



Central Depository Systems (Pvt) Limited

CONVENIENT : DEDICATED : SECURE

A 3D wireframe profile of a human head, facing right, composed of a complex network of blue lines and dots, set against a background of glowing blue circuitry and data paths.

# 30 years of innovative progress

Annual Report 2021





# 30 years of innovative progress

Over the past 3 decades, CDS has been an integral component in the marketplace and has been a vital cog in ensuring its smooth and efficient function. Our journey has been shaped through our determination and the results are extraordinary. By going beyond expectations, helping to serve a growing number of investors, creating innovations that are unmatched, with a personal touch that takes quality and service to another level; we have remained grounded in the depths of value, integrity and sound knowledge. With a diverse service portfolio that serves across the strata, we have established the standard of quality and continue to do so over 30 years of innovative progress.



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We're creating a secure and efficient space in which to invest and grow

# Table of Contents

<b>About the Report</b> .....	5	<b>Financial Report</b> .....	83
<b>About CDS</b> .....	6	Annual Report of the Board of Directors on the Affairs of the Company .....	84
Our Vision and Mission .....	6	Directors' Responsibility for Financial Reporting... 88	
Group Structure .....	7	Risk and Audit Committee Report .....	89
Our Stakeholders and Services .....	8	Independent Auditor's Report .....	91
Our Journey of Three Decades .....	10	Statement of Profit or Loss and Other Comprehensive Income .....	93
Performance Highlights .....	14	Statement of Financial Position .....	94
A Sustainable Journey .....	15	Statement of Changes in Equity .....	95
<b>Chairman's Message</b> .....	16	Statement of Cash Flows .....	96
<b>CEO's Message</b> .....	19	Notes to the Financial Statements .....	97
<b>Senior Vice President of CDS's Message</b> .....	22	<b>GRI Index</b> .....	120
<b>Board of Directors</b> .....	26	<b>Corporate Information</b> .....	Inner Back Cover
<b>Board of Director's Profiles</b> .....	28		
<b>Management Team</b> .....	32		
<b>Stewardship</b> .....	36		
Corporate Governance .....	36		
Risk Management .....	45		
<b>The Strategic Report</b> .....	48		
Value Creation .....	48		
Stakeholder Engagement .....	50		
How We Contribute to Our Economy .....	51		
Strategy .....	52		
Determining Materiality .....	53		
Operating Environment .....	55		
<b>Business Line Review</b> .....	56		
Depository Operations .....	56		
Corporate Solutions .....	58		
De-Materialisation Compliance and Risk .....	60		
Client Relationship Management .....	62		
Clearing & Settlement Operations .....	64		
<b>Financial Review</b> .....	66		
<b>Capital Management</b> .....	68		
<b>Value Creation Report</b> .....	70		
Investors .....	72		
Participants .....	74		
Listed Companies .....	76		
Employees .....	78		
Regulators .....	82		

# About the Report

Central Depository Systems (Pvt) Limited (CDS) presents its first ever integrated annual report giving a comprehensive account of value created for stakeholders.

This report covers the activities of CDS for the financial period of 01st January 2021 to 31st December 2021.

## Basis of Preparation

This report covers the activities of CDS for the financial period of 01st January 2021 to 31st December 2021. Date of the most recent report was 31st December 2020. There were no restatements of the information nor changes to our reporting period during the year.

## Reporting Frameworks and Principles Applied

### Statutory Standards and Acts

- » Sri Lanka Financial Reporting Standards
- » Sri Lanka Auditing Standards
- » Companies Act of 2007
- » Securities and Exchange Commission of Sri Lanka Act, No 19 of 2021

### Voluntarily Adopted Reporting Guidelines

- » Integrated Reporting Framework of the International Reporting Council (IIRC)
- » Global Reporting Initiative - GRI Standards (Core Option)
- » International Organisation of Securities Commissions (IOSCO)
- » Sustainable Development Goals (SDGs) - The UN initiative with 17 aspirational "Global Goals"
- » Code of Best Practice of corporate governance issued by the Institute of Chartered Accountants of Sri Lanka.

## Assurance

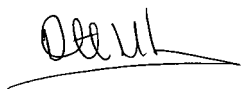
The financial statements that form part of this report have been audited by external auditors, Messrs. KPMG.

## Statement by the Board

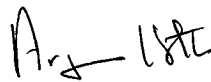
Management of the CDS have prepared and reviewed the contents of all reports and recommended the report to the Board Audit Committee and Board for their approval.

The Board acknowledges its responsibility to ensure that the Annual Integrated Report provides a balanced view of its performance in 2021.

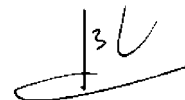
The report was unanimously approved by the Board on 19th May 2022 and is signed on its behalf by:



Mr. Dumith Fernando  
Chairman



Mr. Arjuna Herath  
Risk and Audit Committee Chairman



Mr. Rajeeva Bandaranaike  
Chief Executive Officer

For any queries on the report, please contact,

## Mr. Kusal Nissanka

Senior Vice President - Finance & Administration

Address: 4-1, West Block, World Trade Center, Colombo 01.

Tel.: +94 11 2356456.

E-mail: [finance@cse.lk](mailto:finance@cse.lk)

# About CDS

Incorporated in 1991, The Central Depository Systems (Pvt) Ltd. (CDS) is a wholly owned subsidiary of the Colombo Stock Exchange (CSE) and is licensed by the Securities and Exchange Commission of Sri Lanka (SEC).

CDS is the first depository in the South Asian region and the seventh in the world and at present is the custodian for 98% of listed equity shares and 100% of listed corporate debt in the Sri Lankan capital market. Apart from performing core depository functions we offer a range of services ranging from providing corporate solutions, handling of corporate actions, monitoring compliance and risk, and client relationship management.

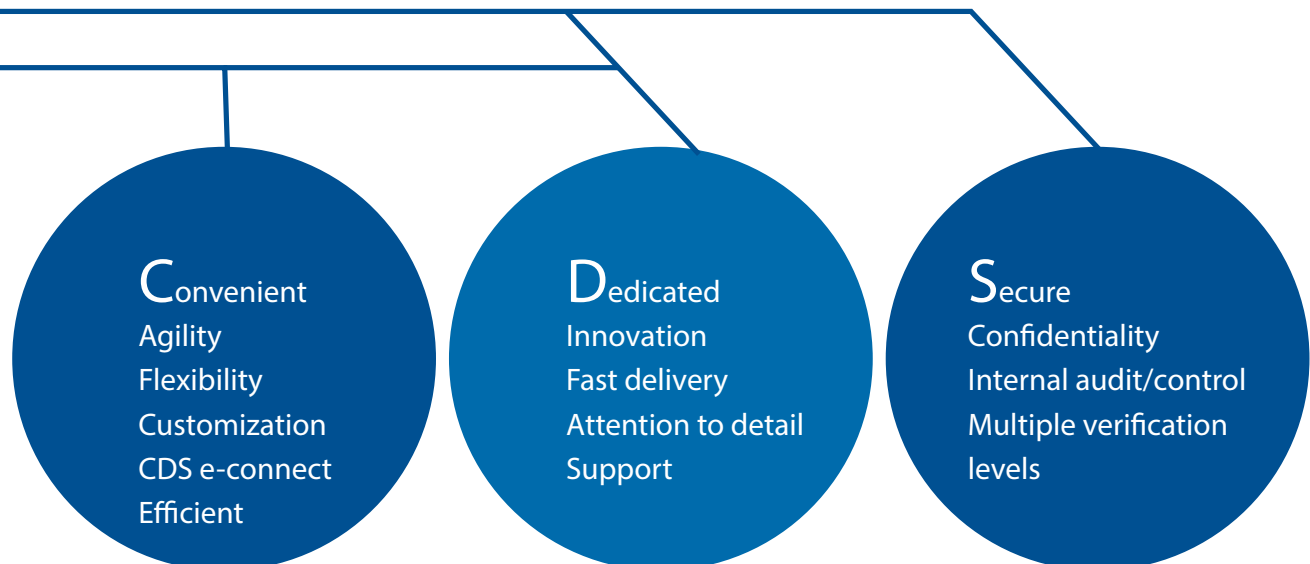
CDS is an active member of the Asia-Pacific Central Securities Depository Group (ACG) and comply with internationally accepted best practices.

## Our Vision

Provide reliable, secure and cost-effective depository and safekeeping services

## Our Mission

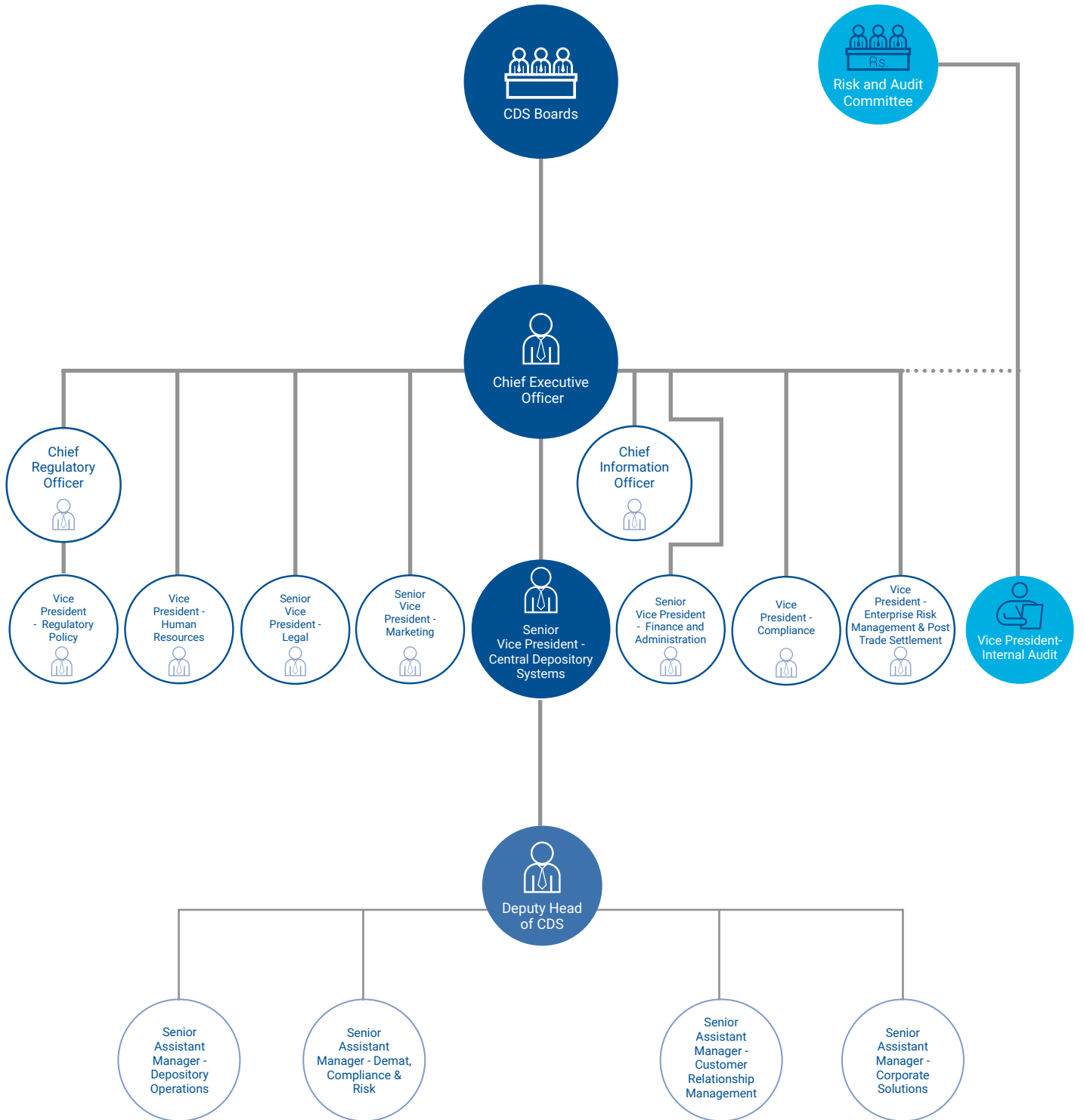
- » To be the Key Infrastructure Provider.
- » To be the Central Record Keeping Registry for Corporates in Sri Lanka Providing Multitude of Services.
- » To Bring Innovation to the Sri Lankan Capital Market.





# About CDS

## Group Structure



## About CDS

# Our Stakeholders and Services



### Participants

25 Stockbrokers

16 Custodian Banks



### Investors/CDS Account Holders

652,645 local individual accounts

12,002 local institutional accounts

4,895 foreign individual accounts

5,767 foreign institutional accounts



### Issuers

296 listed issuers



### Employees

23 employees



### Regulator

Securities and Exchange  
Commission of Sri Lanka





### Clearing & Settlement of Trades

- Facilitation of the Securities Settlement
- Facilitation of the Fund Settlement
- Post Trade Risk Management
- Daily Margin Computation
- Collateral Management
- Custodian Trade Affirmation & Rejection
- Default Handling



### Depository Operations

- Investor account services
- Deposit of securities certificates and withdrawal of shares
- Transfer of shares between CDS Accounts
- eServices (CDS eConnect, eStatements, SMS alerts)
- Information Services (CDS statements & reports) for listed issuers & CDS accountholders
- CDS participant awareness & training



### Corporate Solutions

- Cash, Scrip and other dividend services
- Support services related to physical, virtual and hybrid General Meetings
- Rights Issues, subdivisions and other corporate action services
- Registrar services for client ledger management
- Bureau services offered for listed and unlisted issuers
- Services for shareholders of listed and unlisted client companies



### De-Mat Compliance and Risk

- Conducting daily audits
- Maintaining quality reports



### Client Relationship Management

- Onboarding clients for new businesses
- Managing relations with existing clients
- Stakeholder engagement and management



## About CDS

# Our Journey of Three Decades

### 1991



A historic breakthrough in clearing and settlement in the Sri Lankan capital market was made, when Central Depository Systems Private Limited, also known as the CDS, was established in 1991 as the first depository in South Asia.



The CDS was a timely introduction, arriving during an age of low liquidity levels and inefficiencies triggered by a manual clearing process and the exchange of physical documents.

### 1992



### 1995



Four years on since establishment, The CDS started its journey of growth when it moved to an ORACLE based platform in 1995.

### 1998

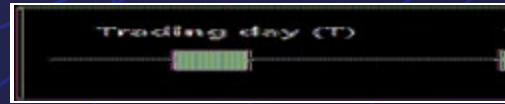


The year 1998 saw the CDS join the Asia Pacific Central Securities Depository Group. A regional alliance of 32 Depositories and Clearing organizations from 23 member countries across Asia.

2006



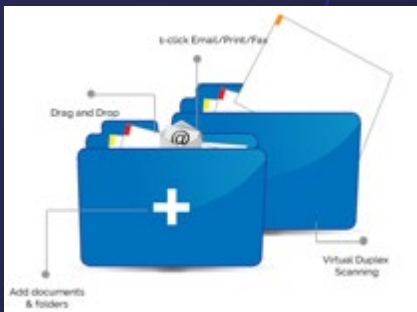
2007



Single tier settlement of T+3

The CDS was appointed as a direct participant of the Central Bank. This paved the way for the CDS to join the SWIFT network – adding a new dimension to exchanging financial information related to the Sri Lankan capital market in a secure, standardized and reliable environment.

2008



Taking on the many opportunities and challenges presented by the Information Age, the CDS moved to digitalize the depository in 2008, a process that was initiated by electronically archiving documents pertaining to CDS account openings and DEMAT operations.

2009

2010



Centralized network connectivity to the Listed Companies, Secretaries & Registrars.

The establishment of a multiple settlement bank system was an important step in managing settlement risk and expanded the involvement of banks in the settlement process. The CDS web site was launched.

## About CDS

# Our Journey of Three Decades

### 2011



In 2011 the CDS renewed its focus to significantly reduce the movement of physical certificates with the launch of a full dematerialization drive. An initiative that would lower costs, mitigate risk and bring greater efficiency to the industry, including the individual shareholder.

### 2014



Launch of new CDS. Introducing eStatement service & Introduction of SMS alert facility for the CDS account holders

### 2015



Signing a MoU with NSDL India, Hosting 17th ACG Cross Training Seminar, Revamping of CDS website, DS3 – Settlement schedule digitization, Started commercial operations for Corporate Action Services

### 2016



Launching of E-Connect facility



CDS Signs MoU with Central Depository Company of Pakistan Limited (CDCP)

## 2017



Signing a MoU with CDSL India, Re-engineering rights issue payment process

## 2018



Hosting of 22nd Annual General Meeting of ACG, CDS signs MoU with KSD, CDS signs MoU with CSDC, Introduction of CDS Digital Front Desk, Establishment of CDS Corporate Solutions Unit

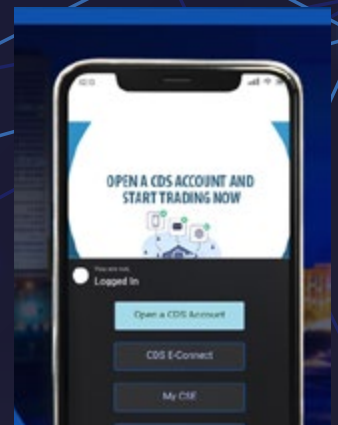


## 2020



Decentralization of CDS account openings and Intra-transfers, Launch of Online account opening, Revamping of CDS website






## 2021



Introducing eApplications for IPOs, Launch of revamped CDS eConnect, Implementation of Delivery Versus Payment (DVP) Settlement Mechanism

## About CDS

# Performance Highlights

		2019	2020	2021
 <b>Financial Capital</b>	<b>Financial Performance (Rs. Mn)</b>			
	<b>Revenue</b>			
	CDS Fees	75	177	518
	Listed Company Fees	20	41	74
	Charges for Computer Information	19	17	21
	Profit before tax	17	140	484
	Profit after tax	13	99	374
	<b>Financial Position</b>			
	<b>Assets</b>			
	Investments	511	621	922
	Other assets	140	232	1,466
	<b>Liabilities</b>			
Brokers' Deposits	13	88	1,178	
Other Liabilities	4	32	103	
Equity	635	733	1,107	
 <b>Human Capital</b>	Number of employees (Nos)	20	18	23
	Gender diversity			
	Male (%)	45	44	52
	Female (%)	55	56	48
	Training and development (Rs. Mn)	0.74	0.01	0.05
	Number of promotions (Nos)	1	2	2
	Employee turnover rate (%)	5	6	4
 <b>Digital Capital</b>	No of new e-services introduced	-	1	4
 <b>Social and Relationship Capital</b>	<b>Number of Investors (Nos)</b>			
	Local	624,226	637,069	664,647
	Foreign	10,351	10,515	10,662
	New CDS accounts	10,340	17,591	37,405
	<b>Issuers</b>			
	No of public listed companies	289	283	296
Number of industries	20	20	20	
 <b>Natural Capital</b>	Energy Consumption (KwH)	164,197	201,752	234,664



# A Sustainable Journey

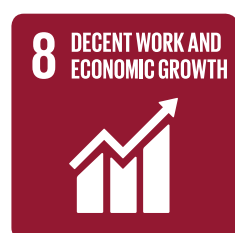
We contribute to the sustainable development of our stakeholders by enabling individuals and institutions to grow and increase their investment returns by facilitating market growth. Listed below are some of the outcomes aligned with the UN Sustainable Development Goals.



- » Ensuring employee health and safety during the pandemic by facilitating work from home
- » Reimbursing cost of PCR/ Antigen tests



- » 48% representation female employees in the work force
- » Women on Boards initiatives in partnership with IFC



- » 85% growth in market capitalization of shares held in CDS
- » Providing employment for 22 individuals



- » Driving digitisation to provide convenience to investors and participants and to increase connectivity.
- » Raised Rs. 124 Bn in capital for corporates



- » Providing investment opportunities for people
- » Market regulation to ensure fair operation of markets
- » 68,311 active CDS account holders trading in the CSE



- » Minimising the use of paper through services such as e-dividends and e-IPOs

# Chairman's Message



“

As we mark 30 years of operations, we are redefining the business model by expanding our services beyond the traditional role of the clearing and settlement arm of the CSE. Today CDS has evolved to become a leader in providing a range of value-added services to its stakeholders.

”

I am pleased to present the first comprehensive annual report for the Central Depository Systems (Pvt) Ltd., (CDS) which is a wholly owned subsidiary of the Colombo Stock Exchange and the only depository licensed by the Securities & Exchange Commission of Sri Lanka. It is a fitting milestone as CDS celebrates 30 years of operations

having led the way as the first central depository in South Asia and the 7th in the world, reflecting the progressive and pioneering spirit that steers this company to date. Publication of this report is also a reflection of the developments in the country's capital markets and the role of CDS in its future development.

CDS provides the infrastructure necessary for the smooth operation of securities markets supporting the activities of its parent as a vital technology partner and a trusted custodian who holds shares in trust for investors. It is noteworthy that the Companies Act was amended to recognise and incorporate CDS as a trust as it performs vital

functions which also require it to uphold high standards of corporate governance and accountability. Incorporated with a grant under the USAID project, CDS provided a seamless post trade electronic record keeping function providing an effective solution to the manual documentation systems that prevailed.

### **IT & Data Governance**

CDS owns the database of over 800,000 CSE account holders who comprise local individuals, local corporates, foreign corporates and foreign individuals. Of these, local corporates account for approximately 60% of value of depository assets. Technology plays a key role as these information assets need to be maintained securely with due regard to customer privacy and cybersecurity. Consequently, the Board has set in place a strong IT and Data governance framework supported by a comprehensive system of internal controls to secure these intangible assets which are not monetised but nevertheless form a critical component of our intellectual capital.

CDS has a world class system provided by the reputed LSE Group developed according to global standards of security management which is hosted on our own servers with proper off-site back up and BCP/DR processes to minimise potential data losses. Stringent database management standards including the necessary licenses, physical safeguards and layers of firewalls serve to minimise cyber threats. Additionally, regular penetration testing is done to determine security levels in addition to the internal and external audits. This is a critical element in the

effective functioning of capital markets and we have deployed the most stringent standards with regard to confidentiality and security. A 30-year record of maintaining our databases securely affirms the Board's vigilance in this regard.

### **Governance of Depository and Clearing Functions**

The depository and clearing functions of CDS are governed by the CDS Rules which are approved by the SEC in their roles as the market regulator. These rules are applicable to market intermediaries and any user of the CDS, serving to minimise potential risks to the counterparties to securities transactions. During the year, the rules were revised to reflect the changes necessary for the Delivery Versus Payment clearing and settlement mechanism that marked a major milestone in the evolution of the Colombo Stock exchange, bringing it in line with global best practice. The Rules Committee of the CSE Board assists the Board of CDS with the review of CDS rules which currently incorporate all amendments up to February 2021. However, the rules may need further revision to align full with the Securities & Exchange Commission Act No,19 of 2021 which is scheduled for completion in 2022.

### **Transforming**

From a record keeping entity, today CDS has evolved to become a leader in providing a range of specialised value added services to investors and issuers. The current menu of services leverages its expertise in corporate registrar and allied functions, offering dividends payment services etc. CDS has also updated its databases to further enhance its services and upgraded

technology to improve efficiencies. Additionally, user interfaces have been enhanced to provide real time information, internet based access etc., empowering investors to update their information and move investment portfolios from intermediaries. These enhancements have supported streamlining of processes by market participants.

CDS expanded its offering to issuers during the year leveraging its intellectual capital and a world class technology platform. Its enabled CDS to handle 12 out of the 14 Initial public offerings in 2021 reflecting the strong value proposition for issuers which enabled CDS to derive significant efficiencies and synergies in providing these functions. Listed issuers can obtain any service where they want to engage their shareholders. E-IPO launched in 2021 and E-dividend payments launched in 2017 revolutionised the corporate registrar services in Sri Lanka. Today, CDS is recognised as a one-stop shop for corporates as it is able to provide all the services required.

### **Strategy 2021**

We were able to implement most of the planned strategic initiatives in 2021 despite the business disruptions experienced due to the prolonged duration of the pandemic. These included empowering customers to manage their investment accounts significantly enhancing customer convenience. Empowering listed companies to service their shareholders in an efficient and cost effective manner was a key imperative, supporting sound corporate governance. Decentralising CDS operations enabled intermediaries to enhance the level of support provided to

# Chairman's Message

investors to open accounts. These strategies supported revenue diversification across customer segments, strengthening its propensity to create enhanced value for multiple stakeholders.

## A Strong Performance

A stellar year for the CSE with high volumes of transactions supported by the strategic approach to diversifying revenue streams supported 160% top line growth. As the operating costs are largely fixed costs, the company delivered strong earnings growth with a Profit After Tax of Rs. 374 Mn, a phenomenal increase of 278% to record the highest profit in the history of the CDS.

CDS recorded strong balance sheet growth as well. Total assets grew by 180% to Rs.2.38 Bn as Cash and Cash equivalents increased by a multiple of 8 fold to Rs.1.3 Bn. Total equity also increased by 50% to Rs.1.1 Bn, supported by strong growth of 58% in retained earnings. The Brokers Liquidity and Margins Deposit Account reflected the high levels of activity, also increasing by a multiple of 12 to Rs.1.17 Bn, reflecting the value delivered to these key stakeholders. Zero interest bearing borrowings reflect the strong financial position of CDS, positioning the company for growth in the year ahead.

## Outlook 2022

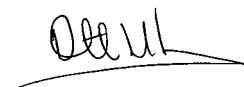
As interest rates move upwards, we expect a correction in the stock market along with a rationalisation of activity levels in 2022 as the country navigates multiple crises. However, we believe that equity is well established as part of diversified asset portfolios of a new demographic of educated, youthful and tech savvy investors who will continue to remain active with a strong understanding of risks and rewards supported by convenience in transacting.

Our plans for 2022 include continued digitalisation to encompass all operations to realise our vision of a paperless office. Importantly, we will continue to explore potential to further diversify our revenue streams as a repository for other paper-based instruments, leveraging our capabilities. We will need to invest in our digital infrastructure to ensure high levels of uptime and continued upgrading of technology in line with emerging trends and threats. As an active member of the Asia Pacific Central Securities Depository Group, we will continue to be part of the evolution in this sphere of activity through information exchanging programmes and cross training workshops.

The new SEC Act has a significant impact on the operations of CDS as it requires a segregation of the clearing and settlement functions from the depository functions. Additionally, the CDS Rules will need revision as well. We have initiated the processes to address these and expect to deliver significant progress in 2022.

## Acknowledgements

A committed and agile team seized the opportunities in the market to deliver a strong results and the Board joins me in thanking them for driving growth in the right direction. I also thank the CDS account holders and stockbrokers without whom our growth would not be possible. SEC as the regulator has been a key partner in our journey and we thank them for their continued cooperation. I close by thanking the Board for their vision and counsel which supported our transformation.



**Dumith Fernando**  
Chairman

19 May 2022

# CEO's Message



“

It was a phenomenal year for CDS with a topline growth of 160%, and a profit of Rs. 374 Mn, the highest recorded profit in the history of CDS, reflecting the higher levels of activity in the market and broader sources of revenue.

”

In this first published annual report of the Central Depository Systems, I am delighted to report that we recorded an outstanding performance driven by an exponential increase in the volume and value of transactions on the CSE

with additional impetus provided by an expanding menu of services.

Upgrading the digital infrastructure in 2020 empowered investors and market intermediaries supporting scalability and efficiency which

are a sine qua non for buoyant markets. Importantly, we leveraged the information assets and digital infrastructure to further diversify revenue streams while becoming more relevant to our stakeholders through value adding services.

# CEO's Message

## Strategy & Digitalisation

CDS serves as the depository for securities and the clearing and settlement of securities transactions of the CSE. Alignment of the CDS strategy with the CSE strategy facilitates realisation of group synergies and the delivery of seamless services to our common stakeholders.

Implementing the Delivery Vs Payment settlement mechanism was a key milestone for both CSE and CDS as it required significant changes to CDS systems, processes and changes to the CDS Rules. This also paves the way for introducing other related products to the market as well as minimising the settlement and asset commitment risks.

CDS e-connect was re-launched with advanced features such as intra-transfer facilities, research reports and a host of value-added features in June 2021, catering to the needs of a wider range of stakeholders. The CDS eConnect which was Launched through the CSE Mobile App and web portal, simplifies the investor experience supporting long term development of the market.

The CDS became the 1st depository to introduce the e-dividend concept in South Asia facilitating timely receipt of dividends by investors, enhancing the value delivered to both issuers and investors. This facility launched during the year was utilised by no less than 296 issuers reflecting the pent up demand in the market for this service.

The CDS also introduced eIPO services in April 2021 and the uptake of this service was also encouraging with 9 out of 12 IPO's that took place utilizing this service.

## Performance

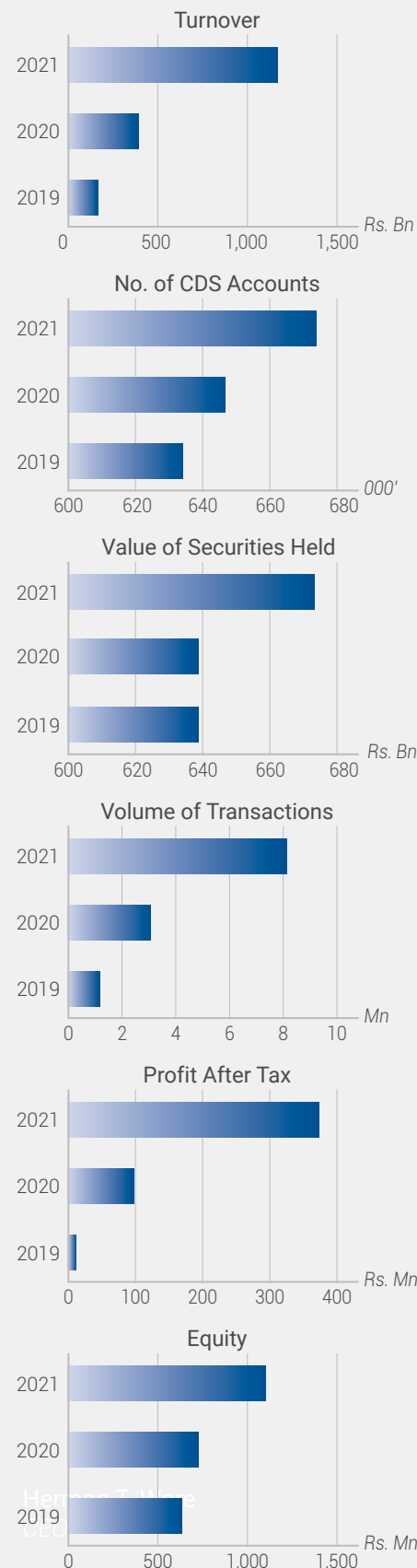
The year under review was extremely favourable for the securities market as low interest rates spurred enthusiasm for higher yielding instruments amongst investors. While rates picked up towards the latter half, this was a gradual increase that did not deter investors. Trading volumes and values which are the key activity metrics for CDS, increased by 164% and 196% respectively to 8.1 Mn and 1,173 Bn. Issuers were also active and the year witnessed 13 IPOs and 27 share splits.

Against this backdrop, the CDS recorded a revenue growth of 160% to Rs.613 Mn reflecting the high levels of activity in a vibrant market. The profit before taxation soared by 247% to Rs.483.9 Mn. Taxation increased by 171% in line with profits. Accordingly, Profit for the year was Rs.373.5 Mn, which is the highest recorded profit in the history of CDS. Earnings per share for 2021 was Rs.37.35 compared to Rs.9.88 for 2020.

Balance sheet growth was also strong as Total Assets increased by 180% to Rs.2,388 Mn as cash and cash equivalents increased from Rs.143 Mn to Rs.1,259 Mn. Growth was largely funded by a corresponding increase of Brokers' Liquidity and Margin Deposits.

The Retained earnings grew by 59% to close at Rs.1,007 Mn. The balance sheet remains unencumbered by interest bearing borrowings, buttressing the CDS against volatility associated with securities trading.

### Highlights 2021



## Celebrating 30 Years

The CDS has provided depository and clearing services as the only licensed depository and clearing house authorised by the SEC. Founded in 1991 the CDS has worked closely with the CSE to ensure that Sri Lanka's securities markets evolved and transformed to a technology driven institution that it is today. An expanding menu of services to investors and issuers alike makes it an increasingly relevant institution to more than 800,000 CDS account holders, providing a secure and reliable platform for depositing and transacting in marketable securities.

The CDS was a pioneering depository in South Asia and the 7th such institution in the world. An active member of the Asia-Pacific Central Securities Depository Group (ACG), it has MOUs in place for knowledge sharing with depositories of other countries in this highly specialised field. The CDS continues to push boundaries leveraging its digital infrastructure and the specialised knowledge of its team.

## An Experienced Team

The CDS is indeed fortunate to have a skilled and experienced team, many of whom have grown with the organisation. A learning and value driven culture reinforced by domain knowledge has underpinned the technology transformation of CDS with eager adoption of international best practices in the design and implementation of systems and processes. Remote working which was supported by high levels of digitalisation enabled the CDS to ensure the continuity in market operations throughout the year, despite the intermittent lockdowns due to the pandemic. The team

continues to expand their skills though needs based training who take a solutioning approach to strengthen their business model.

## The Way Forward

Significant uncertainty blurs the forecast for 2022 with risks weighing significantly on the downside as country struggles with multiple crises. The sharp rise in interest rates and the escalating economic stress in the country is a key concern that will impact the operation of securities markets in 2022 and likely spill over to 2023. On a positive note, a new generation of investors who are business and tech savvy are likely to remain active. This is supported by an unprecedented ease of transacting and access to relevant information which is also a strong factor in favour as equity markets are fertile ground for attractive returns, even during economic downturns to the savvy investor.

The new SEC Act necessitates the segregation of the CDS business between its depository functions and its clearing and settlement functions and plans have been finalized in this regard. Additionally, the CDS rules are also being revised to ensure alignment with the requirements of the new act. We expect more than one revision as we progress on the segregation.

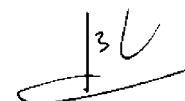
Our core expertise is in managing databases as a repository of certifications. We are eager to explore its applicability to other spheres of activity such as a repository for education certificates, broadening our horizons as we find solutions for other sectors. These efforts will diversify the business

model and the revenue streams of the CDS, buffering it against the volatility of securities markets.

## Thank You

I take this opportunity to thank the team at CDS ably led by its Senior Vice President Nalin Fonseka with decades of experience behind him who worked together to deliver on our strategic goals including the transformations to ensure we remain future fit and relevant to stakeholders.

I also thank the Board for their strategic vision and guidance during the year. I thank our stakeholders for the active participation which made it possible for the CDS to deliver exceptional results set out in this report. Moving forward, I hope that all stakeholders will continue to remain engaged and active as we navigate the future with expansion in mind.



**Rajeeva Bandaranaike**  
Chief Executive Officer

19 May 2022

# Senior Vice President of CDS's Message



“

We embarked on a digitisation strategy to ensure seamless delivery of our services and to align CDS strategy with the CSE strategy. These efforts have created group synergies and improved the quality of service delivery to our common stakeholders.

”

The breakthrough was made on the 30th August 1991, with the establishment of the operation of the Central Depository Systems (Pvt.) Ltd, a fully owned subsidiary of the Colombo Stock Exchange ("CSE") to acts as a depository in respect of securities traded on the CSE and to facilitate the settlement of securities that are

traded. The CDS is well recognized as the first depository in the South Asian Region and the first few depositories globally. The untiring efforts of the CDS hand in hand with many institutions for the successful initiatives in amending the necessary legislation and setting the stage formalizing the operations, has led CDS to stand

steadily as the core infrastructure service provider in well-structured capital market with a greater degree of transparency, credibility and governance.

In this journey of three decades, (the CDS reached its 30th year milestone in September 2021) the CDS has been in the forefront playing the



role of a co-infrastructure provider in the Capital market of Sri Lanka, fulfilling the obligation of all the stake holders and investing public all around the world meeting their safe keeping and asset servicing requirements offering uninterrupted service at all times.

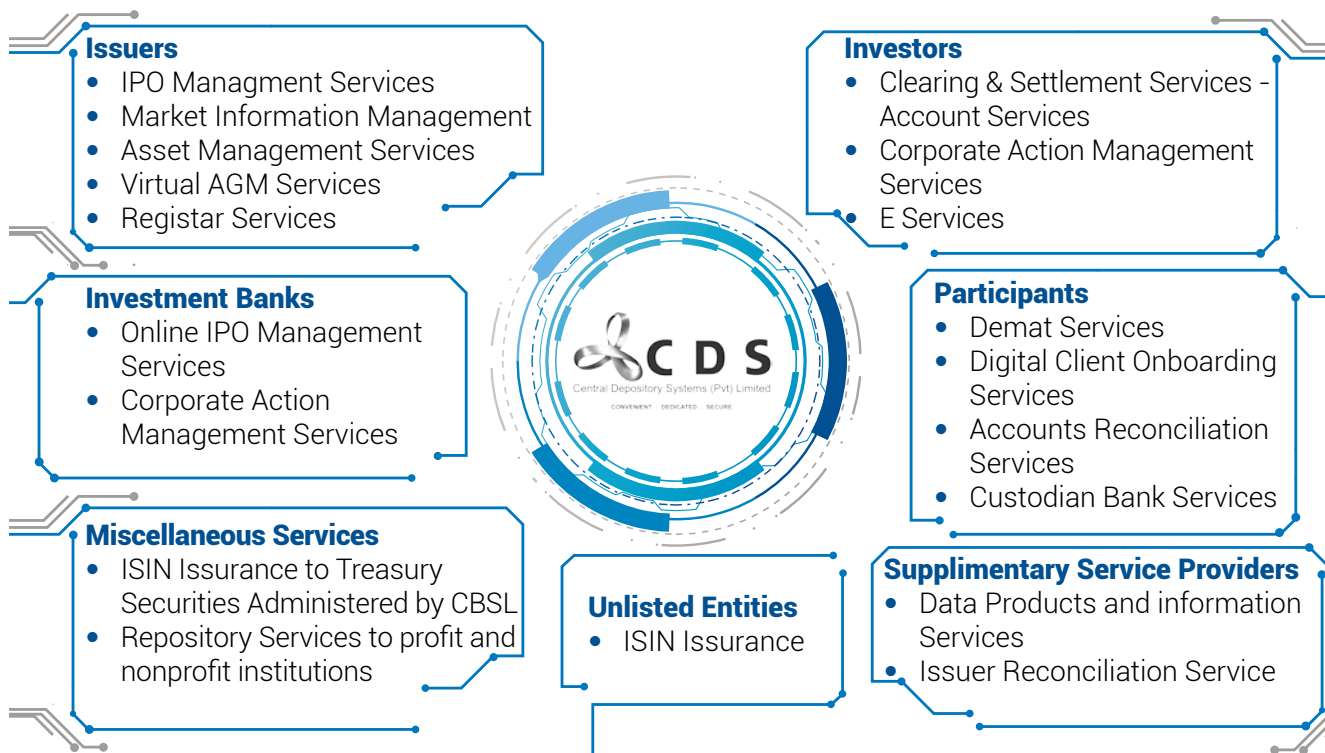
The CDS being the co-infrastructure provider in the capital market of Sri Lanka has stood firm in serving the stake holders and maintaining its standards living up to its core values, Convenience and efficient, Dedication and Secure with trust and integrity.

This was proven when the market resumed post covid-19 outbreak in May 2020. Since CDS was going through a major and rapid transformation we managed to overcome all challenges and circumstances successfully even though such circumstances were unheard of or extremely high in complexity, due to the primary commitment to serve all stake holders.

### Diversification Drive

The CDS in its journey was in the front line in servicing the stakeholders in safe keeping aspects. The tacit knowledge gained over a period of time intertwined with the rapidly evolving technological advancement the CDS has expanded its horizon to serve an extensive class of stake holders which intervened in upgrading the services of the CDS and lifting the overall standards of the entire industry. The CDS successfully transformed the operating model of the CDS with the primary objective of achieving the desired futuristic plans.

### Model



# Senior Vice President of CDS's Message

## Operational Transformation

The CDS played a lead role in initiating the digital drive strategy and introduced many initiatives, technology innovations and reforms to the capital market. The investor community is currently experiencing the comfort of an array of online facilities catered by the CDS which have been welcomed and well accepted as they are being able to overcome the tedious processes involved with paper work and physical visits to the stockbroking houses during the pandemic outbreak.

The CDS has made a commendable progress in assisting potential issuers, enabling them to reach out to masses via the mobile app by enabling facilities for the investors to apply for the IPO's seamlessly using the mobile app. This was a key milestone in the digital drive programme and it is further intended to proceed with extending the digital on-boarding facilities to foreign individuals and local companies.

Initiatives have been taken to introduce the E-KYC and E-ROC for local individuals and local companies respectively in order to further streamline the client onboarding process in the capital market. This was made possible with the interest and the effort taken by the joint committee formed comprising the members of the CSE board and the SEC commission.

Accruing capabilities over the years made diversification possible in both the key operational units of the Depository. Demat Operations unit made tremendous progress in transforming all paper-based processes to digitalized processes enabling the entire scope of services

offered online to all types of account holders. Introduction of E-Portal replaced all traditional paper based manual processes to efficient and fast service offerings while making life easier to investors for record management and servicing clients for participants.

## Establishment of Corporate Solutions Unit

The newly established Corporate solutions unit plays a vital role in transforming the services offered to investors by the listed issuers. The formation of this unit was essentially the forward integration to the value chain of the depository and was well accepted by the industry.

As a unit equipped with cutting edge technology, it spear - headed the implementation of e-Dividends to the market with and was the first to innovate the process of launching a direct payment method in the market. Furthermore, this arm of the CDS has assisted listed issuers with enhanced facilities including conducting virtual AGM's remotely without any interruption during the COVID-19 outbreak.

## Post Trade Settlement Operations

The CDS is responsible for clearing and settlement of all trades executed on CSE. This function is handled by the post trade settlement team of the CDS. Through stringent risk management measures the settlement risk in the market is mitigated and lower the potential for systemic risk in the market. CDS has adopted Delivery versus Payment (DvP) model to the securities clearing and settlement from 16th August 2021 in order to reduce the main risks of the CDS which is the counterparty risk and the settlement risk. DVP implementation is one of

the most dynamic changes to the Clearing & Settlement infrastructure in several decades. With DVP implementation additional capital requirements was imposed to all CDS participants. In addition, we adopt international best-practices such as the Principles for Financial Market Infrastructures (PFMI) and embedded certain risk management procedures into our day-to-day operations to ensure that the level of credit risk is properly managed.

These measures include:

- » Conducting daily mark-to-market of outstanding positions and revaluation of positions and collaterals;
- » Imposing adequate initial and variation margin requirements;
- » Ensure prudent collateral management;

The CDS continually developed post trade risk management measurements to prevent risks resulting from securities clearing and fund settlement defaults to ensure the overall credibility of the market.

## 2021 - Post Trade Settlement Statistics Comparison

Description	2020	2021	Change %
Number of trades settled	Equity - 3,070,021	Equity - 8,131,508	164
	Debt - 243	Debt - 93	(61)
Number of Custodian affirmations and rejections handled	2090	2400	14
Collateral Management			
Daily Margin Collected average per day	Rs. 32 million	Rs. 239 million	646
	-	(5% of Average Daily Turnover)	-
Management of Base Margin from all participants, Cash and Bank Guarantees total value as at 31st December 2021	-	Rs.1.5 billion	-

Consequent to implementation of the DVP in August last year, the notable fact is the scope change in the post DVP settlement process which includes post trade margins applicable for all the participants as base margin and daily margins. Hence, there has been a considerable increase in the work carried out by the post trade settlement team especially with regard to margin management as monitoring, collection and release.

As per the statistics furnish in the below table equity trades reported during 2021 has been increased by 164% and debt trades decreased by 61% as participants were more focused on trading of equity with the increased volumes. Further, results reported an increase of 14% custodian trades settlements facilitated by the PT unit in 2021 compared the previous year.

The value of margins collected has reported an increase of 646% amounting to 239Mn. This indicates that the coverage of the participants exposure through daily margins amounted to 5% from the average daily turnover. In addition the CDS maintained total base margin of 1.5Bn in the form of Bank guarantees ad cash from all the CDS participants.

It has been observed that all the participants have complied with their settlement and margin obligations in terms of the rules in relation to DVP and made very good progress post implementation of the DVP."

### Way Forward

We believe that the trust placed by stakeholders with the CDS is uppermost in our minds as we work towards the realization of the vision of the CDS, the safe keeping aspects and more importantly, diversification beyond its traditional role to serve different market segments.



**Nalin Fonseka**  
Senior Vice President - Central Depository Systems

19 May 2022

# Board of Directors



1. Mr Dumith Fernando - *Chairman*
2. Mr Ray Abeywardane - *Director*
3. Mr Dilshan Wirasekara - *Director*
4. Mr Dimuthu Abeyesekera - *Director*



5. Mr Asanga Seneviratne - Director  
6. Mr Arjuna Herath - Director  
7. Mr Jayantha Fernando - Director  
8. Mr Suren De Silva - Director



# Board of Director's Profiles

## Mr. Dumith Fernando

*Chairman*

Elected Non-Executive Director  
Appointed: 26th May 2017

### Skills & Experience

- » Twenty six years of experience in international Investment Banking and Equities, based in New York and Hong Kong with leading global investment banks JP Morgan Chase & Co. and Credit Suisse AG.
- » He holds a BA in Physics & Economics from Middlebury College in the U.S. and an MBA from Harvard Business School.

### Other Current Appointments

Chairman of Asia Securities Holdings (Pvt) Ltd.

Independent Director of the listed firms Union Assurance PLC and Singer (Sri Lanka) PLC.

Member of the Financial System Stability Consultative Committee (FSSCC) of the Central Bank of Sri Lanka and the Economic Policy Steering Committee of the Ceylon Chamber of Commerce.

### Previous Appointments

Managing Director and Group Chief Operating Officer for Credit Suisse Asia Pacific. Worked at Credit Suisse from 2007 until 2013 and at JP Morgan from 1995 until 2007 in roles across Investment Banking, Equities, Private Equity and Corporate Strategy

## Mr. Ray Abeywardena

*Director*

Elected Non-Executive Director  
Appointed: 13th June 2013

### Skills & Experience

- » Associated with Sri Lanka's capital markets for over 36 years, primarily as a Stockbroker and since 2009 as an Investment Banker.
- » Member of the Chartered Institute of Marketing (UK) and holds a Masters Degree in Business Administration from the University of Wales.

### Other Current Appointments

Managing Director of Acuity Partners (Pvt) Ltd.

Chairman of Acuity Stockbrokers (Pvt) Ltd and Acuity Securities Ltd.

Director of Lanka Ventures PLC, Lanka Energy Fund PLC and Guardian Acuity Asset Management Ltd (GAAM)

### Previous Appointments

He served as Chairman of the Colombo Stock Exchange from 2017 to 2020, Managing Director/CEO of Acuity Stockbrokers (Pvt) Ltd from 2001 to end 2008 and is a past Chairman of the Colombo Stockbrokers Association.

## Mr. Dilshan Wirasekara

*Director*

Elected Non-Executive Director  
Appointed: 21st November 2017

### Skills & Experience

- » Investment banker by profession with a career spanning over 26 years, comprising diversified expertise in financial services including, banking, treasury and investment management, capital market strategy and corporate finance advisory services.
- » An alumnus of INSEAD having completed his Executive Professional Education at INSEAD Business School in Fontainebleau, France. He is also an Alumnus of AOTS, Tokyo, Japan.
- » He specialises in Asset and Liability Risk Management having secured the accolade of leading and representing two Sri Lankan companies in winning the International Bank Asset and Liability competition organised annually by the Netherlands Development Finance Company (FMO), German Investment Corporation (DEG) and Proparco - a subsidiary of the Agence Française de Développement (AFD).

### Other Current Appointments

Director/Chief Executive Officer of First Capital Holdings PLC.

### Previous Appointments

- » General Manager of Softlogic Capital PLC guiding investment and trading portfolio management across subsidiaries inclusive of the Group's Licensed Finance Company, Composite Insurer and Equity Brokerage.
- » Head of Treasury at Nations Trust Bank PLC.

## **Mr. Dimuthu Abeysekera**

*Director*

Elected Non-Executive Director  
Appointed: 1st February 2019

### **Skills & Experience**

- » An experienced capital market professional counting over 32 years in the industry. A veteran capital market professional.
- » Serves as an important resource person at CSBA.

### **Other Current Appointments**

- » Director/CEO of Asha Securities Ltd, which is affiliated to Phillip Capital Singapore, a specialised financial services organisation managing assets worth over US\$ 35 Billion with a network of offices around the world.
- » Director at Asha Financial Services Ltd, a Specialised Margin Trading Company in Colombo.

### **Previous Appointments**

- » Chairman of the Colombo Stockbrokers Association (CSBA).
- » Chairman at Kalamazoo Systems PLC.

## **Mr. Asanga Seneviratne**

*Director*

Mr. Asanga Seneviratne has extensive experience in Finance & Investments, Capital Management and the hospitality industry. Mr. Seneviratne pioneered on-line Trading in Sri Lanka through his company Investor Access Asia (Pvt) Ltd with CDAX, the first on-line trading system in Sri Lanka.

He was instrumental in restructuring Nation Lanka Finance PLC under the Central Bank program in 2011 to resurrect failed licensed Finance entities. Following an illustrious sporting career in Cricket and Rugby at School and Club level, Mr. Seneviratne represented Sri Lanka in both sports.

### **Other Current Appointments**

- » Chairman of Nation Lanka Equities (Pvt) Ltd
- » Managing Director of Asia Fort Asset Management (Pvt) Ltd
- » Managing Director Anilana Hotels & Properties PLC
- » Managing Director Investor Access Equities (Pvt) Ltd

### **Previous Appointments**

- » Previously served on the Board of the CSE as a Director during the period 2013 to 2017
- » Was a Founder/Director of Asia Capital PLC, the largest Investment Bank to be listed on the CSE in 1994
- » Managing Director, Asia Securities (Pvt) Ltd and CEO of Asia Capital Ltd from 2003-2010
- » Chairman of NatWealth Securities,
- » Director of Nation Lanka Finance PLC.
- » Chairman of the Stock Brokers' Association of Sri Lanka from 2005/2006
- » President of the Sri Lanka Rugby Foot Ball Union from 2012 - 2018
- » Vice President of Sri Lanka Cricket 2013 to 2016
- » Secretary General of Asia Rugby - 2013 TO 2015

# Board of Director's Profiles

## Mr. Arjuna Herath

Director

Appointed Non-Executive Director  
Appointed: 21st February 2020

### Skills & Experience

- » A Senior Fellow Member of the Institute of Chartered Accountant of Sri Lanka and a Chartered Global Management Accountant with a Bachelor of Science degree from the University of Colombo, a MBA from the University of Strathclyde in the United Kingdom and a Master of Arts in Financial Economics from the University of Colombo.
- » Extensive industry experience of over two decades in serving numerous clients in the Public Sector and in the Private Sector and actively involved in areas of Economy, Capital Markets, Investments, Corporate Transformation & Restructuring, Corporate Planning, Performance Improvement, Corporate Governance, Technology, Accounting, Auditing, Professional Accountancy Organisations.

### Other Current Appointments

Senior Partner and Head of Consulting, Ernst & Young, Sri Lanka and Maldives.

### Previous Appointments

- » A Board Member of the Sri Lanka Accounting and Auditing Standards Monitoring Board.
- » A Commissioner of the Securities and Exchange Commission of Sri Lanka.
- » Director Corporate Finance at Merchant Bank of Sri Lanka Ltd.
- » Marketing Development Manager at Ceylon Tobacco Company.
- » Chairman of the Professional Accountancy Organisation Development Committee of the IFAC.
- » Past President of The Institute of Chartered Accountants of Sri Lanka.
- » Past President of the South Asian Federation of Accountants.
- » Board Member of the Confederation of Asia Pacific Accountants.

## Mr. Jayantha Fernando

Director

Appointed Non-Executive Director  
Appointed: 21st February 2020

### Skills & Experience

- » An Attorney with over 24 years international experience in Cyber Law, with expertise in Digital Payments & e-Commerce, International trade, Cyber Security/ Cyber Crime, Intellectual Property Rights & Software licensing, E-banking & Mobile Banking, Digitisation of capital markets, Dispute resolution in ICT Projects and negotiating contracts for large digital solutions.
- » Pioneered drafting of Sri Lanka's digital laws, including Electronic transactions, Digital Payments, Cybercrime as well as Data Protection and Cyber Security Legislation. Drafted the Legal blueprint for the establishment of ICT Agency, Sri Lanka CERT and the use of authentication technologies at national and sectoral level at Lanka Clear, through Central Bank.
- » Led Sri Lanka's entry to the Budapest Cybercrime Convention and Sri Lanka's ratification of the UN Electronic Communications Convention (UN eCC) in 2015, both firsts for South Asia. Expert for UNCITRAL, Council of Europe and World Bank advising countries formulate Digital Laws.
- » Holds a specialised Masters in Law (LLM) in IT & Telecommunications Law from the University London, which was completed on a Chevening Scholarship awarded by Government.

### Other Current Appointments

- » Chairman, LK Internet Domain Name Registry
- » Co-Chair, National Certificate Authority Task Force for Digital Authentication Services
- » Director, Sri Lanka CERT & Director/ Legal Advisor, ICTA

### Previous Appointments

- » Chairman, Sri Lanka CERT (Computer Emergency Readiness Team)
- » Commissioner, Securities and Exchange Commission of Sri Lanka
- » Sri Lanka, Board Director, Sri Lanka Standards Institution
- » Consultant on Digital Laws, Attorney General's Chamber, Republic of Fiji
- » Vice Chair, Government Advisory Committee, Internet Corporation for Assigned Names and Numbers (ICANN), California, USA
- » Associate Chairman, ICANN Nominations Committee
- » Elected Bureau Member, Council of Europe Cybercrime Convention Committee (T-CY), Strasbourg, France



## **Mr. Suren De Silva**

*Director*

Appointed Non-Executive Director

Appointed: 21st February 2020

### **Skills & Experience**

- » 24 Years as an Attorney at law and as a legal practitioner mainly focused on commercial, corporate and admiralty work and advising on Project finance transactions.
- » Masters in Law (LLM) (University College London) (University of London)
- » (1997-1998). (Emphasis on regulation of financial markets, law and practice of foreign investment in emerging economies, privatisation).
- » LLB (Hons.) (University of Wales College of Cardiff) (1993-1995).
- » Attorney-At-Law, Supreme Court of the Democratic Socialist Republic of Sri Lanka (June 1997) of Gray's Inn, Barrister-At-Law (England and Wales) (July 1996).

### **Other Current Appointments**

Counsel/Consultant Special Projects D.L & F  
De Saram, Attorneys at Law

### **Previous Appointments**

- » Former State Counsel - Attorney Generals Department 1999 - 2003.
- » Advisory capacity for projects undertaken by State Institutions, Statutory Boards, Ministries, Government agencies, International Organisations and overseas companies.
- » Advising and representing Parties in Commercial Arbitrations;
- » Member of the National Intellectual Property Commission in the year 2002 to 2004.

# Management Team



**Mr. Rajeeva Bandaranaike**  
*Chief Executive Officer*



**Mr. Renuke Wijayawardhane**  
*Chief Regulatory Officer*



**Mr. Chandrakanth Jayasinghe**  
*Chief Information Officer*



**Ms. Renu Ranatunge**  
*Senior Vice President - Legal*



**Mr. Kusal Nissanka**  
*Senior Vice President -  
Finance and Administration*



**Mr. Niroschan Wijesundere**  
*Senior Vice President - Marketing*



**Mr. Nalin Fonseka**  
*Senior Vice President -  
Central Depository Systems*



**Ms. Kushlani Coswatte**  
*Vice President - Internal Audit*



**Ms. Lankesha Molligoda**  
*Vice President -  
Regulatory Policy and Compliance*



**Ms. Dulani Warnakulasooriya**  
*Vice President - Enterprise Risk  
Management & Post Trade Settlement*



**Ms. Anoja Senanayake**  
*Vice President - Human Resources*

#### **Deputy Head of CDS**

Mr. Nadeera Athukorale

#### **Senior Assistant Managers - CDS**

Mr. Nipun Gunasekera  
*Senior Assistant Manager - Depository Operations*

Ms. Ruchira Jayasinghe  
*Senior Assistant Manager - Demat, Compliance & Risk*

Mr. Hemal Weerasinghe  
*Senior Assistant Manager - Customer Relationship Management*

Ms. Vindhya Colombage  
*Senior Assistant Manager - Corporate Solutions*



5779

2881

3557


6888

3463

6970

5779

1335



We're delivering a range of services that meet the needs of our customers across the board

# Stewardship

## Corporate Governance

Dear Members,

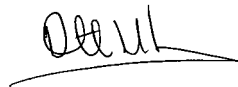
This is the first Integrated Annual Report of the Central Depository Systems (pvt) Ltd and I am pleased to note the quantum leap forward in our journey towards excellence in corporate reporting. As a fully owned subsidiary of the Colombo Stock Exchange, it inherits a legacy of sound corporate governance structures and policy frameworks which is a key strength. This has served us well, ensuring that formal policies are in place to guide management in critical areas of operations. Importantly, it inherits a culture of compliance, commitment and agility which are vital for success as a lean team operating in a highly regulated sector with responsibility for the smooth operations of the country's capital market.

Our role as a central depository of securities necessitates a high level of vigilance and oversight to ensure that we understand and address the key concerns of our stakeholders. Policy frameworks are subject to continuous review and updating for regulatory and other developments with due regard to maintaining an equilibrium between stakeholder interests. CDS relies on the subcommittees of the CSE for their inputs in this regard. As all members of the Board of CSE are also members of the Board of CDS, members of the subcommittees have a sound understanding of the operations of CDS supporting deliberation of matters put before them. The changes to CDS rules

necessitated by the change to Delivery Versus Payment in 2020 was an example of this in 2021. The rules are under review again to accommodate the changes necessary for compliance with the enactments of the SEC Act No.19 of 2021 and will be finalized in the coming year. Internal policy frameworks were also reviewed and updated to comply with the above which made 2021 a busy year for these committees as well as the management team at CDS and CSE.

On behalf of the Board of Directors of the Central Depository Systems Ltd., I affirm that the principles of good corporate governance are applied consistently at CDS and that the Corporate Governance Report provides a fair account of corporate governance practices of the CDS. We have also voluntarily adopted the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and our current status in complying with the Code is set out in this report.

Looking ahead, there is more work to be done and changes ahead as depository and clearing house operations will be segregated in line with the provisions of the SEC Act. Governance structures and frameworks will need to change to reflect these changes to our business models. Accordingly, governance matters will remain in the limelight in 2022 as well as we prepare for the separation. As Chairman of the Board, I remain committed to sound corporate governance, a sine qua non for sustained growth of capital markets.



**Dumith Fernando**  
*Chairman*

19 May 2022

## Stewardship

# CDS Governance Structure

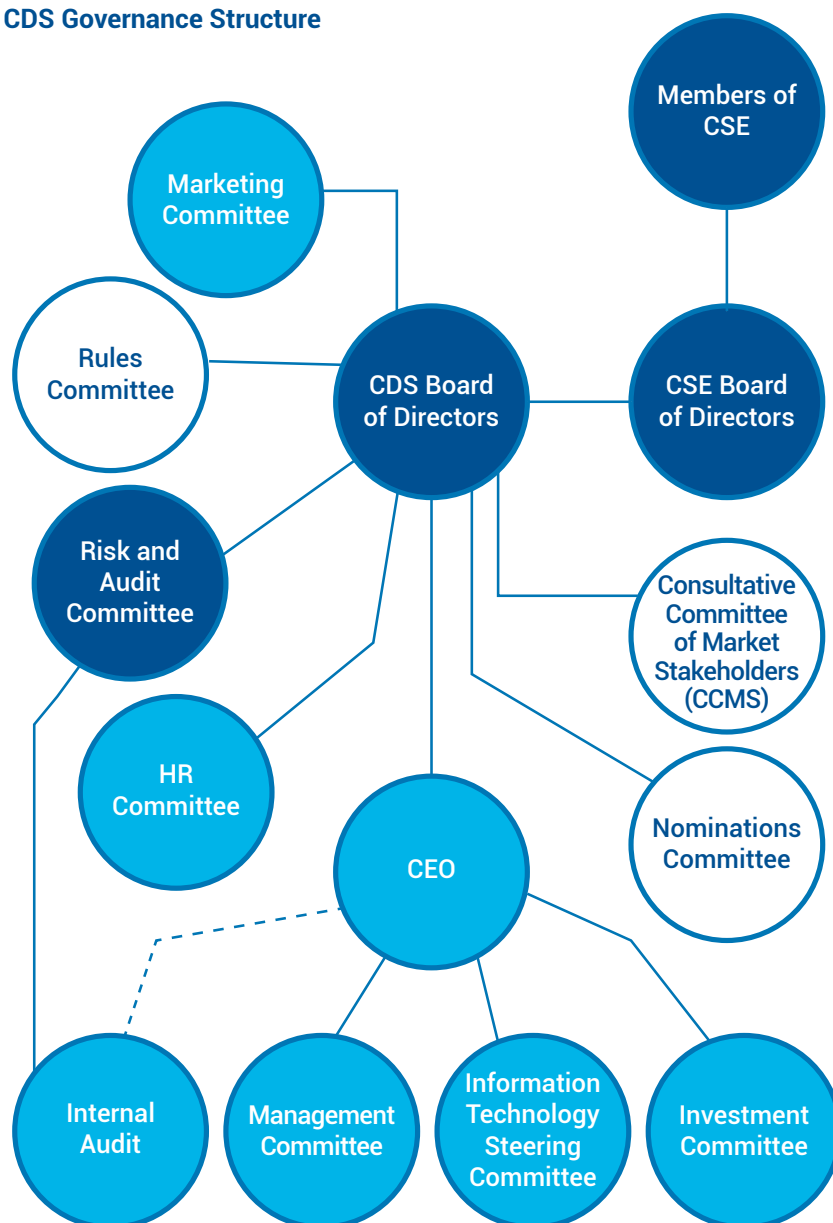
### Legal Form

- » Central Depository Systems (pvt) Ltd (CDS) is a limited liability company and fully owned subsidiary of the Colombo Stock Exchange. It was established to provide facilities in connection with depository and settlement functions as a Central Depository to the Colombo Stock Exchange
- » The Board of Directors of the CSE also serve as Directors of the CDS.

### Overview

- » All Board members are non-executive
- » The Board Charter sets out the roles, responsibilities and duties of the Board
- » Roles of Chairman and Chief Executive Officer are separated
- » The appointment and removal of the Company Secretary is a matter for the entire Board
- » As long as the CDS remains a fully owned subsidiary of the CSE, the Board Committees of the CSE may function as the respective Board Committees of the CDS.
- » The Board and committees of the Board undertake a self-evaluation annually
- » The CEO is appraised annually by the Board
- » Directors of the Board serve without remuneration other than payment pertaining to meet reasonable expenses incur in connection with or about the business or management of the Exchange.
- » An annual undertaking to disclose director's interests is obtained from all directors
- » A Conflict of Interest Disclosure Form is circulated at each meeting to enable disclosure of interests on agenda items
- » The Board has approved policies on key matters to provide guidance and direction in the day to day functioning of the CDS

### CDS Governance Structure



# Stewardship

## Corporate Governance

### Corporate Governance Report

Code Ref ( D.1 ( D.6.1

CDS benefits from the governance structures, policies and processes inherited from its parent, CSE which are in line with best practice to safeguard its reputation. As the only licensed stock exchange in Sri Lanka it plays a significant role in the development of corporate governance standards in the country's corporate sector.

The CDS governance framework is based on the following:

- » Companies Act No. 7 of 2007
- » Relevant provisions of the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021
- » Articles of Association
- » Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

This report provides signposts to the Code of Best Practice where relevant.

### An Effective Board

Code Ref ( A1.1 ( A1.5

The Board of Directors is responsible for setting the strategic direction and monitoring performance of the CDS. The Chief Executive of the CSE serves as the Chief Executive Officer of CDS as well and is appointed by the Board. Key Management Personnel of CDS are appointed by the Board. Support functions such as Finance, HR, Legal and Risk Management are also shared with the CSE. The Board also sets in place formal governance structures and policy frameworks which provide the executive management team guidance in managing their day-to-day operations. All Board members bring independent judgement to bear on matters set before the Board.

### Board Meetings

Code Ref ( A1.1 ( A1.6 ( A6

Regular Board meetings are held monthly with special Board meetings being convened as the need arises. The required quorum for a meeting for the transaction of business of the Board shall be at least three (03) directors. Questions arising shall be resolved with a majority vote and in the event of equality of votes, the chairman shall have a second or casting vote. A secure electronic Board paper storage and distribution system is used to circulate meeting agendas and Board papers prior to Board and Sub-Committee meetings. Agenda and board papers are uploaded giving directors at least 5 days for review of the same. There is provision for approval of board resolutions by circulation for urgent matters. Minutes are maintained by an Independent company secretary and directors have access to the archives through the secure electronic platform. Minutes of Board Sub-Committee meetings are tabled at the following Board meeting and matters arising from the same are deliberated and actioned as deemed appropriate Attendance at Board Meetings and Board Committee Meetings are given in Table 1 below.



	Board		Governance Committees			Regulatory Committees			Other				
	Board Meetings	Special Board Meetings	Risk & Audit	HR	Nominations Committee	Arbitration & Disciplinary	Dispute Resolutions	Member Evaluations	Market Technology Infrastructure	Marketing	AGM/EGM	SEC	Others
Mr. Dumith Fernando	16/16	4/4		1/1	1/1	2/2	1/1			2/2	2/2	1/1	2/2
Mr Ray Abeywardene	16/16	4/4					1/1			2/2	2/2	0/1	1/1
Mr Dilshan Wirasekara	16/16	4/4	3/3	1/1			2/2		2/2	2/2	2/2	1/1	1/1
Mr D.S. Abeyesekera	12/16	3/4						2/2		2/2	1/2	1/1	1/1
Mr Jayantha Fernando	16/16	4/4		1/1		2/2	3/3		2/2		2/2	1/1	
Mr Arjuna Herath	15/16	4/4	3/3		1/1		2/2	1/1		2/2	2/2		
Mr Suren De Silva	16/16	4/4	3/3		1/1	2/2	2/3	2/2			2/2	1/1	1/1
Mr Asanaga Senevirathne	4/4	1/2											

Transition of the CDS to a fully remotely operational in 2020 supported business continuity amidst lockdowns as the pandemic continued through 2021. Board meetings were held virtually and physically during the year as a result. Virtual meetings were conducted on secure platforms and the digitalisation of board papers in previous years supported this process.

## Board Responsibilities

Code Ref ( A1.2 ( A1.3

The Board Charter of the CSE was made applicable for the CDS, approved & adopted by the Board in 2021, as part of the annual process of review to ensure it is fit for purpose and incorporates key development. The Charter sets out the roles and responsibilities of the Board as summarized below.

Role	Responsibilities	Duties
<ul style="list-style-type: none"> <li>» Leadership</li> <li>» Strategic guidance</li> <li>» Independent oversight</li> <li>» Ultimate decision making body</li> </ul>	<ul style="list-style-type: none"> <li>» Optimal use of skills and expertise.</li> <li>» Implement strategic plans and policies.</li> <li>» Monitor operational performance.</li> <li>» Develop sound internal controls</li> <li>» Ensure compliance with regulation.</li> <li>» Risk management</li> <li>» Evaluate social and environmental impact.</li> <li>» Appointment of the Chief Executive Officer (CEO)</li> <li>» Implementing the terms of appointments and KPIs for evaluation of CEO.</li> </ul>	<ul style="list-style-type: none"> <li>» Fiduciary duty of integrity, transparency and in best interest of all stakeholders.</li> <li>» Protect and promote CDS image</li> <li>» Confidentiality of information</li> </ul>

The Board reviewed the Strategic Plan developed by the Management and reviewed performance against the same on a quarterly basis.

The Board ensures that the CEO and the Key Management Personnel (KMP) have the required skills and expertise to implement business strategy and uphold the corporate values of CDS with assistance from the HR Committee. The

# Stewardship

## Corporate Governance

HR Committee reviews talent pipelines within CDS to facilitate optimal performance and succession. Performance management systems in place facilitate assessment of development needs provide a basis for rewarding performance through approved incentive schemes.

The Board ensures that affairs of CDS are conducted in accordance with legislative and regulatory requirements. Directors have the ability to request for professional advice on matters considered material and relevant to the Company.

### Company Secretary

Code Ref ( A1.4 ( A1.5

Company secretarial services are provided by an Independent Law Firm with a full time representative to assist and advise the Board of directors. Responsibilities of the Company Secretary are summarised in the adjacent column. Appointment and removal of the Company Secretary is a matter for the Board as a whole.

The Board has delegated authority to facilitate smooth operations of the CDS and has set in place an appropriate organization structure and a comprehensive policy framework to ensure compliance with regulatory requirements and realization of its short, medium and long term goals. The Directors have no vested interests and take decisions on matters before them using independent judgment. The Audit Committee, Rules Committee, HR Committee, Nomination Committee and the Marketing Committee of its parent CSE assist in the oversight of matters relating to their defined areas of responsibility as set out below.

### Board Sub Committees

Composition and areas of oversight by the sub-committees are given below:

Board Sub Committees	Composition	Objective
<b>Regulatory</b>		
Rules Committee	4 members	Ensure that the rules of the CSE group achieve the purpose of maintenance of a market in which securities can be issued and traded in an orderly and fair manner.
<b>Governance</b>		
Risk and Audit	4 members	<ul style="list-style-type: none"> <li>» Ensure the establishment of an appropriate risk management framework within the CSE group including its enforcement.</li> <li>» Monitor the integrity of financial statement and review internal controls and work of internal/ external audit functions</li> </ul>
Nomination Committee	3 members	<ul style="list-style-type: none"> <li>» Review and evaluate any nomination for the election as a Director and recommend the approval or disapproval of such nomination to the Board.</li> <li>» Review and evaluate any nomination for re-election as a Director, in instances where a Director, being eligible, wishes to offer himself/ herself for re-election and recommend the approval or disapproval of such nomination to the Board</li> </ul>

### Role of Company Secretary

- » Provide guidance to the Board on matters of governance;
- » Assist the Chairman in organizing the activities of the Board
- » Ensure Board compliance regulatory requirements and the articles of association
- » Assist the Board in self-evaluations processes
- » Maintain register of conflicts of interest
- » Carry out any other duties as may be assigned by the Board

Board Sub Committees	Composition	Objective
<b>Governance</b>		
HR Committee	3 members	To evaluate, assess, decide, and recommend to the CSE group Board on any matter that may affect the Human Resource Management of the CSE group.
<b>Other</b>		
Marketing Committee	5 members	To determine the marketing initiatives of the CSE group

#### Board Committee Activities Related to CSE group during the year

<b>Nomination Committee</b>	» Evaluated two (02) director re-appointments.
<b>Risk and Audit</b>	<ul style="list-style-type: none"> <li>» Approve the annual internal audit plan.</li> <li>» Oversee the progress of the internal audit function.</li> <li>» Review internal audit reports and determine whether critical risks are mitigated.</li> <li>» Recommend the appointment of external auditors and review their performance.</li> <li>» Reviewed the Investment Policy Statement and Investment Procedure Manual the recommended changes to the approval of the Board of Directors</li> </ul>
<b>HR</b>	<ul style="list-style-type: none"> <li>» Review and recommend the CEO's compensation, including incentive, bonus, benefit and retirement plans, to the Board for approval.</li> <li>» Review and recommend the Company's compensation philosophy, strategy, and guidelines.</li> <li>» Review major changes in the organizational structure of management as proposed by the CEO.</li> <li>» In consultation with the CEO, review and recommend the appointment of and compensation, including incentive, bonus, benefit and retirement plans, for the senior management.</li> <li>» Review with the CEO existing senior management resources, and performance evaluations, including recruitment and training programs, to ensure that compensation is linked to performance.</li> </ul>
<b>Marketing</b>	» Provided guidance for local and foreign investor focused awareness drive on broad-basing the investor base.

#### Director Induction & Training

Code Ref ( A.1.8

The elected Directors are all industry experts currently serving in top Executive level capacities in their respective firms. The Appointed Directors are all professionals who have served in the organization for over many years and are well versed with the industry. An orientation meeting normally conducts for newly appointed directors. Further, the Directors participate in numerous forums where they receive presentations on matters related to their roles which support them in discharging their roles

#### Role of Chairman

Code Ref ( A.2 ( A.3

The Directors may elect one of their number to be the chairperson of the Board and may determine the period for which the chairperson is to hold office. The roles of Chairman and CEO are separated and the Chairman is a non-executive director who presided over all meetings. He leads the Board and is appointed annually.

# Stewardship

## Corporate Governance

### Role of Chairman

- » Effective participation of directors.
- » Effective contribution of all directors
- » Balance of power between directors.
- » Views of all directors are considered on issues.
- » Promote a constructive relationship with the Board directors and management.
- » Ensure the Board has complete control on CSE affairs

### Composition of the Board

Code Ref ( A.4 ( A.5

The number of Directors shall not be less than five (05) nor more than ten (10). The Board of Directors of the CSE serve as Directors of the CDS. Being the parent company, CSE appoints all of the Directors of the CDS. The CSE may at any time and from time to time remove any Director of the CDS and appoint another in place of the person so removed or fill any vacancy in the office of Director howsoever created.

The Profiles of Board members setting out their experience and skills are given on page 26 of this report. The board directors have gained extensive experience due to their academic and professional background and all of them possess financial acumen and knowledge. The Chief Executive Officer is responsible for implementing strategy and managing the day to day operations of the CSE Secretariat and is accountable to the Board of Directors for its performance.

### Independence

Code Ref ( A.7 ( A.8

The nominations committee evaluates director nominations prior to making recommendations to the Board. Based on the recommendations, the Board recommends directors to SEC. The directors to be appointed need to provide declaration forms assuring that he/she is fit and proper to hold office based on factors such as past performance, skills, technical knowledge, instances of past/pending disciplinary or administrative action by regulators or judiciary system.

### Appraisal of Performance

Code Ref ( A.9 ( A.11

The Board conducts an annual appraisal of its performance and that of its sub-committees. As per the Board charter, the effectiveness of the Board is evaluated in areas of composition, accountability, responsibility and conduct encompassing matters set out in Schedules 4A and 4B of the Code. The board evaluates its performance at least annually based on a performance evaluation checklist.

The Board appraises the performance of the CEO annually against pre-defined targets that have been agreed prior to commencement of the year. The targets include financial and non-financial goals.

### Directors' Remuneration

Code Ref ( B

Directors of the Board serve without remuneration. However, CDS repays any reasonable expenses incurred on the business or management of the depository.

## Managing Conflicts

It's a requirement for directors to act in the best interest of the depository that enhance public confidence and impartiality of the board. As per the Board charter, the directors are advised to discuss annually at a Board Meeting, the hypothetical situations leading to conflicts of interest.

In the event of a conflict of interest:

1. The director is required to submit written application form disclosing the conflict of interest.
2. Obtain advice and guidance of the Chairman in the event of uncertainty of conflict of interest.
3. Board director cannot participate in the decision- making process.
4. The disclosure of the decision on whether a conflict exists and how the conflict was managed are documented in meeting minutes.

## Relations with Members

Code Ref ( C.1 ( C.2 ( C.3

The Board directly engages with the members who are licensed stockbrokers at frequent meetings. Minutes are maintained of these meetings and feedback is given on how concerns raised are being addressed. During the year several and regular consultations were held on matters relating to Members, regulatory matters and market development matters.

The CDS's future strategies and their potential impact have been disclosed in the following sections of this Annual Report.

- » Chairman's Message on pages 16 to 18.
- » CEO's Message on pages 19 to 21.
- » Senior Vice President of CDS's Message on pages 22 to 25.
- » Operational Review on pages 56 to 82.

## The Annual Report

Code Ref ( D.1

This Annual Report provides a balanced view of the CDS's performance for the year ended 31st December 2021 and its prospects. The Directors' Report on page 84 contains the following as specified by the Code:

Requirement	Page Ref.
Statement that all material interests in contracts involving the Company have been declared and that they refrained from voting on matters in which they were materially interested	86
Statement confirming review of the internal controls and obtaining assurance on its effective operation	86
Statement setting out the responsibilities of the Board for the preparation and presentation of financial statements	84
Statement by the Auditors about their reporting responsibilities	84
Report/Statement on Internal Control	86
Management Discussion & Analysis	84
Statement that the business is a going concern	85
Related party transactions	86

# Stewardship

## Corporate Governance

### Accountability & Audit

Code Ref ( D.2 ( D.3

The Risk & Audit Committee has oversight responsibility for approval of appropriate accounting policies, CDS's internal control framework and risk management processes. It comprises of 4 independent non-executive directors as set out in the report of the Risk & Audit Committee which also summarises the responsibilities of the Audit Committee and activities undertaken during the year. They are supported by Internal Audit who reports directly to the Risk & Audit Committee reviewing the efficacy of internal controls and regulatory compliance. Additionally, the committee also reviews risk management processes of the CDS which is supported by the ERM Division which ensures that potential risks are identified, measured, monitored and managed or mitigated within the defined risk appetite approved by the Board. The Risk & Audit Committee also meets with external auditors to discuss audit plans, matters arising from the audit, audit reports and management letters including an in-camera meeting.

### Internet of Things & Cybersecurity

Code Ref ( G

The Board allocates sufficient time for discussion of information technology and cyber risk as it is a critical capital for functioning of our business. CDS complies with Information Security (ISO 27001) standard and aspires to maintain high levels of cyber security taking in to account peer depository practices and the rapid evolution of technology.

### Sustainability Reporting

Code Ref ( H

This Annual Report is an Integrated Report prepared according to the IR Framework published by the International Integrated Reporting Council, integrating sustainability information with governance and financial information.

Requirement	Page Ref.
Economic sustainability	51
The Environment	68
Labour Practice	78
Society	50
Stakeholder identification, engagement and effective communication	50
Formalise Sustainability Reporting processes	15

# Risk Management

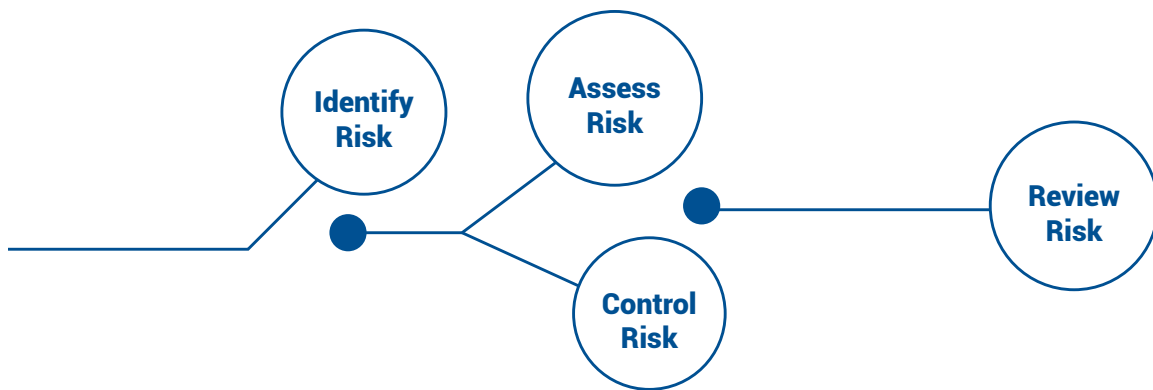
CDS provides essential services to the Colombo Stock Exchange, its parent company, which is the sole licensed stock exchange in Sri Lanka, supporting development of capital markets in the country. Effective management of risks is fundamental to the smooth operation of the country's sole stock exchange making it a vital aspect of our operations.

## Risk Governance

The Board has ultimate responsibility for setting in place a comprehensive risk management framework and structures to provide guidance to management in managing risk. They are supported by the CSE Group Risk Management function in discharging their duty in this regard. An enterprise risk management process has been established, facilitating pursuit of business objectives in line with the risk appetite.

The following principles underpin the risk management processes:

- » We promote and maintain an ethical culture and high levels of risk awareness which is nurtured through training and mentoring processes and regular discussion of risks
- » Our business units and corporate functions own the objectives and risks assumed in their activities and are accountable for the effective management of those risks, supported by the CSE Group risk management and internal audit functions.
- » We employ effective and consistent risk management processes across the Group to ensure that objectives and risks are transparent, well understood, and remain within an accepted and approved level of risk appetite.
- » We employ sufficient resources and effective tools, methods, models and technology to support our risk management processes.
- » Our ERM framework reflects industry standards and legal and regulatory requirements and is regularly assessed.



## Business Continuity

Business continuity is a critical factor for CDS as the market cannot function if the CDS systems are down for whatever reason. Consequently, the ability to recover quickly from interruption and to get back to full functionality is a key measurement of security and reliability. CDS allocates significant resources to support business continuity. Through mirror imaging of data and its robust disaster recovery testing program, CDS continues to prove its ability to fully recover from any interruption to the operation of its systems. The testing program continues to evolve to provide a high level of confidence that service interruptions will be at a minimum if a disaster occurs.

# Stewardship

## Risk Management

To ensure business continuity in the event of the interruption of normal operations, a contingency architecture is in place at CDS consisting of policies, plans and contingency arrangements. In addition, CDS Clearing's critical operations are split between its WTC offices to provide redundancy if one of the sites cannot continue to operate.

CDS will continue to improve its risk management approaches and capabilities as part of its commitment to providing world-class securities depository, clearing and settlement services to participants

### CDS Risk Matrix

CDS risk Matrix categorized into four broader level risk categories and its breakdown in to specific risk as given below

Operational Risk	Strategic Risk	Financial Risk	Compliance Risk
Business Continuity	Reputation Risk	Credit Risk (Settlement Failure)	Legal and Compliance Risk
Information Security, Privacy & Data Governance Risk	Competition Risk		Deficiencies in Policies and Procedures

### Key Risk in 20

#### Credit Risk (Settlement Failure)

CDS is exposed to the risk of settlement failure due to the failure of a Participant to honor its financial and security delivery obligations in CDS clearing and settlement services. With the implementation of the DVP model in 2021, it minimized the settlement and assets commitment risk. The concept of Delivery (of securities) versus Payment of funds (DVP) is employed in exchange-of-value settlement systems to eliminate Settlement risk, i.e, the risk that the seller of a security would deliver the security but not receive payment or that the buyer of a security would make payment but not receive delivery of the security. Thus, Settlement risk is, in other terms, the risk of losing the full value involved in a transaction typically as a result of a counterparty default/insolvency. With this Model CSE and CDS introduced several mechanisms like collateral management and default handling procedures to handle this risk.

#### Business Continuity

##### Technology Risk

We are exposed to the risk that our technology and underlying IT processes do not enable us to develop and/or deliver our products and services effectively.

The CDS is extremely dependent on our information technology systems. Trading data on equities, debt markets and its clearing, settlement and depository activities are conducted exclusively on an electronic basis.

The CDS may be exposed to a greater risk if the technology and underlying IT processes do not enable us to develop and/or deliver our products and services effectively.

We are continually improving our information technology systems so that we can accommodate increases and changes in our trading, clearing, settlement and depository activities and market data volumes to respond to customer demand for improved performance. This requires ongoing analysis and expenditures and may require us to expend significant amounts of resources in the future. System changes, including the introduction of new technologies, may introduce risk; while we have and follow, standard deployment processes for managing and testing these changes, we cannot entirely eliminate the risk of a system failure or interruption.

We have incident and disaster recovery and contingency plans as well as back-up procedures to mitigate the risk of an interruption, failure or disruption, including those due to cyber-attacks on our critical CDS system.

#### Information Security, Privacy & Data Governance Risk

The CDS may be exposed to the risk that information security breaches will adversely affect the operations, intellectual property and reputation of CDS.

Our processes and networks and those of our third-party service providers, approved participants, clearing members and our customers may be vulnerable to information risks, including unauthorized access, computer viruses, theft of data, denial of

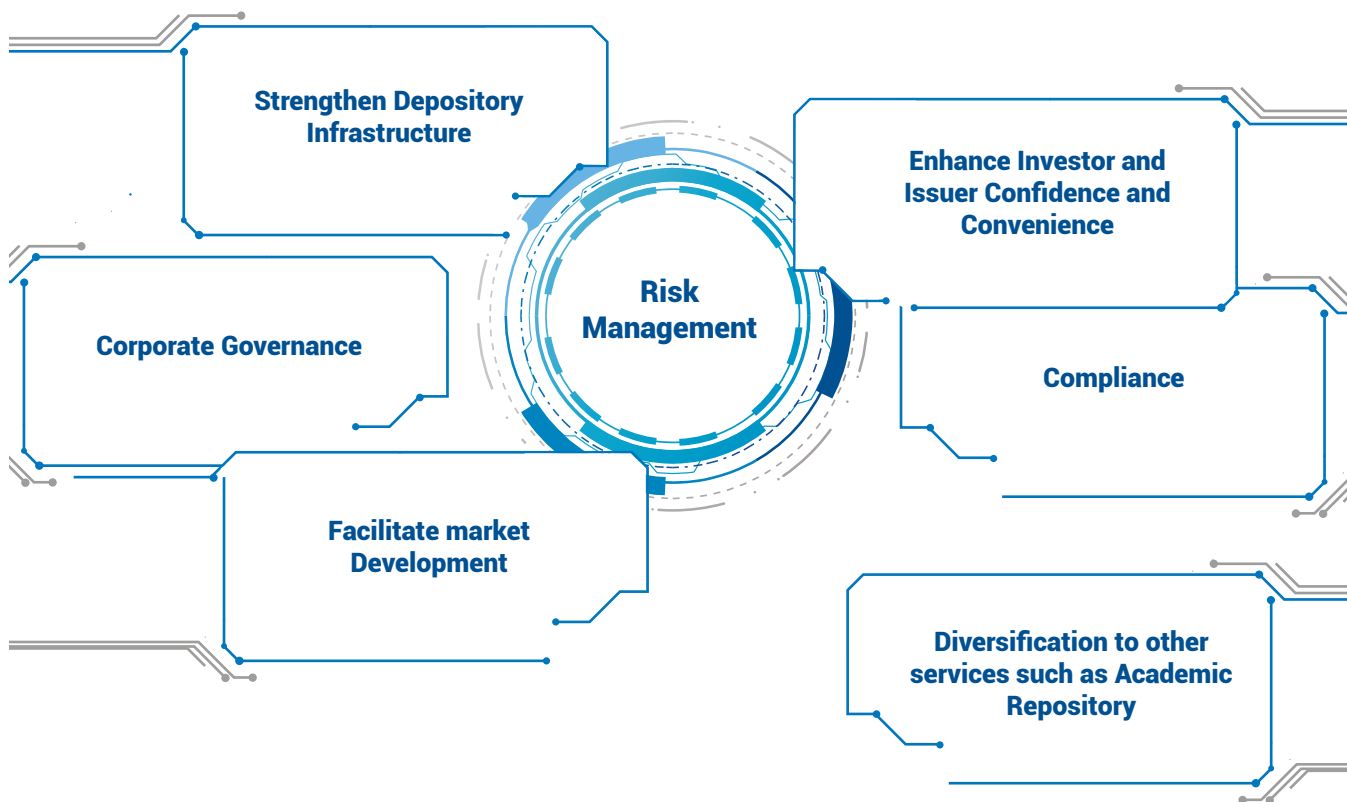


service attacks, and other security issues. Persons who circumvent security measures could wrongfully use our information or cause interruptions or malfunctions in our operations which could damage the integrity of our markets and data provision, any of which could have a material adverse effect on our business, financial condition and results of operations.

However, our system and information security procedures are in place to minimise this risk together with planned responses defined in the event the risk materializes.

### Our Risk Heat Map For 2021

#	Top Organizational Risk	4Q 2021 Review	
		Severity	Risk Level
1	Business Continuity	15.0	High Risk
2	Reputational Risk	15.0	High Risk
3	Competition Risk	12.0	Medium Risk
4	Settlement failure	10.0	Medium Risk
5	Information Security & Data Governance Risk	10.0	Medium Risk
6	Deficiencies in Policies and Procedures	8.0	Low Risk



# The Strategic Report

## Value Creation

### Inputs



#### Financial Capital

Asset base of **Rs. 2 Bn**  
Equity **Rs. 1 Bn**



#### Human Capital

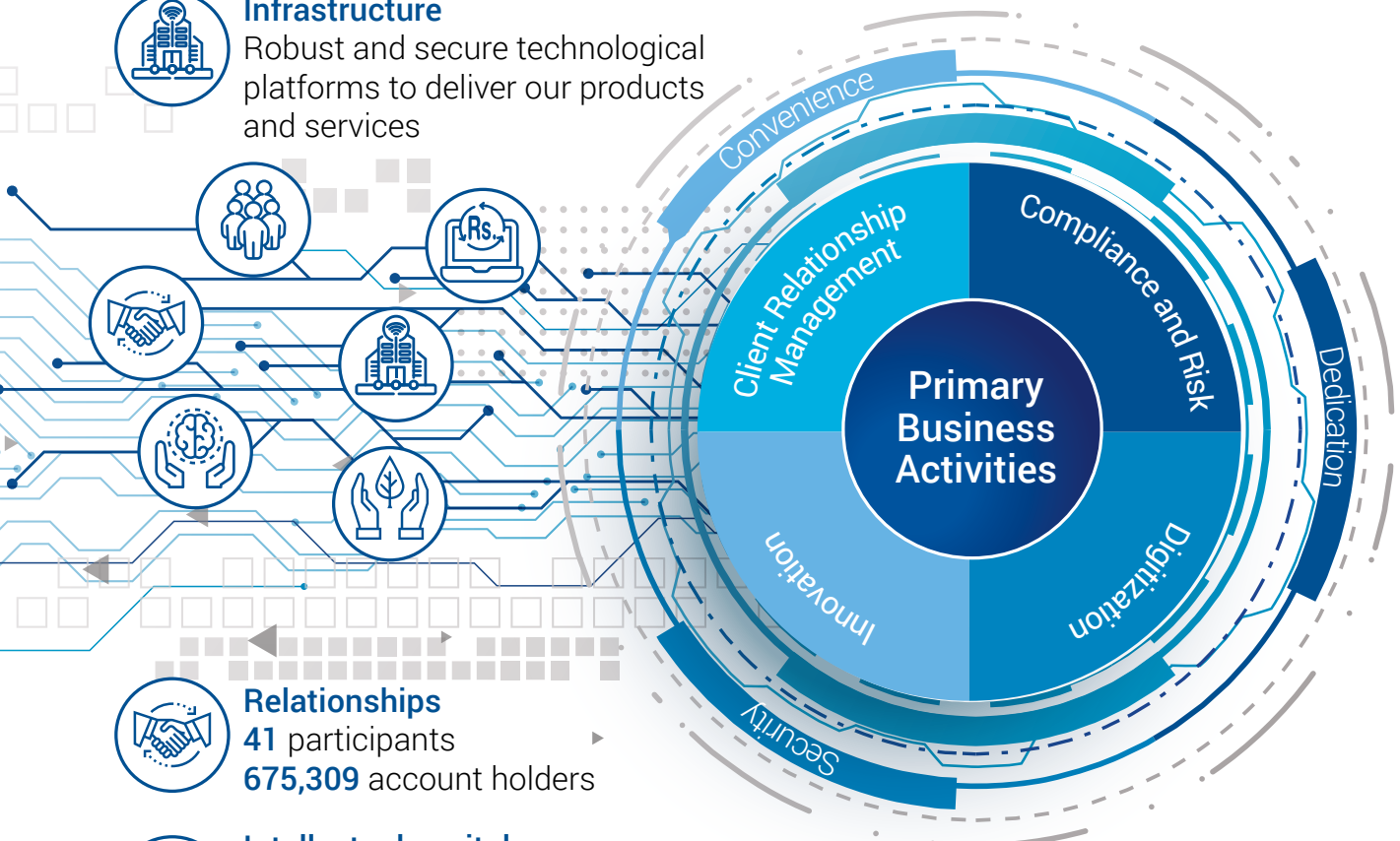
A team of highly skilled and experienced individuals



#### Infrastructure

Robust and secure technological platforms to deliver our products and services

### Value Creation Process



#### Relationships

41 participants  
675,309 account holders



#### Intellectual capital

Our capacity for innovation. (Patents, Licenses),  
Tacit knowledge, Systems, and Processes



#### Natural Resources

Natural resources utilized in business operations

## Outputs

**675,309** CDS accounts

**652,645** Local  
Individual CDS  
Accounts

**5,767** Foreign  
Institutional Accounts

**14** e IPOs

**17** Rights Issues

**8 Mn** Trades

**29,437** Transfers

## Outcomes

**For Investors**  
Value of Shares Held in  
Custody - **Rs. 5,503 Bn**

**For Issuers**  
**Rs. 97 Bn** raised in IPOs

**For Employees**  
Remuneration - **Rs. 57 Mn**  
**131** Training hours

**For Participants**  
**12** Training programs

**For Government**  
**123 Mn** taxes

**For Community**  
**Rs. 5 Mn** Group Donations

# The Strategic Report

## Stakeholder Engagement

Managing stakeholder expectations is vital for our sustainability. We strive to continuously engage with stakeholders to understand and meet their expectations in an effective manner. The table below gives a summary of stakeholder expectations and our strategy in meeting them, along with channels of engagement.

Stakeholder	Investors	Participants	Issuers	Employees	Regulators
Expectations	<ul style="list-style-type: none"> <li>» Data security</li> <li>» Convenience</li> <li>» Efficiency</li> <li>» Reliability</li> <li>» Innovation</li> </ul>	<ul style="list-style-type: none"> <li>» Innovation</li> <li>» Convenience</li> <li>» Adequate training</li> </ul>	<ul style="list-style-type: none"> <li>» Expansion of services offered</li> <li>» Innovation</li> <li>» Efficiency</li> <li>» Information Security</li> </ul>	<ul style="list-style-type: none"> <li>» Fair remunerations</li> <li>» Skill development</li> <li>» Health and safety</li> <li>» Career progression</li> </ul>	<ul style="list-style-type: none"> <li>» Compliance</li> <li>» Market Growth</li> <li>» Regulated market</li> </ul>
CDS's Strategy in meeting expectations	<ul style="list-style-type: none"> <li>» Effective IS security systems</li> <li>» Use of technology to drive efficiency</li> <li>» Innovative digital platforms to increase convenience</li> </ul>	<ul style="list-style-type: none"> <li>» Training programs on new systems/ digital platforms</li> <li>» Decentralisation of Depository Operations</li> <li>» Streamlining compliance</li> </ul>	<ul style="list-style-type: none"> <li>» Expansion of services offered to suit the new normal (Eg: eIPOs, Virtual AGMs)</li> <li>» Increased focus on digitalization</li> <li>» Effective IS security systems</li> </ul>	<ul style="list-style-type: none"> <li>» A streamlined and transparent HR management process</li> <li>» Fair and competitive remuneration</li> <li>» Compliance with all relevant health and safety protocols</li> <li>» Provision suitable training Employee Events</li> </ul>	<ul style="list-style-type: none"> <li>» Compliant with all regulatory requirements</li> <li>» Internal process audits &amp; compliance audits</li> </ul>
Value Created	Please refer Value Creation Report (Page 70 to 71)				
Channels of Engagement	<ul style="list-style-type: none"> <li>» Investor forums</li> <li>» SMS</li> <li>» Statements</li> </ul>	<ul style="list-style-type: none"> <li>» Training programs</li> <li>» Awareness sessions</li> <li>» Webinars</li> </ul>	<ul style="list-style-type: none"> <li>» Discussions</li> <li>» Awareness sessions</li> </ul>	<ul style="list-style-type: none"> <li>» Meetings</li> <li>» Training programs</li> <li>» Welfare events</li> <li>» Appraisals</li> </ul>	<ul style="list-style-type: none"> <li>» Regular meetings &amp; discussions</li> </ul>

# How We Contribute to Our Economy

As the settlement arm of the Colombo Stock Exchange, CDS facilitates CSE to provide wealth creation opportunities to investors while offering access to funds to listed companies that play a pivotal role in our economy. Consequently, the collective market capitalization of listed companies accounts for over 37% of Sri Lanka's GDP.

Economic Value Added	2019	2020	2021
Employees	37	47	60
Government	19	51	123
Re-invested in CDS	144	224	535



# The Strategic Report

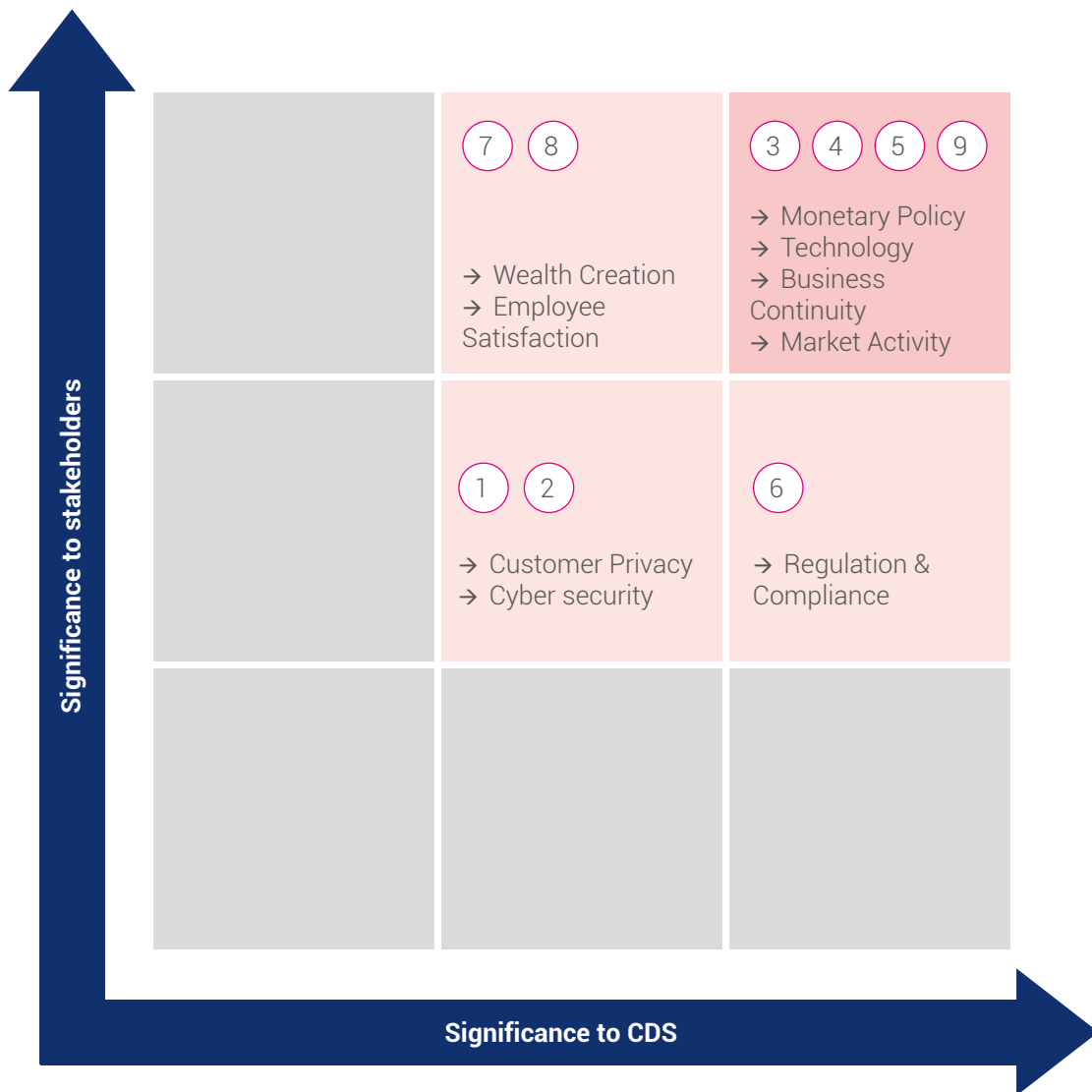
## Strategy

Our strategy is focused on developing our infrastructure to provide better and wider variety of services to investors and participant and thereby to facilitate market growth. Further, we are strategizing to capitalize on our proficiency in data base management and offer our expertise to other industries.



# Determining Materiality

Following diagram illustrates the material topics that have a substantial impact on our operations based on its significance to our stakeholders and to CDS. The ongoing pandemic has driven us to focus extensively on managing its impact with the aid of innovation and technology while adopting a more flexible and client-centric strategy.



# The Strategic Report

## Determining Materiality

	Material Topic	SDG Goals
1	<b>Customer Privacy</b> Maintaining customer information while ensuring the confidentiality of their information	
2	<b>Cyber security</b> Escalating cyber threats make this a priority	
3	<b>Technology</b> To drive technology within the organisation to ensure seamless service delivery and drive efficiency.	
4	<b>Business Continuity</b> Markets need to remain open for participants to have confidence in the operation of markets	
5	<b>Market Activity</b> Interest by market participants	
6	<b>Regulation &amp; Compliance</b> Regulatory compliance expected of CDS and stakeholders	
7	<b>Wealth Creation</b> Return on investment for shareholders and participants	 
8	<b>Employee Satisfaction</b> Remuneration, benefits, career progress and great work environment	  
9	<b>Monetary Policy</b> Monetary policy decisions such as interest rates has a direct impact on market performance	



# Operating Environment

## Sri Lanka

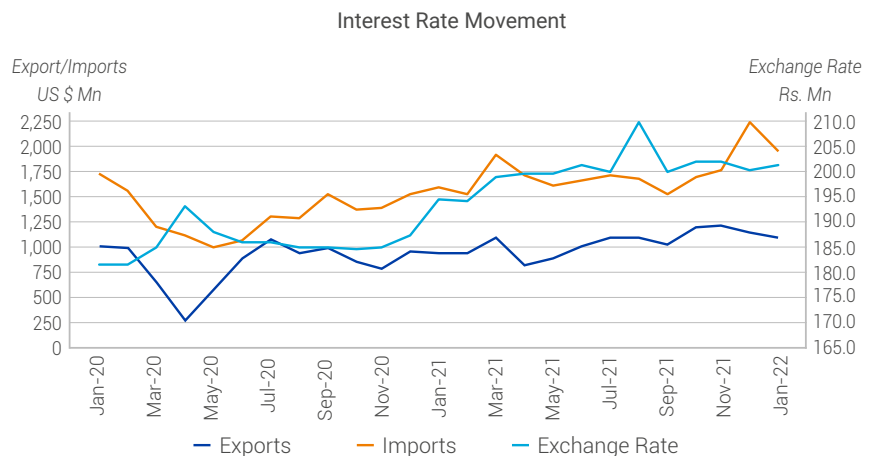
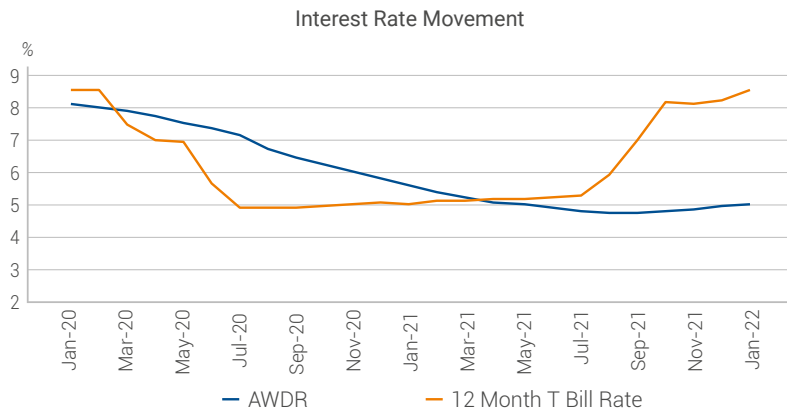
The Sri Lankan economy witnessed some recovery during the first half of the year following a pandemic induced contraction in 2020. This was mainly due to the policy support from the Government and the Regulators along with containment of the virus through mobility restrictions and the vaccination drive.

The Central Bank continued its monetary stimulus measures to support businesses and individuals affected by the pandemic. The low interest rates and the surplus liquidity levels in the domestic money market resulted in significant expansion in credit to the private sector by 13.6 % by end of November 2021. However, due to the gradual normalization of domestic economic activities and increasing inflationary pressures The Central Bank tightened the monetary conditions by raising key policy rates in September 2021, signaling the end of its easing monetary policy stance.

### Interest Rates

The accommodative monetary stance maintained by the Central Bank up to August 2021 drove the market interest rates to historically low levels. Thereby availing low-cost funds to both private and public sectors for the revival of the economy. However, in August 2021 with the gradual recovery of economic activities and increasing inflationary pressure the Central Bank reversed its stance by tightening the monetary policy.

External Sector and Exchange Rate. The external sector continued its struggle amidst substantial forex debt serving obligations while forex inflows were severely affected by



the ongoing pandemic. The trade deficit widened despite a notable increase of 24% in exports as activity increased substantially with the recovery of economic activities.

The exchange rate depreciated significantly due to the pressures in the domestic foreign exchange market causing the Central Bank to step in to support and stabilize the Sri Lankan Rupee. During the year Rupee depreciated by 7.2% against the US Dollar and remains under intense pressure at year end.

### Performance of the Colombo Stock Exchange

The performance of CDS is largely dependent on the performance of the CSE, its parent company. The accommodative monetary policy maintained by the Government for the better part of 2021 greatly benefited the performance of the CSE. Accordingly, CSE recorded unprecedented growth driven by the low interest regime and measures taken by the regulators and CSE to steer through the challenging time. CSE recorded the highest ever annual turnover of Rs. 1,174 Bn with a daily average turnover of Rs. 4,889 Mn. The market also saw the highest number of Initial Public Offers (IPOs), with 13 IPOs raising nearly Rs. 12 Bn. The market suffered a net foreign outflow of Rs. 52.6 Bn compared to an outflow of Rs. 51 Bn in the previous year.

# Business Line Review

## Depository Operations

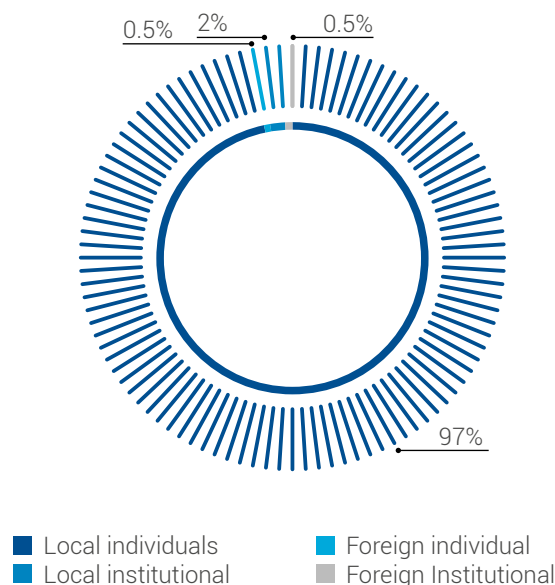
### What we offer

- Decentralised depository operations enhancing flexibility to depository participants
- Digital onboarding with online account opening for all local clients and foreign individual clients
- De-mat services for deposits and online share transfers
- Maintenance of CDS accounts via digital platforms
- Information dissemination to all stakeholders

### Strategy

- Digitalisation of all operations to drive efficiency, accuracy, convenience and flexibility to all stakeholders
- Driving sustainable growth by moving towards paperless operations
- Empowering depository participants manage CDS accounts through initiatives such as CDS eConnect.
- Enhancing stakeholder engagement through digital platforms

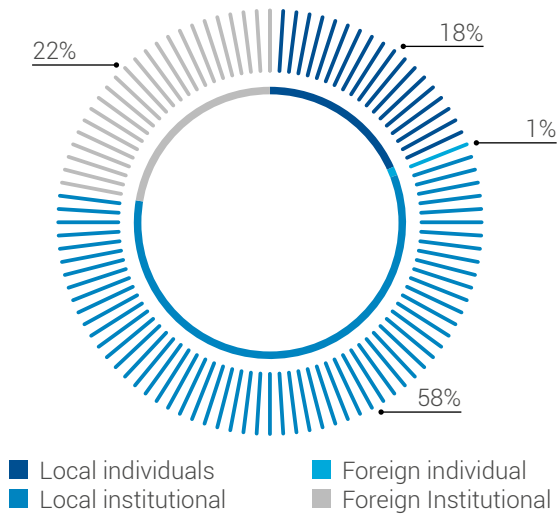
CDS Accounts by Investor Category



The first depository in the South Asian region and seventh in the world, CDS acts as the custodian of shares held by investors of CSE.



Value of Shares by Investor Category

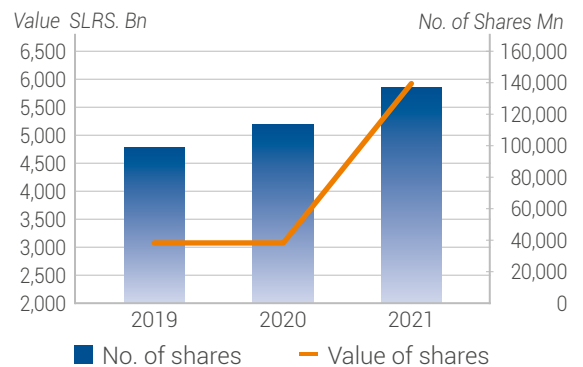


**Performance Highlights 2021**

- More than 90% of digitalised onboarding
- 12 stockbroker training sessions
- Rs. 1,173 Bn worth of transactions settled via depository
- Foreign holding of 25%
- Rs.5,229 Bn of securities held
- Facilitated 97 corporate actions with 325,992 direct deposits
- 18,739 reports dispatched to issuers



Shares in Deposit



# Business Line Review

## Corporate Solutions

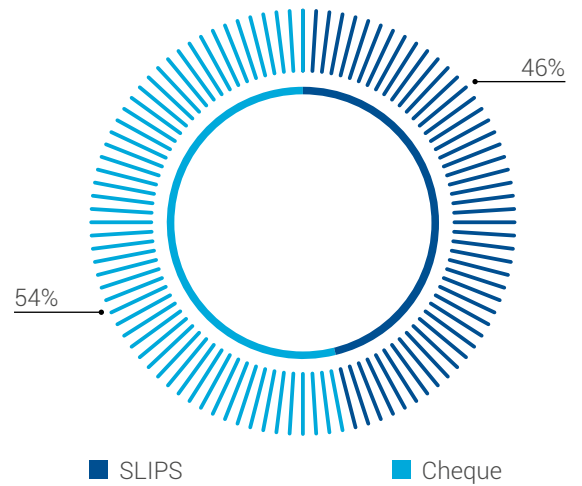
### What we offer

- Complete registrar services solutions
- Comprehensive shareholder management to assist corporate actions
- Dividend payment services with registrar solution
- e-Dividend services
- IPO services together with registrar services
- e-IPO solutions
- Facilitating AGMs with virtual AGM services.

### Strategy

- Transition to digitalised products such as e-dividends and e-IPOs
- Assisting listed entities to carry out corporate actions amidst restrictions imposed due to pandemic
- Ensuring efficiency in services delivered to shareholders
- Enhancing our B2B solutions catering to listed and unlisted corporates.

Dividend Payments Year 2021



Established in 2018 with a vision to enhance the service delivery to listed corporates and shareholders. The corporate solutions unit has adopted digitisation as key strategy in elevating the standard of services offered and has made significant investments in this regard.

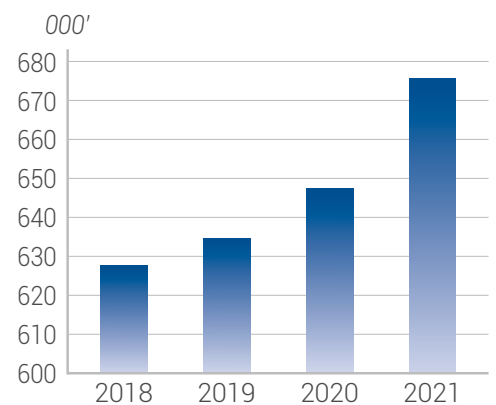




### Highlights

- Mobile app solution for **11** IPOs covering **11,577** e-applications
- Registrar services for **4** IPOs
- Facilitated **28** virtual AGMs and **4** hybrid AGMs
- **41** cash dividend projects covering **87,219** SLIPS payments and **101,612** cheque payments.
- Handling **5** share subdivisions
- Managing **2** Rights issues and **1** voluntary offer
- **9** bureau services projects

CDS Account Holder Base



## Business Line Review

# De-Materialisation Compliance and Risk

### What we do

- Ensuring compliance with all regulatory requirements
- Unit is responsible for the internal audit function of CDS
- Ensuring de-mat compliance
- Carrying out daily, weekly and monthly Compliance checks
- Periodic Compliance checks conducted in coordination with Regulatory and Compliance Division of CSE.

De-Mat Compliance and Risk Unit ensures all depository operations are compliant with applicable rules and regulations. Functions of this unit plays a vital role in credibility and integrity of CDS

### Strategy

- Carrying out daily internal audit to ensure service delivery is done accurately and in timely manner
- Ongoing monitoring of operational process to drive continuous improvements
- Periodic reviews, checks and verifications carried out in processes related to client onboarding and account maintenance.
- Deriving performance metrics to ensure compliance





## Highlights

- Completed compliance checks on 100% of accounts opened by participants

## Business Line Review

# Client Relationship Management

### What we do

- Facilitating corporate actions with comprehensive shareholder management
- Facilitating engagement with market participants, investors and issuers

### Strategy

- Aligning our business strategy with the expectations of our stakeholders
- Driving digitisation within the organisation to improve customer engagement
- Prioritising customer convenience when making process improvements.
- Empowering stakeholders to manage their general requirements related to CDS accounts.

Customer Relation management (CRM) unit was set up with the aim of improving coordination and engagement among stakeholders and to promote recently established corporate solutions unit among issuers.







### Highlights

- **4.28%** growth in customer base
- **30%** growth in Sale on Guidelines For CDS Documentation
- Revenue from Charges for Computer Information was **21 Mn**
- Revenue from Dividend Payout Solution was **10 Mn**

## Business Line Review

# Clearing & Settlement Operations

### What we offer

- » Facilitation of the Securities Settlement
- » Facilitation of the Fund Settlement
- » Post Trade Risk Management
- » Daily Margin Computation
- » Collateral Management
- » Custodian Trade Affirmation & Rejection
- » Default Handling

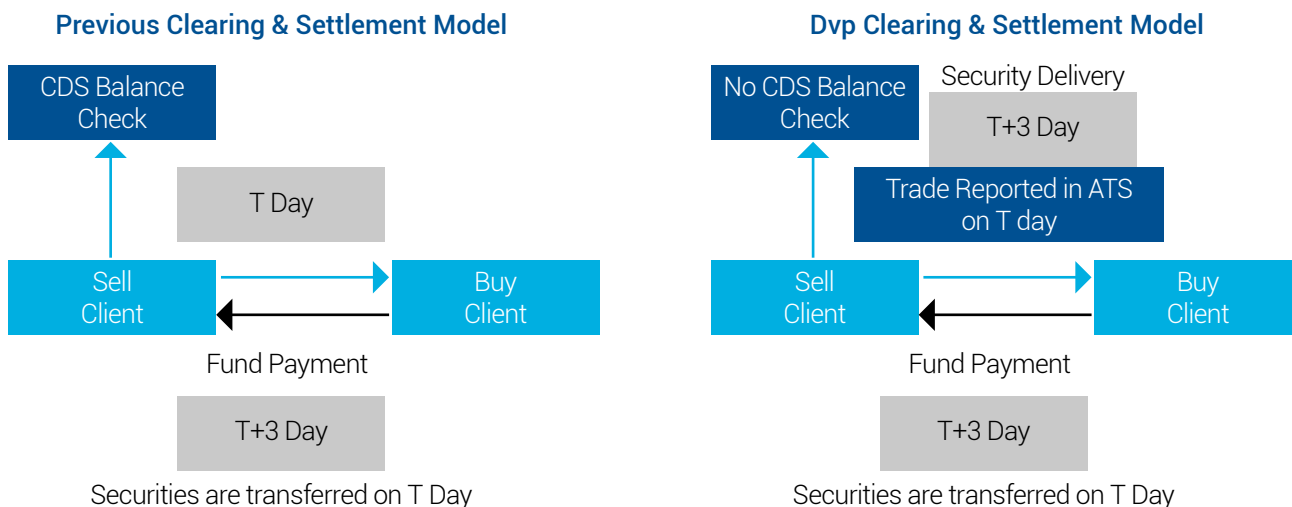
### Strategy

- » Ensure timely settlement with efficient procedures
- » Stringent margin requirements through the implementation of globally accepted margin mechanism
- » Bench marking the risk management tools with industry standards
- » Daily monitoring of member exposure levels and positions
- » Continuous monitoring of the exposure levels
- » Ensuring efficiency in services delivered to all participants
- » Periodic reviews for the process improvements

### Delivery Vs. Payment

The introduction of Delivery Versus Payment (DVP) is one of the most dynamic changes to the Clearing & Settlement infrastructure in several decades. The new DVP Clearing & Settlement mechanism for all equity securities implemented with effect from 16th August 2021. As per the DVP model, the settlement obligation for Equities will be based on DVP 2 method, where the securities obligations are settled on a gross, trade-by-trade basis at the beneficial owner level for each CDS account, whilst fund obligations will be netted at the Participant (Stock broker/ Custodian bank) level.

### Clearing and Settlement Process Change with DVP implementation



As per the previous clearing and settlement model of equity securities, the delivery of shares from the seller to the buyer occurs immediately upon execution of the transaction, while the fund settlement to the seller takes place only after 3 market days from the transaction date (T+3), thus exposing the seller to a 3 day settlement risk, where committing assets without receiving any payment which is commonly known as asset commitment risk of the seller. If there is a default from the buyer on the settlement day there is no mechanism for the seller to recover the money as the shares have already transferred to buyers account.

The DVP ensures that the final settlement of securities occurs if and only if the final settlement of the corresponding payment occurs. This is a globally accepted mechanism by the Stock Exchanges worldwide where it essentially eliminates principal risk, that is, the risk that the seller of a security would deliver the security but not receive payment or that the buyer of a security would make payment but not receive delivery of the security.

The DVP Model is strategically a much-needed market infrastructure enhancement, which increases the overall credibility and integrity of the Sri Lankan stock market. DVP settlement is a critical risk management mechanism and it will also complement the efforts in attracting more foreign investor participation in the stock market and this would contribute towards upgrading the CSE status in risk assessments carried out by international bodies which will enable the Sri Lankan market to better position itself within the spectrum of foreign portfolio investments.

DVP settlement mechanism has addressed the main risk of the CDS which is the Counterparty Risk by imposing additional capital requirements along with some robust risk management processes and procedures.

### **Post Trade Risk Management**

A sound risk management system is integral to an efficient clearing and settlement system. The CDS has put in place a comprehensive risk management system along with internationally accepted risk containment measures.

Collateral management mechanism is in place to handle the counter party risk. The collateral management mechanism has two components as minimum collateral requirement and daily collateral requirement. All the CDS participants are required to deposit a certain amount of collateral as a minimum requirement. In the event of default or settlement failure the collateral will be utilized to compensate the counterparty.

The CDS covers its credit exposures to its Participants from trading of equity securities through an effective risk based margin methodology. The total margin comprises of two components as initial margin and variation margin. Initial margin is typically collected to cover potential changes in the value of each Participant's position (that is, potential future exposure eg: VaR) over the appropriate close-out period in the event the Participant defaults. Variation margin is collected and paid out to reflect current exposures resulting from actual changes in market prices and collected on a daily basis. The CDS also assesses the liquidity risk arising from the Participants through daily exposure monitoring.

# Financial Review

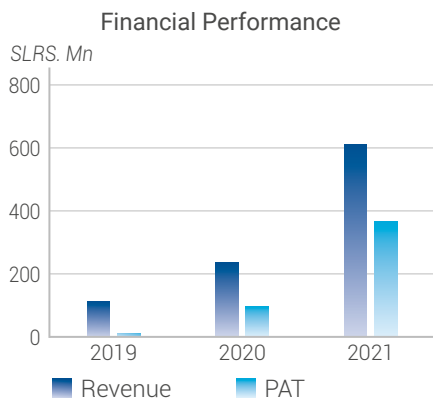
## Financial Performance

Topline recorded an impressive growth of 160% to reach Rs. 613.9 Mn, the highest ever revenue recorded by CDS since its inception. This remarkable performance was supported by the unprecedented year recorded by CSE which drove the income from CDS commission, reaching Rs. 518 Mn to deliver 192% growth compared to the previous year. Income from listed company fees increased by 82% to reach Rs. 74 Mn while charges from computer information witnessed a growth of 20% to reach Rs. 21 Mn.

Income from Registrar Services and Corporate Actions, classified under other income grew by 155% to reach Rs. 23 Mn while total other income reached Rs. 104 Mn, reporting an increase of 22%.

Staff costs increased by 27% to reach Rs. 60 Mn as staff head count increased by previous year's 17 to 22. Other operating expenses increased by 28% to Rs. 172 Mn.

Driven by remarkable topline growth, CDS reported its best financial performance by recording growth of 247% in profit before tax to Rs. 484 Mn. Profit after tax for 2021 is Rs. 374 Mn, an increase of 278% compared to the previous year.

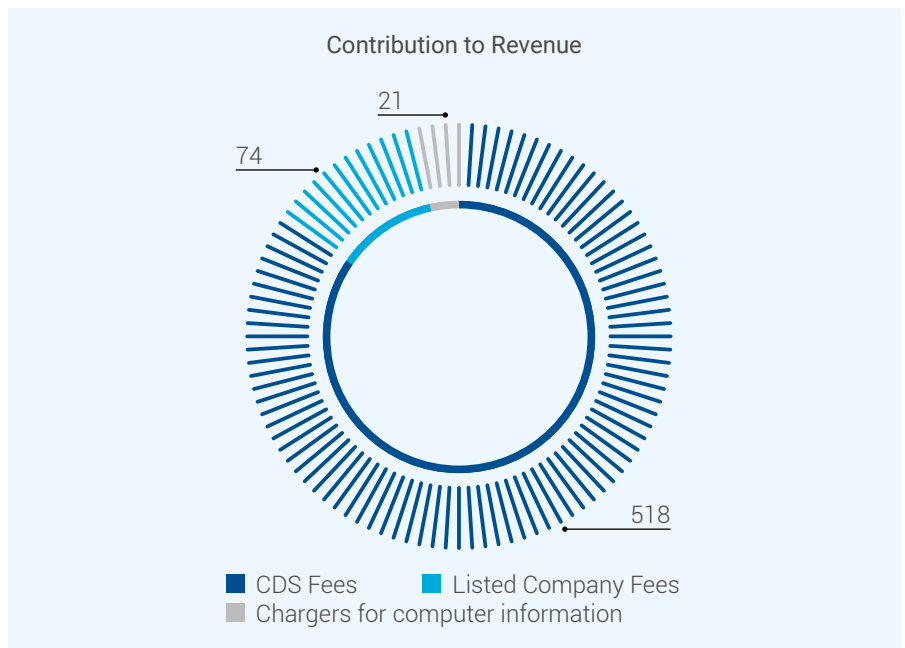
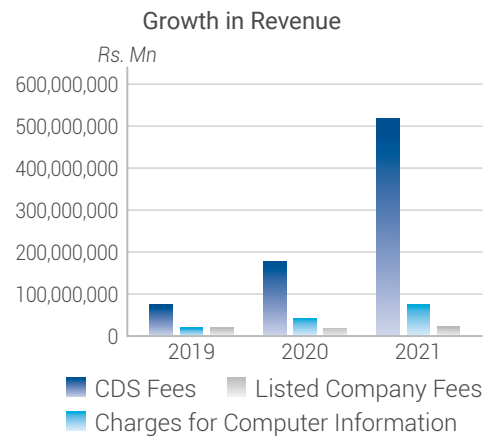
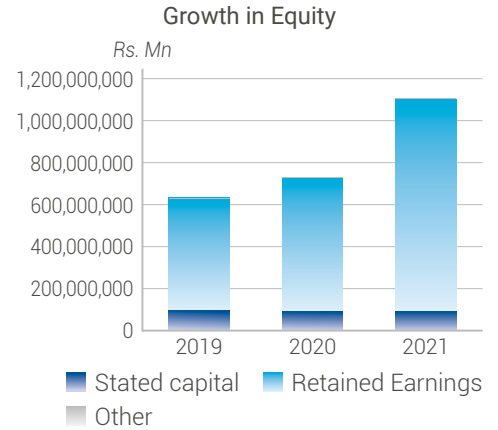



## Financial Position

Non-current assets remained unchanged during the year. Current assets increased by 180% mainly driven by a eightfold increase in cash and cash equivalents which amounted to Rs. 1,259 Mn. This increase was due to a substantial increase in short term investments (Repo and overnight repo) of 785% to Rs. 1,256 Mn.

Current liabilities soared by 971% as Brokers Liquidity and Margin Deposit increased by eleven-folds due to the substantial increase in the market activities that was witnessed during the year.







Equity grew by 51% to reach Rs. 1,107 Mn driven by the strong bottom-line growth recorded during the year.



The background is a complex, abstract composition of dark blue and black geometric shapes, including triangles and polygons, some of which are filled with a lighter blue color. Scattered throughout are numerous small, glowing white and light blue dots, some of which form lines or paths. Several numbers are visible, including '0224', '5779', and '1335', which appear to be part of a data or network visualization. The overall effect is one of a high-tech, digital environment.

We're a comprehensive  
and efficient entity  
that is dedicated to  
impeccable quality

# Capital Management

	Stock of capitals at the beginning of the year	Nurturing Our Capitals
 Digital Capital	Book Value of IT assets - <b>Rs. 3 Mn</b>	<ul style="list-style-type: none"> <li>Introducing digital onboarding for clients</li> <li>Launch of CDS e-connect</li> <li>Digitalisation of operations</li> </ul>
 Social & Relationship Capital	No. of CDS Account Holders - <b>675,309</b> No. of Participants - <b>45</b>	<ul style="list-style-type: none"> <li>Decentralisation of CDS account opening, empowering stockbrokers to open CDS accounts</li> <li>Expanding services offered to listed issuers</li> </ul>
 Human Capital	<b>18</b> Employees <b>2</b> New Recruits	<ul style="list-style-type: none"> <li><b>Rs. 0.05 Mn</b> investment in training and development</li> <li><b>05</b> new recruits</li> <li>Ongoing employee engagement</li> </ul>
 Intellectual Capital	Value of Intangible Assets <b>Rs. 0.4 Mn</b>	<ul style="list-style-type: none"> <li>Expanding services offered to market participants</li> <li>Enhancing convenience offered to investors when managing their CDS accounts</li> </ul>
 Financial Capital	Total Assets <b>Rs. 853 Mn</b> Current Liabilities <b>Rs. 120 Mn</b> Equity <b>Rs. 733 Mn</b>	<ul style="list-style-type: none"> <li><b>Rs. 614 Mn</b> Revenue</li> <li><b>Rs. 104 Mn</b> Other Income</li> <li><b>Rs. 374 Mn</b> Profit After Tax</li> </ul>
 Natural Capital	Paper consumed in <b>2020 - 91</b> Packet	<ul style="list-style-type: none"> <li>Driving digitisation and automation to reduce paper consumption</li> <li>Green and sustainable initiatives</li> </ul>

## Trade-offs

At the end of the year

- Digital Capital
- Social & Relationship Capital
- Financial Capital

Enhancing IT infrastructure to drive efficiency and provide convenience to stakeholders

Book Value of IT assets -  
**Rs. 3 Mn**

- Social & Relationship Capital
- Financial Capital

Training programs conducted for stockbrokers

No. of CDS Account Holders  
**675,309**  
No. of Participants **45**

**23** Employees  
**5** New Recruits

- Human Capital
- Intellectual Capital
- Financial Capital

Training and development of staff to drive efficiency and enhance customer experience

Value of Intangible Assets  
**Rs. 0.4 Mn**

- Natural Capital
- Digital Capital
- Financial Capital

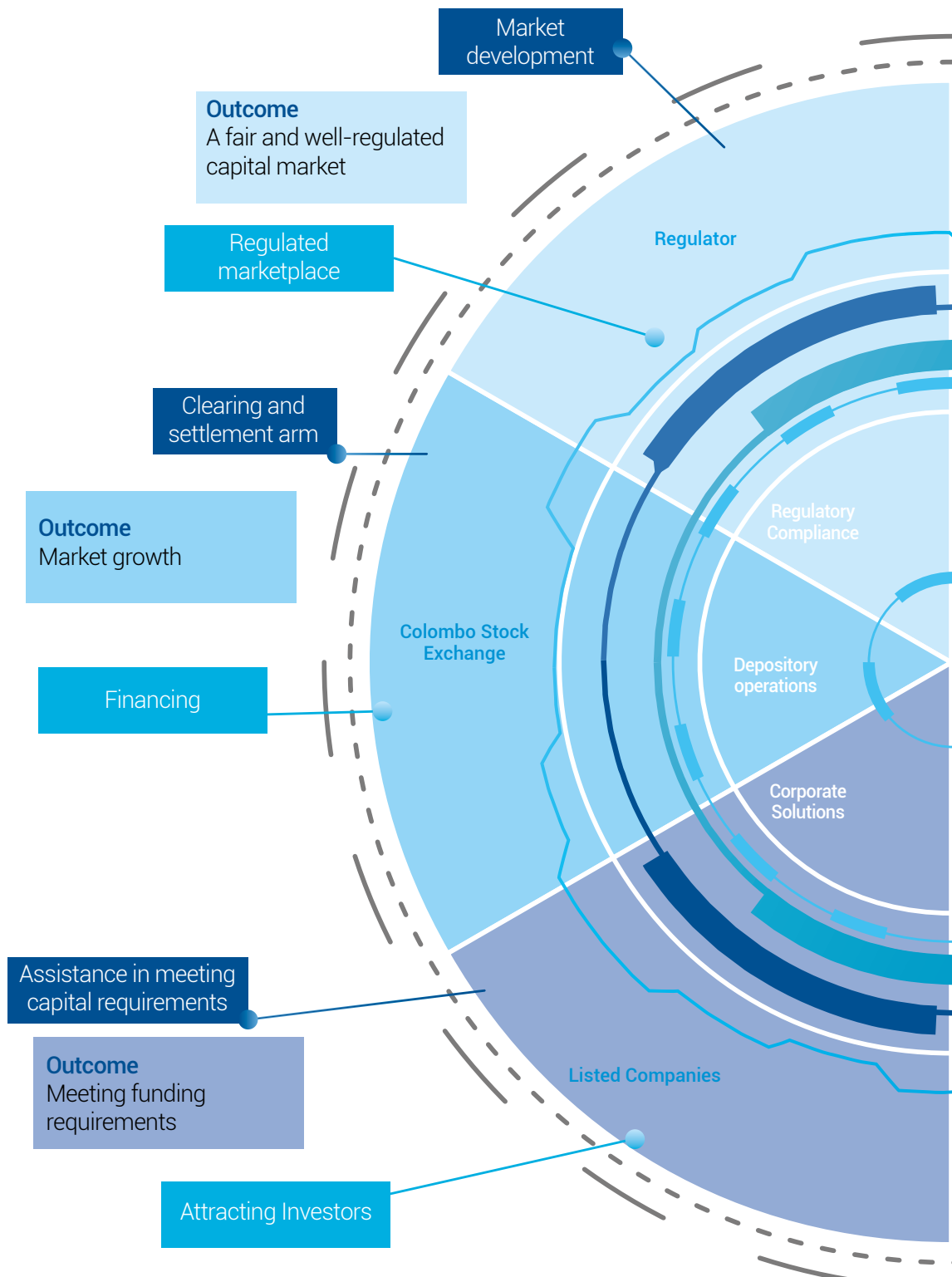
Driving digitisation to minimize the impact on the environment

Total Assets **Rs. 2,388 Mn**  
Current Liabilities **Rs. 1,281 Mn**  
Equity **Rs. 1,107 Mn**

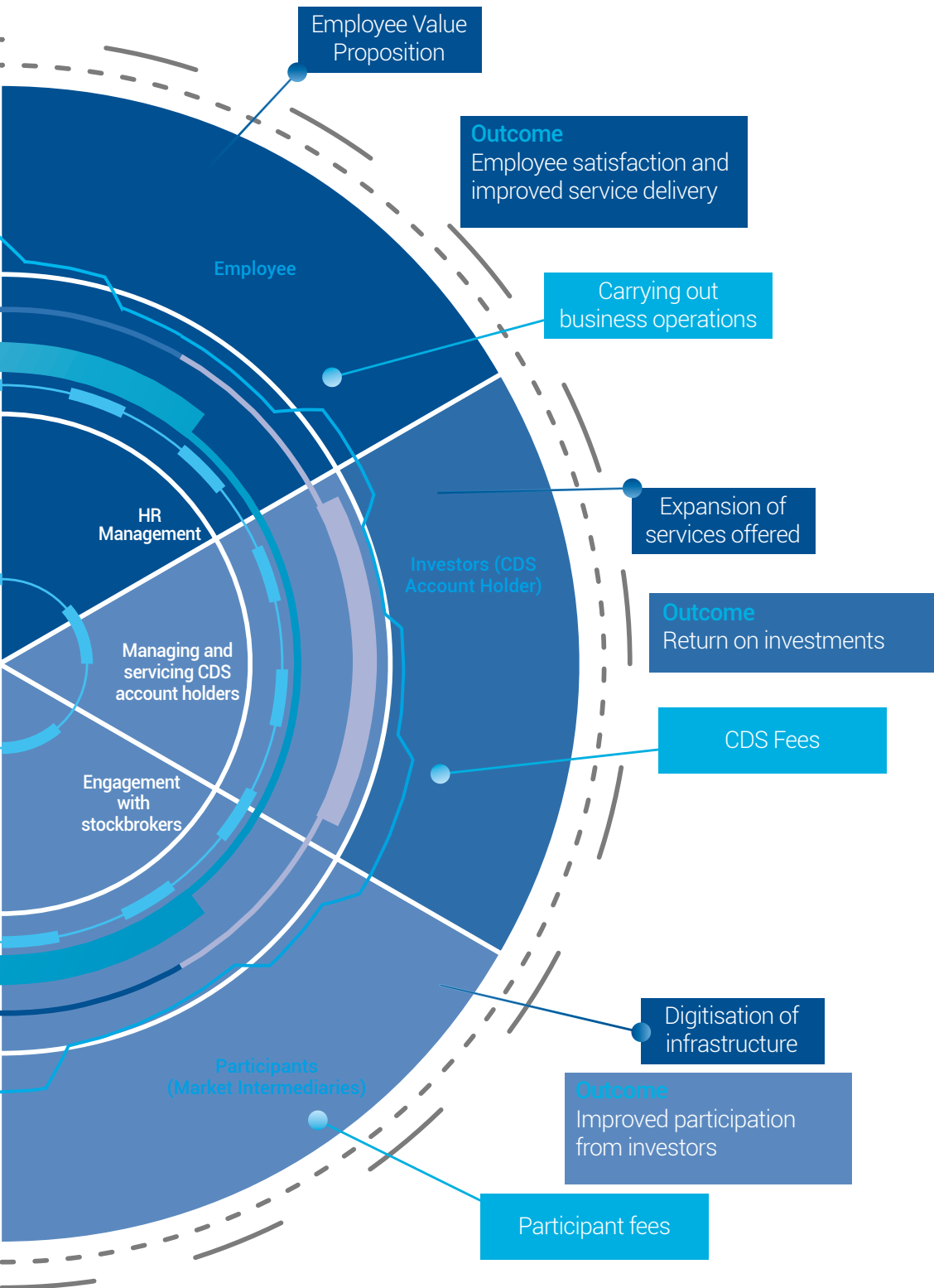
Paper consumed  
in **2020 - 65** Packet

# Value Creation Report

Creating long term value requires satisfaction of all key stakeholders. The below diagram illustrates how we co-create value together with stakeholders while driving towards our organisational goals.







# Value Creation Report

## Investors

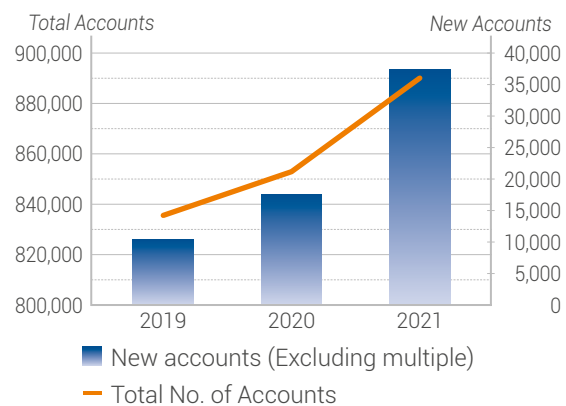
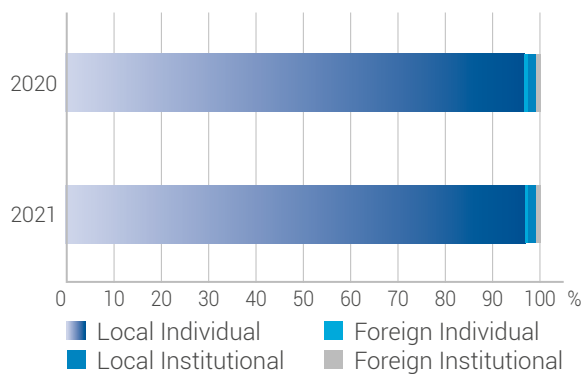
Our aim is to provide a superior service to investors by offering a holistic and efficient service and encouraging potential investors to open CDS accounts. We make continuous investments in upgrading our services by enhancing our infrastructure and expanding services offered.

Value proposition to offered to investors,



CDS Accounts

CDS Accounts By Category



### Facilitating market growth

As the clearing and settlement arm of the CSE we provide a secure and efficient clearing platform for investors. We enable investors make returns on shares held with the CDS. During the year we facilitated 8,131,508 trades assisting investors to create capital gains and return on their investments.

### Reliable and convenient service

Our primary business function is to act as the clearing and settlement arm for our holding company CSE while maintaining the debt and equity assets of CDS account holders. We strive to empower CDS account holders to manage their CDS accounts by developing the digital infrastructure of CDS. Further, we have decentralised our operations, allowing stockbrokers to open new CDS accounts for potential investors and thereby providing more convenience to investors.

### CDS eConnect

A platform connecting all our stakeholders together. CDS eConnect provide investors access to their CDS accounts enabling them to view their profile, portfolio, transaction history, transfer of shares within their own accounts and change profile information.

### eDividends

CDS was the first depository in South Asian region to introduce this connect to its investors allowing them to receive their dividends direct to their bank accounts ewithout any time lag.

Recent initiatives to expand and enhance our services are,

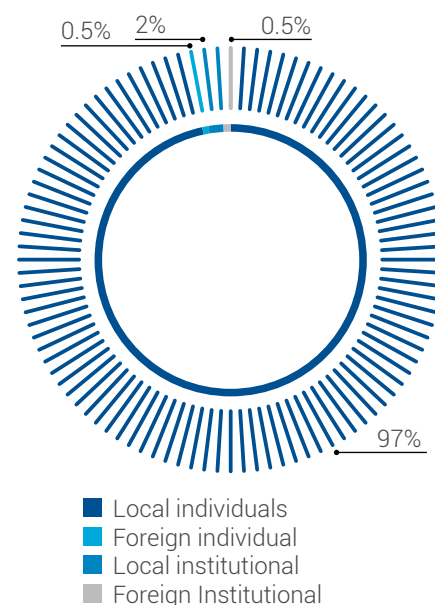
- » Decentralised operations, a move to improve the efficacy of our operations and to ensure compliance and information security of all CDS account holders.
- » Robotic process automation of our backend operations facilitating digital transformation of operations such as foreign individual account opening and intra account transfers.
- » Expansion of services via digitalised solutions such as eDividends
- » Partnering with other depositories to exchange information and conduct training sessions. Five MOUs were signed during the year with foreign depositories.

### Confidentiality and privacy

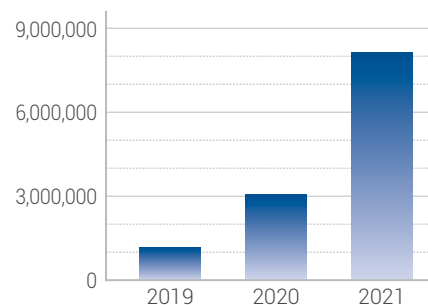
We comply with the CDS rules, approved by regulator SEC with regards to maintaining confidentially and the security of the investor and listed company information held by CDS. The rules clearly set out the instances where we can share information and the procedures needed to follow when disseminating information. Further, we maintain internationally accepted safety standards when maintaining our databases. Other initiatives in this regard include,

- » Maintaining several layers of firewalls
- » Regular penetration tests carried out inhouse and by third parties
- » Conducting annual systems audit

CDS Accounts by Investor Category



Number of Transactions



### Electronic Services

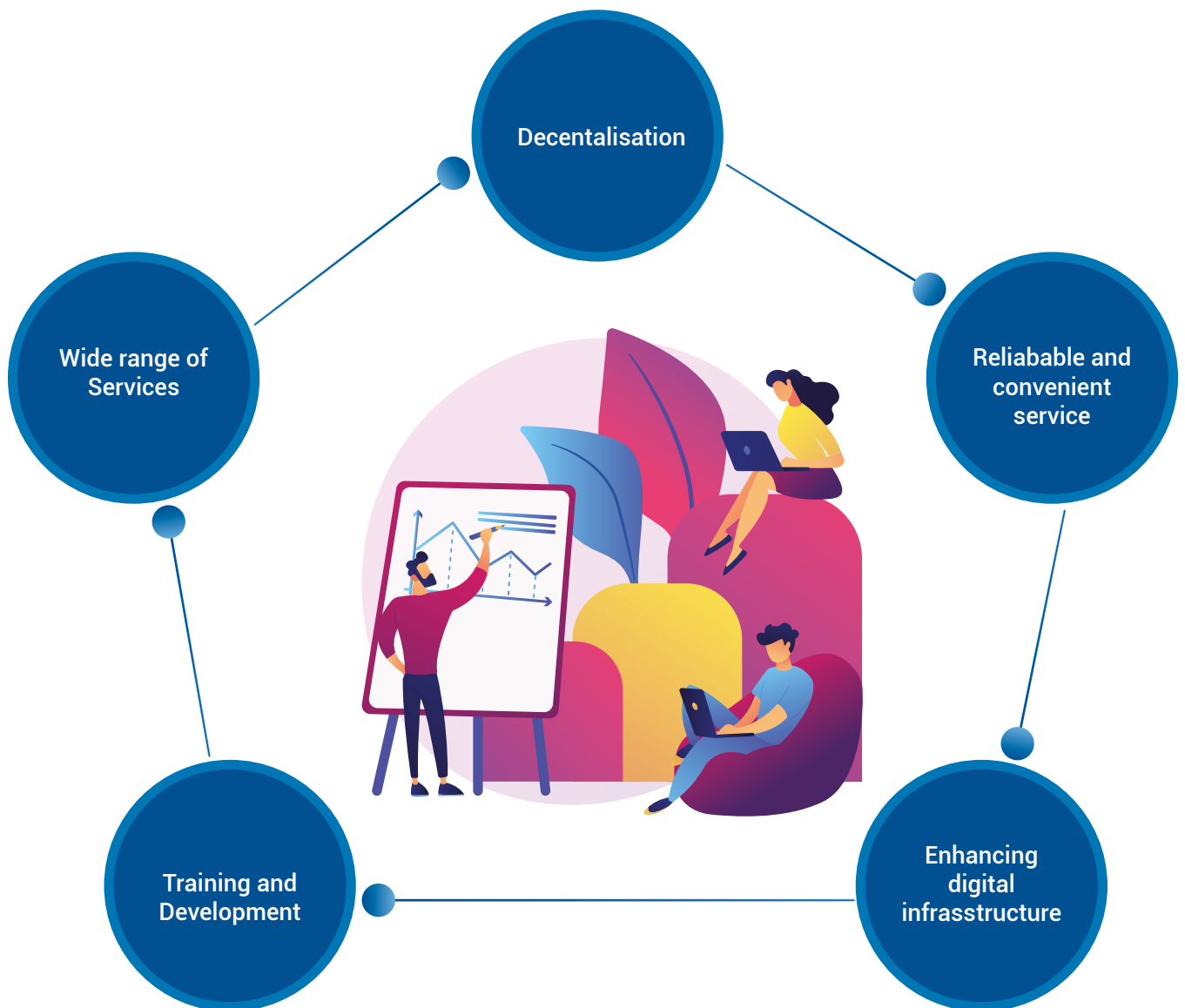
- E statements
- SMS Alerts
- eConnect
- eDividends

# Value Creation Report

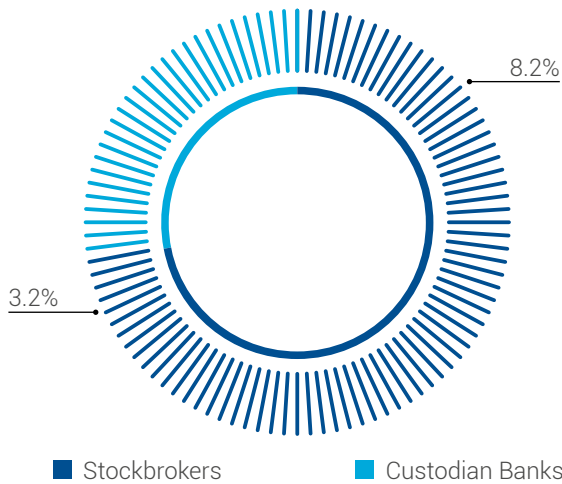
## Participants

CDS has 45 participants with 29 stockbrokers and 16 custodian banks. These market intermediaries play a vital role in ensuring market continuous seamless operations of the CSE and CDS. We strive to maintain close effective and mutually beneficial relationships with these market participants.

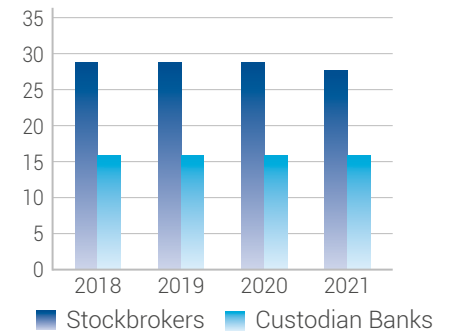
How we create value for participants,



Market Participant by Category



Market Participants Over the Years



### Decentralisation

CDS took the initiative to decentralise opening of CDS accounts, empowering stockbrokers to open CDS accounts on behalf their clients eliminating the need to forward applications to CDS. This enabled stockbrokers to provide a more efficient service to their customers while ensuring regulatory compliance. Stockbrokers were also provided with the facility to carry out broker to broker portfolio transfers without the intervention of the CDS.

### Enhancing digital infrastructure

CDS set out to enhance the digital infrastructure by transforming our processes to more efficient and effective operations by adopting new technological advancements. These digitalization initiatives have also facilitated better engagement and communication among our stakeholders leading to significant improvements in quality of the services provided. These initiatives include,

- » Empowering depository participants via decentralization of depository operations

- » Enabling digital onboarding of CDS account opening
- » Launch of CDS e-connect
- » Introduction of eIPO
- » Facilitating for Virtual AGMs/EGMs

### Training and Development

We ensure that skill levels of stock brokers are on par with the digital advancements of the capital market with regular training. These training programs are designed to upskill and familiarise new developments of the digital infrastructure of the depository. During the year we conducted 12 such training sessions to prepare the stockbrokers for online account openings for Local Institutional clients, Online onboarding of foreign individual CDS accounts and decentralization of CDS account masterfile changes, services offered via revamped CDS eConnect.

### Reliable and convenient service

CDS has developed a technologically superior depository infrastructure allowing market participants to engage and provide a more flexible service to investors. These developments also had a positive impact on the regulatory compliance of the stock market as more streamlined process has led to better information security and reliability.

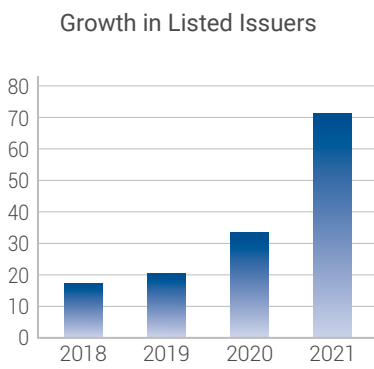
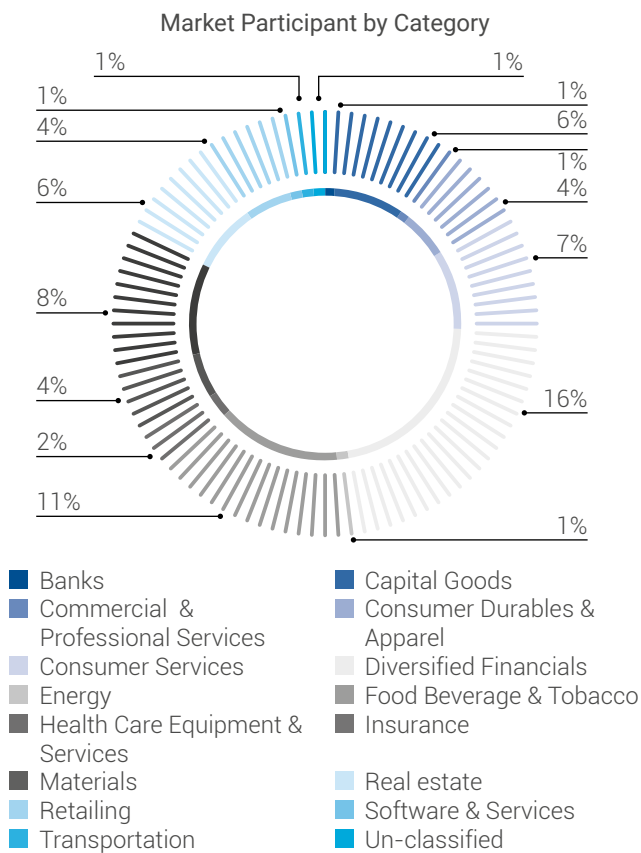
# Value Creation Report

## Listed Companies

Effective engagement with issuers is vital for our sustainable growth as they play a pivotal role in the operations of the stock market. We are striving towards becoming a "one stop shop" catering to all requirements related to corporate actions of listed issuers and consequently increasing their overall customer experience.

We assist corporates to fulfill their capital requirements by providing infrastructure and corporates services. Over the years we have expanded our services significantly providing convenience to listed companies.

### Profile of the Listed Companies



### Facilitating Solutions for Funding Requirements

We assist listed companies in meeting their funding requirement by providing services through our corporate solutions unit. Over the years we have evolved from a traditional depository by expanding and enhancing corporate action solutions and aspire to become a one stop solution for all corporate action related services. Listed alongside are some on the services provided during the year,

### Engagement with Shareholders

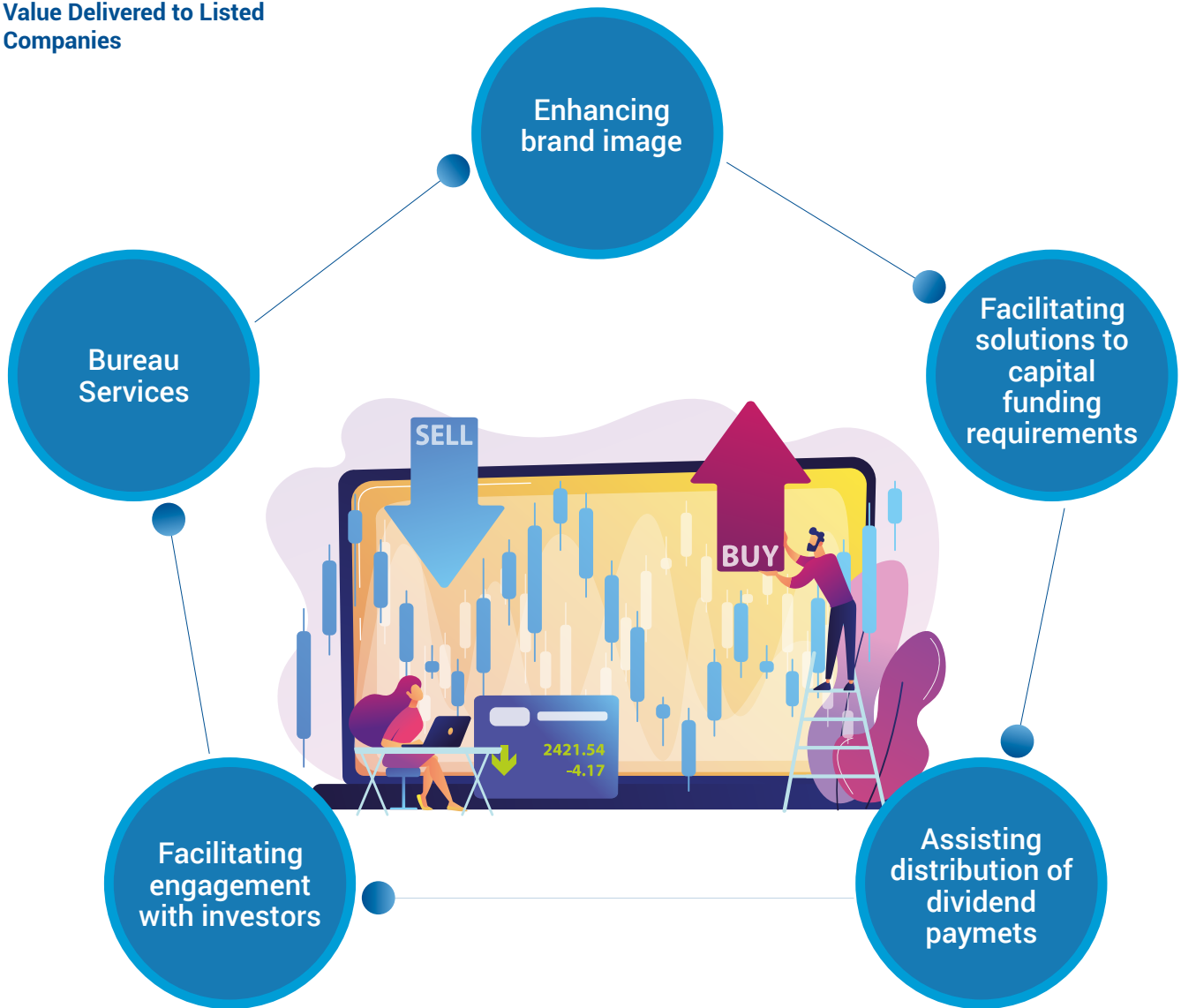
CDS has expanded its services to offer a total AGM solution to listed entities through the corporate solutions unit. During 2021 we enhanced this include virtual AGM. This initiative was well received amongst

Registrar services for 4 IPOs covering 7 securities via physical and mobile applications

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Registrar services for 4 IPOs covering 7 securities via physical and mobile applications

## Value Delivered to Listed Companies



the issuers as virtual AGMs provided the ideal solutions for conducting AGMs/EGMs with the mobility restrictions. During the year we provided our services for 28 virtual General meetings and 4 hybrid meetings.

### Distribution of Dividend Payments

Listed and unlisted issuers can obtain services of the CDS to handle all standard services related to their dividend payments. These services include,

- » Calculation of dividends
- » Managing shareholder/issuer requests
- » Printing of cheques
- » Payment of dividends via cheques or direct bank transfers
- » Handling post dividend queries

During 2021 we enhanced dividend distribution services by introducing e-dividend services where dividends are deposited directly to investors without any time lag.

CDS handled 41 dividend payments for 23 issuers during the year comprising of 87,219 SLIPS payments and 101,612 cheque payments.

# Value Creation Report

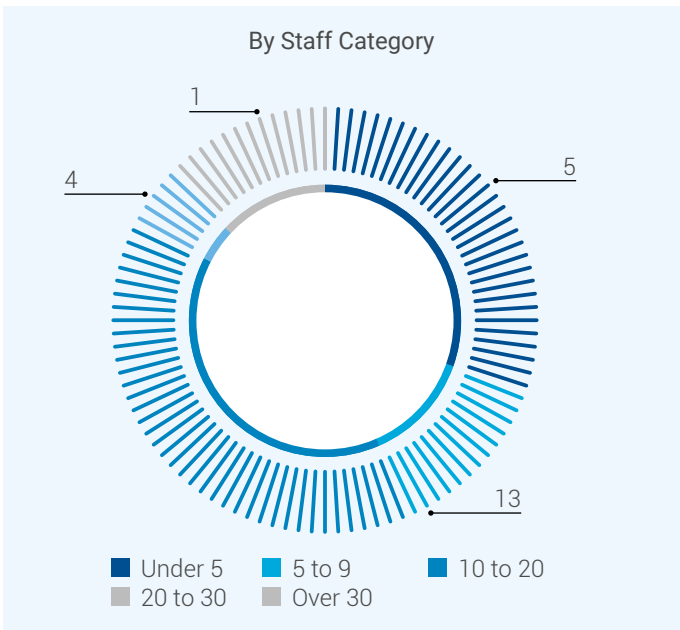
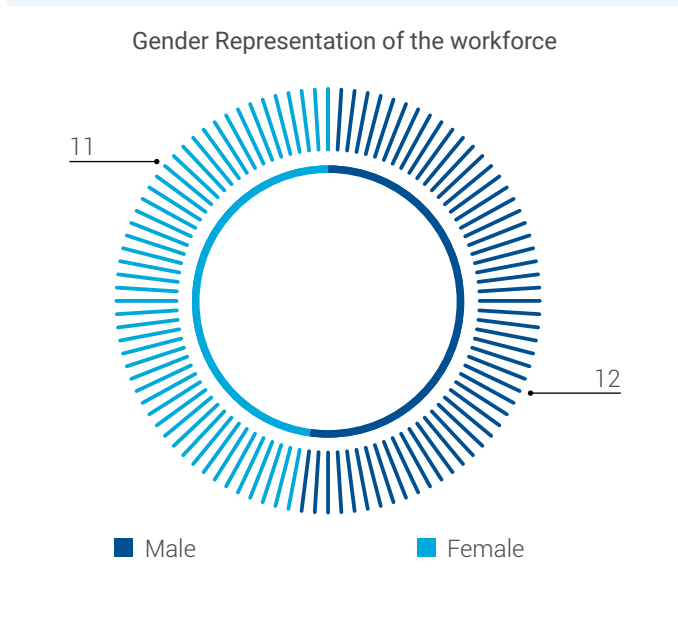
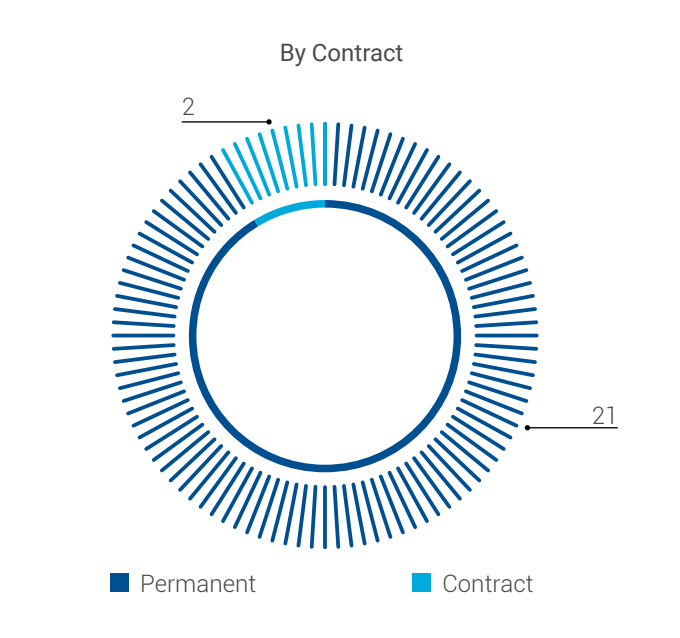
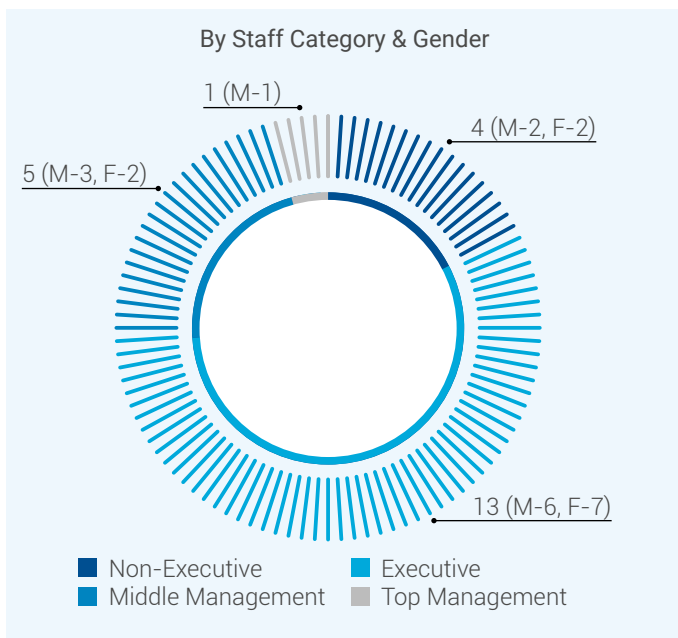
## Employees

Our talent pool of 23 employees possess relevant academic and professional qualifications and represent various ethnic, religious and geographical backgrounds. Ongoing COVID-19 pandemic created numerous challenges as lockdowns and mobility restrictions disrupted our operations at the onset of the pandemic. Despite these challenges our employees swiftly adapted to the remote working environment and CDS was able to successfully continue operations.

### HR Governance Structure

Head of HR > CEO > Board of Directors

### Employee Profile



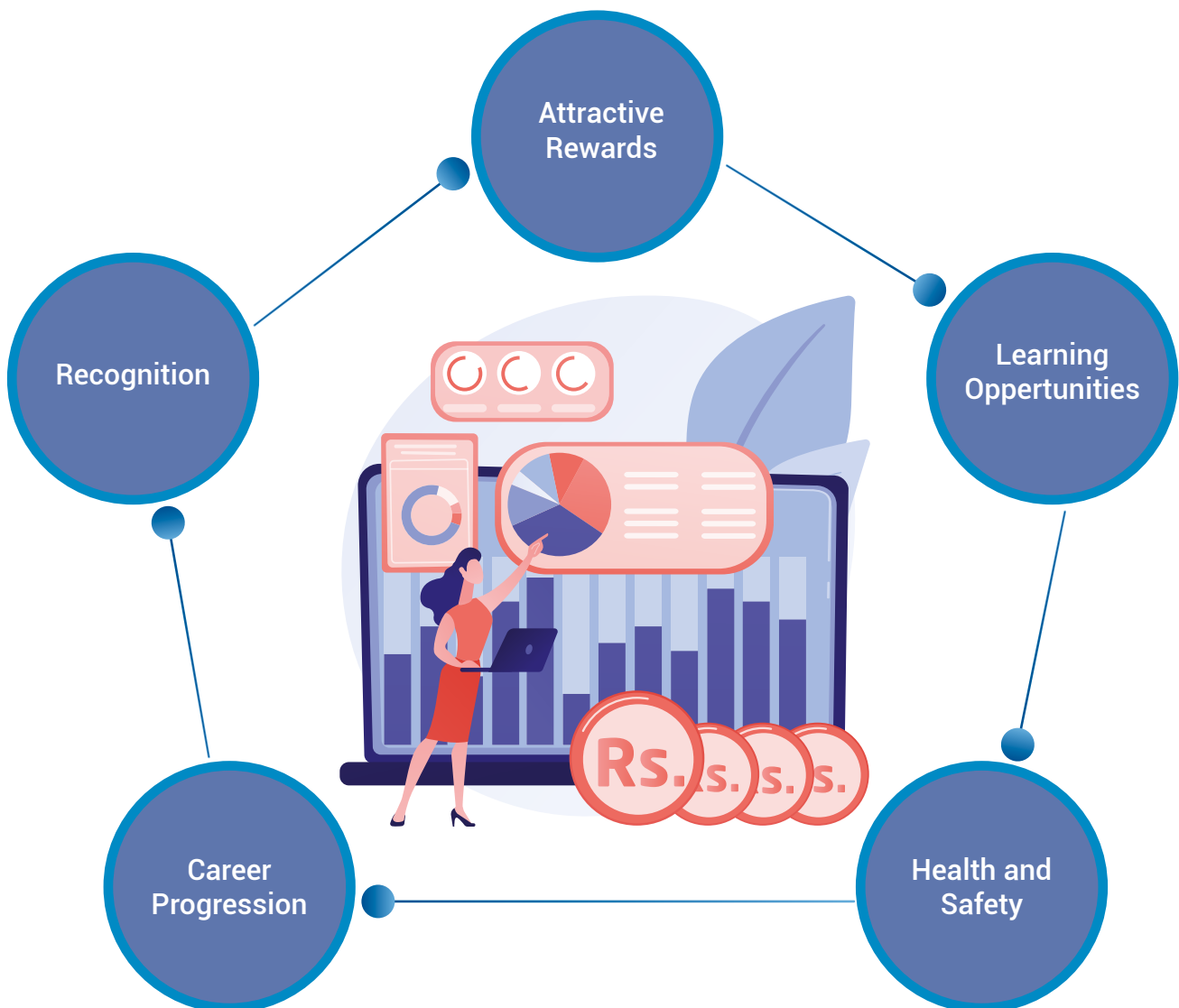


### Talent Acquisition

During 2021 five new employees were added to our work force strengthening and reinforcing skill levels of the CDS team. Our transparent recruitment process comprises of a series of assessments to choose the best possible candidates for the vacancies. Once talent is recruited induction sessions are carried out within the first week, familiarizing them with our culture and values. Detailed job descriptions are issued to all new recruits. A learning and mentoring culture supports integration and performance of new hires.



### Employee Value Proposition



# Value Creation Report

## Employees

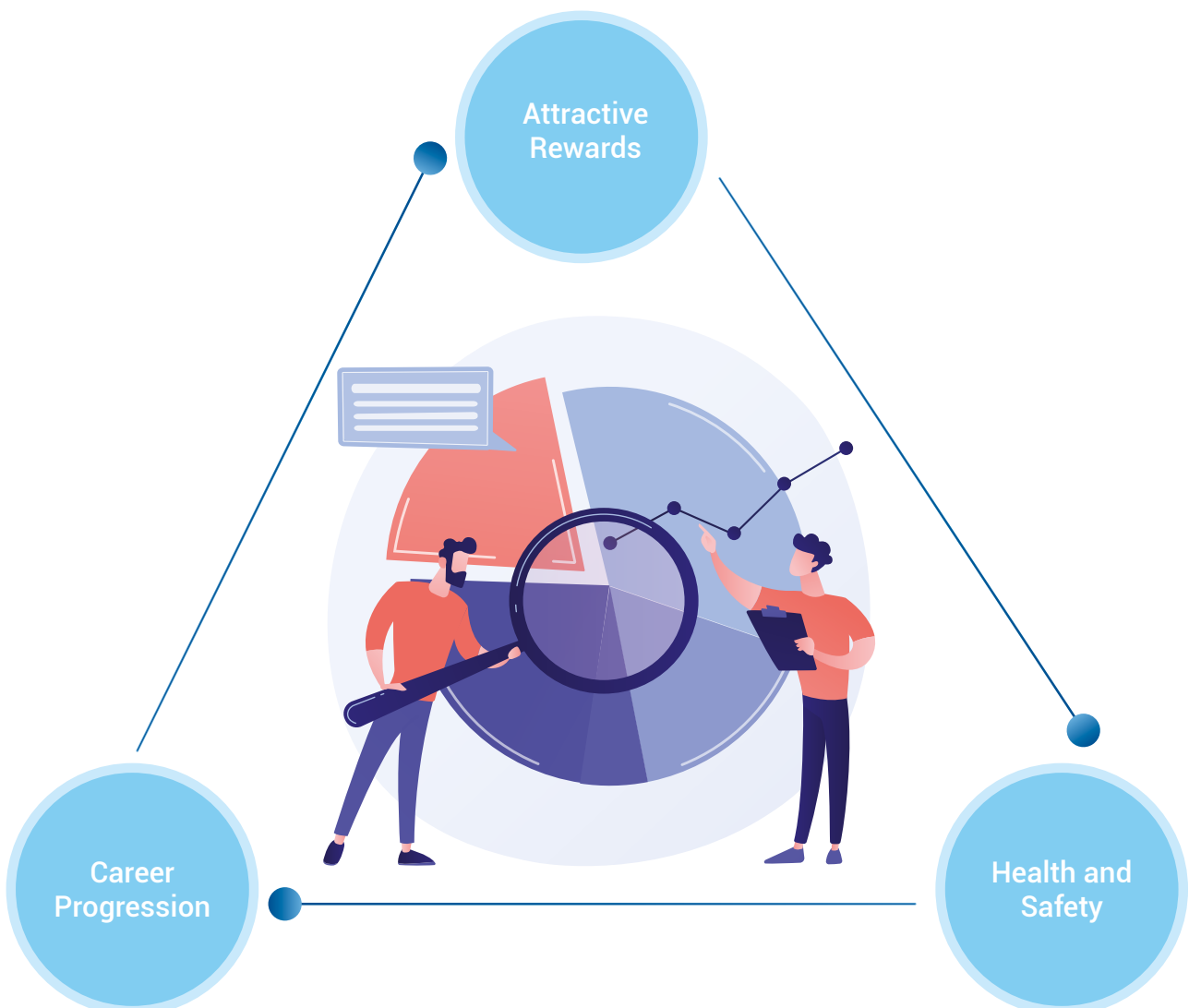
### Attractive Rewards

We provide competitive and attractive remuneration to attract and retain top talent within the organisation. During the year we safeguarded remuneration of all employees without any salary reductions. Our reward scheme comprises of fixed and variable pay and benefits. Fixed pay includes basic salary, allowances, and statutory pension contributions while the variable component is made up of,

- » Staff Loans and Vehicle Loans with attractive interest rates
- » Interest free Educational Loans and reimbursements of educational expenses
- » Reimbursements of Professional Membership Fees
- » Reimbursement of mobile phone purchase expenses
- » Hospitalization Insurance Covers
- » Outdoor Medical covers
- » Life Insurance, Personal Accident and Critical Illness covers
- » Parental leave above the statutory minimum
- » Meal reimbursements and Transport facilities for staff working beyond regular office hours
- » Gift vouchers for employees on their birthdays and after the birth of a newborn

Further, following additional reliefs were provided due to challenges posed by the pandemic,

- » Paid leave for quarantine / flexible working arrangements for those under self-quarantine
- » Reimbursement of PCR/Antigen testing costs



### Career Progression and Recognition

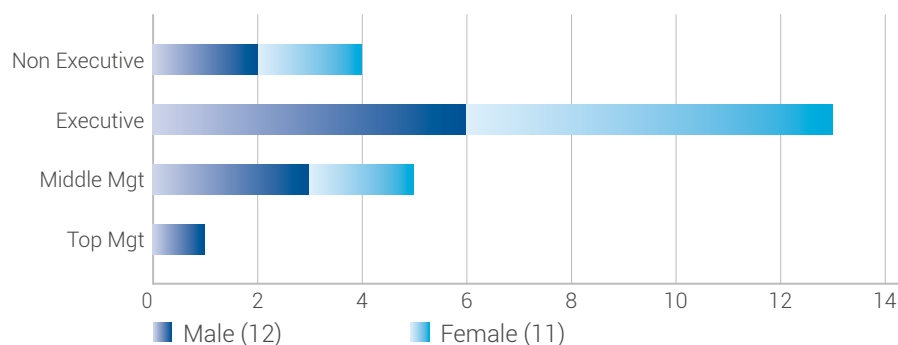
During the year 2 employees were promoted based on their performance and requirements within the organisation. Employees are recognised based on their performance and tenure of service. Our performance appraisal system facilitated objective assessment of employee performance against predefined performance indicators. During the year 18 employees from our permanent cadre were subjected to performance review.

Employees are also recognised for their commitment and dedication towards CDS by giving recognition for their years of service.

### Training and Development

Training and development programs are aligned with both organisational and individual goals. Training needs are identified through performance appraisals. Training and development activity levels were relatively low in 2021 as most employees were working remotely for the better part of the year due to mobility restrictions. Total investment in training and development for the year amounted to Rs. 0.05 Mn . Programs conducted during the year included,

Gender Representation of the Work Force



### Employee Health and Safety

Health and safety took priority due to the prolonged pandemic. CDS adhered with all COVID-19 related safety protocols as stipulated by the authorities. We were able to successfully transition to a remote working environment and was able to keep all employees safe without any business interruptions. The following measures were taken to ensure the safety of our team,

- » All facilities were provided to facilitate remote working
- » Paid leave for quarantine / flexible working arrangements for those under self-quarantine
- » Reimbursement of PCR/Antigen testing costs
- » Frequent disinfection of office premises to minimize risks
- » Strict enforcement of employee rosters

# Value Creation Report

## Regulators

Securities and Exchange Commission (SEC) act as the market regulator for the Colombo Stock Exchange and is responsible for regulating the securities market and protecting investors by maintaining fair and efficient market.

How we create value,

### **Assistance in Regulating the Stock Market**

CDS's De-mat Compliance and Risk unit ensures regulatory compliance of all depository operations. This is assisted by a sound internal control framework and periodic audits of all operations. CDS also follows rules and regulations stipulated by the SEC when conducting depository operations.

Considering the rapid business expansions at the CDS the compliance functions of the CDS was enhanced/strengthened through the placement of an independent and dedicated Compliance Officer, in order to establish a more robust Compliance Framework to mitigate any possible non-compliance by the CDS in the process of carrying out its daily operations, thereby alleviating the possibility of any significant legal, regulatory, financial and/or reputational loss to the CDS.

In enhancing the compliance functions of the CDS, a framework has been established to commence independent compliance checks on a periodic basis with effect from Quarter 1 of 2022.

Additionally, the CDS took the initiative to conduct a self-assessment based on the Principles for Financial Market Infrastructures (PFMI) in order to be in par with the international best practices, for enhanced visibility of the CDS in the global arena and in the best interest of foreign investors.

The Regulatory Policy arm of the CSE Group have made multiple amendments to the Rules of the CDS and have also commenced amendments to the rules of the CDS with a view to ensure compliance with the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021."

### **Facilitating Market Development**

CDS plays an important role in developing the stock market by continuously striving to expand our services and enhance overall customer experience. We also aim to enhance engagement and connectivity between all stakeholders leading to sustainable growth in the market.

# Financial Report

Annual Report of the Board of Directors on the Affairs of the Company.....	84
Directors' Responsibility for Financial Reporting..	88
Risk and Audit Committee Report .....	89
Independent Auditor's Report.....	91
Statement of Profit or Loss and Other Comprehensive Income .....	93
Statement of Financial Position .....	94
Statement of Changes in Equity .....	95
Statement of Cash Flows .....	96
Notes to the Financial Statements .....	97

# Annual Report of the Board of Directors on the Affairs of the Company

The Board of Directors of the Central Depository Systems (Pvt) Ltd. (CDS) has pleasure in presenting their Annual Report to the Members, together with the audited Financial Statements and Auditors' Report on those Financial Statements for the financial year ended 31st December 2021.

This Annual Report on the affairs of the Company contains the information required in terms of the Companies Act No. 07 of 2007.

The Financial Statements were reviewed and approved by the Board of Directors on 02 March 2022.

## General

The Central Depository Systems (Pvt) Ltd is a fully owned subsidiary of the Colombo Stock Exchange, incorporated in Sri Lanka on 30th August 1991, under the Companies Act No.17 of 1982 and is licensed by the Securities and Exchange Commission of Sri Lanka (SEC). The CDS was re-registered as per the Companies Act No.7 of 2007 on 30th November 2007 with PV 1270 as the new number assigned to the Company.

Central Depository Systems (Pvt) Ltd is a Member of Asia-Pacific Central Securities Depository Group (ACG).

The policy making body of the CDS is the Board of Directors composed of nine members.

The CDS Secretariat, headed by the Chief Executive Officer is responsible for the operations of the CDS, and is accountable to the Board of Directors.

## Vision, Mission and Corporate Conduct

The Vision and Mission statements are given on Page 06 of the Annual Report. The business activities of the group are conducted in keeping with the highest level of ethical standards in achieving its Vision and Mission.

## Principal Activities

The principal activity of the Company is acting as a depository for listed securities, performs the corporate actions services, registrar services and Facilitation of the Securities and fund Settlement.

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

## Review of Operation

A review of the activities of the CDS during the year is contained in the Chairman's Message on pages 16 to 18, the Chief Executive Officer's Message on pages 19 to 21, Senior Vice President of CDS's Message on pages 22 to 25 and the Operational Review on pages 56 to 82 the Annual Report 2021. These reports form an integral part of the Annual Report.

## Future Developments

An overview of the future development of the CSE is given in the Chairman's Message on pages 16 to 18, the Chief Executive Officer's Message on pages 19 to 21, Senior Vice President of CDS's Message on pages 22 to 25 and the Operational Review on pages 56 to 82 the Annual Report 2021. These reports form an integral part of the Annual Report.

## Financial Statements

The Financial Statement of the Company has been prepared in accordance with Sri Lanka Accounting Standards prefixed SLFRS and LKAS, the Companies Act No. 07 of 2007 and other applicable statutory and regulatory requirements.

The Financial Statement of the Company for the year ended 31st December 2021, duly signed by the Senior Vice President- Finance and Administration and two of the Directors of the Company on pages 93 to 119 form an integral part of the Annual Report of the Board of Directors.

## Directors' Responsibility for Financial Reporting

The Statement of Directors' Responsibility for the Financial Reporting given on page 88 forms an integral part of the Annual Report of the Board of Directors.

## Auditor's Report

KPMG, the Auditors of the Company carried out the audit on the Financial Statements for the year ended 31 December 2021 and their report on those statements which forms an integral part of the Report of the Board of Directors, on page 91 of this Annual Report.

## Significant Accounting Policies

The significant accounting policies adopted in preparation of the Financial Statements are given on pages 97 to 102.

### Going Concern

The Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Therefore, we continue to adopt the “going-concern” basis in preparing these Financial Statements.

### Income

The income of the Company for 2021 was Rs. 718 Mn (2020: Rs 321 Mn). An analysis of the income is given in Note 04 & 05 to the Financial Statements.

### Financial Results and Appropriations

The Company has recorded a Profit before tax of Rs.484 Mn (2020: Profit before tax Rs.140 Mn) and Profit after tax of Rs. 373 Mn (2020: Rs.99 Mn) for the year 2021.

The Group's total other comprehensive income for the year 2021 was Nil (total other comprehensive Expense was Nil in 2020)

### Taxation

The income tax rate applicable on the Company and the subsidiary company was 24% (2020 –28%).

### Dividend

The Board of Directors of the CDS has not recommended a Dividend.

### Reserves

A summary of the consolidated reserves is given below.

As at 31st December	2021 Rs. 000	2020 Rs. 000
Stated Capital	100,000	100,000
Other Reserve	166	166
Retained Earnings	1,006,845	633,296
<b>Total</b>	<b>1,107,011</b>	<b>733,462</b>

### Capital Expenditure and Capital Commitments

The total capital expenditure on acquisition of property and equipment and intangible assets of the Company Nil (2020: Nil). Details of property and equipment are given in Note 10 and 11 to the Financial Statements.

### Property and Equipment

Details of property and equipment are given in Note 10 to the financial statements.

### Donations

During the year Company has not made any donations. (Rs. Nil in 2020).

### Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to the Government and the employees have been made up to date.

### Outstanding Litigation

No any outstanding litigation against the Company.

### Events after the Reporting Date

Events after the Reporting Date has been disclosed in Note 23 of the Financial Statements.

### Board of Directors

The following Directors held office as at the Statement of Financial Position date:

Name of the Directors  
Mr. Dumith Fernando (Chairman)  
Mr. Ray Abeywardena  
Mr. Dilshan Wirasekera  
Mr. Dimuthu Abeyesekera  
Mr. Arjuna Herath  
Mr. Jayantha Fernando  
Mr. Suren De Silva  
Mr. Asanga C. Seneviratne  
(Appointed to the Board on 23rd September 2021)

The number of Directors shall not be less than five (05) nor more than ten (10). The Board of Directors of the CSE serve as Directors of the CDS. Being the parent company, CSE appoints all of the Directors of the CDS. The CSE may at any time and from time to time remove any Director of the CDS and appoint another in place of the person so removed or fill any vacancy in the office of Director howsoever created.

# Annual Report of the Board of Directors on the Affairs of the Company

The details of the Directors' meetings which comprise Board meetings, Special Board Meetings, Risk & Audit Committee Meetings, HR Committee Meetings, Nominations Committee meetings, Marketing Committee Meetings, and Rules Committee Meetings and the attendance of Directors at these meetings are given on page 39 of the Annual Report.

## Board Sub Committee

As long as the CDS remains a fully owned subsidiary of the CSE, the Board Committees of the CSE may function as the respective Board Committees of the CDS. The composition of the Board sub committees, comprising of Non-Executive Directors is provided on page 40.

The report of the Board Risk and Audit Committee is given on pages 89 to 90.

## Directors' Interest Register

The CDS maintains a Directors' Interests Register in compliance with the provision of the Companies Act No. 7 of 2007. The Directors of the CDS has disclosed their interests in other companies to the Board and those interests are recorded in the Interests Register conforming to the provisions of the Companies Act No.7 of 2007. The particulars of those entries are set out on Note 22 to the Financial Statements and form an integral part of the Annual Report of the Board of Directors.

## Related Party Transactions

The Directors have also disclosed transactions if any, that could be classified as related party transactions in terms of LKAS 24 "Related Party Disclosures" which is adopted in the preparation of the financial statements. Those transactions disclosed by the Directors are given in Note 22 to the financial statements forming part of the Annual Report of the Board of Directors.

## Directors' Remuneration

The Company has not made any payments on account of Directors' remuneration.

## Environmental Protection

To the best of knowledge of the Board, the Company has complied with the relevant environmental laws and regulations. The Company has not engaged in any activity that is harmful or hazardous to the environment.

## Risk Management and Internal Control

**Risk Management**  
The Company has an ongoing process in place to identify, evaluate and manage the risks that are faced by the Company. A separate report on risk management is given on pages 45 to 47.

## Internal Control

The strong internal controls are integral to the sound management of the Company, hence the Board committed to maintain strict financial, operational and risk management controls over all its activities including safeguard the assets of the Company and prevent and detect frauds.

There is an ongoing process for identifying, recording, evaluating and managing the risks that are faced by the Company, and the Directors have reviewed this process, through the Board Audit and Risk Committee including internal reviews, internal audits and system audits.

## Corporate Governance

The Directors and Management of the CDS have placed emphasis on conforming to the best corporate governance practices and procedures. A separate report on Corporate Governance is given on pages 36 to 44 in the Annual Report.

## Auditors

The Company's Auditor's during the period under review was KPMG, Chartered Accountants. Audit Fees and reimbursement of expenses paid to KPMG during the year under review by the Company amounted to Rs. 440,000 (Rs. 412,000 in 2020). Further Rs. 259,122 (Rs. 194,303 in 2020) was paid on account of tax related services. The detail of their remuneration is given in Note 7 to the Financial Statements.

As far as the Directors are aware the Auditors do not have any interest with the CDS other than those disclosed above.

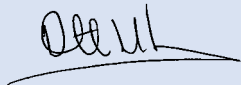
The Auditors have expressed their willingness to continue in office. A resolution to re appoint the Auditors and authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.



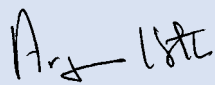
### **Acknowledgement of the Contents of the Report**

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of this Annual Report.

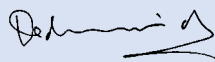
For and on behalf of the Board of Directors.



**Dumith Fernando**  
*Chairman*



**Arjuna Herath**  
*Director*



**Corporate Services (Private) Limited**  
*Secretaries*

19 May 2022  
Colombo

## Directors' Responsibility for Financial Reporting

The responsibility of the Directors, in relation to the Financial Statements, is set out in the following statement. The responsibility of the Auditors, in relation to Financial Statements, is set out in the Report of the Auditors' on the Annual Report.

As per the provisions of the Companies Act No. 7 of 2007 the Directors are required to prepare Financial Statements for each financial year and place them before a General Meeting. The Financial Statements comprise the Statement of Financial Position as at 31st December 2021, and the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flows for the year then ended and Notes thereto.

The Financial Statements of the Company give a true and fair view of:

the state of affairs of the Company as at the Statement of Financial Position date and the Profit or Loss of the Company for the financial year ended on the Statement of Financial Position date.

The Directors have ensured that, in preparing these Financial Statements:

1. The appropriate accounting policies have been selected and applied in a consistent manner. Material departures, if any have been disclosed and explained;
2. All applicable accounting standards as relevant have been followed;
3. Judgments and estimates have been made which are reasonable and prudent.

The Directors confirm that the Financial Statements of the CDS for the year ended 31st December 2021 presented in this Annual Report have been prepared in accordance with

the Sri Lanka Accounting Standards prefixed SLFRS and LKAS, Companies Act No: 7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No: 15 of 1995.

The Directors have adopted the going concern basis in preparing the Financial Statements. The Directors are of the view that the CDS has adequate resources to continue in operation.

The Directors have taken reasonable steps to safeguard the assets of the CDS and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view of preventing and detecting fraud and other irregularities. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy.

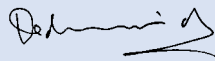
Directors are required to prepare the Financial Statements and to provide the Company's External Auditors, with every opportunity to carry out any reviews and tests that were considered appropriate and necessary for expressing their independent audit opinion on the Financial Statements.

The Financial Statements of the Company and its Subsidiary have been certified by the Company's Senior Vice President-Finance and Administration, the officer responsible for their preparation, as required by the Sections 150 (1) (b) and 152 (1) (b) of the Companies Act. Also the Financial Statements of the Company has been signed by two Directors on 02 March 2022 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act No.7 of 2007.

The Directors to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the CDS as at the Statement of Financial Position date have been paid or where relevant provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board



**Corporate Services (Private) Limited**  
*Secretaries*

19 May 2022  
Colombo

# Risk and Audit Committee Report

The Risk and Audit Committee of the Colombo Stock Exchange (CSE), the parent company of Central Depository Systems (Pvt) Ltd (CDS), functions as the Risk and Audit Committee of the company.

## Composition of the Committee

The Risk and Audit Committee of the CSE group comprises of 2 appointed Directors and 1 elected Director.

The members of the Risk and Audit Committee appointed by the Board are;

Mr. Arjuna Herath-Chairman  
Mr. Suren De Silva  
Mr. Dilshan Wirasekara

All 3 members of the Risk and Audit Committee are Non-Executive Directors.

The Chief Executive Officer, Senior Vice President- Finance & Administration, Senior Vice President- Central Depository Systems, Vice President -Internal Audit, Vice President -Enterprise Risk Management & Post Trade Settlement, other relevant Senior Management members and External Auditors & Internal Auditors of CDS attend the meetings of the Risk and Audit Committee on invitation.

## Responsibilities and Duties of the Committee

The responsibilities and duties of the Committee were based on the Terms of Reference (TOR) adopted by the Company in terms of best practices. The TOR as approved by the Board of Directors, include the following functions:

- » To ensure that adequate and efficient processes are in place to identify, report and monitor risks.

- » To benchmark risk management exposure of the CSE against other exchanges
- » To advise the Board on the risk profile and appetite of the Company and as part of this process, to oversee the risk assurance within the CSE.
- » To act on behalf of the Board of Directors to ensure that appropriate mechanisms are in place with respect to risk identification, risk assessment, risk assurance and overall risk management.
- » To review significant accounting and reporting issues, including complex or unusual transactions, recent professional and regulatory pronouncements, and understand their impact on financial statements of the Company.
- » To review the effectiveness of the Company's internal control systems.
- » To monitor and review the effectiveness of the Company's internal audit function, in the context of the overall financial control and risk management system of the Company.
- » To assess independence and objectivity of the external auditor.
- » To make recommendations to the Board of Directors on the appointment, reappointment and removal of the CSE's external auditor.

Meetings of the Committee During the year, three (3) Risk and Audit Committee meetings were held to discuss relevant matters including, but not limited to, Enterprise Risk Management, Budgets, and Investments, reports of the Internal and External Auditors and Annual/Quarterly accounts.

The Company Secretary functions as the Secretary to the Risk and Audit Committee. Minutes of each committee meeting were recorded and submitted for confirmation at the immediate subsequent committee meeting and subsequently presented to the Board for ratification.

## Risk Management

The Committee is tasked with the monitoring the effectiveness and implementation of the Enterprise Risk Management (ERM) Policy and Framework in the CSE which ensure potential risks are identified, measured, monitored and managed or mitigated within the defined risk tolerance levels approved by the Board.

The Committee reviewed the Annual update to the ERM Framework and ERM Policy. The Committee recommended to evolve existing risks inventory and Risk Assessment Methodology, with emerging risks and changes required to Risk Assessment Methodology in line with the current business context. The committee also highlighted the importance of maintaining an incident report capturing all the near misses of risk materializing requiring all the divisions in CSE to update on a regular basis any near misses which could lead to process/control failures or risks materializing which will assist in managing risks proactively and further strengthening risk mitigating action plans. The unexpected and undesirable events/scenarios not consistent with the policies, process and regulatory framework of the CSE are also covered in this report.

Considering the prevalent of the pandemic throughout the year, the committee also specifically

# Risk and Audit Committee Report

looked at business continuity risk and cyber security risk due to remote working and working from home arrangements which involved review, discussions and recommending action plans to mitigate these risks. The Committee recommended to capture and monitor "Third Party Risk" as the CSE has a high dependency on the development and operation of its sophisticated technology platform and advanced information systems and third-party services and outsourcing service providers in relation to these.

The Risk and Audit committee involved in review, discussion and preparation of action plans to mitigate the overall risks of the organization during the annual and quarterly risk reviews.

## Integrity of financial statements

The Committee reviewed the appropriateness of the accounting policies used and the financial statements of the group to assess their integrity and compliance with Accounting Standards. The Committee reviewed and discussed with the management, the quarterly financial statements and recommended the same for approval of the Board.

## Internal Controls

The Committee reviewed the effectiveness of the Group's internal control systems and recommended, where necessary, appropriate remedial measures.

## External Audit

The independence of the External Auditor was evaluated by the Committee and the Committee also reviewed the non-audit services provided by the Auditors to ensure that the provision of such services does not impair the

External Auditors' independence. The Committee met with the External Auditor during the year to discuss their audit approach and procedures, including matters relating to the scope of the audit and Auditor's independence. The Risk and Audit Committee reviewed the Financial Statements audited by the External Auditor for the financial year ended 31st December 2021 and recommended the Financial Statements for submission to the Board. The Committee also reviewed and recommended to the Board of Directors the Letter of Representation to be given to the External Auditors for the year 2021.

The Risk and Audit Committee recommended for approval at the Annual General Meeting, the re-appointment of the External Auditor and for the Board of Directors to fix the Auditors' remuneration.

## Internal Audit

The Internal Audit Charter governing the Mission, Purpose, Responsibilities, Scope and Accountability of the Internal Audit Division was presented to the Risk and Audit Committee Meeting in November 2020. Subsequent to its review it was decided to further review the charter subsequent to the Internal Audit Quality Assurance Program initiated with an independent 3rd party professional organization.

The Purpose of the Internal Audit Division as highlighted in the Internal Audit Charter is as follows:

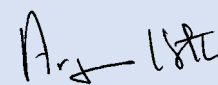
- » Overall Risk Management Process
- » Strengthen the Internal Controls in all areas
- » Ensure Compliance with Policies, Procedures and Regulations

- » Recommend opportunities for Process Improvement and enhancing Efficiency
- » Enhancing System Controls

In-line with the above requirements, an internal audit plan was developed and executed with the approval of the Risk and Audit Committee. Improved Policies, Procedures and Controls arising from the audits were recommended for implementation. The findings of the internal auditor together with management comments and agreed action plans were reviewed by the Committee during the year and approved for implementation.

Internal Audit Division complies with Internal Audit Standards in carrying out all its' operations. Quality Assurance and Improvement program is also implemented at CSE Group Internal Audit Division where all work done by Internal Audit staff are reviewed regularly to ensure adherence to globally accepted Internal Audit Standards.

On behalf of the Risk and Audit Committee;



**Arjuna Herath**  
Chairman - Risk and Audit Committee

Colombo Stock Exchange  
Colombo  
19 May 2022

# Independent Auditor's Report



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

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

## To the Shareholders of Central Depository Systems (Pvt) Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Central Depository Systems (Private) Limited ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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 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.

#### Other Information

Management is responsible for the other information. These financial statements do not include the other information.

### 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.

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

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

# Independent Auditor's Report



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.

## 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.

A handwritten signature in black ink, appearing to be 'K. M. M.', written over a light blue background.

CHARTERED ACCOUNTANTS  
Colombo, Sri Lanka

02 March 2022

## Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December,	Note	2021 Rs.	2020 Rs.
Revenue	4	613,852,124	235,691,631
Other Income	5	104,062,302	85,571,045
		717,914,426	321,262,677
Staff Cost	6	(59,693,578)	(46,845,685)
Other Operating Expenses	7	(172,431,410)	(134,893,498)
Impairment Charges and Other Credit Losses on Financial Assets		(1,833,962)	56,191
<b>Profit before Taxation</b>		483,955,476	139,579,684
Income Tax Expenses	8	(110,406,309)	(40,771,620)
<b>Profit for the Year</b>		<b>373,549,167</b>	<b>98,808,064</b>
<b>Other Comprehensive Income</b>		-	-
<b>Total Comprehensive Income for the Year</b>		<b>373,549,167</b>	<b>98,808,064</b>
Earnings per Share	9	37.35	9.88

The Notes annexed form an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

# Statement of Financial Position

As at 31 December,	Note	2021 Rs.	2020 Rs.
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property & Equipment	10	44	44
Intangible Assets	11	-	-
Investments in LFSB	12	1,165,966	1,165,966
<b>Total Non Current Assets</b>		<b>1,166,010</b>	<b>1,166,010</b>
<b>Current Assets</b>			
Inventories		160,174	167,207
Amounts due from Related Company	13	106,234,683	31,909,027
Trade and Other Receivables	14	100,101,317	55,942,797
Financial Assets at FVTPL	15	50,295,879	620,749,259
Other Investments	16	871,256,848	-
Cash and Cash Equivalents	17	1,258,893,877	143,144,949
<b>Total Current Assets</b>		<b>2,386,942,778</b>	<b>851,913,239</b>
<b>Total Assets</b>		<b>2,388,108,788</b>	<b>853,079,249</b>
<b>Equity</b>			
Stated Capital	18	100,000,000	100,000,000
Retained Earnings		1,006,844,959	633,295,792
Other Reserve		165,965	165,965
<b>Total Equity</b>		<b>1,107,010,924</b>	<b>733,461,757</b>
<b>Current Liabilities</b>			
Brokers' Liquidity and Margin Deposit		1,178,185,008	87,500,582
Accrued Expenses and Sundry Creditors		17,719,460	3,946,366
Income Tax Payable		85,193,396	28,170,544
<b>Total Current Liabilities</b>		<b>1,281,097,864</b>	<b>119,617,492</b>
<b>Total Equity and Liabilities</b>		<b>2,388,108,788</b>	<b>853,079,249</b>

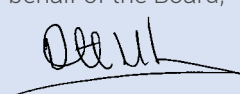
The Notes annexed form an integral part of these Financial Statements.

These Financial Statements are prepared and presented in compliance with the requirements of the Companies Act No. 07 of 2007.

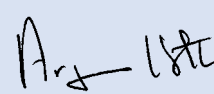


Kusal Nissanka  
Senior Vice President -  
Finance & Administration

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed on behalf of the Board;



Dumith Fernando  
Chairman



Arjuna Herath  
Director

02 March 2022  
Colombo.



## Statement of Changes in Equity

	Stated Capital Rs.	Other Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01 January 2020	100,000,000	165,965	534,487,728	634,653,693
<b>Total Comprehensive Income</b>				
Profit for the Year	-	-	98,808,064	98,808,064
<b>Other Comprehensive Income</b>				
Net Change in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-
Total Other Comprehensive Expenses for the Year	-	-	-	-
Total Comprehensive Income / (Expense) for the Year	-	-	98,808,064	98,808,064
<b>Balance as at 31 December 2020</b>	<b>100,000,000</b>	<b>165,965</b>	<b>633,295,792</b>	<b>733,461,757</b>
Balance as at 01 January 2021	100,000,000	165,965	633,295,792	733,461,757
<b>Total Comprehensive Income</b>				
Profit for the Year	-	-	373,549,167	373,549,167
<b>Other Comprehensive Income</b>				
Net Change in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-
Total Other Comprehensive Income for the Year, Net of Tax	-	-	-	-
<b>Total Comprehensive Income for the Year</b>	<b>-</b>	<b>-</b>	<b>373,549,167</b>	<b>373,549,167</b>
<b>Balance as at 31 December 2021</b>	<b>100,000,000</b>	<b>165,965</b>	<b>1,006,844,959</b>	<b>1,107,010,924</b>

The Notes annexed form an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

## Statement of Cash Flows

For the Year Ended 31 December,	Note	2021 Rs.	2020 Rs.
<b>Cash Flows from Operating Activities</b>			
Profit before Taxation		483,955,476	139,579,684
<b>Adjustments For :</b>			
Interest Income	5	(21,443,525)	(793,703)
Fair Value Gain on Financial Assets Measured at FVTPL	5	(29,900,794)	(58,711,538)
Depreciation / Amortization	7	-	72,661
Impairment provision		351	-
Gratuity Provision-Transfer from Related Company	19	(1,496,827)	6,016,776
Provision of Bad Debts	14	1,833,611	(56,191)
<b>Operating Loss before Working Capital Changes</b>		<b>432,948,292</b>	<b>86,107,689</b>
<b>Changes in Working Capital</b>			
Decrease/(Increase) in Inventories		7,033	(5,339)
Decrease/(Increase) in Receivables	14	(43,636,857)	(32,228,078)
Decrease/(Increase) in Amounts receivable from Related Company	13	(72,828,829)	48,255,955
Increase / (Decrease) in Payables		1,090,684,426	74,709,190
Increase/(Decrease) in Brokers Deposit		13,773,094	159,807
		1,420,947,159	176,999,224
WHT paid		-	-
Income tax paid		(53,383,457)	(8,890,644)
ESC paid		-	(190,495)
<b>Net Cash Flows Generated from (Used in) Operating Activities</b>		<b>1,367,563,702</b>	<b>167,918,085</b>
<b>Cash Flows from Investing Activities</b>			
Interest Income	5	6,862,316	780,919
(Increase) / Decrease Investment in Fixed Deposit	16	(200,000,000)	-
(Increase) / Decrease Investment in Treasury Bills	16	(659,031,264)	-
(Increase) / Decrease in Investments in Unit Trusts	15	600,354,174	(50,977,575)
<b>Net cash Generated from Investing Activities</b>		<b>(251,814,774)</b>	<b>(50,196,656)</b>
Net (Decrease)/Increase in Cash and Cash Equivalents		1,115,748,928	117,721,429
Cash and Cash Equivalents at beginning of the Year		143,144,949	25,423,520
<b>Cash and Cash Equivalents at End of the Year</b>		<b>1,258,893,877</b>	<b>143,144,949</b>
<b>Analysis of Cash and Cash Equivalents at End of the year</b>			
Overnight Repos		1,256,105,331	142,002,582
Cash at Bank		2,695,946	1,049,767
Cash in Hand		75,000	75,000
RTGS Account		17,600	17,600
Cash & Cash Equivalents	17	1,258,893,877	143,144,949
<b>Net Cash &amp; Cash Equivalents at End of the Year</b>	<b>17</b>	<b>1,258,893,877</b>	<b>143,144,949</b>

The Notes annexed form an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

# Notes to the Financial Statements

## 1. REPORTING ENTITY

### 1.1 Domicile and Legal Form

Central Depository Systems (Private) Limited is a Limited Liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at 4 - 01, West Block, World Trade Center, Echelon Square, Colombo 01, and the principal place of business is situated at Ground Floor - M & M Center, 341/5, Kotte Road, Rajagiriya.

### 1.2 Principal Activities and Nature of Operations

The principal activity of the Company is clearing and settlement of securities traded in the Colombo Stock Exchange and to act as depository for such securities. All employees of the Company are seconded from the Colombo Stock Exchange.

### 1.3 Parent Enterprise

The Company is the fully owned subsidiary of the Colombo Stock Exchange.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements thereto, have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of Companies Act No. 07 of 2007.

The Financial Statements were authorized for issue by the Board of Directors on 02 March 2022.

### 2.2 Basis of Measurement

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

- » Financial assets at Fair Value through Profit or Loss (FVTPL) are measured at fair value;
- » Financial assets at Fair Value through Other Comprehensive Income (FVOCI) are measured at fair value; and
- » Liabilities for defined benefit obligations are measured at its present value.

### 2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional currency. Financial information presented in Sri Lanka Rupees has been rounded to the nearest rupee.

### 2.4 Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of Assets, Liabilities, Income and Expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Reporting Date are translated to Sri Lankan Rupees at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognized in the profit or loss.

### 3.2 Financial Instruments 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 (unless it is a trade receivable without a significant financing component) or financial liability is initially measured 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. A trade receivable without a significant financing component is initially measured at the transaction price.

# Notes to the Financial Statements

## Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; fair value through other comprehensive income (FVOCI) - equity investment; 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:

- » it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- » its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- » it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- » its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest 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 the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. 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.

## Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial 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. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows 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 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 of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

## Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest

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 a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, 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 this assessment, the Company considers:

- » contingent events that would change the amount or 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).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

#### Financial assets - Subsequent measurement and gains and losses

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 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.

### 3.3 Property and Equipment

#### 3.3.1 Recognition and Measurement

Property and equipment are stated at cost less accumulated depreciation and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self – constructed assets includes the costs of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment

#### 3.3.2 Subsequent Costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day - to - day servicing of property and equipment are recognized in the profit or loss as incurred.

# Notes to the Financial Statements

## 3.3.3 Depreciation

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives of the Property, Plant & Equipment of the Company as at 31st December 2021 are as follows:

	Rate
Furniture & Fittings	10 years
Hardware and Software	5-10 years
Office Equipment	5 years
Telephones	4 years

The depreciation rates are determined separately for each significant part of an item of Property & 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 assets ceases at the earlier of the date that the assets is classified as held for sale or the date that the asset is derecognized.

## 3.4 Intangible Assets

Intangible Assets consist of application software used in trading, clearing, settlement, surveillance, accounting, mail systems and the web site of the Colombo Stock Exchange.

### 3.4.1 Basis of Recognition

An Intangible Asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise

and the cost of the asset can be measured reliably in accordance with the LKAS 38, Intangible Assets.

### 3.4.2 Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

### 3.4.3 Amortization

Intangible Assets are amortized on a straight-line basis to profit or loss, from the date when the asset is available for use, over the best estimate of its useful economic life.

### 3.4.4 Research and Development Costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs 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.

The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

### 3.4.5 De recognition of Intangible Assets

Intangible assets are derecognized on disposal or when no future economic benefits are expected from their use. Gain or losses arising from de recognition of an intangible asset are measured as the difference between the net disposals proceed and the carrying amount of the asset and are recognized in profit or loss.

## 3.5 Inventories

Inventories include stationeries measured at the lower of cost and net realizable value.

## 3.6 Impairment of Assets

### 3.6.1 Non-derivative Financial Assets

**Financial instruments and contract assets**

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 90 days past due.

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

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

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.

#### **Write-off**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amount due.

### **3.7 Employee Benefits**

#### **3.7.1 Short – Term Employee Benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans 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.

#### **3.7.2 Defined Contribution Plan – Employees' Provident Fund and Employees' Trust Fund**

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contribution into separate entity and will have no legal or constructive obligation to pay further amounts.

All employees who are eligible for Employees' Provident Fund and Employees' Trust Fund are covered by relevant contributions to the defined contribution plans and are recognized as an expense in profit or loss when incurred.

##### **(a) Employees' Provident Fund**

The Company and employee contribute 12% and 8% respectively on the basic salary of each employee to the employees' approved provident fund.

##### **(b) Employees' Trust Fund**

The Company contributes 3% of the basic salary of each employee to the employee's trust fund.

### **3.8 Provisions**

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

### **3.9 Revenue**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

#### **3.9.1 CDS Fees**

CDS fees on securities traded on the stock exchange are recognized on a trade date basis.

### **3.9.2 Listed Company Fees**

Listed Company Fee is charged based on the number of trades and Rs.15/- will be charged per trade, subject to a minimum charge of Rs.25,000/- and a maximum charge of Rs.750,000/- per annum.

### **3.9.3 Participant Fees**

Participant fees are recognized on an accrual basis and charged from custodian Banks as monthly fee of Rs. 10,000/- for Normal service & Rs.15,000/- for enhances services.

### **3.9.4 Charges for Computer Information**

The CDS charge a fee on a pre-determined basis from listed companies for the service rendered pertaining to providing information and fees are recognized on an accrual basis.

### **3.9.5 Other Income**

- » Dividend from Unit Trust is recognized in profit or loss on an accrual basis when the Company's right to receive the dividend is established.
- » Interest income is recognized in profit or loss as it accrues, using the effective interest method.

### **3.10 Taxation**

As per Sri Lanka Accounting Standard (LKAS 12) – "Income taxes", tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxes. Income tax expense is recognized in the income statement.

#### **3.10.1 Current Taxation**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the Reporting Date, and any adjustment to tax payable in respect of previous

# Notes to the Financial Statements

years. Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provision of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto.

The Company is liable for income tax at the rate of 24% on the taxable profit.

## 3.10.2 Other Tax Exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### 3.10.2.1 Value Added Tax (VAT)

Value Added Tax is calculated in accordance with Value Added Tax Act No 14 of 2002 and subsequent amendments thereto. VAT is payable at 8%.

## 3.11 Related party transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged.

## 3.12 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 Flow', whereby operating activities, investing

activities and financing activities are separately recognised.

Cash and cash equivalents comprise 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.

## 3.13 New Accounting Standards Issued but not Effective

The Institute of Chartered Accountants of Sri Lanka has issued number of new Sri Lanka Accounting Standards (SLFRSs/LKASs) and amendments that are effective for annual periods beginning after the current financial year. Accordingly these standards have not been applied in preparing these financial statements and the Company plans to apply these standards if applicable as and when they become effective.

Company does not expect the following new Accounting standards, amendments and interpretations that will become effective for future accounting periods will have a significant impact on the Company's financial statements.

- » Amendments to references to conceptual framework in Sri Lanka Financial Reporting Standards
- » Amendments to Sri Lanka Accounting Standard - LKAS 1 "Presentation to Financial Statements" and Sri Lanka Accounting Standard - LKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- » Amendments to Sri Lanka Accounting Standard - SLFRS 3 Business Combinations
- » Sri Lanka Accounting Standard - SLFRS 17 Insurance Contracts
- » Amendments to SLFRS 9, LKAS 39, and SLFRS 7 - Interest rate benchmark reforms.

- » Amendments to Sri Lanka Accounting Standard - SLFRS 10 "Presentation to Financial Statements" and Sri Lanka Accounting Standard - LKAS 28 "Investments in Associates and Joint Ventures"



#### 4. Revenue

For the year ended 31 December,	2021 Rs.	2020 Rs.
CDS Fees	518,488,744	177,304,441
Listed Company Fees	74,453,130	40,913,910
Charges for Computer Information	20,910,250	17,473,280
	<b>613,852,124</b>	<b>235,691,631</b>

#### 5. Other Income

For the year ended 31 December,	2021 Rs.	2020 Rs.
Interest Income	21,443,525	793,703
Participant Fees	1,920,000	1,920,000
Miscellaneous Income	27,337,019	14,930,823
Registrar Services and Corporate Actions Income	23,460,964	9,214,981
Fair Value Gain on Financial Assets Measured at FVTPL	29,900,794	58,711,538
	<b>104,062,302</b>	<b>85,571,045</b>

#### 6. Staff Cost

For the year ended 31 December,	2021 Rs.	2020 Rs.
Salaries	39,072,989	33,202,792
Bonus	17,580,115	4,465,767
Terminal Benefits (Gratuity)	(1,496,827)	6,016,776
Staff Welfare	1,620,916	896,836
Medical and Insurance Expenses	2,635,177	1,701,649
Transport & Travelling	281,208	561,865
	<b>59,693,578</b>	<b>46,845,685</b>

The Number of Employees at the end of the Year 2021 was 23 (2020 - 17).

# Notes to the Financial Statements

## 7. Other Operating Expenses

For the year ended 31 December,	2021 Rs.	2020 Rs.
Rent	10,051,860	10,486,853
Administration Expenses	13,437,305	15,798,772
CDS Statement Expenses	522,223	6,406,396
Stationery Expenses	142,363	164,090
Maintenance Expenses	30,993,598	27,254,104
CDS System Maintenance	64,731,029	43,371,405
Training Expenses	47,400	5,900
Nation Building Tax & Disallowed VAT	13,066,753	9,775,771
Investor Education & Foreign Road Show Expenses	6,898,098	3,068,602
Publication & Website Expenses	3,405,673	2,149,063
Issuer Relation Expenses	323,558	27,104
CSE Profit Margin	7,112,006	5,954,097
Management Fee	2,000,000	2,040,816
Auditors Remuneration	440,000	412,000
Fees Paid to Auditors for Non-Audit Services	259,122	194,303
Other Professional Charges	6,202,167	4,061,696
Amortization of Intangible Assets	-	72,661
SMS Alert Expenses	632,181	196,262
Risograph Expenses	4,324	4,897
Other Project Cost	12,161,750	3,448,706
	<b>172,431,410</b>	<b>134,893,498</b>

## 8. Taxation

For the year ended 31 December,	2021 Rs.	2020 Rs.
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### 8.1 Income Tax Expense

Current tax expense (Note 8.2)	116,230,227	40,771,620
under/(over) adjustment	(5,823,918)	-
	<b>110,406,309</b>	<b>40,771,620</b>

Income tax has been computed according to the provisions of the Inland Revenue Act No. 24 of 2017 in 2018 and the Inland Revenue Act No.10 of 2006 and subsequent amendments thereto in 2017. Taxation is provided at 24% of adjusted taxable profit of the company.

## 8.2 Reconciliation on Accounting Profit to Income Tax

For the year ended 31 December,	2021 Rs.	2020 Rs.
Profit before Taxation	483,955,476	139,579,684
Adjustment on Disallowable Expenses	337,135	6,033,246
Adjustment on Allowable Expenses	-	-
Investment Income	(21,443,525)	(793,703)
Business Income	462,849,086	144,819,227
Investment Income	21,443,525	793,703
Assesable Income	484,292,611	145,612,930
<b>Total Assessable Income</b>	<b>484,292,611</b>	<b>145,612,930</b>
Tax Loss Utilized	-	-
<b>Taxable Income</b>	<b>484,292,611</b>	<b>145,612,930</b>
Income Tax at 24% (2020-28%)	116,230,227	40,771,620
<b>Income Tax on Current year Profit</b>	<b>116,230,227</b>	<b>40,771,620</b>

## 9. Earnings per Share

Earnings per ordinary share has been calculated by dividing the profit attributable to the Ordinary Shareholders by the Weighted Average Number of Ordinary Shares in issue during the Year.

For the Year Ended 31 December	2021	2020
Profit attributable to Ordinary Shareholders (Rs.)	373,549,167	98,808,064
Weighted Average Number of Ordinary Shares in issue during the Year	10,000,000	10,000,000
<b>Earnings per Share (Rs.)</b>	<b>37.35</b>	<b>9.88</b>

# Notes to the Financial Statements

## 10. Property & Equipment

Company	Furniture & Fittings	Computers & Office Equipment	Telephones	Total
Cost	Rs.	Rs.	Rs.	Rs.
As at 01 January 2021	391,317	2,997,156	60,850	3,449,323
Additions / Transfers	-	-	-	-
Disposals / Transfers	-	-	-	-
<b>As at 31 December 2021</b>	<b>391,317</b>	<b>2,997,156</b>	<b>60,850</b>	<b>3,449,323</b>
<b>Accumulated Depreciation</b>				
As at 01 January 2021	391,293	2,997,138	60,848	3,449,279
Additions / Transfers	-	-	-	-
Disposals / Transfers	-	-	-	-
<b>As at 31 December 2021</b>	<b>391,293</b>	<b>2,997,138</b>	<b>60,848</b>	<b>3,449,279</b>
<b>Net Book Value</b>				
<b>As at 31 December 2021</b>	<b>24</b>	<b>18</b>	<b>2</b>	<b>44</b>
As at 31 December 2020	24	18	2	44

## 11. Intangible Assets

	2021	2020
	Rs.	Rs.
<b>Cost</b>		
Balance as at 01 January	432,695	432,695
Acquisition and Transfers during the year	-	-
<b>Balance as at 31 December</b>	<b>432,695</b>	<b>432,695</b>
<b>Accumulated Amortization</b>		
Balance as at 01 January	432,695	360,034
Charge for the year	-	72,661
<b>Balance as at 31 December</b>	<b>432,695</b>	<b>432,695</b>
<b>Net Book Value</b>	<b>-</b>	<b>-</b>

Intangible Assets consist of application software used in settlement of the Central Depository Systems (Pvt) Ltd.

## 12. Investment in LFSB

As at 31 December	2021 Rs.	2020 Rs.
Ordinary Shares	1,000,000	1,000,000
	1,000,000	1,000,000
Fair Value Gain on Financial Assets Measured at FVTOCI	165,966	165,966
	<b>1,165,966</b>	<b>1,165,966</b>

Lanka Financial Services Bureau Ltd (LFSB) issued 100,000 Ordinary shares to the Central Depository Systems (Pvt) Ltd.

LFSB is the SWIFT service Bureau for Sri Lanka which facilitates inter-bank transactions.

## 13. Amounts due from Related Company

As at 31 December	Relationship	2021 Rs.	2020 Rs.
Colombo Stock Exchange	Parent Company	106,234,683	31,909,027
		<b>106,234,683</b>	<b>31,909,027</b>

## 14. Trade & Other Receivables

As at 31 December	2021 Rs.	2020 Rs.
Trade Debtors	96,048,715	57,558,829
Provision for Impairment	(8,413,645)	(6,580,034)
	87,635,070	50,978,795
Other Receivables	12,466,247	4,964,002
	<b>100,101,317</b>	<b>55,942,797</b>

# Notes to the Financial Statements

## 15. Financial Assets at FVTPL (SLFRS 9)

	2021		2020	
	No. of Units	Rs.	No. of Units	Rs.
JB Vantage Money Market Fund	1,711,617	50,295,879	6,591,323	180,840,844
Guardian Acuity Money Market Fund	-	-	5,628,160	113,767,617
First Capital Money Market Fund	-	-	60,347	114,471,359
Investment in NDB Wealth Money Plus Fund	-	-	9,026,069	211,669,439
		<b>50,295,879</b>		<b>620,749,259</b>

## 16. Other Investments

As at 31 December	2021 Rs.	2020 Rs.
<b>Treasury bills</b>		
Investments in Treasury Bills	659,031,264	-
Interest Receivable	6,505,841	-
	<b>665,537,105</b>	-
<b>Fixed deposits</b>		
Investments in Fixed Deposits	200,000,000	-
Interest Receivable	5,720,094	-
	<b>205,720,094</b>	-
Less: Impairment Charges on Financial Assets	(351)	-
	<b>205,719,743</b>	-
	<b>871,256,848</b>	-

## 17. Cash & Cash Equivalents

As at 31 December	2021 Rs.	2020 Rs.
Repo and Overnight Repos	1,256,105,331	142,002,582
Cash at Bank	2,695,946	1,049,767
Cash in Hand	75,000	75,000
RTGS Account	17,600	17,600
	<b>1,258,893,877</b>	<b>143,144,949</b>

## 18. Stated Capital

As at 31 December	2021 Rs.	2020 Rs.
Issued and Fully Paid		
Ordinary Shares	100,000,000	100,000,000
	<b>100,000,000</b>	<b>100,000,000</b>

The above amount represents 10,000,000 Ordinary Shares.

## 19. Gratuity Provision

Gratuity provision is made in the Financial Statements of Colombo Stock Exchange (CSE) and the relevant cost is apportioned to the Central Depository Systems (Pvt) Ltd based on the actual provision.

During the year ended 31 December 2021, an amount of Rs. 1,496,827/= has been reversed as Employee Benefits Expenses from CSE to CDS and this amount is included in "Expenses Transferred" in Related Party Transaction Note.

## 20. Contingencies & Commitments

### 20.1 Tax Assessments Against the CDS

The Department of Inland Revenue has issued assessment notices for income tax amounting to Rs. 3.94 million for the Year of Assessment 2008/2009 and Rs. 3.03 million for the Year of Assessment 2009/2010. The CDS has appealed to quash the income tax assessment issued by the Department of Inland Revenue. The management of CDS is of the view that the above assessment will not have any material impact on the Financial Statements.

## 21. Financial Instruments

### 21.1 Financial Risk Management

#### Overview

The Company has exposure to the following risks from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these Financial Statements.

#### Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. In discharging its governance responsibility it operates through Risk & Audit Committee. The primary function of the Committee is to ensure the establishment of appropriate risk management framework within the Group. The Risk & Audit Committee is assisted in these functions by Internal Audit and the results are reported to the Risk & Audit Committee. The Risk & Audit Committee provides its assessment on the effectiveness of internal audit and external disclosure of accounting policies and financial reporting to the Board. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

# Notes to the Financial Statements

## Credit risk

Credit risk is the risk of financial loss to the company if counterparty to a financial instrument fails to meet its contractual obligations. The company is exposed to credit risk primarily from investment in unit trust, trade & other receivables which are financial assets and cash and bank balances with financial institutions. Fact sheets of the unit trust are observed and reported to investment committee. Fixed deposit investments are in financial institutions which are having good credit ratings. Receivables are monitored to ensure that exposure to bad debts are minimised.

## Liquidity risk

Liquidity risk is the risk that the Company will not be able to honour its financial obligations as they fall due.

Finance division monitors the cash flow forecasts of the Company to ensure sufficient cash available to meet operational needs.

The following are the remaining contractual maturities at the end of the reporting period of financial assets and liabilities.

## 21.2 Accounting Classification and Fair Values

	Note	Financial Assets at Amortised Cost	Financial Assets at FVTPL	Financial Assets at FVOCI	Financial Liabilities measured at Amortized Cost	Total Carrying Amount	Fair Value
As at 31 December 2021		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>							
Cash in Hand	17	75,000	-	-	-	75,000	75,000
Balances with Banks & Financial Institutions	17	1,258,818,877	-	-	-	1,258,818,877	1,258,818,877
Financial Assets at FVTPL	15	-	50,295,879	-	-	50,295,879	50,295,879
Other Investment	16	871,256,848	-	-	-	871,256,848	871,256,848
Investments in LFSB	12	-	-	1,165,966	-	1,165,966	1,165,966
Amounts due from Related Company	13	106,234,683	-	-	-	106,234,683	106,234,683
Other Receivables	14	99,099,502	-	-	-	99,099,502	99,099,502
<b>Total Financial Assets</b>		<b>2,335,484,910</b>	<b>50,295,879</b>	<b>1,165,966</b>	<b>-</b>	<b>2,386,946,755</b>	<b>2,386,946,755</b>
<b>Liabilities</b>							
Due to Brokers		-	-	-	1,178,185,008	1,178,185,008	1,178,185,008
Other Financial Liabilities		-	-	-	17,719,460	17,719,460	17,719,460
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,195,904,468</b>	<b>1,195,904,468</b>	<b>1,195,904,468</b>



## 21.2 Accounting Classification and Fair Values (Ctd.)

	Note	Financial Assets at Amortised Cost	Financial Assets at FVTPL	Financial Assets at FVOCI	Financial Liabilities measured at Amortized Cost	Total Carrying Amount	Fair Value
As at 31 December 2020		Rs	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>							
Cash in Hand	17	75,000	-	-	-	75,000	75,000
Balances with Banks & Financial Institutions	17	143,069,949	-	-	-	143,069,949	143,069,949
Financial Assets at FVTPL	15	-	620,749,259	-	-	620,749,259	620,749,259
Investments in LFSB	12	-	-	1,165,966	-	1,165,966	1,165,966
Amounts due from Related Company	13	31,909,027	-	-	-	31,909,027	31,909,027
Other Receivables	14	54,752,821	-	-	-	54,752,821	54,752,821
<b>Total Financial Assets</b>		<b>229,806,797</b>	<b>620,749,259</b>	<b>1,165,966</b>	<b>-</b>	<b>851,722,022</b>	<b>851,722,022</b>
<b>Liabilities</b>							
Due to Brokers		-	-	-	87,500,582	87,500,582	87,500,582
Other Financial Liabilities		-	-	-	3,946,366	3,946,366	3,946,366
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>91,446,948</b>	<b>91,446,948</b>	<b>91,446,948</b>

## 21.3 Fair Values of Financial Instruments

### 21.3.1 Valuation Models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- » **Level 1:** Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- » **Level 2:** Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- » **Level 3:** Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs that have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

## Notes to the Financial Statements

### 21.3.2 Financial Instruments Measured at Fair Value - Fair Value Hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
<b>31 December 2021</b>				
<b>Assets</b>				
Financial Assets at FVTPL	-	50,295,879	-	50,295,879
Investments in LFSB	-	-	1,165,966	1,165,966
<b>Total Financial Assets</b>	<b>-</b>	<b>50,295,879</b>	<b>1,165,966</b>	<b>51,461,845</b>
<b>Liabilities</b>				
	-	-	-	-
<b>31 December 2020</b>				
<b>Assets</b>				
Financial Assets at FVTPL	-	620,749,259	-	620,749,259
Investments in LFSB	-	-	1,165,966	1,165,966
<b>Total Financial Assets</b>	<b>-</b>	<b>620,749,259</b>	<b>1,165,966</b>	<b>621,915,225</b>
<b>Liabilities</b>				
	-	-	-	-

### 21.3.3.1 Level 2 Fair Value Measurements

#### Reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 2 of the fair value hierarchy.

	2021 Rs.
Financial Assets at FVTPL	
Balance at 01 January 2021	620,749,259
Total gains or losses:	
- in profit or loss	29,900,794
Purchases	-
Redemption	(600,354,174)
Balance at 31 December 2021	50,295,879

### 21.3 Fair Values of Financial Instruments (Ctd.)

Financial Assets at FVTPL	2020 Rs.
Balance at 01 January 2020	511,060,146
Total gains or losses:	
- in profit or loss	58,711,538
Purchases	428,000,000
Redemption	(377,022,425)
Balance at 31 December 2020	620,749,259

#### 21.3.3.2 Unobservable inputs Used in Measuring Fair Value

The fair value of Unit Trust investments are determined by the relevant Unit Trust Fund Management Company. The Unit Trust Fund Management company provides the fair value of the Group's investment portfolio monthly.

#### 21.3.3.3 Financial Instruments Not Measured at Fair Value

This table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 01	Level 02	Level 03	Total Fair Values	Total Carrying Amount
31 December 2021	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>					
Cash & Cash Equivalents	-	-	75,000	75,000	75,000
Balances with Banks & Financial Institutions	-	-	1,258,818,877	1,258,818,877	1,258,818,877
Other Investment	-	-	871,256,848	871,256,848	871,256,848
Amounts due from Related Company	-	-	106,234,683	106,234,683	106,234,683
Other Receivables	-	-	99,099,502	99,099,502	99,099,502
<b>Total Financial Assets</b>	<b>-</b>	<b>-</b>	<b>2,335,484,910</b>	<b>2,335,484,910</b>	<b>2,335,484,910</b>
<b>Liabilities</b>					
Due to Brokers	-	-	1,178,185,008	1,178,185,008	1,178,185,008
Other Financial Liabilities	-	-	17,719,460	17,719,460	17,719,460
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>1,195,904,468</b>	<b>1,195,904,468</b>	<b>1,195,904,468</b>

## Notes to the Financial Statements

	Level 01	Level 02	Level 03	Total Fair Values	Total Carrying Amount
31 December 2020	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>					
Cash & Cash Equivalents	-	-	75,000	75,000	75,000
Balances with Banks & Financial Institutions	-	-	143,069,949	143,069,949	143,069,949
Amounts due from Related Company	-	-	31,909,027	31,909,027	31,909,027
Other Receivables	-	-	54,752,821	54,752,821	54,752,821
<b>Total Financial Assets</b>	-	-	<b>229,806,797</b>	<b>229,806,797</b>	<b>229,806,797</b>
<b>Liabilities</b>					
Due to Brokers	-	-	87,500,582	87,500,582	87,500,582
Other Financial Liabilities	-	-	3,946,366	3,946,366	3,946,366
<b>Total Financial Liabilities</b>	-	-	<b>91,446,948</b>	<b>91,446,948</b>	<b>91,446,948</b>

### Assets for which Fair Value approximates Carrying Value

For Financial assets and Financial Liabilities that have a short term maturity (original maturity less than a year), it is assumed that the carrying amount approximate their values.

## 22. Related Party Transactions

### 22.1 Transactions with Key Management Personnel and their Close Family Members

According to Sri Lanka Accounting Standard (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 (including Executive and Non-Executive Directors) have been classified as Key Management Personnel of the Company.

**22.2** Close Family Members (CFM) of the KMPs are those family members who may be expected to influence or be influenced by that KMPs in their dealing with the entity. They may include KMPs domestic partner and children of the KMPs domestic partner and dependants of the KMPs domestic partner.

However, during the year Company had not incurred any compensations to Key Management Personnels. (2020 - Nil)

### 22.3 Transactions with Group Companies and Director Related Entities

Company	Relationship		2021 Rs.	2020 Rs.	
a) Mr. Ray Abeywardena Acuity Stockbrokers (Pvt) Ltd	Chairman	CDS	Sale of CDS forms & Other CDS Charges	3,294	11,972
			Amount receivable on sale of CDS forms as at year end	3,294	-
			Collateral Management Fee	24,300	-
			Collateral Management Fee receivable as at year end	16,200	-
			Interest Payable for Member Firm's Margin Requirement	464,529	-
			Interest paid for Member Firms' margin deposit	1,184,714	6,523
			Member Firms' liquidity deposit as at year end	62,909,757	-
Lanka Ventures PLC	Director	CDS	Listed company fees	25,000	27,705
			Receipts for computer information & other CDS Charges	12,420	10,800
			Amount receivable for computer information provided as at year end	6,480	7,560
			Listed company fees receivable as at year end	-	2,705
Softlogic Life Insurance PLC	Director	CDS	Listed Company fee	-	139,875
			Amount receivable for computer information provided as at year end	-	5,400
			Computer information & other CDS Charges	-	9,720
			Listed Company fee receivable as at year end	-	114,875
Guardian Acuity Asset Management Ltd	Director	CDS	Investment in Unit Trust made during the year	-	148,000,000
			Redemption of Unit Trust made during the year	115,585,513	35,000,000



Company	Relationship			2021 Rs.	2020 Rs.
			Amount Receivable for service charges and computer information charges	234,668	2,160
First Capital Asset Management Ltd	Director /CEO	CDS	Investment in Unit Trust	-	80,000,000
			Redemption of Unit Trust	121,869,521	127,000,000
			Investment as at year end	-	114,471,359
c) Mr. Dumith Fernando Singer (Sri Lanka) PLC	Director	CDS	Charges for computer information, Direct Deposit Shares, New Listing Fee and Charges for mandatory and voluntary offers	165,955	10,822
			CDS Service Charges	390,360	171,585
			Amount Receivable for service charges and computer information charges	5,447	9,789
			Amount Receivable for service charges	236,940	146,585
Asia Securities (Pvt) Ltd	Chairman	CDS	Sale of CDS Forms	-	1,746
			Amount Receivable for Sale of CDS Forms	5,400	909
			Management Collateral fee & Daily/Weekly Document Charges	27,000	-
			Payment of interest for Member Firm's Margin Requirement	2,112,916	174,103
			Interest Payable for Member Firm's Margin Requirement	728,696	-
			Member Firms' liquidity deposit & entrance deposit as at year end	107,724,049	-
			15% Margin deposit as at year end	-	11,994,607

## Notes to the Financial Statements

### 22.3 Transactions with Group Companies and Director Related Entities (Ctd.)

Company	Relationship		2021 Rs.	2020 Rs.	
Union Assurance PLC	Director	CDS	Charges for Computer information charges and Daily weekly Charges	21,600	18,360
			CDS Service Charges	30,345	25,000
			Amount Receivable for computer information charges	11,000	5,400
			Amount Receivable for service charges	30,345	-
d) Mr. Dimuthu Abeyesekera Asha Securities Ltd	Director	CDS	CDS Forms	19,467	27,551
			Payment of interest for Member Firms' Margin Requirement	2,003,058	36,921
			Collateral Management Fee	24,300	-
			Amount Receivable for Sale of CDS Forms	6,323	3,294
			Collateral Management Fee receivable as at year end	10,800	-
			Member Firms' liquidity deposit & entrance deposit as at year end	92,045,032	-
			Interest Payable for Member Firm's Margin Requirement	701,266	-
e) Mr. Asanga Seneviratne Nation Lanka Equities (Pvt) Ltd	Chairman	CDS	Collateral Management Fee	16,115	-
			Interest for Member Firms' liquidity deposit	506,274	-
			Member Firms' liquidity deposit & entrance deposit as at year end	28,656,697	-
			Collateral Management Fee receivable as at year end	24,730	-
			Interest Payable for Member Firm's Margin Requirement	230,847	-



Company	Relationship			2021 Rs.	2020 Rs.
Anilana Hotels and Properties	Managing Director	CDS	Computer information charges and New listing	2,160	-
			CDS Service Charges	81,090	-
			Amount Receivable for computer information charges	77,125	-
			Amount Receivable for service charges	246,545	-
f) Colombo Stock Exchange	Parent		Fund Transfer In	410,558,460	(146,485,682)
			Fund Transfer Out	(165,490,077)	261,282,767
			Expenses transferred	(99,415,290)	(120,600,675)
			Cheque received on behalf of CDS	654,180	1,891,535
			Cheque received on behalf of CSE	(5,400)	(1,440,677)
			Interest Income	93,293	81,119
			CDS Rental Income & Management Fee	(72,069,511)	(49,001,118)

### 23. Events Occurring after the Reporting Period

There have been no events subsequent to the reporting date, which would have a material effect on the Company.

### 24. Comparative Information

To facilitate comparison, relevant balances pertaining to the previous year have been reclassified to confirm to current year classification and presentation where necessary.

### 25. Directors' Responsibility Statement

The Board of Directors of the Company is responsible for the preparation and presentation of these Financial Statement in accordance with LKASs and SLFRSs.

# GRI Index

Organisational Profile				Page No.
GRI 102	General Disclosures	102-1	Name of the organisation	6
		102-2	Activities, brands, products and services	9
		102-3	Location of headquarters	Inside back cover
		102-4	Location of operations	Inside back cover
		102-5	Ownership and legal form	Inside back cover
		102-6	Markets served	8
		102-7	Scale of the organisation	8
		102-8	Information on employees and other workers	78
		102-11	Precautionary principle or approach	5
		102-12	External initiatives	5
		102-13	Membership of associations	6
<b>Strategy</b>				
GRI 102	General Disclosures	102-14	Statement from senior decision maker	19
<b>Ethics and Integrity</b>				
GRI 102	General Disclosures	102-16	Values, principles, standards and norms of behaviour	6
<b>Governance</b>				
GRI 102	General Disclosures	102-18	Governance structure	37
<b>Stakeholder Engagement</b>				
GRI 102	General Disclosures	102-40	List of stakeholder groups	50
		102-41	Collective bargaining agreements	Not applicable
		102-42	Identifying and selecting stakeholders	50
		102-43	Approach to stakeholder engagement	50
		102-44	Key topics and concerns raised	50
<b>Reporting Practice</b>				
GRI 102	General Disclosures	102-45	Entities included in the consolidated financial statements	5
		102-46	Defining report content and topic boundaries	5
		102-47	List of material topics	53
		102-48	Restatements of information	5
		102-49	Changes in reporting	5
		102-50	Reporting period	5
		102-51	Date of most recent report	5
		102-52	Reporting cycle	5
		102-53	Contact point for questions regarding the report	5

Organisational Profile				Page No.
GRI 102 cont	General Disclosures	102-54	Claims of reporting in accordance with the GRI standards	5
		102-55	GRI content index	120
		102-56	External assurance	5
<b>Economic Topics</b>				
GRI 201	Economic Performance	201-1	Direct economic value generated and distributed	51
<b>Environmental Topics</b>				
GRI 301	Materials	301-1	Materials used by weight or volume	14
		301-2	Recycled input materials used	14
		301-3	Reclaimed products and their packaging materials	14
<b>Social Topics</b>				
GRI 401	Employment	401-1	New employee hires and employee turnover, by age, gender and region	79
		401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	80
		401-3	Parental leave	80
GRI 404	Training and Education	404-1	Average hours of training per year per employee by gender and category	81
		404-2	Programs for upgrading employee skills and transition assistance programs	81
		404-3	Percentage of employees receiving regular performance and career development reviews	81
GRI 405	Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	78
GRI 413	Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	14







# Corporate Information

**Name**

Central Depository Systems (Private) Limited.

**Legal Status**

A Private Limited Company Incorporated in Sri Lanka

**Company Registration Number**

PV 1270

**Parent Entity**

Colombo Stock Exchange

**Registered Office**

# 04-01, West Block, World Trade Center,  
Echelon Square, Colombo 1, Sri Lanka.

**Secretaries**

Corporate Services (Private) Limited

**Auditors**

KPMG

**Lawyers**

M/s Julius & Creasy, Attorneys-at-Law  
M/s FJ and G de Saram, Attorneys-at-Law

**Bankers/ Settlement Banks**

Bank of Ceylon  
Commercial Bank of Ceylon PLC  
Hatton National Bank PLC  
Sampath Bank PLC

**Central Depository Systems (Private) Limited**

Tel. : +94 11 2356456

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[www.cds.lk](http://www.cds.lk)