

15.1 Reconciliation of adjusted EBITDA to Profit from Continuing Operations

For the year ended December 31,	Note	Page	2023 Rs. '000	2022 Rs. '000
Profit from continuing operations			294,060	224,377
Income tax expense	12	129	167,917	176,912
Profit before tax			461,977	401,289
ADJUSTMENTS FOR:				
- Net finance income	11	128	(124,343)	(64,955)
- Depreciation/amortisation	17, 18	135 and 139	43,896	42,292
Adjusted EBITDA			381,530	378,626

16. Classification of Financial Assets and Financial Liabilities

See Accounting Policies in Note 6.2 on page 114.

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, 2023					As at December 31, 2022				
	Note	Page	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
FINANCIAL ASSETS										
Deposits receivable	20	146	–	–	11,187	11,187	–	–	10,980	10,980
Trade and other receivables	21	147	–	–	92,711	92,711	–	–	45,037	45,037
Financial investments	22	147	–	–	852,989	852,989	–	–	671,482	671,482
Cash and cash equivalents	23	148	–	–	142,226	142,226	–	–	154,394	154,394
TOTAL FINANCIAL ASSETS			–	–	1,099,113	1,099,113	–	–	881,893	881,893
FINANCIAL LIABILITIES										
Deposits payables	26	150	–	–	61,083	61,083	–	–	56,760	56,760
Dividend payables	30	159	–	–	8,562	8,562	–	–	3,044	3,044
Lease liabilities	28	155	–	–	69,138	69,138	–	–	85,101	85,101
TOTAL FINANCIAL LIABILITIES			–	–	138,783	138,783	–	–	144,905	144,905

17. Property, Plant, and Equipment

Accounting Policy

The Company applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on ‘property, plant, and 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, and 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.

When 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, and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and 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.

Cost Model

The Company applies the Cost Model to all property, plant, and 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
Office equipment	20	5 years
Furniture and fittings	20	5 years
Interior decorations and partitions	20	5 years

Notes to the Financial Statements

The depreciation rates are determined separately for each significant part of an item of property, plant, and 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.

Derecognition

An item of property, plant, and 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, and equipment, the remaining carrying amount of the replaced part is derecognised as required by the Sri Lanka Accounting Standard - LKAS 16 on 'property, plant, and 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	Office equipment Rs. '000	Furniture and fittings Rs. '000	Interior decorations and partitions Rs. '000	Total Rs. '000
COST								
Balance as at January 01, 2022	19,244	274,992	8,050	4,362	1,821	1,851	3,499	313,819
Additions for the year 2022	-	-	-	129	-	14	-	143
Recognition ROU asset on new lease	-	-	108,660	-	-	-	-	108,660
Disposals during the year 2022	-	(49,410)	-	-	-	-	-	(49,410)
Balance as at December 31, 2022	19,244	225,582	116,710	4,491	1,821	1,865	3,499	373,212
Additions for the year 2023	-	-	-	36	10	-	-	46
Disposals during the year 2023	-	(26,994)	-	-	-	-	-	(26,994)
BALANCE AS AT DECEMBER 31, 2023	19,244	198,588	116,710	4,527	1,831	1,865	3,499	346,264

	Right-of-use assets building Rs. '000	Motor vehicles Rs. '000	Right-of-use asset-leased motor vehicles Rs. '000	Computer equipment Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Interior decorations and partitions Rs. '000	Total Rs. '000
ACCUMULATED DEPRECIATION								
Balance as at January 01, 2022	1,603	207,772	5,279	2,526	1,349	1,541	2,852	222,922
Charge for the year 2022	4,811	22,063	13,080	641	190	268	609	41,662
Disposals during the year 2022	–	(23,140)	–	–	–	–	–	(23,140)
Balance as at December 31, 2022	6,414	206,695	18,359	3,167	1,539	1,809	3,461	241,444
Charge for the year 2023	4,812	14,679	22,892	665	164	33	21	43,266
Disposals during the year 2023	–	(26,836)	–	–	–	–	–	(26,836)
BALANCE AS AT DECEMBER 31, 2023	11,226	194,538	41,251	3,832	1,703	1,842	3,482	257,874
CARRYING VALUE								
AS AT DECEMBER 31, 2023	8,018	4,050	75,459	695	128	23	17	88,390
AS AT DECEMBER 31, 2022	12,830	18,887	98,351	1,324	282	56	38	131,768

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	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Leased motor vehicles	75,459	98,351	60,092	71,423
Right-of-use assets – Building **	8,018	12,830	9,046	13,678
TOTAL CARRYING VALUE	83,477	111,181	69,138	85,101

** 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. 45,560 (2022 – Rs. 108.8 Mn.). Cash payments amounting to Rs. 45,560 (2022 – Rs. 31.4 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 (2022 – Nil).

17.5 Temporarily idle Property, Plant, and Equipment

There were no temporarily idle property, plant, and equipment as at the reporting date (2022 – 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,	2023 Rs. '000	2022 Rs. '000
Motor vehicles	165,048	136,307
Computer equipment	1,182	1,182
Office equipment	1,141	888
Interior decorations and partitions	3,394	3,394
Leased motor vehicles (End of lease term)	8,050	–
Furniture and fittings	1,703	1,691
Total cost of fully-depreciated assets	180,518	143,462

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.

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, 2023 especially considering the impact that present economic condition 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. (2022: Nil)

18. Intangible Assets

Accounting Policy

The Company applies the requirements of Sri Lanka Accounting Standards – LKAS 38 on “Intangible Assets” in accounting for its identifiable non-monetary assets without physical substance.

Basis of recognition

An intangible asset is recognised if it is possible that future economic benefits associated with the assets will flow to the Company and cost of the asset can be measured reliably

Research and development	<p>Expenditure on research activities is recognised in profit or loss as incurred.</p> <p>Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses</p>
Other intangible assets	Other intangible assets are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

Useful economic lives, amortisation, and impairment

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with finite useful lives are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Notes to the Financial Statements

Amortisation

Amortisation of intangible assets with a finite life is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date on which they are available for use. The estimated useful lives are as follows:

Asset category	% per annum	Amortisation period (years)
Computer software	20	5

Derecognition of intangible assets

An intangible asset is de-recognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss.

18.1 Reconciliation of Carrying Amount

	Computer software Rs. '000
Balance as at January 01, 2022	3,420
Additions for the year 2022	–
Balance as at December 31, 2022	3,420
Additions for the year 2023	–
BALANCE AS AT DECEMBER 31, 2023	3,420
ACCUMULATED AMORTIZATION	
Balance as at January 01, 2022	658
Amortisation for the year 2022	630
Balance as at December 31, 2022	1,288
Amortisation for the year 2023	630
BALANCE AS AT DECEMBER 31, 2023	1,918
CARRYING VALUE	
AS AT DECEMBER 31, 2023	1,502
AS AT DECEMBER 31, 2022	2,132

Software in intangible assets mainly consists of the HRIS system and computer software user license acquired by the Company.

Intangible assets with a cost of Rs. 270,500/- (2022 – Rs. 270,500/-) have been fully amortised and continue to be in use by the Company.

There were no intangible assets pledge by the Company as security for facilities obtained from the Banks (2022 – Nil).

19. 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

19.1 Reconciliation of Carrying Amount

	Leasehold Land Rs. '000	Freehold Lands Rs. '000	Buildings Rs. '000	Total Rs. '000
Balance as at January 01, 2022	1,700,225	185,530	1,080,958	2,966,713
Change in fair value	(225)	(530)	65,258	64,503
Balance as at December 31, 2022	1,700,000	185,000	1,146,216	3,031,216
Balance as at January 01, 2023	1,700,000	185,000	1,146,216	3,031,216
Change in fair value	(78,589)	17,520	158,964	97,895
BALANCE AS AT DECEMBER 31, 2023	1,621,411	202,520	1,305,180	3,129,111

19.2 Details of Investment Property

Location	No. of Buildings	Note	Page	Extent	Carrying Amount/Fair Value	
					2023 Rs. '000	2022 Rs. '000
As at December 31,						
No. 21, Sir Razik Fareed Mawatha, Colombo 01		19.2.1	143			
– Leasehold Land				58.48 P	1,621,411	1,700,000
– Building	1			126,809 Sq.ft	1,278,589	1,121,216
Sub Total					2,900,000	2,821,216
No. 148, Matara Road, Tangalle		19.2.2	143			
– Freehold Land				48.76 P	97,520	85,000
– Building	1			4,284 Sq.ft	26,591	25,000
Sub Total					124,111	110,000
No. 18, Fernando Avenue, Negombo		19.2.3	144			
– Freehold Land				18.65 P	105,000	100,000
Sub Total					105,000	100,000
BALANCE AS AT DECEMBER 31,					3,129,111	3,031,216

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, 2023. 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".

19.2.1 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, 2023 in the report dated November 17, 2023.

	2023 %	2022 %
Long-term growth in future rentals (per annum)	4	4
Anticipated maintenance cost (per annum)	45	45
Yield/discount rate (per annum)	6.25	6.25

Income from Investment Property situated in Colombo

For the year ended December 31,	Note	Page	2023 Rs. '000	2022 Rs. '000
Rental income from investment property	8	124	269,789	264,249
Direct operating expenses (including maintenance) generating rental income			(70,364)	(31,920)
NET PROFIT FROM INVESTMENT PROPERTY CARRIED AT FAIR VALUE			199,425	232,329

The residual lease period of the Land as at December 31, 2023 was 58 years. The remaining useful lifetime of the Building as at December 31, 2023 was 37 years.

19.2.2 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, 2023 in the report dated December 01, 2023.

The significant assumptions used by the Valuer are as follows;

	2023 %	2022 %
Anticipated maintenance cost (per annum)	25	25
Yield/discount rate (per annum)	6	6

Income from Investment Property situated in Tangalle

For the year ended December 31,	Note	Page	2023 Rs. '000	2022 Rs. '000
Rental income from investment property	8	124	4,084	3,861
Direct operating expenses (including maintenance) generating rental income			(296)	(22)
NET PROFIT FROM INVESTMENT PROPERTY CARRIED AT FAIR VALUE			3,788	3,839

Remaining period of lifetime of the building as at December 31, 2023 was 43 years.

19.2.3 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, 2023 in the reported dated November 06, 2023.

Income from Investment Property situated in Negombo

For the year ended December 31,	Note	Page	2023 Rs. '000	2022 Rs. '000
Rental income from investment property	8	124	3,499	3,261
Direct operating expenses (including maintenance) generating rental income			(33)	–
NET PROFIT FROM INVESTMENT PROPERTY CARRIED AT FAIR VALUE			3,466	3,261

19.3 Information on Fair Value Measurement

19.3.1 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.

19.3.2 Summary of Fair Value Measurement of Investment Property

For the year ended 31 December 2023		
Name of professional valuer/location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs
(1) MR P B KALUGALAGEDARA		
No 21, Sir Razik Fareed Mawatha, Colombo 01	Investment method	
– Land	Gross monthly rental	Rs. 22,462,000 p.m
– Building	Years purchase (Present value of 1 unit per period)	15.13
(2) MR G M GAMAGE		
No 148, Matara Road, Tangalle	Investment method	
– Land	Gross monthly rental	Rs. 350,000 p.m
– Building	Years purchase (Present value of 1 unit per period)	16.66
(3) MR G H A P K FERNANDO		
No 18, Fernando Avenue, Negombo	Market comparable method	
– Land	Price per perch for land	Rs. 5,670,000 p.p.
TOTAL		

Notes to the Financial Statements

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
1,700,000	1,121,216	2,821,216	1,621,411	1,278,589	2,900,000	(78,589)	157,373	78,784
85,000	25,000	110,000	97,520	26,591	124,111	12,520	1,591	14,111
100,000	–	100,000	105,000	–	105,000	5,000	–	5,000
1,885,000	1,146,216	3,031,216	1,823,931	1,305,180	3,129,111	(61,069)	158,964	97,895

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 table above)	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	Estimated fair value would increase/(decrease) if; Price per perch of land increase/(decreases)
	Price per square feet for building	Price per square feet for building increase/(decreases)
	Depreciation rate for building	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	Estimated fair value would increase/(decrease) if; Gross annual rentals increases/(decreases)
	Years purchase (Present value of 1 unit per period)	Years purchase increases/(decreases)

20. Deposit Receivables

See Accounting Policy in Note 6.2 on page 114.

As at December 31,	2023 Rs. '000	2022 Rs. '000
Refundable deposit - Ceylon Electricity Board (CEB)	8,740	8,720
Refundable deposit - Colombo Fort Land and Building Company PLC	2,285	2,154
Refundable deposits with other suppliers	162	106
TOTAL DEPOSIT RECEIVABLES	11,187	10,980

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. Refundable deposits at Colombo Fort Land and Building PLC are initially recorded at their fair value and subsequently carried at amortised cost.

21. Trade and Other Receivables

See Accounting Policy in Note 6.2 on page 114.

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

As at December 31,	Note	2023 Rs. '000	2022 Rs. '000
FINANCIAL ASSETS			
Trade receivables	21.1	2,206	2,318
Amount due from Commercial Bank of Ceylon PLC		77,334	32,785
RECEIVABLES FROM CONTRACTS WITH CUSTOMERS		79,540	35,103
Staff loans		12,408	8,905
Other receivables		763	1,029
TOTAL FINANCIAL ASSETS		92,711	45,037
NON-FINANCIAL ASSETS			
Prepaid staff cost		470	67
Insurance premium paid and other prepayments		7,556	7,938
TOTAL NON-FINANCIAL ASSETS		8,026	8,005
TOTAL TRADE AND OTHER RECEIVABLES		100,737	53,042

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

22. Financial Investments

See Accounting Policy in Note 6.2 on page 114.

As at December 31,	2023 Rs. '000	2022 Rs. '000
Investments in fixed deposits - at amortised cost	852,989	671,482
TOTAL FINANCIAL INVESTMENTS	852,989	671,482

The Company has invested Rs. 645,000,000 in Fixed Deposits for 1 year at 17% - 19% p.a. interest at CBC Finance Limited which is a fully owned subsidiary of Commercial Bank of Ceylon PLC (the Parent).

Further, the Company has also invested Rs. 122,000,000 for 400 days Fixed Deposits for 1 year at 25% p.a. interest at 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,	2023 Rs. '000	2022 Rs. '000
Cash at bank	142,226	154,394
Cash in hand	147	68
TOTAL CASH AND CASH EQUIVALENTS	142,373	154,462

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.

As at December 31,	2023 Rs. '000	2022 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	2023 Rs. '000	2022 Rs. '000
Fair value reserve - investment property	25.1	2,451,630	2,406,680
TOTAL OTHER RESERVES		2,451,630	2,406,680

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	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,		2,406,680	2,418,349
Transfer of fair value gains/(losses) on investment property	25.1.1	44,950	(11,669)
BALANCE AS AT DECEMBER 31,		2,451,630	2,406,680

25.1.1 Transfer of Fair Value Gains on Investment Property

For the year ended December 31,	2023			2022			
	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	Impact on Rate Change Rs. '000	Post-tax Fair Value Gain/(Loss) Rs. '000
Leasehold land	(78,589)	—	(78,589)	(225)	—	—	(225)
Freehold land	17,520	(5,256)	12,264	(530)	160	(3,719)	(4,089)
Building	158,964	(47,689)	111,275	65,258	(19,578)	(53,035)	(7,355)
TOTAL	97,895	(52,945)	44,950	64,503	(19,418)	(56,754)	(11,669)

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 market values of financial assets at Fair Value through other comprehensive income.

As at December 31,	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,	–	(185)
Gain/(loss) on financial assets at FVOCI – net of tax	–	185
BALANCE AS AT DECEMBER 31,	–	–

26. Deposits Payables

Accounting Policy

See Accounting Policy in Note 6.2 on page 114.

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,	2023 Rs. '000	2022 Rs. '000
Balance as at January 01	56,760	54,492
Deposits received during the year	1,803	85
Day 1 Difference	(788)	(621)
Notional Interest Expense for the year	3,308	2,804
BALANCE AS AT DECEMBER 31	61,083	56,760

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. 59.8 Mn. (2022: Rs. 55.6 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.

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,	2023 Rs. '000	2022 Rs. '000
EMPLOYEES' PROVIDENT FUND		
Employer's contribution (12%)	15,701	13,346
Employees' contribution (8%)	10,467	8,897
Employees' Trust Fund (3%)	3,925	3,336

27.2 Defined Benefit Plans - Provision for Employee Benefits

As at December 31,	Note	2023 Rs. '000	2022 Rs. '000
Present value of unfunded obligation	27.2.1	86,164	61,078
BALANCE AS AT DECEMBER 31,		86,164	61,078

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

As at December 31,	Note	Page	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			61,078	50,966
Provision recognised during the year	27.2.1.1	153	17,937	10,876
Actuarial loss during the year	27.2.1.2	153	9,053	402
SUB TOTAL			88,068	62,244
Payments made during the year			(1,904)	(1,166)
BALANCE AS AT DECEMBER 31,			86,164	61,078

27.2.1.1 Provision recognised in the Income Statement

As at December 31,	2023 Rs. '000	2022 Rs. '000
Current service cost	6,943	5,270
Interest on obligation	10,994	5,606
TOTAL PROVISION RECOGNISED IN INCOME STATEMENT	17,937	10,876

27.2.1.2 Provision recognised in Other Comprehensive Income

As at December 31,	2023 Rs. '000	2022 Rs. '000
Actuarial loss during the year	9,053	402
TOTAL ACTUARIAL LOSS RECOGNISED IN OTHER COMPREHENSIVE INCOME	9,053	402

27.3 Principal Actuarial Assumptions Used

As at December 31,	2023	2022
(a) Discount rate (%)*	13.0	18.0
(b) Future salary increase rate (%)	12.0	16.0
(c) Retirement age (years)	60 years	60 years

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 22, 2024.

* The discount rate where based upon the yields available on government bonds or high quality corporate bonds at the accounting date with a term that matches that of the liabilities. LKAS does not define "high quality", but this is generally taken to mean a security rating of at least AA. For the purpose of this valuation, with the agreement of the company we have used a long term rate of discount of 13% per annum.(2022-18%)

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:

As at December 31,	2023		2022	
	%	Effect Rs. '000	%	Effect Rs. '000
INCREASE				
Discount rate (1% movement)	14.0	(6,953)	19.0	(5,295)
Future salary growth (1% movement)	13.0	7,895	17.0	6,094
DECREASE				
Discount rate (1% movement)	12.0	7,927	17.0	6,058
Future salary growth (1% movement)	11.0	(7,041)	15.0	(5,407)

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, Future working life time	2023	2022
	Defined benefit obligation Rs. '000	Defined benefit obligation Rs. '000
Less than one year	7,950	2,443
Between 1-2 years	7,758	7,208
Between 3-5 years	12,881	8,357
Between 6-10 years	23,450	14,260
Beyond 10 years	34,125	28,810
	86,164	61,078

The average duration of the defined benefit plan obligation at the end of the reporting period is 9.95 years for the Company (2022 - 11.32 years).

28. Lease Liabilities

Accounting Policy

See Accounting Policy in Note 6.3 on page 116.

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	2023 Rs. '000	2022 Rs. '000
Balance as at January 01		85,101	19,454
Recognition of right-of-use asset		–	77,350
Interest expense for the year		15,603	9,649
Repayments during the year		(31,566)	(21,352)
BALANCE AS AT DECEMBER 31,		69,138	85,101
The above balance is made up as follows			
Payable within one year		18,496	15,963
Payable after one year		50,642	69,138
TOTAL		69,138	85,101
Lease liabilities arising from purchase of a motor vehicle	28.1	60,092	71,423
Lease liabilities arising from right-of-use assets		9,046	13,678
		69,138	85,101

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 to the Financial Statements on page 138.

Information about the Company's exposure to interest rate, foreign currency and liquidity risks is included in Note 36 on page 168.

28.1.1 Terms and Repayment Schedule

The terms and conditions of outstanding lease payable to Commercial Bank of Ceylon PLC are as follows:

	Currency	Nominal interest rates	Year of maturity	As at December 31, 2023		As at December 31, 2022	
				Face value	Carrying amount	Face value	Carrying amount
				Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease liabilities arising from purchase of motor vehicles	LKR	13.75% – 22.5%	2027	86,083	60,092	112,013	71,423
TOTAL FINANCE LEASE LIABILITIES				86,083	60,092	112,013	71,423

29. Deferred Taxation

Accounting Policy

See accounting policy in Note 12 on page 129.

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	2023 Rs. '000	2022 Rs. '000
Deferred tax liabilities	29.1	416,392	365,392
Deferred tax assets	29.2	(26,157)	(18,577)
TOTAL		390,235	346,815

29.1 Deferred Tax Liabilities

As at December 31,	Note	Page	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			365,392	275,494
Provision/(reversal) during the year recognised in Income Statement	29.4	157	51,000	21,024
Impact of rate change during the year recognised in Income Statement	29.4	157	–	68,874
BALANCE AS AT DECEMBER 31,			416,392	365,392

29.2 Deferred Tax Assets

As at December 31,	Note	Page	2023 Rs. '000	2022 Rs. '000
Balance as at January 01,			18,577	12,335
(Reversal)/origination during the year recognised in Income Statement	29.4	157	4,864	3,123
(Reversal)/origination during the year recognised in Other Comprehensive Income	29.4	157	2,716	50
Impact of rate change during the year recognised in Income Statement			–	3,069
BALANCE AS AT DECEMBER 31,			26,157	18,577

29.3 Reconciliation of Deferred Tax Liabilities and Deferred Tax Assets

As at December 31,	Statement of Financial Position					
			2023		2022	
	Note	Page	Temporary Difference Rs. '000	Tax Effect Rs. '000	Temporary Difference Rs. '000	Tax Effect Rs. '000
DEFERRED TAX LIABILITIES						
Investment property - building			1,295,530	388,659	1,134,960	340,488
Property, plant, and equipment			12,967	3,890	21,058	6,317
Intangible assets			509	153	509	153
Fair value gain on freehold land	29.5	158	78,966	23,690	61,446	18,434
TOTAL			1,387,972	416,392	1,217,973	365,392
DEFERRED TAX ASSETS						
Employee benefits			86,165	25,849	61,078	18,323
Lease liabilities			9,045	2,714	13,678	4,103
Right-of-use asset			(8,018)	(2,406)	(12,829)	(3,849)
TOTAL			87,192	26,157	61,927	18,577

29.4 Movement of Deferred Tax Liabilities and Deferred Tax Assets

For the year ended December 31, 2023	Balance as at January 01, 2023		Recognised through Income Statement		Recognised through Other Comprehensive Income	Balance as at December 31, 2023	
			Impact of the Rate Change Rs. '000	Origination/ Reversal Rs. '000			
Note	Page	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
DEFERRED TAX LIABILITIES							
Investment property - building			340,488	–	48,171	–	388,659
Property, plant, and equipment			6,317	–	(2,427)	–	3,890
Intangible assets			153	–	–	–	153
Fair value gain on freehold land	29.5	158	18,434	–	5,256	–	23,690
TOTAL			365,392	–	51,000	–	416,392
DEFERRED TAX ASSETS							
Employee benefits			18,323	–	4,810	2,716	25,849
Lease liabilities			4,103	–	(1,389)	–	2,714
Right-of-use assets			(3,849)	–	1,443	–	(2,406)
TOTAL			18,577	–	4,864	2,716	26,157

Notes to the Financial Statements

For the year ended December 31, 2022	Balance as at January 01, 2022	Recognised through Income Statement		Recognised through Other Comprehensive Income	Balance as at December 31, 2022
		Impact of the rate Change	Origination/ Reversal		
Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
DEFERRED TAX LIABILITIES					
Investment property – building	256,343	64,085	20,060	–	340,488
Property, plant, and equipment	4,155	1,039	1,123	–	6,317
Intangible assets	122	31	–	–	153
Fair value gain on freehold land	29.5 14,874	3,719	(159)	–	18,434
TOTAL	275,494	68,874	21,024	–	365,392
DEFERRED TAX ASSETS					
Employee benefits	12,232	3,058	2,925	108	18,323
Fair value reserve – financial assets	58	–	–	(58)	–
Lease liabilities	4,279	1,069	(1,245)	–	4,103
Right-of-use assets	(4,234)	(1,058)	1,443	–	(3,849)
TOTAL	12,335	3,069	3,123	50	18,577

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. 23,689,865/- has been recognised as at December 31, 2023 (2022: Rs. 18,433,865/-) at the rate of 30% 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 (2022: Nil).

30. Trade and Other Payables

Accounting Policy

See Accounting Policy in Note 6.2 on page 114.

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,	2023 Rs. '000	2022 Rs. '000
FINANCIAL LIABILITIES		
Dividend payable	8,562	3,044
NON-FINANCIAL LIABILITIES		
VAT payable	8,367	7,312
Accrued expenses	28,669	10,623
Overtime payable	3,554	2,343
EPF and ETF payable	2,808	2,194
Other payables	2,243	1,378
SUB TOTAL	45,641	23,850
TOTAL	54,203	26,894

31. Deferred Revenue

Accounting Policy

See Accounting Policy in Note 8 on page 124.

As at December 31,	2023	2022
	Rs. '000	Rs. '000
Rent received in advance	6,089	8,515
TOTAL	6,089	8,515

32. Current Tax Liabilities

Accounting Policy

See Accounting Policy in Note 12 on page 129.

As at December 31 ,	2023	2022
	Rs. '000	Rs. '000
Balance as at January 01,	52,495	42,391
Provision made during the year	120,857	93,220
Under/(over) provision for prior years	924	(14)
Payments made during the year	(136,372)	(83,102)
BALANCE AS AT DECEMBER 31,	37,904	52,495

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 01, 2081. This property has been sub-let and the existing sub-lease effective from January 01, 2021 will expire after a period of 4 years ending December 31, 2024.

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, 2025.

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, 2023	Property, plant, and equipment		Investment property	Total Rs. '000
	Building Rs. '000	Motor vehicles Rs. '000	Leasehold land Rs. '000	
Balance at January 01	12,830	98,351	1,700,000	1,811,181
Depreciation for the year	(4,812)	(22,892)	–	(27,704)
Change in fair value	–	–	(78,589)	(78,589)
BALANCE AT 31 DECEMBER	8,018	75,459	1,621,411	1,704,888

33.1.2 Amounts Recognised in Profit or Loss

For the year ended December 31,	2023 Rs. '000	2022 Rs. '000
Interest on lease liabilities	15,603	9,649
Depreciation of right-of-use assets	27,704	17,891
TOTAL	43,307	27,540

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,	2023 Rs. '000	2022 Rs. '000
Total cash outflow for leases	31,566	21,352
TOTAL	31,566	21,352

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 19 on page 141 sets out information about the operating leases of investment property.

Rental income recognised by the Company during 2023 was Rs. 277,372,175/- (2022: Rs. 271,370,815/-).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

For the year ended December 31,	2023 Rs. '000	2022 Rs. '000
OPERATING LEASES UNDER SLFRS 16		
Less than one year	266,678	260,774
One to two years	6,707	264,560
Two to three years	5,222	6,707
Three to four years	-	5,222
TOTAL	278,607	537,263

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,	2023 Rs. '000	2022 Rs. '000
Short-term benefits	7,182	4,574

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 dependents of the KMP or the KMP's domestic partner. CFM are related parties to the Company.

There are not transactions with the CFM of the KMP of the Company during the year (2022: Nil).

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, 2023 and comparative year are summarised below:

Name of the Related Party	Relationship	Nature of Transactions	Value of Transactions 2023 Rs. '000	Value of Transactions 2022 Rs. '000
Commercial Bank of Ceylon PLC	Parent	INCOME		
		Rent income on premises	271,260	265,386
		Outsourcing services	256,211	226,715
		Vehicle hiring income	106,184	90,995
		Other utility services	47,744	42,047
		Interest income	35,438	15,520
		Reimbursement of expenses	95,953	57,094
		EXPENSES		
		Bank charges	322	429
		Lease interest expense	14,600	8,255
		Insurance renewals through bancassurance	3,257	2,971
		Expenses incurred	95,953	57,094
		INVESTMENTS		
Investments in fixed deposit	152,667	122,167		
Commercial Insurance Brokers (Pvt) Limited	Affiliate	EXPENSES		
		Insurance Renewal	11,640	11,408
CBC Finance Limited	Affiliate	INCOME		
		Interest income	106,007	60,957
		INVESTMENTS		
Investment in fixed deposit	700,322	549,315		
CBC Tech Solutions Limited	Affiliate	EXPENSES		
		Purchase IT services	653	630

The deposits payables to Commercial Bank of Ceylon PLC as at the reporting date amounted to Rs. 59.8 Mn. (Rs. 55.6 Mn. in 2022).

Receivable from Commercial Bank of Ceylon PLC is disclosed in Note 21 on page 147.

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.

Disclosure Requirement under Section 9.14.8 (1) and 9.14.8 (2) of the CSE Listing Rules

As per Rule No. 9.14.8 (1) 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.

As per Rule No. 9.14.8 (2), 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 gross revenue	
			2023 Rs. '000	2022 Rs. '000	2023 %	2022 %
Commercial Bank of Ceylon PLC	Parent	Rent income, outsourcing services, vehicle hiring income, other utility service, interest income and reimbursement of expenses	812,789	697,757	118	111
		Bank charges, lease interest expense, insurance renewals through bancassurance and expenses incurred	114,131	68,749	17	11

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 119.

35.1 Valuation models

The Company measures fair values using the fair value hierarchy, as described in Note 6.7.1 on page 120.

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 Finance Manager.

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/LKASs is documented.

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 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.

	2023		2022	
	Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
FINANCIAL ASSETS AT AMORTISED COST:				
Deposits receivable	11,187	11,187	10,980	10,980
Trade receivables	2,206	2,206	2,318	2,318
Amount due from Commercial Bank of Ceylon PLC	77,334	77,334	32,785	32,785
Staff loans	12,408	12,408	8,905	8,905
Financial investments	852,989	852,989	671,482	671,482
Cash and cash equivalents	142,226	142,226	154,394	154,394
Other receivables	763	763	1,029	1,029
TOTAL	1,099,113	1,099,113	881,893	881,893
OTHER FINANCIAL LIABILITIES:				
Deposits payables	61,083	61,083	56,760	56,760
Lease liabilities	69,138	69,138	85,101	85,101
Dividend payable	8,562	8,562	3,044	3,044
TOTAL	138,783	138,783	144,905	144,905

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.

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.

The maximum credit risk of the Company is limited to the carrying value of these financial assets.

Carrying Value as at December 31,	2023 Rs. '000	2022 Rs. '000
Trade receivables	2,206	2,318
Amounts due from Commercial Bank of Ceylon PLC ("the Parent")	77,334	32,785
Staff loans	12,408	8,905
Deposits receivable	11,187	10,980
Financial investments	852,989	671,482
Cash and cash equivalents	142,226	154,394
Other receivables	763	1,029
TOTAL	1,099,113	881,893

No impairment losses on financial assets and contract assets are recognised in profit or loss for the year ended December 31, 2023 (2022: 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 124.

A summary of the Company's exposure to credit risk for trade receivables and contract assets is as follows:

As at December 31,	2023		2022	
	Non-credit impaired Rs. '000	Credit impaired Rs. '000	Non-credit impaired Rs. '000	Credit impaired Rs. '000
Current (Not past due)	2,206	–	2,318	–
1-30 days past due	–	–	–	–
31-90 days past due	–	–	–	–
More than 90 days past due	–	–	–	–
Total gross carrying amount	2,206	–	2,318	–
(-) Loss allowance	–	–	–	–
TOTAL	2,206	–	2,318	–

(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. 681 Mn. (2022: Rs. 625 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, A (LKA) was rated by Fitch Ratings Lanka Ltd. as at the reporting date (2022: A(LKA)).

(iii) Cash and Cash Equivalents

The cash and cash equivalents are held with the Commercial Bank of Ceylon PLC which is rated A (LKA) by Fitch Ratings Lanka Ltd. (2022: A(LKA)).

(iv) Financial Instruments

The Fixed Deposit held with the CBC Finance Limited which is rated BBB+(LKA) by Fitch Ratings Lanka Ltd. (2022: BBB+ (LKA)).

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, 2023	Carrying amount Rs. '000	Contractual Cash Flows			
		Total Rs. '000	6 Months or Less Rs. '000	6-12 Months Rs. '000	Over One Year Rs. '000
FINANCIAL LIABILITIES					
Deposits payables	61,083	65,079	418	62,186	2,475
Lease liabilities	69,138	95,128	15,172	15,290	64,666
Dividend payables	8,562	8,562	8,562	–	–
TOTAL	138,783	168,769	23,734	15,290	129,745

As at December 31, 2022	Carrying amount Rs. '000	Contractual Cash Flows			
		Total Rs. '000	6 Months or Less Rs. '000	6-12 Months Rs. '000	Over One Year Rs. '000
FINANCIAL LIABILITIES					
Deposits payables	56,760	63,292	–	–	63,292
Lease liabilities	85,101	127,351	15,920	15,646	95,785
Dividend payables	3,044	3,044	3,044	–	–
TOTAL	144,905	193,687	18,964	15,646	159,077

The Company has implemented a strategic working capital management plan across whereby the receivables are closely monitored and debtor's period is minimised.

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 7.17 at December 31, 2023 (2022: 5.70).

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.

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,	2023 Rs. '000	2022 Rs. '000
FINANCIAL ASSETS		
Financial investments	852,989	671,482
FINANCIAL LIABILITIES		
Lease liabilities	69,138	85,101

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,	2023 Rs. '000	2022 Rs. '000
Total liabilities	704,816	637,658
Cash and cash equivalents	(142,373)	(154,462)
NET DEBT	562,443	483,196
Total equity	3,621,473	3,417,424
Adjusted equity	3,621,473	3,417,424
NET DEBT TO ADJUSTED EQUITY RATIO	16%	14%

Increase in liabilities as at December 31, 2023 has resulted to the increase in the Net debt to adjusted equity ratio from 14 % to 16%. Liabilities has increased mainly due to increase in deferred tax on fair value gains recognised on investment properties. In addition, significant increase in trade and other payables and provision for gratuity liability has resulted to the increase in above ratio.

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 was filed against the Company by a former employee at the Labour Tribunal, Negombo. The Labour Tribunal ordered that the said employee be compensated with Rs. 2,034,000/- . The Company has appealed against this order to the High Court.

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 Occurring after the Reporting Date

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements, other than disclosed below:

39.1 Final Dividend – 2023

The Board of Directors has recommended the payment of a final dividend of Rs. 4/- per share for the year ended December 31, 2023 which was approved at the board meeting held on February 16, 2024.

This final dividend is yet to be approved at the Annual General Meeting to be held on March 27, 2024. 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, 2023. Under the Inland Revenue Act No. 24 of 2017, a withholding tax of 15% has been imposed on dividends declared.

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 16, 2024 has been audited by Messrs KPMG.

40. Comparative Information

Where necessary information has been restated to conform to current year’s presentation and classification.

41. Board of Director’s 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.



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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	83
7.6 (ii)	Principal activities of the Company during the year and any changes therein	Note 1.3 to the Financial Statements	110
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	178
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	179
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	83
7.6 (vi)	Information pertaining to material foreseeable risk factors	Section 5 of the Investor Information	179
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	Section 6 of the Investor Information	179
7.6 (viii)	Extents, locations, valuations and the number of buildings of the land holdings and investment properties	Section 7 of the Investor Information	179
7.6 (ix)	Number of shares representing the stated capital	Note 24 to the Financial Statements on "Stated Capital"	148
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	180
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.	10
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 19.1 to the Financial Statements on "Investment Property"	142
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	-

Rule No.	Disclosure Requirement	Section/Reference	Page/s
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	180
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Rules.	Corporate Governance Report	48
		Profiles of the Board of Directors	42
		Report of the Board Remuneration Committee	74
		Report of the Board Audit Committee	72
		Annual Report of Board of Directors	80
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"	163

2. Stock Exchange Listing

The ordinary shares of the Company are listed on the *Diri Savi* Board of the Colombo Stock Exchange (CSE).

The unaudited Interim Financial Statements for the first three quarters of 2023 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 2022)

The Company duly submitted the Unaudited Interim Financial Statements for the year 2023 to the CSE on February 16, 2024 (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 2022.)

The Audited Income Statement and the Statement of Profit or Loss and Other Comprehensive Income for the year ended December 31, 2023 and the Audited Statement of Financial Position as at December 31, 2023 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 2022.)

The Stock Exchange ticker symbol for Company's shares is "COMD".

3. Twenty Largest Shareholders

As at December 31,	2023		2022 (*)	
	No. of Shares	%	No. of Shares	%
1. Commercial Bank of Ceylon PLC	10,800,000	90.00	10,800,000	90.00
2. Assetline Finance Ltd./British American Technologies PVT Ltd.	56,100	0.47	56,100	0.47
3. Hatton National Bank PLC/Kandaiah Kanapathipillai Shujeevan	53,754	0.45	49,994	0.42
4. People's Merchant Finance PLC/K Laveendrakumar	48,371	0.40	48,371	0.40
5. Binanthi Shamani Rasanayagam	44,570	0.37	44,570	0.37
6. Amirally Lukmanjee	44,168	0.37	44,168	0.37
7. Mestiyage Don Saddhamangala Goonatileke	35,910	0.30	41,960	0.35
8. People's Leasing & Finance PLC/Mr K Laveendrakumar	30,228	0.25	30,228	0.25
9. Gajath Chrysantha Goonetilleke	30,077	0.25	30,077	0.25
10. Dinesh Anthony Perera	29,297	0.24	6,026	0.05
11. Surendra Wickremasinghe (Deceased)	27,200	0.23	27,200	0.23
12. Sithamparapillai Gowrisangar	27,000	0.23	27,000	0.23
13. Sampath Bank PLC/Mr Abishek Sithampalam	26,000	0.22	26,000	0.22
14. Zoebaly Gulamabass Carimjee	25,000	0.21	25,000	0.21
15. Manel Senanayake	24,000	0.20	24,000	0.20
16. Wijewickrama Pathinayakage Asanka Dinunuwan Gunathilake	22,000	0.18	22,000	0.18
17. Durga Sithampalam	21,500	0.18	21,500	0.18
18. Arunasalam Sithampalam	19,055	0.16	19,055	0.16
19. Dehiwalage Sunil Priyantha Perera	18,213	0.15	18,213	0.15
20. Wickrama Buddhika Mendis Wijegunaratna	17,550	0.15	8,485	0.07
SUB TOTAL	11,399,993	95.01	11,369,947	94.76
Other	600,007	4.99	630,053	5.24
TOTAL	12,000,000	100.00	12,000,000	100.00

* Comparative shareholdings as at December 31, 2022 of the 20 largest shareholders as at December 31, 2023.

4. The Public Holding

Existing Float Adjusted Market Capitalisation of the Company as at December 31, 2023 was Rs. 134,100,000/- (Rs. 114,600,000/- as at December 31, 2022).

The percentage of public holding in the share capital of the Company as at December 31, 2023 was 10% representing 983 shareholders (10% representing 1,009 shareholders as at December 31, 2022).

The Company complies with the minimum public holding as a continuous listing requirement as per the Option 2 of the Listing Rule No. 7.13.1 (b) of the Colombo Stock Exchange.

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 172.

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	1,621,411	1	126,809	1,278,589	2,900,000
2. No. 148, Matara Road, Tangalle.	48.76	97,520	1	4,257	26,591	124,111
3. No. 18, Fernando Avenue, Negombo.	18.65	105,000	-	-	-	105,000

The Company did not hold lands and buildings as at the Statement of Financial Position date, other than the Investment Properties 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,	2023				2022			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
1 to 1,000 shares	829	84.25	145,271	1.21	850	84.15	158,043	1.32
1,001 to 10,000 shares	130	13.21	386,539	3.22	136	13.47	408,824	3.40
10,001 to 100,000 shares	24	2.44	668,190	5.57	23	2.28	633,133	5.28
100,001 to 1,000,000 shares	0	0	0	0	0	0	0	0
Over 1,000,000 shares	1	0.10	10,800,000	90.00	1	0.10	10,800,000	90.00
TOTAL	984	100.00	12,000,000	100.00	1010	100.00	12,000,000	100.00

8.2 Composition of Shareholders

As at December 31,	2023				2022			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Resident	971	98.68	11,985,165	99.87	996	98.60	11,971,165	99.76
Non-resident	13	1.32	14,835	0.13	14	1.40	28,835	0.24
TOTAL	984	100.00	12,000,000	100.00	1,010	100.00	12,000,000	100.00

9. Market Value of Shares

The market value of the Company's ordinary shares was as follows:

	2023	2022
Highest price during the year (Rs.)	129.00	150.00
Date of the highest price	July 31	January 13
Lowest price during the year (Rs.)	92.00	83.00
Date of the lowest price	January 09	July 08
Year-end price (Rs.)	111.75	95.50

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. 1,341.0 Mn. (Rs. 1,146.0 Mn. as at December 31, 2022).

Decade at a Glance

Statement of Comprehensive Income

Year ended December 31,	2023 Rs. '000	2022 Rs. '000	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000
OPERATING RESULTS										
Revenue	687,511	631,128	632,287	454,906	453,849	396,770	354,489	329,257	316,988	275,997
Cost of sales	(420,758)	(324,607)	(292,384)	(252,017)	(264,407)	(221,914)	(187,436)	(183,363)	(173,004)	(150,235)
Gross profit	266,753	306,521	339,903	202,889	189,442	174,856	167,053	145,894	143,984	125,762
Other income	17,978	2,040	78	23,163	4,930	13,436	8,672	12,433	8,337	13,712
Administrative expenses	(44,992)	(36,730)	(32,824)	(31,182)	(32,609)	(28,733)	(29,198)	(24,977)	(22,149)	(21,647)
Fair value gain/(loss) on investment properties	97,895	64,503	89,132	(45,046)	237,283	197,174	317,588	240,826	178,677	210,934
OPERATING PROFIT	337,634	336,334	396,289	149,824	399,046	356,733	464,115	374,176	308,849	328,761
Net finance income	124,343	64,955	30,976	12,011	4,786	5,488	12,681	12,354	9,041	11,604
Share of profit of equity accounted investee, net of tax	-	-	-	9,438	9,158	6,566	5,742	5,124	4,007	1,539
Profit before tax	461,977	401,289	427,265	171,273	412,990	368,787	482,538	391,654	321,897	341,904
Income tax expense	(167,917)	(176,912)	(25,759)	(48,691)	(49,773)	(40,240)	(55,760)	(65,212)	(62,103)	(66,469)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	294,060	224,377	401,506	122,582	363,217	328,547	426,778	326,442	259,794	275,435
OTHER COMPREHENSIVE INCOME										
ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS										
Actuarial gains/(losses) on defined benefit plans, net of tax	(6,337)	(294)	2,621	(709)	841	(2,675)	(6,366)	736	6,767	(69)
Share of other comprehensive income of the equity accounted investee, net of tax	-	-	-	44,213	14	(66)	(33)	99	(188)	(226)
ITEMS THAT ARE OR MAY BE RECLASSIFIED TO PROFIT OR LOSS										
Net change in fair value of debt investments at FVOCI, net of tax	-	185	(185)	71	101	(236)	9	90	(38)	(222)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(6,337)	(109)	2,436	43,575	956	(2,977)	(6,390)	925	6,541	(517)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	287,723	224,268	403,942	166,157	364,173	325,570	420,388	327,367	266,335	274,918

Statement of Financial Position

As at December 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS										
NON-CURRENT ASSETS										
Property, plant, and equipment	88,390	131,768	90,897	96,893	129,777	142,835	91,816	99,861	90,149	82,828
Intangible assets	1,502	2,132	2,762	589	615	85	139	193	182	–
Investment properties	3,129,111	3,031,216	2,966,713	2,876,679	2,911,000	2,673,717	2,472,183	2,005,826	1,765,000	1,530,800
Equity accounted investee	–	–	–	–	57,274	51,102	46,602	42,693	39,270	36,051
Deposits receivable	11,187	10,980	10,857	11,181	11,014	10,818	10,690	8,896	8,896	5,475
	3,230,190	3,176,096	3,071,229	2,985,342	3,109,680	2,878,557	2,621,430	2,157,469	1,903,497	1,655,154
CURRENT ASSETS										
Inventories	–	–	–	18	18	105	85	86	63	27
Trade and other receivables	100,737	53,042	43,011	47,429	41,623	62,051	53,842	14,975	14,854	25,096
Financial investments	852,989	671,482	565,585	206,288	73,329	67,269	62,340	159,289	123,101	162,166
Cash and cash equivalents	142,373	154,462	105,524	210,433	119,282	16,810	15,688	32,858	22,846	31,153
	1,096,099	878,986	714,120	464,168	234,252	146,235	131,955	207,208	160,864	218,442
TOTAL ASSETS	4,326,289	4,055,082	3,785,349	3,449,510	3,343,932	3,024,792	2,753,385	2,364,677	2,064,361	1,873,596
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	2,451,630	2,406,680	2,418,164	2,287,444	2,327,101	2,091,222	1,887,396	1,580,795	1,364,117	1,209,321
Retained earnings	1,049,843	890,744	789,199	587,661	453,609	391,096	328,859	275,072	223,722	199,764
TOTAL EQUITY	3,621,473	3,417,424	3,327,363	2,995,105	2,900,710	2,602,318	2,336,255	1,975,867	1,707,839	1,529,085
NON-CURRENT LIABILITIES										
Lease liabilities	50,642	69,138	14,374	1,626	5,974	3,146	–	–	–	–
Deposits payables	61,083	56,760	54,492	37,796	34,120	27,199	23,959	29,063	27,345	26,079
Employee benefits	86,164	61,078	50,966	51,776	41,533	36,618	28,247	16,633	13,970	21,305
Deferred tax liabilities	390,235	346,815	263,159	311,652	319,253	314,253	313,189	297,536	272,247	245,469
	588,124	533,791	382,991	402,850	400,880	381,216	365,395	343,232	313,562	292,853
CURRENT LIABILITIES										
Trade and other payables	54,203	26,894	16,958	16,609	20,629	21,503	21,706	18,387	17,648	28,252
Lease liabilities	18,496	15,963	5,080	4,347	5,374	618	–	–	–	2,204
Deferred revenue	6,089	8,515	10,566	1,841	8,336	10,374	12,800	6,351	5,135	2,090
Current tax liabilities	37,904	52,495	42,391	28,758	8,003	8,763	17,229	20,840	20,177	19,112
	116,692	103,867	74,995	51,555	42,342	41,258	51,735	45,578	42,960	51,658
TOTAL EQUITY AND LIABILITIES	4,326,289	4,055,082	3,785,349	3,449,510	3,343,932	3,024,792	2,753,385	2,364,677	2,064,361	1,873,596
INFORMATION ON SHARES										
Earnings per share (Rs.)	24.51	18.70	33.46	10.22	30.27	27.38	35.56	27.20	21.65	22.95
Dividend per share (Rs.)	7.00	7.00	6.50	5.50	6.00	5.50	5.00	5.00	5.00	5.00
Net assets value per share (Rs.)	301.79	284.79	277.28	249.59	241.73	216.86	194.69	164.66	142.32	127.42
Other information										
No. of employees	211	213	207	212	212	214	215	226	234	245

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.

Basis Point (BP)

One hundredth of a percentage point (0.01%); 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.

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 earning 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.

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.

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-Fourth Annual General Meeting (AGM) of Commercial Development Company PLC (the "Company") will be held on March 27, 2024 at 10.00 am at the Auditorium of Commercial Bank of Ceylon PLC, 9th Floor, Commercial Bank Union Place Branch Building, No. 1, Union Place, Colombo – 02 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, 2023 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 Amitha Lal Gooneratne*
 - (b) Mr Udul Isuru Sri Tillakawardana
4. To reappoint Messrs KPMG, as recommended by the Board of Directors, as Auditors to the Company for the ensuing year.
5. To authorise the Board of Directors to determine the remuneration of the Auditors for the ensuing year.
6. To authorise the Board of Directors to determine donations for 2024.

By Order of the Board



L W P Indrajith
Company Secretary

Colombo
March 04, 2024

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 01, not less than 48 hours before the time appointed for the holding of the Meeting.

SPECIAL NOTICE

*A Special Notice dated February 16, 2024 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 A L Gooneratne, 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 Amitha Lal Goonertane, who attained the age of 71 years on April 27, 2023 and that he be re-elected as a Director of the Company".

Form of Proxy

I/Weof
 being a member/s of Commercial
 Development Company PLC, hereby appoint

(NIC No.) of whom failing:

- | | |
|--|--------------|
| Mr Bentotage Robert Lakshman Fernando | Whom failing |
| Mr Sanath Chandima Udayakumara Manatunge | Whom failing |
| Mr Amitha Lal Gooneratne | Whom failing |
| Mr Antoine Theodore Priyalal Edirisinghe | Whom failing |
| Mr Lokubalasureyage Don Asoka Jayasinghe | Whom failing |
| Mr Udul Isuru Sri Tillakawardana | Whom failing |
| Dr Rahula Anura Attalage | |

as my/our Proxyholder to represent me/us and* to vote for me/us on my/our behalf as indicated below at the Forty Fourth Annual General Meeting of the Company to be held on March 27, 2024 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

(Please indicate your preference with an "X" in the relevant box).

- | | For | Against |
|--|--------------------------|--------------------------|
| 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, 2023 with the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To declare a dividend as recommended by the Board of Directors. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-elect Directors in place of those retiring by rotation or otherwise | | |
| (a) Mr Amitha Lal Gooneratne
(Please see Special Notice received from Mr T Vedamanickam) | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) Mr Udul Isuru Sri Tillakawardana | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. (a) To re-appoint Messrs KPMG, as recommended by the Board of Directors, as Auditors to the Company for the ensuing year | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) To authorise the Board of Directors to determine the remuneration of the Auditors for the ensuing year | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To authorise the Board of Directors to determine donations for 2024. | <input type="checkbox"/> | <input type="checkbox"/> |

In witness my/our hand/seal given on this day of Two Thousand and Twenty Four.

..... Folio Number Signature/s of Shareholder/s NIC/PP/Co. Reg. No. of Shareholder/s
-----------------------	---------------------------------------	---

* If you wish your Proxyholder to speak at the meeting you should insert the words "to speak and" in the space indicated with the asterisk and initial such insertion.

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] 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 -
- Phone : _____
- 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 reregistered 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 1,
Sri Lanka.
Phone/Facsimile: +94 11 244 7300
Email: info@cdcplc.net
Website: www.cdcplc.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 3, Sri Lanka.
Phone: +94 11 242 2601 (5 Lines)
Facsimile: +94 11 244 6663
Email: juliusc@lankacom.net
jcship@sltnet.lk

Auditors

KPMG,
Chartered Accountants,
32A, Sir Mohamed Macan
Markar Mawatha,
Colombo 3, Sri Lanka.

Registrars

S S P Corporate Services (Pvt) Ltd.,
No. 101, Inner Flower Road,
Colombo 3, Sri Lanka
Phone: +94 11 257 3894,
+94 11 257 6871
Facsimile: +94 11 257 3609
Email: sspsec@sltnet.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 C U Manatunge – Managing Director
Mr A L Gooneratne
Mr A T P Edirisinghe
Mr L D A Jayasinghe
Mr U I S Tillakawardana
Dr R A Attalage
(Appointed w.e.f January 01, 2023)

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
Dr R A Attalage
Mr S C U Manatunge (By invitation)

Board Remuneration Committee

Mr B R L Fernando – Chairman
Mr A T P Edirisinghe
Mr L D A Jayasinghe
Mr S C U Manatunge (By invitation)



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Carbonfree Partner
2023

www.carbonfund.org



Commercial Development
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