

# PEOPLE DRIVEN DIGITALIZATION







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The Central Depository System (CDS) has established itself as a trusted custodian of securities with an established track record of handling a portfolio of investments valued at 17% to 30% of the country's GDP. Our strategy of broad-basing our service offering has created value and generated cost efficiencies to both investors and issuers.

With our well-defined transformational strategy, we have set the pathway towards diversification of our business scope to corporate solutions. This will enable us to leverage our 30-year expertise as a custodian of securities. Harnessing the power of information technology, we are geared to provide a seamless solution to our issuers with value added services.

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# ABOUT THE REPORT

GRI 2-1, 2-2, 2-3, 2-4, 2-5



## ABOUT CENTRAL DEPOSITORY SYSTEMS (PVT) LTD. (CDS)

Our second integrated report provides a comprehensive and balanced account of value generated for stakeholders by executing our business strategy.

## SCOPE AND BOUNDARY

This report covers the activities of CDS for the financial year of 1st January 2022 to 31st December 2022 for both financial and non-financial information. Date of the most recent report was 31st December 2021. There were no material restatements of information published in the last year's report.

## ASSURANCE

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

## REPORTING FRAMEWORKS

We are committed to aligning our report with international best practices in corporate reporting and comply with a variety of internationally recognized reporting frameworks.

## 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 Organization 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

## BOARD RESPONSIBILITY ON CORPORATE REPORTING

The Board acknowledges its responsibility to ensure that the Annual Integrated Report provides a balanced view of its performance in 2022.

The report was unanimously approved by the Board on 25th May 2023 and is signed on its behalf by,

**Mr. Dilshan Wirasekara**  
(Chairman)

**Mr. Arjuna Herath**  
(Audit Committee Chairman)

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

## FEEDBACK

We strive to improve the quality and readability of our Annual Report and welcome your suggestions and comments. Please direct your feedback to,

### Mr Kusal Nissanka

Senior Vice President- Finance & Administration  
4-1, West Block, World Trade Center, Colombo 01;  
Tel: +94 11 2356456.  
E-mail: [finance@cse.lk](mailto:finance@cse.lk)



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



Scan to view  
this report  
online

# ABOUT CDS

GRI 2-1, 2-28

**The Central Depository Systems (Pvt) Ltd. is a wholly owned subsidiary of the Colombo Stock Exchange (CSE). Incorporated in 1991, the CDS is licensed by the Securities and Exchange Commission of Sri Lanka to act as the clearing house and a market intermediary. The Company also acts as the depository and the custodian of the securities traded at the CSE.**

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

To 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.

## OUR CORE VALUES

### CONVENIENT

Agility  
Flexibility  
Customization  
CDS e-connect  
Efficient

### DEDICATED

Innovation  
Fact Delivery  
Attention to detail  
Support

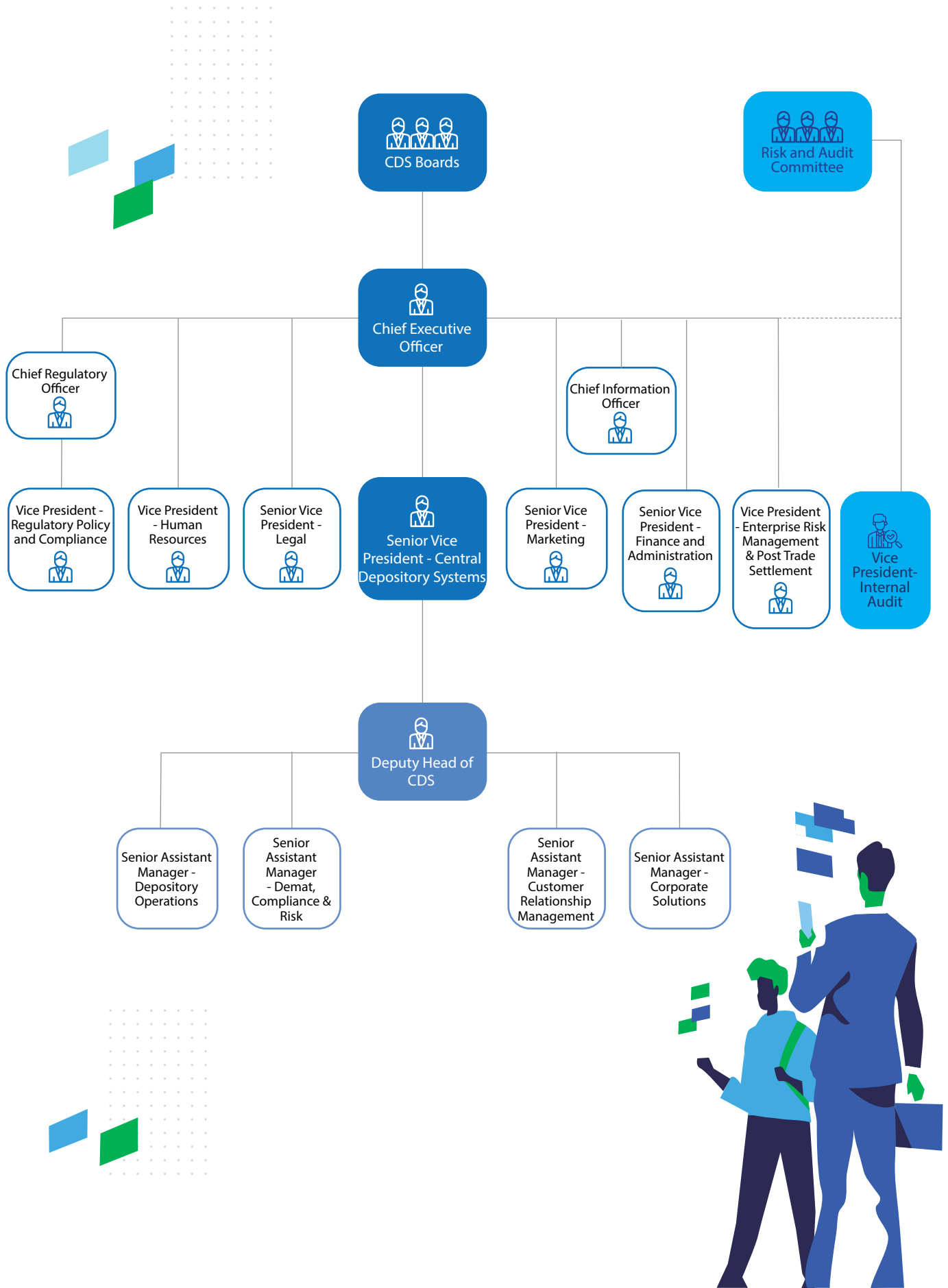
### SECURE

Confidentiality  
Internal control/audit  
Multiple verification levels



# GROUP STRUCTURE

## ABOUT CDS



# OUR SERVICES

## ABOUT CDS

### CLEARING AND SETTLEMENT

CDS facilitates settlement of funds for trades carried out by the participants through the CSE.



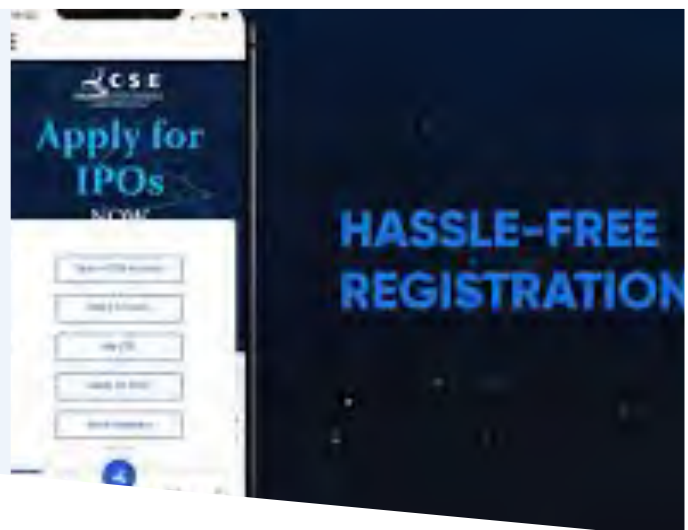
### DEPOSITORY OPERATIONS

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



### CORPORATE SOLUTIONS

Driving digitization to enhance the service delivery to corporates.







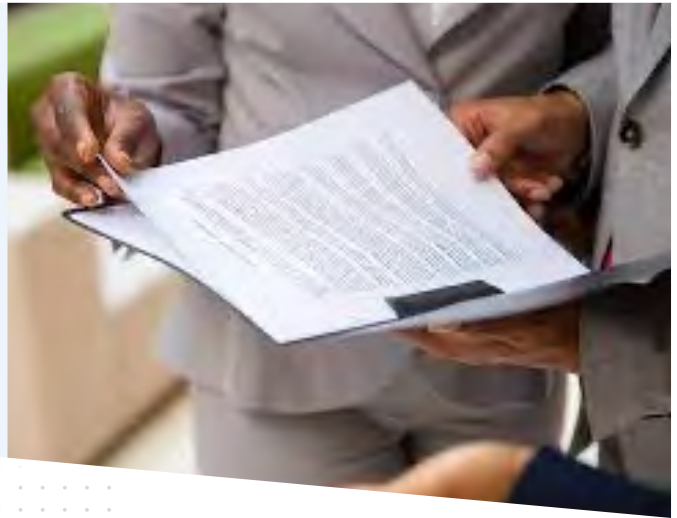
### DE-MAT COMPLIANCE AND RISK

De-Mat Compliance and Risk Unit ensures all depository operations are compliant with the applicable rules and regulations.



### CLIENT RELATIONSHIP MANAGEMENT

CRM unit was established to enhance coordination and engagement between all stakeholders.



# MILESTONES DURING THE YEAR ABOUT CDS



## 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.

## 1995



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

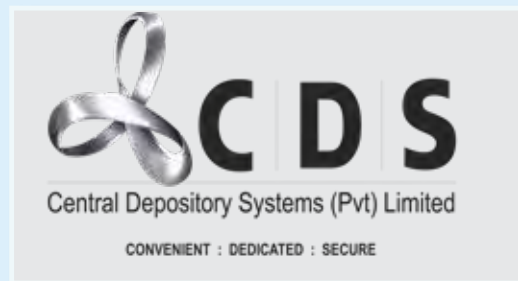
## 1992



## 1998



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



## 2006



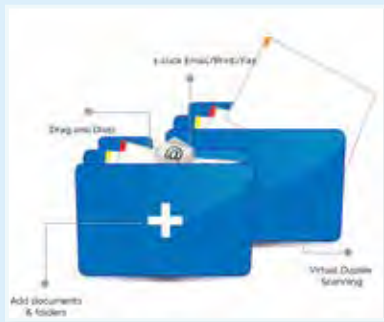
The CDS was appointed as a direct participant of the Central Bank. This paved the way for the CDS to join the SWIFT network adding a new dimension to exchanging financial information related to the Sri Lankan capital market in a secure, standardized and reliable environment.

## 2007



Single tier settlement of T+3

## 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



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.

## 2010



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

# MILESTONES DURING THE YEAR

## 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 the 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

## 2020



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

## 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



## 2021



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



## MILESTONES DURING THE YEAR



- ✦ Introduction of onboarding of Foreign individuals (via stockbroker firms) through the mobile app and ability to request to open IIA accounts from a licensed commercial bank.
- ✦ Introduction of rating of CDS Account Opening Efficiency by stockbrokers
- ✦ e-IPO Web Portal.
- ✦ Facilitating reports purchasing service through CDS e-Connect
- ✦ Digitalization of Margin Account openings.
- ✦ Digitalization of private transfers (where beneficial ownership changes of margin trading).
- ✦ Introduction of e-Nomination facility
- ✦ Onboarding of 6 new clients for Registrar Services

### Offering AGM Services



### Onboarding of new clients for Registrar Services

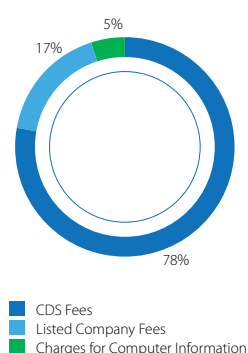


# PERFORMANCE HIGHLIGHTS

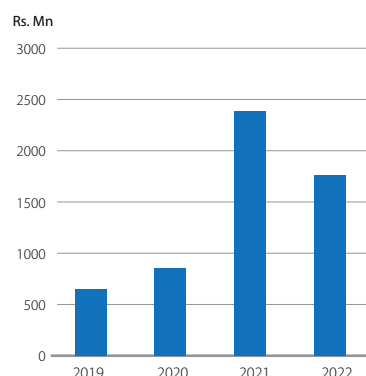
## ABOUT CDS

	Unit	2021	2022
<b>FINANCIAL CAPITAL</b>			
<b>Financial Performance</b>			
<b>Revenue</b>			
CDS Fees	Rs. Mn	518	<b>307</b>
Listed Company Fees	Rs. Mn	74	<b>64</b>
Charges for computer Information	Rs. Mn	21	<b>21</b>
Total	Rs. Mn	614	<b>392</b>
Other Income	Rs. Mn	53	<b>52</b>
Profit Before Tax	Rs. Mn	484	<b>328</b>
Profit After Tax	Rs. Mn	374	<b>238</b>
<b>Financial Position</b>			
Total Assets	Rs. Mn	2,388	<b>1,758</b>
Current Liabilities	Rs. Mn	1,281	<b>413</b>
Total Equity	Rs. Mn	1,107	<b>1,345</b>

Revenue Composition



Growth in Assets

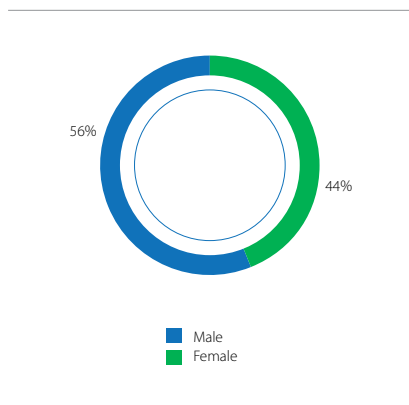


	Unit	2021	2022
<b>SOCIAL AND RELATIONSHIP CAPITAL</b>			
<b>Number of Investors (Nos)</b>			
Local	No	664,647	<b>682,547</b>
Foreign	No	10,662	<b>10,810</b>
New CDS accounts	No	37,405	<b>24,270</b>
<b>Issuers</b>			
No of public listed companies	No	296	<b>290</b>
Number of industries	No	20	<b>19</b>
<b>Participants</b>			
Stockbrokers	No	29	<b>29</b>
Custodian Banks	No	16	<b>18</b>
<b>Communities (Rs Mn)</b>			
Awareness programs (Nos)	No	408	<b>389</b>

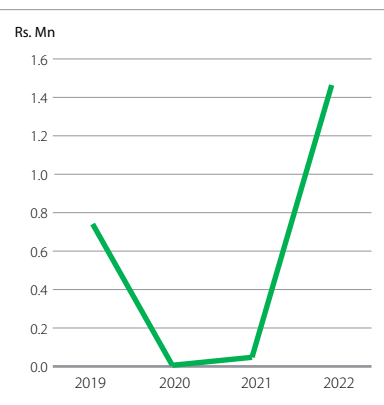
## PERFORMANCE HIGHLIGHTS

	Unit	2021	2022
<b>HUMAN CAPITAL</b>			
Number of employees	No	23	<b>25</b>
<b>Gender diversity</b>			
Male	%	52	<b>56</b>
Female	%	48	<b>44</b>
Training and development	Rs. Mn	0.05	<b>0.01</b>
Number of promotions	No	2	<b>3</b>
Employee turnover rate	%	4	<b>8</b>

Gender Representation of the Workforce



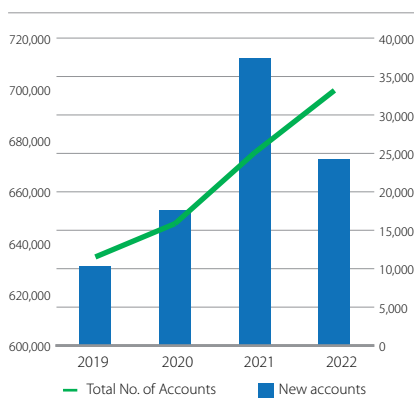
Traning & Development Expenditure



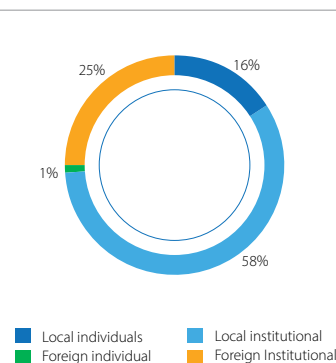
	Unit	2021	2022
<b>DIGITAL CAPITAL</b>			
No of new e-services introduced	No	4	6
System Uptime	%	99.9	<b>100</b>

	Unit	2021	2022
<b>NATURAL CAPITAL</b>			
Paper Consumption	Kg	142	<b>174</b>
Energy Consumption	KwH	234,664	<b>207,096</b>

CDS Accounts



Value of Shares by Investor Category





# A SUSTAINABLE MINDSET ABOUT CDS

We make a conscious effort to fulfill our socio-economic responsibility and are actively involved in facilitating sustainable growth for our stakeholders. Illustrated alongside are some of these efforts aligned with the UN Sustainable Development Goals



# CHAIRMAN'S MESSAGE



“

Diversification into providing Corporate Solutions has been successful as CDS deployed technology to elevate certain company registrar services, leveraging its information assets to provide a seamless solution to issuers.

”

It is my pleasant duty to present the second comprehensive Annual Report of the Central Depository Systems (Pvt) Ltd., (CDS) for the financial year ending 31<sup>st</sup> December 2022. CDS is a wholly owned subsidiary of the Colombo Stock Exchange and the only depository licensed by the Securities & Exchange Commission of Sri Lanka. CDS was the first central depository established in South Asia and the 7<sup>th</sup> in the world. It continues to innovate and expand its service offerings in order to grow capital markets in the country. CDS is now poised to diversify beyond the conventional boundaries of the capital market to areas where its intellectual capital can be leveraged to enhance relevance and returns.

CDS is incorporated as a trust under the Companies Act which was amended for this purpose as it performs vital functions necessary for the effective functioning of a securities market. CDS provided a seamless post trade electronic record keeping function which is now looking at Artificial Intelligence and Robotic Process Automation to further enhance its processes and efficiency. Its activities and fortunes are linked to the operations of its parent company, the Colombo Stock Exchange with whom CDS shares common resources.

## A TRANSFORMATIONAL STRATEGY

CDS is on a clear path to transform its business model through diversification of its business lines, leveraging 30 years of expertise as a custodian of securities valued between 17% to 30% of the country's GDP, depending on market performance.

Diversification into providing Corporate Solutions has been successful as CDS deployed technology to elevate certain company registrar services, leveraging its information assets to provide a seamless solution to issuers. The services rolled out as e-IPOs, eDividends and virtual annual general meetings continue to gain traction, serving as testimony to the effectiveness of the services provided. These services have the added advantage of ensuring that investors receive their notifications and dividends in a timely manner, eliminating delays and shaving costs.

The more challenging transformation is to move into dematerialization of other products outside capital markets, extending our services beyond the existing customer base. CDS is in advanced discussions to serve as a custodian of certifications for an academic institution together with a technical partner. The product will empower key stakeholders to store and retrieve information relating to academic credentials while also paving the

way for continued engagement.

Provision of value-added services to investors has been key to maintaining investor interest and participation in equity trading. Enhanced user interfaces provide real time information, internet-based access and convenience empowering investors to update their information and move investment portfolios from intermediaries. E-nomination rolled out during the year was a game changer for investors, eliminating filling and filing of multiple forms for each security through a user-friendly interface. CDS will also explore ways to commercialise value additions, further diversifying its revenue streams to reduce dependency on volatile revenue sources.

Compliance is a critical pillar of strategy and vital to continued operations of the CDS. Continuous learning, process re-engineering and automation drive progress in this vital area, contributing significantly to high standards of compliance, cost savings and efficiency.

### GOVERNANCE & RISK MANAGEMENT

The Board of CDS comprises elected members of the Colombo Brokers Association and reputed professionals appointed by the government who are also directors of its parent, CSE. Collectively, they bring a wealth of experience in their respective fields and insights into the effective functioning of capital markets, finance and IT. CDS conducts separate meetings and has its own Board Charter, Code of Ethics and policies, collectively providing a fit for purpose and comprehensive framework for governance.

The main assets of CDS are the 800,000 plus database of CDS account holders and the world class system provided by the renowned LSE Group although the balance sheet captures only the cost of the system. As we gather personal data about our customers, under the newly enacted Personal Data Protection Act No.9 of 2021, CDS is bound to protect their information. Accordingly, strengthening IT and Data governance aspects is key to our business and the Board continues to review the processes used to safeguard these assets and monitor the related metrics. Global standards of security management, off-site back up and BCP/DR processes, physical safeguards and layers of firewalls are deployed to manage cybersecurity risks along with regular penetration testing.

The Board is also responsible for ensuring that the CDS Rules which govern the depos-

itory and clearing functions of the CDS are compliant with regulatory requirements and work with SEC in this regard to obtain the necessary regulatory approvals. These rules are applicable to market intermediaries and any user of the CDS, serving to minimize potential risks to the counter-parties in securities transactions and are vital for the effective functioning of capitals markets. During the year, the rules were reviewed for alignment with the Securities & Exchange Commission Act No.19 of 2021 and having received the approval of the regulator is now in force.

### FINANCIAL STABILITY IN UNCERTAIN TIMES

CDS delivered a resilient performance, recording Profit After Tax of Rs. 238 Mn in a year of extreme uncertainty. While it was a decline in profits by 36%, the performance is commendable as CSE transaction volumes declined significantly after the stellar performance in 2021. Encouragingly, income from Corporate Services increased during the year although it remains a relatively small business segment yet. Operating costs, which are fixed in nature, came under significant pressure from the devaluation of the rupee as maintenance of IT infrastructure and license fees is the highest cost category. Additionally, inflation had a significant impact on local operational costs, further impacting profitability.

The funding position of CDS remains strong with equity recording a growth of 22% to Rs.1.3 Bn. Liquid assets of Rs.1.6 Bn amounting to 94% of Total Assets provide adequate liquidity buffers and headroom for investment in growth and management of technology risk.

### BROADENING OUR HORIZONS

Sri Lanka will be on recovery mode as we seek to move to positive GDP growth by 2024 in compliance with the terms and conditions of the recently approved IMF Extended Fund Facility. Increased interest in the stock market as affirmed by the upward movement of the benchmark ASPI by 9% is encouraging. Further, the net inflow of foreign funds recorded in 2022 also augurs well for the market in 2023. The demographic shift in investors profiles to a younger, more affluent and tech savvy investor also favors resurgence of the market. Further, as interest rates gradually move down and investor sentiments improve, we expect to see investors becoming more active as valuations improve, driving volumes which is the key driver for CDS. Equity is a well established part of diversified asset portfolios and

resilient corporate earnings are expected to sustain interest and drive growth.

The demutualization of the CSE and compliance with the new SEC Act will be key areas of focus for the Board in 2023. The demutualization will pave the way for the appointment of a separate Board of directors for CDS, ensuring compliance with high standards of governance under advisement from the International Finance Corporation. This will support the separation of CDS functions as CDS evolves into an entity that can operate independently of the CSE. CDS operations will be segregated with the operationalisation of a clearing house, narrowing its business model to its core function of a depository in line with the new SEC Act. Progress on these structural changes will be carefully monitored to ensure that the outcomes will collectively support the operation of a globally competitive capital market for securities in Sri Lanka.

Ensuring our digital architecture is fit for purpose and supports commercialisation of services will also be a key area of focus as we move towards focusing on our core business. Membership of the Asia Pacific Central Securities Depository Group supports our evolution through shared experiences of positive outcomes in this regard and we will continue to maintain an active presence in this key industry network.

### ACKNOWLEDGEMENTS

I commend the team for its untiring commitment to CDS operations in a year of unexpected twists and turns and thank them for their efforts. I am appreciative of the contributions made by Board members on matters set before the Board. I take this opportunity to thank the SEC for their cooperation and the investing community for their active participation. We count on the support and confidence of our key stakeholders as we move towards the recovery of the country and restoring the buoyancy of security trading in the country.

**Mr. Dilshan Wirasekara**  
Chairman



# CEO'S MESSAGE



“

The CDS will continue to explore value added services which can be offered to investors, empowering them to manage their own portfolios and finances. In 2022, CDS implemented a feature enabling investors to nominate beneficiaries online which was a game changer.

”

## 2022 HIGHLIGHTS

As at  
31.12.2022

INVESTOR ACCOUNTS	▲ 3%
ACTIVE INVESTORS	▲ 8%
INVESTORS OUTSIDE WESTERN PROVINCE	▲ 3%
SUBSCRIBERS FOR MOBILE APP	75,670
INCOME FROM REGISTRAR & CORPORATE SERVICES	RS.29 Mn
E-DIVIDEND ISSUES HANDLED	41

## New Services Launched in 2022

Digital onboarding of Foreign Individual Accounts.

Digital onboarding of Margin Trading accounts.

e-Nominations for CDS account holders.

## Dear Stakeholder,

I am pleased to report that CDS has recorded a commendable performance in a year of turmoil in the country, ensuring business continuity and delivering a profit after tax of Rs. 238 Mn. Innovation in digitalizing and managing securities continues to drive our growth as we explore horizons beyond the traditional business to get more from the core while moving into adjacent businesses that enhance our value proposition to key stakeholders.

## CONVERGING CHALLENGES

The performance of CDS is closely aligned to the performance of our parent, the Colombo Stock Exchange as we operate as the central depository for securities issued by listed entities (issuers) and investors who buy, sell or hold these securities. As the economic crisis unfolded in the country, negative investor sentiments and the successive sovereign ratings downgrades led to a downturn in the key indices. Increasing interest rates also offered lucrative returns and increased costs of borrowing for trading purposes. Additionally, investors also experienced a decline in disposable incomes as inflation and taxation increased, reducing their capacity to invest.

Accordingly, the All Share Price Index (ASPI) which gained 80% to 8,489 in 2021, declined by 30% in 2022 reflecting the country's straitened economic conditions and weaker economic outlook. Trading volumes declined by 51% from 59.7 Bn in 2021 to 29.0 Bn in 2022 mirroring the weaker appetite for equity investments. Although foreign investor activity was minimal as a result of the sovereign downgrades, 2022 saw a net inflow of foreign funds after 5 years. The number of trades declined by 26% from 8.1 Mn to 6.0 Mn while market capitalisation declined by 30% to Rs. 3,847 Bn reflecting the resilience of the market in a year of unprecedented uncertainty. The number of domestic investors increased reflecting the combined strength of CSE's outreach activities and CDS digital platforms. Importantly, the number of active investors increased from 63,000+ in 2021 to 68,000+ in 2022.

## A FRAGILE RECOVERY

The second half of the year witnessed a change in the political leadership and the country moved forward with negotiations with the IMF for an Extended Fund Facility. Inflation peaked in September 2022 and has been moving down gradually for 6 consecutive months in response to policy measures although it remains at elevated levels. Interest rates are also easing although borrowing costs remain relatively high. Foreign exchange rates which moved up 80% in 2022 have stabilised with the rupee appreciating marginally towards end March as the first tranche of the IMF facility was disbursed. Encouragingly, the market recovered in the first quarter of 2023 with the ASPI moving up to 9,039 by 31st March boosted largely by domestic investor activity and an uptick in investor sentiment. Tourism and Work Remittances have also moved up gradually, contributing to ease the foreign exchange liquidity. Apparel exports which remained resilient throughout the turmoil, declined in the first two months of 2023 as global demand weakened and presents a high impact downside risk. Uncertainty remains regarding the debt restructuring which is yet to be finalized as it requires the cooperation of debtors. 2022 was a watershed year and the country is expected to stay on course to a positive GDP growth in 2024 after the contraction of 7.8% in 2022 as estimated by The World Bank.

## STRATEGY & AGILITY

Our strategy was focused primarily on three areas, namely, digitalization and fintech, diversification and commercialisation. This builds on the past success of implementing Delivery Vs Payment settlement in 2022, paving the way for a new era of digitalization of the CDS. The digitalization and fintech strategy allows CDS to move faster by sourcing relevant solutions from carefully selected fintech partners, enhancing relevance to stakeholders and accelerating growth. It covers a range of planned activities including enhancing interfaces, use of artificial intelligence for compliance and implementing robotic process automation for repetitive tasks. There is a strong pipeline of projects in this regard which are progressing well and we expect to implement some in 2023.

Diversification is a key strategy for CDS as we seek to diversify into non-conventional areas adjacent to our core competencies, stabilizing revenues. The foray into Registrar functions is an example of this as CDS offers technology-based solutions for tedious and repetitive tasks facilitating efficiency and effectiveness in execution. As a result, e-dividends reach shareholders bank accounts while rights issues are managed expeditiously with timely communications and allocations to shareholders. A separate unit has been established to expand these corporate services enhancing efficiency, reducing turnaround times and setting new benchmarks for service standards.

Commercialisation of value-added services which have been provided free of charge to all stakeholders is another area of focus to facilitate cost recovery for services provided. These are being carefully examined to balance value to stakeholders and the costs of providing such services together with the impact on overall market performance.

The CDS will continue to explore value added services which can be offered to investors, empowering them to manage their own portfolios and finances. In 2022, CDS implemented a feature enabling investors to nominate beneficiaries online which was a game changer. Previously, investors needed to physically submit written nomination forms to each issuer for transfer of shares in case of death. The online feature enables investors to appoint a nominee/nominees for the entire portfolio, eliminating the need to submit multiple forms to many issuers which is a game changer for investors,

## PERFORMANCE

Converging challenges in 2022 increased volatility and uncertainty in the country leading to social unrest and political instability which undermined investor confidence in the country's capital markets. Consequently, trading volumes and values which are the key drivers of increased by 11.1% and declined by 28.8% respectively.

CDS revenues recorded a 36% decline over the 2021 as revenues dipped to Rs. 391 Mn as the economic outlook for Sri Lanka and

## CEO'S MESSAGE

the world weakened amidst rising inflation. Other Income declined marginally by 2% to Rs. 51.6 Mn strongly supported by Registrar Service and Corporate Actions Income of Rs. 29 Mn which increased by 25% during the year as CDS set a new bar for service excellence in this sphere, using technology to disrupt legacy business models. Staff cost increases were curtailed to 5% despite increasing pressure as inflation moved up. Operating costs increased by 50% to Rs. 259 Mn which is largely attributable to a 78% increase in CDS Systems Maintenance as the devaluation of the rupee increased the cost of software licenses and related fees which are payable in foreign currency to external suppliers. Finance income increased by a multiple of 4 to Rs. 211 Mn as interest rates increased sharply, aided by increased policy interest rates and domestic liquidity issues which are now easing. Profit before tax declined by 32% to Rs. 328 Mn largely due to effective cost management across all cost categories. Taxation declined in line with taxable income to Rs. 89.9 Mn although the tax rate increased from 24% to 30% from 1st July 2022. As a result, CDS recorded a Profit after tax of Rs. 238 Mn which is commendable given the extreme uncertainty and volatility navigated in 2022.

The Balance sheet contracted as the Brokers' Liquidity and Margin Deposits decreased from Rs.1,178 Mn in 2021 to Rs. 326 Mn in 2022 in line with year end trading volumes. The deposit is determined by the value of trades of the last 3 days of trading which marked a significant decline. Consequently, Total Assets declined by 26% to Rs.1,758 Mn largely due to the cash and cash equivalents of 69% due to the decline in the Brokers Liquidity Margin & Deposit. Other investments which comprises mainly Treasury Bills and Fixed Deposits increased by 38% to Rs.1,198 Mn while a further Rs.100 mn was invested in Treasury Bonds. Equity funding accounts for 77% of the Total Equity & Liabilities with zero interest bearing debt, reflecting prudent financial management and a cautious risk appetite balancing the volatility of market movements. CDS maintains a strong liquid position with

sufficient resources to invest in game changing growth at an appropriate time.

### A TECHNOLOGY DRIVEN TEAM

Primarily a technology based company, CDS is transforming its business model to expand its menu of services into non-traditional areas leveraging the expertise of a committed team. Continuity in business operations in an extraordinary year is testimony to the skills and dedication of the team as they overcame multiple challenges to deliver a stable platform This was vital to maintain investor confidence in the effective functioning of markets as any downtime in this critical year would have served to further erode confidence.

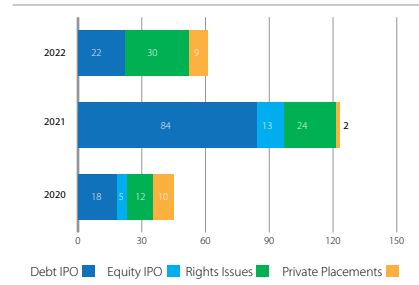
Salary increments were processed during the year which served to ease the inflationary pressures although the decrease in variable pay resulting from the decline in profitability posed a challenge. We are conscious that increased taxation from January 2023 will reduce the net take home of many employees and are exploring means to support them. Talent retention is critical to CDS, particularly as talent pools have diminished with increased economic migration. The CDS is able to attract talent due to its prestigious and unique positioning as the sole licensee for operating a central depository system in Sri Lanka and its proven track record of embracing new technology. CDS also continues to offer flexibility in working, moving to a hybrid model as pandemic concerns eased.

### REGAIN & RECOVER

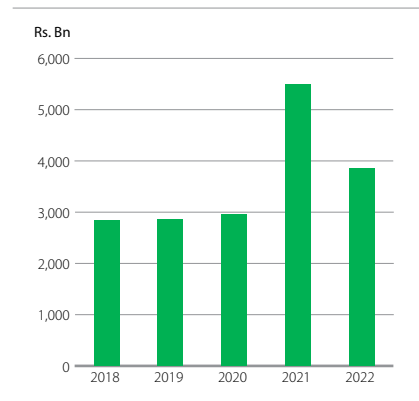
The first quarter of 2023 witnessed an easing of the stresses and strains that marked 2022. Investor sentiments have also improved although further stabilization and recovery milestones need to be cleared to regain the buoyancy that marked 2021. Technology served to attract a youthful tech savvy demography to capital markets who also have a sustainable resource base that has supported the early uptick in trading, reflecting the importance of technology in creating a stable and vibrant capital market.

## HIGHLIGHTS 2021

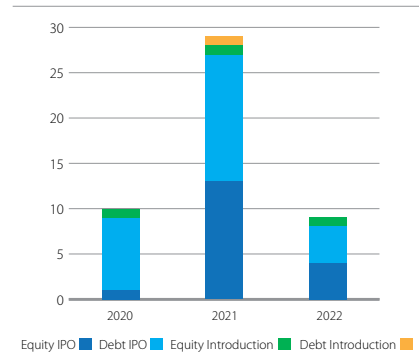
Funds Raised (Rs.Bn)



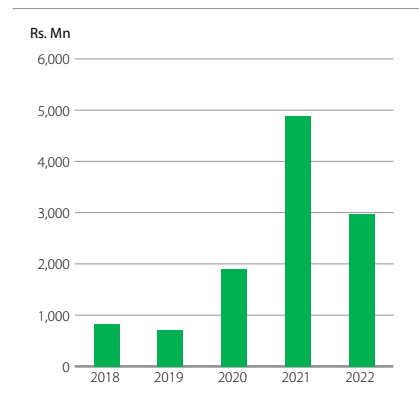
Market Capitalization (Rs.Bn)



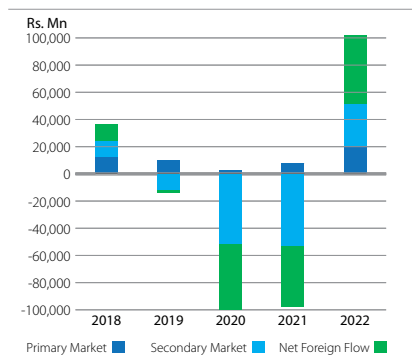
New Listings (No)



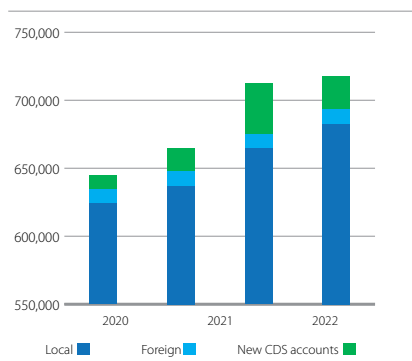
Daily Average Market Turnover (Rs.Mn)



Foreign Tradings (Rs.Mn)



Investors (No.)



The CDS continues to seek opportunities for growth leveraging its specialised infrastructure and skills and is engaged in advanced negotiations with a technical partner, moving forward to its initial venture outside the capital market. It will also continue to implement its strategy to enhance the value propositions for the different market participants, strengthening its core offering while commercializing the same.

The SEC Act No.9 of 2021 requires the establishment of a clearing house separate to the central depository system. The segregation of functions between the CDS and the Clearing company has already taken place and this has changed the business model of CDS,

## THANK YOU

I am deeply appreciative of the smart work by a small dedicated team at the CDS ably supported by the CSE team that enabled CDS to navigate the unprecedented challenges of the past year and I take this opportunity to commend their efforts. I thank the CDS Board for wise counsel and strategic guidance during the year which was invaluable. In conclusion, I thank our stakeholders for the role they played in our performance and trust they will continue to remain active participants in the years ahead as we seek to regain lost ground and transform our business beyond the ordinary.

**Mr. Rajeeva Bandaranaike**  
Chief Executive Officer

# SENIOR VICE PRESIDENT OF CDS'S MESSAGE



“

Every service added is a milestone and reflects innovation-led evolution as we diligently explored ways in which we could digitalize a process and provide efficient and effective solutions to our stakeholders.

”

## 2022 HIGHLIGHTS

PROPORTION OF SECURITIES DE-MATERIALISED

EQUITY 97.3%

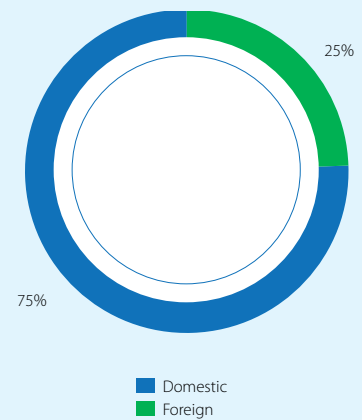
DEBT 100%

SECURITIES HELD IN CUSTODY

151.5 Bn

VALUE OF SECURITIES HELD

RS.5,503 Bn



NO. OF ACCOUNTS EXCLUDING MULTIPLE REGISTRATIONS

693,357

NO OF ACCOUNTS INCLUDING MULTIPLE REGISTRATIONS

914,325

NEW ACCOUNTS IN 2022

24,270



### Dear Stakeholder,

The CDS continues to build on its heritage as the first depository in South Asia and one of the first few globally, keeping alive the pioneering spirit, the grit and determination to succeed that defines our culture even today. The ability to look inwards, identify areas for improvement and evolve has developed over decades as we always benchmarked performance with our overseas counterparts as we were the first depository in the country. The unique capabilities developed include the technical capabilities in IT, the ability to manage projects and deliver on time and the ability work with multiple stakeholders including regulators to deliver future fit solutions.

CDS has a 30 year track record of providing depository services for equity and debt securities in public listed companies to the investing public in the country. The value of securities lodged with the CDS amounted to almost 31.2% of the GDP in 2021 although it fell to 22.2% by 2022 reflecting the

importance of the role CDS plays in the country's capital markets and the economy. Our values are the foundation on which our services and culture are built, "Convenience and efficient, dedication and secure with trust and integrity."

### A COMPREHENSIVE MENU OF SERVICES

Commencing our journey providing custodian and clearing services for the CSE, we have expanded our service menu to support market participants with specialised services, moving well beyond our initial mandate to strengthen the value propositions for our diverse stakeholders. Our current menu of services set out below is testimony to our commitment to provide holistic solutions, reimagining legacy systems and processes to deliver functional, convenient and compliant solutions that support wealth creation.

Every service added is a milestone and reflects innovation-led evolution as we diligently explored ways in which we could digitalize a process and provide efficient and effective solutions to our stakeholders. In 2022, CDS added a new feature to facilitate the transmission of shares and nominations, simplifying a cumbersome process where investors needed to send a separate form to each issuer to facilitate the transmission of shares. Through the CDS, the investor is able to do this by filling a single online form and applying it to the entire portfolio at the click of a button. This serves as an example of the approach we take to reimagine a digital offering for legacy processes. The impact of the digitization is significant as it makes the stock market more accessible to potential investors who do not need to travel for physical meetings to execute transactions. It makes the market more efficient and inclusive, extending opportunities for participation in the country's capital markets to a greater part of the population.

#### ISSUERS

- IPO Management Services
- Market Information Management
- Asset Management Services
- Virtual AGM Services
- Registrar Services

#### INVESTORS

- Clearing & Settlement Services – Account Services
- Corporate Action Management Services
- E Services

#### INVESTMENT BANKS

- Online IPO Management Services
- Corporate Action Management Services



#### PARTICIPANTS

- Demat Services
- Digital Client Onboarding Services
- Account Reconciliation Services
- Custodian Bank Services

#### MISCELLANEOUS SERVICES

- ISIN Issuance to Treasury Securities Administered by CBSL
- Repository Services to profit and nonprofit institutions

#### UNLISTED ENTITIES

- ISIN Issuance

#### SUPPLEMENTARY SERVICE PROVIDERS

- Data Products and Information Services
- Issuers Reconciliation Service

## SENIOR VICE PRESIDENT OF CDS'S MESSAGE

### EXPANSION, COMMERCIALISATION AND DIVERSIFICATION

CDS has a three-fold strategy: expand the service menu within its core area of expertise, commercialise services and diversify beyond the stock market. This strategy seeks to grow and stabilise revenue streams and performance of the CDS which is directly co-related to the performance of the CSE at present.

There is potential to expand the menu of services provided to stock market participants, delivering premium value-added services. We will continue to explore these avenues for growth and ensure that our core market supported with relevant services that will support its growth. Projects in the pipeline include eRights, eOffers and accreditation of CDS as a Local Operating Unit to issue Legal Entity Identifiers, to name a few. Commercialisation of services in line with globally accepted norms will be another area of focus, strengthening the business model.

Having digitalized the core processes that support the operations of the stock market, CDS is now ready to move into new markets to dematerialize other certificates that need or can benefit from secure custodian facilities, connecting both the issuer and the recipient. This strategy has the added advantage of reducing the volatility of revenue which is dependent on the performance of the share market. Venturing into new areas will support greater stability in revenue over the medium term, as we expand into new markets. After initial discussions, we are now working with an academic institution together with a technical partner to deliver a future fit solution. We are excited by the potential we see in the markets outside the traditional capital markets role played by depositories and are eager to establish our credentials as a secure custodian in new markets.

### 2022 IN NUMBERS

During 2022, investors opened 24,270 new accounts in the CDS with 18,048 of them without multiple registrations reflecting continued interest in participating in the stock market. With this, the number of CDS accounts increased to 914,325 accounts

with 693,357 accounts excluding multiple registrations. The ratio of total accounts to unique accounts remains virtually unchanged at 1.3 from 2021 to 2023. Local individuals account for 96.6% of accounts reflecting strong domestic participation in capital markets.

The number of securities held in custody increased by 15 Mn, an increase of 11% over the previous year to close at 151.5 Mn securities. Value of securities declined by 30% to Rs.3.9 Trillion during the year as market capitalisation declined. Domestic investors held 81% of the number of securities with foreign investors holding the balance at the close of the year. Domestic investors account for 81% of the accounts and 75% of the value of securities while foreign investors account for 19% of securities and 25% of the value reflecting the foreign interest in securities of higher value.

Local companies account for 59% of the number of securities and 60% of their value and are the dominant investor category. Local individuals hold 22% of the number of securities that account for 15% of the value reflecting an appetite for lower value shares. Foreign companies hold 17% of securities which account for 24% of value.

### RESILIENT & STABLE

CDS has a strong balance sheet with total assets of Rs.1.76 Bn funded by equity of Rs.1.35 Bn. Financial investments and cash and cash equivalents account for 90% of Total Assets providing ample liquidity for operations and headroom for growth. Despite the economic downturn in 2022, CDS turned in a profit after tax of Rs.238 Mn, which was boosted by Net Finance Income of Rs.211 Mn. This highlights the need for diversifying income to more stable sources which are independent of volatile drivers.

### PEOPLE DRIVEN

Every sound tech business is people driven and CDS is a good example of how people and machines can combine to create wealth creation opportunities in an inclusive manner. A technically competent and professional team drives our innovation and expansion.

Committed to ensuring that markets function efficiently, the team upholds our core values, demanding a high standards of care and professionalism from themselves. I am privileged to lead a self-motivated team who take a structured approach to issues and work through them with discipline while exploring random possibilities with the artlessness of blue sky dreaming.

The economic challenges in 2022 impacted everyone as cost-of-living exerted pressure on disposable incomes and savings. Salary increments were awarded although bonuses will be affected by performance during the year. As we moved to normalization of the work week, CDS continues to offer flexibility in opting for hybrid work, enhancing the employee value proposition with non-cash benefits. The country witnessed diminishing talent pools due to economic migration and this is a key risk for CDS. We were fortunate to retain critical talent and continue to be blessed with the ability to attract top talent due to the national role played by the CDS as well as the opportunity to work in an intellectually stimulating field of work. We continue to monitor the developments in this regard as the demand for talent nurtured within CDS is high, both within the country and overseas.

### A NEW PLAYING FIELD

We are encouraged by the positive signs of economic recovery observed in the first quarter. Investor sentiments have also improved as signaled by the uptick in market activity and the ASPI. The custodian and depository functions for the CSE are stable at present and is on auto drive for the most part. However, the performance in 2022 clearly highlighted the need for diversification into green field markets, changing perceptions and convincing pivotal players to dematerialize valuable documents and digitalize legacy systems that have been in place for more than a century or at least several decades. That will be overarching medium term goal for CDS.

Expanding value added services to stock market participants is relatively low hanging fruit and we will continue to innovate in this

area. Commercialisation of services will be more difficult and needs careful balancing to sustain growth momentum of key drivers.

#### **APPRECIATIONS**

I am grateful to the CEO, Mr.Rajiva Bandaranayake and the Board for their guidance and encouragement during a difficult year. I take this opportunity to thank my team for bringing their best ideas and honing their abilities as we look to forge new pathways. I also wish to convey my appreciation of the team at CSE and SEC with whom we work together on many projects to deliver game changing solutions. In closing I thank the investors, issuers and market participants who drive our growth for their continued engagement and count on their continued trust and confidence in the year ahead.



**Mr. Nalin Fonseka**

*Senior Vice President - Central Depository Systems*

# BOARD OF DIRECTORS



**MR. DILSHAN WIRASEKARA**  
Chairman

**Mr. Dilshan Wirasekara**  
*Elected Non-Executive Director*  
Chairman with effect from  
23rd June 2022  
Appointed: 21st November 2017

#### Skills & Experience

Investment banker by profession with a career spanning over 27 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

Managing 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. Ray Abeywardena**  
*Elected Non-Executive Director*  
Appointed: 13th June 2013

#### Skills & Experience

Associated with Sri Lanka's capital markets for over 37 years, primarily as a Stockbroker and since 2009 as an Investment Banker.

**MR. RAY ABEYWARDENA**  
Director

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. Dimuthu Abeyesekera**  
*Elected Non-Executive Director*  
Appointed: 1st February 2019

#### Skills & Experience

Mr. Dimuthu Abeyesekera is an experienced capital market professional counting over 33 years in the industry.

He is a veteran capital market professional and 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 specialized financial services organization managing assets worth over US\$ 35 Billion with a network of offices around the world.

Director at Asha Financial Services Ltd, a Specialized Margin Trading Company in Colombo.

#### Previous Appointments

Chairman of the Colombo Stockbrokers Association (CSBA).

Chairman at Kalamazoo Systems PLC.

**MR. DIMUTHU ABEYESEKERA**  
Director

**Mr. Kosala Gamage**  
*Elected Non-Executive Director*  
Appointed : 20th October 2022

#### Current Appointment, Skills & Experience

Mr. Gamage, is a senior figure in the Sri Lankan capital markets, with over 27 years of experience in handling local and foreign investments in the Colombo Stock Exchange.

In the year 1995 he joined Lanka Securities (Pvt) Ltd, a joint venture Stockbroking Company collaborated with Bank of Ceylon group and First Capital Securities Corporation, Pakistan.

Moving forward successfully from the post of Investment Advisor to the position of Director Sales in the same Company, he was again appointed as the Managing Director / CEO of the Organization in the year 2008, which he holds to date.

#### Other Current Appointments

Mr. Gamage is Representing M/s. Renuka Consultants (Pvt) Ltd as a Director in their Board.

#### Previous Appointments

He was the President of the Colombo Stock Brokers Association (CSBA) from the year 2019 to 2021.

**Mr. Jayantha Fernando**  
*Appointed Non-Executive Directors*  
Appointed: 21st February 2020

#### Skills & Experience

An Attorney with over 20 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, Digitization of capital markets, Dispute resolution in ICT Projects and negotiating contracts for large digital solutions.

Mr. Jayantha Fernando 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 authentica-



**MR. KOSALA GAMAGE**  
Director

tion technologies at national and sectoral level at Lanka Clear, through Central Bank.

He led Sri Lanka's entry to the Budapest Cyber-crime 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.

Mr. Fernando holds a specialized Masters in Law (LLM) in IT & Telecommunications Law from the University London, read on a Chevening Scholarship awarded by UK 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.

Elected Bureau Member, Council of Europe Cyber-crime Convention Committee (T-CY), Strasbourg, France.

#### Previous Appointments

Chairman, Sri Lanka CERT (Computer Emergency Readiness Team).

Commissioner, Securities and Exchange Commission of 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.

#### Mr. Suren De Silva

**MR. JAYANTHA FERNANDO**  
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, privatization). 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 DL & 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 Organizations and overseas companies.

Advising and representing Parties in Commercial Arbitrations.

Member of the National Intellectual Property Commission in the year 2002 to 2004.

#### Mr. Arjuna Herath

**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 Organizations.

#### 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 Organization 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.

# 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. Nirosan 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



**Mr. Nadeera Athukorale**  
Deputy Head of CDS



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



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



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



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

# CORPORATE GOVERNANCE

## STEWARDSHIP

GRI 2-14

### Dear Members,

The CDS which is a wholly owned subsidiary of the Colombo Stock Exchange, is committed to upholding the highest standards of corporate governance as it is a vital requirement of a key stakeholder in the country's capital market. A Board comprising wholly of non-executive directors lays a strong foundation for high levels of objectivity in exercising judgement on matters set before the Board. The commitment to governance remains the constant in a volatile operating environment and the Board has worked together with management to steer a course through with adequate buffers where necessary.

The CDS operates as a licensed central depository of securities necessitating a high level of diligence and oversight by the Board to ensure that we have a sufficiently robust structure, policy framework, fit for purpose systems and comprehensive internal controls. The CDS is supported by the well-established governance structures and policies of the parent company, enabling the Board to discharge its duties effectively. The systems and internal controls also come within the purview of the Audit Committee of the CDS, which consist of the same members of the Audit Committee of its parent company. Audit Committee who supports the Board of CDS in discharging its duties relating to financial reporting, risk management and internal controls. Additionally, the Board of the CDS deliberated on the changes necessary for compliance with the enactments of the SEC Act No.19 of 2021 which having received approval from the regulator is now in force.

During the year under review, we introduced a new Board Charter and a Code of Conduct for the Board strengthening the governance of the CDS. The CDS will also go through structural changes with the demutualization of the CSE with the segregation of functions as a depository and clearing house and changing the business model of CDS. The Board of the CSE sought the guidance of the International Finance Corporation (IFC) in reviewing the readiness of its governance structures and mechanisms to operate as a demutualized stock exchange and received several recommendations in this regard. The changes in the governance structure of the parent company will contribute positively in respect of the overall governance structure of the CDS. These will be implemented under the advice and guidance of the regulator, SEC.

On behalf of the Board of Directors of the Central Depository Systems (Pvt) 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.

Governance continues to be the cornerstone of both the CDS and CSE, building confidence in the country's capital markets as we look to support the recovery to higher levels of trading as observed in 2021. As the role of the CDS continues to evolve, governance structures and mechanisms must keep pace. As Chairman of the Board of this dynamic entity, I am committed to driving the necessary changes to ensure that CDS continues to uphold its legacy as a licensed depository of securities.



**Dilshan Wirasekara**

Chairman

25th May 2023



**LEGAL FORM**

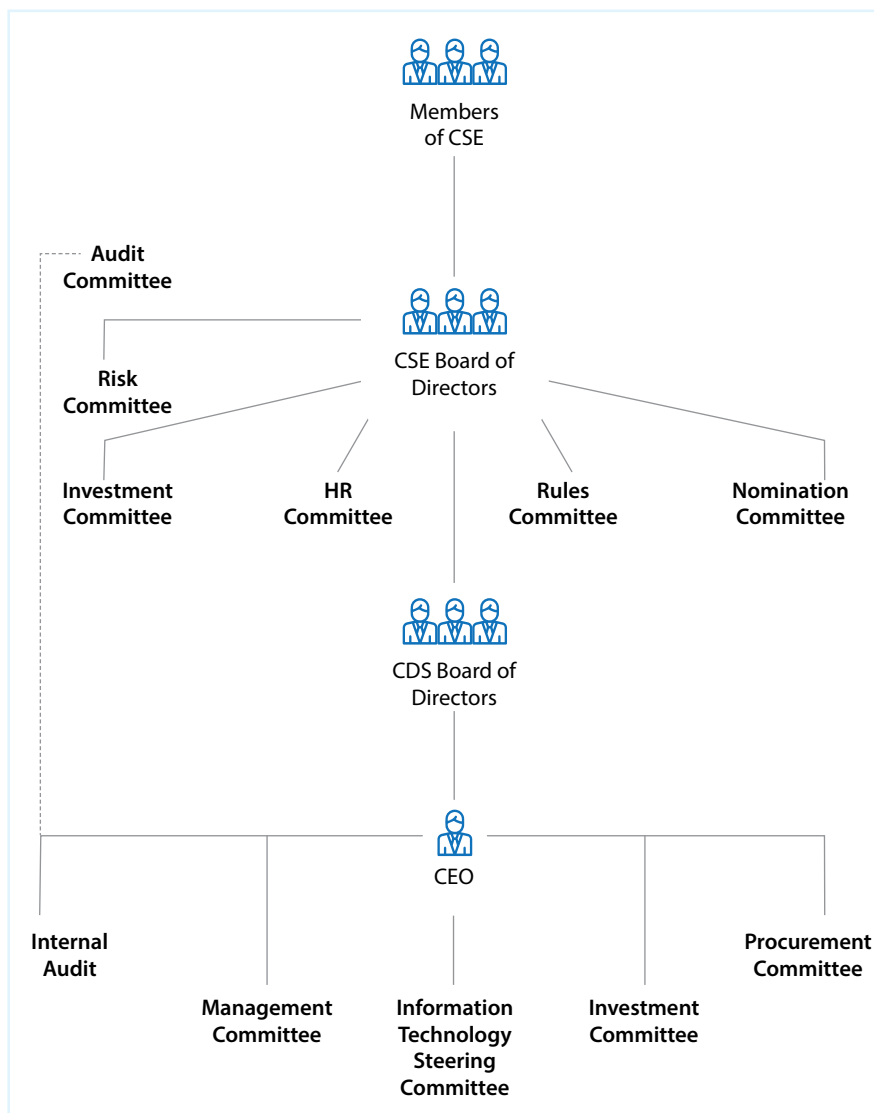
- Central Depository Systems (pvt) Ltd (CDS) is a limited liability company and wholly owned subsidiary of the Colombo Stock Exchange. It operates under license issued to carry out functions of a Central Depository and settlement functions under a clearing house supporting the Colombo Stock Exchange.
- The Board of Directors of the CSE also serve as Directors of the CDS.

**OVERVIEW**

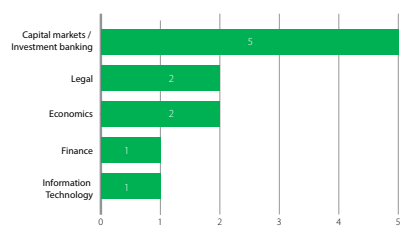
- All Board members are non-executive.
- The Board Charter sets out the roles, responsibilities and duties of the Board
- Roles of Chairman and Chief Executive Officer are separated
- The appointment and removal of the Company Secretary is a matter for the entire Board
- The Board and committees of the 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 incurred in connection with the business or management of the company
- An annual declaration of director's interests is obtained from all directors
- A Conflict of Interest 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 CSE and CDS
- CDS has its own Board Committees:

- Risk Committee*
- Audit Committee*
- Nomination Committee*
- HR Committee*
- Rules Committee*

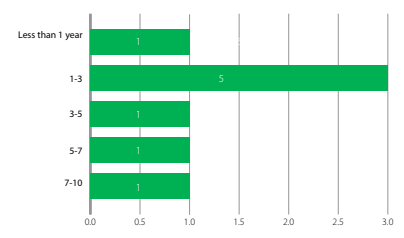
These separate Committees were established in 2022.



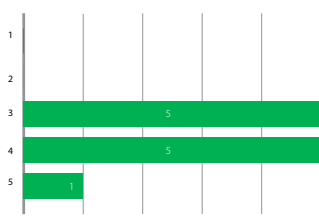
**Skills & Experience**



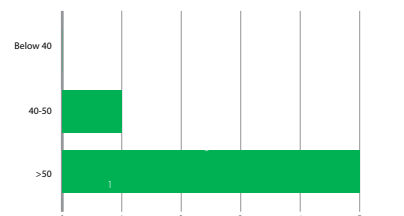
**Tenure on Board**



**Sub-committee Memberships**



**Age Diversity**



# CORPORATE GOVERNANCE

GRI 2-2, 2-24

## CORPORATE GOVERNANCE REPORT

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 CSE 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.

### Corporate Governance Highlights 2022

- Resignation of Mr.Dumith Fernando as Chairman and appointment of Mr.Dilshan Wirasekera as Chairman
- Resignation of Mr.Asanga Seneviratne
- Appointment of Mr. Kosala Gamage
- Introduced a Board Charter for CDS
- Establishment of Board Committees of the CDS
- Introduced a separate Code of Conduct for CDS
- Introduced annual Fit and Proper declarations which were obtained for CDS
- Board and Board Committee evaluations were done for 2021 and 2022.
- Board induction programme was conducted for Mr.Kosala Gamage

## AN EFFECTIVE BOARD

The Board of CSE also functions as the Board of CDS and comprises wholly of non-executive directors, . Board meetings are held to review operations of the CDS on a monthly basis.

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 IT, Finance, HR, Legal, Compliance , Internal Audit 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.

Code Ref	D.6	D.6.1
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Code Ref	A1.1	A1.5
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## BOARD MEETINGS

Code Ref	A1.1	A1.6	A6
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Regular Board meetings are held monthly with special Board meetings being convened as the need arises. The required quorum for a meeting is at least 3 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.

Director	Board		Governance Committees						Other					
	Board Meetings	Special Board Meetings	Risk & Audit	HR	Nominations Committee	Investment Committee	Arbitration & Disciplinary	Dispute Resolutions	Member Evaluations	Market Infrastructure	AGM/EGM	SEC	Others	
Mr Dilshan Wirasekara	11/14	4/4	4/4	1/1	2/2	3/3		2/2		5/5	2/2	3/3	4/4	
Mr Ray Abeywardene	13/14	4/4				3/3					2/2	2/2		
Mr D.S. Abeysekera	11/14	3/4					1/3	1/1	3/3		2/2	2/2	3/3	
Mr. Kosala Gamage (Appointed on 20th October 2022)	3/3											1/1		
Mr Jayantha Fernando	12/14	3/4		1/1			3/3	8/9		1/5	1/2	1/2	3/4	
Mr Arjuna Herath	13/14	3/4	4/4		2/2	3/3	3/3	9/9	3/3		2/2	2/2	2/2	
Mr Suren De Silva	13/14	4/4	4/4		1/2		3/3	8/9	3/3		2/2	3/3		
Mr. Dumith Fernando (Resigned on 23rd June 2022)	8/8	3/3		1/1				1/1			1/1	2/3		
Mr Asanaga Senevirathne (Resigned on 22nd September 2022)	8/11	2/3									0/1	1/1		

The Board has resumed physical meetings as pandemic concerns waned but have the additional capability for members to join in even if they are unable to attend physically enhancing attendance and participation.

# CORPORATE GOVERNANCE

## BOARD RESPONSIBILITIES

The Board Charter for CDS was approved & adopted by the Board in July 2022 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.

Code Ref	A1.2	A1.3
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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 the 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 up to 2026 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 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

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.

Code Ref	A1.4	A1.5
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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 Risk Committee, Audit Committee, Rules Committee, HR Committee and the Nomination Committee 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 Committee	4 members	Ensure the establishment of an appropriate risk management framework within the CSE Group including its enforcement.
Audit Committee	3 members	Monitor the integrity of financial statement and review internal controls and work of internal/ external audit functions
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.
Nomination Committee	3 members	Review and evaluate any nomination to be appointed as a Member of the CDS Board.
Investment committee	3 members	To oversee investment activities by assisting and guiding, in the management of the Group Investment Funds in compliance with the Group's investment policies.

### 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 Committee Activities Related to CSE Group during the year

Committee	Summary of Activities
<b>Rules Committee</b>	<ul style="list-style-type: none"> <li>• No Rules Committee meeting were held during the year 2022. All rule amendments were directly considered and approved by the CSE and CDS Boards.</li> </ul>
<b>Risk and Audit Committee</b>	<ul style="list-style-type: none"> <li>• Approved the annual internal audit plan.</li> <li>• Oversee the progress of the internal audit function.</li> <li>• Reviewed internal audit reports and determine whether critical risks are mitigated.</li> <li>• Reviewed debtors follow up procedure and approved a new procedure for the debtors follow up for more efficient and effective collections</li> <li>• Approved a new policy for more prudent bad debt provisioning and also approved new policy for write back of long outstanding Sundry Creditors and Accrued Expenses.</li> <li>• Recommend the appointment of external auditors and review their independence</li> <li>• Oversaw and reviewed the recommendations under the Quality Assurance Improvement program for the Internal Audit function</li> <li>• Reviewed key Management Letter points.</li> </ul>
<b>HR Committee</b>	<ul style="list-style-type: none"> <li>• Review and recommended 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>Investment Committee</b>	<ul style="list-style-type: none"> <li>• Reviewed Investment policy</li> <li>• Reviewed existing investment portfolio and recommended renewal of investment and new investments</li> </ul>

## DIRECTOR INDUCTION &amp; TRAINING

Code Ref

A1.8

The elected Directors are all industry experts currently serving in top Executive level capacities in their respective firms. The Appointed Directors are all qualified professionals who have served in the organization for over many years and are well versed with the industry. An induction programme was conducted for Mr. Kosala Gamage who was appointed during the year. However 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 Chairman of the Board is elected annually. 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. The same director can be re-elected as the Chairman if the period of service doesn't exceed three years. The Chairman's role is set out below.

## Role of Chairman

- Effective participation of both elected and appointed directors.
- Effective contribution of all directors
- Balance of power between elected and appointed 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

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.

The Profiles of Board members setting out their experience and skills are given on page 26 of this report. The directors are holding senior positions in leading companies, as a result of that they have gained vast experience and also due to their academic and professional background, all of them possess financial acumen and knowledge. The Chief Executive Officer is responsible for implementing strategy and managing day to day operations of CDS and is accountable to the Board of Directors for its performance.

Code Ref	A.4	A.5
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## APPOINTMENT, RE-ELECTION & INDEPENDENCE

In terms of Article 25 of the Articles of Association of the CDS, there is no rotation for CDS Directors. All of the Directors of the Company shall be appointed by the CSE. The CSE may at any time and from time to time remove any Director of the Company and appoint another in place of the person so removed or fill any vacancy in the office of Director howsoever created.

The CSE shall be entitled to appoint out of the directors of the Company, the Chairman of the Board of Directors. The Holding company shall be entitled at any time and from time to time to remove the person nominated by it as the Chairman of the Board of Directors of the Company and to appoint another person in his place or to fill any vacancy in such office howsoever created.

Code Ref	A.7	A.8
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## APPRAISAL OF PERFORMANCE

The Board conducts annual appraisals 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 Schedule 4A and 4B of the Code. The Board evaluates its performance at least annually based on a performance evaluation checklist in addition to self- evaluation.

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.

Code Ref	A.9	A.11
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## DIRECTORS' REMUNERATION

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

Code Ref	B
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## Managing Conflicts

It's a requirement for directors to act in the best interest of the company 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.

# CORPORATE GOVERNANCE

## RELATIONS WITH PARTICIPANTS

The Board directly engages with the participants who are licensed stockbrokers and Banks providing custody services 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 17.
- CEO's Message on pages 18 to 21.
- Senior Vice President of CDS's Message on pages 22 to 23.
- Operational Review on pages 50 to 52.

## THE ANNUAL REPORT

This Annual Report provides a balanced view of the CDS's performance for the year ended 31st December 2022 and its prospects. The Directors' Report on page 78 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	79 - 80
Statement confirming review of the internal controls and obtaining assurance on its effective operation	80
Statement setting out the responsibilities of the Board for the preparation and presentation of financial statements	78
Statement by the Auditors about their reporting responsibilities	78
Report/Statement on Internal Control	83
Management Discussion & Analysis	78
Statement that the business is a going concern	78
Related party transactions	79 - 80

## ACCOUNTABILITY & AUDIT

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 on page 101 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.

Code Ref	C.1	C.2	C.3
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Code Ref	D.1
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Code Ref	D.2	D.3
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## INTERNET OF THINGS & CYBERSECURITY

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

Code Ref | G

## SUSTAINABILITY REPORTING

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.

Code Ref | H

Requirement	Page Ref.
Economic sustainability	64
The Environment	65
Labor Practice	72
Society	46
Product Responsibility	66
Stakeholder identification, engagement and effective communication	46
Formalise Sustainability Reporting processes	13-14

# RISK REVIEW

## STEWARDSHIP

### INTRODUCTION

Risk management is a continuous process. The aim of risk management is to identify potential risks as early as possible in order to assess their impact on business and, if necessary, to take appropriate counter measures. The ability to identify, assess, and manage risks that put the achievement of our business goals at risk is an important element of sound corporate governance. The CDS risk management and internal control system are therefore closely linked to its corporate strategy. Effective Risk Management practices are fundamental in providing a smooth operation by the CDS to its parent company Colombo Stock Exchange. It explicitly takes into account all types of risk, including non-financial risks associated with our business activities or our business relationships, products and services. Due to the constantly changing external and internal requirements and environment, we continue to develop our risk management and internal control systems, ensuring that they meet our evolving needs.

### RISK GOVERNANCE

The Board of Directors of the CSE is responsible for the quality and effectiveness of our risk management and internal control system. It is regularly monitored by the Risk and Audit Committee as well as the Enterprise Risk Management Division. The findings from these are used to continuously advance our risk management and internal control system.

The organization and responsibilities of the risk management process and process control are as follows:

Business Units	Heads of Divisions	CDS Risk Management Division
Business units are responsible for identifying, assessing and managing risk	Report any relevant changes to their risk profile to Risk Management Division	The dedicated CDS risk management is segmented as Depository and Registrar facilitating focused attention and ensuring the risks are clearly defined and documented.

The risk situation is evaluated regularly and compared with specified requirements using standardized processes. If relevant changes to the risk profile or new risks arise between the regular reporting cycles, these are recorded and evaluated.

### BUSINESS CONTINUITY MANAGEMENT SYSTEM AT CDS

As CDS is critical for the operations of the market, Business Continuity Management (BCM) is a critical aspect of its overall risk management framework. Accordingly, BCM aims to resume regular operations as soon as possible while minimizing damage in the event of serious disruptions. The BCMS

policy of the parent CSE has been prepared to comply with the requirements of the ISO 22301 BCMS standard. Consequently, the core processes, products and services, responsibilities, IT requirements and critical business partners have been clearly documented supporting business continuity in the event of a disruption.

Safety of employees is the first priority in the event of a disaster/crisis followed by recovery of critical processes that are necessary to operate markets and a return to normalization thereafter. BCM also aims to minimize the legal, financial, reputational, and operational negative effects of

incidents experienced in the disaster phase. Corrective measures against the incidents and situations that CSE might encounter are taken through BCMS, which are carried out according to the policies and procedures approved by the CSE Board of Directors. CDS continuously monitors, measures and reports performance indicators for BCM drills carried out with the involvement of all staff to institutionalise a cycle of continuous improvement and readiness.

## CDS RISK MATRIX

The CDS risk Matrix is categorized into four risk categories as given below:

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

## CDS RISK HEAT MAP FOR 2022

Top Organizational Risk	4Q 2022 Review
	Risk Level
1 Evolving Business Sustainability and Competition Risk	High Risk
2 Operational Resilience & Business Continuity Risk	Medium Risk
3 Settlement Failure	Medium Risk
4 Reputational Risk	Medium Risk
5 Information Security & Data Governance Risk	Medium Risk
6 Technology Risk	Medium Risk
7 Deficiencies in Policies and Procedures	Low Risk

# RISK REVIEW

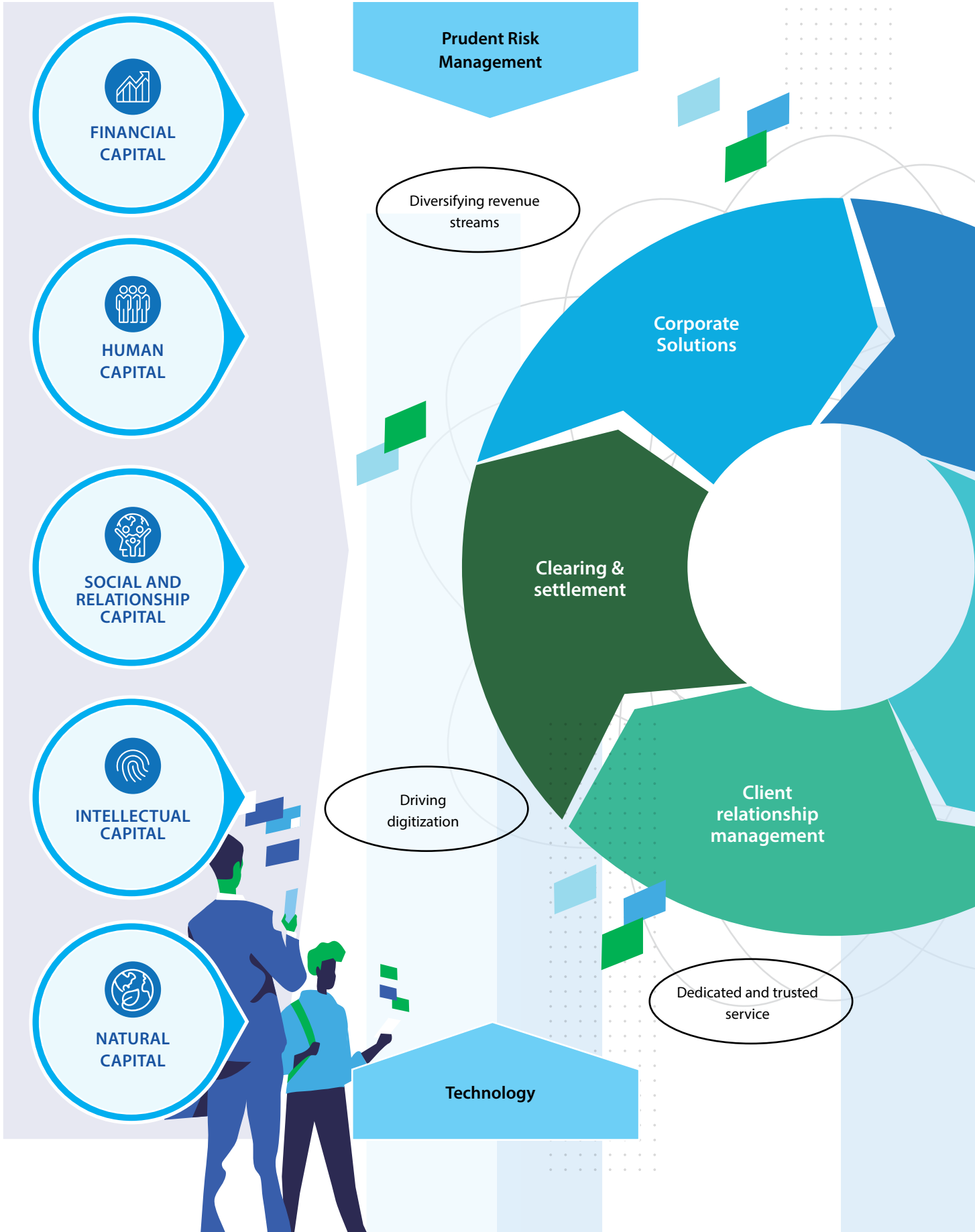
## KEY RISKS 2022

Evolving business sustainability and Competition Risk	
Risk Description	Mitigation
Business sustainability risk and competition address the inability to sustain business growth, meet financial targets, and transform the CDS alongside evolving business models. A low global economic growth environment impacts this risk, in addition to trading activity migrating to larger equity pools offshore. Recent low turnover levels and fluctuations of the market indices indicate a significant impact on business sustainability for CDS relative to other local financial institutions and Regional Exchanges.	<ul style="list-style-type: none"> <li>● CDS transformation into businesses outside capital markets</li> <li>● Diversification into market-based new products</li> <li>● Geographic diversification</li> </ul>
Operational Resilience & Business Continuity	
Risk Description	Mitigation
Business Continuity covers risks that may impact business activities of CDS and seeks to mitigate them by building operational resilience to prevent severe impacts and through formulation of comprehensive and fit for purpose. CDS is highly dependent on IT systems, Operational Excellence & Business Continuity which are identified as critical risks.	Systems are tested regularly to monitor tolerance levels and results are reviewed to determine the need for further precautionary/preventive measures. These risks are mitigated by the implementation of comprehensive system testing, conducting regular system audits, enhancing information & cyber security controls, and placing redundant system architectures and infrastructures.
Credit Risk (Settlement Failure)	
Risk Description	Mitigation
CDS is exposed to Settlement Failure risk if one party defaults on its settlement obligations to one or more counterparties in a CDS clearing and settlement service.	Currently implementing CCP, with CSE Clear substitutes itself as the counterparty to trades. The clearing house is an intermediary between buyers and sellers of financial instruments and will be responsible for settling trading accounts, clearing trades, collecting, and maintaining collateral, and regulating delivery. Implementation of CCP will facilitate management the exposure to counterparty credit risk mitigating the exposure of CDS to credit risk.
Reputational Risk	
Risk Description	Mitigation
CDS is highly connected with customers, operations, supply chains and internal and external stakeholders based on the services provided. Thus, the reputational risk of CDS has been identified as a critical risk.	<ul style="list-style-type: none"> <li>● Commitment to high standards of service and a culture of service excellence</li> <li>● Regular assessment of reputational risk</li> <li>● Comprehensive framework of policies ensure reputational risk matters are managed in a consistent manner in line with the CDS's strategic priorities.</li> <li>● Internal controls</li> <li>● Effective oversight by the Board</li> </ul>

Technology Risk	
Risk Description	Mitigation
<p>CDS is dependent on technology and needs to maintain its capabilities on par with global technology developments to attract foreign investors and investment in the country's capital markets. Additionally, customer interfaces will also need to be maintained in line with evolving technology as positive user experiences are critical to active participation of investors to build a resilient capital market.</p>	<ul style="list-style-type: none"> <li>● Continuous investment in upgrading IT infrastructure</li> <li>● Sufficient funds retained for future investments in IT infrastructure</li> <li>● Careful consideration given to balance opex and capex in IT investment decisions</li> </ul>
Information Security, Privacy & Data Governance Risk	
Risk Description	Mitigation
<p>This is a key risk as CDS is responsible for safeguarding personal data of investors in accordance with the Personal Data Protection Act No.9 of 2022 and the SEC Act.</p>	<ul style="list-style-type: none"> <li>● Established a strong data governance program that aligns with the goals and objectives of the organization's enterprise risk management function.</li> <li>● New Data Center (ISR) Project implementation completed in 2022 addressing significant risks.</li> <li>● Policies and internal controls implemented such as a Privacy Policy for external parties, regular review of capacity plans, firmware software patches, virus and patch upgrades, Server Access Rights and system utilization trends, and Palo Alto Perimeter FW with Threat prevention/antivirus protection.</li> <li>● Further, access to information and other systems is restricted and allowed on business need.</li> <li>● Continuous monitoring and reporting on the effectiveness of the established controls and periodically reviewing them to ensure effectiveness.</li> </ul>

# VALUE CREATION STRATEGIC REPORT

GRI 2-6





Outputs	Outcomes	Value Delivered
<p><b>DEPOSITORY OPERATIONS</b></p> <ul style="list-style-type: none"> <li>6,057,320 of worth of transactions settled</li> <li>96 corporate actions</li> <li>6.1 Mn Trades</li> </ul>	<p><b>ECONOMIC</b></p> <ul style="list-style-type: none"> <li>Economic value added by the Company Rs.443Mn</li> <li>Direct and indirect tax payments of Rs. 119 Mn</li> </ul>	<p><b>ECONOMIC</b></p> <ul style="list-style-type: none"> <li>Earnings per Share of Rs.23.80</li> </ul>
<p><b>CORPORATE SOLUTIONS</b></p> <ul style="list-style-type: none"> <li>Mobile solutions for 3 IPOs</li> <li>Registrar services for 3 IPOs</li> <li>28 virtual AGMS/EGMs</li> <li>2 Rights Issues</li> <li>2 Sub-divisions</li> <li>41 dividend payments</li> </ul>		<p><b>ENVIRONMENTAL</b></p> <ul style="list-style-type: none"> <li>1,265 Kg of waste discharged</li> <li>5,412 litres of water discharged</li> </ul>
<p><b>DE-MAT COMPLIANCE &amp; RISK</b></p> <ul style="list-style-type: none"> <li>Compliance on 100% of new accounts opened</li> </ul>	<p><b>SOCIAL</b></p> <ul style="list-style-type: none"> <li>Direct and indirect employment opportunities</li> <li>Community development initiatives</li> </ul>	<p><b>CUSTOMERS</b></p> <ul style="list-style-type: none"> <li>Delivery of high quality service</li> <li>Customer support</li> </ul>
<p><b>CLIENT RELATIONSHIP MANAGEMENT</b></p> <ul style="list-style-type: none"> <li>24,270 new CDS accounts</li> <li>55,888 reports dispatched</li> </ul>	<p><b>COMMUNITIES</b></p> <ul style="list-style-type: none"> <li>Recruitment of 04 new employees</li> <li>Donation of Desktops to Schools by the group</li> </ul>	<p><b>SUPPLIERS</b></p> <ul style="list-style-type: none"> <li>Recruitment of 4 new employees</li> <li>Donations in partnership with selected stockbroker firms.</li> </ul>
<p><b>Good Governance</b></p>	<p><b>GOVERNMENT</b></p> <ul style="list-style-type: none"> <li>Tax payments of Rs.116.2 Mn</li> </ul>	<p><b>GOVERNMENT</b></p> <ul style="list-style-type: none"> <li>Tax payments of Rs.116.2 Mn</li> </ul>

# STAKEHOLDER ENGAGEMENT STRATEGIC REPORT

GRI 2-29

We understand the importance of identifying and acknowledging the concerns of our stakeholders. These stakeholders are recognized and prioritised based on how influential they are in our decision making and how they are influenced by our decisions. Our approach to selecting, prioritising and engaging with stakeholders and results of stakeholder engagement are given below



STAKEHOLDER GROUP	METHOD OF ENGAGEMENT	STAKEHOLDER CONCERNS	OUR RESPONSE
<b>INVESTORS</b>	<ul style="list-style-type: none"> <li>• Investor Forums</li> <li>• SMS</li> <li>• Statements</li> </ul>	<ul style="list-style-type: none"> <li>• Data security</li> <li>• Convenience</li> <li>• Efficiency</li> <li>• Reliability</li> </ul>	<ul style="list-style-type: none"> <li>• Effective and innovative IT security systems</li> <li>• Use of technology to enhance efficiency</li> <li>• Convenience through digitization</li> <li>• Effective customer relationship management</li> </ul>
<b>PARTICIPANTS</b>	<ul style="list-style-type: none"> <li>• Training and awareness programs</li> <li>• Webinars</li> </ul>	<ul style="list-style-type: none"> <li>• Innovation</li> <li>• Reliability</li> <li>• Convenience</li> <li>• Adequate training</li> </ul>	<ul style="list-style-type: none"> <li>• Regular training sessions on system upgrades and digital platforms</li> <li>• Streamlining compliance</li> <li>• Decentralization of depository operations</li> </ul>
<b>ISSUERS</b>	<ul style="list-style-type: none"> <li>• Expansion of services offered</li> <li>• Innovation</li> <li>• Reliability</li> <li>• Efficiency</li> <li>• Information security</li> </ul>	<ul style="list-style-type: none"> <li>• Training programs</li> <li>• Discussions</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of services offered</li> <li>• Increased focus on digitization to enhance security and convenience</li> <li>• State of the art security systems</li> </ul>
<b>EMPLOYEES</b>	<ul style="list-style-type: none"> <li>• Fair remuneration</li> <li>• Career development opportunities</li> <li>• Skill development</li> <li>• Health and safety</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>• Transparent and streamlined HR management system</li> <li>• Fair and competitive remuneration</li> <li>• Regular training sessions</li> <li>• Compliant with all regulatory requirements</li> </ul>
<b>REGULATORS</b>	<ul style="list-style-type: none"> <li>• A regulated market</li> <li>• Market growth</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings and discussions</li> </ul>	<ul style="list-style-type: none"> <li>• Compliant with all regulatory requirements</li> <li>• Market growth through expansion of services offered</li> <li>• Internal process audits and compliance audits</li> </ul>



# STRATEGY

## STRATEGIC REPORT

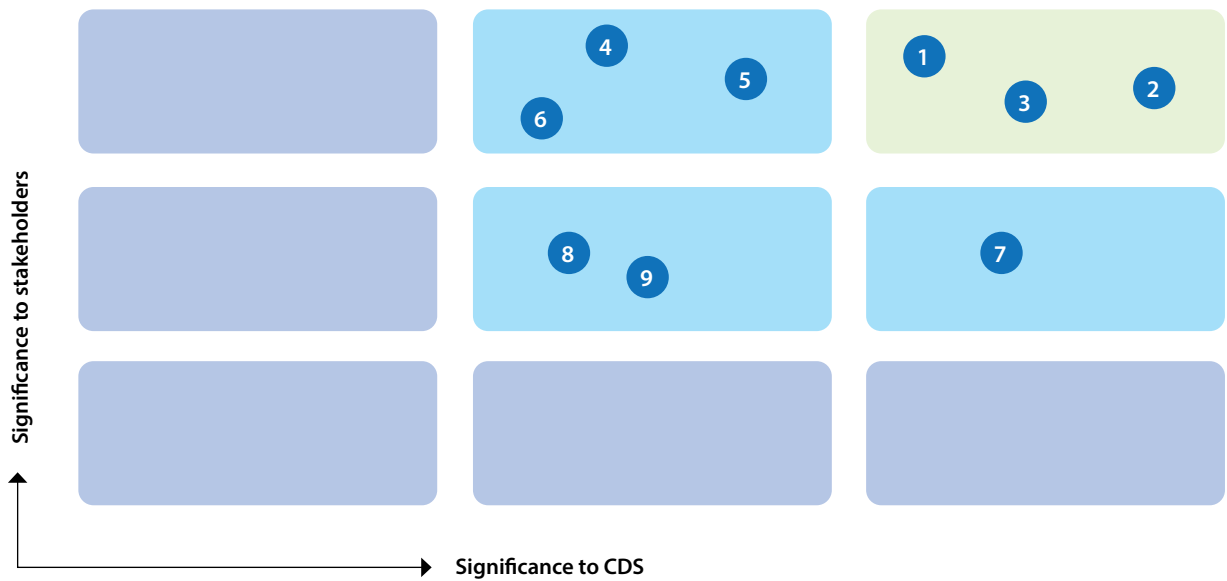
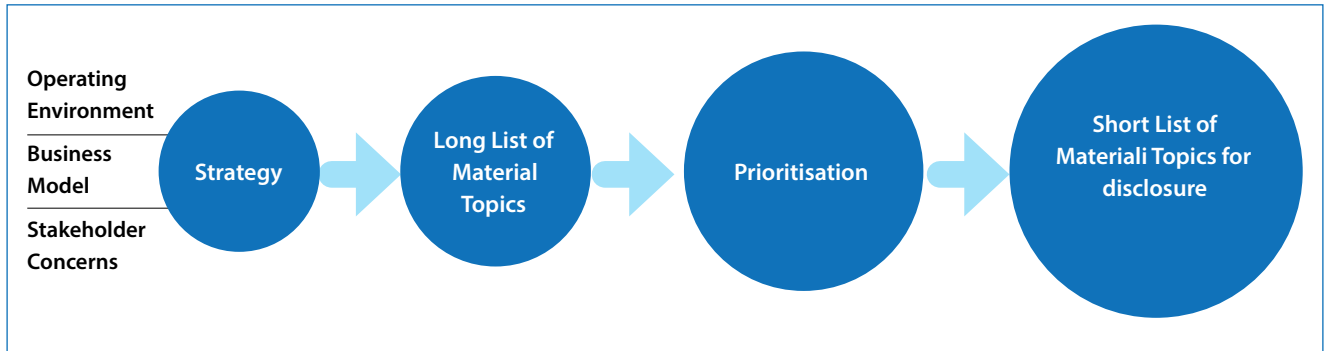
Our strategy is directed towards enhancing capital market infrastructure while moving beyond a traditional depository to provide a wider range of services to a broader customer base. We aim to capitalize on our expertise in database management by offering our services to different entities. CDS has made significant progress in our digitization journey and will continue to make headway in the coming years.





# DETERMINING MATERIALITY

## STRATEGIC REPORT

Our material topics are identified based on their impact on our ability to create value, which in turn will affect our entity, economy, community and our environment. We carry out the process of determining material topics by analysing matters of concern for different type of stakeholders and by identifying potential changes in our operating environment that can impact our operations.



MATERIAL TOPIC	SDG GOALS	GRI TOPIC
<p><b>MARKET PERFORMANCE</b></p> <p>Facilitating a vibrant market by providing infrastructure and services to investors and market participants</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	GRI 201 Economic Performance
<p><b>REGULATION AND COMPLIANCE</b></p> <p>Regulatory compliance expected of CDS and stakeholders</p>	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	GRI 102 General Disclosures GRI 103 Management Approach

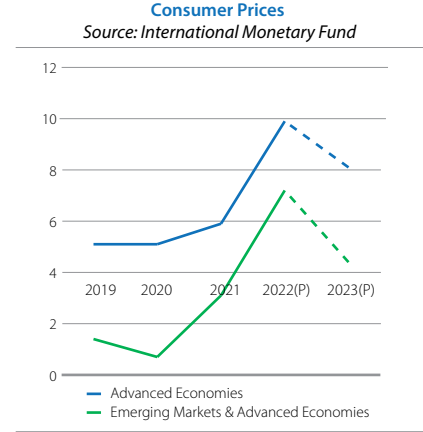
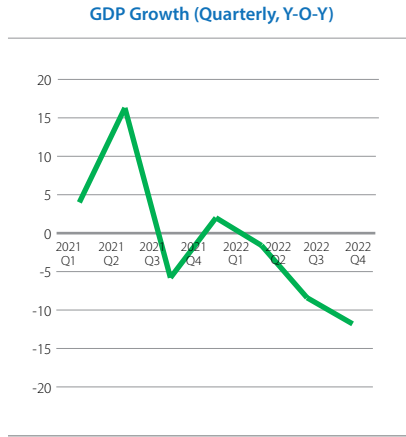
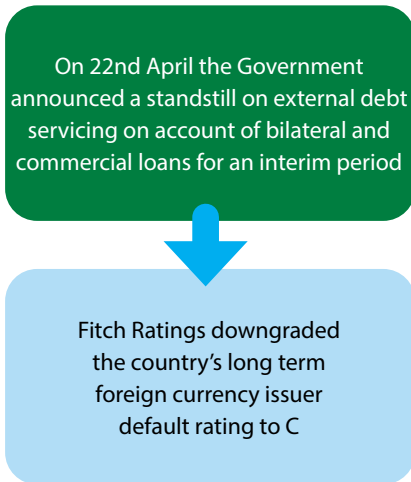
MATERIAL TOPIC	SDG GOALS	GRI TOPIC
<b>TECHNOLOGY</b> Technological advancements that enable broader range of services and convenience to CDS and stakeholders		
<b>EMPLOYEE SATISFACTION</b> Fair and competitive remuneration with career progression opportunities and a conducive workplace	  	GRI 401 Employment GRI 403 Health and Safety GRI 404 Training & Education GRI 405 Diversity & Equal Opportunity GRI 406 Non-discrimination GRI 408 No Child Labor
<b>WEALTH CREATION</b> Return on investment for shareholders and participants	 	GRI 201 Economic Performance GRI 207 Taxes GRI 413 Local Communities
<b>ENVIRONMENTAL SUSTAINABILITY</b> Use of technology to drive environmental sustainability	 	GRI 301 Materials GRI 302 Energy GRI 305 Emissions GRI 306 Waste
<b>BUSINESS GROWTH</b> Expanding our services beyond a traditional depository and diversifying revenue streams	 	
<b>CUSTOMER CONFIDENTIALITY</b> Maintaining customer information while ensuring the confidentiality.		GRI 418-1 Customer Privacy
<b>CYBERSECURITY</b> Escalating cyber threats make this a priority		

# OPERATING ENVIRONMENT STRATEGIC REPORT

Global and Sri Lankan economy faced unprecedented uncertainties in 2022, caused by the aftermath of the pandemic, geopolitical ambiguities combined with the effects of climate change. Countries across the world were confronted with energy and food security along with socio-economic vulnerabilities.

## LOCAL ECONOMY

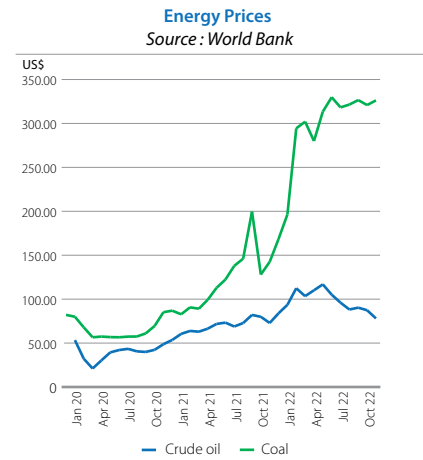
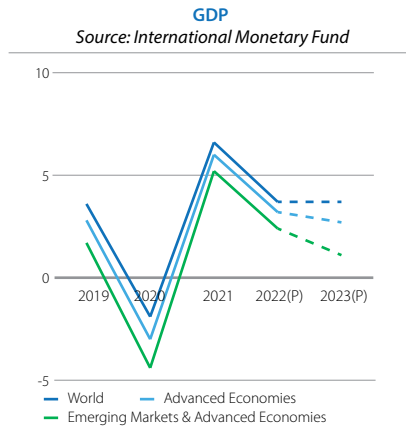
Domestic economy faced unprecedented challenges foreign currency and sovereign debt distresses intensified pre-existing fiscal and external sector imbalances. The economy contracted by 4.8% during the first half of 2022, owing to fuel shortages, power outages, widespread scarcity of imported raw materials and essentials combined with soaring cost of production. However, the economy has shown signs of stability during the second half due to multifaceted policy interventions implemented steer the economy towards recovery.



## GLOBAL LANDSCAPE

Russian invasion of Ukraine, accelerating cost of living crisis led by widening inflationary pressures and the slowdown in China caused the global economy to struggle amidst lingering effects of the pandemic.

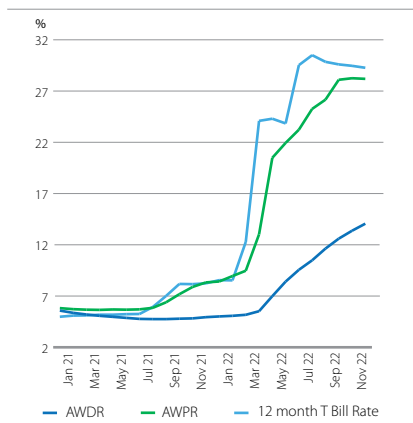
Inflation was on the rise since 2021, however in 2022 inflation in advanced economies reached its highest since 1982. Lower income countries in developing economies were the most effected food prices reached unprecedented levels.



World economy witnessed the weakest growth profile since 2002, except for the global financial crisis and the acute phase of the pandemic. This is led by slowdowns in the largest economies. US contracted during the first half of 2022 and Euro area contraction the second half and prolonged COVID-19 outbreaks in China.

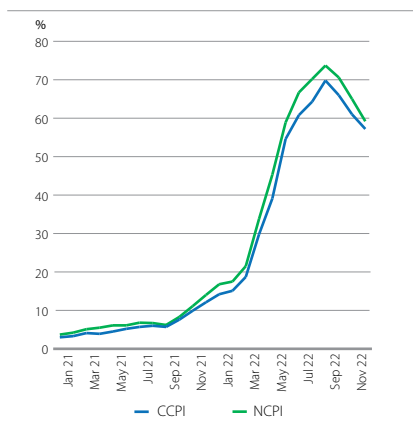
Russia's war in Ukraine led the European Union to implement embargos on energy. The flow from Russian pipeline gas to Europe came down drastically causing a steep increase in natural gas prices.

**Interest Rate Movement**



The Central Bank tightened the monetary and liquidity conditions to an unprecedented level due to the inflationary pressures. Policy interest rates were increased by 7% in April 2022, with the intention of arresting the build-up of any demand driven inflation. The increase in market has been more than proportionate to the increase in policy rates while the yields on Government securities also rose significantly driven by the sharp increase in the borrowing requirement of the Government.

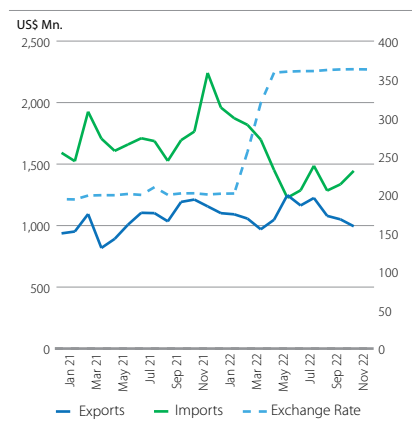
**Inflation**



Inflation rose to historic levels in 2022, raising expenditure of households and firms while straining debt repayment capabilities. Inflation, which was at single digits since 2009, started rising rapidly during the latter part of 2021 and reached record high levels in September 2022. Global and domestic

supply disruptions, the relaxation of price controls and the sharp depreciation of the Rupee de-anchored inflation expectations. However, the tight monetary and fiscal conditions are expected to bring the aggregate demand down, gradually taming the inflation in the medium to long run.

**External Sector and Exchange Rate**



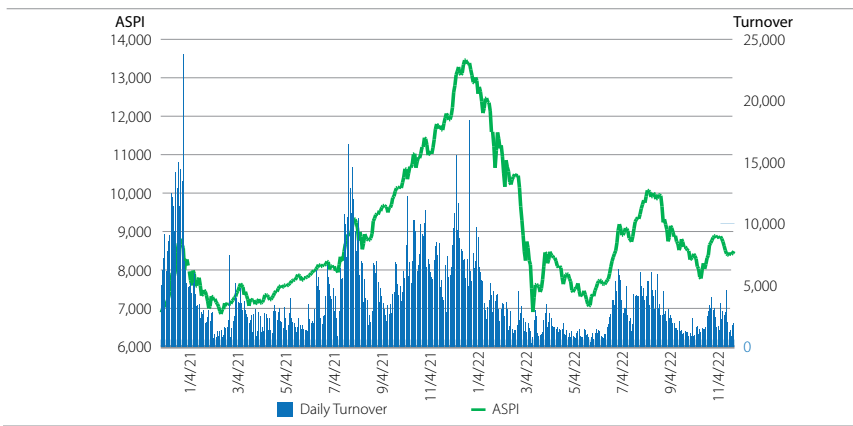
The Central Bank abandoned the pegged exchange rate in March 2022 causing the Rupee to depreciate by 41.4% by end of April 2022. To reduce this significant volatility, the Central Bank introduced a new arrangement by providing daily guidance to all LCBs on the degree of volatility in the spot exchange rate with an allowable two-sided variation margin, based on the weighted average spot exchange rate. The merchandise trade deficit narrowed up to August 2022, supported by higher exports and import compression aided by the policy measures to discourage non urgent imports.

# OPERATING ENVIRONMENT

## PERFORMANCE OF THE COLOMBO STOCK EXCHANGE

CSE recorded a volatile performance in 2022, following the unprecedented performance recorded during the previous year. This volatility was triggered by the subdued investors confidence caused by the uncertainties in the macroeconomic environment. Further, the high interest rates that are prevailing in the country provided attractive investment alternatives, causing investors to withdraw funds from the stock market.

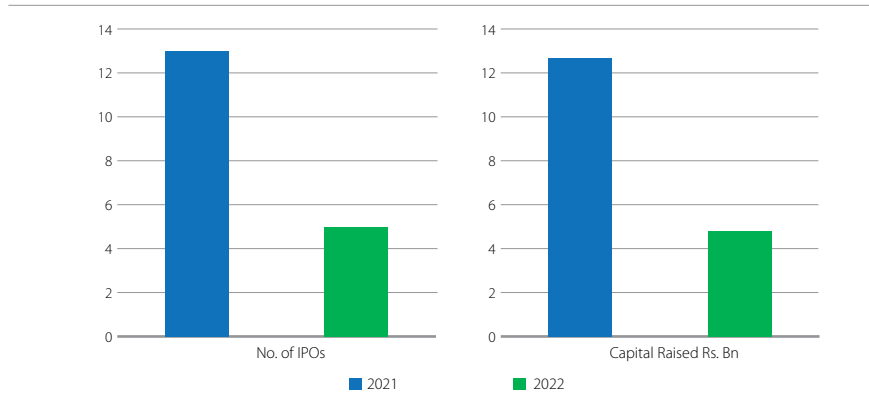
ASPI Movment and Daily Turnover



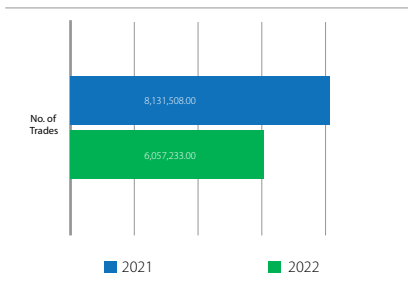
Market Turnover



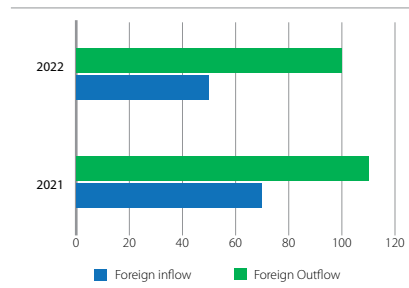
Initial Public Offers



No. of Trades



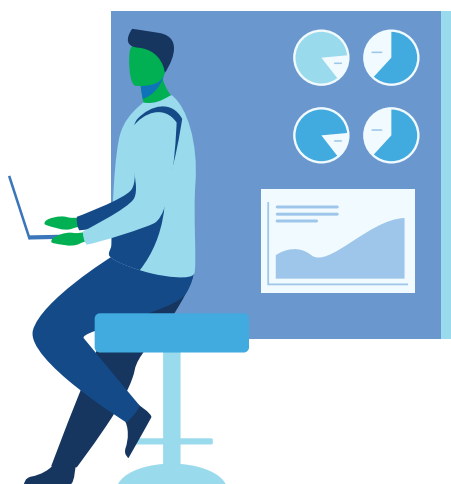
Foreign Activity



# DEPOSITORY OPERATIONS

## BUSINESS LINE REVIEW

CDS IS THE FIRST DEPOSITORY IN THE SOUTH ASIAN REGION AND SEVENTH IN THE WORLD. WE FACILITATE OPERATIONS OF THE CSE BY MAINTAINING CDS ACCOUNTS FOR ALL INVESTORS OF THE CSE WHILE ACTING AS THE CUSTODIAN OF SHARES HELD BY THE INVESTORS.



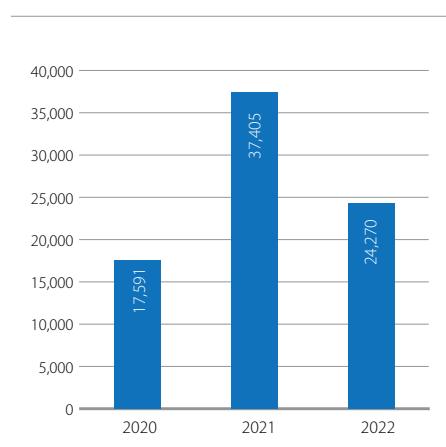
### Performance Highlights

- More than 87.75% of digitalized onboarding
- 24,270 new CDS accounts
- 4 stockbroker training sessions
- Rs. 687 Bn worth of transactions settled via depository
- Foreign holding of 24.6%
- Rs.3,918 Bn of securities held
- Facilitated 96 corporate actions with 200,748 direct deposits
- 55,888 reports dispatched to issuers
- 345,113 E-statements sent

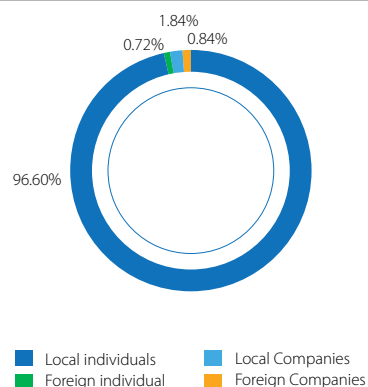
### Our Strategy

- Enhancing convenience to the participants by offering decentralized operations.
- Driving digitization to ensure convenience and to enhance security.
- Providing flexibility by decentralizing our services.
- Empowering market participants to provide services directly to the CDS account holders.

New CDS Accounts



CDS Accounts by Investor Category



# DEPOSITORY OPERATIONS

The Central Depository Systems (Pvt) Limited is the fully owned subsidiary of the CSE, holding custody of 97% of listed equity shares and 100% listed corporate debt in the capital market of Sri Lanka. The CDS aims to push beyond conventional boundaries by offering value added services while fulfilling its traditional role as a custodian of investor accounts.

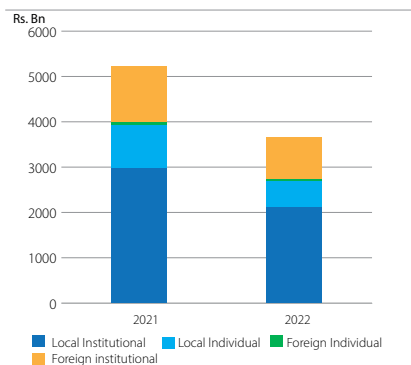


## Our Values

- |             |            |          |
|-------------|------------|----------|
| <b>C</b>    | <b>D</b>   | <b>S</b> |
| CONVENIENCE | DEDICATION | SECURE   |



Value of Securities held on custody



HIGHLIGHTS OF 2022

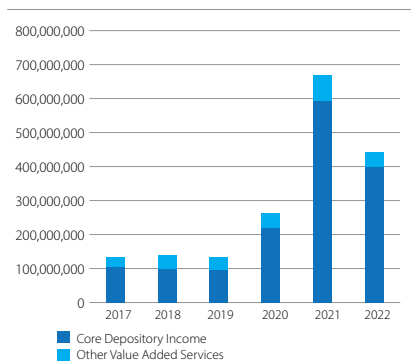
**30+ Years**  
of trusted operations

**Served 290**  
listed entities

**47 Market Participants**

including 29 stockbrokers and 18 Custodian Banks with the addition of DFCC & NDB

Income



KEY INITIATIVES DURING THE YEAR

Several initiatives were carried out during the year to ensure that our services are accessible and convenient to all stakeholders while maintained at the highest standards. Although 2021 was the year of digitalization it was in 2022 that these developments gained traction in the market. Increased migration to digital platforms of CDS was apparent during the year and the following developments were done accordingly.

- Launch of the 3rd phase of the digitalization drive which includes enhancements to CDS e-Connect.
- Enhancement of the E-IPO facility by introducing a payment gateway.
- Launch of the e-Nominations process to ensure a smooth transition to heirs of the investors in the event of death.
- Online facility enhancements to individual investors doing margin trading.
- Online facility enhancements to investors who seek private transfer facility.
- Dispatching of e-dividend warrants

We will continue to work on new initiatives which will bring CDS on par with regional counterparts.



# CORPORATE SOLUTIONS

## BUSINESS LINE REVIEW

**CORPORATE SOLUTIONS UNIT PROVIDES REGISTRAR SERVICES AND FACILITATES CORPORATE ACTIONS FOR LISTED COMPANIES AND SHAREHOLDERS OF LISTED COMPANIES**



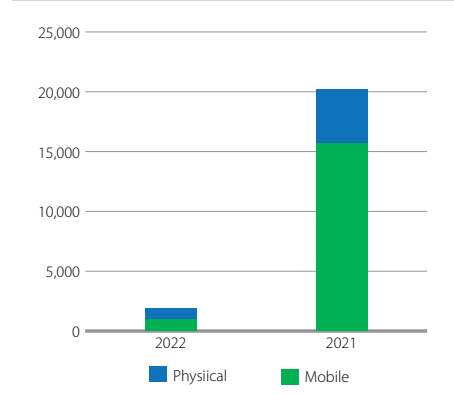
### Performance Highlights

- 41 cash dividend payments covering 87,219 SLIPS payments and 101,612 cheque payments
- Registrar services for 3 IPOs (Mobile App solution and physical applications)
- 28 virtual general meetings and 4 hybrid meetings
- 2 Rights issues and 5 share 2 sub-divisions
- 2 Repurchase of shares
- 1 capitalization of reserves

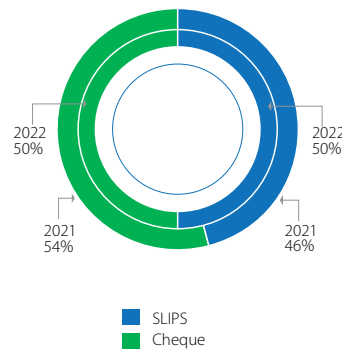
### Our Strategy

- Enhance our service delivery through digitization. (e-dividends, e-nominations)
- Ensuring timely and secure payments for all corporate actions
- Expansion of our B2B product line catering for listed and unlisted companies
- To become a one-stop-shop for all services related to corporate actions

Applications Submitted for IPOs



Dividend Payment



## PERFORMANCE REVIEW

### Depository Services

Despite the market turbulences that prevailed in 2022, the CDS continued to expand its customer network and drive investor confidence, given the 30 years of experience in successfully operating a depository. Our post trade systems which are equipped with cutting edge technology provide the ideal platform for investors to enter the market and cater to their diverse needs by facilitating reliable online share trading.

During the year, the Central Depository System recorded net profit of Rs 238 Mn, in line with the performance of the CSE. For the CDS, the largest income source is the core function of depository services which contributes to almost 90% of its revenue. During the year, the market value of securities held in custody by the CDS was at Rs 3,918 Bn, when compared to the Rs 5,503 Bn recorded last year. Meanwhile the, volume of securities grew/fell by 11.1%. Despite subdued investor activity, investors continued to open CDS accounts with 24,270 new CDS accounts opened during the year.

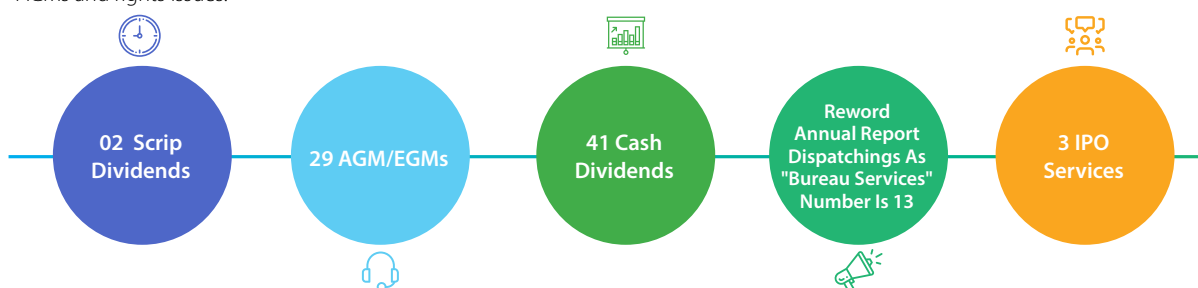
### Corporate Solutions

In addition to the depository services, in 2018 the CDS decided to diversify its offering to provide corporate solutions and several value-added services in line with other reputed depositories across the world. This segment quickly gained popularity among corporates and during the year, 7% of CDS revenue was contributed by the corporate solutions division, when compared to 1% contributed last year. Meanwhile during the year, 17 new clients from diverse sectors were catered to through 20 new projects which included dividend payments, virtual AGMs and rights issues.

### Outlook

The adoption of Fintech to CDS business processes will be key to surviving in this volatile environment. The CDS having understood the importance of a digital strategy, has plans underway to move forward with its digital transformation journey which will build investor confidence and strengthen relationships with all stakeholder groups. E-Connect which will serve all stakeholders on the network will be the future for the depository.

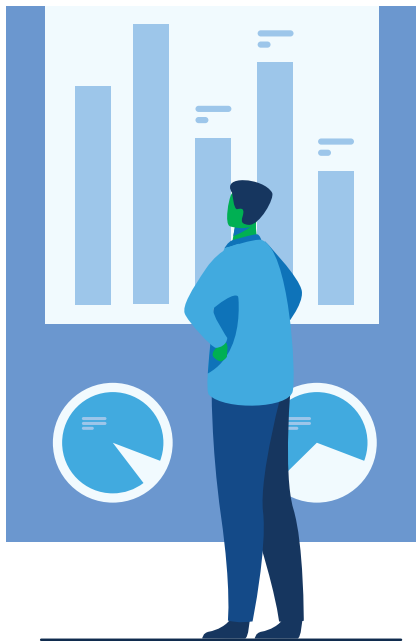
In 2023 our focus will be on completing all pending final phase projects which are in the pipeline. The drive to offer new products to new and existing markets will be pursued beyond 2022/2023. The CDS also has plans to further diversify its income sources by expanding the depository horizon to serve different market segments using the existing extra capacity and expertise.



# DE-MATERIALISATION COMPLIANCE AND RISK

## BUSINESS LINE REVIEW

DE-MAT COMPLIANCE AND RISK UNIT IS RESPONSIBLE FOR ENSURING THAT ALL DEPOSITORY OPERATIONS ARE COMPLIANT WITH THE RELEVANT APPLICABLE RULES AND REGULATIONS.



### Our Strategy

- Effective internal audit processes in place to ensure effective and timely delivery of all services
- Continuous monitoring to improve service quality and delivery
- Periodic reviews, checks and verifications are carried out on the activities related to client onboarding and account maintenance of the depository participants
- Assessments on the findings are communicated and remedial measures will be taken to streamline the current processes

### Performance Highlights

- Compliance checks on all new CDS account activations

# CLIENT RELATIONSHIP MANAGEMENT

## BUSINESS LINE REVIEW

CRM UNIT ACTS AS A COORDINATOR BETWEEN CORPORATE SOLUTIONS UNIT AND LISTED CORPORATES AND SHAREHOLDERS. EFFECTIVE ENGAGEMENT WITH THESE STAKEHOLDERS HAS ENABLED CDS TO IDENTIFY EVOLVING REQUIREMENTS OF OUR CLIENT BASE.



### Our Strategy

- Continuous engagement with stakeholders to identify evolving customer requirements
- Enhancing our service quality by embracing new technology and improving overall customer experience.

### Performance Highlights

- 24,270 new CDS Accounts
- Launch of e-nominations
- 25% growth in revenue generated from corporate actions

# CLEARING AND SETTLEMENT

## BUSINESS LINE REVIEW

CLEARING AND SETTLEMENT DIVISION IS RESPONSIBLE FOR THE SECURITIES AND FUNDS SETTLEMENTS FOR TRADING ACTIVITIES OF THE CSE



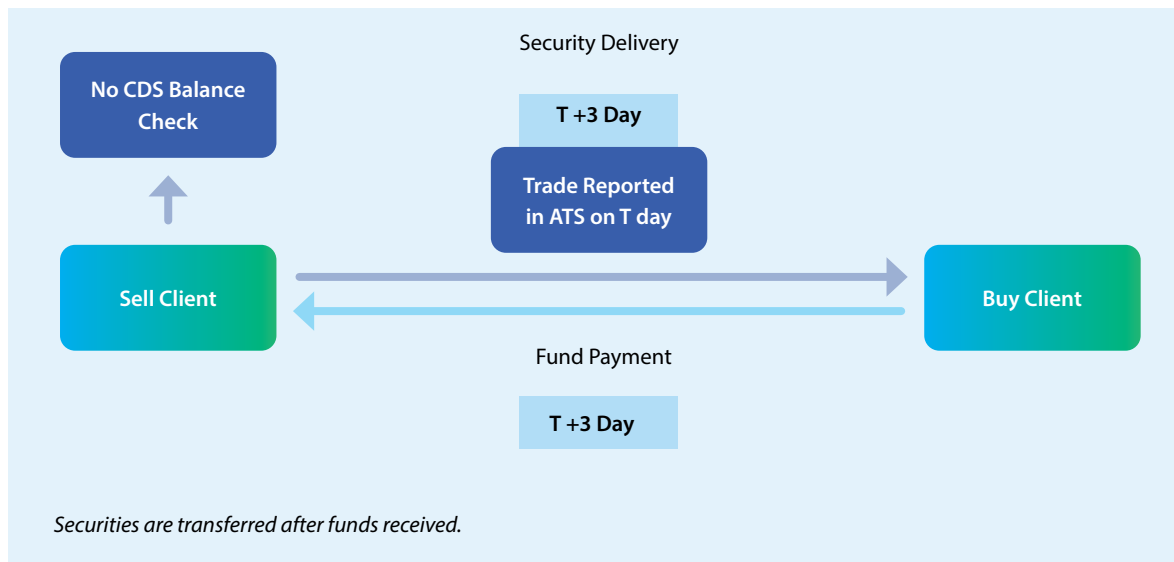
### Our Strategy

- Driving efficiency to ensure timely settlements
- Stringent monitoring of margin requirements by adopting globally accepted mechanisms
- Daily monitoring of member exposure levels
- Periodic reviews and continuous monitoring for process improvements
- Benchmarking risk management tools with regional industry standards.

### Performance Highlights

- Settlement of 6.1 Mn transactions
- Implementation of digitalized settlement files signing system
- Regulatory approvals for the Central Counter Party Framework
- Selection of the system vendor for the Implementation of Central Counter Party System
- Necessary amendments to the Clearing & Settlement Rules inline with the new SEC Act

## CLEARING AND SETTLEMENT PROCESS



With the Delivery vs Payment (DVP) system in place we have eliminated the risk of default from the buyer as the final settlement only occurs once the corresponding payment is settled. This is a globally accepted mechanism and where the principal risk is eliminated. 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.

# FINANCIAL REVIEW

## REVENUE

The negative investor sentiment in the country which led to a mediocre performance of the CSE resulted in a 36% contraction of CDS revenue. CDS recorded a revenue of Rs.392Mn in 2022, subsequent an impressive growth rate of 160% recorded in the previous year. CDS fees which contributes to 78% of the total revenue saw a contraction of 41% owing to 39% decrease in market turnover of the CSE. CDS fees for the year reached Rs. 307Mn fees from listed companies amounted to Rs. 64Mn, recording a negative growth of 14%. Other income for the year remained unchanged at Rs.52Mn.

## EXPENSES

Staff related expenses saw a modest increase of 5%, reaching Rs.63Mn. Wide ranging cost management measures curtailed the increase of Other Operating Expenses to 50% as inflation increased to 74.5% by September 2023.

## PROFITABILITY

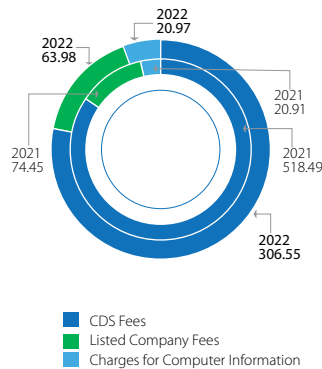
Interest income rose by 882% due to the substantially higher interest rates. This led to a three-fold increase in net finance income which amounted to Rs. 211Mn. Profit Before Tax contracted by 32% on the back of the negative growth in the top line and increase in operating expenses. Tax expenses came down by 19% in line with the reduced taxable profits. Tax was provided at 24% up to 30th June 2022 and at 30% thereafter. Accordingly, CDS reported a net profit of Rs. 238Mn for the year, a contraction of 37% compared to the profit of Rs. 374Mn reported in 2021.

## FINANCIAL POSITION

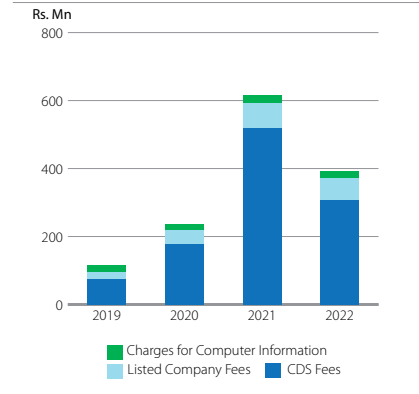
Investments of Rs. 100Mn made in Treasury Bonds boosted Non Current Assets to Rs. 101Mn compared to Rs.1Mn recorded in the previous year. Current Assets decreased by 31% mainly due to a decline of 69% in cash in hand. Other investments increased by 38%, to Rs.1,199Mn driven by a 31% increase in investments in Treasury Bills.

Current liabilities decreased by 68% as Brokers' liquidity and margin deposits came down by 72%. Total current liabilities amounted to Rs. 413Mn, of which 79% was accounted for by Brokers' Liquidity and Margin deposits. Total equity amounted to Rs.1,345Mn, recording a growth of 22% driven by the increase in retained earnings.

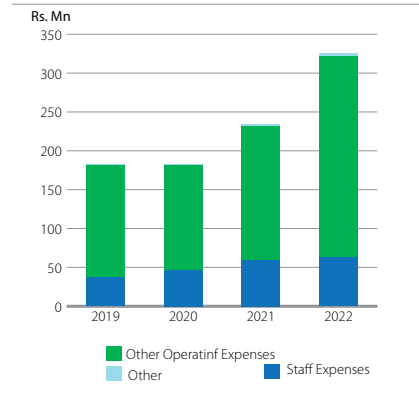
### Revenue Composition



### Revenue

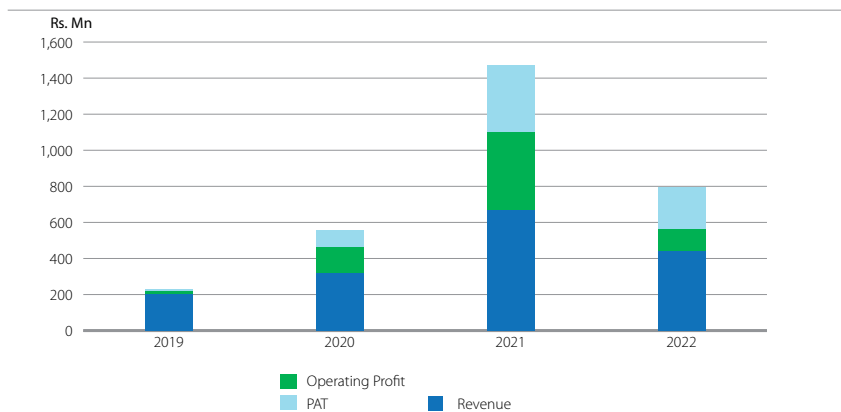


### Expenses

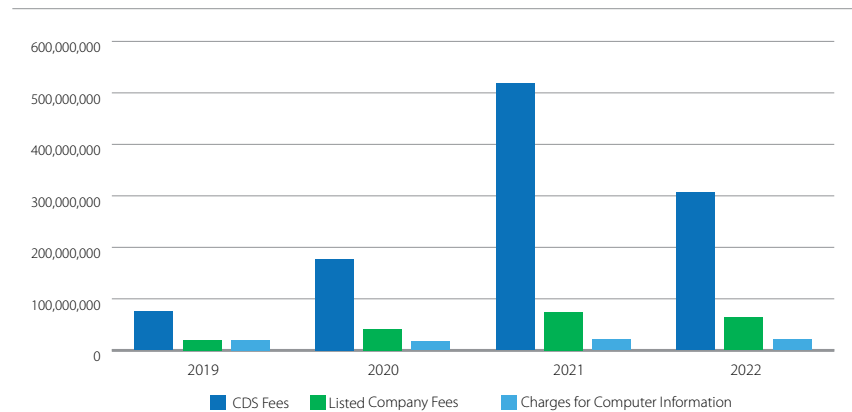




### Profitability




### Growth in Revenue





# MANAGING OUR CAPITALS


GRI 2-6


 <b>Financial Capital</b>		Enhancing our financial capital is critical for our business growth and to cater to the expectations of our stakeholders.					
KPIs	Units	31.12.2021	31.12.2022	Growth	Value creation activities during the year	2022 Rs.Mn	
Total Assets	Rs.Mn	2,388	<b>1,758</b>	-26.4%	Revenue	<b>392</b>	
Current Liabilities	Rs.Mn	1,281	<b>413</b>	-67.8%	Other Income	<b>52</b>	
Equity	Rs.Mn	1,107	<b>1,345</b>	21.5%	Profit After Tax	<b>238</b>	

 <b>Human Capital</b>		Our dynamic team of employees plays a vital role in our business operations. We make continuous investments in enhancing our human capital through a comprehensive value proposition.					
KPIs	Units	31.12.2021	31.12.2022	Growth	Value creation activities during the year	2022	
No. of Employees	No.	23	<b>25</b>	8.7%	No. of promotions	<b>3</b>	
New Recruits	No.	5	<b>4</b>	-20%	Investment in training	<b>1.5 Mn</b>	
Training Hours	Hours	31.15 man hours/ Avg – 5.7 man hours	214 man hours/ Avg – 8.56 man hours	63%	No. of training hours	<b>214 man hours/ Avg – 8.56 man hours</b>	

 <b>Digital Capital</b>		Our continued focus on enhancing our digital capital has enabled us to expand our services, driving operational efficiencies and enhancing value offered to our stakeholders					
KPIs	Units	31.12.2021	31.12.2022	Growth	Value creation activities during the year	2022	
Book Value of IT assets	Rs.Mn (at Cost)	3.4	<b>3.4</b>	-	Investment in digital capital	-	

 <b>Social &amp; Relationship Capital</b>		Our success is determined by relationships with external stakeholders. We strive to enhance the value delivered to them in the long-run while staying constantly engaging with them.					
KPIs	Units	31.12.2021	31.12.2022	Growth	Value creation activities during the year	2022	
No. of CDS account holders	No.	675,309	<b>693,357</b>	2.7%	New CDS accounts	24,270	
No. of participants	No.	45	47	4.4%	New services introduced	-	

	Intellectual Capital		Our intellectual capital plays an important role in the value creation process.				
KPIs	Units	31.12.2021	31.12.2022	Growth	Value creation activities during the year	2022	
Value of Intangible assets	Rs.Mn (at Cost)	0.4	<b>0.4</b>	-	Revenue	391.5 Mn	
					Other Income	51.7 Mn	
					Profit After Tax	238 Mn	

	Natural Capital		As an environmentally conscious organization, we strive to minimize the use of natural resources by embracing technology and by driving efficiency.				
KPIs	Units	31.12.2021	31.12.2022	Growth	Value creation activities during the year		
Paper consumed	Kg	142	<b>174</b>	23%	Driving digitization to minimize the impact to the environment.		

# CDS ACCOUNT HOLDERS

## VALUE CREATION REPORT



### TOUCHPOINTS

- Investor forums
- SMS Alerts
- CDS statements
- CDS eConnect
- E Statements



### VALUE

- Settlement of over 6Mn trades
- 96 corporate actions
- 41 dividend payments
- 24.6% increase in e-statements, estimated to save 1.4 Mn of paper

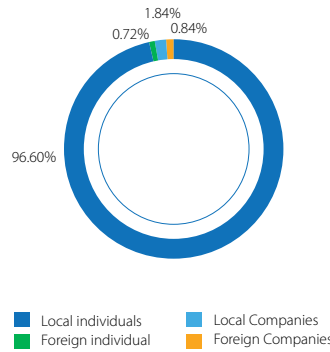


### HIGHLIGHT

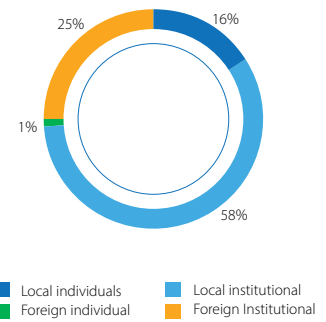
- Introduction of CDS account nominee
- CDS eConnect
- eDividends
- 26,823 transfers

We offer a comprehensive value proposition for CDS account holders by offering a wide range of services while constantly improving the quality of the services delivered. We strive to enhance to service quality by continuously investing in technology to improve our infrastructure. With these investments we have been successful in expanding our service range and offer more convenience to stock market investors.

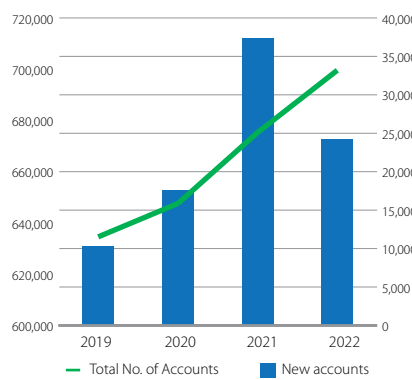
CDS Accounts by Investor Category



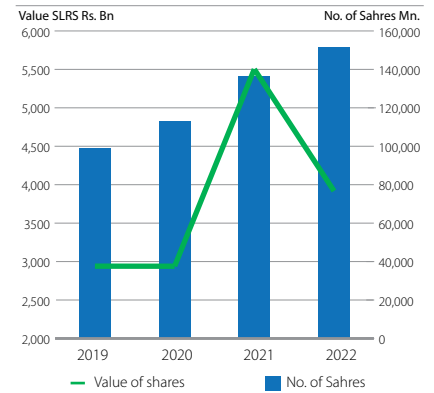
Value of Shares by Investor Category



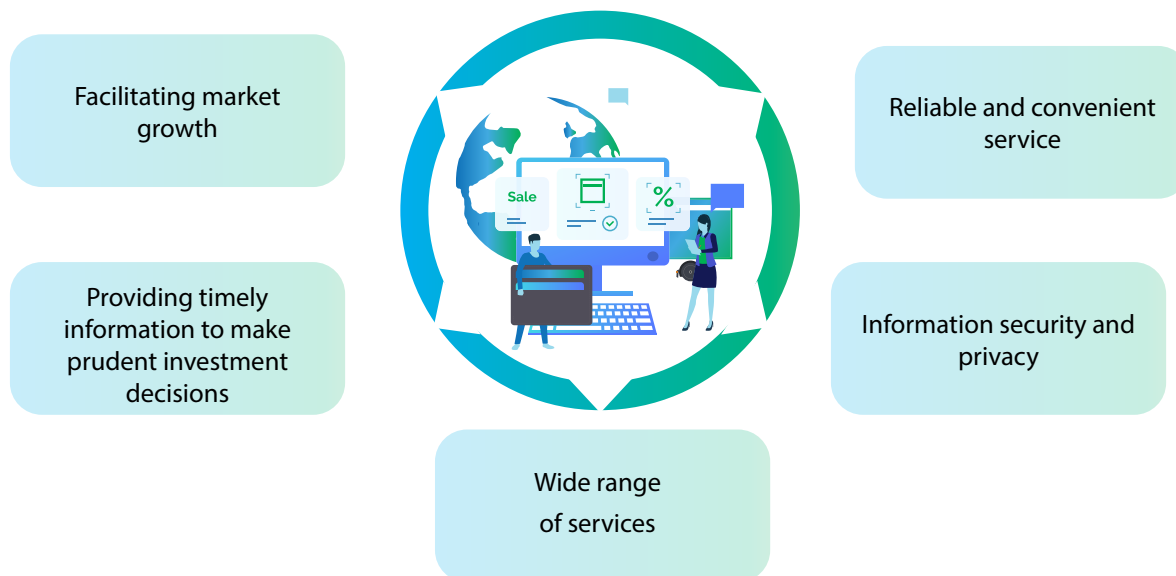
CDS Accounts



Shares in Deposit



## VALUE CREATED FOR CDS ACCOUNTHOLDERS



### FACILITATING MARKET GROWTH

We continuously expand our services to issuers and investors, remaining relevant to both parties. Facilitating registration of nominees was a change that eased this arduous process for investors/CDS account holders in 2022. Investors also have the opportunity to avail themselves of services such as sms alerts, e-connect and e-statements which enhance their engagement, supporting the buoyancy of the market. During the year we facilitated the execution of 6,057,233 trades and added 24,270 new CDS accounts.

### RELIABLE AND CONVENIENT SERVICE

CDS continued to decentralize our operations by empowering market participants to carry out various functions with regard to the maintenance of CDS accounts, consequently, offering greater convenience for account holders. Further CDS expanded the range of services offered through technological innovations and thereby driving efficiency in our business operations and sustainable growth while enhancing customer experience and convenience.

Some of the services offered by us are,

**Nominees for CDS accounts**

# 28

### CDS eConnect

A common platform created for depository participants and CDS account holders. This multi purpose platform allows access to core depository operations without the need for physical documentation.

### eDividends

A platform allowing investors to receive their dividends direct to their bank accounts without any time lag. CDS was the first depository in South Asia to implement this.

Further, we have taken following initiative to expand our services while enhancing overall customer experience,

- Automation and digitization of workflows to offer more efficient and accessible services.
- Decentralization of operations to improve engagement and to ensure compliance and information security
- Robotic process automation of our back-end operations facilitating digital transformation of operations such as foreign individual account opening and intra account transfers

Reliable and convenient service

Information security and privacy

Wide range of services

e Services

CDS eConnect

eDividends

SMS Alerts

### INFORMATION SECURITY AND PRIVACY

CDS rules, approved by the regulator SEC clearly sets out the guidelines for sharing information and procedures needed to be followed in connection to CDS accounts. We are in full compliance with these said rules while maintaining internationally accepted safety standards when maintaining our databases. Further, we carry out routine audit and tests to ensure the security of the information maintained by us.

Initiatives undertaken to ensure information security,

- Maintaining several layers of firewalls
- Regular penetration tests carried out inhouse and by third parties
- Regular system audits
- Partnerships with other regional depositories to exchange knowledge and conduct training sessions.

# PARTICIPANTS

## VALUE CREATION REPORT



### TOUCHPOINTS

- Training and awareness programs
- CDS eConnect
- Webinars
- Discussions



### VALUE

- 4 training programs to stockbrokers
- Facilitating market growth
- Enhancing engagement with CDS account holders through CDS eConnect

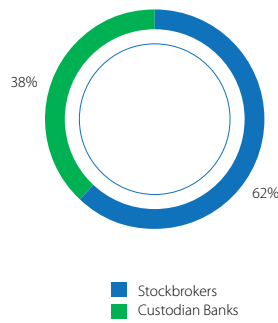


### HIGHLIGHT

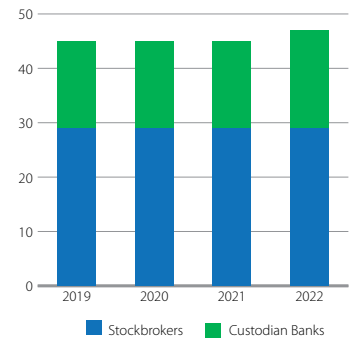
- Digitisation of private margin facility for margin providers
- Continuous enhancement of digital infrastructure

We have a total of 47 market participants with 29 stockbrokers and 18 custodian banks. These market intermediaries play an important role in facilitating engagement between CDS account holders and the CDS while ensuring uninterrupted operations of both CSE and CDS.

Market Participants



Market Participants over the years



## VALUE GENERATED FOR MARKET PARTICIPANTS,



### DECENTRALIZATION

Decentralization of CDS operations is a key aspect of our strategy implemented with the aim of enhancing the accessibility to CDS account operations. Under this initiative opening of CDS accounts was decentralized, empowering the market participants to open accounts on behalf of their clients, eliminating the need to forward applications to CDS. Stockbrokers were also provided with the facility to carryout broker to broker portfolio transfers without the interference of the CDS. These initiatives enhanced the operations while facilitating regulatory compliance.

### ENHANCING DIGITAL INFRASTRUCTURE

We make continuous investments in updating our digital infrastructure to drive efficiencies and effectiveness of our operations while we aim to transform CDS to a modern and technologically advanced depository. We are in the process of automating and digitizing workflows which minimizes the possibilities of human errors while ensuring regulatory compliance.

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

### TRAINING AND DEVELOPMENT

CDS conducts regular training sessions for market participants to educate and upskill them about the developments of the capital markets. These training programs are designed to ensure that stockbrokers and other market participants are well acquainted about the latest digital developments of the market infrastructure and regulatory developments. During the year CDS conducted 4 such training programs. These programs included,

# LISTED COMPANIES VALUE CREATION REPORT



## TOUCHPOINTS

- Training and awareness programs

---

- Discussions

---

- Webinars



## VALUE

- 5 IPOs

---

- 28 Hybrid AGMs/EGMs

---

- 41 Dividend payments

---

- 15 Rights Issues

---

- 5 Sub-divisions



## HIGHLIGHT

- Rs. 22.7 Mn raised via IPOs

---

- Rs. 11.7 Bn raised through Rights Issues

---

- Dividend payments of Rs.33,125 Mn

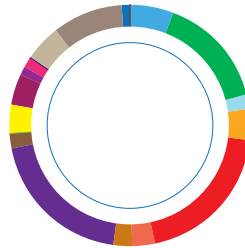
### ANALYSIS OF LISTED ENTITIES

Listed Entities based on Classification



1	Automobiles & co
12	Banks
30	Capital goods
7	Commercial & professional services
13	Consumer durables and apparel
36	Consumer services
45	Diversified financials
2	Energy
3	Food & staples
46	Food beverage & tobacco
8	Health care equipment & services
2	Household & personal
12	Insurance
20	Materials
19	Real estate
14	Retailing
1	Software services
2	Telecommunication
3	Transportation
8	Un-classified

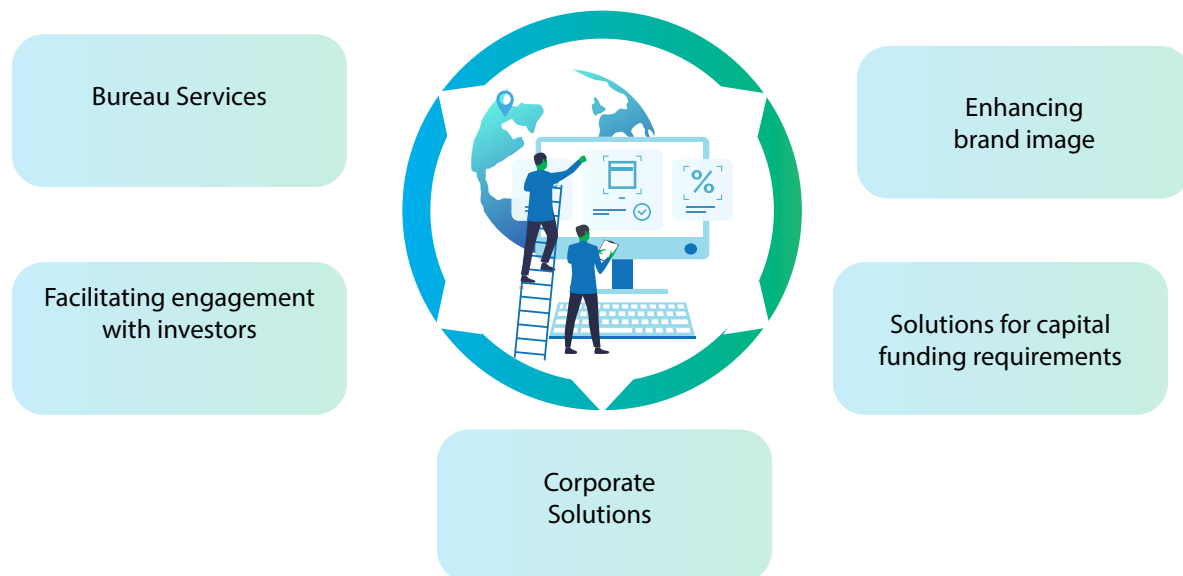
Market Capitalisation based on Classification



4,663,200,000	Automobiles & co
219,847,840,003	Banks
578,526,967,600	Capital goods
6,310,217,499	Commercial & professional services
74,113,512,306	Consumer durables and apparel
162,842,101,371	Consumer services
758,407,444,965	Diversified financials
113,708,623,030	Energy
96,334,645,518	Food & staples
753,626,261,590	Food beverage & tobacco
75,412,648,865	Health care equipment & services
9,267,230,541	Household & personal
149,625,750,923	Insurance
155,006,610,737	Materials
45,544,339,383	Real estate
47,771,297,164	Retailing
4,703,821,392	Software services
192,835,422,593	Telecommunication
357,238,937,738	Transportation
41,366,307,990	Un-classified



## VALUE DELIVERED TO LISTED COMPANIES,



### SOLUTIONS FOR FUNDING REQUIREMENTS

We assist corporates to fulfill their funding requirements by providing complete registrar solutions for IPOs and assistance given for Rights issues through our Corporate Solutions unit. Our e-applications service for IPOs provide the investors and corporates the convenience of online applications which reduces the processing time significantly.

**Rs.4.8 Bn raised through 4 Equity IPOs**

**Rs. 18 Bn raised through Debenture issues**

**Rs.11.8 Bn raised through Rights Issues**

### ENGAGEMENT WITH SHAREHOLDERS

We assist listed entities with Annual General Meetings by providing the total AGM solution including virtual and hybrid AGMs.

**No physical AGMs**

**18 virtual AGMs**

**11 hybrid AGMs**

# EMPLOYEES

## VALUE CREATION REPORT

GRI 2-7, 2-26



### TOUCHPOINTS

- Staff meetings
- Training Programs
- Welfare events



### VALUE

- Total remuneration of Rs. 62.7 Mn
- 214 Training hours
- 3 Promotions

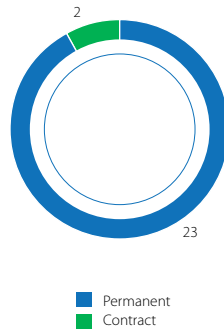


### HIGHLIGHT

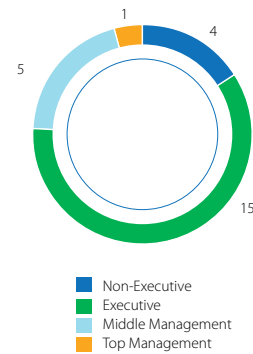
- 4 New recruitments
- 8 Staff welfare events
- Celebration of CDS 31st Anniversary in September 2022

CDS has a diverse and competent talent pool of 25 employees representing different ethnic, religious and geographical groups.

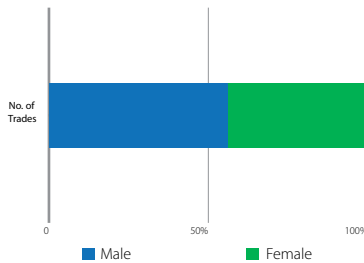
Market Participants



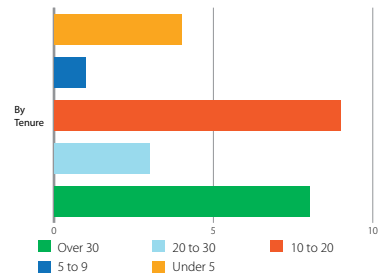
By Staff Category



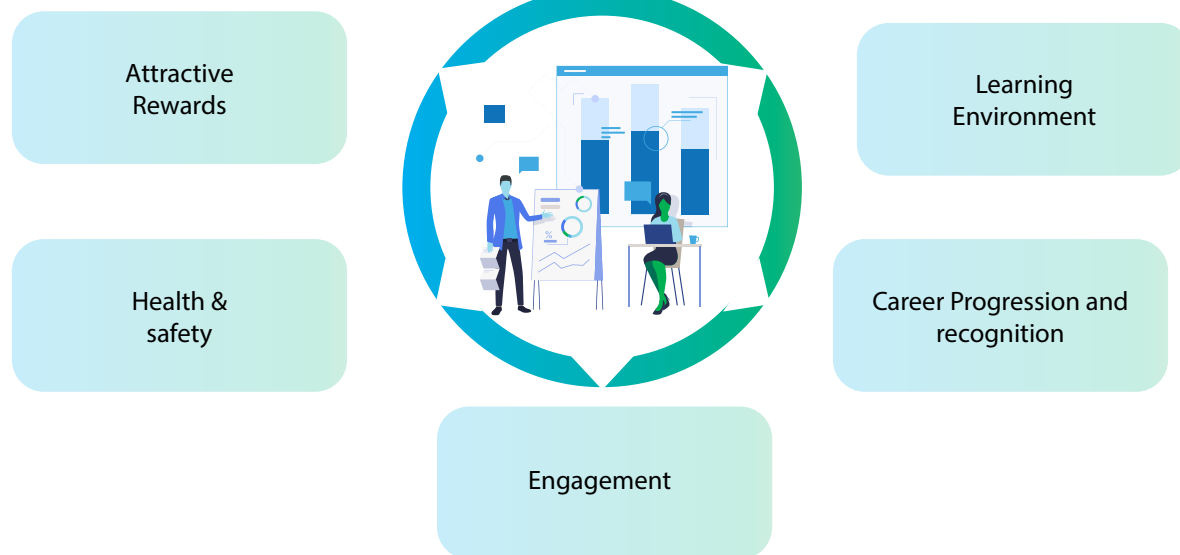
Gender Representation of the Workforce



By Tenure



**VALUE PROPOSITION OFFERED TO EMPLOYEES**



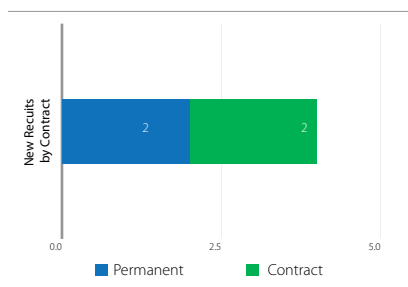
**TALENT ACQUISITION**

Our talent pool was strengthened with 4 new recruits during the year. CDS has a fair and transparent and consistent recruitment policy in place to ensure best suitable personnel are chosen for the vacancies. Recruitment process is made of a series of interviews and assessments and once recruited followed by an induction session. Detailed job descriptions are issued to all new recruits. A learning and mentoring culture supports integration and performance of new hires.

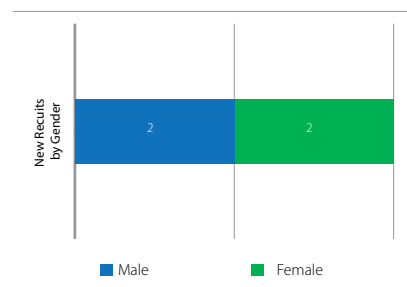
**REMUNERATION**

Attractive and competitive remuneration that is on par with the industry is offered to all employees in order to attract and retain a competent team. Remuneration for all employees were safeguarded during the year despite the volatility in the capital market and adverse economic conditions. Our reward scheme comprises of fixed and variable pay and benefits. Fixed pay includes basic salary, allowances and statutory pension contributions. Variable pay is dependent on both the performance of CDS and the individual.

**New Recruits by Contract**



**New Recruits by Gender**



**BENEFITS**

Staff loans and vehicle loans with subsidised interest rates

Interest free educational loans and reimbursement of educational expenses

Reimbursement of mobile phone purchases

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

# EMPLOYEES

## CAREER PROGRESSION

During the year 3 employees were promoted. These promotions were made based on the requirements and the performance of the employees. A performance appraisal system is in place to assess each and every employee against predefined KPIs. During the year performance reviews were carried out for 20 employees.

We encourage employees to work towards their career aspirations by facilitating their professional and higher studies. Consequently, we provide interest free loan facilities for educational purposes and reimbursement of exam and course fees for professional studies.

## EMPLOYEE ENGAGEMENT

We strive to maintain a close relationship with employees by continuously engaging with them via multiple platforms.

## TRAINING AND DEVELOPMENT

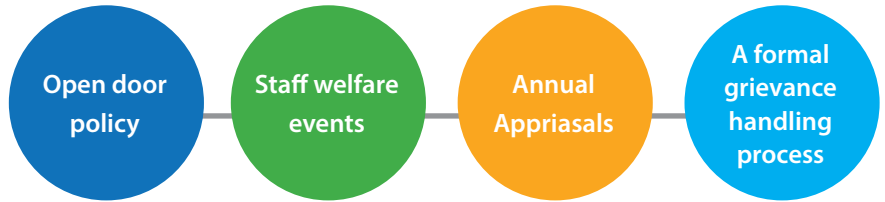
We are constantly reinforcing our talent pool by providing training and development opportunities. These training needs are identified through the performance appraisal process and training programs are designed based on the findings. Further programs are also carried out based on new developments/ projects where talent gaps are identified.

## DIVERSITY AND INCLUSION

CDS is an equal opportunity employer and has a diverse workforce. High levels of female representation in the team affirms a conducive environment for both genders although we see a need to support women to reach higher levels in their careers. We encourage a healthy work-life balance for all as well as flexibility which supports retention, supporting development and productivity.

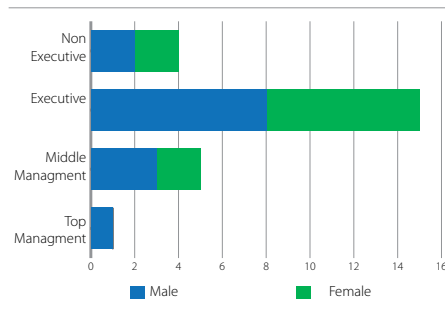
## WELFARE ACTIVITIES

- ✦ The year-end award ceremony and employee get-together was combined with Annual Employee Family Trip this year
- ✦ Movie night
- ✦ Break the Bias- International Women’s Day initiative
- ✦ Carom tournament
- ✦ Battle of the Brains Quiz competition
- ✦ CSE Toastmasters Installation Ceremony 2022
- ✦ Badminton tournament
- ✦ Joint Cricket tournament with the regulator (SEC)
- ✦ The CSE applied for the Great Place to Work Certification for the first time this year and obtained the certification at the first attempt. This relies purely on employee feedback and is a testimony to the satisfaction levels of our employees.



	2022	2021
<b>Total investment in training – LKR Mn</b>	<b>1.5</b>	0.05
<b>Total No. of training hours</b>	214	131
	Man Hours	Man Hours

Gender Representation of the Work Force



# REGULATORS

## VALUE CREATION REPORT



### TOUCHPOINTS

Meetings & discussions

Training Programs

Circulars



### VALUE

A regulated market

Enhancing market operations through digitalization



### HIGHLIGHT

Rs. 89.9 Mn  
of taxes paid

The Securities and exchange Commission (SEC) is the market regulator and issues the operating license for CDS. We collaborate with the SEC to support the operation of fair markets, market development and enforcement of CDS rules.

#### ASSISTANCE IN REGULATING THE MARKET

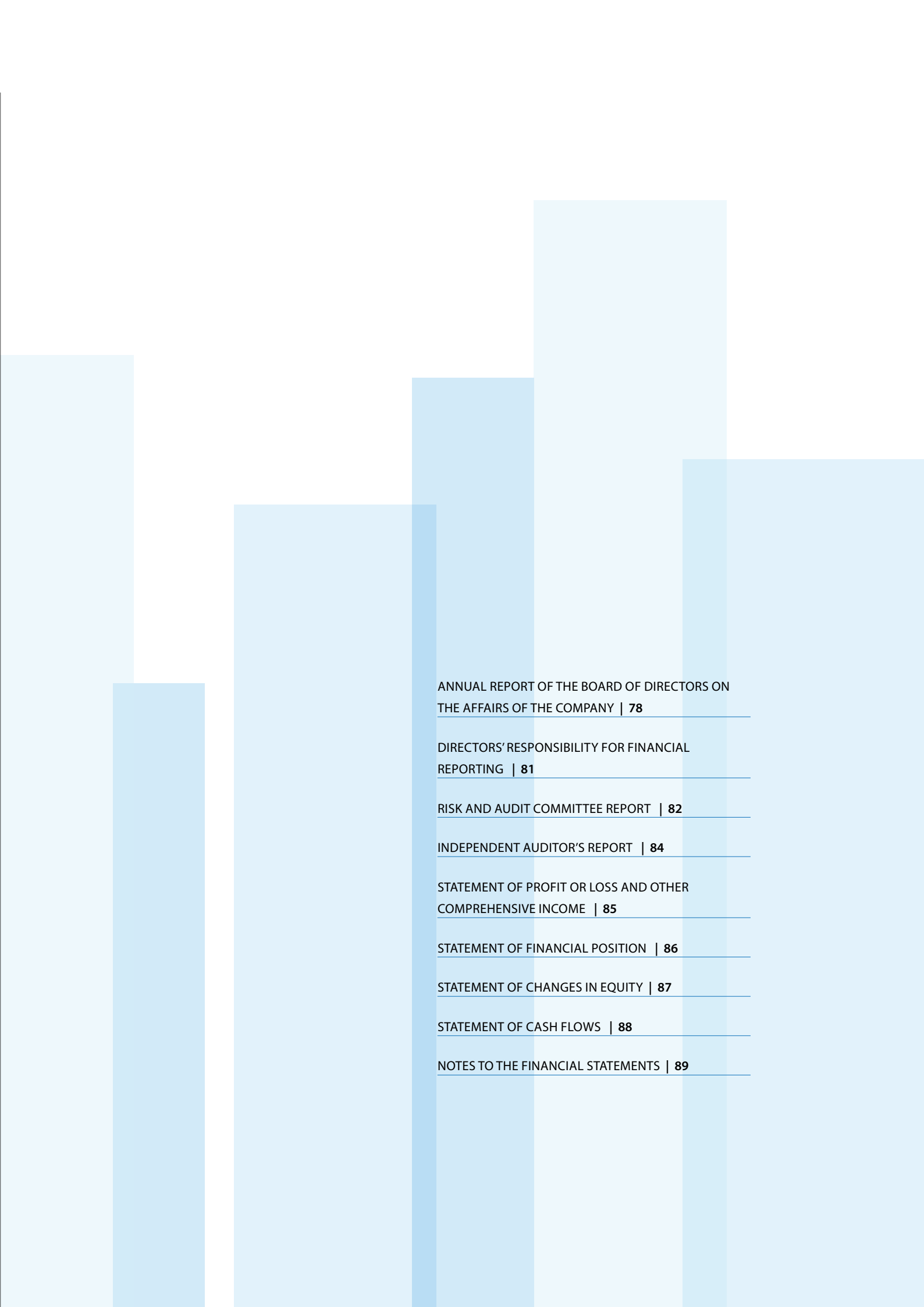
The Compliance and Risk Unit ensures compliance in all depository operations supported by sound internal controls that are in place. A dedicated compliance officer is responsible for implementation of compliance framework while ensuring compliance in daily depository operations.

#### FACILITATING MARKET GROWTH

We collaborate with the SEC to develop the capital market by carrying out various promotional and awareness activities. Further, we make continuous investments in upgrading market infrastructure to increase efficiency and accessibility in order to attract potential investors.

# FINANCIAL REPORT





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# 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 2022.

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 23rd February 2023.

## 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 4 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 17, the Chief Executive Officer's Message on pages 18 to 21, Senior Vice President of CDS's Message on pages 22 to 23 and the Operational Review on pages 53 to 75 the Annual Report 2022. 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 17, the Chief Executive Officer's Message on pages 18 to 21, Senior Vice President of CDS's Message on pages 22 to 23 and the Operational Review on pages 53 to 75 the Annual Report 2022. 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 2022, duly signed by the Senior Vice President- Finance and Administration and two of the Directors of the Company on pages 85 to 110 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 81 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 2022 and their report on those statements which forms an integral part of the Report of the Board of Directors, on page 84 of this Annual Report.

## SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of the Financial Statements are given on pages 89 to 94.

## 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 2022 was Rs. 654 Mn (2021: Rs 718 Mn). An analysis of the income is given in Note 04,05 & 08 to the Financial Statements.

## Financial Results and Appropriations

The Company has recorded a Profit before tax of Rs.328 Mn (2021: Profit before tax Rs.484 Mn) and Profit after tax of Rs. 238 Mn (2021: Rs.373 Mn) for the year 2022.

The Group's total other comprehensive income for the year 2022 was Nil (total other comprehensive Expense was Nil in 2021)

## TAXATION

The income tax rate applicable on the Company and the subsidiary company was 24% in first half of the year & 30% in second half of the year (2021 -24%).



## 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	2022	2021
	Rs. 000	Rs. 000
Stated Capital	100,000	100,000
Other Reserve	166	166
Retained Earnings	1,244,872	1,006,845
Total	1,345,038	1,107,011

## CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

The total capital expenditure on acquisition of property and equipment and intangible assets of the Company Nil (2021: Nil). Details of property and equipment are given in Note 11 to the Financial Statements.

## PROPERTY AND EQUIPMENT

Details of property and equipment are given in Note 11 to the financial statements.

## DONATIONS

During the year Company has not made any donations. (Rs. Nil in 2021).

## 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 24 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. Dilshan Wirasekara (Chairman)**

**Mr. Ray Abeywardena**

**Mr. Dimuthu Abeyesekera**

**Mr. Kosala Gamage**

**Mr. Arjuna Herath**

**Mr. Jayantha Fernando**

**Mr. Suren De Silva**

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 details of the Directors' meetings which comprise Board meetings, Special Board Meetings, Risk Committee Meetings, Audit Committee Meetings, HR Committee Meetings, Nominations Committee meetings and the attendance of Directors at these meetings are given on page 33 of the Annual Report.

## BOARD SUB COMMITTEE

CDS has its own Board Sub Committees. The composition of the Board sub committees, comprising of Non-Executive Directors is provided on page 35.

The report of the Board Risk and Audit Committee is given on pages 82 to 83.

## 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 23 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 23 to the

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

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 40 to 43.

### 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 30 to 39 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. 480,000 (Rs. 420,200 in 2021). Further, Rs.204,899 (Rs. 273,904 in 2021) 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.



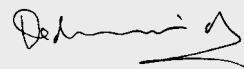
**Dilshan Wirasekara**

Chairman



**Arjuna Herath**

Director



**Corporate Services (Private) Limited**

Secretaries

25th May 2023

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 2022, 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 2022 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 23rd February 2023 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

25th May 2023  
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 Colombo Stock Exchange (CSE) 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, Chief Regulatory Officer, Chief Information Officer, Senior Vice President- Finance & Administration, Vice President -Internal Audit, other relevant Senior Management members and External Auditors & Internal Auditors attend the meetings of the 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, four (4) 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.

As a new inclusion to the CSE ERM policy, the committee reviewed the Risk appetite statements, Tolerance and Capacity levels of the CSE. The committee assisted to establish it in pursuit of CSE's Risk Management framework, strategic priorities and outcomes that it may choose to accept with different degrees of risk in different areas subject to ensuring that the potential benefits and threats are fully understood before actions are authorized.

Considering the prevalent economic conditions and uncertainties associated with socio-political developments of the country, the committee recommended to assess the strategic risks in a broader approach as "Business sustainability and Competition Risk.

The Risk and Audit committee was also 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. The Committee also reviewed during the year the debtors follow up procedure and approved a new procedure for the debtors follow up for more efficient and effective collections and

approved a new policy for more prudent bad debt provisioning. The Committee also approved new policy for write back of long outstanding Sundry Creditors and Accrued Expenses.

### 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 Auditors presented the all relevant matters arising from the audit with the key Management Letter points and the Committee discussed the management responses as well and approved required action.

The Risk and Audit Committee reviewed the Consolidated Financial Statements audited by the External Auditor for the financial year ended 31st December 2022 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 2022.

The Audit Committee met with the engagement partner of the External Auditor during the year, without the Key Management Personnel to ensure that there were no limitations of the scope in relation to the audit and to allow for full disclosure of any incidents which could have had a negative impact on the effectiveness of the external audit. The Committee concluded that there was no cause for concern.

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 early 2022. 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. An IT systems audit was also conducted with the assistance of an external service provider and recommended controls are in the process of being implemented.

An external quality assurance review of the internal audit division was conducted by an independent external expert to evaluate the internal audit divisions compliance Institute of Internal Auditors Standards and Code of Ethics. External experts confirmed that the internal audit division of CSE conforms to the Institute of Internal Auditors Standards and Code of Ethics.

In January 2023, the Risk and Audit Committee was split in to two Committees namely Risk Committee and Audit Committee for better focus on the matters to be discussed.

On behalf of the Risk and Audit Committee;



#### Arjuna Herath

Chairman – Risk and Audit Committee

Colombo  
25th May 2023

# 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](http://www.kpmg.com/lk)

## TO THE SHAREHOLDERS OF CENTRAL DEPOSITORY SYSTEMS (PRIVATE) 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 2022, and the statements 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 of the Company give a true and fair view of the financial position of the Company as at 31 December 2022 and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

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

#### Other Information

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

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

#### 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 and Group'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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: <http://slaasc.com/auditing/auditorsresponsibility.php>. This description forms part of our auditor's report.

#### 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.

#### CHARTERED ACCOUNTANTS

Colombo, Sri Lanka  
07<sup>th</sup> March 2023

KPMG, a Sri Lankan Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

P.Y.S. Perera FCA  
W.J.C. Perera FCA  
W.K.D.C. Abeyrathne FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel FCA  
Ms. P.M.K.Sumanasekara FCA

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

T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara FCA  
G.A.U. Karunaratne FCA  
R.H. Rajan FCA  
A.M.R.P. Alahakoon ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, W.A.A. Weerasekara CFA, ACMA, MRICS

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December,		2022	2021
	Note	Rs.	Rs.
<b>Revenue</b>	4	<b>391,501,145</b>	613,852,124
Other Income	5	<b>51,690,402</b>	52,717,983
		<b>443,191,547</b>	666,570,107
Staff Cost	6	<b>(62,744,262)</b>	(59,693,578)
Other Operating Expenses	7	<b>(258,625,735)</b>	(172,431,410)
Impairment Charges and Other Credit Losses on Financial Assets		<b>(5,101,835)</b>	(1,833,962)
Net Finance Income	8	<b>211,223,866</b>	51,344,319
<b>Profit before Taxation</b>		<b>327,943,581</b>	483,955,476
Income Tax Expenses	9	<b>(89,916,367)</b>	(110,406,309)
<b>Profit for the Year</b>		<b>238,027,214</b>	373,549,167
<b>Other Comprehensive Income</b>		-	-
<b>Total Comprehensive Income for the Year</b>		<b>238,027,214</b>	373,549,167
<b>Earnings per Share</b>	10	<b>23.80</b>	37.35

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

Figures in brackets indicate deductions.

# STATEMENT OF FINANCIAL POSITION

As at 31 December,		2022	2021
	Note	Rs.	Rs.
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property & Equipment	11	44	44
Investments in LFSB	12	1,165,966	1,165,966
Financial Investment at amortised Cost	13	100,296,099	-
<b>Total Non Current Assets</b>		<b>101,462,109</b>	<b>1,166,010</b>
<b>Current Assets</b>			
Inventories		357,170	160,174
Amounts due from Related Company	14	-	106,234,683
Trade and Other Receivables	15	65,737,381	100,101,317
Financial Assets at FVTPL	16	-	50,295,879
Other Investments	17	1,198,933,897	871,256,848
Cash and Cash Equivalents	18	391,226,964	1,258,893,877
<b>Total Current Assets</b>		<b>1,656,255,412</b>	<b>2,386,942,778</b>
<b>Total Assets</b>		<b>1,757,717,521</b>	<b>2,388,108,788</b>
<b>EQUITY AND LIABILITIES</b>			
Stated Capital	19	100,000,000	100,000,000
Retained Earnings		1,244,872,173	1,006,844,959
Other Reserve		165,965	165,965
<b>Total Equity</b>		<b>1,345,038,138</b>	<b>1,107,010,924</b>
<b>Current Liabilities</b>			
Brokers' Liquidity and Margin Deposit		326,252,558	1,178,185,008
Accrued Expenses and Sundry Creditors		20,882,774	17,719,460
Amounts due from Related Company	14	4,729,300	-
Income Tax Payable		60,814,751	85,193,396
<b>Total Current Liabilities</b>		<b>412,679,383</b>	<b>1,281,097,864</b>
<b>Total Equity and Liabilities</b>		<b>1,757,717,521</b>	<b>2,388,108,788</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;



**Dilshan Wirasekara**

Chairman



**Arjuna Herath**

Director

23 February 2023

Colombo.



# STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Other Reserve	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.	Rs.
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
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income / (Expense) for the Year	-	-	373,549,167	373,549,167
Balance as at 31 December 2021	100,000,000	165,965	1,006,844,959	1,107,010,924
<b>Balance as at 01 January 2022</b>	<b>100,000,000</b>	<b>165,965</b>	<b>1,006,844,959</b>	<b>1,107,010,924</b>
<b>Total Comprehensive Income</b>				
Profit for the Year	-	-	238,027,214	238,027,214
Other Comprehensive Income	-	-	-	-
Total Other Comprehensive Income for the Year, Net of Tax	-	-	-	-
Total Comprehensive Income for the Year	-	-	238,027,214	238,027,214
Balance as at 31 December 2022	100,000,000	165,965	1,244,872,173	1,345,038,138

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,		2022	2021
	Note	Rs.	Rs.
<b>Cash Flows from Operating Activities</b>			
Profit before Taxation		<b>327,943,581</b>	483,955,476
<b>Adjustments For :</b>			
Interest Income	<b>8</b>	<b>(210,488,726)</b>	(21,443,525)
Fair Value Gain on Financial Assets Measured at FVTPL	<b>8</b>	<b>(735,140)</b>	(29,900,794)
Impairment provision		<b>4,580</b>	351
Gratuity Provision-Transfer from Related Company		<b>4,117,621</b>	(1,496,827)
Provision of Bad Debts	<b>15</b>	<b>5,097,255</b>	1,833,611
<b>Operating Loss before Working Capital Changes</b>		<b>125,939,171</b>	432,948,292
<b>Changes in Working Capital</b>			
Decrease/(Increase) in Inventories		<b>(196,996)</b>	7,033
Decrease/(Increase) in Receivables		<b>33,125,615</b>	(43,636,857)
Decrease/(Increase) in Amounts receivable from Related Company		<b>106,846,362</b>	(72,828,829)
Increase / (Decrease) in Payables		<b>3,163,314</b>	1,090,684,426
Increase/(Decrease) in Brokers Deposit		<b>(851,932,450)</b>	13,773,094
		<b>(583,054,984)</b>	1,420,947,159
Income tax paid		<b>(114,295,012)</b>	(53,383,457)
<b>Net Cash Flows Generated from (Used in) Operating Activities</b>		<b>(697,349,996)</b>	1,367,563,702
<b>Cash Flows from Investing Activities</b>			
Interest Income		<b>131,910,603</b>	6,862,316
(Increase) / Decrease Investment in Fixed Deposit		<b>(50,000,000)</b>	(200,000,000)
(Increase) / Decrease Investment in Treasury Bills		<b>(203,671,883)</b>	(659,031,264)
(Increase) / Decrease Investment in Treasury Bonds		<b>(99,586,656)</b>	-
(Increase) / Decrease in Investments in Unit Trusts		<b>51,031,019</b>	600,354,174
<b>Net cash Generated from Investing Activities</b>		<b>(170,316,917)</b>	(251,814,774)
Net (Decrease)/Increase in Cash and Cash Equivalents		<b>(867,666,913)</b>	1,115,748,928
Cash and Cash Equivalents at beginning of the Year		<b>1,258,893,877</b>	143,144,949
<b>Cash and Cash Equivalents at End of the Year</b>		<b>391,226,964</b>	1,258,893,877
<b>Analysis of Cash and Cash Equivalents at End of the year</b>			
Overnight Repos		<b>388,843,169</b>	1,256,105,331
Cash at Bank		<b>2,291,195</b>	2,695,946
Cash in Hand		<b>75,000</b>	75,000
RTGS Account		<b>17,600</b>	17,600
Cash & Cash Equivalents	<b>18</b>	<b>391,226,964</b>	1,258,893,877
<b>Net Cash &amp; Cash Equivalents at End of the Year</b>	<b>18</b>	<b>391,226,964</b>	1,258,893,877

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 23rd February 2023.

### 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.

## Classification and subsequent measurement of financial assets (Contd.)

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).

#### **Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest (Contd.)**

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**

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial assets at amortised cost</b>	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.
<b>Debt investments at FVOCI</b>	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.
<b>Equity investments at FVOCI</b>	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 2022 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 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 for the period ended 30th June 2022 and at the rate of 30% on the taxable profit w.e.f. 1st July 2022.

## 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% up to 31st May 2022, at 12% from 01st June 2022 to 30th September 2022 and at 15% w.e.f. 01st October 2022.

### 3.10.2.2. Social Security Contribution Levy (SSCL)

Social Security Contribution Levy shall be paid by any person carrying on the business of supplying financial services on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act, No. 25 of 2022 (SSCL Act) at the rate of 2.5% w.e.f. 1st October 2022.

## 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"



For the Year Ended 31 December,		2022	2021
		Rs.	Rs.
<b>4</b>	<b>REVENUE</b>		
	CDS Fees	<b>306,548,035</b>	518,488,744
	Listed Company Fees	<b>63,980,960</b>	74,453,130
	Charges for Computer Information	<b>20,972,150</b>	20,910,250
		<b>391,501,145</b>	613,852,124

For the Year Ended 31 December,		2022	2021
		Rs.	Rs.
<b>5</b>	<b>OTHER INCOME</b>		
	Participant Fees	<b>1,770,000</b>	1,920,000
	Miscellaneous Income	<b>20,203,856</b>	27,337,019
	Registrar Services and Corporate Actions Income	<b>29,716,546</b>	23,460,964
		<b>51,690,402</b>	52,717,983

For the Year Ended 31 December,		2022	2021
		Rs.	Rs.
<b>6</b>	<b>STAFF COST</b>		
	Salaries	<b>47,122,754</b>	39,072,989
	Bonus	<b>5,881,486</b>	17,580,115
	Terminal Benefits (Gratuity)	<b>4,117,621</b>	(1,496,827)
	Staff Welfare	<b>1,992,047</b>	1,620,916
	Medical and Insurance Expenses	<b>2,975,496</b>	2,635,177
	Transport & Travelling	<b>654,858</b>	281,208
		<b>62,744,262</b>	59,693,578

The Number of Employees at the end of the Year 2022 was 25 (2021 - 23).

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December,		2022	2021
		Rs.	Rs.
<b>7</b>	<b>OTHER OPERATING EXPENSES</b>		
	Rent	13,860,117	10,051,860
	Administration Expenses	14,385,459	13,437,305
	CDS Statement Expenses	303,974	522,223
	Stationery Expenses	1,019,770	142,363
	Maintenance Expenses	38,226,901	30,993,598
	CDS System Maintenance	115,321,868	64,731,029
	Training Expenses	1,464,121	47,400
	Disallowed VAT	24,932,616	13,066,753
	Social Security Contribution Levy (SSCL)	1,323,476	-
	Investor Education & Foreign Road Show Expenses	10,909,584	6,898,098
	Publication & Website Expenses	4,827,095	3,405,673
	Issuer Relation Expenses	62,744	323,558
	CSE Profit Margin	8,323,042	7,112,006
	Management Fee	2,000,000	2,000,000
	Auditors Remuneration	537,671	449,322
	Other Professional Charges	9,642,120	6,451,967
	SMS Alert Expenses	460,853	632,181
	Risograph Expenses	-	4,324
	Other Project Cost	11,024,324	12,161,750
		<b>258,625,735</b>	<b>172,431,410</b>

For the Year Ended 31 December,		2022	2021
		Rs.	Rs.
<b>8</b>	<b>NET FINANCE INCOME</b>		
	Interest Income	210,488,726	21,443,525
	Fair Value Gain on Financial Assets Measured at FVTPL	735,140	29,900,794
		<b>211,223,866</b>	<b>51,344,319</b>

For the Year Ended 31 December,		2022	2021
		Rs.	Rs.
<b>9</b>	<b>TAXATION</b>		
<b>9.1</b>	<b>Income Tax Expense</b>		
	Current tax expense (Note 09.2)	89,916,367	116,230,227
	under/(over) adjustment	-	(5,823,918)
		<b>89,916,367</b>	<b>110,406,309</b>

Income tax has been computed according to the provisions of the 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 taxable profit of the company for the period ended 30th June 2022 and at 30% of taxable profit of the company with effective from 1st July 2022.

For the Year Ended 31 December,	2022	2021
	Rs.	Rs.
<b>9.2 Reconciliation on Accounting Profit to Income Tax</b>		
Profit before Taxation	<b>327,943,581</b>	483,955,476
Adjustment on Disallowable Expenses	<b>9,219,456</b>	337,135
Adjustment on Allowable Expenses	<b>(4,792,862)</b>	-
Investment Income	<b>(210,488,726)</b>	(21,443,525)
Business Income	<b>121,881,449</b>	462,849,086
Investment Income	<b>210,488,726</b>	21,443,525
Assesable Income	<b>332,370,175</b>	484,292,611
<b>Total Assesable Income</b>	<b>332,370,175</b>	484,292,611
Tax Loss Utilized	-	-
<b>Taxable Income</b>	<b>332,370,175</b>	484,292,611
Income Tax	<b>89,916,367</b>	116,230,227
Income Tax on Current year Profit	<b>89,916,367</b>	116,230,227

## 10 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,	2022	2021
Profit attributable to Ordinary Shareholders (Rs.)	<b>238,027,214</b>	373,549,167
Weighted Average Number of Ordinary Shares in issue during the Year	<b>10,000,000</b>	10,000,000
Earnings per Share (Rs.)	<b>23.80</b>	37.35

# NOTES TO THE FINANCIAL STATEMENTS

## 11 PROPERTY & EQUIPMENT

	Furniture & Fittings	Computers & Office Equipment	Telephones	Total
	Rs.	Rs.	Rs.	Rs.
<b>Cost</b>				
As at 01 January 2022	391,317	2,997,156	60,850	3,449,323
Additions / Transfers	-	-	-	-
Disposals / Transfers	-	-	-	-
<b>As at 31 December 2022</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 2022	391,293	2,997,138	60,848	3,449,279
Additions / Transfers	-	-	-	-
Disposals / Transfers	-	-	-	-
<b>As at 31 December 2022</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 2022</b>	<b>24</b>	<b>18</b>	<b>2</b>	<b>44</b>
As at 31 December 2021	24	18	2	44

## 12 INVESTMENT IN LFSB

As at 31 December	2022	2021
	Rs.	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 FINANCIAL INVESTMENT AT AMORTISED COST

As at 31 December	2022	2021
	Rs.	Rs.
Investments in Treasury Bonds	99,586,656	-
Interest Receivable	709,443	-
	100,296,099	-

### 14 AMOUNTS DUE FROM RELATED COMPANY

As at 31 December	Relationship	2022	2021
		Rs.	Rs.
Colombo Stock Exchange	Parent Company	-	106,234,683
		-	106,234,683
Colombo Stock Exchange	Parent Company	4,729,300	-
		4,729,300	-

### 15 TRADE & OTHER RECEIVABLES

As at 31 December	Relationship	2022	2021
		Rs.	Rs.
Trade Debtors		63,737,010	96,048,715
Provision for Impairment		(8,718,038)	(8,413,645)
		55,018,972	87,635,070
Other Receivables		10,718,409	12,466,247
		65,737,381	100,101,317

### 16 FINANCIAL ASSETS AT FVTPL (SLFRS 9)

As at 31 December	2022		2021	
	No. of Units	Rs.	No. of Units	Rs.
JB Vantage Money Market Fund	-	-	1,711,617	50,295,879
		-		50,295,879

## NOTES TO THE FINANCIAL STATEMENTS

### 17 OTHER INVESTMENTS

As at 31 December	2022	2021
	Rs.	Rs.
<b>Treasury bills</b>		
Investments in Treasury Bills	<b>862,707,727</b>	659,031,264
Interest Receivable	<b>75,907,725</b>	6,505,841
	<b>938,615,452</b>	665,537,105
<b>Fixed deposits</b>		
Investments in Fixed Deposits	<b>250,000,000</b>	200,000,000
Interest Receivable	<b>10,323,376</b>	5,720,094
	<b>260,323,376</b>	205,720,094
Less : Impairment Charges on Financial Assets	<b>(4,931)</b>	(351)
	<b>260,318,445</b>	205,719,743
	<b>1,198,933,897</b>	871,256,848

### 18 CASH & CASH EQUIVALENTS

As at 31 December	2022	2021
	Rs.	Rs.
Repo and Overnight Repos	<b>388,843,169</b>	1,256,105,331
Cash at Bank	<b>2,291,195</b>	2,695,946
Cash in Hand	<b>75,000</b>	75,000
RTGS Account	<b>17,600</b>	17,600
	<b>391,226,964</b>	1,258,893,877

### 19 STATED CAPITAL

As at 31 December	2022	2021
	Rs.	Rs.
<b>Issued and Fully Paid</b>		
Ordinary Shares	<b>100,000,000</b>	100,000,000
	<b>100,000,000</b>	100,000,000

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

### 20 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.

## 21 CONTINGENCIES & COMMITMENTS

### 21.1 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.

## 22 FINANCIAL INSTRUMENTS

### 22.1 Financial Risk Management

#### Overview

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

- a) **Credit Risk**
- b) **Liquidity Risk**
- c) **Market Risk**
- d) **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.

#### 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 minimized.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 22.1 Financial Risk Management (Ctd.)

### 22.2 Accounting Classification and Fair Values

As at 31 December 2022		Financial Assets at Amortised Cost	Financial Assets at FVTPL	Financial Assets at FVOCI	Financial Liabilities measured at Amortized Cost	Total Carrying Amount	Fair Value
	Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>							
Cash in Hand	18	75,000	-	-	-	75,000	75,000
Balances with Banks & Financial Institutions	18	391,151,964	-	-	-	391,151,964	391,151,964
Other Investment	17	1,198,933,897	-	-	-	1,198,933,897	1,198,933,897
Financial Investment at amortised Cost	13	100,296,099	-	-	-	100,296,099	100,296,099
Investments in LFSB	12	-	-	1,165,966	-	1,165,966	1,165,966
Trade and Other Receivables	15	65,737,381	-	-	-	65,737,381	65,737,381
<b>Total Financial Assets</b>		<b>1,756,194,341</b>	<b>-</b>	<b>1,165,966</b>	<b>-</b>	<b>1,757,360,307</b>	<b>1,757,360,307</b>
<b>Liabilities</b>							
Due to Brokers		-	-	-	326,252,558	326,252,558	326,252,558
Amounts due to Related Company		-	-	-	4,729,300	4,729,300	4,729,300
Other Financial Liabilities		-	-	-	20,882,774	20,882,774	20,882,774
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>351,864,632</b>	<b>351,864,632</b>	<b>351,864,632</b>

As at 31 December 2021		Financial Assets at Amortised Cost	Financial Assets at FVTPL	Financial Assets at FVOCI	Financial Liabilities measured at Amortized Cost	Total Carrying Amount	Fair Value
	Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>							
Cash in Hand	18	75,000	-	-	-	75,000	75,000
Balances with Banks & Financial Institutions	18	1,258,818,877	-	-	-	1,258,818,877	1,258,818,877
Financial Assets at FVTPL	16	-	50,295,879	-	-	50,295,879	50,295,879
Other Investment		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
Trade and Other Receivables	15	100,101,317	-	-	-	100,101,317	100,101,317
<b>Total Financial Assets</b>		<b>2,336,486,725</b>	<b>50,295,879</b>	<b>1,165,966</b>	<b>-</b>	<b>2,387,948,570</b>	<b>2,387,948,570</b>



As at 31 December 2021	Financial Assets at Amortised Cost	Financial Assets at FVTPL	Financial Assets at FVOCI	Financial Liabilities measured at Amortized Cost	Total Carrying Amount	Fair Value
Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Liabilities</b>						
Due to Brokers	-	-	-	<b>1,178,185,008</b>	1,178,185,008	1,178,185,008
Other Financial Liabilities	-	-	-	<b>17,719,460</b>	17,719,460	17,719,460
<b>Total Financial Liabilities</b>	-	-	-	<b>1,195,904,468</b>	1,195,904,468	1,195,904,468

## 22.3 Fair Values of Financial Instruments

### 22.3.1 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.

### 22.3.2 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	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.
<b>31 December 2022</b>				
<b>Assets</b>				
Investments in LFSB	-	-	<b>1,165,966</b>	<b>1,165,966</b>
<b>Total Financial Assets</b>	-	-	<b>1,165,966</b>	<b>1,165,966</b>
<b>Liabilities</b>				
	-	-	-	-
31 December 2021				
<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>	-	50,295,879	1,165,966	51,461,845
<b>Liabilities</b>				
	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 22.3.3.1 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.

For the Year Ended 31 December,	2022
	Rs.
<b>Financial Assets at FVTPL</b>	
<b>Balance at 01 January 2022</b>	<b>50,295,879</b>
Total gains or losses:	
- in profit or loss	<b>735,140</b>
Purchases	-
Redemption	<b>(51,031,019)</b>
<b>Balance at 31 December 2022</b>	<b>-</b>
<b>For the Year Ended 31 December,</b>	
	<b>2021</b>
	Rs.
<b>Financial Assets at FVTPL</b>	
<b>Balance at 01 January 2021</b>	620,749,259
Total gains or losses:	
- in profit or loss	29,900,794
Purchases	-
Redemption	(600,354,174)
<b>Balance at 31 December 2021</b>	<b>50,295,879</b>

### 22.3.3.2 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.

### 22.3.3.3 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.

31 December 2022	Level 1	Level 2	Level 3	Total Fair Values	Total Carrying Amount
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>					
Cash & Cash Equivalents	-	-	75,000	75,000	75,000
Balances with Banks & Financial Institutions	-	-	391,151,964	391,151,964	391,151,964
Other Investment	-	-	1,198,933,897	1,198,933,897	1,198,933,897
Financial Investment at amortised Cost	-	-	100,296,099	100,296,099	100,296,099
Other Receivables	-	-	65,737,381	65,737,381	65,737,381
<b>Total Financial Assets</b>	-	-	<b>1,756,194,341</b>	<b>1,756,194,341</b>	<b>1,756,194,341</b>
<b>Liabilities</b>					
Due to Brokers	-	-	326,252,558	326,252,558	326,252,558
Amounts due to Related Company	-	-	4,729,300	4,729,300	4,729,300
Other Financial Liabilities	-	-	20,882,774	20,882,774	20,882,774
<b>Total Financial Liabilities</b>	-	-	<b>351,864,632</b>	<b>351,864,632</b>	<b>351,864,632</b>

31 December 2021	Level 1	Level 2	Level 3	Total Fair Values	Total Carrying Amount
	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
Amounts due from Related Company	-	-	106,234,683	106,234,683	106,234,683
Other Receivables	-	-	100,101,317	100,101,317	100,101,317
<b>Total Financial Assets</b>	-	-	<b>1,465,229,877</b>	<b>1,465,229,877</b>	<b>1,465,229,877</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>1,195,904,468</b>	<b>1,195,904,468</b>	<b>1,195,904,468</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.

## NOTES TO THE FINANCIAL STATEMENTS

### 23 RELATED PARTY TRANSACTIONS

#### 23.1 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.

**23.2** 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. (2022 - Nil)

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

Company	Relationship	Nature of Transaction	2022	2021	
			Rs.	Rs.	
<b>a) Mr. Ray Abeywardena</b>					
Acuity Stockbrokers (Pvt) Ltd	Chairman	CDS	Sale of CDS forms & Other CDS Charges	<b>691</b>	3,294
			Amount receivable on sale of CDS forms as at year end	-	3,294
			Collateral Management Fee	<b>63,170</b>	24,300
			Collateral Management Fee receivable as at year end	<b>5,897</b>	16,200
			Interest Payable for Member Firm's Margin Requirement	<b>650,529</b>	464,529
			Interest paid for Member Firms' margin deposit	<b>4,069,735</b>	1,184,714
			Member Firms' liquidity deposit as at year end	<b>27,088,853</b>	62,909,757
Lanka Ventures PLC	Director	CDS	Listed company fees	<b>25,000</b>	25,000
			Receipts for computer information & other CDS Charges	<b>6,888</b>	12,420
			Amount receivable for computer information provided as at year end	<b>3,538</b>	6,480
Guardian Acuity Asset Management Ltd	Director	CDS	Redemption of Unit Trust made during the year	-	115,585,513
LVL Energy Fund Limited	Director	CDS	Listed Company fee	<b>50,642</b>	93,120
			Computer information & other CDS Charges	<b>8,068</b>	17,820
			Listed Company fee receivable as at year end	<b>22,787</b>	42,690

Company	Relationship		Nature of Transaction	2022	2021
				Rs.	Rs.
			Amount receivable for computer information provided as at year end	<b>4,718</b>	9,720
<b>b)</b>	<b>Mr. D. Wirasekara</b>				
First Capital Holding PLC	Director/ CEO	CDS	Charges for computer information	<b>195,909</b>	78,840
			CDS Service Charges	<b>649,105</b>	337,545
			Amount Receivable for computer information charges	<b>131,728</b>	16,200
			Amount Receivable for service charges	<b>569,635</b>	147,915
First Capital Equities (Pvt) Limited	Director	CDS	Sale of CDS Forms	-	20,088
			Amount Receivable for Sale of CDS Forms	-	20,088
			Collateral Management Fee	<b>50,149</b>	24,300
			Collateral Management Fee receivable as at year end	<b>23,145</b>	10,800
			Interest for Member Firms' liquidity deposit	<b>3,045,638</b>	1,234,533
			Member Firms' liquidity deposit & entrance deposit as at year end	<b>13,718,704</b>	46,971,782
			Interest Payable for Member Firm's Margin Requirement	<b>388,945</b>	493,753
First Capital Treasuries PLC	Director/ CEO	CDS	Charges for computer information	<b>56,766</b>	18,360
			CDS Service Charges for the period	<b>462,028</b>	47,475
			IPO Services	-	200,313
			Amount Receivable for service charges and computer information charges	<b>383,661</b>	234,668
First Capital Asset Management Limited	Director / CEO	CDS	Redemption of Unit Trust	-	121,869,521
<b>c)</b>	<b>Mr. D. Fernando (Until 23rd June 2022)</b>				
Singer (Sri Lanka) PLC	Director	CDS	Charges for computer information, Direct Deposit Shares, New Listing Fee and Charges for mandatory and voluntary offers	5,542	165,955
			CDS Service Charges	183,180	390,360

## NOTES TO THE FINANCIAL STATEMENTS

Company	Relationship	Nature of Transaction	2022	2021	
			Rs.	Rs.	
		Amount Receivable for service charges and computer information charges	<b>3,486</b>	5,447	
		Amount Receivable for service charges	<b>183,180</b>	236,940	
Asia Securities (Pvt) Ltd	Chairman	CDS	Sale of CDS Forms / Collateral Management Fee	<b>33,383</b>	-
			Amount Receivable for Sale of CDS Forms	<b>16,400</b>	5,400
			Management Collateral fee & Daily/ Weekly Document Charges		27,000
			Payment of interest for Member Firm's Margin Requirement	<b>3,013,169</b>	2,112,916
			Interest Payable for Member Firm's Margin Requirement	-	728,696
			Member Firms' liquidity deposit & entrance deposit as at 23rd June 2022	<b>17,572,313</b>	107,724,049
Union Assurance PLC	Director	CDS	Charges for Computer information charges and Daily weekly Charges	<b>82,123</b>	21,600
			CDS Service Charges	<b>53,295</b>	30,345
			Amount Receivable for computer information charges	<b>29,028</b>	11,000
			Amount Receivable for service charges	<b>53,295</b>	30,345
			Stamp cost - Sub Division of shares	<b>136,502</b>	-
			Amount Receivable for Stamp cost - Sub Division of shares	<b>136,502</b>	-
d.)	<b>Mr. D. Abeysekera</b>				
Asha Securities Limited	Director	CDS	CDS Forms	<b>3,508</b>	19,467
			Payment of interest for Member Firms' Margin Requirement	<b>5,098,773</b>	2,003,058
			Collateral Management Fee	<b>28,447</b>	24,300
			Amount Receivable for Sale of CDS Forms	-	6,323
			Collateral Management Fee receivable as at year end	<b>5,897</b>	10,800
			Member Firms' liquidity deposit & entrance deposit as at year end	<b>17,452,911</b>	92,045,032
			Interest Payable for Member Firm's Margin Requirement	<b>640,978</b>	701,266

Company		Relationship		Nature of Transaction	2022	2021
					Rs.	Rs.
e.)	<b>Mr. Asanga Seneviratne (Until 22nd September 2022)</b>					
	Nation Lanka Equities (Pvt) Ltd	Chairman	CDS	Collateral Management Fee	<b>29,708</b>	16,115
				Interest for Member Firms' liquidity deposit	<b>1,161,735</b>	506,274
				Member Firms' liquidity deposit & entrance deposit as at 22nd September 2022	<b>18,249,922</b>	28,656,697
				Collateral Management Fee receivable	<b>10,287</b>	24,730
				Interest Payable for Member Firm's Margin Requirement	-	230,847
	Anilana Hotels and Properties	Managing Director	CDS	Computer information charges and New listing	<b>5,510</b>	2,160
				CDS Service Charges	<b>36,615</b>	81,090
				Amount Receivable for computer information charges	<b>82,645</b>	77,125
				Amount Receivable for service charges	<b>283,160</b>	246,545
f.)	<b>Mr. Kosala Gamage (From 20th October 2022)</b>					
	Lanka Securities (Pvt) Ltd	Director	CDS	CDS Forms	<b>548</b>	N/Ap
				Collateral Management Fee	<b>12,861</b>	N/Ap
				Collateral Management Fee & CDS Forms receivable as at year end	<b>12,563</b>	N/Ap
				Interest for Member Firms' liquidity deposit	<b>214,282</b>	N/Ap
				Interest Payable for Member Firm's Margin Requirement	<b>530,035</b>	N/Ap
g)	Colombo Stock Exchange	Parent		Fund Transfer In	<b>610,114,385</b>	410,558,460
				Fund Transfer Out	<b>410,170,551</b>	(165,490,077)
				Expenses transferred	<b>(182,067,440)</b>	(99,415,290)
				Cheque received on behalf of CDS	<b>3,904,396</b>	654,180
				Cheque received on behalf of CSE	<b>(1,254,506)</b>	(5,400)
				Interest Income	<b>189,064</b>	93,293
				CDS Rental Income & Management Fee	<b>(131,679,329)</b>	(72,069,511)

## NOTES TO THE FINANCIAL STATEMENTS

### 24 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.

### 25 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.

### 26 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

<b>Statement of use</b>	The Central Depository Systems (Pvt) Ltd has reported in accordance with the GRI Standards for the period 1st January 2022 to 31st December 2022
<b>GRI 1 used</b>	GRI 1: Foundation 2021
<b>Applicable GRI Sector Standard(s)</b>	Not applicable

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
<b>General disclosures</b>					
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	3,4,Inner Back Cover	<b>A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.</b>		
	2-2 Entities included in the organization's sustainability reporting	3,32			
	2-3 Reporting period, frequency and contact point	3			
	2-4 Restatements of information	3			
	2-5 External assurance	4			
	2-6 Activities, value chain and other business relationships	44,64			
	2-7 Employees	72			
	2-8 Workers who are not employees	-	2-8	Not Applicable	CSE Does not engage workers who are not employees
	2-9 Governance structure and composition	31			
	2-10 Nomination and selection of the highest governance body	31			
	2-11 Chair of the highest governance body	31			
	2-12 Role of the highest governance body in overseeing the management of impacts	31			
	2-13 Delegation of responsibility for managing impacts	31			
	2-14 Role of the highest governance body in sustainability reporting	30,31			
	2-15 Conflicts of interest	35,37			
	2-16 Communication of critical concerns	35,37			
	2-17 Collective knowledge of the highest governance body	36			
	2-18 Evaluation of the performance of the highest governance body	35,37			

## GRI INDEX

GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
	2-19 Remuneration policies	73			
	2-21 Annual total compensation ratio	-	2-21	Confidentiality	Confidentiality constraints
	2-24 Embedding policy commitments	32			
	2-25 Processes to remediate negative impacts	35,37			
	2-26 Mechanisms for seeking advice and raising concerns	72			
	2-28 Membership associations	4			
	2-29 Approach to stakeholder engagement	46			
	2-30 Collective bargaining agreements	-	2-30	Not Applicable	No collective agreements





# CORPORATE INFORMATION

GRI 2-1

## 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  
Email : cdsinfo@cse.lk  
Website : www.cds.lk

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