



*Partnerships*  
**THAT POWER PROGRESS**

ANNUAL REPORT 2024



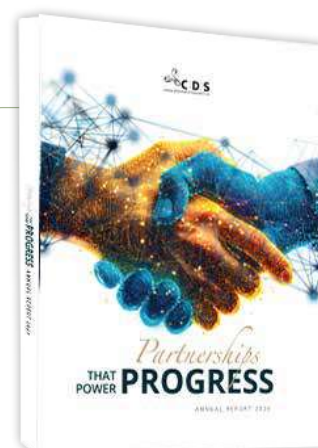


# *Partnerships* THAT POWER **PROGRESS**

For over three decades, the Central Depository Systems has been at the core of Sri Lanka's capital market infrastructure, delivering secure, reliable, and evolving services. Our strength lies not only in our proven track record and deep technological expertise, but in the powerful partnerships we've built along the way. From regulators and financial institutions to technology enablers and market participants, every collaboration has helped us expand our service spectrum, enhance efficiency, and drive innovation. Together, we've created seamless, secure, and future-ready solutions that meet the growing needs of a dynamic market. Synergy is our strategy and through it, we continue to shape a connected and resilient financial ecosystem.

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## Feedback

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Available as PDF



# ABOUT THE REPORT

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

**Welcome to the 4th Integrated Annual Report of the CDS of Sri Lanka. Through this report we hope to provide existing and potential stakeholders with a clear and objective view of how we provide value for our stakeholders, insight into our vision for the future and a comprehensive overview of our business strategy.**

## Scope

This report presents both the financial and non-financial performance of Central Depository Systems (Private) Limited (CDS) for the financial year ended 31st December 2024. It builds on the previous report for the year ended 31st December 2023, with comparative data provided where relevant.

During the reporting period, there were no significant changes to the organization's structure or ownership. Additionally, there were no alterations to the reporting framework or restatements of previously reported information.

## Assurance

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

## Reporting Standards

### Statutory Standards and Acts

- ☒ Sri Lanka Financial Reporting Standards
- ☒ Sri Lanka Auditing Standards
- ☒ Companies Act No. 7 of 2007
- ☒ Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021

### Voluntarily Adopted Reporting Guidelines

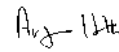
- ☒ Integrated Reporting Test Framework of the International Reporting Council (IIRC)
- ☒ Global Reporting Initiative - GRI Standards (Core Option)
- ☒ International Organisation of Securities Commissions (IOSCO)
- ☒ Sustainable Development Goals (SDGs) - The UN initiative with 17 aspirational "Global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

## Board Responsibility for Corporate Reporting

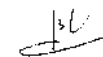
The Board acknowledges its responsibility to ensure that the Annual Integrated Report provides a balanced view of its performance in 2024. The report was unanimously approved by the Board on 28th May 2025 and is signed on its behalf by,



**Mr. Ray Abeywardena**  
Chairman



**Mr. Arjuna Herath**  
Chairman - Audit Committee



**Mr. Rajeeva Bandaranaike**  
Chief Executive Officer

## Reporting Principles

### Integrated Reporting Principles:

Combines financial and non-financial data to provide a holistic view of value creation.

### Sustainability Reporting Standards:

Discloses our environmental, social, and governance impacts in line with global standards.

### Financial Reporting Standards:

Adheres to established standards for accuracy and transparency in financial reporting.

**Stakeholder Inclusiveness:** Engages and reflects the interests of all key stakeholders in decision-making.

### Comparability and Consistency:

Ensures consistent and comparable reporting over time

### Accountability and Transparency:

Provides clear and honest disclosures to ensure trust and accountability.

### Future-Oriented Focus:

Focuses on long-term strategies, opportunities, and risks to drive sustainable growth.

## NAVIGATING THIS REPORT

### CAPITALS



Financial Capital



Human Capital



Social & Relationship Capital



Digital Capital



Intellectual Capital



Manufactured Capital



Natural Capital

### STAKEHOLDERS



Shareholders



Investors



Participants



Issuers



Margin Providers



Regulator



Employees



Community



Wealth Managers



Investment Banks

## ABOUT US

GRI 2-1, 2-28

**The Central Depository Systems (Pvt) Ltd. (CDS) operates as a wholly owned subsidiary of the Colombo Stock Exchange (CSE). Established in 1991, CDS is licensed by the Securities and Exchange Commission of Sri Lanka to function as a clearinghouse and market Institution. Additionally, it serves as the depository and custodian for securities traded on the CSE.**

As the first depository in the South Asian region and the seventh globally, CDS currently acts as the custodian for 98% of listed equity shares and 100% of listed corporate debt in the Sri Lankan capital market. In addition to its core depository functions, CDS offers a comprehensive range of services, including corporate solutions, management of corporate actions, compliance and risk monitoring, and client relationship management.

CDS is an active member of the Asia-Pacific Central Securities Depository Group (ACG) and adheres to internationally recognized best practices in its operations.



### Vision

To provide reliable, secure and cost effective depository and safekeeping services.



### Mission

To be the Key Infrastructure Provider.

To be the Central Record Keeping Registry for Corporates in Sri Lanka Providing a Multitude of Services.

To Bring Innovation to the Sri Lankan Capital Market.



### Values

CONVENIENT	DEDICATED	Secure
Agility Flexibility Customization Efficiency	Innovation Fast Delivery Attention to Detail Customer Focus	Confidentiality Integrity Reliability

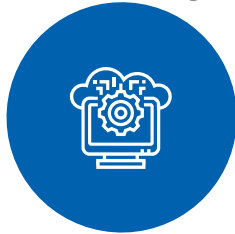
# BUSINESS UNITS

CDS is made up of  
**5 DIFFERENT BUSINESS UNITS,**  
each of which performs a  
unique function,  
enabling CDS to offer a  
multitude of services.



## Clearing and Settlement

Facilitates the settlement of funds for transactions conducted via the CSE Depository



**Depository Operations**- Custodian of dematerialized securities, centralized vault for secure share transfers on CSE, provides Accounts, Information & Digital Services



## Corporate Solutions

Specializes in Asset Servicing for listed/ unlisted issuers with digital products. Provides Corporate Solutions, Registrar Services, Corporate Actions Management, and Bureau Services



## De-Mat Compliance and Risk

Ensures compliance with SEC rules and regulations. Supports the Depository Operations by assessing and mitigating risks and thereby fostering customer trust



## Research and development

Driving innovation, business diversification, and strategic collaboration



## MILESTONES 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.

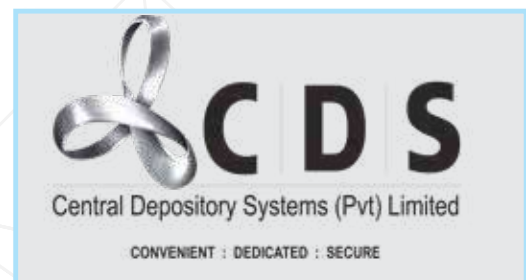
### 1995



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



### 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



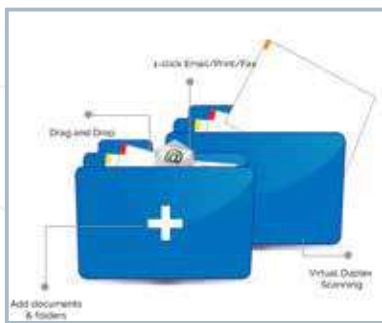
The CDS was appointed as a direct participant of the Central Bank. This paved the way for the CDS to join the SWIFT network adding a new dimension to exchanging financial information related to the Sri Lankan capital market in a secure, standardized and reliable environment.

## 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 website was launched.

## 2010



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

## MILESTONES

### 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



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, and started commercial operations for Corporate Action Services.

### 2016

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



Launching of eConnect facility



## 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, and revamping of CDS website

## 2018



Hosting of 22nd Annual General Meeting of Asia Pacific Central Securities Depository Group (ACG), CDS signs MoU with Korea Securities Depository (KSD), CDS signs MoU with China Securities Depository and Clearing Corporation Limited (CSDC), introduction of CDS Digital Front Desk, and establishment of CDS Corporate Solutions Unit



## 2021



Introducing eApplications for IPOs, and launch of revamped CDS eConnect, implementation of Delivery Versus Payment (DVP) Settlement Mechanism



## MILESTONES

# 2022



- 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.
- eIPO Web Portal.
- Facilitating reports purchasing service through CDS eConnect.
- Digitalization of Margin Account openings.
- Digitalization of private transfers (where beneficial ownership changes occur in margin trading).
- Introduction of e-Nomination facility.
- Onboarding of 6 new clients for Registrar Services.

### Onboarding of new clients for Registrar Services





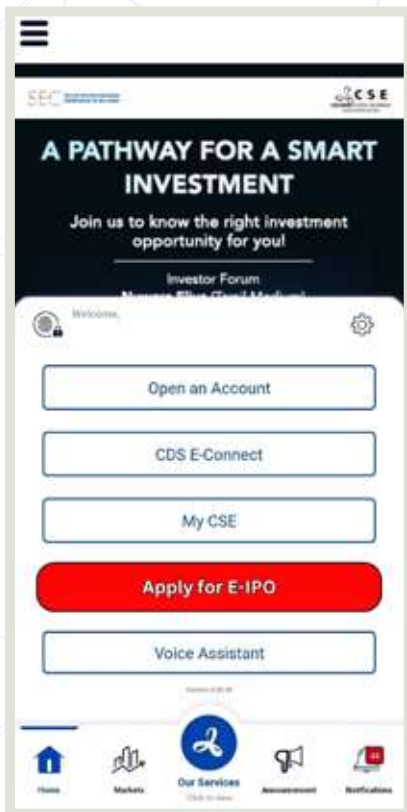
# 2023



Application of an AI bot to the CDS account opening compliance process



CDS signs Agreement with LankaPay Online Payment Platform and expects to bolster speedier and convenient service to investors



Introducing eIPO to institutional CDS Account holders



Conducting a Webinar series for CDS stakeholders to raise awareness on services offered

**eWarrants Dispatching - introduce a methodology to dispatch tax warrants pertaining to dividend payments electronically to shareholders who have a registered email address with the CDS**

**eConnect access to Custodian Banks**



Introducing Helipay integrated payment option for eIPO platforms

## MILESTONES

# 2024



### Acquisition of the PW Corporate Registrar Arm

The acquisition of the PW Corporate Registrar arm in 2024 marked a significant milestone for CDS. This strategic move diversified our revenue streams and solidified our position as a key player in the corporate services segment. By seamlessly integrating new clients and enhancing service levels, we are driving growth and contributing significantly to CDS & CSE's non-trading revenue. The integration has broadened our client base and allowed us to leverage our expertise in areas like corporate actions, shareholder services, and registrar services, creating new opportunities for growth and innovation.



### MoUs with DFCC Bank & NDB Bank

The CDS signed MoUs respectively with NDB Bank and DFCC Bank to streamline the process of obtaining Inward Investment Accounts (IIAs) for non-resident foreign individuals. Through these collaborations, foreign investors can now easily open IIAs via the CSE mobile app. The MoUs allows FIS to request IIAs through the CSE mobile app, enabling faster and more efficient account opening. By simplifying the investment process, these partnerships aims to attract more foreign investors to the Sri Lankan capital market, leveraging its current undervaluation and strong growth potential.



### Application of an AI bot for Masterfile change requests executed through CDS eConnect

The implementation of an AI bot for Masterfile change requests executed via CDS eConnect, signifies a crucial step towards operational efficiency and risk mitigation. By automating compliance checks against supporting documents, the AI bot enhances accuracy, minimizes human error, and streamlines the process. This not only improves service delivery for clients but also strengthens CDS's position as an innovative and technology-driven organization.



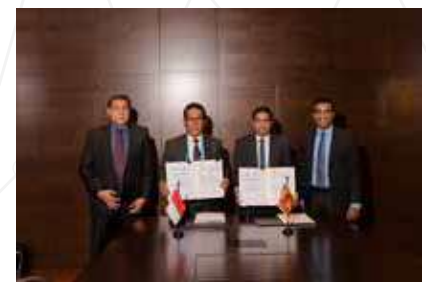
### MoU with National Settlement Depository (NSD) of Russia

The CDS and the National Settlement Depository (NSD) of Russia signed an MoU to foster cooperation in areas such as investor services, and knowledge sharing. This partnership will open doors to strengthen the relationship, develop capital markets in both countries, and create a more interconnected market ecosystem.



### CSU Partnering with Sampath Bank to Provide Comprehensive Dividend Pay-out Solution

The Corporate Solutions Unit of the CDS entered into a significant partnership with Sampath Bank PLC to enhance the efficiency of dividend disbursement services for listed companies on the CSE. This collaboration was formalized through a service agreement, under which Sampath Bank will provide its Total Dividend Solution via the Cash Management Suite under Transaction Banking, and CDS will utilize this solution for its clients. This solution enabled the listed companies on the CSE to seamlessly handle their dividend pay-outs, offering multiple options for disbursements, including electronic funds transfers, cheque processing, and other customized methods.



### MoU with PT Kustodian Sentral Efek Indonesia (KSEI)

An MoU was signed with the central securities depository of Indonesia, KSEI. This collaboration between KSEI & CDS is expected to support the effort of both institutions in improving depository services. The relationship will also support knowledge sharing in new projects and strategic goals. It will also facilitate both the parties to foster closer cooperation and contribute to competitiveness on the international stage.

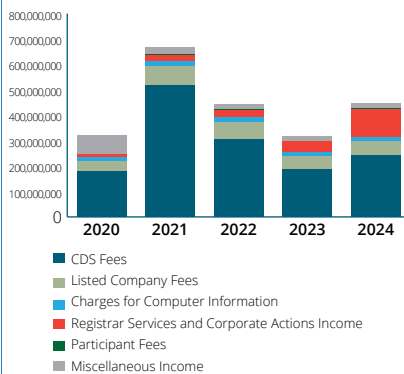
# PERFORMANCE HIGHLIGHTS



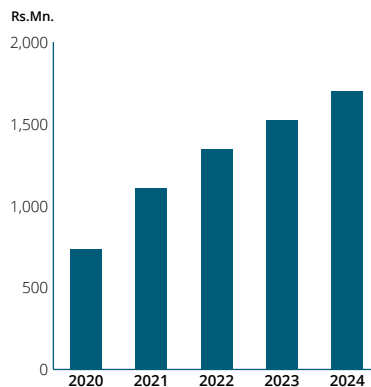
## FINANCIAL CAPITAL

	Unit	2024	2023
<b>Financial Performance</b>			
Revenue	Rs. Mn	424	297
Total Income	Rs. Mn	446	318
Total Expenses	Rs. Mn	402	385
Profit Before Tax	Rs. Mn	253	258
Profit After Tax	Rs. Mn	181	177
<b>Financial Position</b>			
Total Assets	Rs. Mn	2,574	1893
Total liability	Rs. Mn	871	370
Equity	Rs. Mn	1,703	1,522

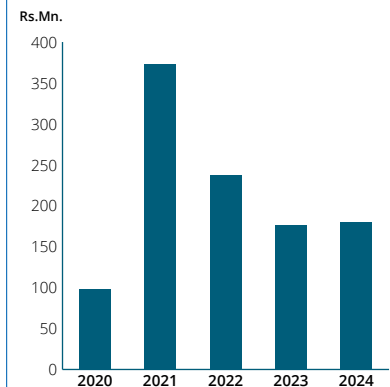
### Income Growth and Composition



### Growth in Equity



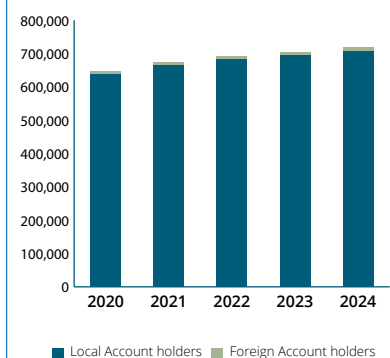
### Profit After Tax



## SOCIAL AND RELATIONSHIP CAPITAL

	Unit	2024	2023
Local Account holders	No	706,864	693,415
Foreign Account holders	No	11,082	10,937
New Accounts	No	19,019	15,697
No of listed Companies	No	284	290
No of New Listings (Equity & Debt)	No	14	7
Stockbrokers	No	28	28
Custodian Banks	No	16	16

### Account Types



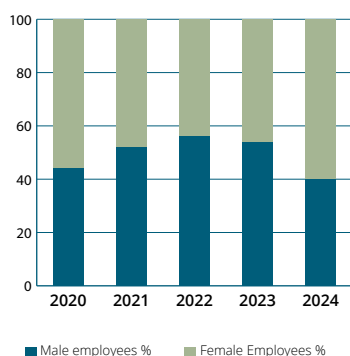
## PERFORMANCE HIGHLIGHTS



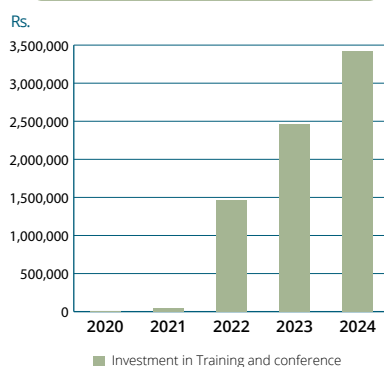
### HUMAN CAPITAL

	Unit	2024	2023
Total Employees	No	30	24
Male employees	%	40	54
Female Employees	%	60	46
Investment in Training	Avg Man Hrs	14.10	21.27
Staff Attrition	%	10	4.1

Diversity Snapshot - Gender Balance



Investment in Training and conference



### DIGITAL CAPITAL

	Unit	2024	2023
Improvements/revisions for the automated/digitized processes	No	7	3
System Uptime	%	100	100



### NATURAL CAPITAL

	Unit	2024	2023
Consumption of paper	Kg	294	131
Consumption of Energy	Kwh	133,430	202,694



# OUR COMMITMENT TO SUSTAINABILITY

GRI 2-2

At CDS, our commitment to sustainability is reflected in our efforts to integrate responsible practices across all aspects of our operations. We actively pursue digital innovations to streamline processes, reducing paper usage and enhancing operational efficiency. Our focus on stakeholder engagement ensures that we align our strategies with the needs of the market while maintaining transparency and trust. We invest in the continuous development of our team, fostering a culture of growth and accountability. Through sound governance and environmentally conscious practices, CDS remains dedicated to contributing to the long-term stability and sustainability of the capital market ecosystem.

Illustrated below are our sustainability efforts, aligned with the United Nations Sustainable Development Goals (SDGs). These initiatives reflect our commitment to fostering long-term value for our stakeholders while contributing to global sustainability objectives.

	<ul style="list-style-type: none"> <li>Rs. 74Mn paid to employees</li> <li>Indirect employment opportunities</li> <li>Conducting programs to improve financial literacy of the community.</li> <li>CSE market growth of <b>49.7%</b></li> </ul>		<ul style="list-style-type: none"> <li>Health and safety practices at workplace</li> <li>26 training programs on spiritual wellbeing</li> <li>Encouraging employees to maintain a health work-life balance</li> </ul>
	<ul style="list-style-type: none"> <li>Rs.3.4 Mn investment in training and development</li> <li>Training programs conducted to market participants</li> <li><b>12 newsletters</b>, providing critical insights into new services, regulatory updates, and emerging investment opportunities literacy</li> </ul>		<ul style="list-style-type: none"> <li><b>47%</b> female representation of workforce</li> <li>No gender pay gap</li> <li>Zero tolerance policy for any form of discrimination</li> </ul>
	<ul style="list-style-type: none"> <li>Rs.215Mn Direct Economic Value created</li> <li><b>30 job</b> opportunities</li> <li><b>9 new</b> recruitments</li> </ul>		<ul style="list-style-type: none"> <li>Raised to <b>Rs.2.8 Bn</b> in 4 Equity IPOs</li> <li>Raised <b>94.8 Bn</b> raised through Debenture Issues</li> <li><b>Rs.63.2 Bn</b> raised through Rights Issues</li> </ul>
	<ul style="list-style-type: none"> <li>Zero tolerance policy for any form of discrimination</li> <li>Fair and transparent recruitment policy in place</li> <li>No gender pay gap</li> <li>Fair and competitive remuneration</li> </ul>		<ul style="list-style-type: none"> <li>Creating indirect job opportunities</li> </ul>
	<ul style="list-style-type: none"> <li>Driving digitisation and automation to minimize the impact to the environment</li> <li>Implementing various energy saving initiatives throughout the organisation</li> </ul>		<ul style="list-style-type: none"> <li>MoUs with 5 regional depositories</li> <li>Annual participation in Asia Pacific Central Depositories Group AGM &amp; Cross training</li> </ul>

## CHAIRMAN'S MESSAGE



I am pleased to present the fourth integrated annual report of the Central Depository Systems (Pvt) Ltd., (CDS) which is a wholly owned subsidiary of the Colombo Stock Exchange and is a depository licensed by the Securities & Exchange Commission of Sri Lanka. It is a fitting milestone as CDS celebrates 33 years of operations having led the way as the first central depository in South Asia, reflecting the progressive and pioneering spirit that steers this company to date. The Publication of this report is also a reflection of the developments in the country's capital markets and the role of CDS in its future development.

The CDS provides the infrastructure necessary for the smooth operation of securities markets supporting the activities of its parent as a vital technology partner and a trusted custodian who holds securities in trust for investors. It is noteworthy that the Companies Act was amended to recognise and incorporate CDS enabling it to hold shares in trust on behalf of shareholders thus performing a vital function. Incorporated with a grant under a USAID project in 1991 the, CDS provided a seamless post trade electronic

record keeping function replacing the cumbersome manual documentation system that prevailed.

### IT & Data Governance

The CDS database comprises over 800,000 CDS account holders who comprise local individuals, local corporates, foreign corporates and foreign individuals. Of these, Foreign shareholders account for approximately 17% of value of depository assets. Technology plays a key part in safeguarding and storing the customer data securely.

The CDS has a world class system provided by the LSEG Group which have been developed to global standards of IT management protocols.

The CDS has a 30-year plus record of maintaining customer databases in a secure manner

### Governance of Depository and Clearing Functions

The depository and clearing functions of CDS are governed by the CDS Rules

which are approved by the Securities and Exchange Commission of Sri Lanka (SEC). These rules are applicable to market intermediaries and any user of the CDS. During the year, the rules were revised to reflect the changes necessary for the Delivery Versus Payment clearing and settlement mechanism that marked a major milestone in the evolution of the Colombo Stock Exchange, bringing it in line with global best practices. The CDS rules have been last revised in February 2021. However, a further revision of the rules are in progress to align with developments in the post trade clearing and settlement function changes.

### Transforming

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

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

The CDS expanded its offering to issuers during the year leveraging its intellectual capital and a world class technology platform. It's enabled CDS to handle 4 IPO's with Mobile solutions, 29 Virtual AGMs and 86 Dividend payments, reflecting the strong value proposition for issuers which enabled CDS to derive significant efficiencies and synergies in providing these functions. Listed issuers can obtain any service where they want to engage their shareholders. The E-IPO launched in 2021 and E-dividend payments launched in 2017 revolutionized the corporate registrar services in Sri Lanka. Today, CDS is recognised as a one-stop shop for corporates as it is able to provide all the services required.

## Strategy 2024

We were able to successfully implement most of the planned strategic initiatives for 2024. These included empowering customers to manage their investment accounts significantly enhancing customer convenience. Empowering listed companies to service their shareholders in an efficient and cost effective manner was a key imperative, supporting sound corporate governance. Decentralizing CDS operations enabled intermediaries to enhance the level of support provided to investors to open accounts. These strategies supported revenue diversification across customer segments, strengthening its propensity to create enhanced value for multiple stakeholders.

## A Strong Performance

A stellar year for the CDS with high volumes of transactions supported by the strategic approach to diversifying revenue streams supported a 40% top line growth. As the operating costs are largely fixed costs, the company

delivered strong earnings growth with a Net Profit of Rs. 181Mn, with an increase of 2%.

The CDS recorded strong balance sheet growth as well. Total assets grew by 36% to Rs.2.57 Bn and Cash and Cash equivalents increased by 175% to Rs.870 MN. Total equity also increased by 12% to Rs.1.7Bn, supported by strong growth of 13% retained earnings. The Brokers Liquidity and Margins Deposit Account reflected the high levels of activity, also increasing by 239% to Rs.763 MN, reflecting the value delivered to these key stakeholders. Zero interest bearing borrowings reflect the strong financial position of CDS, positioning the company for growth in the year ahead.

## Outlook 2025

As interest rates move downwards, we can expect more enhanced activity in the stock market we believe that equity is well established as part of a diversified asset portfolio among a new demographic of educated, youthful and tech savvy investors who will continue to remain active with a strong understanding of risks and rewards supported by the convenience in executing transactions

Our plans for 2025 include continued digitalization to encompass all operations to realise our vision of a paperless operation. Importantly, we will continue to explore potential to further diversify our revenue streams as a repository for other paper-based instruments, leveraging our capabilities. We will need to invest in our digital infrastructure to ensure high levels of uptime and continued upgrading of technology in line with emerging trends and threats. As an active member of the Asia Pacific Central Securities Depository Group, we will continue to be part of the evolution in this sphere of activity through information exchanging programmes and cross training workshops.

The new SEC Act has a significant impact on the operations of CDS as it requires a segregation of the clearing

and settlement functions from the depository functions. Additionally, the CDS Rules will need revision as well. We have initiated the processes to address these and expect to deliver significant progress in 2025.

## Acknowledgements

A committed and agile team at the CDS seized the opportunities in the market to deliver a strong result and driving growth in the right direction.

The Board joins me in acknowledging the success achieved by the CDS team through a well-planned and well thought out strategy of diversification and innovation which has resulted in improving both the top line and bottom line of the company.

I must place on record my deep appreciation and that of the board for the outstanding contribution given by the outgoing Head of the CDS Mr. Nalin Fonseka who retired during the year after leading the CDS since 2011 and also served the CSE Group for 37 years in different capacities.

Mr. Nadeera Athukorala takes over as the new Head of the CDS and I wish him all success.

I also thank the CDS account holders and Depository Participants without whom our growth would not be possible. The SEC as the regulator has been a key partner in our journey and we thank them for their continued cooperation.

I close by thanking my colleagues on the Board for their vision and wise counsel which contributed in no small measure to support the transformation of the CDS.



**Ray Abeywardena**  
Chairman

28th May 2025

## CHIEF EXECUTIVE OFFICER'S MESSAGE



### Dear Stakeholders,

The Central Depository Systems (Pvt) Ltd (CDS) delivered a commendable performance, successfully integrating the newly acquired registrar services business with the already established Corporate Solutions Unit of the CDS which was established in 2018 while strengthening its core depository business model. The Profit before tax of Rs.253 Mn for the year ended 31st December 2024 reflects the potential and the inherent risks of the business model of this unique institution which plays a vital role in the capital markets infrastructure of Sri Lanka. We continue to remain focused on the strategy to diversify into adjacent areas, leveraging technology and technical capabilities to transform these areas, building future fit business lines and business resilience.

Our growth has always been dependent on mutually beneficial strategic partnerships that have powered progress. Depository Participants, issuers, investors, investment banks, CSE and the Securities Exchange Commission of Sri Lanka (SEC) collectively form an ecosystem that thrives together in a system that has transformed over the years. Our annual report celebrates these relationships and the successful transformations that have powered the progress of Sri Lanka's capital markets into a digital era and looks forward to driving future transformations with the same trust and collaborative spirit.

### Implementing strategy

A strategic plan is in place with a pipeline of projects for the next 5 years providing clear direction on the way

### HIGHLIGHTS

	As at 31.12.2024	As at 31.03.2023
Investor Accounts	717,946	704,352
Active Investors	34,088	33,539
Local Individuals outside Western Province	263,963	257,752
Mobile App Downloads	429,192	333,181
Income from Registrar & Corporate Services Rs.'000	108,900	39,422
E-dividend issues handled	86	39
The acquisition of registrar services business of PW Corporate Secretarial Services (Pvt) Ltd		



forward for the three key areas of focus which are, core depository services, corporate solutions and the new Research and Development Unit.

## Depository Services

The CDS's core business is its licensed and regulated activity which are the depository services provided to investors and issuers via brokers. The focus was on transformation through digitalization and CDS has successfully moved into a paperless era during the year. We also looked at the revenue generation capability from the CDS's core business and identified significant potential to strengthen value propositions made to investors while repacking and repricing the services provided. These options will be rolled out in the year ahead as CDS prepares for the separation of Depository and Clearing and settlement activities. We will continue to add value to investors through the CDS e-connect platform, empowering them with improved insights and other refinements that support better management of their securities. Cost reduction and optimization efforts continued during the year, and we expect to see the full year's benefit of these initiatives in 2025. Training our people continues to be a priority as keeping pace with the evolution of the depository services is a core strength that underpins the evolution of CDS.

## Corporate Solutions

The Corporate Solutions business provides registrar and corporate action services to issuers of securities as it has a captive customer base for these services and is ideally placed to be the conduit for shareholder engagement activities. The CDS expanded its Corporate Solutions offering with the acquisition of the registrar services business of PW Corporate Secretarial Services (Pvt) Ltd which came into effect on 1st January 2024. The team expanded with 09 experienced professionals provided

valuable insights on transforming this business during the year. Their experience and knowledge combined with CDS's resources and technology capabilities enabled us to transform registrar services, resolving pressure points to add value to all stakeholders. Accordingly, the CDS was able to enhance the scalability of the business model, supporting volume and revenue growth while also expanding the offering to issuers and establishing ourselves as a key institution with a large market share. Moreover, the CDS was able to innovate and reduce time to market and improve the cost-effectiveness of corporate solutions, while also improving service levels by introducing digitalization to traditionally manual processes.

## Research & Development

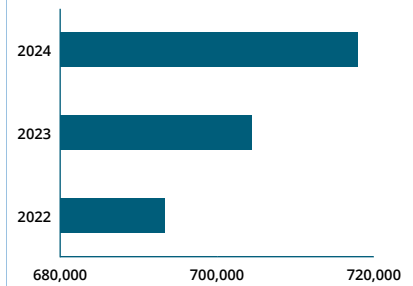
This year we set up a Research and Development Unit that will focus on diversifying the business of the CDS and developing new products for our stakeholders, ensuring that CDS facilitates the continuous evolution of capital market infrastructure with relevant technology and products that often require time and approval by SEC prior to market launch. It will also manage key projects and develop the strategic partnerships necessary to ensure that CDS remains a future forward institution that has the ability to transform capital markets in the country. It will continue to develop international relationships that support product development, knowledge sharing and other value adding activities. This department will be key to the evolution of CDS while also facilitating other departments to focus on delivery of their core businesses.

## Developing Partnerships

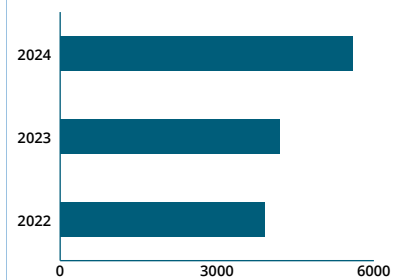
As stated above, partnerships have played a critical role in the evolution of the CDS, and we continued to pursue win-win partnerships that delivered

## HIGHLIGHTS

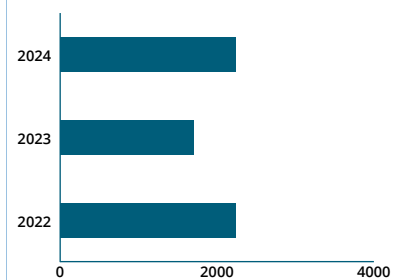
No. of CDS Accounts (Rs.Mn)



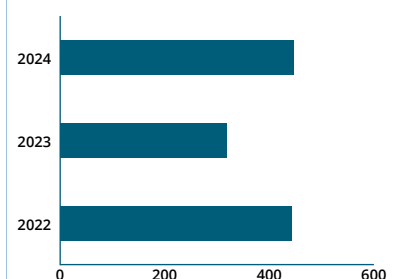
Value of Securities Held (Rs.Bn)



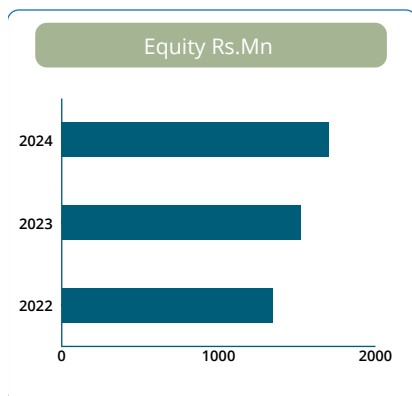
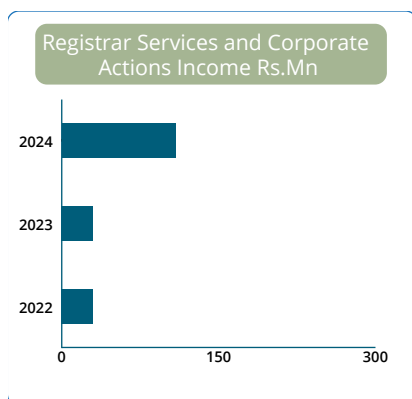
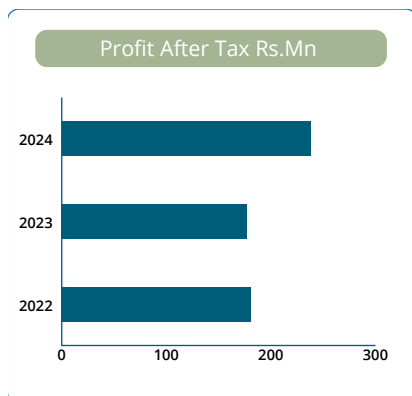
Daily Average Turnover Rs.Mn



Turnover Rs.Mn



## CHIEF EXECUTIVE OFFICER'S MESSAGE



benefits to both parties. Two bilateral Memoranda of Understanding were entered into with National Development Bank and DFCC Bank to open Inward Investment Accounts (IIA) ensuring that there is a dedicated resource to facilitate navigation of the CDS account opening by foreign investors as the IIA account has to be linked to the CDS account, addressing an investor pain point. The CDS entered into an agreement with Sampath Bank for e-dividends payments, expanding the partnerships for Corporate Action

Services. Strategic alliances with Russia and Indonesia were strengthened with MOUs for knowledge sharing, supporting innovation, and expansion of our knowledge partner alliances.

### A resilient performance

CDS recorded healthy revenue growth of 43% to Rs.424 Mn as the increase in trading activity boosted performance. CDS fees which is directly correlated to trading volumes recorded an increase of 31% to Rs.243 Mn as markets recovered in 2024. Registrar Services and Corporate Actions Income recorded an increase of 176% to Rs.109 Mn during the year as the business transformed the CDS' business model with the acquisition of registrar services, realizing the potential of the acquisition within the year of acquisition, demonstrating our ability to add value and drive meaningful change with digitalization. This served to stabilize the revenue model as the share of non-trade dependent revenue increased from 37% in 2023 which was a lean year for trading to 42% in a year of strong growth. The differentiator was clearly the increased fees from Registrar Services as Information Service Fees and Listed Company fees recorded minimal change from the previous year.

Staff costs increased by 19% as the team expanded with the acquisition and rewards were aligned to improved performance. Growth of Other operating expenses which amounted to Rs.308 Mn was curtailed to 1% supported by low inflation/deflation during the year and the appreciation of the rupee. CDS system maintenance accounts for 39% of this key expense category as technology is critical to our operations. The CDS was also successful in recovering long outstanding debts that boosted the bottom line. Finance income decreased by 36% to Rs.209 Mn as interest rates declined, demonstrating the high variability in CDS's income streams with CDS Fees

**PROFIT BEFORE TAX  
DECLINED BY 2% TO  
RS.253 MN WHILE  
PROFIT AFTER TAX  
INCREASED BY 2% TO  
RS.181 MN AS THE  
EFFECTIVE TAX RATE  
IMPROVED.**

and Interest Income, the two largest sources of income, inversely correlated. The increase in Corporate Solutions fees played a critical role in stabilizing PBT and PAT, bridging the gap between these two volatile sources.

Profit before tax declined by 2% to Rs.253 Mn while Profit after tax increased by 2% to Rs.181 Mn as the effective tax rate improved.

The financial position of the CDS remains strong with total equity of Rs.1,702 Mn compared to Rs.1,522 Mn in the previous year as retained earnings increased. Prudent financial management and zero debt supports organizational resilience with strong liquidity and headroom for borrowings.

### Governance & Regulatory Matters

The CDS is the exclusive licensee authorized to function as a depository and clearing facility supporting the CSE. With the implementation of the SEC (Amendment) Act in 2021, it became necessary to distinctly separate these activities. Consequently, CSE has established a dedicated subsidiary to assume the clearing operations in the near future, as part of its ongoing efforts towards the demutualization of the CSE. As a result, the CDS has commenced structural changes to its

business model, seeking to add value in areas adjacent to its core business, leveraging the expertise developed in managing the core business.

As reported in the previous year's report, the CDS Board was reconstituted with four directors from the CSE Board and two external directors, Mrs. Priyanthi Peiris and Mr. Channa De Silva in readiness for the transition. A separate Chairman, Mr. Ray Abeywardena was appointed during the year, further segregating its operations. This separation of roles was carried out to the staff as well, avoiding potential conflicts in dealing with securities.

In 2024, the Board charter was amended to include a specific format for Board members to communicate potential conflicts of interest. Additionally, a Board Evaluation policy for the Board and an Information Disclosure Policy for CDS were approved by the Board and implemented during the year.

## People

A competent team at the CDS ensure continuity of CDS operations, seamlessly supporting trading of securities in the country's stock exchange. Training and development are critical to the continued evolution of CDS as well as regulatory compliance. I am pleased to state the new team who joined us with the acquisition have settled in and are working together as demonstrated by the transformation and increase in activity achieved during the year. We continue to foster a culture of learning and innovation, rewarding and recognizing team contributions, curiosity and independent thinking and work life balance. This has enabled us to retain talented members, driving continued growth and innovation.

## Outlook

After a year of strong growth in capital markets globally, the first quarter of 2025 has seen volatility in equity and

bond markets, spurred by escalating geoeconomic and geopolitical threats. At the time of writing, the situation remains fluid with strong indications of structural changes in trade and capital flows. Despite the commendable progress made in economic recovery and prospects for growth in the country, capital markets continue to reflect uncertainty due to uncertainty in trade flows and resultant outlook for inflation and other economic indicators.

The CDS maybe impacted significantly by volatility of markets and trade volumes. Data protection, cybersecurity and compliance requires continuous monitoring of threat levels and investment. The CDS also has plans to invest in a new CDS, upgrading it to the next level with the same provider. This will enable CDS to enhance the services offered in keeping with global best practices. Further, AI offers opportunities for strengthening and streamlining processes, as well as supporting the development of new products. The separation of clearing and depository functions is likely to be operationalized in 2025, changing the revenue and business models.

In the medium term, advances in technology are likely to transform businesses and business models, driving change in investor preferences, particularly with Gen Z and millennials. Fintechs are likely to increase activity, presenting both an opportunity for collaboration as well as a threat in service offerings. At the CDS, we continue to remain alert for opportunities and threats to our business model, attempting to stay ahead of developments through our partner networks and scanning the horizon for developments. R&D will play a key role in ensuring that we evolve, engaging our key stakeholders.

## Appreciations

I step down as the CEO after a decade and more and Ms. Vindhya Jayasekera

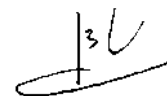
will succeed me. I look back with much satisfaction at the transformation and rebranding of the CDS over the years and would like to take this opportunity to commend the drive and ingenuity of the CDS team, which consistently delivers innovation-led growth and would like to pay a tribute to the team at the CDS for their unwavering commitment and drive to achieve that transformation.

I would like to thank Mr. Nalin Fonseka who retired as Head of the CDS after serving the CSE Group for over 37 years. His loyalty and dedication to the organization must be commended. I would also like to welcome Mr. Nadeera Athukorala as the New Head of the CDS, and I wish him well in his new role.

I would also like to take this opportunity to I extend my gratitude to the Board for their counsel and guidance throughout the year and look forward to their continued support as we navigate the transition in the coming year.

In conclusion, I thank our stakeholders for their unwavering support in revitalizing the stock market and driving transformation towards sustainable growth.

I wish Vindhya and her team at the CDS all success .



**Rajeeva Bandaranaike**  
Chief Executive Officer

28th May 2025

## MESSAGE FROM THE HEAD CENTRAL DEPOSITORY SYSTEMS



Dear Stakeholder,

Central Depository Systems, (CDS) is the only depository licensed by the Securities & Exchange Commission of Sri Lanka, now in its 34th year of operations. It is indeed an honour to take up the reins of this organisation which plays a critical role in the country's capital markets infrastructure and it is my pleasant duty to pen my first report for the year ending 31st December 2024.

### Seizing the opportunity

Depository activities of the CDS are dependent on securities trading activity levels which are subject to volatility as investors respond to changes in a wide range of macroeconomic

factors. Consequently, we pursued a diversification strategy to build a more resilient business model for the CDS, leveraging its technology platforms, a captive corporate and retail customer base and capability in dematerialization of certificates supporting storage, retrieval, and transfer. Having stabilised the core operations of CDS, it was clearly time to look at how we could drive inorganic growth.

The acquisition of registrar services business in 2024 was a timely opportunity enhance the existing Corporate Solutions Business to a greater extent. Importantly, we also saw an opportunity to transform the offering in the market, re-engineering processes using technology to revamp and enhance the value proposition

for both corporate customers and retail investors. The CDS worked on realizing the potential that we saw in the acquisition by ensuring that we created a united team and reinvented processes with consultation and buy-in from these experts. We consciously implemented a change management process with discussions, negotiations, and reengineering processes making 2024 a very busy year.

The CDS worked with the new team to streamline the registrar processes, driving efficiencies and reimagining the processes. Our unique position enabled us to identify and work through systemic issues to change not only registrar services processes but also CDS processes to deliver meaningful change. A year after the acquisition,



## HIGHLIGHTS

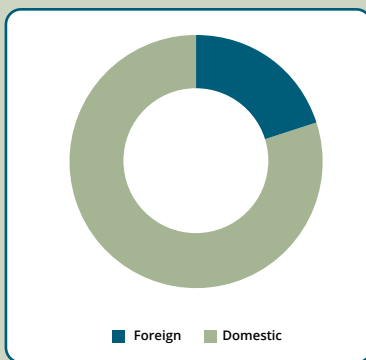
Proportion of Securities  
De-Materialised

Equity  
**97%**

Debt  
**100%**

Securities Held in  
Custody  
**193 Bn**

Value of  
Securities Held  
**Rs.5,585 Bn**



No. of Accounts  
Excluding Multiple  
Registrations  
**717,946**

No. of Accounts  
including Multiple  
Registrations  
**949,041**

New Accounts in 2024  
**19,019**

I am pleased to state that we have retained 100% of the new team members and their customers as well as transforming the value proposition for both corporate and retail investors.

### Strengthening the core

Our core business is to provide a seamless post trade electronic record keeping function, supporting trading activities of the CSE. As at the year end, the value of securities lodged with CDS amounted to 19% of the country's GDP reflecting the significance of the role played by CDS. These securities are held in accounts of 717,946 investors who rely on us for the storage and transfer of their securities portfolios in accordance with their transactions and instructions within the framework of the CDS rules. It is a regulated operation and the CDS continues to be compliant with the regulatory requirements.

The CDS implemented the decentralization of operations in 2019 to empower Depository Participants to open CDS accounts and conduct maintenance of accounts for their clients. This entails ensuring that brokers adhere to the high standards of compliance maintained by CDS. Accordingly, in 2024 we implemented an AI bot to monitor compliance which also points to further efficiencies we could build, strengthening our core. We continue to work with our parent company CSE to enhance the value propositions for our stakeholders, leveraging our growing technological capabilities. Our watchwords "Convenient, dedicated and secure with trust and integrity" continue to guide our transformation in our core business.

### Strategic Partnerships

The CDS seeks to establish collaborative and strategic partnerships to extend and expand our business model. With the introduction of e-dividends, we

established a strategic partnership with Hatton National Bank PLC in 2018 and added Sampath Bank PLC in 2024 as business volumes increased. We also signed MOUs with the National Development Bank PLC and DFCC Bank PLC to partner with CDS as the banks for Foreign Investors who require Inward Investment Accounts (IIA) to be opened for their securities transactions.

As a one-of-a-kind institution in the country, knowledge sharing with peer organizations in other countries is vital for our growth to understand how other institutions are evolving and innovating to strengthen their business models. Accordingly, we signed two new Memoranda of Understanding with Russia and Indonesia for knowledge sharing. Teams at CDS join the working groups to understand the new developments in this rapidly evolving industry to ensure that we are connected to potential solutions and continuously update our knowledge to evolve CDS. We continued to participate in the training and cross training opportunities provided by the Asia Pacific Central Securities Depository Group of which we have been a member since 1998, updating our knowledge of this highly specialized industry sector.

### Operating landscape

Sri Lanka maintained the growth trajectory observed in the second half of 2024 supported by a stable political and policy environment, restoring investor confidence. Additionally, interest rates also declined, encouraging investors to seek improved returns. Consequently, the benchmark ASPI moved up by 49.7% to 15,945 with Average Daily Turnover (ADT) moving up by 32% to Rs. 2,240 Mn, paving the way for strong revenue growth.

Technology continues to take quantum leaps, accelerating the future with the integration of blockchain, RPA,

## MESSAGE FROM THE HEAD CENTRAL DEPOSITORY SYSTEMS

### A HISTORY OF INNOVATION

#### 2020:

##### Virtual & Hybrid Shareholder Meetings 2022:

- Digital onboarding of Foreign Individual accounts
- Digital onboarding of Margin Trading Accounts
- E-Nominations
- eIPO web portal

#### 2023:

- AI solution for compliance operations
- Payment gateway integration for eIPOs
- eWarrant/eNotices dispatching 2024

and AI revolutionizing the workplace, financial markets infrastructure and business models. The CDS's adoption of these technologies commenced in 2020 and continue to dominate our future forward strategy. We continue to explore the potential to apply these technologies to a wider range of processes, driving operational efficiencies. This approach enabled us to effectively automate the workflow for registrar services, enabling a team of highly qualified and competent professionals to focus on non-routine work, exceptions and innovations.

### Regulatory & Governance Matters

Until 2024, CDS Board meetings were conducted along with the CSE Board meetings as the Board members were common. From 2024, a chairman and a separate Board was appointed comprising 4 directors from the parent company Board and 2 independent directors. Although The CSE and CDS have a common Chief Executive Officer and a Chief Market Operations Officer, the Head of Central Depository Systems is a full time Head who operates independently at the CDS. The CDS have separate management meetings with separate papers, ensuring that CDS operations are distinctly independent to the CSE.

The CDS continued to prepare for the demutualization of the CSE which will have a significant impact on the business model of the CDS. At present the CDS carries out both the clearing and settlement activities as well as the depository services. However, in line with the new SEC Act, the clearing activities need to be segregated from the depository services and this is expected to take place in 2025 as CSE has already established a clearing company, CSE Clear. While it is likely to have an impact on the top line for CDS due to the loss of clearing and settlement fees, CDS's diversification strategy is expected to buffer the full impact of this change.

The CDS completed the gap analysis for compliance with the Personal Data Protection Act of Sri Lanka which is scheduled to come into force by September 2025. We have developed an action plan to address the gaps which is being implemented in readiness for enforcement of the Act.

I took over the reins as Head of Central Depository Systems as Mr. Nalin Fonseka retired after 37

years of service, having served as the Head of Central Depository Systems for 13 years. I place on record our appreciation of his dedication and commitment to establish CDS and ensure it evolved through 33 years of existence.

### 2024 in Numbers

During 2024, investors opened 19,019 new accounts in the CDS compared to 15,697 for 2023, spurred by renewed interest in the market. Local individuals account for 97% of accounts reflecting strong domestic participation in capital markets.

The number of securities held in custody rose by Rs. 16,686 Mn (9%) over the previous year, totaling Rs. 192,824 Mn. The value of securities were increased by 33% to Rs. 5.5 Trillion as market capitalisation increased. Domestic investors held 82.67% of these securities, with foreign investors holding the rest. Domestic investors accounted for 82.67% of accounts and 83.24% of securities' value, while foreign investors accounted for 17.33% of securities and 16.76% of their value, indicating foreign interest in higher-value securities.

Local companies account for 62.64% of the number of securities and 64.58% of their value and are the dominant investor category. Local individuals hold 20.03% of the number of securities that account for 18.66% of the value reflecting an appetite for lower value shares. Foreign companies hold 15.73% of securities which account for 15.23% of value.

### Our people

A cohesive team enables handling the complexities of a dynamic economic landscape, fostering innovation to create value for market participants. The team expanded with the acquisition, adding 9 new members. The

professional ethos and commitment to excellence align with the organization's core values, maintaining high standards of professionalism. Leading this motivated team involves a structured approach to problem-solving and execution. Amid economic challenges, CDS's strategic response, including salary adjustments and flexible work arrangements, shows its commitment to employee welfare. Talent retention, challenged by economic migration, has been addressed by CDS's ability to attract and keep top talent due to its national significance and stimulating work environment.

## The path ahead

The new Research & Development area will be integrated and formalized to focus on the diversification agenda, acting as the Project Management Office of the CDS and investing in its future. Diversification relies heavily on the R&D department, and the projected divestment of a portion of CDS depends on the entity having a robust business model with strong stakeholder value propositions. This is crucial with the Settlement operations moving to CSE Clear, resulting in a halving of revenue.

The Depository will strengthen compliance and risk with balanced enforcement. Compliance and Risk is developing an enforcement mechanism which will strengthen and improve the CDS's regulatory role in the current market landscape.

The Digital Transformation agenda of Depository Services will consolidate transformative changes to further improve the business processes, Corporate Solutions will create cluster-based teams to optimize operations, enhance customer relationship management, and optimize revenue. The core systems for depository services will be upgraded, with the new system expected to go live in 2026, although significant work will occur in

2025.

A string of new products in pipeline will support growth. These include e-rights issues, refined data analytics for issuers, a centralized warrant repository, a custodian bank working group, AI technology, and a certification program for depository participants and other stakeholders in partnership with CSE Academy. CDS will provide a web platform for the CDS account holders to access e-connect. Revenue base expansion will involve charging maintenance fees for accounts and revising the model. The CRM system will enhance corporate solutions, which have seen exponential growth in client numbers, necessitating more tech-based solutions.

## Appreciations

I extend my gratitude to the CEO, Mr. Rajeeva Bandaranaike, CMOO, Mr. Chandrakanth Jayasinghe and the Board for their guidance during a challenging year. I also thank my team for their cooperation and fostering a positive culture. We are appreciative of the collaborative partnership built with the CSE and SEC teams and thank them for their efforts. Lastly, I thank investors, issuers, and market participants for their ongoing support.



### Nadeera Athukorale

Head of Central Depository System

28th May 2025

## BOARD OF DIRECTORS



**MR. RAY ABEYWARDENA**  
CHAIRMAN



**MR. KOSALA GAMAGE**  
DIRECTOR



**MR. ARJUNA HERATH**  
DIRECTOR



**MR. JAYANTHA FERNANDO**  
DIRECTOR



**MS. DAYANGANI  
PRIYANTHI PIERIS**  
DIRECTOR



**MR. CHANNA DE SILVA**  
DIRECTOR



**Mr. Ray Abeywardena****Chairman****Non-Executive Director***Appointed: 13th June 2013***SKILLS & EXPERIENCE**

Mr. Ray Abeywardena associated with Sri Lanka's capital markets for over 39 years, primarily as a Stockbroker and since 2009 as an Investment Banker. He is a 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 HNB Partners (Pvt) Ltd.
- ☒ Chairman of HNB Stockbrokers (Pvt) Ltd and HNB Securities Ltd.
- ☒ Director of Lanka Ventures PLC and Lanka Energy Fund PLC .
- ☒ Member of the Port City Economic Commission 2025 to date.

**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.
- ☒ Past Chairman of the Colombo Stockbrokers Association (CSBA).

**Mr. Kosala Gamage****Non-Executive Director***Appointed: 20th October 2022***SKILLS AND EXPERIENCE:**

Mr. Kosala Gamage is a seasoned professional with over 30 years of extensive experience in Sri Lanka's capital markets. His career has been dedicated to managing both local

and foreign investments within the Colombo Stock Exchange (CSE).

Beginning his career in 1995 with Lanka Securities (Pvt) Ltd, a joint venture between the Bank of Ceylon Group and First Capital Securities Corporation, Pakistan, Mr. Gamage progressed from Investment Advisor to Director Sales. In 2008, he was appointed Managing Director/CEO of Lanka Securities (Pvt) Ltd, a position he continues to hold with distinction.

Throughout his career, Mr. Gamage has demonstrated exceptional expertise in capital market operations, strategic leadership, and stakeholder engagement, contributing significantly to the growth and development of Sri Lanka's financial ecosystem.

**OTHER CURRENT APPOINTMENTS:**

- ☒ Director on the Board of M/s. Renuka Consultants (Pvt) Ltd.

**PREVIOUS APPOINTMENTS:**

- ☒ From 2019 to 2021, Mr. Gamage was the President of the Colombo Stockbrokers' Association (CSBA). In this role, he exemplified leadership and unwavering commitment to advancing the interests of the stockbroking community and the broader capital market.

**Mr. Arjuna Herath****Non-Executive Director***Appointed: 21st February 2020***SKILLS & EXPERIENCE**

A Senior Fellow Member of the Institute of Chartered Accountants of Sri Lanka and 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 three 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 and Professional Accountancy Organizations.

**OTHER CURRENT APPOINTMENTS**

- ☒ Chairman of the Board of Investment of Sri Lanka.
- ☒ Non-Executive Director of several Private Sector Companies.

**PREVIOUS APPOINTMENTS**

- ☒ Senior Partner and Head of Consulting, Ernst & Young, Sri Lanka and Maldives.
- ☒ Chairman of the Data Protection Authority of Sri Lanka.
- ☒ 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.

## BOARD OF DIRECTORS

### Mr. Jayantha Fernando

**Non-Executive Director**

*Appointed: 21st February 2020*

#### SKILLS AND EXPERIENCE

An Attorney with over 21 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, Cyber crime as well as Data Protection and Cyber Security Legislation. Drafted the Legal blueprint for the establishment of ICT Agency, Sri Lanka CERT and the use of authentication technologies at national and sectoral level at Lanka Clear, through Central Bank

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.

### Ms. Dayangani Priyanthi Pieris

**Non-Executive Director**

*Appointed: 02nd January 2024*

#### SKILLS & EXPERIENCE

An Attorney-at-Law and Solicitor (England & Wales) with over 43 years of experience in the field of Corporate/Securities Law and Capital Markets activities – Managing Public Share Issues and other Corporate Fundraising Activities, Privatizations, Takeovers & Mergers, Restructuring, Amalgamations, Repurchase of Shares, Debenture Issues, Issues of Warrants, Different Classes of Shares - for Listing, De-Listing of companies and advising Corporates on Continuing Listing Requirements.

#### OTHER CURRENT APPOINTMENTS

Chairperson/Consultant - P W Corporate Secretarial (Pvt) Ltd., Independent Director of JAT Holdings PLC, Kapruka Holdings PLC, Associated Electrical Corporation (Private) Limited, and member of the Law Commission.

#### PREVIOUS APPOINTMENTS

Director - Associated Motorways PLC, Abans Electricals PLC, Asia Asset Finance PLC, LOLC Finance PLC Forbes & Walker Limited, Forbes Financial Services Limited (subsequently referred to as Vanik Corporate Services Limited), Forbes Stockbrokers Limited, Forbes Ceylon PLC, Forbes Air Services Limited, Capital Reach Holdings Limited, Senior Vice President (Legal) Vanik Incorporation Limited and Per Pro – Forbes & Walker Limited.

Legal Consultant to the Ministry of Finance (2002 -2004), Legal Consultant – Colombo Stock Exchange (2004 – 2011).

Member of the SEC Committee on Takeovers and Mergers, Member of Corporate Governance Committee of the Institute of Chartered Accountants (2018).

### Mr. Channa De Silva

**Non-Executive Director**

*Appointed: 02nd January 2024*

#### SKILLS & EXPERIENCE

Well known ICT industry veteran Channa de Silva has been functioning as the Chief Executive Officer of LankaPay since 2015. Mr. de Silva has been the driving force behind many innovative solutions of LankaPay and is responsible for the phenomenal growth achieved during the past decade. He is also a member of the National Payment Council of the Central Bank. He was recently acknowledged as one of the "Most impactful CEOs to Watch for in 2024" by Enterprise World Magazine. Mr. de Silva counts for over 30 years of experience encompassing a spectrum of industries across several leading multinational and local organizations.

An Old boy of Royal Collage Colombo, Mr. de Silva obtained his BSc. (Honours) and MSc. in Electrical and Computer Engineering from the State University of New York, USA specialized in Data Communication. He also holds an MBA from the Postgraduate Institute of Management (PIM) Sri Lanka. He is a distinguished member of the IEEE (USA) and holds memberships at Tau Beta Pai (USA), Eta Kappa Nu (USA) and Golden Key (USA) honour societies for academic excellence.

#### **CURRENT AND PREVIOUS APPOINTMENTS**

He currently serves as a member of the Board at Sri Lanka Computer Emergency Response Team (Sri Lanka CERT), Chairman of Fintech Forum, Sri Lanka and the Vice Chairman of the Federation of Information Technology Industry Sri Lanka (FITIS).

He went down in history as Sri Lanka's first ever webmaster with the development of Sri Lanka's first commercial website <http://www.lanka.net/> in 1994 and the engineer responsible for establishing the first ever dedicated Internet connection to Sri Lanka in 1995. Some of the major projects implemented under his leadership include the first online newspaper in the South Asia region (Daily News in 1995); first radio station on-line (TNL Radio in 1996) and first ever Wi-Fi network in the country; He was also a member of the local language workgroup of Sri Lanka and contributed immensely towards enabling people to use technology in local languages.

Prior to joining LankaPay he headed the Sri Lankan and Maldivian operations of Singapore based ICT Consultancy firm Thakral One as the Senior Vice President. He was orchestral in introducing IBM's software universe to Sri Lanka and developed IBM's software

business during his tenure as the DGM – Software Group of IBM Sri Lanka. Mr. de Silva also served as the Director - Enterprise and Public Sector Business at Microsoft Sri Lanka where he was acknowledged for outstanding achievements with Microsoft Gold Club Excellence Award for exceptional performance and Microsoft Share Fighter Champion for winning against competition.

## MANAGEMENT TEAM



**Mr. Rajeeva Bandaranaike**  
Chief Executive Officer



**Ms. Vindhya Jayasekera**  
Chief Executive Officer - Designate



**Mr. Renuke Wijayawardhane**  
Chief Regulatory Officer



**Mr. Chandrakanth Jayasinghe**  
Chief Market Operations Officer



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



**Mr. Niroshan Wijesundere**  
Senior Vice President, Marketing



**Mr. Kaushal Siriwardena**  
Senior Vice President, Head of Information  
Technology



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



**Ms. Shivandini Liyanage**  
Senior Vice President - Legal, Enforcement  
& Compliance



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



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



**Ms. Malisa Amarakoon**  
Vice President - Regulatory Policy





**Mr. Nadeera Athukorale**  
Head - Central Depository Systems



**Ms. Vindya Colombage**  
Manager – Depository Services, CDS R&D  
Strategy and Projects



**Mr. Dinushan Godewitharana**  
Manager - Enterprise Risk Management &  
Post Trade Settlement



**Mr. Hemal Weerasinghe**  
Manager - Corporate Solutions and CRM



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



**Mr. Thilanka Udara**  
Assistant Manager - Corporate Solutions



**Ms. Shashikala De Mel**  
Senior Adviser Listed Issuers -  
Registrar Services

# CORPORATE GOVERNANCE

## STEWARDSHIP

GRI	2-9, 2-10, 2-11, 2-12, 2-13, 2-24
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### Dear Stakeholders,

As the country's sole licensed depository, CDS upholds high corporate governance standards, which are essential to fulfilling its fiduciary role in the capital markets. As part of its long-term strategy, CDS is transforming its business model, with the Board playing a critical role in overseeing this transformation.

In 2023, several key developments enhanced both corporate governance and the business model of CDS. As the CSE Group prepares for demutualization under the guidance of the International Finance Corporation, the CDS Board was restructured to include four directors from the CSE Board and two external directors with the expertise needed to drive transformation and business strategy. Additionally, the CDS Board now has a separate non-executive Chairman, who also serves on the CSE Board, ensuring effective communication of relevant issues. The entire Board is composed of non-executive directors.

Another major milestone was the acquisition of the Corporate Registrar Services business of PW Corporate Secretarial Services (Pvt) Ltd., a leading player in the field. This acquisition has strengthened CDS's Corporate Registrar business by securing a captive customer base and integrating an experienced team of professionals. The impact of this strategic move is reflected in CDS's strong performance in 2024.

The CDS is also preparing to separate its clearing and depository functions in alignment with the demutualized operating model of the CSE Group. Given the significant impact on current revenue streams, the Board is closely monitoring this transition, which is expected to be completed in 2025. The Board remains vigilant regarding the financial implications of this change on CDS's financial statements.

On behalf of the Board of Directors of Central Depository Systems (Private) Limited., I affirm that CDS consistently applies principles of good corporate governance. The Corporate Governance Report accurately reflects our governance practices, and we have voluntarily adopted the Code of Best Practice on Corporate Governance (2023) issued by the Institute of Chartered Accountants of Sri Lanka, with details of our compliance outlined in this report.

Governance remains central to both CDS and CSE, reinforcing trust in the capital markets as we strive to restore trading volumes to the levels seen in 2021. As CDS's role evolves, its governance structures and mechanisms must adapt accordingly. As Chairman of this dynamic entity, I am committed to leading the necessary changes to ensure that CDS maintains its reputation as a trusted and licensed depository of securities.



**Ray Abeywardena**

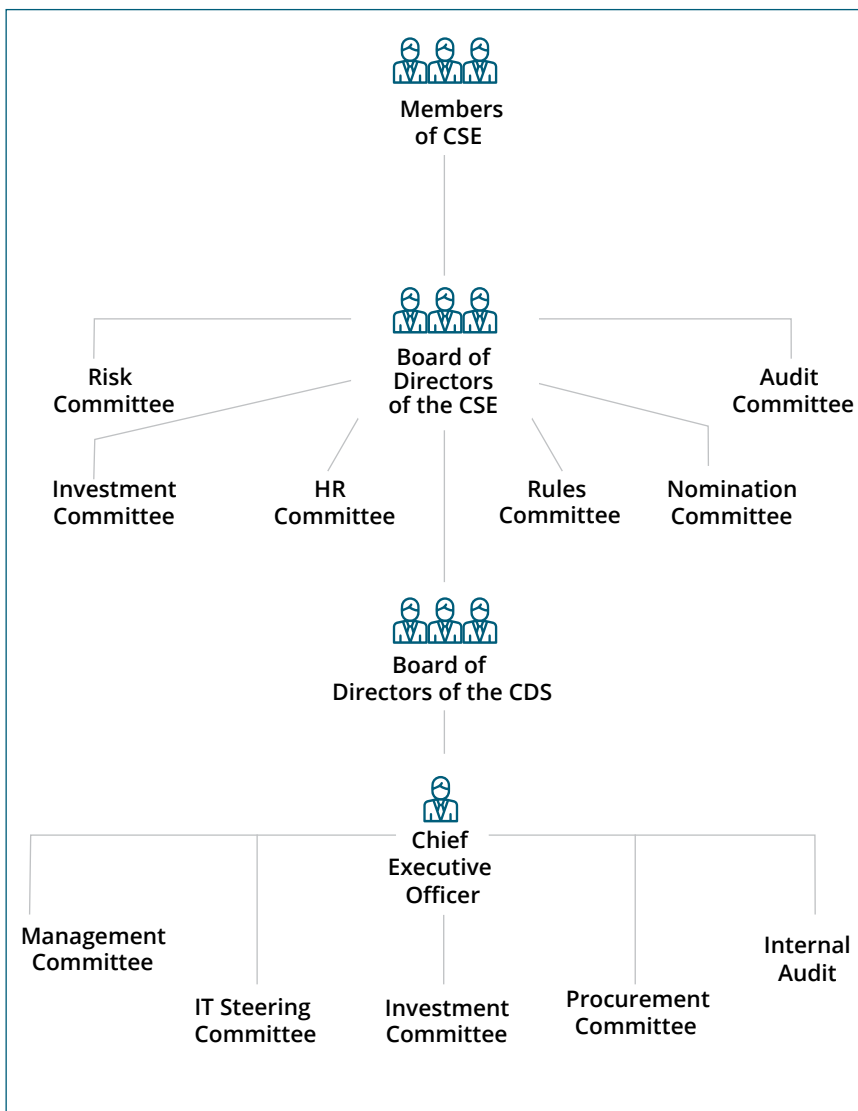
Chairman

28th May 2025

## Legal form of the Central Depository Systems (Pvt) Ltd

Central Depository Systems (CDS) is a wholly owned subsidiary of the Colombo Stock Exchange (CSE), incorporated as a limited liability company. It operates under licenses granted by the Securities and Exchange Commission of Sri Lanka (SEC), fulfilling its critical role as both the Central Depository and Clearing House for transactions conducted on the CSE.

### Governance Structure



## Governance Framework

Code Ref D 6 D 6.1

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

The 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.

## Board Composition

The Board comprises 6 non-executives appointed by the, Holding Company, the CSE. Profiles of Board members setting out their experience and skills are given on page 27 to 29 of this report.

### Skills and Experience

Capital markets/ Investment banking	■ ■ ■ ■ ■
Legal	■ ■
Economics	■
Finance	■ ■
Information Technology	■ ■ ■

### Tenure on the Board

> 5 Year	■
3 – 5 Years	■ ■
1 -3 Years	■ ■ ■
<1 year	

### Independence

Independent	■ ■ ■ ■
Non-Independent	■ ■

### Age

50-55 years	■
> 55 years	■ ■ ■ ■ ■

## CORPORATE GOVERNANCE

### STEWARDSHIP

#### BOARD HIGHLIGHTS FOR 2024

- 1) Provisions relating to the prevention of conflicts of interest by the Directors have been strengthened to increase transparency.
- 2) Formats pertaining to the disclosure of conflicts of interest of Directors have been enhanced.
- 3) An Information Disclosure Policy has been introduced to enhance transparency.
- 4) A Board Evaluation Policy has been incorporated to periodically assess the performance of the Board.
- 5) A requirement to conduct a self-evaluation by each individual Director of the CDS has been introduced to assess the contribution made by each Director to the conduct of the Board's affairs.

#### An Effective Board

In 2024, the composition of the CDS Board was revised. The Board now consists entirely of non-executive directors, including four members nominated by the parent company, CSE, from its own Board of Directors, along with two distinguished external professionals. Together, the Board possesses the necessary expertise and experience to provide leadership and guide the strategic direction of CDS while ensuring regulatory compliance.

Board meetings are held to assess CDS operations. The Board of Directors is responsible for overseeing the strategic vision and evaluating the performance of CDS. The Chief Executive Officer of CDS also serves as the CEO of CSE and is appointed by the Board, which is also responsible for selecting Key Management Personnel.

Additionally, functions such as Finance and Administration, Human Resources, Legal, Enforcement, Information Technology, Internal Audit, Regulatory Policy and Compliance, Enterprise Risk Management, and Post-Trade Settlement are shared with CSE. The Board establishes formal governance structures and policy frameworks to guide the executive management team in their daily operations. All

Board members maintain independent judgment on matters brought before them.

#### Board Meetings

The Board holds regular meetings once a quarter special meetings as and when the Board deems fit. A minimum of three directors must be present for a meeting to proceed. Decisions are made by majority vote. As per the CDS Articles, the Chairman shall not have a casting vote.

Meeting agendas and Board papers are distributed via a secure electronic system before both Board and Sub-Committee meetings. Directors receive these documents at least five days in advance for review. In cases of urgency, board resolutions can be approved by circulation.

An independent company secretary is responsible for recording meeting minutes, which directors can access through the secure electronic platform. Minutes from Board Sub-Committee meetings are presented at the subsequent Board meeting, where any necessary follow-up actions are discussed and implemented. Table 1 below outlines attendance at Board and Board Committee meetings.

Director	Board Meetings	Audit Committee*	Risk Committee*	HR*	Nomination Committee*	Disciplinary*	Investment*	Rules*
Mr. Ray Abeywardena	3/3		4/4				1/1	1/1
Mr. Kosala Gamage	3/3							1/1
Mr. Arjuna Herath	3/3	3/3	4/4		3/3	5/5	1/1	
Mr. Jayantha Fernando	3/3		4/4	2/2		5/5		1/1
Ms. Priyanthi Pieris	2/3							
Mr. Channa de Silva	3/3							

\*- Group



GRI 2-25, 2-26



## Board Responsibilities

The CDS Board Charter was approved and adopted by the Board in July 2022 as part of the annual review process to ensure its relevance and alignment with key developments. The Charter outlines the roles and responsibilities of the Board, which are summarized below.

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

The Board reviewed the Strategic Plan developed by Management, extending until 2029, and assessed performance against it on a quarterly basis.

The Board ensures that the CEO and Key Management Personnel (KMP) possess the necessary skills and expertise to execute the business strategy and uphold CDS's corporate values, with support from the HR & Remuneration Committee. This committee also oversees talent pipelines within CDS to enhance performance and succession planning. Performance management systems are in place to assess development needs and serve as a foundation for rewarding achievements through approved incentive schemes.

The Board ensures that CDS operates in compliance with all legislative and regulatory requirements. Directors also have the right to seek professional advice on matters deemed material and relevant to the company.

## Company Secretary

An independent law firm provides company secretarial services, with a full-time representative available to assist and advise the Board of Directors. The appointment and removal of the Company Secretary is a decision made collectively by the Board.

The responsibilities of the Company Secretary are outlined in the adjacent column



### 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-evaluation processes
- Maintain register of conflicts of interest
- Carry out any other duties as may be assigned by the Board

## CORPORATE GOVERNANCE

### STEWARDSHIP

#### Board Sub Committees

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

Board Sub Committees	Composition	Objective
<b>REGULATORY</b>		
<b>Rules Committee</b>	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>Disciplinary Committee</b>	4 Members	Attending to the disciplinary matters in terms of the CDS Rules
<b>GOVERNANCE</b>		
<b>Risk committee</b>	4 members	Ensure the establishment of an appropriate risk management framework within the CSE Group including its enforcement.
<b>Audit committee</b>	3 members	Monitor the integrity of financial statement and review internal controls and work of internal/ external audit functions
<b>HR and Remunerations committee</b>	3 members	To evaluate, assess, decide and recommend to the CSE Group Board on any matter that may affect the Human Resource Management of the CSE Group
<b>Nomination Committee</b>	3 members	Review and evaluate any nomination to be appointed as a Member of the CDS Board.
<b>OTHER</b>		
<b>Investment committee</b>	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

Board Committee activities related to CDS during 2024

Board Sub Committees	Activities
Rules Committee	One meeting was held on 12th September 2024 to discuss the revised Clearing House Rules to facilitate the implementation of a central counter party.
Disciplinary Committee	No Disciplinary matters related to the CDS.
Risk committee	<ul style="list-style-type: none"> <li>☒ Reviewed and made recommendations to the terms of reference (TOR) of the risk committee.</li> <li>☒ Oversaw the progress of the Risk Management Function.</li> <li>☒ Reviewed the Enterprise Risk Management policy of the CSE Group and made recommendations where necessary.</li> <li>☒ Annual &amp; Quarterly review of the CSE Group's organizational level risks to ensure they are mitigated or controlled adequately</li> <li>☒ Reviewed the root causes, consequences of the organizational risks and made recommendations on the controls and action plans.</li> <li>☒ Evaluated the progress of the action plans with the management quarterly.</li> <li>☒ Designing and approving the framework of New Project Implementation Risk Assessment.</li> <li>☒ Carried out discussions with the management on the emerging risks.</li> <li>☒ Reviewed the materialized risks and near misses and made recommendations on rectification and prevention strategies.</li> <li>☒ Reviewed the report on the assessment of the CSE Security Operation Centre ("SOC") on a quarterly basis.</li> </ul>

Board Sub Committees	Activities
Audit committee	<ul style="list-style-type: none"> <li>☞ Reviewed the Internal Audit Charter.</li> <li>☞ Approved the annual internal audit plan.</li> <li>☞ Oversaw the progress of the internal audit function.</li> <li>☞ Reviewed internal audit reports and determine whether critical risks are mitigated.</li> <li>☞ Reviewed and discussed with the management, the quarterly financial statements and recommended the same for approval of the Board.</li> <li>☞ Reviewed the accrued expenses.</li> <li>☞ Reviewed the Fixed Assets verification audit reports and provided the recommendation to the management to address the audit recommendations.</li> <li>☞ Recommend the appointment of external auditors and review their independence.</li> <li>☞ Reviewed the IT systems audit finding and recommended the controls.</li> <li>☞ Reviewed key Management Letter points.</li> <li>☞ Reviewed and recommended to the Board of Directors the Letter of Representation to be given to the External Auditors for the year 2024.</li> <li>☞ 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</li> </ul>
HR and Remunerations committee	<ul style="list-style-type: none"> <li>☞ Reviewed and recommended the CEO's compensation, including incentive, bonus, benefit and retirement plans, to the Board for approval.</li> <li>☞ Reviewed and recommended the Company's compensation philosophy, strategy, and guidelines.</li> <li>☞ Reviewed the organizational structure.</li> <li>☞ In consultation with the CEO, reviewed and recommended the appointment of and compensation, including incentive, bonus, benefit and retirement plans, for the senior management.</li> <li>☞ Reviewed with the CEO existing senior management resources, and performance evaluations, including recruitment and training programs, to ensure that compensation is linked to performance.</li> <li>☞ Reviewed the management succession plan and selected the CEO designate.</li> </ul>
Nomination Committee	<ul style="list-style-type: none"> <li>☞ Evaluated director nominations submitted by existing trading members and makes recommendations to the Board.</li> </ul>
Investment committee	<ul style="list-style-type: none"> <li>☞ Reviewed the Group Investment Policy and the Group investment Portfolio.</li> <li>☞ Advised the Management on the new investment and re-investment activities.</li> </ul>

## Director Induction and Training

The Board of Directors are industry experts currently holding top executive positions in their respective firms and are highly qualified professionals with experience within the organization and a strong understanding of the industry. As a result, no formal induction or training was required during the year. However, Directors actively participate in various forums where they receive presentations on relevant topics, helping them effectively fulfill their responsibilities.

## CORPORATE GOVERNANCE

### STEWARDSHIP

GRI 2-15,2-16, 2-17,2-18

#### Role of Chairman

The Chairman of the Board is appointed by the parent company. The roles of Chairman and CEO are separated, and the Chairman is a non-executive director who presided over all meetings. The Chairman's role is outlined in the adjacent column.



#### ROLE OF CHAIRMAN

- Effective participation of all directors.
- Effective contribution of all 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 CDS affairs

#### Appointment, re-election and Independence

The Nomination Committee assesses director nominations and submits recommendations to the CDS Board, which makes the final appointments, subject to SEC approval. Appointed directors must submit a declaration confirming their suitability for the role, considering factors such as past performance, skills, technical expertise, and any history of disciplinary or administrative actions by regulators or the judiciary. Additionally, directors are required to provide a fit and proper affidavit on an annual basis.

#### Appraisal of Performance

The Board conducts annual performance appraisals for itself and its sub-committees. As outlined in

the Board Charter, its effectiveness is assessed based on composition, accountability, responsibility, and conduct, in alignment with the criteria set out in the Board Evaluation Policy.

Board performance is evaluated at least once a year using a performance evaluation checklist, supplemented by self-evaluation. Additionally, the Board reviews the CEO's performance annually against predefined financial and non-financial targets agreed upon at the beginning of the year.

#### Managing Conflicts

Directors are required to act in the best interests of the CDS to maintain public confidence and uphold the impartiality of the Board. As outlined in the Board Charter, directors must annually discuss hypothetical conflict-of-interest scenarios during a Board meeting.

In the event of a conflict of interest:

- ☒ The director must submit a written disclosure of the conflict.
- ☒ If uncertain, the director should seek advice and guidance from the Chairman.
- ☒ The director is prohibited from participating in the decision-making process related to the conflict. However, such director may briefly state his position in the relevant

matter and answer pertinent questions of other Board directors where his knowledge in the matter may be of assistance.

- ☒ The Board documents whether a conflict exists and how it was managed in the meeting minutes.

#### Relations with Shareholders

The Annual Report and Notice of Annual General Meeting are sent to Colombo Stock Exchange (only shareholder) 21 days prior to the AGM facilitating participation and review of matters presented.

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

- ☒ Chairman's Statement on pages 16 to 17
- ☒ CEO's Review on pages 18 to 21
- ☒ Head - Central Depository Systems Message on Pages 22 to 25
- ☒ Operational Review on pages 54 to 64

#### Annual Report

This Annual Report presents a comprehensive and balanced view of CDS's position, performance for the year ended 31st December 2024, and future prospects. The Directors' Report on page 87 includes 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	87-89
Statement confirming review of the internal controls and obtaining assurance on its effective operation	91
statement setting out the responsibilities of the Board for the preparation and presentation of financial statements	90
statement by the Auditors about their reporting responsibilities	93
Report/Statement on Internal Control	91
Management Discussion & Analysis	87-89
Statement that the business is a going concern	87
Related party transactions	88-89



GRI 2-2, 2-25, 2-26

## Accountability and Audit

The Risk & Audit Committee of the CSE is responsible for overseeing the approval of appropriate accounting policies, CDS's internal control framework, and risk management processes. It consists of four independent non-executive directors, as detailed in the Risk & Audit Committee report, which also outlines the committee's responsibilities and key activities undertaken during the year.

The committee is supported by Internal Audit, which reports directly to it and assesses the effectiveness of internal controls and regulatory compliance. Additionally, the committee reviews CDS's risk management processes, with support from the ERM Division, which ensures that potential risks are identified, measured, monitored, and managed or mitigated within the Board-approved risk appetite.

The Risk & Audit Committee also meets with external auditors to discuss audit plans, findings, audit reports, and management letters, including holding an in-camera session.

## Cybersecurity

The Board ensures sufficient time is allocated for discussions on information technology and cyber risk, recognizing its critical importance to the functioning of the business. CSE adheres to the Information Security (ISO 27001) standard and strives to maintain high levels of cyber security, considering industry best practices and the rapid evolution of technology.

## Sustainability Reporting

This Annual Report is an Integrated Report, prepared in accordance with the Integrated Reporting (IR) Framework published by the International Integrated Reporting Council. It combines sustainability information with governance and financial details to provide a holistic view of the organization's performance.

Requirement	Page Ref.
Economic sustainability	65
The Environment	66
Labor Practice	69
Society	46
Stakeholder identification, engagement and effective communication	67 - 85
Formalize Sustainability Reporting processes	15

# RISK MANAGEMENT

## STEWARDSHIP

### Introduction

Risk management at CDS is an ongoing process that seeks to identifying potential risks early in order to assess their impact on business and implement necessary countermeasures. The CDS has in place a system to identify, measure, monitor, and manage risks that pose challenges to the achievement of business goals. Accordingly, the risk management and internal control system are closely

aligned with its corporate strategy. Effective risk management practices ensure smooth operations for the CDS and its parent company, Colombo Stock Exchange. It considers all types of risk, including non-financial risks related to business activities, relationships, products, and services. Due to constantly evolving external and internal requirements, our risk management and internal control systems are continuously developed to meet these changing needs.

### Risk Governance

The Board of Directors of the CSE oversees the effectiveness of our risk management and internal control system. It is routinely monitored by the Risk and Audit Committee and the Enterprise Risk Management Division. The findings from these reviews are used to consistently improve our risk management and internal control system. The organization and responsibilities of the risk management process and process control are as follows:

#### BUSINESS UNITS

Business units are responsible for identifying, assessing and managing risk



Identified risks are evaluated regularly and compared with benchmarks and previous assessments using standardized processes to assess whether risks are increasing or decreasing. 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

#### HEADS OF DIVISIONS

Report any relevant changes to their risk profile to Risk Management Division



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

#### CDS RISK MANAGEMENT

The dedicated CDS risk management is segmented as Depository and Registrar facilitating focused attention and ensuring the risks are clearly defined and documented.



CSE Group Obtained the **ISO 22301 BCMS** Standard

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 institutionalize 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
Cyber Security Threat	Evolving business sustainability and Competition Risk	Credit Risk (Settlement Failure)	Legal and Compliance Risk
Talent Retention	Reputation Risk		
Information Security & Data Governance Risk			
Critical 3rd Party System Risk			
Operational Resilience & Business Continuity			

## Our Risk Heat Map For 2024

RISK	SEVERITY	RISK LEVEL
Cyber Security Threat	12	Medium Risk
Talent Retention	12	Medium Risk
Information Security & Data Governance Risk	12	Medium Risk
Critical 3rd Party System Risk	12	Medium Risk
Evolving Business Sustainability and Competition Risk	12	Medium Risk
Legal & Compliance Risk	12	Medium Risk
Credit Risk (Settlement Failure)	12	Medium Risk
Operational Resilience & Business Continuity	8	Low Risk
Reputational Risk	8	Low Risk

## Key Risks 2024

Cyber Security Threat	
<b>Risk Description</b>	<b>Mitigation</b>
Cyber security threats can disrupt CDS operations as malicious acts aimed at damaging data, stealing data, while exploiting vulnerabilities in computer systems, networks, and software to gain unauthorized access, cause harm, or extract information of the related stakeholders.	Strengthening the information security at CDS and cyber resilience through ISO 27001 certification by implementing perimeter firewalls, endpoint protection, periodic vulnerability and penetration testing, email security, and awareness sessions to enhance overall information and cyber security.
Talent Retention	
<b>Risk Description</b>	<b>Mitigation</b>
Retaining talent is crucial to CDS as there is higher competition to technical skills in the financial services job market. Strategies and actions need to be developed consistently to keep employees engaged and committed to the company for the long term, whilst complying with industry standards.	Enhance employee retention through training programs via MOUs with institutes, lateral transfers for succession planning, strengthened reward mechanisms, and engagement activities. Incorporate HR best practices, conduct talent reviews, organize HR clinics and KPI sessions, refine recruitment for cultural and competency fit, and promote job rotation, internal postings, and transfer requests.

## RISK MANAGEMENT

### STEWARDSHIP

Information Security & Data Governance Risk	
<b>Risk Description</b> <p>CDS ensures that the data security requirements are in place and practiced within the organization whilst working towards compliance to Personal Data Protection Act No. 09 of 2022.</p>	<b>Mitigation</b> <p>CDS has established well-attended data protection and security practices by implementing privacy policies, consent management, breach notification, and data subject response procedures, supported by a Data Privacy Champion assigned to each division. Strengthening information Security infrastructure including perimeter firewall, and regular reviews of access controls and SOC monitoring systems are some of the other measures taken into consideration.</p>
Critical 3rd Party System Risk	
<b>Risk Description</b> <p>Critical third-party system risk accounts for significant negative impacts on an CDS's operations, finances, reputation, compliance, or security arising from its reliance on external vendors or service providers that are crucial to its core business functions.</p>	<b>Mitigation</b> <p>Establish comprehensive service level agreements with third-party vendors for disruption coverage, implement a common order management system, and ensure periodic system testing and auditing.</p>
Evolving Business Sustainability and Competition Risk	
<b>Risk Description</b> <p>This refers to coping with rapidly changing business models that could affect the sustainable business growth, financial stabilities, and advances to technologies. Fluctuations of the market indices due to changes in country's economy had a significant impact on business sustainability alongside competitive financial institutions.</p>	<b>Mitigation</b> <p>Increased stakeholder engagement with the support of CSE's strategies for competitive advantages such as investor education programs, continuous engagement with listed entities on new products and services of the CDS.</p>
Legal & Compliance Risk	
<b>Risk Description</b> <p>Non compliances to business regulations, polices by the government and contractual obligations lead to potential financial losses, regulatory sanctions, litigations, and reputational damage to the organization. This could be from local, national, and international levels to CDS's own ethical standards and commitments.</p>	<b>Mitigation</b> <p>Legalities of CDS are addressed through comprehensive actions by CSE's legal division, where reviewing laws, securing liability and indemnity insurance, and engaging expert legal counsel and a qualified law firm for litigation are done. Compliance Officers are also appointed to support processes within the divisions they operate.</p>
Credit Risk (Settlement Failure)	
<b>Risk Description</b> <p>CDS is exposed to settlement failure risk if one party defaults on its settlement obligations to one or more counterparties, which is addressed as part of the clearing and settlement service of CSE.</p>	<b>Mitigation</b> <p>Settlement failure exposure at CDS are mitigated through CSE's approach for stronger market stability and compliance by enforcing base and daily margin requirements, maintaining the Settlement Guarantee Fund, conducting compliance reviews by the Broker Supervision Division, introducing a minimum shareholders' fund requirement for broker firms,</p>



### Operational Resilience & Business Continuity

#### Risk Description

Operational Resilience focuses identified important business services of CDS accepting that there will be disruption to them and attempting to ensure they remain within the defined impact tolerances. Further, maintaining the organization's operational resilience among all business functions will allow the business to maintain service levels despite high impact events.

#### Mitigation

Complying to ISO certifications by maintaining a robust Business Continuity and Disaster Recovery Plan, conducting comprehensive system testing, documenting procedures, performing regular audits, enhancing cyber security controls, and ensuring resilience through a manned DR site and redundant system architectures.

### Reputational Risk

#### Risk Description

CDS as an entity with high stakeholder engagements with related to its' services provided, requires a steadfast commitment to operating at high standards without any lapses in integrity, compliance, customer service and operational efficiencies.

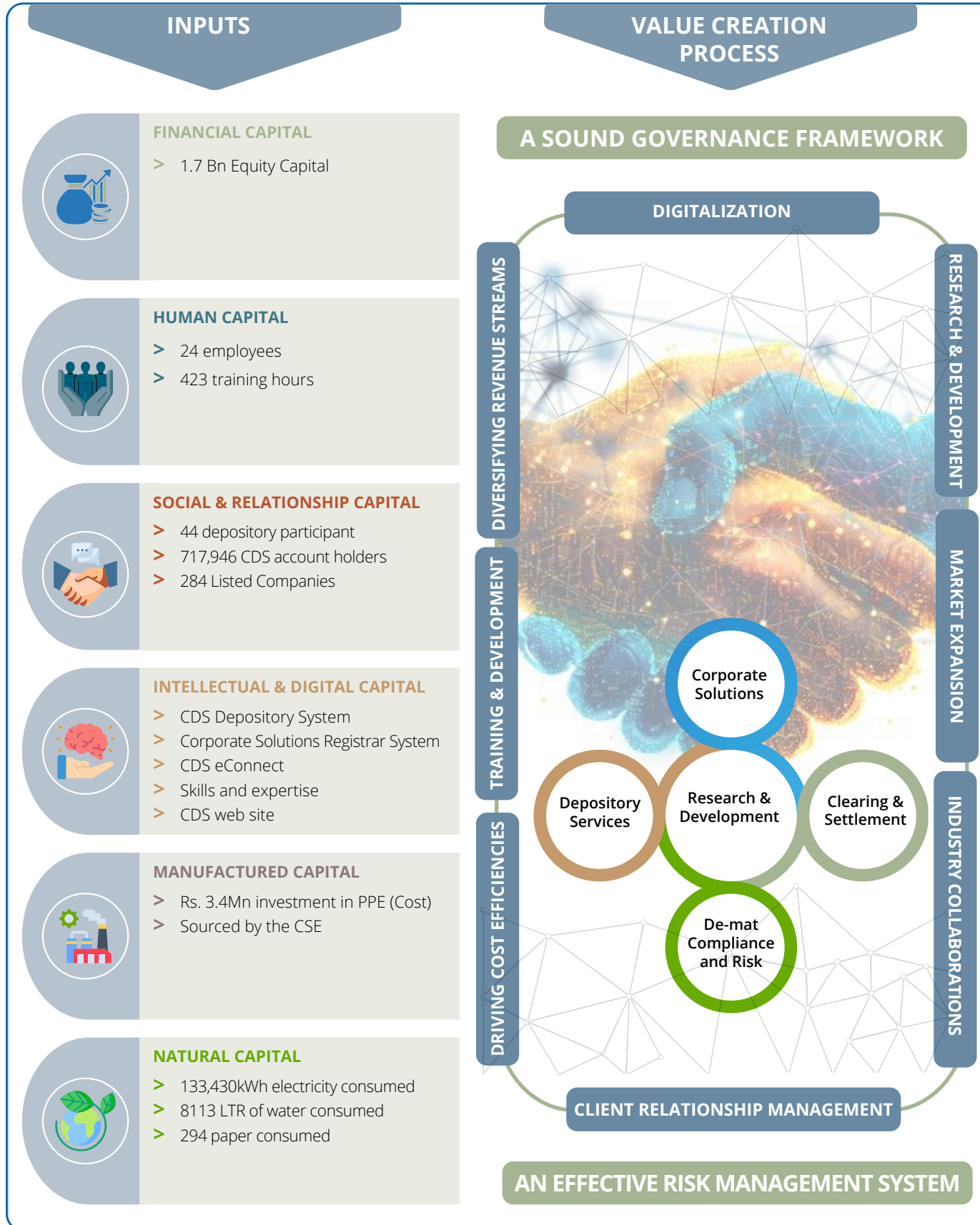
#### Mitigation

Enhance operational resilience and compliance by escalating and effectively attending critical issues, performing root cause analyses, and recovery guides, and adhering to defined strict actions for non-compliance.

# OUR BUSINESS MODEL

## STRATEGIC REPORT

GRI 2.6



## OUTPUT

## OUTCOMES

## VALUE DELIVERED

**DEPOSITORY SERVICES**

- > 19,019 new accounts opened
- > 229,709 new deposits made to CDS accounts
- > 44,140 transfers executed between CDS accounts
- > 3,801 requests to update CDS profiles executed
- > 8,096 new CDS eConnect registrations
- > Facilitated for 69 number of corporate actions
- > Released 17,420 reports to listed issuers

**CORPORATE SOLUTIONS**

- > Mobile solutions for 4 IPOs
- > Registrar services for 8 IPOs
- > 29 virtual AGMS & 41 physical AGMs
- > 8 Rights Issues
- > 2 Sub-divisions
- > 86 dividend payments

**DE-MAT COMPLIANCE & RISK**

- > 100% compliance on new CDC accounts opened & updates on CDS profiles

**CLEARING & SETTLEMENT**

- > Transition to T+2 from T+3
- > Settlements for Rs. 3.5 Mn trades

**RESEARCH AND DEVELOPMENT**

- > MoUs with 2 foreign depositories
- > Coordination of 13 internal projects contributing to increase operational efficiency

**ECONOMIC**

- > **Economic value added by the company Rs. 215 Mn.**
- > **Direct and indirect tax payments of Rs. 63.5 Mn.**

**ENVIRONMENTAL**

- > **2,212 Kg of waste discharged**
- > **8,113 liters of water consumed**

**SOCIAL**

- > **Direct and indirect employment opportunities**
- > **Community development initiatives**

**Shareholders**

- > Earnings per Share of Rs.18.06

**Employees**

- > Employee remuneration of Rs.73,861,179
- > Rs.3,415,146 investment in training and development
- > Job security
- > Healthy and safe workplace
- > An inclusive workplace

**Customers**

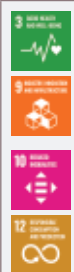
- > Delivery of high quality service
- > Customer support

**Suppliers**

- > Rs.32 Mn payments to local suppliers

**Communities**

- > Recruitment of 9 new employees

**Government**

- > Tax payments of Rs.63.5 Mn



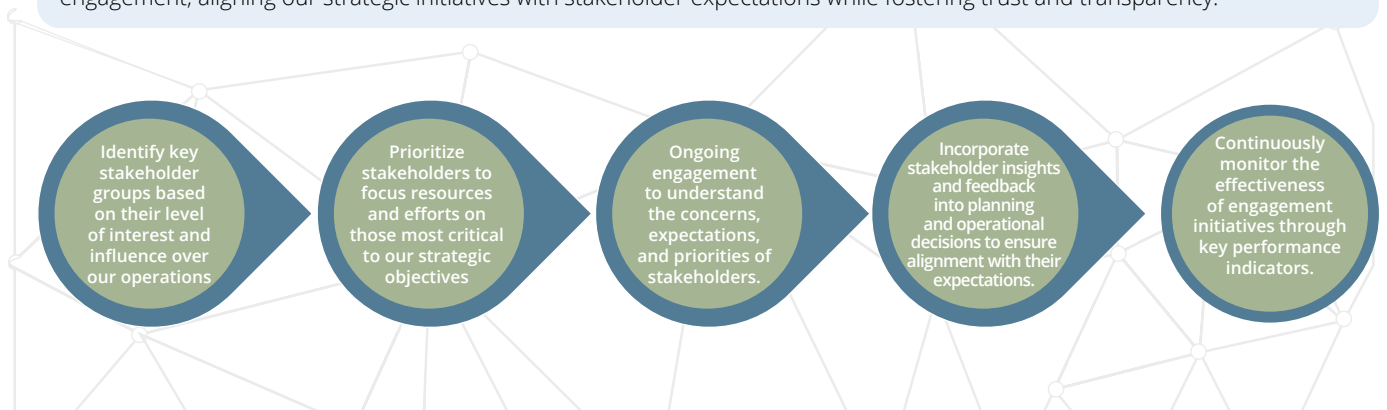
# STAKEHOLDER ENGAGEMENT



## STRATEGIC REPORT


GRI 2-2-29

Effective stakeholder engagement is essential to the growth and sustainability of CDS. Regular engagement enables us to gain insights into stakeholder expectations, concerns, and priorities, ensuring our strategic initiatives align with their needs. Additionally, proactive engagement helps CDS identify potential risks early, allowing us to implement timely and effective risk management strategies, ultimately strengthening our role as a trusted market infrastructure provider.

Shown alongside is CDS's structured approach to stakeholder management, which has been pivotal in strengthening relationships, enhancing our reputation, and driving long-term sustainable success. This framework ensures effective engagement, aligning our strategic initiatives with stakeholder expectations while fostering trust and transparency.



Stakeholder	Investors	Depository Participants	Listed Companies & Potential Issuers	Employees	Regulator	CSE	Margin Providers	Wealth managers/ Investment Bankers
<b>Stakeholder Concerns</b> 	> Data security > Convenience > Timely services > Innovation > Efficient services > Technological advancements	> Training & development opportunities > Facilitate engagement with the investors > Convenience > Innovation > Improved efficiency in services offered > Regulatory compliance > Technological advancements	> Facilitation of capital raising > Facilitation of investor relations > Diversification of services offered > Reliability and efficiency > Technological advancements > Information security > Regulatory compliance	> Attractive and competitive remuneration > Opportunities for skill development > Prospects for career progression > Effective engagement > Fair grievance handling > Fair and safe work environment > Recognition	> A regulated market > Compliance > Digital developments > Market development	> Facilitating market growth > Facilitating engagement with investors and market participants > Compliance > Infrastructure development > Efficiency in services provided > Data security	> Convenience > Data Security > Innovation > Efficiency in services offered	> Facilitation of capital raising > Facilitation of investor relations > Diversification of services offered > Reliability and efficiency > Technological advancements > Information security
<b>Engagement Mechanisms</b> 	> Press releases > CDS eConnect > Virtual and physical meetings > CDS Account Statements > SMS/email > Corporate website	> CDS eConnect > Corporate website > Virtual and physical meetings > Circulars > Training & awareness programs	> CDS eConnect > Corporate website > Training & awareness programs > Press releases > Circulars > Virtual and physical meetings	> Staff meetings > Open door policy > Welfare events > Email/circulars > Staff appraisals > Training programs	> Meetings and discussions > Investor forums > Regulatory reporting > Written communication	> Meetings and discussions > Emails/memos and circulars > Written communication	> CDS eConnect > Virtual & physical meetings > CDS Account Statements > Emails > Corporate Website	> CDS eConnect > Corporate website > Awareness sessions > Virtual & physical meetings

Stakeholder	Investors	Depository Participants	Listed Companies & Potential Issuers	Employees	Regulator	CSE	Margin Providers	Wealth managers/ Investment Bankers
<b>Our Strategy</b> 	<ul style="list-style-type: none"> <li>&gt; Diversification and service expansion</li> <li>&gt; State-of-the-art IT security systems</li> <li>&gt; Driving efficiency through Digitalization</li> <li>&gt; Effective customer relationship management</li> <li>&gt; Service innovation through digitalization</li> <li>&gt; Effective and ongoing engagement</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Regular training session on changes in regulatory requirements and system upgrades</li> <li>&gt; Streamlining regulatory compliance</li> <li>&gt; Decentralization of depository operations</li> <li>&gt; Empowering market participants to fulfill certain requirements of investors</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Expansion of services offered</li> <li>&gt; Facilitating raising of capital</li> <li>&gt; Driving efficiency through digitalization</li> <li>&gt; State-of-the-art IT security systems</li> <li>&gt; Ensuring transparency by regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Effective HR management</li> <li>&gt; Frequently revised remuneration policy</li> <li>&gt; Effective engagement mechanisms</li> <li>&gt; Continuous training opportunities</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Compliance with all regulatory requirement</li> <li>&gt; Facilitating market growth through expanding services offered</li> <li>&gt; Significant investments in Digitalization</li> <li>&gt; Internal process audits and compliance audits</li> </ul>	<ul style="list-style-type: none"> <li>&gt; State-of-the-art IT security systems</li> <li>&gt; Continuous upgrading of depository infrastructure</li> <li>&gt; Driving efficiency through digitization</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Diversification and service expansion</li> <li>&gt; State-of-the-art IT security systems</li> <li>&gt; Driving efficiency through digitalization</li> <li>&gt; Effective customer relationship management</li> <li>&gt; Service innovation through digitalization</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Expansion of services offered</li> <li>&gt; Facilitating raising of capital</li> <li>&gt; Driving efficiency through digitalization</li> <li>&gt; State-of-the-art IT security systems</li> <li>&gt; Innovation through digitalization</li> </ul>





# STRATEGY

## STRATEGIC REPORT

GRI 2-2-29

### Strategy

Our business strategy focuses on Depository Services, Corporate Solutions, and Research & Development to drive efficiency, innovation, and growth. Key priorities of Depository Services include digital transformation, cost optimization, and leadership development. Corporate Solutions will expand market reach, introduce new services, and strengthen strategic partnerships, while Research & Development will drive revenue diversification, innovation through product development, project management, and international collaboration. This integrated approach positions CDS for long-term sustainability and industry leadership.



#### DEPOSITORY SERVICES

- Digital transformation
- Cost reduction/optimization
- Revenue generation
- Training & Development
- Leadership development

### DEPOSITORY SERVICES

#### CORPORATE SOLUTIONS

- Market expansion
- New service offerings
- Strategic partnerships
- Revenue generation

### CORPORATE SOLUTIONS

### RESEARCH & DEVELOPMENT

#### RESEARCH & DEVELOPMENT

- Research new products and services
- Development of feasible products/services/programs and hand over to business owners
- Operate as the Project Management Office of the CDS
- Strategic Partnerships
- Enhance International Relationships

## DETERMINING MATERIALITY STRATEGIC REPORT

Material issues are critical matters that significantly impact stakeholders and influence our ability to generate value in the short, medium, and long term. These issues shape our strategic direction and operational priorities, ensuring alignment with stakeholder expectations and the long-term sustainability of our business.

The identification of material topics is based on their potential to affect value creation, determined through a thorough analysis of stakeholder concerns, industry dynamics, and CDS's strategic objectives. To maintain consistency with global best practices, these topics are aligned with the United Nations Sustainable Development Goals (SDGs).







### Strategic Priorities

### Stakeholder Engagement

### Operating Environment






Material matters identified and prioritized based on the likelihood

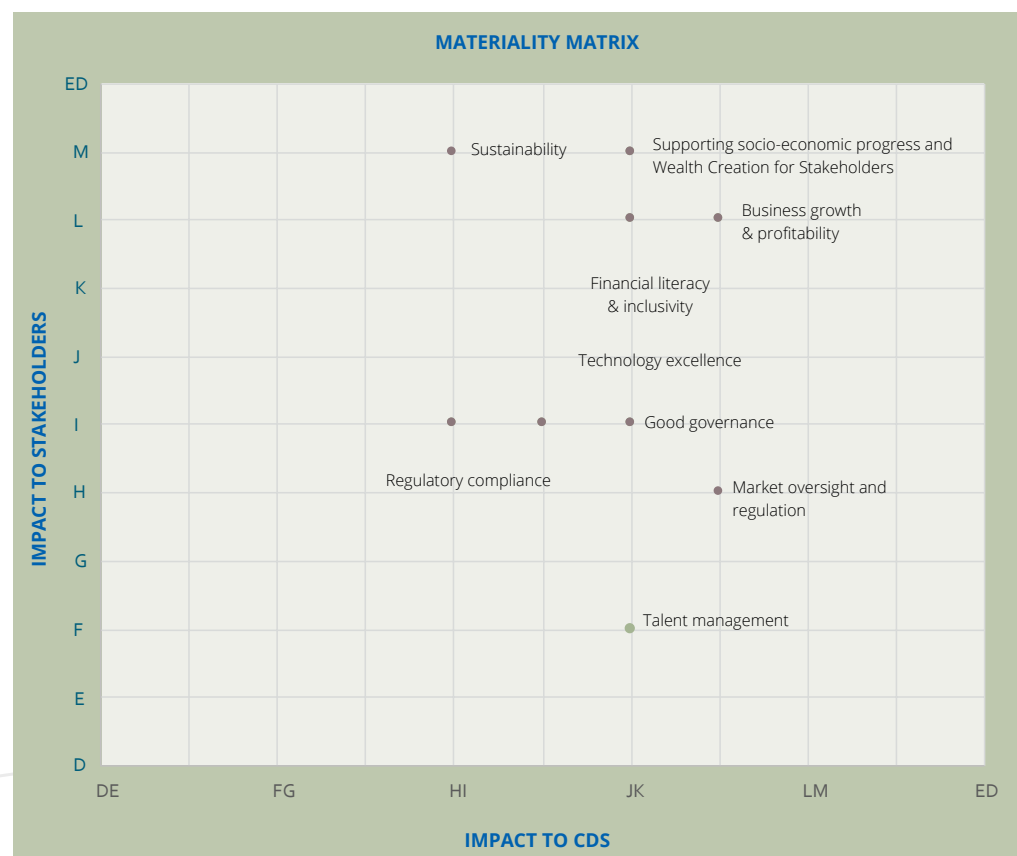
Prioritized based on the influence on decisions of stakeholders and impact on our strategy and operations

Material Topic	Impact to CDS	Impact to Stakeholders	Reference	Relevant SDGs
Good governance	7	6		
Market oversight and regulation	7	4		
Financial literacy & inclusivity	6	8		
Business growth & profitability	7	8		 
Technology excellence	7	6		

# DETERMINING MATERIALITY

## STRATEGIC REPORT

Material Topic	Impact to CDS	Impact to Stakeholders	Reference	Relevant SDGs
Supporting socio-economic progress and Wealth Creation for Stakeholders	6	9		
Talent management	7	5		  
Market activity	10	8		
Sustainability	7	9		
Regulatory compliance	7	7		



# OPERATING ENVIRONMENT

## STRATEGIC REPORT

### Global Economy

The global economy has demonstrated resilience, navigating a disinflationary phase driven by widespread monetary tightening. While global growth is projected to remain at 3.2% in 2024, this remains modest by historical standards. Advanced economies are expected to have expanded by 1.8%, while emerging markets and developing economies are forecasted to have grown at 4.2%. Major economies are now operating closer to their full potential, helping to stabilize inflation. However, in early 2024, the decline in inflation slowed down—prices of goods remained steady or fell, but service sector prices stayed high due to increasing wages. Despite ongoing geopolitical tensions, global trade has remained steady as a percentage of GDP. However, trade is increasingly shifting within allied countries, indicating a slow but steady change in global trade patterns.

### Sri Lanka

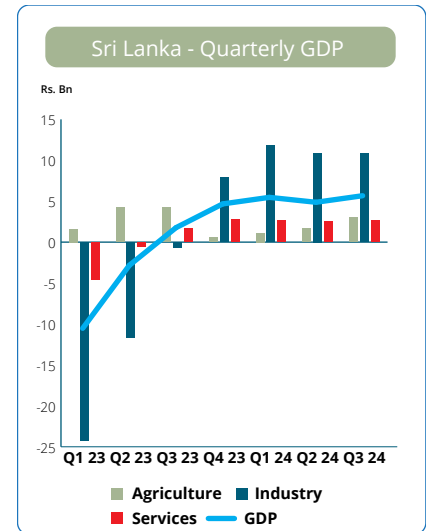
Sri Lanka's economic performance in 2024 showed strong signs of recovery, supported by international financial aid and structural reforms. After facing a severe financial crisis in 2022, the country has now stabilized.

The economy grew by 5.5% in the first three quarters of 2024, marking a strong turnaround after six consecutive quarters of contraction. The industrial sector expanded by 10.8%, driven by a revival in construction due to the settlement of government arrears and resumed project financing. The services sector grew by 2.6%, fueled by a rise in tourism-related industries such as hotels, restaurants, and transportation. However, agriculture saw modest growth of 3%, affected by weather conditions and supply chain issues.

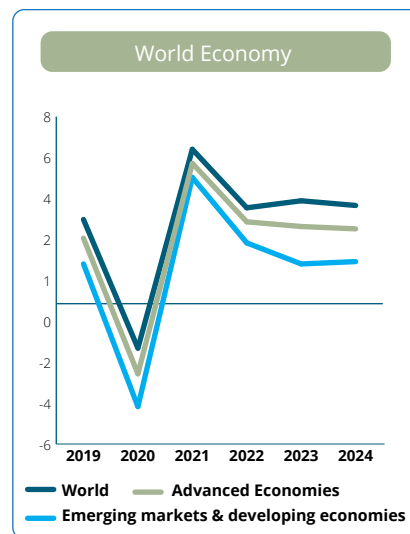
Inflation remained under control, with consumer prices showing a deflationary

trend toward the end of the year, allowing the Central Bank to maintain supportive monetary policies. A stable exchange rate and growing foreign reserves further boosted economic confidence. However, to maintain this progress, Sri Lanka must continue with structural reforms, fiscal discipline, and strategies to enhance exports and attract foreign investment.

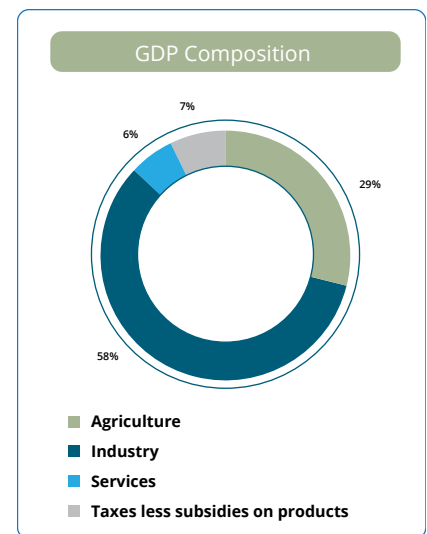
In December 2024, Moody's upgraded Sri Lanka's credit rating from 'Ca' to 'Caa1' with a stable outlook, following the approval of a \$12.55 billion debt restructuring plan. This reflects improved creditworthiness, lower financial risks, and stronger external stability.



Source : CBSL



Source : IMF

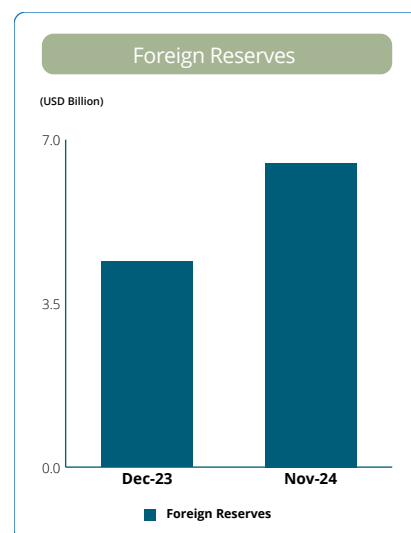
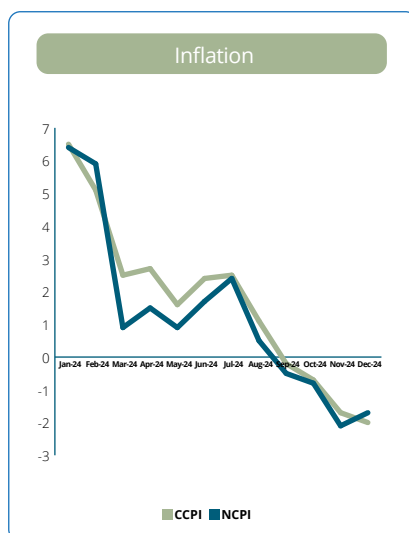


Source : CBSL

## OPERATING ENVIRONMENT

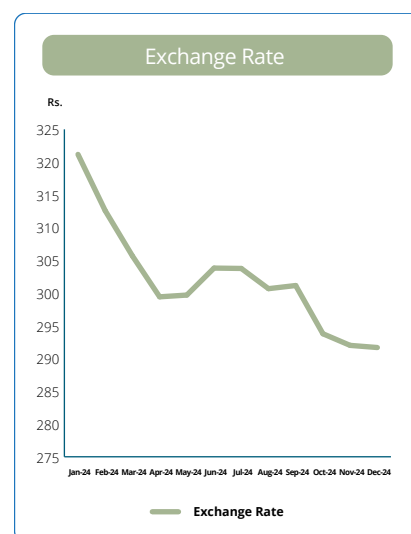
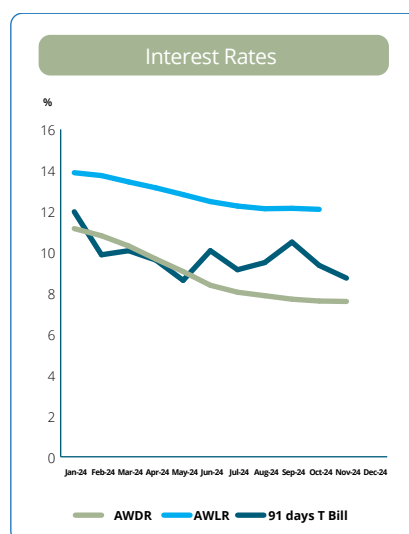
### Inflation

Headline inflation remained low throughout the first eight months of 2024. Although it briefly increased in the first two months due to agricultural disruptions and new tax policies, inflation stayed within single digits for the entire year, ultimately declining to -1.7% by year end. This downward trend was mainly driven by lower utility costs (petroleum, electricity, and water), moderating global commodity prices, an appreciating Rupee, improved supply conditions, subdued demand, and the gradual elimination of monetary financing.



### Monetary Policy

In 2024, the Central Bank of Sri Lanka (CBSL) maintained an accommodative monetary policy, as inflation remained below target levels. This allowed for cumulative policy rate cuts of 800 basis points since May 2023. The Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) were reduced to 7.5% and 8.5%, respectively, while the Overnight Policy Rate (OPR) stood at 8.0%, with rate cuts implemented in March, July, and November. These reductions lowered commercial bank lending and deposit rates and led to a decline of nearly 1,000 basis points in 91-day Treasury Bill rates. Monetary conditions further improved following the completion of domestic debt restructuring in September 2023 and a reduction in government borrowing needs due to fiscal consolidation, fostering a more supportive environment for economic recovery.



Source : CBSL

partners, including the International Monetary Fund (IMF) and the Asian Development Bank (ADB), contributed to a balance of payments surplus in the first half of the year. Additionally, higher tourism earnings and remittance inflows helped bolster the current account balance.

However, the trade deficit widened by 19% in the 11 months up to November, as imports rebounded faster than exports. While garment exports declined due to weak global demand, overall exports grew by 7%,

mainly driven by higher bunkering and aviation fuel exports, as marine vessels took longer routes to avoid Red Sea tensions. Meanwhile, imports increased by 10%, following the lifting of most import restrictions (except on vehicles), with higher economic activity driving demand for intermediate goods (chemicals, plastics, and base metals) and investment goods (machinery and equipment).

By the end of 2024, the Sri Lankan Rupee appreciated by 10.7%, with the USD exchange rate settling at Rs. 292.50.

### External Sector

Sri Lanka's foreign reserves strengthened in 2024, supported by financial account inflows and the ongoing suspension of debt servicing. Assistance from development



## Performance of the Colombo Stock Exchange

In 2024, the CSE achieved remarkable performance, reaching record-breaking milestones. The All Share Price Index (ASPI) surged by approximately 50%, closing at an all-time high of 15,944.61 points on December 31, 2024. Similarly, the S&P SL20 index, representing the 20 largest and most liquid stocks, climbed by 58.46%, ending the year at 4,862.10 points. These gains contributed to a 34% increase in market capitalization, which reached Rs. 5.69 trillion, offering a 50% return to long-term investors. The CSE achieved a total turnover of Rs. 538 billion, with a daily average of Rs. 2.2 billion.

The market's bullish performance was driven by several key factors, including political stability following the 2024 elections, progress under the International Monetary Fund's Extended Fund Facility, and improving macroeconomic fundamentals such as low interest rates and a stable exchange rate.

Investor participation, especially from retail investors, surged as they sought attractive opportunities in the recovering economy, leading to increased market liquidity. However, the market also experienced volatility, with occasional corrections influenced by global uncertainties and domestic challenges.

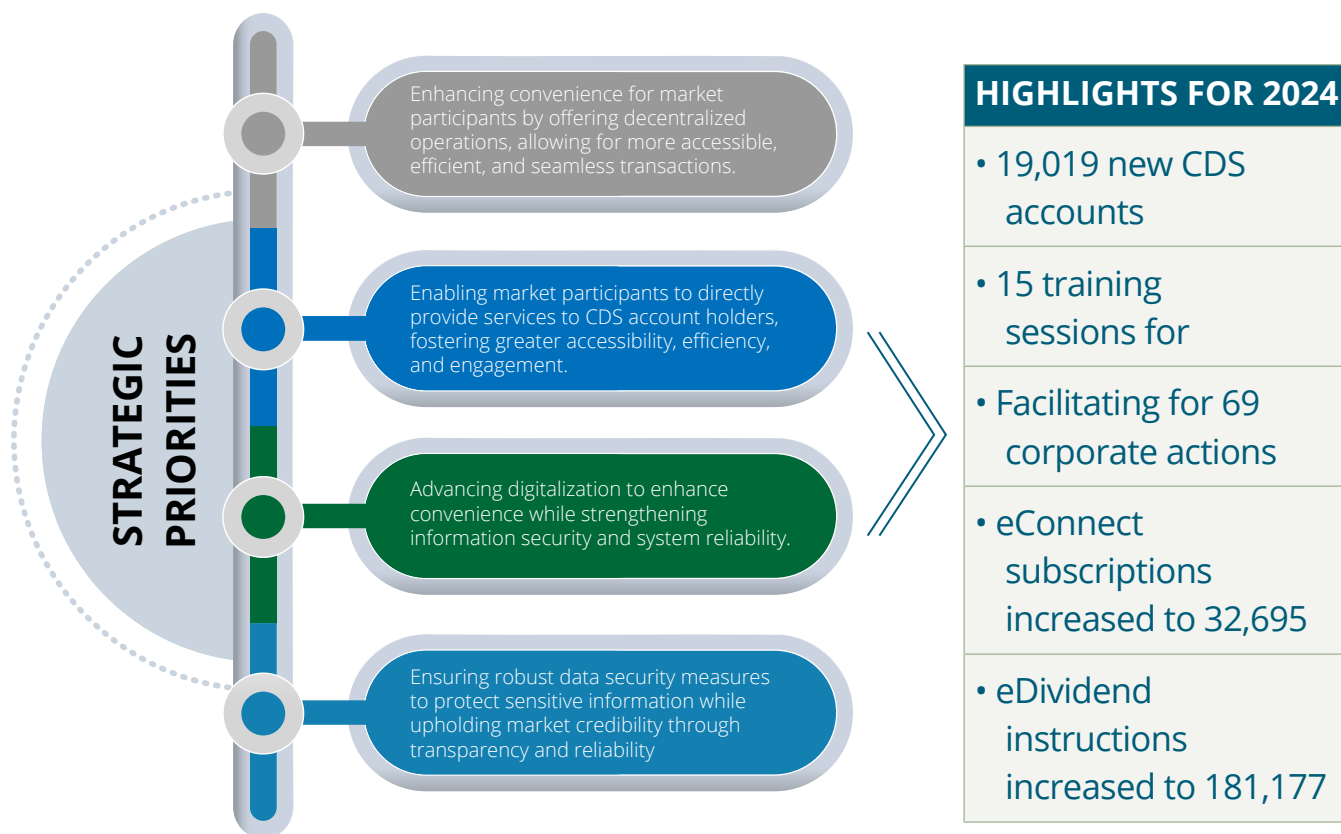
Key sectors that drove the market's growth in 2024 included banking and capital goods. Banks benefited from the accommodative monetary policy, which helped reduce lending rates and stimulate credit demand. The construction sector saw significant growth due to the recovery in government project financing and the clearing of arrears, boosting construction and engineering companies listed on the CSE. Tourism-related sectors, including hospitality and food services, also experienced growth, driven by an increase in international travel following the easing of pandemic restrictions.



# DEPOSITORY SERVICES

## BUSINESS LINE REVIEW

The CDS is recognized as first depository established in the South Asian region. As an essential pillar of capital market infrastructure, the CDS plays a vital role in ensuring the smooth functioning of the Colombo Stock Exchange (CSE). Our responsibilities include maintaining and managing CDS accounts for all investors who trade on the CSE, thereby facilitating seamless transactions and enhancing market efficiency. Additionally, we serve as the custodian of shares held by these investors, ensuring their security and proper administration, which strengthens investor confidence in the market.



## OUR SERVICES

### Demat Services



Facilitating the opening of CDS accounts for stock market investors and shareholders of listed companies. Providing essential depository services to CDS account holders, including the dematerialization and re-materialisation of shares, as well as the seamless transfer of share ownership.

### Information & Corporate Action Services



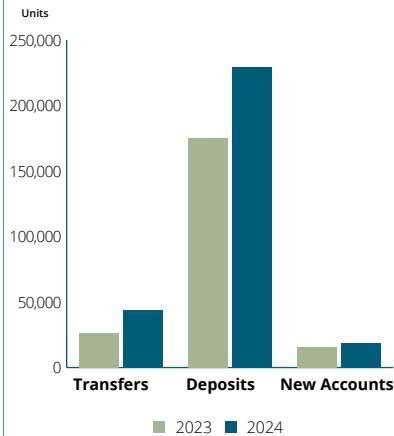
Providing relevant information to listed entities and CDS account holders while facilitating depository services for listed issuers. Additionally, supporting Company Secretaries and Registrars in efficiently executing corporate actions, ensuring accuracy, transparency, and regulatory compliance.

### Digital Services

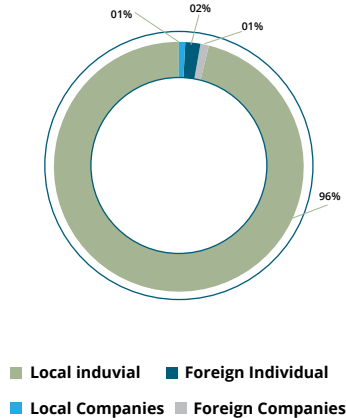


Providing digital services to CDS account holders through the Depository Services Unit, including electronic statements, SMS alerts, and other digital notifications. These services enhance convenience, improve accessibility, and ensure timely updates on account activities and transactions.

### Main Depository Operations



### CDS Accounts by Category



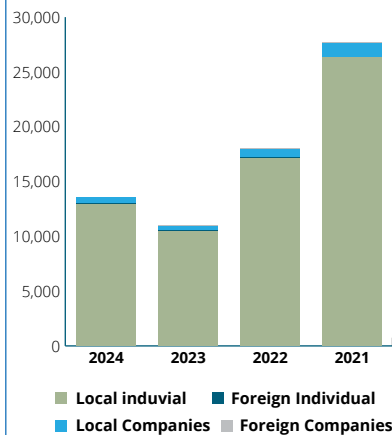
## Review of the year

We continued to upgrade our digital infrastructure to enhance accessibility for investors, market participants, and other stakeholders. By prioritizing operational efficiency, we achieved substantial reductions in service turnaround times and significant cost savings, benefiting CDS and our stakeholders.

To enhance operational efficiency, we utilise advanced technologies such as Artificial Intelligence (AI) and Robotic Process Automation (RPA), enabling faster processing, improved accuracy, and streamlined workflows. Following initiatives were carried out to enhance the service quality offered by CDS to its account holders.

- Optimised payment processes for dividends and other payments, providing account holders with faster, more reliable, and seamless settlements.

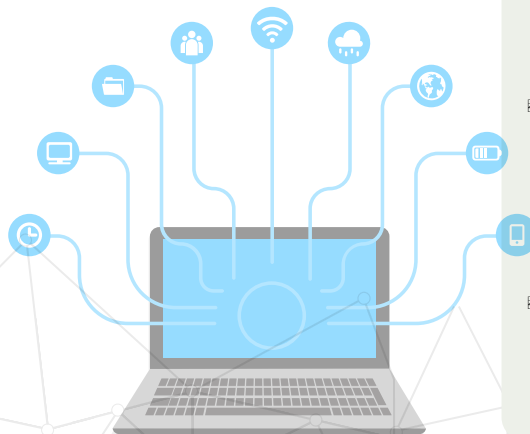
### New CDS Accounts - Excluding Multiple Registrations



## CDS eConnect

eConnect, our online portal, was further upgraded to enhance service quality for its users. The platform continued to gain popularity, with 8,096 new subscriptions recorded during the year. These improvements have significantly boosted user engagement and reduced service turnaround times. The following enhancements were implemented during the year:

- Enabling institutional CDS account holders to update their Taxpayer Identification Number (TIN) in their client profiles through the CDS eConnect
- Improved process efficiency in reporting and monitoring post-account opening compliance issues related to Depository Participants through an enhancement made to the eConnect platform.
- Implemented an AI bot to process Masterfile change requests submitted through CDS eConnect, enhancing automation, improving processing speed, and ensuring greater accuracy in updating account information.
- Introduced features to help Margin and Wealth Managers efficiently manage reports, ensuring better oversight and streamlined operations.
- Enhanced functionality for managing client accounts and transactions



# CORPORATE SOLUTIONS

## BUSINESS LINE REVIEW

The Corporate Solutions Unit (CSU) of the CDS delivers registrar services and manages corporate actions for both listed and unlisted companies in Sri Lanka. As a diversified, non-core division, the CSU's mission is to elevate the standards of corporate actions and shareholder management, setting new industry benchmarks.

The CDS Corporate Solutions Unit (CSU) has significantly expanded its influence in the corporate services sector through the strategic acquisition of PW Corporate Secretarial Services (Pvt) Ltd's registrar business. This strategic move allows the CSU to integrate new clients smoothly and unlock opportunities to elevate service standards across the industry, driving substantial growth.

### HIGHLIGHTS FOR 2024

- The acquisition of registrar services business of PW Corporate Secretarial Services (Pvt) Ltd.
- 86 cash dividend payments, 1,688 coupon payments & 5 scrip dividends
- 10 IPOs (Equity & Debt)
- Total value of payments facilitated for dividend & coupon payments is LKR 69Bn, out of which LKR 66Bn was paid via electronic payment methods.
- 70 AGMs/EGMs
- 8 Rights issues
- 5 offers, 2 sub-divisions & 2 amalgamations

### STRATEGIC PRIORITIES

To achieve market leadership in the corporate services segment by leveraging the strategic acquisitions, strengthening core competencies and sustainable growth.

Enhance customer convenience and streamline operations by digitalizing service delivery through the implementation of eDividends, virtual GMs and eIPO.

To transform into a single, efficient point of service for all corporate actions, providing streamlined solutions for market participants, issuers, and investors.

### OUR SERVICES

#### Corporate Action Services



Provides a wide range of services and solutions to issuers concerning corporate actions, including cash dividends, scrip dividends, rights issues, IPOs, offers/repurchases, share subdivisions, amalgamations, and capitalization of reserves.

Offers support and administrative services to companies for hosting their Annual General Meetings and/or Extraordinary General Meetings, whether in-person, virtual, or a hybrid of both.

#### Registrar Services



Acts as a Registrar for both listed and unlisted companies. The Corporate Solutions unit manages client ledgers, updates ledger information, and offers shareholder services, including share transfers, transmissions, and handling loss of share certificates.

#### Bureau Services



Provides support services to issuers, including printed circular dispatch, eNotices distribution, Annual Report dispatch, and address label printing.

## Review of the year

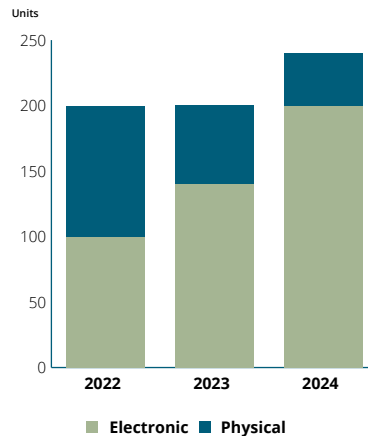
Providing comprehensive corporate action and ledger management services, the Corporate Solutions Unit caters to both listed and unlisted issuers. Through various digital solutions and a centralized platform, the unit offers value-added services, ensuring seamless, efficient, and cost-effective delivery of corporate actions, registrar, and bureau services.

Driven by the increasing demand for digital service access, the CDS has strengthened its digital infrastructure, resulting in expanded service offerings and significantly faster turnaround times.

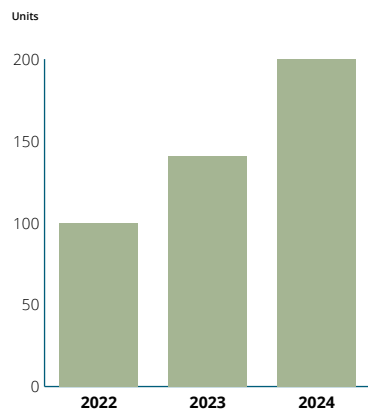
*The following initiatives were carried out during 2024,*

- Enhanced dividend payment and quarterly reporting efficiency through upgrades to the Corporate Solutions Registrar System (CSRS).
- Improved shareholder communication with the implementation of a Bulk Mailing Solution.
- Enhanced payment processing for dividends and other payments through an expanded partnership with Sampath Bank PLC.
- Strengthened operational capabilities and client service quality by establishing partnerships with local vendors and suppliers.
- Implemented a Bulk Mailing Solution to streamline the dispatch of documents to shareholders, enhancing efficiency, reducing manual workload, and ensuring timely and accurate communication.

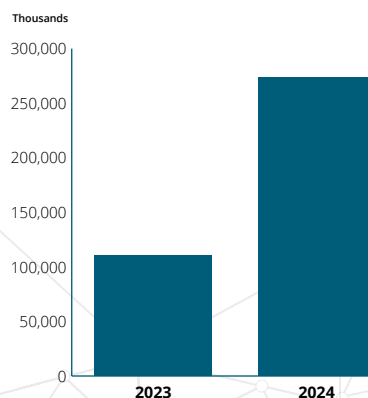
Applications submitted for IPOs



Payments facilitated for dividends



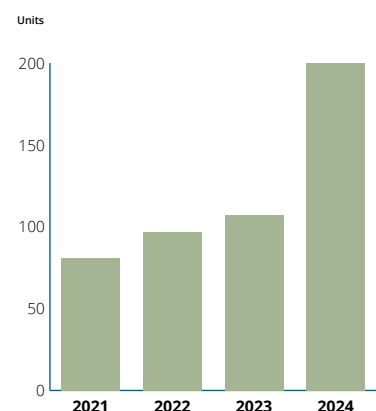
No. of Online Transfers for Dividend Projects



## Strategic Acquisition of registrar services business of PW Corporate Secretarial Services (Pvt) Ltd

The acquisition of PW Corporate Services (Pvt) Ltd's registrar services division significantly bolsters CDS's market presence, diversifies income, and expands its clientele. This strategic move strengthens the Corporate Solutions unit through the integration of new expertise, streamlined operations, and a wider range of services, including enhanced shareholder management and corporate actions. Moreover, it accelerates digital transformation, enabling innovative, technology-driven solutions and faster turnaround times. The resulting cost synergies and resource consolidation further enhance efficiency and service quality. Ultimately, this acquisition positions CDS for sustained growth and superior service delivery.

Client Growth

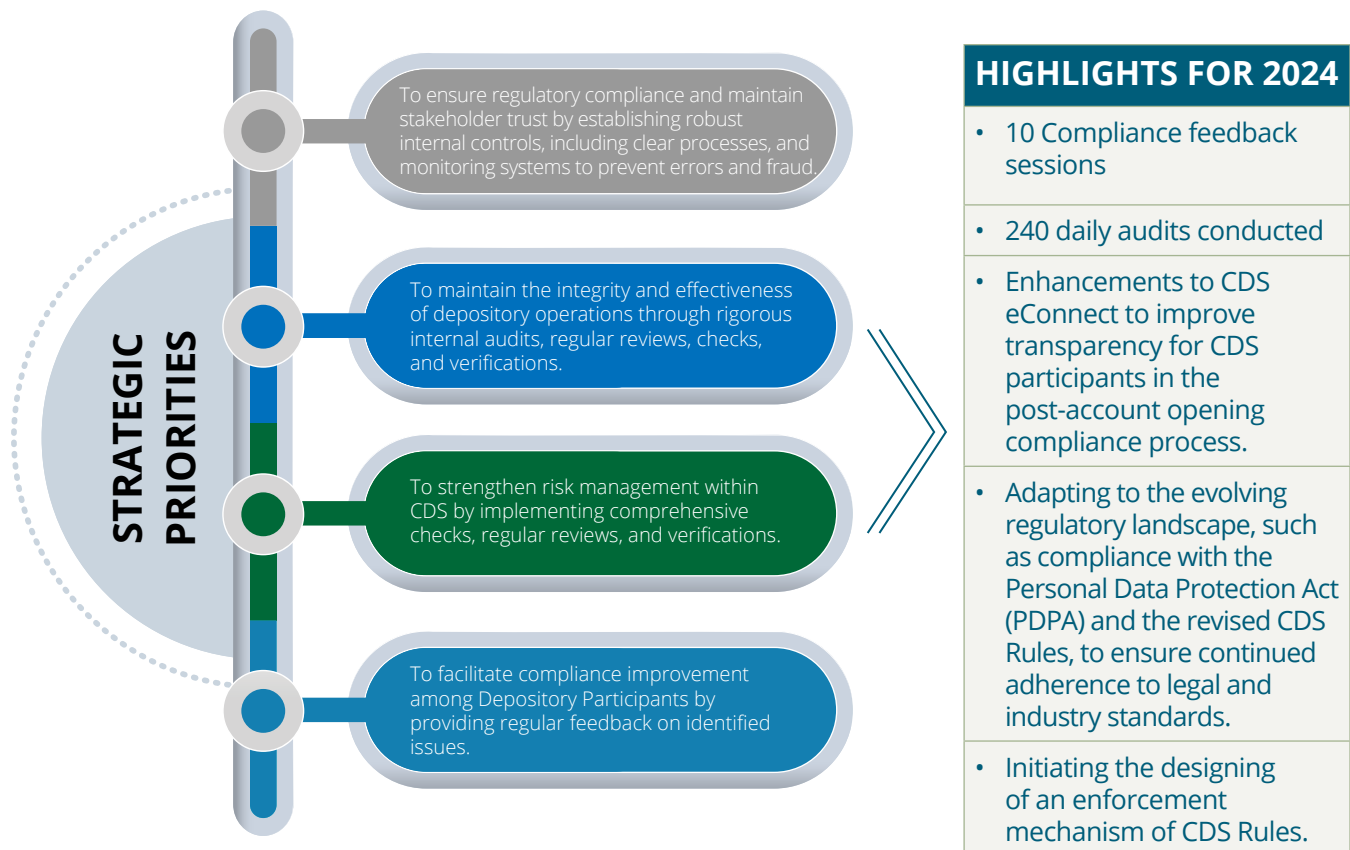




# DE MATERIALISATION COMPLIANCE AND RISK

## BUSINESS LINE REVIEW

The primary objective is to ensure that all functions performed by the depository and Depository Participants are in compliance with the CDS Rules and applicable Guidelines, maintaining the integrity and transparency of operations. This adherence ensures that the processes are efficient, secure, and aligned with regulatory standards. Additionally, risk management involves a comprehensive evaluation of all potential risks facing the CDS, including operational, financial, and market risks. By identifying these risks early, CDS can implement proactive measures, such as developing risk mitigation strategies, strengthening internal controls, and ensuring that both the depository and its participants are adequately prepared to handle any challenges. This holistic approach ensures the continued stability and security of the CDS ecosystem, fostering trust and confidence among all stakeholders.



## OUR SERVICES

### Ensuring regulatory compliance related to depository services



Ensuring regulatory compliance of depository-related services involves closely monitoring and adhering to all applicable laws, regulations, and industry standards

### Internal audit and internal control



Implementing robust internal controls and conducting regular internal audits of CDS ensures the effectiveness and integrity of operations. These controls help identify potential risks, ensure compliance with regulations, and maintain the security and transparency of all activities.

### Compliance Reviews



Compliance reviews conducted by CDS for the decentralized operations conducted by the Depository Participants to ensure they adhere to CDS Rules, applicable Guidelines, regulatory requirements, and industry standards.

### Periodic feedback to Depository Participants

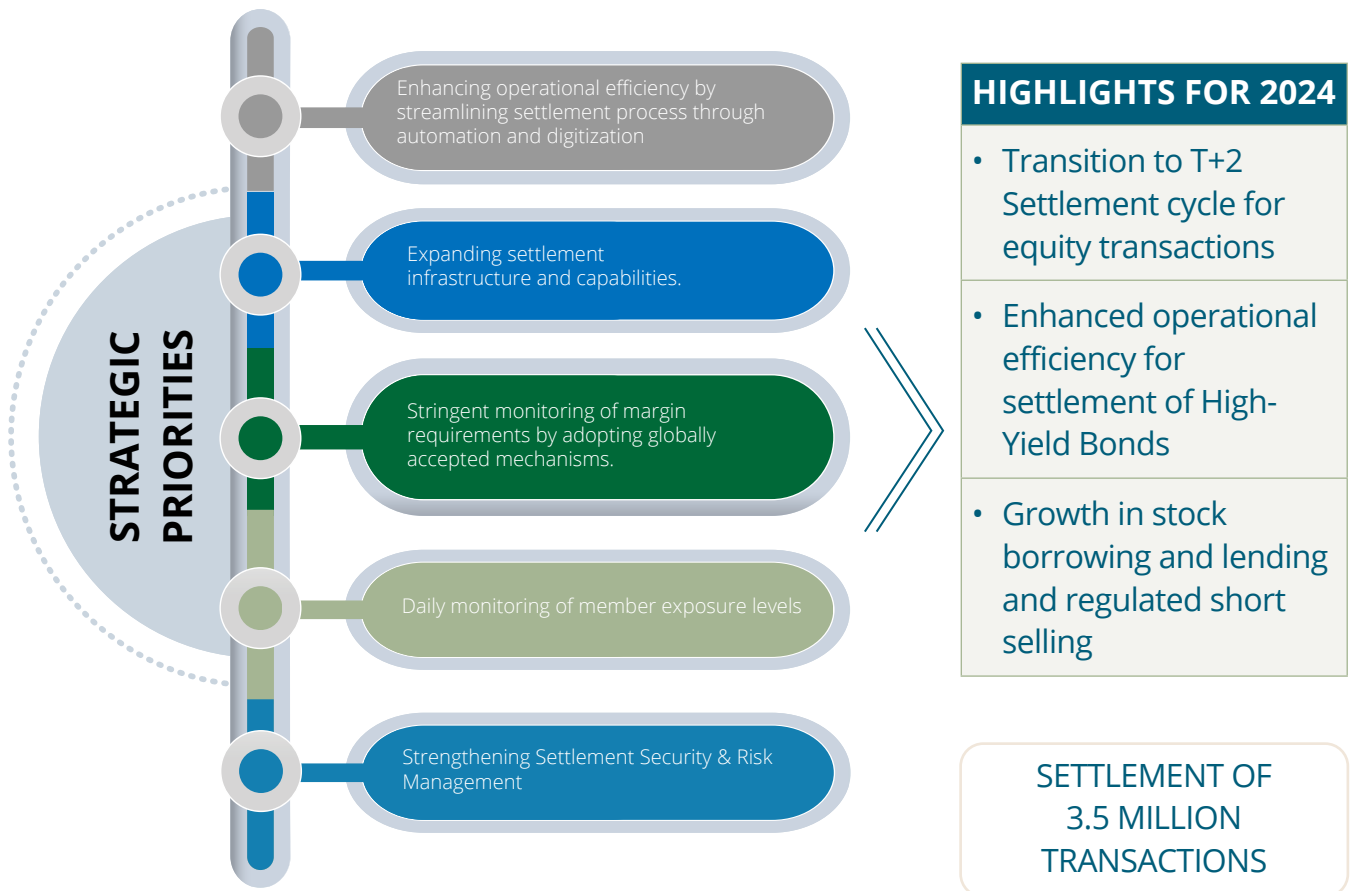


Providing periodic feedback to Depository Participants involve regularly sharing insights and updates on their compliance, operational performance, and adherence to CDS Rules

# CLEARING AND SETTLEMENT

## BUSINESS LINE REVIEW

The Clearing and Settlement Unit of the Central Depository System (CDS) is responsible for ensuring the efficient and secure settlement of trades executed on the Colombo Stock Exchange (CSE). This unit plays a crucial role in managing the seamless transfer of securities and funds, mitigating settlement risks, and maintaining market stability. By adhering to global best practices and regulatory standards, the unit ensures that all transactions are settled accurately and on time, reinforcing investor confidence and the integrity of Sri Lanka's capital market.



### OUR SERVICES

#### Trade settlement services



Ensures the seamless transfer of securities and funds for trades executed on the CSE and reduces counterparty risk by ensuring securities are delivered only when payment is received.

#### Risk Management & Default Handling



Implements measure to mitigate settlement risks and ensure market stability while overseeing market participants to ensure compliance with settlement obligations.

#### Funds and securities transfers



Uses an electronic system to facilitate seamless transactions between market participants.

## CLEARING AND SETTLEMENT BUSINESS LINE REVIEW

### Review of the year

#### Shortening the settlement cycle to T+2 from previous T+3

CDS played a crucial role in shortening the settlement cycle from T+3 to T+2 by enhancing the efficiency, speed, and security of securities transactions. This transition reduces counterparty risk, improves liquidity, and aligns the market with global best practices.

#### Impact of Shortening the Settlement Cycle to T+2,

- ☒ Reduced Counterparty Risk – Faster settlement minimizes the risk of default or failure to deliver securities and funds.
- ☒ Improved Market Liquidity – Investors can reinvest proceeds more quickly, increasing market participation and trading volumes.
- ☒ Enhanced Operational Efficiency – Streamlined settlement processes lead to lower costs for market participants and better use of capital.
- ☒ Alignment with global standards for shortened settlement cycles.
- ☒ Lower Margin Requirements – Investors and brokers benefit from reduced capital tied up in settlement processes, freeing up funds for other investments.

#### Improving the efficiency in High-Yield bond settlements

In 2024, the CDS achieved a significant milestone by streamlining the settlement process for High-Yield Bond transactions. This development required the implementation of efficient mechanisms to facilitate both the seamless transfer of securities to investors and the corresponding fund settlements to respective counter parties.

By enhancing the operational efficiency of these transactions, the CDS has strengthened market liquidity and improved risk management. These advancements ensure that trades are settled promptly and accurately, reinforcing confidence in the financial market.

#### Expansion of stock borrowing and lending and regulated short selling

Stock Borrowing & Lending (SBL) and Regulated Short Selling (RSS) saw significant growth during 2024, reflecting increasing investor interest in diversified trading strategies. To support this expansion, the CDS enhanced its infrastructure, ensuring the seamless and efficient settlement of these transactions.

This surge in activity contributed to higher market turnover and a more dynamic trading environment. Notably, the accurate and timely settlement of SBL transactions played a key role in boosting market confidence.

### Way Forward for 2025

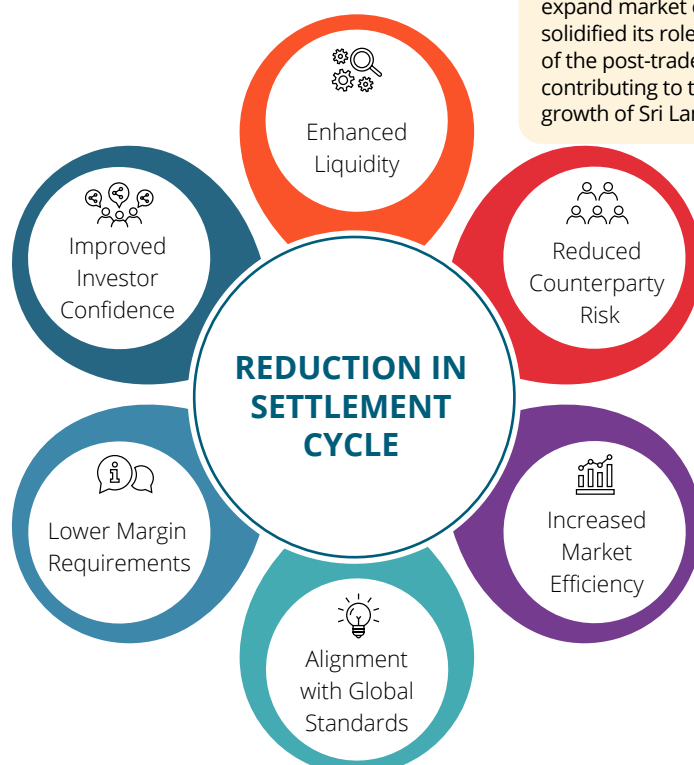
#### Implementation of Central Counter Party

Significant progress has been made in the project of Implementation of Central Counter Party (CCP) at the CSE. This is set to enhance the efficiency and security of secondary market equity transactions. The CCP system will take on the risk of transactions in the event of a settlement failure, ensuring that all transactions are guaranteed, effectively becoming the counterparty for all secondary market transactions.

The CCP system will replace the traditional contract between the buyer and the seller with two separate contracts: one between the buyer and the CCP, and another between the seller and the CCP. This substitution significantly reduces the risk of default between counterparties.

Key project milestones were achieved during the year 2024 including the finalization of regulatory framework, ensuring system readiness and stakeholder readiness which gives a steppingstone in to 2025 for the successful implementation of the CCP.

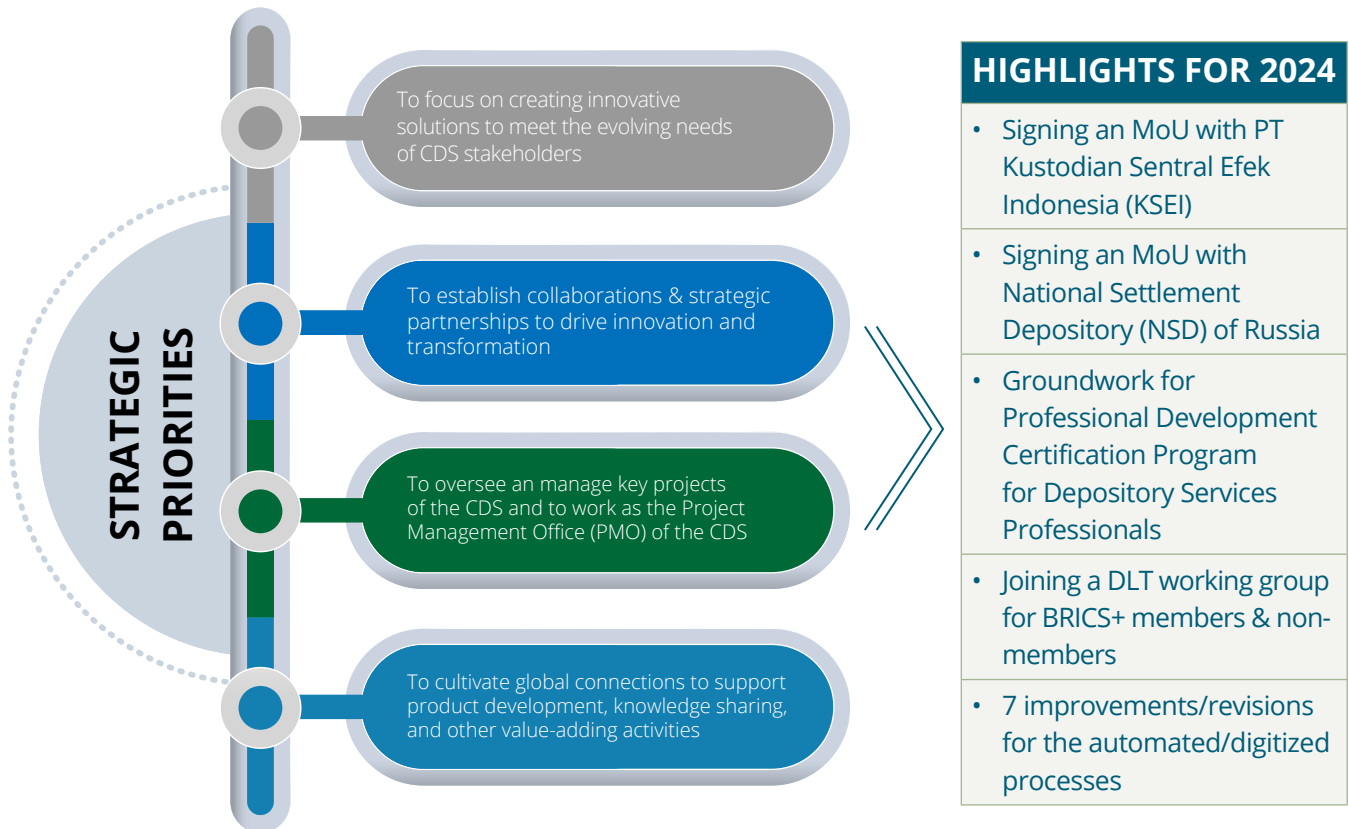
Through its consistent efforts to enhance operational processes and expand market offerings, the CDS has solidified its role as a critical enabler of the post-trade settlement process, contributing to the overall stability and growth of Sri Lanka's capital market.



# RESEARCH AND DEVELOPMENT

## BUSINESS LINE REVIEW

The newly formed Research and Development Unit is central to CDS's strategic vision for the future of capital markets in Sri Lanka. The unit is responsible for diversification of the business of the CDS by developing innovative products, securing necessary approvals, and managing critical projects. It will also cultivate strategic alliances and international collaborations to enhance product development and knowledge exchange. This initiative ensures CDS remains a future-forward institution, capable of transforming the industry and supporting other departments in their core business activities.



### R&D Focus

**New Products & Services Development** - Focuses on creating innovative solutions for stakeholders, ensuring CDS remains at the forefront of capital market evolution. It involves identifying market needs, conceptualizing new business/service offerings, and managing their development. The unit also works closely with relevant

stakeholders to ensure successful completion of product launches.

**Establishing Collaborations & Strategic Partnerships** - The R&D Unit plays a key role in fostering collaborations and strategic partnerships. This involves building relationships with other organizations, both locally and internationally, to enhance the CDS's capabilities. These partnerships are

crucial for accessing new technologies, sharing knowledge, and developing innovative solutions.

**Project Management Office (PMO)** - The R&D Unit also serves as the Project Management Office (PMO) for CDS. In this role, it oversees and manages key projects, ensuring they align with the organization's strategic goals. The PMO is responsible for project planning,

## RESEARCH AND DEVELOPMENT

### BUSINESS LINE REVIEW

execution, and monitoring, as well as mitigating risks and ensuring timely delivery. By centralizing project management, the R&D Unit streamlines operations and improves efficiency across CDS.

International Relations - This involves fostering connections with global entities & developing relationships to support product development, facilitate knowledge sharing, and pursue other valuable collaborations. By building these international relationships, the R&D Unit ensures CDS remains informed about global trends and best practices, promoting innovation and growth within Sri Lanka's capital markets.

#### Review of the Year

The R&D Unit had a productive year in 2024, demonstrating a strong commitment to expanding CDS's global presence and fostering key relationships. The unit signed MoUs with KSEI (Indonesia) and NSD (Russia), and improved relationships with depositories in the Philippines, Türkiye, Indonesia, and Russia, while maintaining connections with NSDL India & CDCP Pakistan.

The R&D Unit also coordinated participation in the DLT working group for BRICS+ members & non-members.

Knowledge sharing was a priority, with sessions arranged with PT Kustodian Sentral Efek Indonesia (KSEI) & Merkezi Kayıt Kuruluşu A.Ş. Türkiye in late 2023, leading to the centralized eGM project, and with NSDL in 2024 on shortening the settlement cycle. Additionally, the unit efficiently managed ongoing responsibilities, including ANNA monthly/quarterly updates, LEI link initiatives, and AGC questionnaire completion.

In collaboration with the IT team and relevant business teams, the R&D unit

completed several key projects in 2024, including:

- ☒ Automation of compliance issue escalation to brokers via CDS eConnect
- ☒ Automation of client search for accounts opened through eConnect
- ☒ Adding TIN number as a field for LC account opening
- ☒ DRP restricted NIC number validation through the mobile app
- ☒ AI for Masterfile compliance in eConnect

The R&D unit also made significant progress on ongoing projects related to CSE mobile app enhancements and notifications for CDS account holders after a master file change.

Groundwork for another initiative was laid by recommending a standardized warrant format to all listed issuers through CSE.



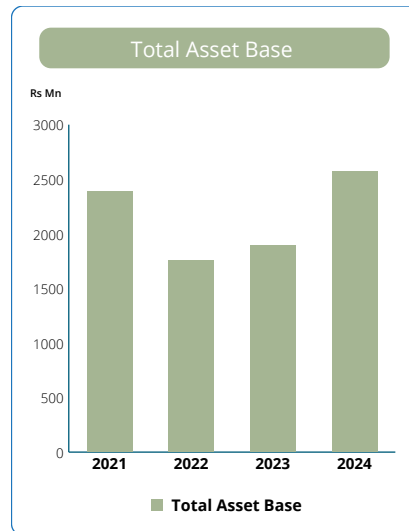
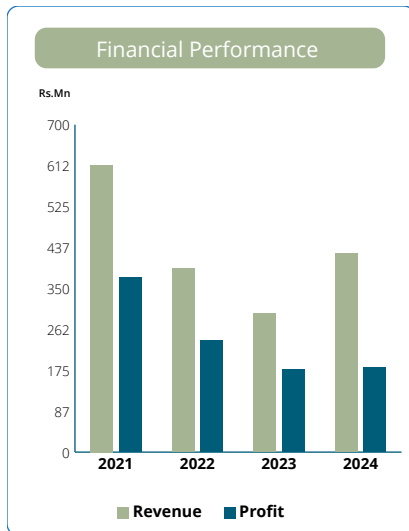
# FINANCIAL REVIEW

- A robust topline growth of **43%** with revenue from both CDS fees and Registrar and corporate services recorded strong performances.
- Limiting the growth of operational expenses to **5%** through targeted cost-saving initiatives such as process optimization, resource efficiency, automation, and digital transformation.
- Net finance income coming down by **36%** in line with the lower interest rates.
- Net profit growth of **2%** compared to 2023.
- Total asset base increasing by **36%**.



Financial Performance			
	2024	2023	% Change
	Rs.Mn		
Revenue	424	297	43
Other Income	22	21	8
Net Finance Income	209	325	-36
Operating expenses	405	386	5
Profit/loss before tax	253	258	-2
Profit/loss after tax	181	177	2

Financial Position	2024	2023	% Change
	Rs.Mn		
Total Assets	2,574	1,893	36
Non-Current Assets	149	105	41
Current Assets	2,425	1,787	36
Current Liabilities	871	370	135
Net Assets	1,703	1,522	12



Other income increased by 8% to reach Rs.22Mn.

Cost management initiatives, including resource optimization, energy savings, automation, digitalization, process streamlining, and fostering a cost-conscious culture, remained a priority to enhance efficiency and profitability. As a result of these efforts, the CSE successfully limited cost escalation to just 5% during the year. Total operating expenses reached Rs.405 Mn with staff costs amounting to Rs.97Mn, recording an increase of 19%. Other operating expenses increased by 1% to reach Rs.308Mn.

## Financial Performance

Revenue experienced a strong growth of 43%, reaching Rs. 424 Mn. CDS fees, contributing 58% of total revenue, increased by 31% to reach Rs.244 Mn, driven by the strong performance of the CSE. Additionally, revenue from registrar services and corporate actions surged by 176% to Rs. 109 Mn, following CDS's

strategic acquisition of the registrar services business of PW Corporate Services (Pvt) Ltd. This acquisition aligns with CDS's broader strategy to diversify revenue streams and expand beyond its role as a traditional depository. Listed company fees saw a modest growth of 1%, reflecting the limited number of new listings during the year.

Finance income for 2024 totaled Rs. 209 Mn, with interest income amounting to Rs. 162 Mn, reflecting a 50% decline, in line with the prevailing lower interest rates. CDS does not incur interest expenses, as we do not have any interest-bearing liabilities.

## FINANCIAL REVIEW

For 2024, CDS recorded a profit before tax of Rs. 253 Mn and a post tax profit of Rs. 181 Mn, recording a marginal growth 2%.

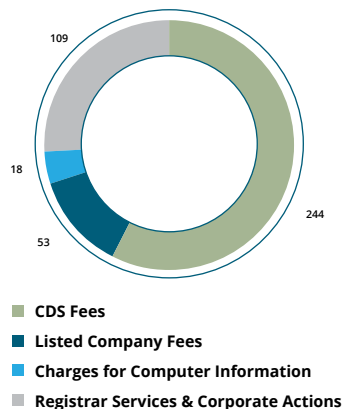
### Financial Position

In 2024, CDS's total assets grew by 36% to Rs. 2,574 Mn, with current assets comprising 94% of the total. Non-current assets increased by 41% to Rs. 149 Mn, primarily driven by the Rs. 38 Mn investment in the registrar services business of PW Corporate Services (Pvt) Ltd. Current assets rose by 36% to Rs. 2,425 Mn, supported by a 91% increase in trade and other receivables and a 175% growth in cash and cash equivalents. Other investments, representing 41% of current assets, grew by 2% to Rs. 1,438 Mn, with Treasury bill investments decreasing by 70% to Rs. 425 Mn, while new investments of Rs. 469 Mn in fixed deposits and Rs. 541 Mn in unit trusts contributed to overall asset expansion.

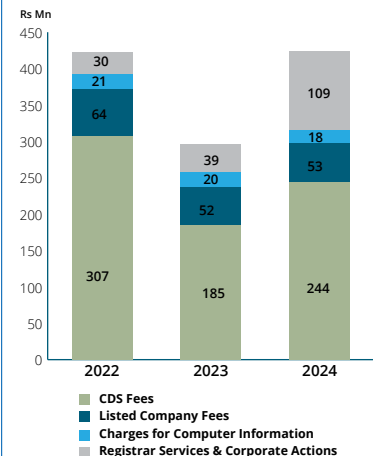
Current liabilities surged by 135% to Rs. 871 Mn, primarily driven by the brokers' liquidity and margin deposit liability, which accounted for 88% of CDS's total liabilities. This significant increase was a result of the surge in market activity observed toward the end of 2024.

The equity structure remained largely unchanged, with retained earnings increasing by 13% to Rs. 1,603 Mn, driven by the profits generated during the year.

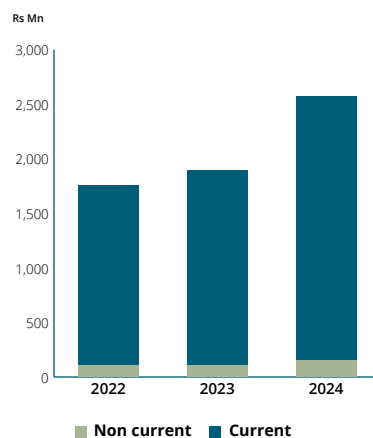
CDS Accounts by Category




Revenue Performance





Asset Base




## OVERVIEW OF CAPITALS


FINANCIAL CAPITAL					
 <p>Enhancing CDS's financial capital is essential for sustaining growth and expanding our role beyond a traditional depository. A strong and stable capital position enables us to invest in digital transformation, enhance our service offerings, and drive innovation in post-trade services. It also strengthens stakeholder confidence, ensuring our ability to support market participants effectively while maintaining operational resilience. Through prudent financial management and strategic investments, CDS remains well-positioned to create long-term value and contribute to the overall stability and development of Sri Lanka's capital market.</p>					
KPIs	Units	31.12.2024	31.12.2023	% Change	Value creation activities during 2024
Total Assets	Rs. Mn	2,574	1,893	36%	• Driving revenue growth through strategic investments.
Non-current Assets	Rs. Mn	149	105	42%	
Current Assets	Rs. Mn	2,425	1,787	36%	• Continuous focus on cost savings initiatives such as process reengineering, automation and digitization.
Equity	Rs. Mn	1,703	1,522	12%	
EPS	Rs.	18.06	17.72	2%	


HUMAN CAPITAL					
 <p>Our dedicated and dynamic team is a cornerstone of CDS's growth, particularly in the face of an evolving and challenging market environment. By continuously investing in talent development, skills enhancement, and leadership training, we have empowered our employees to drive innovation, operational excellence, and superior service delivery. This commitment ensures that we not only meet but exceed stakeholder expectations, reinforcing our position as a trusted and resilient entity within Sri Lanka's capital market ecosystem.</p>					
KPIs	Units	31.12.2024	31.12.2023	% Change	Value creation activities during 2024
No. of employees	No.	30	24	25%	• Prioritizing the development of its internal talent pool to strengthen workforce capabilities and support long-term growth
No. of recruits	No.	9	4	125%	
No. of average training hours	Avg Man Hrs	26.81	21.27	26%	
Employee turnover	%	10	4.1	144%	• Enhancing workforce efficiency to meet business goals
Female representation	No.	18	11	64%	

INTELLECTUAL CAPITAL					
 <p>Intangible assets, including our organizational culture, brand value, robust systems and processes, and strong governance framework, are fundamental to CDS's value creation journey. These elements foster trust, operational efficiency, and market credibility, enabling us to deliver exceptional services, adapt to industry changes, and sustain long-term growth in the evolving capital market landscape.</p>					
KPIs	Units	31.12.2024	31.12.2023	% Change	Value creation activities during 2024
Improvements/ revisions for the automated processes	No.	7	7		• Improved process efficiency in reporting and monitoring post-account opening compliance issues related to Depository Participants through an enhancement made to the eConnect platform.
No. of new services/ products offered	No.	1	6	-83%	

## OVERVIEW OF CAPITALS

DIGITAL CAPITAL					
		<p>We have made significant investments in strengthening our digital infrastructure, which has led to a broader range of service offerings and a more streamlined, efficient customer experience. By adopting advanced technologies, automating key processes, and introducing innovative digital solutions, we have enhanced the accessibility, reliability, and security of our services. These initiatives not only improve operational efficiency but also ensure that our stakeholders benefit from faster and more convenient interactions. As we continue to evolve our digital capabilities, we remain focused on leveraging technology to drive growth, meet changing market demands.</p>			
KPIs	Units	31.12.2024	31.12.2023	% Change	Value creation activities during 2024
Value of IT assets	Rs.Mn (At Cost)	3.4	3.4	-	<ul style="list-style-type: none"> <li>Implemented an AI bot to process Masterfile change requests submitted through CDS eConnect, enhancing automation, improving processing speed, and ensuring greater accuracy in updating account information.</li> </ul>
Investment in digitization					

SOCIAL AND RELATIONSHIP CAPITAL					
		<p>The success of CDS is closely tied to the strength of our relationships with external stakeholders, including investors, brokers, listed companies, and regulatory bodies. We remain committed to delivering long-term value through secure, efficient, and innovative depository services. By maintaining regular engagement, we gain a deeper understanding of stakeholder needs, enabling us to tailor our services and enhance their experience. This collaborative approach not only supports market growth but also reinforces trust in CDS as a reliable partner in Sri Lanka's capital market infrastructure.</p>			
KPIs	Units	31.12.2024	31.12.2023	% Change	Value creation activities during 2024
No. of CDS accounts	No.	717,946	704,352	2%	<ul style="list-style-type: none"> <li>Further enhancing CDS eConnect</li> <li>Introduced features to help Margin and Wealth Managers efficiently manage reports, ensuring better oversight and streamlined operations.</li> </ul>
No. of new CDS accounts	No.	19,019	15,697	21%	
Market participants	No.	44	44	-	
Margin providers	No.	20	20	-	

NATURAL CAPITAL					
		<p>As a responsible and environmentally conscious organization, CDS is committed to minimizing our ecological footprint by adopting modern technology and enhancing operational efficiency. Our strategic investments in digitization and automation have significantly reduced the consumption of natural resources, particularly through paperless processes and streamlined operations. These efforts reflect our dedication to sustainable practices while maintaining the highest standards of service for our stakeholders.</p>			
KPIs	Units	31.12.2024	31.12.2023	% Change	Value creation activities during 2024
Energy Consumption	Kwh	133,430	202,694	-34%	<ul style="list-style-type: none"> <li>Gradual transition to paper-less process through digitization and automation</li> </ul>
Water Consumption	Ltr	8,113	8,873	-9%	
Paper consumption	Kg	294	131	124%	<ul style="list-style-type: none"> <li>Implementation of energy saving initiatives</li> </ul>

# CDS ACCOUNT HOLDERS

## VALUE CREATION REPORT

**For its account holders, the Central Depository Systems (CDS) serves as an indispensable partner in managing securities with security, efficiency, and convenience. By providing centralized custody and embracing advanced technology, the CDS ensures that investments are well-protected, and transactions are seamless.**

Account holders gain the advantages of enhanced transparency, streamlined processes, and access to a robust, dematerialized system that mitigates the risks associated with physical securities. With a steadfast focus on security, efficiency, and innovation,

the CDS not only empowers account holders but also enhances market access while contributing to a regulated and stable market ecosystem.

In 2024, the CDS further enhanced its services for account holders by

upgrading payment channels within its eIPO platforms, enabling account holders to record their TIN numbers, and refining its digital interfaces. These advancements strengthened service efficiency, ensuring a seamless and more accessible experience for investors.

### Value Proposition for CDS Account Holders



### Safe And Secure Custody and Efficient Transactions

#### CDS Value Additions: Enhancing Services in 2024

In 2024 CDS took some giant steps to ensure improvements in efficiency, security, and transparency.

- Mandatory Update of Account Holder Information:**

In September 2024, the CDS issued a directive requiring all account holders to update their KYC forms. This initiative aimed to improve communication efficiency and ensure the accuracy of account information.

- Application for AI Bot Integration:**

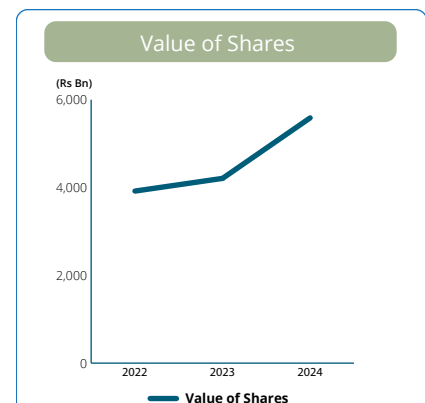
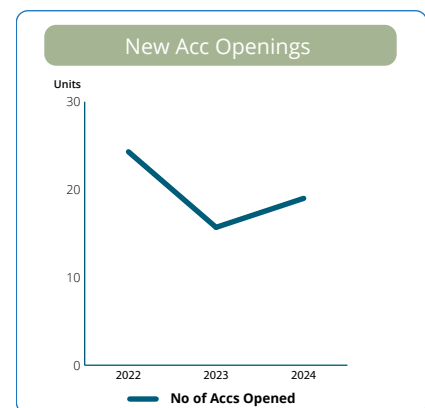
The CDS applied an AI bot to manage Masterfile change requests, streamlining, and automating this process. This initiative aimed to improve the efficiency and accuracy of services provided to account holders while reducing processing times.

- Enhanced Technology Use in CDS eConnect:**

Continuous upgrades to the CDS eConnect platform improved the overall user experience for account holders, providing faster and more secure access to essential services.

- Strategic partnerships**

Several partnerships with local, commercial banks helped the CDS improve service efficiency.

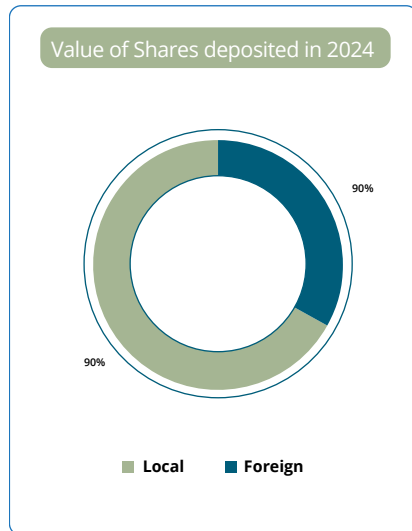




## CDS ACCOUNT HOLDERS

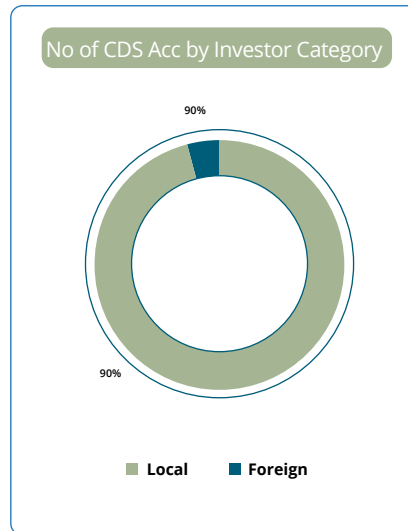
### VALUE CREATION REPORT

#### Enhanced Market Participation



The CDS has also focused on providing added value beyond secure custody of securities and improving operational efficiencies, particularly by enhancing its Corporate Actions services. This move allows CDS to position itself as a one-stop shop, offering services such as shareholder services and dividend payments.

In 2024, reaffirming its commitment to innovation and growth, the CDS established a dedicated Research and Development (R&D) Unit. This forward-thinking initiative is designed to spearhead product innovation and platform modernization, solidifying the CDS's pivotal role in transforming Sri Lanka's securities market infrastructure.



#### Investor Education and Support

In 2024, CDS reinforced its commitment to empowering investors through education and awareness initiatives. Throughout the year, CDS issued 12 newsletters, providing critical insights into new services, regulatory updates, and emerging investment opportunities for both Sri Lankan and foreign clients. Additionally, the CDS website was continuously updated to ensure investors had access to the latest market developments and investment resources. These efforts reflect CDS's dedication to fostering a well-informed investor community, strengthening market transparency, and enhancing global investment participation.

#### CDS Market Expansion 2024

Over the years, the CDS has fostered strong relationships with local commercial banks and foreign custodians. In 2024, these partnerships were further solidified through the signing of Memorandum of Understanding (MOUs) with NDB Bank and DFCC Bank, aimed at facilitating International Investor Accounts (IIA) for non-resident investors. These strategic partnerships broaden CDS's reach for non-resident clients.

Additionally, the CDS enhanced its dividend payment solutions through a new agreement with Sampath Bank PLC, improving the efficiency and security of disbursements.

CDS's 2024 expansion prioritizes enhanced client experience and operational efficiency. Internal improvements, including AI-driven Masterfile changes and CDS eConnect enhancements, streamline processes and increase transparency.

Workflow adjustments further optimize operations, ensuring smoother service delivery. These initiatives collectively strengthen CDS's market position, fostering growth and improved client satisfaction.

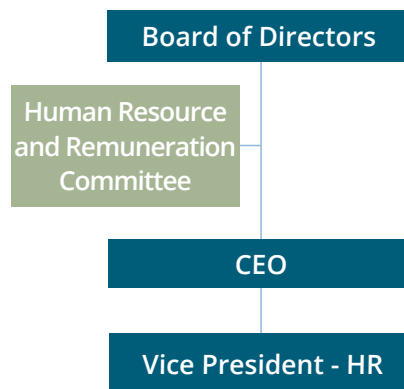
## EMPLOYEE VALUE CREATION REPORT

GRI 2-8, 2-19

**At the Central Depository Services (CDS), we believe that a skilled, engaged, and motivated workforce is fundamental to driving operational excellence and long-term sustainability. A well-trained and retained team enhances efficiency, fosters innovation, and ensures the seamless functioning of our depository services. At CDS we are very proud of our retention rate which stayed strong at 80% through 2024.**

Sri Lanka's current economic landscape still presents significant challenges in both retaining and attracting skilled professionals, as many seek opportunities overseas. Rising tax burdens and increasing wage expectations further complicate retention efforts, making it difficult to maintain pay parity across the workforce. However, this dynamic also presents an opportunity for CDS to enhance workplace diversity thereby fostering a more inclusive and balanced work environment.

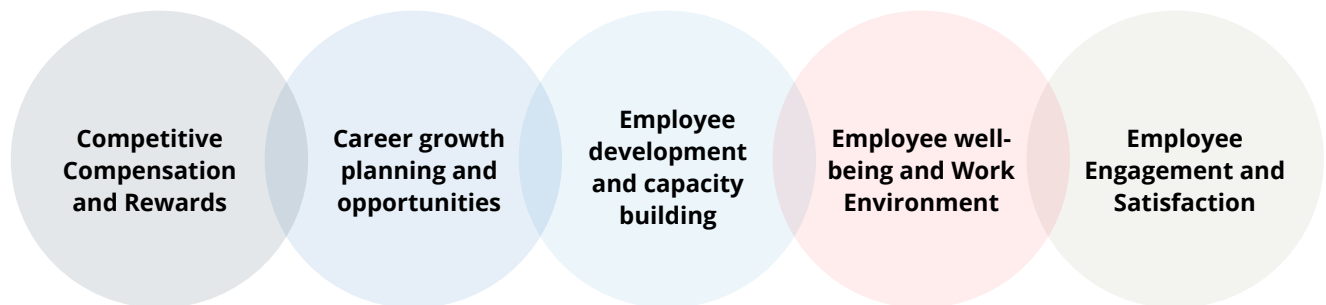
### ORGANISATIONAL STRUCTURE



This evolving landscape underscores the need for strategic employee value creation—focusing on professional development, well-being, and a rewarding work environment—to attract, nurture, and retain top talent.

Through a comprehensive approach to employee engagement, CDS remains committed to fostering a workplace where individuals can thrive, contribute meaningfully, and build lasting careers.

### Value Creation for employees



### HR ACHIEVEMENTS IN 2024

ANNUAL RETENTION RATE 80%

EMPLOYEE TURNOVER <10%

RECRUITMENT SUCCESS > 80%

EMPLOYEE ENGAGEMENT SURVEY (GPTW) : TRUST INDEX 70%



## EMPLOYEE

### VALUE CREATION REPORT

#### Value Proposition

##### HR Governance

HR governance at CDS is built on a robust framework of policies and communication mechanisms that ensure transparency, fairness, and employee well-being. The company maintains a comprehensive set of policies covering recruitment, compensation, performance

management, workplace ethics, and employee benefits, with periodic revisions to align with organizational goals. Effective communication channels, including an open-door policy, grievance mechanisms, and whistleblower procedures, foster a supportive and accountable work environment. While challenges such as brain drain, wage pressures, and talent retention persist, CDS also identifies

opportunities to enhance diversity and attract skilled professionals seeking stability. Policy changes were made after assessing the environment and adapting to stay aligned with organisational objectives. Adequate notice is given to employees before any HR policy is changed. By continuously refining its HR strategies, CDS remains committed to building a resilient and inclusive workforce.

HR Policies in place	
☒ Recruitment policy	☒ Training & Development policy
☒ Compensation & Salary policy	☒ Lateral Transfer policy
☒ CSE medical reimbursement policy	☒ Attendance policy
☒ Educational loan/reimbursement policy	☒ Duty leave policy
☒ Staff loan policy	☒ Maternity benefits policy
☒ Open door policy	☒ Leave policy
☒ Health & Safety policy	☒ Late attendance policy
☒ Performance Management policy	☒ Resignation policy
☒ Promotion policy	☒ Code of conduct policy
☒ Life insurance policy	☒ Share transactions policy
☒ Diversity & Inclusion policy	☒ Policy for Industrial training program (ITP) for university undergraduates
☒ Grievance policy	☒ Ex-Gratia Payments to Staff Policy
☒ Harassment policy	☒ Overseas Training Bond Policy
☒ Whistle blower policy	
☒ Disciplinary policy	

##### HR Policies Amended / Introduced in 2024

Performance Management Policy (revised)  
Promotion policy (revised)

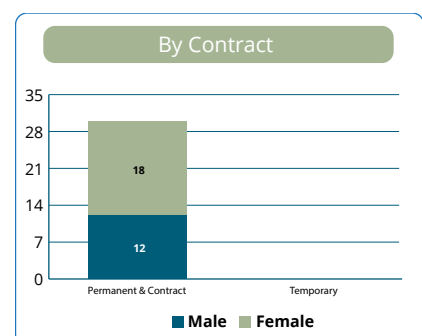
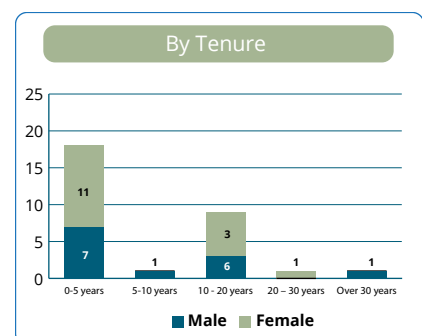
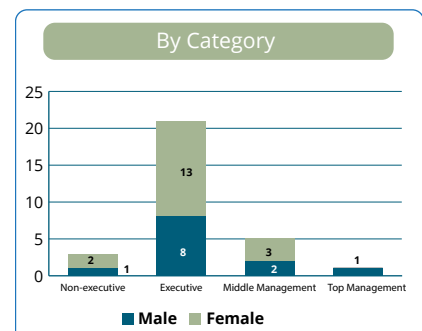
##### New Policies Introduced:

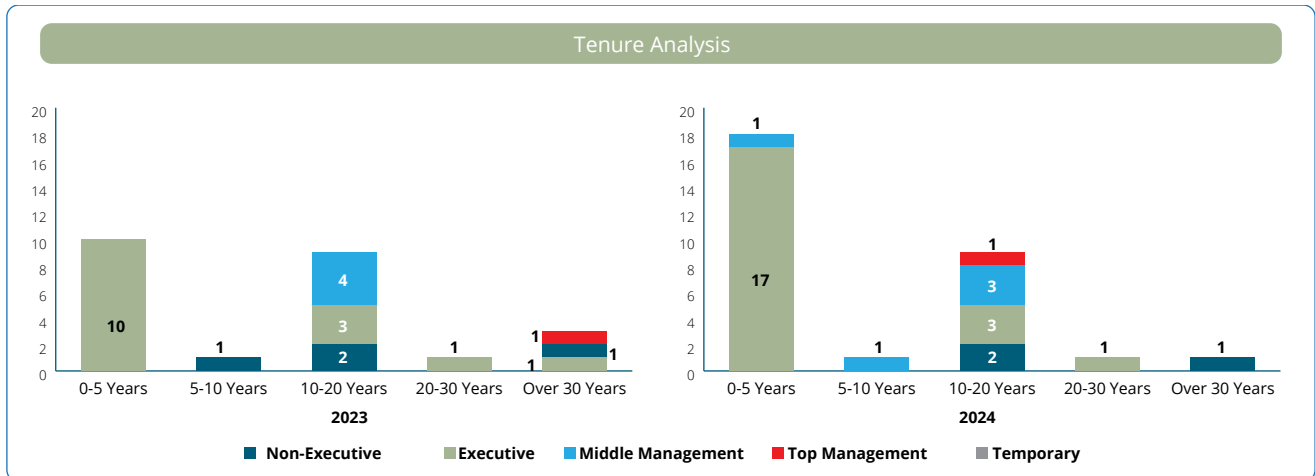
Overseas Training Bond Policy  
Ex-Gratia Payments to Staff Policy

#### The CDS Family

The team at CDS consists of 30 permanent employees

Category	Male	Female	Total
<b>By Category</b>			
Non-executive	1	2	3
Executive	8	13	21
Middle Management	2	3	5
Top Management	1	0	1
<b>By Contract</b>			
Permanent+ Contract	12	18	30
Temporary	0	0	0
<b>By Tenure</b>			
0-5 years	7	11	18
5-10 years	1	0	1
10 - 20 years	3	6	9
20 - 30 years	0	1	1
Over 30 years	1	0	1
Total	12	18	30





### Competitive and Attractive remuneration

#### Benefits provided to Full Time Employees

- ☒ Employee Loan Schemes with below industry interest rates, some at no interest at all (Staff Loan, Educational Loan (0% interest))
- ☒ Reimbursements of Educational Expenses and Annual Professional Membership fees
- ☒ Reimbursement schemes for Medical OPD expenses for employees and immediate family members and reimbursement of spectacle expenses for employees
- ☒ Hospitalization insurance covers for employees and family members
- ☒ Life Insurance, Personal Accident Covers and Workmen compensation covers for employees
- ☒ Reimbursement of stationary expenses for non-executive grades
- ☒ Reimbursement for purchase of mobile phones
- ☒ Meal reimbursements for after hour work
- ☒ Fuel reimbursement scheme for official travel expenses incurred by employees
- ☒ Corporate Gym memberships at a leading hotel in Colombo for top management
- ☒ Above industry minimum parental leave for both female and male employees, up to 100 working days of maternity leave for the first & second child and 3 days paid leave for male employees
- ☒ Nursing hours up to 2 hours per day for mothers until the new born child turns 01 year
- ☒ Vouchers for employees on birthdays, and for new born babies
- ☒ Transport facilities for staff after office hours
- ☒ Toastmasters' membership fee reimbursement in full
- ☒ Travel/fuel allowance for middle-management and above cadre

In an increasingly competitive global recruitment landscape, employers in Sri Lanka must strive to retain skilled professionals. At the CDS, we recognize that our employees are the heart and soul of the organization, which is why we prioritize offering competitive and performance-driven remuneration. Our compensation packages align with industry standards, ensuring fairness and motivation across the team. In 2024, we had 9 new hires and a staff turnover rate of under 10%. Total Staff cost in 2024 amounted to Rs.97Mn.

## EMPLOYEE

### VALUE CREATION REPORT

#### Health and Safety Benefits offered to Employees

- ☒ Annual OPD entitlement scheme/facility as a reimbursable scheme for all employees
- ☒ Staff Medical / Hospitalization Insurance cover – surgical/personal accidents and critical illness cover
- ☒ Life Insurance Cover
- ☒ Quarterly Awareness sessions – ensuring psychological and mental wellbeing
- ☒ Offering Free Employee Counselling facility for all employees
- ☒ Special /flexible work arrangements for special prolong illnesses of the staff
- ☒ Caring for new born babies and motherhood granting 100 working days of maternity leave
- ☒ Granting Paternity leave for male employees
- ☒ Special financial grants for medical / health related issues of the employees



In 2024, we introduced key enhancements to our retention policy, including special market adjustments for high performers, upskilling and reskilling initiatives through foreign training opportunities and exposure, and the implementation of a robust succession plan to future-proof CDS.

#### Policy on Parental Leave

<b>Maternity leave</b>	All female employees	1st and 02nd childbirths – 100 working days If at the time of confinement has two or more children – 84 working days	A medical certificate from a doctor will suffice to receive this leave
<b>Paternal Leave</b>	Married male employees	Up to three (03) days at the point of the birth of a newborn	Can be taken at a stretch or in two instances, within the first three (03) months since the baby's date of birth

#### Career Growth Planning and Opportunities

CDS is committed to fostering career development by providing employees with meaningful growth opportunities. Our management prioritizes internal recruitment for vacancies, facilitating lateral movement and job rotation within the organization. This approach not only enhances employees' skill sets and broadens their expertise but also strengthens engagement, improves job satisfaction, and promotes long-term career progression. By investing in internal talent, CDS ensures continuity,

nurtures leadership potential, and builds a more resilient and adaptable workforce.

#### Training and Development

Regular training and development programs are conducted based on gaps identified during performance appraisals. These initiatives not only address existing skill gaps but also equip employees with the capabilities needed for new projects and evolving business needs.

In 2024, we strengthened our commitment to employee development by expanding our training programs,

with a significant focus on foreign training opportunities. We invested Rs. 2.68 million in overseas development programs, accounting for over 80% of our total training expenditure. In 2024, our annual spend on training was Rs. 3.4 million, marking a 39% increase compared to the Rs. 2.4 million spent in 2023. 32 employees were given training through 2024. This significant investment underscores our commitment to enhancing the skills and capabilities of our workforce, ensuring that employees have the tools and knowledge necessary to thrive in an ever-evolving industry.





**The following training and exposure opportunities were provided:**

Local Training Programs
CSE Strategic Presentation 2024
All Staff Cyber Security Awareness Sessions
Communicate to Connect by CIMA Sri Lanka Toastmasters Club
Business Writing Comprehensive Programme - Online
Awareness Session on Business Continuity Management System
Learn the MAGIC of Reducing Expenses
Mastering the Art of Business Writing
Project Management Regional Conference 2024
12th Capital Markets Conference
Service Offerings & diversification of other depositories in APAC region
The Efficient Secretary
Equity Analyst Training
Digital Assets - Cryptocurrencies & Blockchain Technology
Kazakhstan-Knowledge Sharing
CPD on AI-Powered Audit and Compliance
Advanced Excel Masterclass
Moving from Surviving to Thriving
New Corporate Governance Rules for Banks
Virtual Event for Broker-Dealers in the Securities Market
Strategies for Success-Leveraging your Network
Webinar on forensic analysis for investment research
Coaching and Mentoring Sessions
Foreign Training Programs
Association of Futures Markets - Annual Conference
ACG Cross Training Seminar 2024
ACG26 Annual General Meeting in Almaty Kazakhstan
Digital Innovation and the Future of CSDs Conference from Korea Securities Depository

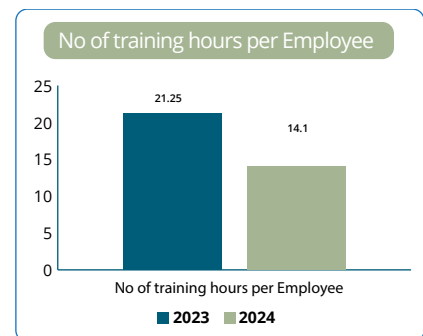
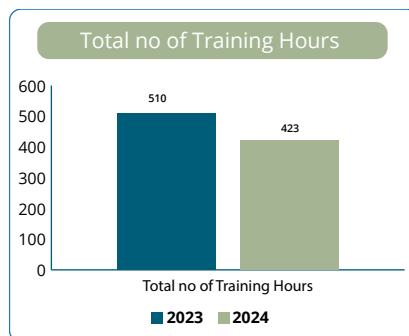
## EMPLOYEE

### VALUE CREATION REPORT

Employment Grade Wise (Includes employees resigned during 2024)			
Row Labels	Count	Total Training Hours	Average Training Hours
Senior Vice President	1	-	-
Assistant Vice President	1	48.30	48.30
Senior Assistant Manager	3	66.30	22.10
Assistant Manager	2	5.00	2.50
Senior Executive	3	38.00	12.67
Executive	9	72.50	8.06
Junior Executive	11	175.00	15.91
Clerical	2	15.00	7.50
Staff Assistant	1	3.00	3.00

Gender Wise (Includes employees resigned during 2024)			
Row Labels	Count	Total Training Hours	Average Training Hours
Female	19	181.80	9.57
Male	14	241.30	17.24

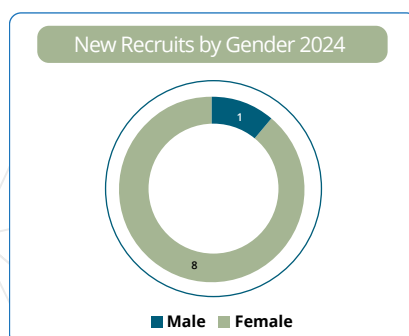
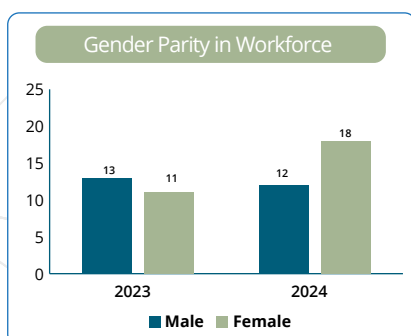
Training Cost	
Local Training	Rs. 733,282
Foreign Training	Rs. 2,681,864
<b>Total</b>	<b>Rs. 3,415,146</b>



### Commitment to Diversity, Equity, and Inclusion

At CDS, we are deeply committed to fostering a culture of Diversity, Equity, and Inclusion (DEI). We provide each employee with equal opportunities to perform, grow, and develop within the organization. Our recruitment process is thorough, impartial, and inclusive, ensuring fair opportunities for all applicants, regardless of gender, race, religion, or other personal attributes.

Our HR team is mandated to treat each complaint with the utmost seriousness and care, reflecting our dedication to creating a supportive and inclusive workplace for all.



### Recognition and Motivation

At CDS, we prioritize transparency and fairness in evaluating employee performance. Regular performance appraisals are conducted based on predefined targets, ensuring an open and objective process. These appraisals not only support employees in achieving their professional goals but also serve to recognize and motivate their contributions. Performance-based

increments and bonuses are key perks designed to reward excellence.

We recognize the importance of meaningful recognition, ensuring that increments and ex-gratia payments are strictly performance driven. Excellence and alignment with corporate values are rewarded at both individual and team levels, reinforcing a culture of meritocracy and continuous achievement.

**100% of Employees received a regular performance and career development review in 2024**



### Employee Engagement

Our HR governance emphasizes fostering strong relationships with our employees. Engagement is not limited to appraisals but extends throughout the year, in the form of coffee sessions, town halls, open door policy etc. We maintain continuous communication and provide opportunities for connection and growth.

We take grievance policies very seriously and uphold an open-door policy, encouraging employees to voice their concerns and grievances freely. There were 0 reported cases of discrimination through 2024.

### Communication and Engagement Mechanisms in Place

- ☒ Senior leaders to discuss concerns, ideas, or suggestions in a transparent and approachable environment.
- ☒ Grievance policy - Employees are encouraged to either follow the formal or informal mechanism.
- ☒ All staff communication via email through Your Voice & HR Announcements
- ☒ All Staff Awareness Sessions
- ☒ Staff meetings
- ☒ Anti-Harassment Procedure
- ☒ Whistle Blower Mechanism - Employees are encouraged to highlight any malpractice or likelihood of any malpractice to the designated committee confidentially.

## EMPLOYEE VALUE CREATION REPORT



*New Year Celebrations & Religious Ceremony*



*International Women's Day*



*Awareness Session on resilient mind*



*Induction programme*



*Sinhala and Tamil New Year Breakfast table with games*



*Sinhala and Tamil New Year Breakfast table with games*



*Sports Day*



*Sports Day*



*Blood Donation Camp*



*Employee Get Together & New Recruits' Talent Show*



*Employee Get Together & New Recruits' Talent Show*



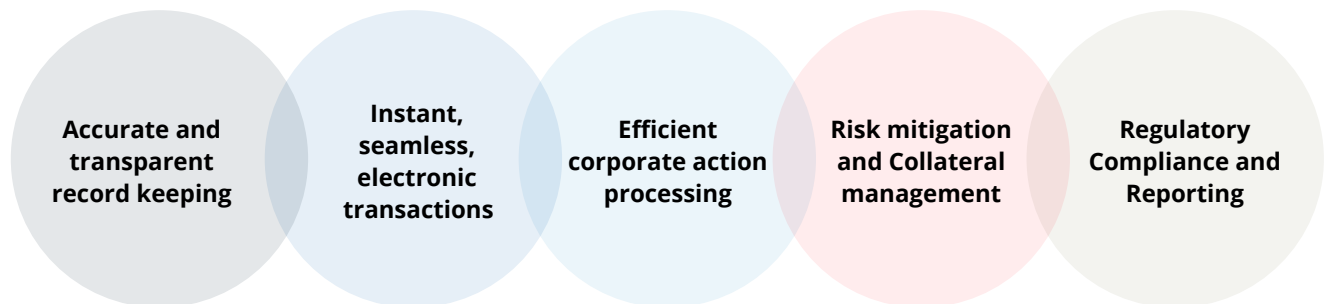
*Christmas Carols*

# DEPOSITORY PARTICIPANTS

## VALUE CREATION REPORT

The Central Depository System (CDS) creates significant value for depository participants through its advanced infrastructure, the CDS streamlines critical processes such as trade settlement, portfolio management, and collateral management, providing a secure platform that reduces operational risks and accelerates transaction times. By offering accurate record-keeping and facilitating automated corporate actions, the CDS enables depository participants—including stockbrokers and custodian banks—to operate more effectively, reduce costs, and manage risks with confidence. Ultimately, the CDS supports the overall growth and stability of the market, empowering all stakeholders to make informed decisions and achieve their financial objectives.

### Value Proposition



Strategic Alliances with banks for services like IIA facilitation and dividend disbursements helped further streamline processes, leading to improved service delivery

The implementation of an AI bot for Masterfile change requests led to process efficiency of post processing compliance issue reporting and monitoring efficiency

### Process Efficiency and Cost Savings

In 2024, the CDS continued to prioritize technological advancements and process efficiencies, driving significant improvements across multiple areas. A key focus was enhancing eConnect, which improved the accuracy of real-time records, strengthening transparency and regulatory compliance. Additionally, automation initiatives accelerated turnaround times for depository participants, boosting efficiency and streamlining operations.

#### Further enhancements to eConnect delivered several key benefits:

1. Improved Client Servicing – Enhanced digital capabilities for a more seamless and responsive user experience.
2. Better Data Analysis & Decision-Making – Real-time reporting enabled more informed and strategic decisions.
3. Enhanced Security Features – Strengthened measures to protect client data and mitigate risks.
4. Streamlined Compliance Processes – Automation reduced administrative burdens, ensuring greater efficiency in regulatory compliance.

CDS actively engaged depository participants in its process efficiency initiatives through a series of training programs and meetings, ensuring their involvement and commitment to the ongoing improvements.



## DEPOSITORY PARTICIPANTS

### VALUE CREATION REPORT

#### Engagement with Depository participants

As part of its ongoing efforts to strengthen relationships and enhance collaboration with market stakeholders, CDS undertook several key initiatives during the year to engage with depository participants, promote awareness, and gather industry feedback.

##### 1. Training and Information Dissemination

To support the operational and technical capacity of depository participants, CDS conducted the following activities:

###### **Stockbroker Training:**

Four in-person training sessions were conducted at the CDS premises, focusing on operational procedures, regulatory compliance, and system enhancements.

###### **On-Site Visits:**

Five on-site visits were carried out to stockbroker offices—namely NDB Securities (Pvt) Limited (NBS), Asia Securities (Pvt) Limited (ASI), HNB Stock Broker (Pvt) Limited (HDF), Asha Securities Limited (MSB), and Lanka Securities (Pvt) Limited (LSL)—to provide tailored support and address institution-specific needs.

###### **Custodian Bank Engagement:**

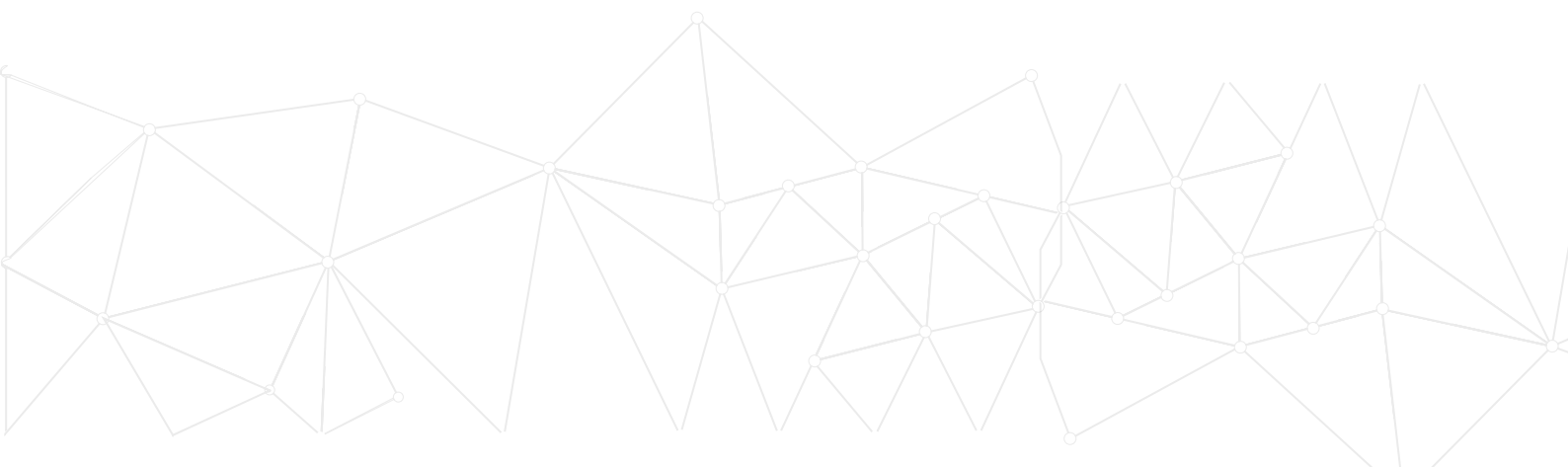
One custodian bank, Citi Bank (CTI), was engaged through a visit to the CDS Rajagiriya office. In addition, online sessions were conducted for two other custodian banks, with a focus on the use and optimization of the eConnect platform.

##### 2. Circulars to Depository Participants

During the year, CDS issued four circulars to its depository participants. These communications provided timely updates on operational processes, system changes, and regulatory developments.

##### 3. Industry Consultation

CDS organized two CEO-level meetings with stockbroker firms to obtain strategic input on CDS initiatives. These sessions provided a platform for open dialogue, enabling greater alignment between CDS developments and industry expectations.

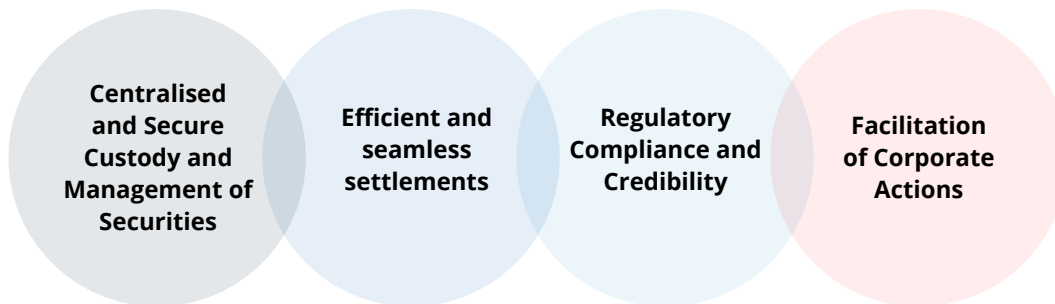


# LISTED COMPANIES AND POTENTIAL ISSUERS

## VALUE CREATION REPORT

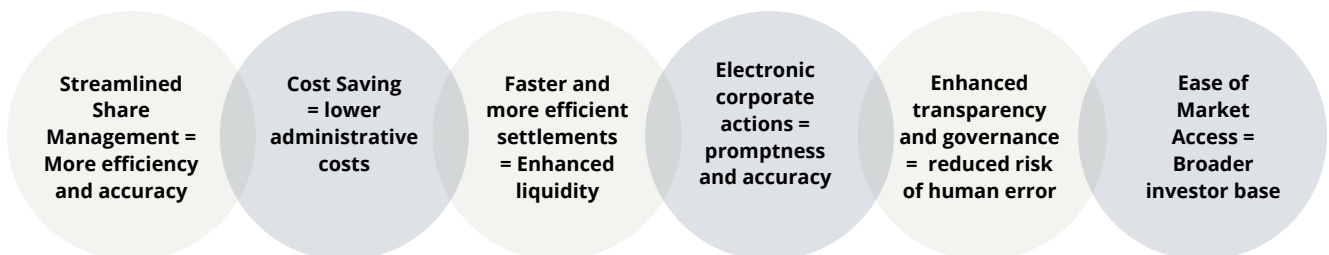
In 2024, the Central Depository Systems (CDS) continued to play a pivotal role in strengthening Sri Lanka's capital market infrastructure by delivering innovative and digitized solutions. By streamlining processes such as dematerialization, corporate action management such as eIPO, eDividend, virtual general meeting management, and investor communication, CDS created significant value for listed companies on the Colombo Stock Exchange (CSE). These advancements enabled companies to enhance operational efficiency, reduce administrative burdens, and improve compliance with regulatory standards. Through its ongoing commitment to modernization, CDS has not only enhanced accessibility and transparency but has also positioned listed companies to better attract and retain investors in a competitive marketplace.

### Value Proposition for Listed Companies and Potential Issuers



### Value Addition by Digitalization

In 2024, the CDS prioritized increased digitalization across its processes and functions, aiming to reduce risks and enhance market accessibility. This strategic focus enabled CDS to deliver significant benefits to its stakeholders, fostering greater efficiency, transparency, and convenience.



**Rs 2.8 Bn**  
raised through Equity IPOs

Facilitated for 249 corporate actions and 1,688  
Coupon/maturity payments through Corporate  
Solutions

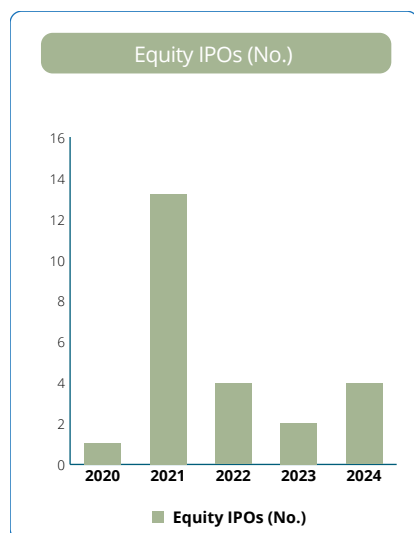
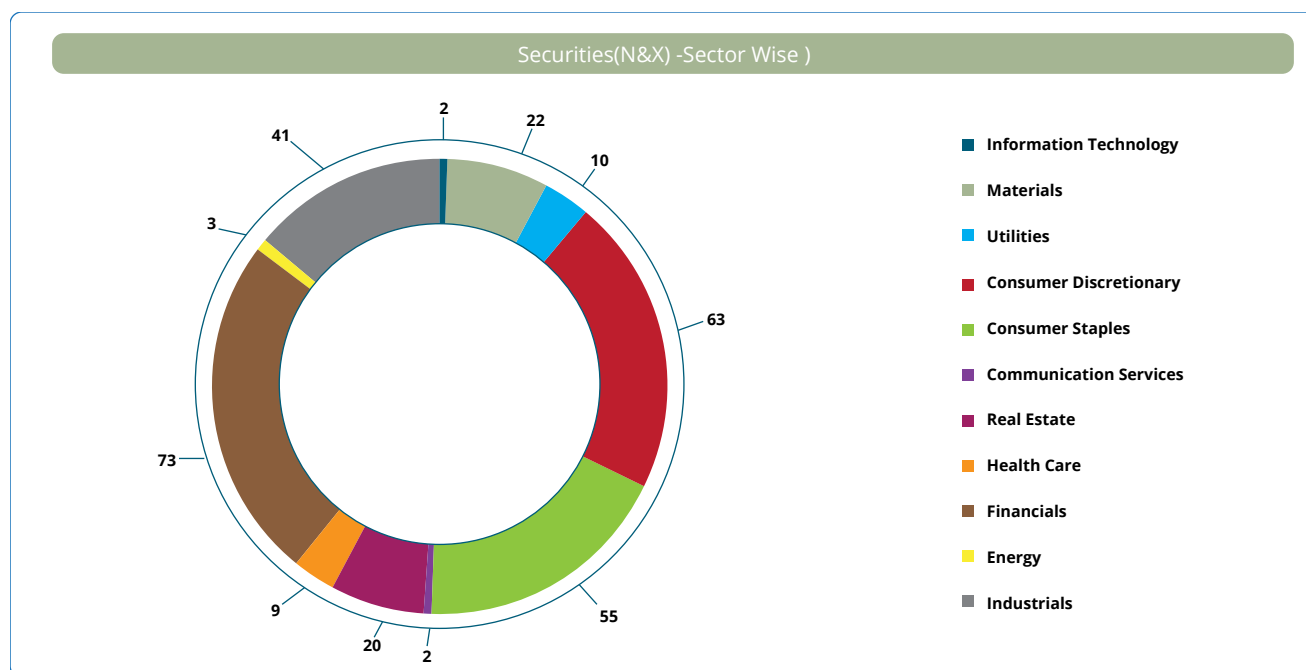
**Rs.94.8Bn**  
raised through Debenture Issues

**213,401**  
of e-warrants processed.

**Rs.63.2Bn**  
raised through Right Issues

## LISTED COMPANIES AND POTENTIAL ISSUERS

### VALUE CREATION REPORT



### Corporate Actions

The CDS has also focused on providing added value beyond secure custody of securities and improving operational efficiencies, particularly by enhancing its Corporate Actions services. This move allows CDS to position itself as a one-stop shop, offering innovative services such as shareholder services, dividend payments, warrants & notices dispatching and virtual meeting management, in addition to traditional corporate actions management.

The CDS expanded both its offering vis a vis corporate actions and also improved process efficiency of Corporate Actions. This was reflected in a big jump in 2024 in both the number of Corporate Actions as well as the revenue generated by Corporate Actions.

# COLOMBO STOCK EXCHANGE

## VALUE CREATION REPORT

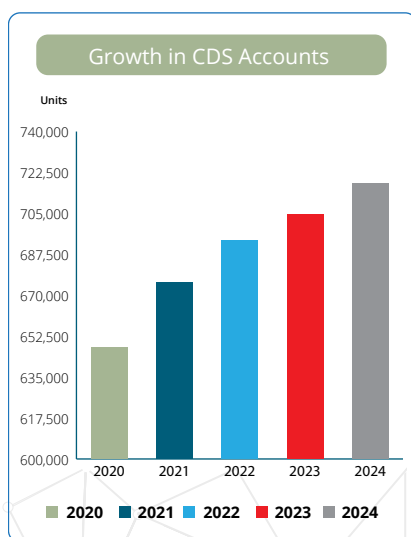
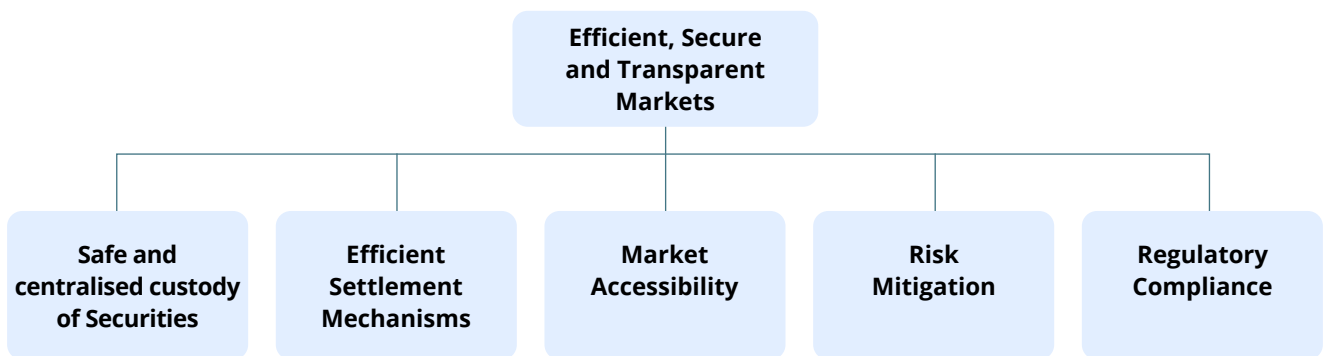
**The CDS provides vital infrastructure, services, and systems that underpin the smooth and secure operation of the capital markets. Working in tandem with the CSE, the two entities share a unified goal: to ensure the efficient, secure, and transparent functioning of the securities market, all within the regulatory framework established by the Securities and Exchange Commission (SEC).**

In 2024, the Colombo Stock Exchange (CSE) achieved an all-time high in ASPI marking a significant milestone in its history. The Central Depository Systems (CDS) rose to the challenge

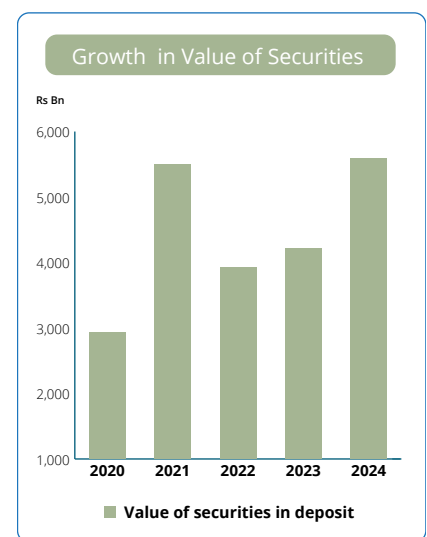
presented by this remarkable market growth by implementing several strategic initiatives. These include enhancing operational efficiency through the adoption of advanced

technologies, broadening market reach and scope through acquisitions, and diversifying its portfolio by introducing new products that extend beyond traditional depository functions.

### How the CDS creates Value for CSE

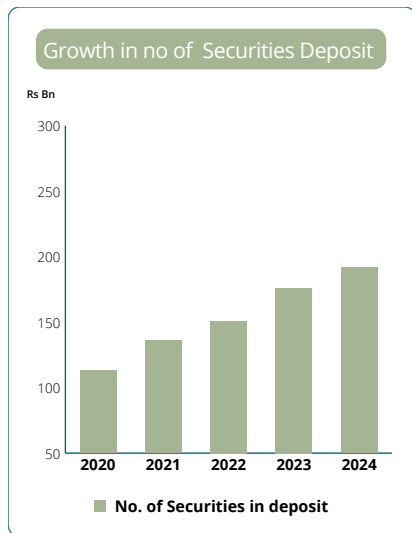


The total market value of securities held in custody by the CDS for the year was Rs. 5,585 billion, reflecting an increase from the Rs. 4,207 billion recorded in the previous year. The volume of securities also showed significant growth, ending up at 192 Bn shares deposited. Despite the prevailing macroeconomic uncertainties, the CDS observed a consistent increase in account openings, with 19,019 new accounts registered in 2024.



## COLOMBO STOCK EXCHANGE

### VALUE CREATION REPORT



A key way the CDS adds value to the CSE is by maintaining dematerialized securities in a centralized depository. Security is paramount and to uphold this standard, the CDS continually leverages advanced technology to safeguard assets and enhance operational efficiency. An equally vital aspect of its value addition is the dematerialization of securities, which eliminates physical certificates, reduces risks, and streamlines processes.

In 2024, the CDS advanced its technological capabilities by applying an AI bot to handle Masterfile change requests, enhancing the efficiency of requests processed through CDS eConnect. By focusing on both security

and efficiency, the CDS ensures seamless and reliable support for the evolving needs of the CSE and its stakeholders.

Through its Corporate Solutions, the CDS has significantly enhanced the efficiency of corporate actions, setting new industry benchmarks. These innovative solutions, including eWarrants, eNotices, eDividends, coupon payments, and virtual general meeting management, have raised the bar for industry standards. This has resulted in greater shareholder accessibility, improved communication between issuers and shareholders, and ultimately, better governance and increased overall efficiency.



# REGULATOR

## VALUE CREATION REPORT

### Regulator

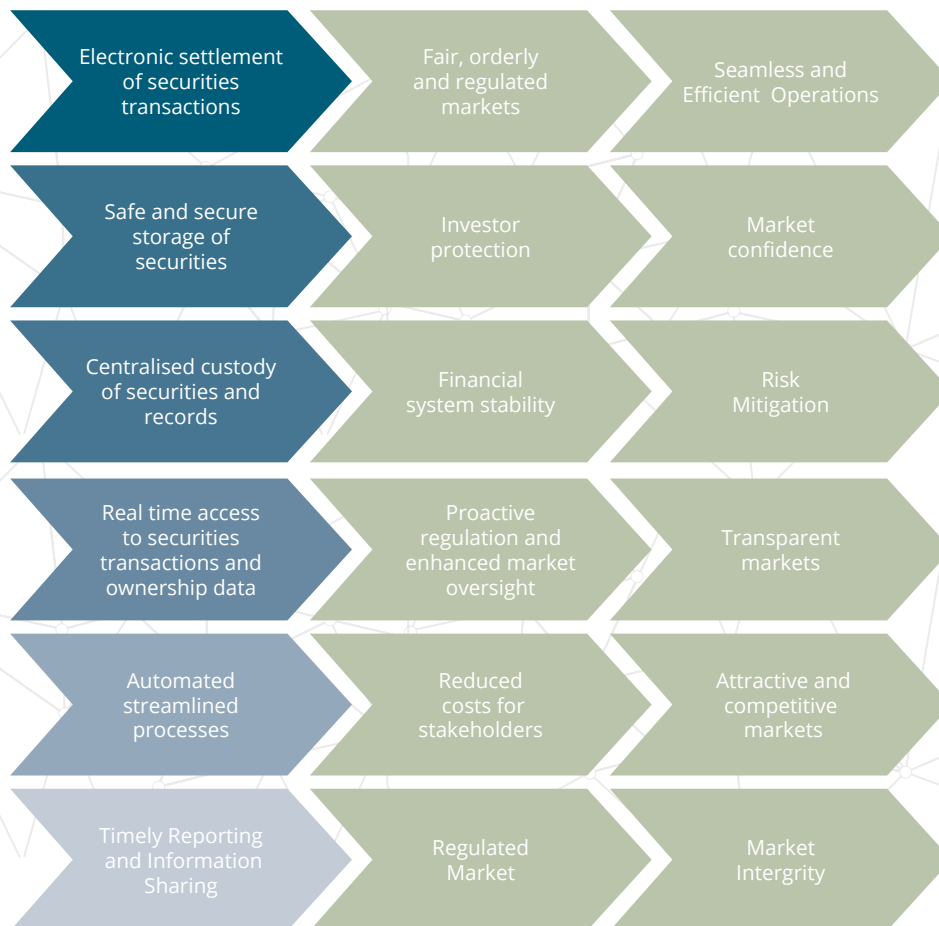
The Central Depository Systems (CDS) operates under the regulatory oversight of the Securities and Exchange Commission of Sri Lanka (SEC), the primary authority governing the country's securities market.

Licensed by the SEC as a Central Depository and Clearing House under the SEC Act No. 19 of 2021, CDS plays a pivotal role in ensuring the efficient operation of fair and transparent financial markets.

Aligned with the SEC's vision, CDS supports market integrity by

promoting a collaborative approach to regulatory compliance, thereby enhancing investor confidence. By continuously adapting to evolving market needs and upholding the highest regulatory standards, CDS reinforces its role as a trusted partner in advancing the nation's capital market ecosystem.

### Value Proposition offered by CDS to SEC



### Regulatory Alignment

The CDS maintains a centralized depository of securities in electronic form, ensuring accurate and transparent record-keeping. CDS records all securities transactions executed on the CSE and provides real-time information on these transactions to the SEC, enabling enhanced market oversight and proactive regulation.

The CDS maintains comprehensive records of all transactions, creating a reliable audit trail for regulatory investigations and compliance checks. In 2024, the CDS continued to build on AI powered automation, leading to greater accuracy and transparency and therefore, market confidence.

# MARGIN PROVIDERS

## VALUE CREATION REPORT

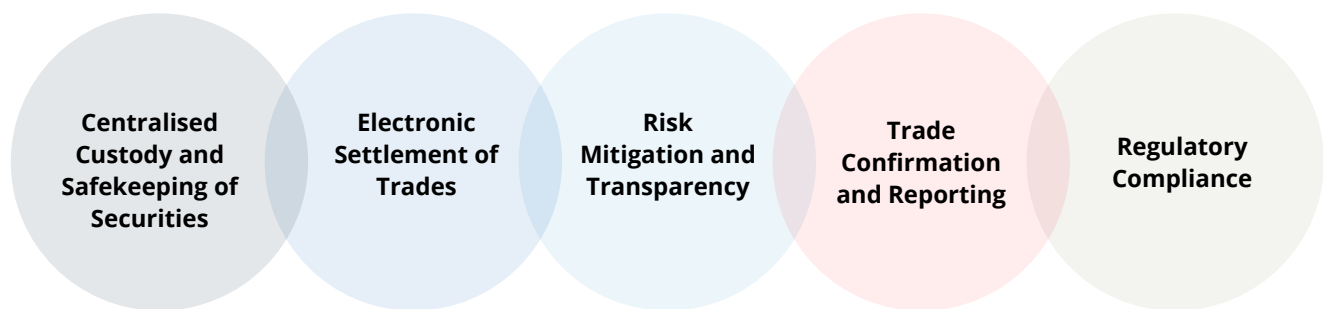
**Central Depository Systems (CDS) offers a secure and centralized platform for margin providers to authenticate the ownership and status of securities. This robust collaboration and seamless information exchange between the CDS and margin providers, ensuring the integrity of margin financing. Services provided by the CDS are essential for maintaining the stability and efficiency of the margin finance ecosystem.**

In 2024, the Central Depository Systems (CDS) further strengthened its technological capabilities, enhancing

eConnect features such as the Reports function. These improvements have streamlined operations for margin

providers by enabling the efficient generation of bulk reports, facilitating greater operational efficiency and data accessibility.

### Value proposition by CDS for Margin providers



#### Risk Mitigation and Transparency

The CDS enforces strong risk management protocols to mitigate risk by maintaining secure and transparent records, and ensuring regulatory compliance.

#### Trade Confirmation and Reporting

Margin providers benefit from real-time reporting on securities holdings and transactions, enabling them to make instant decisions on risk exposure and margin requirements. The CDS

supports seamless information sharing between clients and margin providers through e-statements, eConnect, notifications, and other communications related to margin trading.

### Value Addition to Margin Providers in 2024

In 2024, CDS introduced a series of innovative enhancements to its service offerings aimed at improving efficiency, compliance, and support for Margin Providers. These initiatives reflect CDS's commitment to delivering value and fostering stronger relationships with its stakeholders.

#### 1. eConnect Enhancements

- ✎ Bulk Report Functionality: The enhancement of eConnect's reporting function now allows Margin Providers to generate bulk reports, streamlining daily reconciliation processes and improving operational efficiency.
- ✎ Real-Time Client Account Updates: Margin Providers now benefit from real-time updates related to client accounts, ensuring timely and accurate data for better decision-making.

#### 2. AI Bot for Masterfile Change Requests

The introduction of an AI bot for handling Masterfile change requests via eConnect has automated the process, improving accuracy, reducing manual errors, and enhancing compliance with regulatory standards.

#### 3. Online Help Desk Support

A dedicated online help desk was launched to provide timely and focused support to Margin Providers, ensuring efficient issue resolution and improved user experience.

#### 4. Targeted Training Programs

CDS conducted specialized training sessions for Margin Providers to educate them on newly introduced services and platform enhancements, helping them maximize the benefits of CDS's digital tools and ensuring smooth adoption of new processes.

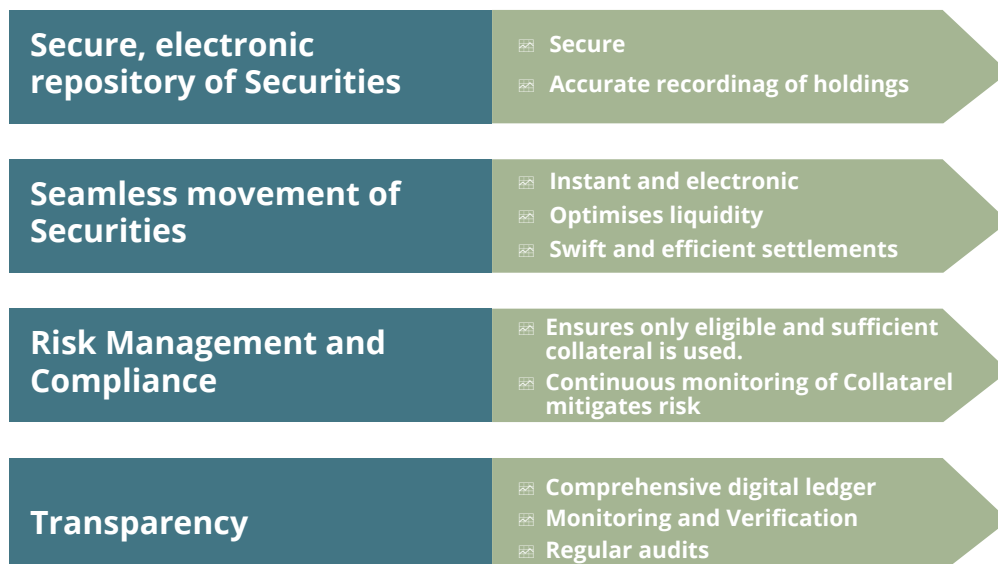
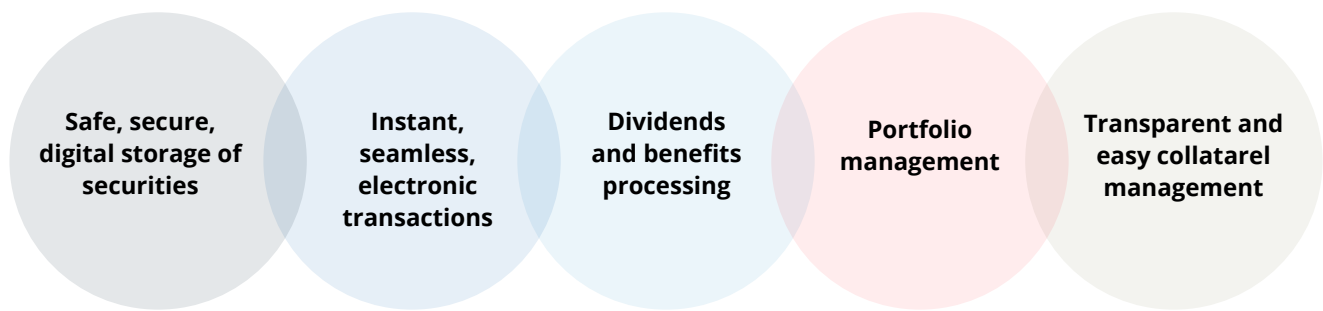
# WEALTH MANAGERS AND INVESTMENT BANKS

## VALUE CREATION REPORT

The Central Depository System (CDS) plays a vital role in streamlining investment management for wealth managers and investment banks. By providing a secure and efficient platform for electronic securities trading, the CDS eliminates the complexities of physical share certificates, enhances transaction speed, and ensures regulatory compliance. Its robust infrastructure enables seamless portfolio management, accurate record-keeping, and efficient processing of dividends and corporate actions—allowing financial institutions to focus on delivering strategic investment solutions to their clients.

CDS also helps maintain a stable financial ecosystem. This, in turn, allows wealth managers and investment banks to focus on delivering high-quality investment solutions while ensuring robust compliance with regulatory frameworks.

### Value Proposition offered by CDS to Wealth Managers and Investment Banks



# 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 2024.

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 09 April 2025.

## 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 six 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 04 of the Annual Report. The business activities of the company

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, Head of CDS's Message on pages 22 to 25 and the Operational Review on pages 54 to 64 the Annual Report 2024. These reports form an integral part of the Annual Report.

## FUTURE DEVELOPMENTS

An overview of the future development of the CDS is given in the Chairman's Message on pages 16 to 17, the Chief Executive Officer's Message on pages 18 to 21, Head of CDS's Message on pages 22 to 25 and the Operational Review on pages 54 to 64 the Annual Report 2024. 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 2024, duly signed by the Senior Vice President- Finance and Administration and two of the Directors of the Company on pages 93 to 98 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 90 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 2024 and their report on those statements which forms an integral part of the Report of the Board of Directors, on page 91 of this Annual Report.

## SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of the Financial Statements are given on pages 98 to 107.

## 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 2024 was Rs.655 Mn (2023: Rs 643 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.253 Mn (2023: Profit before tax Rs.258 Mn) and Profit after

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

tax of Rs. 181 Mn (2023: Rs.177 Mn) for the year 2024.

The company's total other comprehensive income for the year 2024 was Nil (total other comprehensive income was Nil in 2023)

## TAXATION

The income tax rate applicable on the Company and the subsidiary company was 30% for the year ended 31st December 2024 (2023-30%).

## 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	2024	2023
	Rs. 000	Rs. 000
Stated Capital	100,000	100,000
Other Reserve	166	166
Retained Earnings	1,602,729	1,422,094
Total	1,702,895	1,522,260

## CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

The total capital expenditure on acquisition of property and equipment and intangible assets of the Company Nil (2023: Rs. 33 Mn). 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 2023).

## 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 25 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. Ray Abeywardena (Chairman)**

**Mr. Arjuna Herath**

**Mr. Jayantha Fernando**

**Mr. Kosala Gamage**

**Ms. Priyanthi Peiris**

**Mr. Channa De Silva**

The number of Directors shall not be less than five (05) or more than ten (10). 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 34 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 pages 30 to 39.

The report of the Board Audit Committee is given on pages 91 to 92.

## 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 24 to the financial statements forming part of the Annual Report of the Board of Directors.

## DIRECTORS' REMUNERATION

In compliance with the provisions of the Articles of Association, the CDS has not made any payments on account of Directors' remuneration other than payment pertaining to meet out of pocket expenses for attending Board Meeting as given in Note 24 to the financial statements.

## 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 32 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. 606,528 (Rs. 561,600 in 2023). Further,

Rs.240,000 (Rs. 219,000 in 2023) 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.

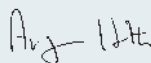
### **ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT**

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

For and on behalf of the Board of Directors.



**Mr. Ray Abeywardena**  
Chairman



**Mr. Arjuna Herath**  
Director



**Corporate Services (Private) Limited**  
Secretaries

28th May 2025  
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 2024, 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 2024 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 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 09th April 2025 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

28th May 2025  
Colombo

# AUDIT COMMITTEE REPORT

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

## COMPOSITION OF THE COMMITTEE

Audit Committee of the Colombo Stock Exchange (CSE) comprises of 2 appointed Directors and 1 elected Director.

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

<b>Mr. Arjuna Herath-Chairman</b>
<b>Mr. Suren De Silva</b>
<b>Mr. Sujeewa Pieris</b>

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

The Chief Executive Officer, Chief Regulatory Officer, Chief Market Operations 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 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 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 CDS's external auditor.

## MEETINGS OF THE COMMITTEE

During the year, three (3) Audit Committee meetings were held to discuss relevant matters including, but not limited to budget, investments, reports of the Internal and External Auditors and Annual/ Quarterly accounts. The Company Secretary functions as the Secretary to the 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.

## 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 during the year reviewed Accrued expenses and the Fixed Assets verification audit reports and provided the recommendation to the management to address the audit recommendations.

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

The Audit Committee reviewed the Consolidated Financial Statements audited by the External Auditor for the financial year ended 31st December 2024 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 2024.

The Audit Committee met with the engagement partner of the External Auditor during the year, in the absence of 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.

## AUDIT COMMITTEE REPORT

The 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 Audit Committee Meeting in early 2024.

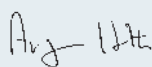
The Purpose of the Internal Audit Division as highlighted in the Internal Audit Charter is as follows:

- 🏛 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 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.

On behalf of the Audit Committee;



**Arjuna Herath**

Chairman – Audit Committee

Colombo  
28th May 2025

# 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  
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Internet 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 December 31, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### BASIS FOR OPINION

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

#### OTHER INFORMATION

Management is responsible for the other information. These financial

statements does not include the other information.

The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

### RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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.

**KPMG**  
Colombo, Sri Lanka  
11th April 2025

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C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel FCA  
Ms. P.M.K. Sumanasekara FCA

T.J.S. Rajakarier FCA  
W.K.D.C. Abeyratne FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera FCA  
R.W.M.O.W.D.B. Rathnadiwakara FCA

W.W.J.C. Perera 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, Ms. F.R. Ziyad FCMA (UK), FCIT,

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December	Note	2024	2023
		Rs.	Rs.
Revenue	4	423,503,846	296,766,314
Other Income	5	22,354,536	20,758,604
		445,858,382	317,524,918
Staff Cost	6	(97,101,662)	(81,769,998)
Other Operating Expenses	7	(308,369,758)	(304,280,922)
Impairment Charges and Other Credit Losses on Financial Assets		3,945,258	948,162
Net Finance Income	8	208,919,845	325,444,487
Profit before Taxation		253,252,065	257,866,647
Income Tax Expenses	9	(72,617,260)	(80,644,582)
Profit for the Year		180,634,805	177,222,065
Other Comprehensive Income		-	-
Total Comprehensive Income for the Year		180,634,805	177,222,065
Earnings per Share	10	18.06	17.72

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

Figures in brackets indicate deductions.



# STATEMENT OF FINANCIAL POSITION

As At 31st December	Note	2024	2023
		Rs.	Rs.
ASSETS			
Non Current Assets			
Property, Plant & Equipment and Intangible Assets	11	44	44
Investments in LFSB	12	1,165,966	1,165,966
Financial Investment at amortised Cost	13	109,810,839	104,326,320
Acquistion of Registrar Services Business	14	37,843,590	-
Total Non Current Assets		148,820,439	105,492,330
Current Assets			
Inventories		80,833	80,833
Trade and Other Receivables	15	116,818,964	61,138,052
Financial Assets at Fair Value Through Profit or Loss (FVTPL)	16	541,455,715	-
Other Investments	17	896,997,617	1,409,743,260
Cash and Cash Equivalents	18	869,787,017	316,261,006
Total Current Assets		2,425,140,146	1,787,223,151
Total Assets		2,573,960,585	1,892,715,481
EQUITY AND LIABILITIES			
Stated Capital	19	100,000,000	100,000,000
Retained Earnings		1,602,729,043	1,422,094,238
Other Reserve		165,965	165,965
Total Equity		1,702,895,008	1,522,260,203
Current Liabilities			
Brokers' Liquidity and Margin Deposit		762,906,659	225,203,777
Accrued Expenses and Sundry Creditors		32,757,988	13,853,648
Amounts due from Related Company	20	12,707,509	89,105,315
Income Tax Payable		62,693,421	42,292,538
Total Current Liabilities		871,065,577	370,455,278
Total Equity and Liabilities		2,573,960,585	1,892,715,481

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**

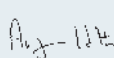
Senior Vice President - Finance & Administration

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

Approved and signed on behalf of the Board;



**Ray Abeywardena**  
Chairman



**Arjuna Herath**  
Director

09 April 2025  
Colombo.

## STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Other Reserve	Retained Earnings	Total Equity
	Rs	Rs	Rs	Rs
Balance as at 01 January 2023	100,000,000	165,965	1,244,872,173	1,345,038,138
Total Comprehensive Income				
Profit for the Year	-	-	177,222,065	177,222,065
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the Year	-	-	177,222,065	177,222,065
Balance as at 31 December 2023	100,000,000	165,965	1,422,094,238	1,522,260,203
Balance as at 01 January 2024	100,000,000	165,965	1,422,094,238	1,522,260,203
Total Comprehensive Income				
Profit for the Year	-	-	180,634,805	180,634,805
Other Comprehensive Income	-	-	-	-
Total Other Comprehensive Income for the Year, Net of Tax	-	-	-	-
Total Comprehensive Income for the Year	-	-	180,634,805	180,634,805
Balance as at 31 December 2024	100,000,000	165,965	1,602,729,043	1,702,895,008

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		2024	2023
	Note	Rs.	Rs.
Cash Flows from Operating Activities			
Profit before Taxation		253,252,065	257,866,647
Adjustments For :			
Interest Income	8	(162,387,049)	(325,444,487)
Fair Value Gain on Financial Assets Measured at FVTPL	8	(46,532,796)	-
Impairment provision		7,363	(4,931)
Gratuity Provision-Transfer from Related Company		(1,741,697)	11,814,889
Provision of Bad Debts	15	(3,952,621)	(943,231)
Operating Loss before Working Capital Changes		38,645,265	(56,711,113)
Changes in Working Capital			
Decrease/(Increase) in Inventories		-	276,337
Decrease in Receivables		(53,390,437)	3,916,064
Decrease in Amounts receivable from Related Company		(74,656,109)	72,561,126
(Decrease)/ Increase in Payables		22,099,997	(7,029,126)
Increase/ (Decrease) in Brokers' Liquidity and Margin Deposit		537,702,882	(101,048,781)
		470,401,598	(88,035,493)
Income tax paid		(52,216,377)	(99,166,795)
Net Cash Flows Generated from (Used in) Operating Activities		418,185,221	(187,202,288)
Cash Flows from Investing Activities			
Interest Received		280,895,514	271,766,780
Acquistion of Registrar Services business from PW		(39,426,750)	
(Increase) / Decrease Investment in Fixed Deposit		(469,000,000)	250,000,000
Increase Investment in Treasury Bills		857,794,945	(409,530,450)
(Increase) / Decrease Investment in Treasury Bonds		-	-
(Increase) / Decrease in Investments in Unit Trusts		(494,922,919)	-
Net cash Generated from Investing Activities		135,340,790	112,236,330
Net (Decrease)/Increase in Cash and Cash Equivalents		553,526,011	(74,965,958)
Cash and Cash Equivalents at beginning of the Year		316,261,006	391,226,964
Cash and Cash Equivalents at End of the Year		869,787,017	316,261,006
Analysis of Cash and Cash Equivalents at End of the year			
Overnight Repos		864,217,745	311,495,401
Cash at Bank		5,476,472	4,673,005
Cash in Hand		75,000	75,000
RTGS Account		17,800	17,600
Cash & Cash Equivalents	18	869,787,017	316,261,006
Net Cash & Cash Equivalents at End of the Year	18	869,787,017	316,261,006

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 a 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 09 April 2025.

### 2.2. Responsibility for financial statements

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements.

### 2.3. 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.

### 2.4. 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.

## 2.5. 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.

## 2.6. Use of estimates and judgments

The preparation of financial statements of the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported values of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making a judgment about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

### 2.7. Going Concern

The Group's management has made an assessment if its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continued to be prepared on the going concern basis.

### 2.8. Current versus Non-Current Classification

The Company presents assets and liabilities in the Statement of Financial Position based on Current / Non Current classification. An asset is Current when it is expected to be realized or intended to be sold or consumed in the normal operating cycle and held primarily for the purpose of trading or expected to be realized within twelve months after the reporting period or is Cash or Cash Equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as Non-Current Assets. A liability is Current when it is expected to be settled in the normal operating cycle and is held primarily for the purpose of trading and is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

All other liabilities are classified as Non-Current Liabilities.

### 2.9. Determination of fair values

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

The fair value of a liability reflects its non-performance risk. Several of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

#### Level 1:

inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

#### Level 2:

inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

#### Level 3:

inputs are inputs that are not based on observable market data (unobservable inputs). If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

## 3. MATERIAL ACCOUNTING POLICIES

The Company has consistently applied the following significant accounting policies to all periods presented in the financial statements, except as mentioned otherwise.

## NOTES TO THE FINANCIAL STATEMENTS

### Changes in material accounting policies

#### Material accounting policy information

The Company also adopted Disclosure of Accounting Policies (Amendments to LKAS 1 and IFRS practice statement 2) from 1 January 2023. Although the amendments result in changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

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

#### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. All monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated to the reporting currency at the exchange rate prevailing at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest

and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the reporting currency at the exchange rate that prevailed at the date the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the re-translation of available for sale equity investments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign currency gains and losses are reported on a net basis in the income statement.

### 3.1. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### 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.

#### Classification and subsequent measurement

##### 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

## NOTES TO THE FINANCIAL STATEMENTS

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 - Subsequent measurement and gains and losses*

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

### *Derecognition*

#### *Financial Assets*

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

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

### *Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

### *Offsetting*

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

### *Impairment of Financial Assets*

Financial instruments and contract assets

### *The Company recognises loss allowances for ECLs on:*

- ☞ financial assets measured at amortised cost;
- ☞ contract assets.

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

Loss allowances for trade receivables and contract assets are 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 considers a financial asset to be in default when: the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per Moody's or BBB- or higher per Fitch/S&P.

Lifetime ECLs are the ECLs that result from all possible default

events over the expected life of a financial instrument.

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

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

### **3.2. Property and Equipment**

#### **3.2.1. Recognition**

Property, plant & equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period. Property, Plant & Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured.

#### **3.2.2. Measurement**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. This also includes costs of dismantling and removing the items and restoring the site on which they are located. Where parts

of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment

#### **3.2.3. Subsequent Costs**

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in the profit or loss.

#### **3.2.4. De-recognition**

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

#### **3.2.5. Depreciation**

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using straight line method over their estimated useful lives, and is generally

## NOTES TO THE FINANCIAL STATEMENTS

recognized in profit or loss. This most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Leased assets are depreciated over the shorter of the lease term or the useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows.

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

### 3.3. 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.

#### 3.3.1. 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.

#### 3.3.2. 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.

#### 3.3.3. 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.

#### 3.3.4. 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.

#### 3.3.5. 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.

### 3.4. Inventories

Inventories are measured

at the lower of cost and the Net Realizable Value (NRV). NRV is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

### 3.5. Stated Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

### 3.6. Employee Benefits

#### 3.6.1. 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.

#### 3.6.2. 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.

### 3.7. 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.

### 3.8. 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. It has been revised Rs.15/- will be charged per trade, subject to a minimum charge of Rs.37,500/- and a maximum charge of Rs.1,125,000/- per annum w.e.f.03rd April 2023.

#### 3.9.3. 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.

#### 3.9.4. Registrar Services and Corporate Actions Income

Company provides registrar services and facilitates corporate actions for listed companies and shareholders of listed companies.

#### 3.9.5. Other Income

##### 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 and it has been increased to Rs.25,000/- for monthly services w.e.f.01st March 2023.

##### Miscellaneous Income

- ☞ Miscellaneous income includes custodian bank fees, Sale of CDS Form, Income from direct deposit of shares, Income from custodian bank transactions, Data product income, Income from new listings/ right issues, Income from charges for mandatory & voluntary offers, Income from daily/ weekly documentation

## NOTES TO THE FINANCIAL STATEMENTS

charges, CDS E - Connect income, Sundry income and Collateral management fee.

### 3.9.6. Expenditure

All expenditure incurred in the running of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the profit for the year.

### 3.9.7. Net Finance Income

The Net Finance Income of the Company comprises of the Fair Value Gain from Unit trusts and the interest income deriving from fixed deposits, treasury bills and bonds and Repos.

### 3.10. Taxation

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

#### 3.10.1. Current Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the Reporting Date, and any adjustment to tax payable in respect of previous 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 30%

on the taxable profit for the year ended 31st December 2024 and 2023.

#### 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 18% and 15% for the financial year 2024 and 2023 respectively.

##### 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. Commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company control.

Commitments and contingent liabilities are disclosed in Note 22 to the financial statements.

### 3.14. Earnings per share

The Company presents basic



earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by ordinary shares outstanding during the period.

### 3.15. Events after the reporting period

All material events after the reporting date have been considered, disclosed and adjusted where applicable.

### 3.16. 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.

The following amendments and inter predations did not have any significant impact on the reported financial statements of the Company.

- ☞ Amendments to LKAS 07 and SLFRS 07- Supplier finance arrangements
- ☞ Amendments to SLFRS 16- Lease Liability in a sale and lease back
- ☞ Amendments to LKAS 21- Lack of Exchangeability
- ☞ SLFRS S1 - General requirements for disclosure of sustainability related financial information
- ☞ SLFRS S2- Climate related disclosure
- ☞ Amendments to LKAS 01- Classification of liabilities as current and non-current

For the year ended 31 December		2024	2023
		Rs.	Rs.
<b>4</b>	<b>REVENUE</b>		
	CDS Fees	243,527,267	185,447,673
	Listed Company Fees	53,004,315	52,265,405
	Charges for Computer Information	18,072,200	19,631,160
	Registrar Services and Corporate Actions Income	108,900,064	39,422,076
		423,503,846	296,766,314
<b>5</b>	<b>OTHER INCOME</b>		
	Participant Fees	3,900,000	3,550,000
	Miscellaneous Income	18,454,536	17,208,604
		22,354,536	20,758,604

In the prior year financial statements, Registrar Services and Corporate Actions Income was clasified under other income. In the current year this income was reclassified under revenue to better reflect their nature. Please refer note 26 for further information.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December		2024	2023
		Rs.	Rs.
<b>6</b>	<b>STAFF COST</b>		
	Salaries	73,861,179	56,566,643
	Bonus	15,330,028	6,730,222
	Terminal Benefits (Gratuity)	(1,741,697)	11,814,889
	Staff Welfare	3,841,346	2,490,150
	Medical and Insurance Expenses	4,398,661	3,629,406
	Transport & Travelling	1,412,145	538,688
		97,101,662	81,769,998
The Number of Employees at the end of the Year 2024 was 30 (2023 - 25).			
<b>7</b>	<b>OTHER OPERATING EXPENSES</b>		
	Rent	11,843,147	10,152,917
	Administration Expenses	20,328,910	19,357,292
	CDS Statement Expenses	228,243	268,682
	Stationery Expenses	1,104,113	1,052,356
	Maintenance Expenses	42,756,649	49,454,852
	CDS System Maintenance	121,035,464	127,289,467
	Training Expenses	733,282	196,823
	Conference Expenses	2,681,864	2,260,217
	Disallowed VAT	35,888,014	32,950,468
	Social Security Contribution Levy (SSCL)	6,242,754	4,755,014
	Investor Education & Foreign Road Show Expenses	8,778,857	15,821,987
	Publication & Website Expenses	4,499,393	3,617,532
	Issuer Relation Expenses	1,868,896	534,467
	CSE Profit Margin	10,669,333	10,489,825
	Management Fee	2,000,000	2,000,000
	Director's Expenses	1,800,000	-
	Auditors Remuneration	606,528	561,600
	Fee paid to Auditors for Non-Audit Services	281,030	727,282
	Other Professional Charges	11,650,185	8,829,358
	SMS Alert Expenses	469,490	392,856
	Risograph Expenses	1,377	2,755
	Registrar Services and Corporate Actions Expense	20,045,925	10,465,701
	Other Project Cost	2,856,304	3,099,472
		308,369,758	304,280,922
<b>8</b>	<b>NET FINANCE INCOME</b>		
	Interest Income	162,387,049	325,444,487
	Fair Value Gain on Financial Assets Measured at FVTPL	46,532,796	-
		208,919,845	325,444,487

For the year ended 31 December		2024	2023
		Rs.	Rs.
<b>9</b>	<b>TAXATION</b>		
<b>9.1</b>	<b>Income Tax Expense</b>		
	Current tax expense (Note 09.2)	72,157,812	80,620,012
	under/(over) adjustment	459,448	24,570
		72,617,260	80,644,582

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 30% of taxable profit of the company for the year ended 2024.

For the year ended 31 December		2024	2023
		Rs.	Rs.
<b>9.2</b>	<b>Reconciliation on Accounting Profit to Income Tax</b>		
	Profit before Taxation	253,252,065	257,866,647
	Adjustment on Disallowable Expenses	(12,726,026)	10,866,727
	Adjustment on Allowable Expenses	-	-
	Investment Income	(208,919,845)	(325,444,487)
	Business Income	31,606,194	(56,711,113)
	Investment Income	208,919,845	325,444,487
	Assessable Income	240,526,039	268,733,374
	<b>Total Assessable Income</b>	<b>240,526,039</b>	<b>268,733,374</b>
	Tax Loss Utilized	-	-
	<b>Taxable Income</b>	<b>240,526,039</b>	<b>268,733,374</b>
	Income Tax	72,157,812	80,620,012
	Income Tax on Current year Profit	72,157,812	80,620,012

## 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		2024	2023
		Rs.	Rs.
	Profit attributable to Ordinary Shareholders (Rs.)	180,634,805	177,222,065
	Weighted Average Number of Ordinary Shares in issue during the Year	10,000,000	10,000,000
	Earnings per Share (Rs.)	18.06	17.72

## NOTES TO THE FINANCIAL STATEMENTS

### 11 PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

Company Cost	Furniture & Fittings Rs.	Computers & Office Equipment Rs.	Telephones Rs.	Total Rs.
As at 01 January 2023	391,317	2,997,156	60,850	3,449,323
Additions / Transfers	-	-	-	-
Disposals / Transfers	-	-	-	-
<b>As at 31 December 2023</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 2024	391,292	2,997,139	60,848	3,449,279
Additions / Transfers	-	-	-	-
Disposals / Transfers	-	-	-	-
As at 31 December 2024	391,292	2,997,139	60,848	3,449,279
<b>Net Book Value</b>				
<b>As at 31 December 2024</b>	<b>25</b>	<b>17</b>	<b>2</b>	<b>44</b>
As at 31 December 2023	25	17	2	44
			<b>2024</b>	<b>2023</b>
			<b>Rs.</b>	<b>Rs.</b>
<b>Intangible Assets</b>				
<b>Cost</b>				
Balance as at 01 January			<b>432,695</b>	432,695
Acquisition and Transfers during the year			-	-
Balance as at 31 December			<b>432,695</b>	432,695
<b>Accumulated Amortization</b>				
Balance as at 01 January			<b>432,695</b>	432,695
Charge for the year			-	-
Balance as at 31 December			<b>432,695</b>	432,695
<b>Net Book Value</b>			<b>-</b>	-

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

**12 INVESTMENT IN LFSB**

As at 31 December	2024	2023
	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
	1,165,966	1,165,966

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.

As at 31 December	2024	2023
	Rs.	Rs.

**13 FINANCIAL INVESTMENT AT AMORTISED COST**

Investments in Treasury Bonds	99,586,656	99,586,656
Interest Receivable	10,224,183	4,739,664
	109,810,839	104,326,320

As at 31 December	2024	2023
	Rs.	Rs.

**14 ACQUISITION OF REGISTRAR SERVICES BUSINESS**

Acquisition of Registrar Services Business	37,843,590	-
	37,843,590	-

Company acquired the Registrar Business of PW Corporate Secretarial (Private) Limited with effective from 01st January 2024.

As at 31 December	2024	2023
	Rs.	Rs.

**15 TRADE & OTHER RECEIVABLES**

Trade Debtors	99,740,404	59,185,046
Provision for Impairment	(3,822,186)	(7,774,807)
	95,918,218	51,410,239
Other Receivables	20,900,746	9,727,813
	116,818,964	61,138,052

As at 31 December	2024	2023
	Rs.	Rs.

**16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**

Investment in JB Vantage Money Market Fund	174,317,252	-
Investment in First Capital Money Market Fund	59,670,539	-
Investments in JB Vantage Value Equity Fund	307,467,924	-
	541,455,715	-

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December		2024	2023
		Rs.	Rs.
<b>17</b>	<b>OTHER INVESTMENTS</b>		
	Treasury bills		
	Investments in Treasury Bills	414,443,231	1,272,238,176
	Interest Receivable	11,121,906	137,505,084
		425,565,137	1,409,743,260
	Fixed deposits		
	Investments in Fixed Deposits	469,000,000	-
	Interest Receivable	2,439,843	-
		471,439,843	-
	Less : Impairment Charges on Financial Assets	(7,363)	-
		471,432,480	-
		896,997,617	1,409,743,260
As at 31 December		2024	2023
		Rs.	Rs.
<b>18</b>	<b>CASH &amp; CASH EQUIVALENTS</b>		
	Repo and Overnight Repos	864,217,745	311,495,401
	Cash at Bank	5,476,472	4,673,005
	Cash in Hand	75,000	75,000
	RTGS Account	17,800	17,600
		869,787,017	316,261,006
<b>19</b>	<b>STATED CAPITAL</b>		
	Issued and Fully Paid		
	Ordinary Shares @ 10 Rupee per share	100,000,000	100,000,000
		100,000,000	100,000,000
	The above amount represents 10,000,000 Ordinary Shares.		
<b>20</b>	<b>AMOUNTS DUE FROM RELATED COMPANY</b>		
	Relationship		
	Colombo Stock Exchange	Parent Company	-
		-	-
	Relationship		
	Colombo Stock Exchange	Parent Company	12,707,509
		12,707,509	89,105,315



## 21 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.

## 22 CONTINGENCIES & COMMITMENTS

### 22.1 Tax Assessments Against the CDS

The Department of Inland Revenue has issued assessment notices for income tax amounting to Rs.2.2 Mn for the Year of Assessment 2016/17, Rs.3.9 Mn for the Year of Assessment 2017/18, and Rs.1.5 Mn for the Year of Assessment 2019/2020 and assessment notice for Value Added Tax amounting to Rs.0.7 Mn for the tax period of Quarter 1 2018, Rs.0.3 Mn for the tax period of Quarter 1 2020, Rs.0.1 Mn for the tax period of Quarter 2 of 2020, Rs. 0.01 Mn for the tax period of Quarter 3 2020, Rs.0.3 Mn for the tax period of Quarter 4 2020, Rs.0.08 Mn for the tax period of Quarter 1 2021 and Rs. 0.025 Mn for the tax period of Quarter 2 of 2021. The CDS has appealed to quash the income tax and VAT 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.

## 23 FINANCIAL INSTRUMENTS

### 23.1 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 Committee. The primary function of the Committee is to ensure the establishment of appropriate risk management framework within the Company. 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.

#### *a). Credit risk*

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

#### *b). 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

### 23.2 Accounting Classification and Fair Values

As at 31 December 2024	Note	Financial Assets at Amortised Cost	Financial Assets at FVTPL	Financial Assets at FVOCI	Financial Liabilities measured at Amortized Cost	Total Carrying Amount	Fair Value
		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	869,712,017	-	-	-	869,712,017	869,712,017
Other Investment	17	896,997,617	-	-	-	896,997,617	896,997,617
Financial Investment at amortised Cost	13	109,810,839	-	-	-	109,810,839	109,810,839
Investments in LFSB	12	-	-	1,165,966	-	1,165,966	1,165,966
Trade and Other Receivables	15	116,818,964	-	-	-	116,818,964	116,818,964
<b>Total Financial Assets</b>		<b>1,993,414,437</b>	<b>-</b>	<b>1,165,966</b>	<b>-</b>	<b>1,994,580,403</b>	<b>1,994,580,403</b>
<b>Liabilities</b>							
Due to Brokers		-	-	-	762,906,659	762,906,659	762,906,659
Amounts due to Related Company		-	-	-	12,707,509	12,707,509	12,707,509
Other Financial Liabilities		-	-	-	32,757,988	32,757,988	32,757,988
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>808,372,156</b>	<b>808,372,156</b>	<b>808,372,156</b>

As at 31 December 2023	Note	Financial Assets at Amortised Cost	Financial Assets at FVTPL	Financial Assets at FVOCI	Financial Liabilities measured at Amortized Cost	Total Carrying Amount	Fair Value
		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	316,186,006	-	-	-	316,186,006	316,186,006
Financial Assets at FVTPL	16	-	-	-	-	-	-
Other Investment	17	1,409,743,260	-	-	-	1,409,743,260	1,409,743,260
Investments in LFSB	12	-	-	1,165,966	-	1,165,966	1,165,966
Financial Investment at amortised Cost	13	104,326,320	-	-	-	104,326,320	104,326,320
Trade and Other Receivables	15	61,138,052	-	-	-	61,138,052	61,138,052
<b>Total Financial Assets</b>		<b>1,891,468,638</b>	<b>-</b>	<b>1,165,966</b>	<b>-</b>	<b>1,892,634,604</b>	<b>1,892,634,604</b>
<b>Liabilities</b>							
Due to Brokers		-	-	-	225,203,777	225,203,777	225,203,777
Amounts due to Related Company		-	-	-	89,105,315	89,105,315	89,105,315
Other Financial Liabilities		-	-	-	13,853,648	13,853,648	13,853,648
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>328,162,740</b>	<b>328,162,740</b>	<b>328,162,740</b>

### 23.3 Fair Values of Financial Instruments

#### 23.3.1 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.

#### 23.3.2 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 2024</b>				
<b>Assets</b>				
Financial Assets at Fair Value Through Profit or Loss (FVTPL)		541,455,715		541,455,715
Investments in LFSB	-	-	1,165,966	1,165,966
<b>Total Financial Assets</b>	-	541,455,715	1,165,966	542,621,681
<b>Liabilities</b>	-	-	-	-
<b>31 December 2023</b>				
<b>Assets</b>				
Investments in LFSB	-	-	1,165,966	1,165,966
<b>Total Financial Assets</b>	-	-	1,165,966	1,165,966
<b>Liabilities</b>	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 23.3.3.1 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.

As at 31 December	2024
	Rs.
<b>Financial Assets at FVTPL</b>	
Balance at 01 January 2024	-
Total gains or losses:	
- in profit or loss	46,532,796
Purchases	1,157,000,000
Redemption	(662,077,081)
Balance at 31 December 2024	541,455,715
Balance at 31 December 2024	541,455,715
	2023
	Rs.
<b>Financial Assets at FVTPL</b>	
Balance at 01 January 2023	50,295,879
Total gains or losses:	
- in profit or loss	735,140
- in OCI	-
Purchases	-
Redemption	(51,031,019)
Balance at 31 December 2023	-

### 23.3.3.2 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.

### 23.3.3.3 Financial Instruments Not Measured at Fair Value

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

	Level 1	Level 2	Level 3	Total Fair Values	Total Carrying Amount
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>31 December 2024</b>					
<b>Assets</b>					
Cash & Cash Equivalents	-	-	75,000	75,000	75,000
Balances with Banks & Financial Institutions	-	-	869,712,017	869,712,017	869,712,017
Other Investment	-	-	896,997,617	896,997,617	896,997,617
Financial Investment at amortised Cost			109,810,839	109,810,839	109,810,839
Other Receivables	-	-	116,818,964	116,818,964	116,818,964
<b>Total Financial Assets</b>	-	-	1,993,414,437	1,993,414,437	1,993,414,437
<b>Liabilities</b>					
Due to Brokers	-	-	762,906,659	762,906,659	762,906,659
Amounts due to Related Company			12,707,509	12,707,509	12,707,509
Other Financial Liabilities	-	-	32,757,988	32,757,988	32,757,988
<b>Total Financial Liabilities</b>	-	-	808,372,156	808,372,156	808,372,156
<b>31 December 2023</b>					
<b>Assets</b>					
Cash & Cash Equivalents	-	-	75,000	75,000	75,000
Balances with Banks & Financial Institutions	-	-	316,186,006	316,186,006	316,186,006
Other Investment			1,409,743,260	1,409,743,260	1,409,743,260
Financial Investment at amortised Cost	-	-	104,326,320	104,326,320	104,326,320
Other Receivables	-	-	61,138,052	61,138,052	61,138,052
<b>Total Financial Assets</b>	-	-	1,891,468,638	1,891,468,638	1,891,468,638
<b>Liabilities</b>					
Due to Brokers	-	-	225,203,777	225,203,777	225,203,777
Amounts due to Related Company			89,105,315	89,105,315	89,105,315
Other Financial Liabilities	-	-	13,853,648	13,853,648	13,853,648
<b>Total Financial Liabilities</b>	-	-	328,162,740	328,162,740	328,162,740

**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

### 23.4 c). Market Risk

Market risk is the risk that changes in market prices, such as interest rates that will affect the Company's income. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The CDS has placed a special emphasis on the effect of market risk on fixed income securities and investments. Further, a board approved investment policy and an investment procedure manual are in place to mitigate the market risk. The Company has set up a risk management division.

#### *Currency Risk*

The Company is exposed to currency risk on purchasing of assets and obtaining of services that are denominated in a currency other than the respective functional currency of the company. The currency in which transactions primarily take place are denominated in U.S. Dollars. The currency risk is limited by the short term nature of the period between the dates of the purchase and the settlement of the related liability. However, the Central Depository Systems (Pvt) Ltd is not exposed to a significant currency risk due to the reason that there are no foreign currency exposures as at the reporting date.

#### *Interest Rate Risk*

Interest rate risk arises due to fluctuations in the interest rates resulting in adverse impact to future cash flows or the fair values of financial instruments of the the Central Depository Systems (Pvt) Ltd. The the Central Depository Systems (Pvt) Ltd's approach in managing interest rate risk is to continuously monitor positions on a daily basis to a level that are viable and prudent. When analyzing impacts of interest rate movements on profitability, Management resorted to the techniques of sensitivity analysis carried out on Company financial assets and liabilities, taking into account various interest rate scenarios. Given below is a sensitivity analysis carried out as at 31 December 2024 that demonstrates possible impact to Company profitability due to a given change in interest rates, keeping all other variables constant.

	Market Rates up by 1% Effect to the Interest Income Rs.	Market Rates drop by 1% Effect to the Interest Income Rs.
Effect on Profit or Loss	1,623,870	(1,623,870)

#### *(d) Operational Risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's involvement with financial instruments, including processes, personnel, technology, infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The Central Depository Systems (Pvt) Ltd is in the process of developing the procedure manuals in order to strengthen the systems, processes and internal controls.



## 24 RELATED PARTY TRANSACTIONS

### 24.1 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.

**24.2** 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.

There were no transactions made with CFMs during the year ended 31 December 2024

CDs paid Rs.1,800,000/- during the year as Directors' Expenses. (2023 - Nil)

However, during the year Company had incurred cost of Rs.19,711,864 to Key Management Personnels.

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

Company	Relationship	Nature of Transaction	2024	2023
			Rs.	Rs.
<b>a) Mr. Ray Abeywardena</b>				
<b>Acuity Stockbrokers (Pvt) Ltd</b>	Chairman	CDS Sale of CDS forms & Other CDS Charges	315	914
		Amount receivable on sale of CDS forms as at year end	-	914
		Collateral Management Fee	22,419	47,346
		Collateral Management Fee receivable as at year end	8,961	1,487
		Interest Payable for Member Firm's Margin Requirement	478,937	3,090,219
		Interest paid for Member Firms' margin deposit	1,510,854	352,398
		Member Firms' liquidity deposit receivable as at year end	49,320,409	12,967,817
<b>Lanka Ventures PLC</b>	Director	CDS Listed company fees	75,362	38,462
		Receipts for computer information & other CDS Charges	12,103	4,718
		Amount receivable for computer information provided as at year end	-	1,179

## NOTES TO THE FINANCIAL STATEMENTS

Company				Relationship	Nature of Transaction	2024	2023	
						Rs.	Rs.	
	LVL Energy Fund Limited	Director	CDS	Listed Company fee	327,308	65,200		
				Computer information & other CDS Charges	48,798	4,718		
				Listed Company fee receivable as at year end	-	26,738		
				Amount receivable for computer information provided as at year end	-	1,179		
b.)	Mr. Kosala Gamage	Director	CDS	CDS Forms		-		
				Collateral Management Fee	7,074	30,071		
				Collateral Management Fee & CDS Forms receivable as at year end	3,267	12		
				Interest for Member Firms' liquidity deposit	104,504	616,882		
				Interest Payable for Member Firm's Margin Requirement	53,987	199		
				Member Firms' liquidity deposit & entrance deposit payable as at year end	12,244,775			
c)	Mr. Arjuna Herath	Non Executive Director	CDS	Computer Information & CDS Daily transaction entitlement chargers	35,703	34,795		
				Computer Information & CDS Daily transaction entitlement chargers receivables as at year and	28,441	8,256		
				CDS Service Charges	38,462	38,462		
	Watawala Plantation PLC	Non Executive Director	CDS	Computer information charges & other charges	384,862	389,231		
				CDS Service Charges	440,985	352,923		
				Registrar services - Dividend	3,411,224	3,556,853		
				Computer information charges & other charges receivable as at year end	198,482	191,077		
				CDS Service Charges receivable as at year end	252,708	180,554		
				Registrar services - Dividend receivable as at year end	1,763,537	1,357,726		
	Cargills Bank PLC	Non Executive Director	CDS	Registrar Service - IPO	-	811,992		
				Registrar Service - IPO receivable as at year end	-	811,992		
				Charge for new listing,Charge for direct deposit	69,662			
Service Charges				190,631				

Company	Relationship	Nature of Transaction	2024	2023
			Rs.	Rs.
		Charge for new listing, Charge for direct deposit receivable as at year end	16,944	
United Motors Lanka PLC	Non Executive Director	CDS CDS Daily transaction entitlement chargers/ Direct Deposits	15,588	-
		Service Charges	104,908	-
		CDS Daily transaction entitlement chargers/ Direct Deposits receivable as at year end	6,257	-
		CDS Service Charges receivable as at year end	104,908	-
		Registrar Service	921,360	-
		Registrar services receivable as at year end	721,360	-
RIL Property PLC	Chairman	CDS CDS Daily transaction entitlement chargers	24,205	-
		Service Charges	436,877	-
		Registrar services	1,314,581	-
		CDS Daily transaction entitlement chargers receivable as at year end	6,051	-
		CDS Service Charges receivable as at year end	302,092	-
		Registrar services receivable as at year end	693,733	-
d)	Mr. Channa De Silva	Director CDS Application Specific Certificate	23,590	
e)	Colombo Stock Exchange	Parent Fund Transfer In	779,000,000	383,144,375
		Fund Transfer Out	10,000	91,950,000
		Expenses transferred	(242,904,132)	(226,488,321)
		Cheque received on behalf of CDS	1,707,530	812,929
		Cheque received on behalf of CSE	(892,323)	(1,254,420)
		Interest Income	-	101,284
		Investment in Unit Trusts	(313,000,000)	-
		CDS Rental Income & Management Fee	(147,503,269)	(148,741,862)

## NOTES TO THE FINANCIAL STATEMENTS

### 25 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no material events that took place since December 31st 2024 which would have a material effect on the company that need disclosure in the financial statements.

### 26 CAPITAL COMMITMENTS

The Company has following purchase commitments in the business as at 31 December;

As at 31 December	2024	2023
	Rs.	Rs.
Approved & contracted	-	33,000,000

### 27 COMPARATIVE INFORMATION

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

In the prior year financial statements, Registrar Services and Corporate Actions Income was clasified under other income. In the current year this income was reclassified under revenue to better reflect their nature. As a result following adjustments have been made to the comparative figures.

	2023	2023	2023
	Rs.	Rs.	Rs.
	As previously Reported	Adjustment	Reclassified
Statement of Profit or Loss			
Other Income	60,180,680	(39,422,076)	20,758,604
Revenue	257,344,238	39,422,076	296,766,314

In the prior year financial statements, Auditors Remuneration, Fee paid to Auditors for Non-Audit Services and Other Professional Charges was disclose under Auditors Remuneration and Other Professional Charges . In the current year these expenses were separately disclosure to better reflect their nature. As a result following adjustments have been made to the comparative figures.

### 28 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.

# FIVE YEAR SUMMARY

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December,	2024	2023	2022	2021	2020
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>REVENUE</b>	<b>423,503,846</b>	296,766,314	419,568,778	636,900,649	244,906,610
Other Income	22,354,536	20,758,604	23,622,769	29,669,458	16,850,825
	<b>445,858,382</b>	317,524,918	443,191,547	666,570,107	261,757,435
Staff Cost	(97,101,662)	(81,769,998)	(62,744,262)	(59,693,578)	(46,845,685)
Other Operating Expenses	(308,369,758)	(304,280,922)	(258,625,735)	(172,431,410)	(134,893,498)
Impairment Charges/(Reversal) and Other Credit Losses on Financial Assets	3,945,258	948,162	(5,101,835)	(1,833,962)	56,191
Net Finance Income	208,919,845	325,444,487	211,223,866	51,344,319	59,505,241
<b>PROFIT BEFORE TAXATION</b>	<b>253,252,065</b>	257,866,647	327,943,581	483,955,476	139,579,684
Income Tax Expenses	(72,617,260)	(80,644,582)	(89,916,367)	(110,406,309)	(40,771,620)
<b>Profit for the Year</b>	<b>180,634,805</b>	177,222,065	238,027,214	373,549,167	98,808,064
<b>Other Comprehensive Income</b>	-	-	-	-	-
<b>Total Comprehensive Income for the Year</b>	<b>180,634,805</b>	177,222,065	238,027,214	373,549,167	98,808,064

\*In the prior year financial statements, Registrar Services and Corporate Actions Income were clasifed under other income. In the current year (2024) this income was reclassified under revenue to better reflect their nature. Accordingly, 2020-2023 revenue & other income figures also were reclassified with compared to prior year audited accounts.

## STATEMENT OF FINANCIAL POSITION

As at 31 December,	2024	2023	2022	2021	2020
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>					
<b>NON CURRENT ASSETS</b>					
Property & Equipment	44	44	44	44	44
Intangible Assets	-	-	-	-	-
Investments in LFSB	1,165,966	1,165,966	1,165,966	1,165,966	1,165,966
Financial Investment at amortised Cost	109,810,839	104,326,320	100,296,099	-	-
Acquisition of Registrar Services Business	37,843,590	-	-	-	-
<b>Total Non Current Assets</b>	<b>148,820,439</b>	105,492,330	101,462,109	1,166,010	1,166,010
<b>CURRENT ASSETS</b>					
Inventories	80,833	80,833	357,170	160,174	167,207
Amounts due from Related Company	-	-	-	106,234,683	31,909,027
Trade and Other Receivables	116,818,964	61,138,052	65,737,381	100,101,317	55,942,797
Financial Assets at FVTPL	541,455,715	-	-	50,295,879	620,749,259
Other Investments	896,997,617	1,409,743,260	1,198,933,897	871,256,848	-
Income Tax Receivable	-	-	-	-	-
Cash and Cash Equivalents	869,787,017	316,261,006	391,226,964	1,258,893,877	143,144,949
<b>Total Current Assets</b>	<b>2,425,140,146</b>	1,787,223,151	1,656,255,412	2,386,942,778	851,913,239
<b>Total Assets</b>	<b>2,573,960,585</b>	1,892,715,481	1,757,717,521	2,388,108,788	853,079,249
<b>EQUITY AND LIABILITIES</b>					
Stated Capital	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Retained Earnings	1,602,729,043	1,422,094,238	1,244,872,173	1,006,844,959	633,295,792
Other Reserve	165,965	165,965	165,965	165,965	165,965
<b>Total Equity</b>	<b>1,702,895,008</b>	1,522,260,203	1,345,038,138	1,107,010,924	733,461,757
<b>CURRENT LIABILITIES</b>					
Brokers' Liquidity and Margin Deposit	762,906,659	225,203,777	326,252,558	1,178,185,008	87,500,582
Accrued Expenses and Sundry Creditors	32,757,988	13,853,648	20,882,774	17,719,460	3,946,366
Amounts due from Related Company	12,707,509	89,105,315	4,729,300	-	-
Income Tax Payable	62,693,421	42,292,538	60,814,751	85,193,396	28,170,544
<b>Total Current Liabilities</b>	<b>871,065,577</b>	370,455,278	412,679,383	1,281,097,864	119,617,492
<b>Total Equity and Liabilities</b>	<b>2,573,960,585</b>	1,892,715,481	1,757,717,521	2,388,108,788	853,079,249

## 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 2024 to 31st December 2024
<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
General disclosures					
GRI 2: General Disclosures 2021	2-1 Organizational details	3, 4, Inner Back Cover	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.		
	2-2 Entities included in the organization's sustainability reporting	15, 39			
	2-3 Reporting period, frequency and contact point	2,3			
	2-4 Restatements of information	3			
	2-5 External assurance	3			
	2-6 Activities, value chain and other business relationships	44-85			
	2-7 Employees				
	2-8 Workers who are not employees	69-76	2-8	Not Applicable	CDS Does not engage workers who are not employees
	2-9 Governance structure and composition	32-39			
	2-10 Nomination and selection of the highest governance body	32-39			
	2-11 Chair of the highest governance body	38			
	2-12 Role of the highest governance body in overseeing the management of impacts	38			
	2-13 Delegation of responsibility for managing impacts	36-37			
	2-14 Role of the highest governance body in sustainability reporting	39			
	2-15 Conflicts of interest	38			
	2-16 Communication of critical concerns	38			
	2-17 Collective knowledge of the highest governance body	32			
	2-18 Evaluation of the performance of the highest governance body	38, 39			



GRI Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
	2-19 Remuneration policies	69			
	2-21 Annual total compensation ratio		2-21	Confidentiality	Confidentiality constraints
	2-24 Embedding policy commitments	32			
	2-25 Processes to remediate negative impacts	35,39			
	2-26 Mechanisms for seeking advice and raising concerns	35			
	2-28 Membership associations	4			
	2-29 Approach to stakeholder engagement	46-47			
	2-30 Collective bargaining agreements		2-30	Not Applicable	No collective agreements







# COPORATE INFORMATION

GRI	2-2-29
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## 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

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